DETERMINANTS OF BRAND EQUITY TOWARDS FASHION CLOTHING IN CHINA

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A thesis submitted in fulfilment of the requirements for the award of the degree of Master of Management (Technology)

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JULAI 2016
ACKNOWLEDGEMENT

First of all, I want to thank my supervisor, Dr. MOHD NORFIAN BIN ALIFIAH for his valuable suggestions provided for me during the dissertation writing. His suggestions on topic refining, questionnaire design and data analysis were particularly useful for me. His encouragement was a great motivation during my dissertation writing. Thank you so much for all your help, Dr. MOHD NORFIAN BIN ALIFIAH.

I would like to thank the other markers of my dissertation. Thank you all for your time in marking my dissertation. I also would like to thank the University Faculty for taking care of me in the school.

I also would like to thank my parents for their consistent supports during my dissertation writing.

Last but definitely not least, a thousand thanks go to all the respondents for their participation in the survey.
Abstract

Theories on branding have discussed consumer-based brand equity concept resulting in a general brand equity model. However, there is a lack of empirical studies in different contexts to substantiate the model. Based on the reviewed literature, previous studies have not addressed the general consumer-based brand equity model in the mass fashion clothing sector of China. This study examined the relationships between the dimensions (brand awareness, perceived quality, brand associations and brand loyalty) as well as the mediating effect of brand loyalty on the relationship between dimensions (brand awareness, perceived quality and brand associations) and overall brand equity. Questionnaires were distributed through convenience sampling method to select samples located at two large shopping malls in Beijing, and 200 questionnaires were collected and useable for data analysis. Regression methods were used to test the relationships between the variables. The findings showed that brand awareness has a significant effect on perceived quality and brand associations. Besides that, brand loyalty has a significant effect on the overall brand equity. Moreover, brand awareness, perceived quality and brand associations were all critical determinants of brand loyalty. Finally, brand loyalty mediated the relationships between these dimensions (brand awareness, perceived quality and brand associations) and overall brand equity. This study has contributed empirically as it has justified the general consumer-based brand equity model by reexamining the relationships between the variables of the model based on empirical data obtained from the mass fashion clothing industry of China.
Abstrak

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Chapter 1

Introduction

1.1 Introduction

The present research project is aimed at investigating the determinants of brand equity towards fashion clothing in China. In the current chapter, the aim is to justify the research rationale as well as provide an overview of the selected research topic. Industrial background of China’s fashion clothing sector will be presented in the background of this study. The problem statement will thereafter be presented to identify the research problem of this study. Research questions are identified on the basis of the problem statement, and research objectives will be identified and achieved so that research questions can be answered. This is thereafter followed by presentation of the scope, significance and limitations of the study. Definitions of major terms will then be presented.
1.2 Background of the Study

Fashion has always been playing a strong role alongside the evolution of human society. Early fashion dates back to the times of the ancient Egypt, Greek and Roman Empires. Since then, fashion has been a key element in human society (Okonkwo, 2007). Today, fashion is a very common concept among world’s consumers (particularly the youth). However, fashion and clothing are different concepts and entities according to Fletcher (2012). They contribute to human well-being both functionally and emotionally. Clothing is material production, while fashion is symbolic production. Although their use and looks sometimes coincide, fashion and clothes connect with people in different ways. Fashion links people to time and space and deals with their emotional needs, manifesting them as social beings, as individuals. Fashion can be what is set in motion when a designer presents a new collection. But equally, fashion can be the moment when a teenager crops a pair of jeans, adds a badge to an old sweatshirt and paints their converse pumps. Clothing, in contrast, is concerned chiefly with physical or functional needs, with sheltering, shielding and protecting.

Apparently, not all fashion is expressed via clothing and not all clothing is fashionable. Yet when fashion and clothing come together to form fashion clothing, consumers’ emotional needs become manifest as fashionable clothing. In the context of fashion clothing, therefore, the ostensible function of non-fashion clothing (which is material and protects people’s modesty and keep them warm) changes for fashion clothes. Fashion clothes are used to signal who and what people are, to attract (or repel) others and to put people in a particular frame of mind (Fletcher, 2012). These emotional needs are however complex, subtle and inexhaustible
Today’s consumers are no more satisfied with the physical or functional needs of clothing, but rather seek fashion to satisfy both their physical needs and emotional needs. The fashion clothing industry therefore develops rapidly in a response to consumers’ changing needs for fashion clothing, based on the modern technologies such as electronic sewing machines and computer-based design software, global capitalism, lean production, widespread retail outlets, and so on (Yang and Yu, 2011). It is estimated that the global fashion clothing industry is worth US$130 billion (Weber et al., 2011). The industry has witnessed an average annual growth rate of 20% over the past few decades, and remained as a constant strong contributor to the global economy (Weber et al., 2011). Moreover, the industry has made noteworthy contributions to national economies. For example, the fashion industry is the fourth largest revenue generator in France (Okonkwo, 2007). It is also one of the most prominent industries in Italy, Spain, the USA and the emerging markets of China, India, etc. The clothing retail business is also among the fastest growing industries in several parts of the world.

Although the fashion clothing sector has exerted high influence on human society, analysis of this sector from business strategic viewpoints is still far from consensus and structure according to the existing literature (Okonkwo, 2007). This may have resulted from the assumption that it is an impossible challenge to analyse fashion from a business intellectual perspective, or the assumption that business intellect and fashion are two parallel lines thus leading to no crossover point (Byerrum, 2007). These assumptions are further underlined as fashion clothing sector is focused heavily on design and creativity (Gallagher and Chen, 2008).
Nevertheless, today these assumptions can no more gain its foothold. This is because today’s fashion clothing business needs more sophisticated managerial techniques besides its strong emphasis on creativity and innovation.

The principal reason for a lack of consensus and structure in a strategic business viewpoint of fashion clothing sector is that fashion clothing brands (including both luxury and mass fashion clothing brands) were normally managed based on traditional business methods that advocate intuition-based or trial-based decisions (Okonkwo, 2007). These methods were also focused strongly on conventional advertising to develop new product and generate publicity. Nonetheless, the increasingly complex global business environment that is currently in its rapid development stage needs more modern and sophisticated managerial techniques and business practices. In this sense, the fashion clothing sector is no exception.

1.3 Problem Statement

In China, the fashion clothing industry is one of the industries that have witnessed the fastest growth, as a result of the entrance and expansion of fashion clothing brands (such as Yishion, Septwolves, Spirit, Vero Moda, Only, Jack Jones, Mango, Forever 21, H&M, Zara, etc.) in the region. China has witnessed rapid growth of its economy over the past three decades. Currently, China is the largest
economic body in the world (The World Bank, 2014). As a result, China has been recognized as one of the most attractive consumer markets in the global arena (Lam et al., 2013). This, coupled with large population (about 1.4 billion), fast entrance of foreign fashion brands, rapid development of local fashion brands, the rising disposable incomes during the growing economy and a growing interest in fashion clothing, China has witnessed a soaring fashion clothing industry, particularly in the mass fashion clothing sector (Crabbe, 2014).

The rapid growth has attracted a number of competitors as mentioned above, which increases rivalry as more competitors must compete for the same customers and resources in China’s fashion clothing industry. The rivalry further intensifies as many fashion clothing brands have similar market share in terms of the number of their outlets, leading to a struggle for market leadership. For example, the aforementioned fashion clothing brands can be found in many shopping malls in China. In order to achieve more market share, the traditional method is to compete on pricing. Price war is commonly witnessed. In other words, lower price (through frequent price discount or promotion) is believed by many fashion clothing brands as a universal attractor to Chinese consumers.

However, it is doubtful that whether it is a correct way to achieve competitive advantage by just focusing on pricing competition. This strategy may attract customers in the short run, but it may not be an effective long-term strategy (Keller, 2013). Study also shows that the competition of China’s fashion clothing sector has been gradually shifting from price-based competition to brand-based competition. The purpose of such competition shift is to better respond to consumers’ increased concern about brand image and value in China (Crabbe, 2014). In this sense,
competitors may lose advantage over others if they continue to focus on the pricing competition. The new strategic business direction should therefore focus on the development of brand equity.

Brand equity is one of the strategic managerial changes in today’s business environment (Okonkwo, 2007). Such managerial change attempts to define the relationship between a brand and its customers/users (Wood, 2000). Generally speaking, brand equity is referred to as the value added to a brand or product, and is a multidimensional concept (Aaker, 2014).

Brand equity can be finance-based or consumer-based. Finance-based brand equity means the monetary brand value that a company achieves (Simon and Sullivan, 1993). Finance-based brand equity is a value of brand in financial terms either through a cost approach (amount of money required to reproduce or replace the brand) or a market approach (the present cash flow derived from the brand’s future earnings) (Leone et al., 2006). Finance-based brand equity was very popular in the 1980s because 80% or above of brand value of a firm was made up of tangible assets such as plants, machines, land, etc. , at that time (Keller, 2013).

However, research on finance-based brand equity is no more popular in today’s business environment. This is because on average near 50% (even 70%) of a firm’s value is determined by its intangible assets such as customers and brands (Leone et al., 2006). Firms need to therefore take account of and act upon consumers’ voices (Leone et al., 2006).
Consumer-based brand equity is particularly highlighted because the power of a brand lies in the minds of consumers as well as their experience about the brand over time, which is the basic premise of study on brand equity that is consumer-based (Leone et al., 2006). Major dimensions of consumer-based brand equity refer to brand awareness, perceived quality, brand associations and brand loyalty, as proposed by Aaker (1991). The first dimension brand awareness means whether a customer can recall or recognize a brand—i.e., it is the strength of presence of a brand in mind of a customer (Aaker, 1996; Tharmi and Senthinathan, 2012). Brand awareness is a crucial part of brand equity because it is the first step to build a firm’s brand equity (Buil et al., 2013). Perceived quality is referred to as a product’s overall quality or superiority perceived by a customer in relation to alternatives (Keller, 2013). Brand associations are defined as mental linkages to a brand within memory of a consumer, and typical such associations include product attributes, benefits of the product for customers, lifestyle, competitors, country of origin, and so on (Keller and Lehmann, 2006; Keller, 2013). The last dimension brand loyalty cannot reach a universal definition. For Aaker (2014), brand loyalty means attachment to a brand and price premium. For Keller (2013), brand loyalty means frequency of repurchase and top-of-mind solution, and directly affects brand equity.

The four dimensions of brand equity model has been studied and applied in a number of contexts or settings. However, research gaps still exist in the setting of China’s fashion clothing sector from the following aspects:

First, many past studies were conducted in other countries, rather than in China. For example, Buil et al. (2013) investigated the brand equity in the UK and
Spain; Jung and Sung (2008) conducted a cross-cultural study with respect to brand equity based on the American and South Korean college students’ perceptions; and Lee and Leh (2011) investigated the brand equity in the setting of Malaysian brands. However, different national cultures have different value systems which have significant effects on consumer behavior (Corkindale and Lowe, 1998). In this regard, findings concluded from past studies cannot be directly generalised in the setting of China. In other words, it is still unclear with respect to how each dimension influences the formation of the overall brand equity as well as the relationship between these dimensions from Chinese consumers’ perspectives.

Second, many past studies were conducted in other contexts, rather than in the context of fashion clothing sector. For example, Buil et al. (2013) investigated the brand equity of the Best Global Brands (Adidas, Nike, Sony, Panasonic, BMW and Volkswagen); and Jung and Sung’s (2008) study on brand equity was focused on Polo, Gap and Levi’s. Their findings may not be applied in the context of fashion clothing sector.

Third, although some past studies were also performed in the fashion sector, research gap still exists. For example, a study by Jung et al. (2014) on brand equity was performed in the context of general fashion brands, rather than focused on specific fashion clothing brands. A study by Khan et al. (2015) on brand equity was conducted in the setting of fashion clothing industry, but in Malaysia rather than in China. Their findings may not be applied in the context of China’s fashion clothing sector.
Fourth, past studies were also found in China’s fashion clothing sector, but research gap exists. For example, Chen and Yang (2013) studied only the relationship between perceived quality and brand loyalty in the fashion clothing sector of Shanghai, rather than focused on the entire brand equity model. However, brand equity was a multidimensional concept, and hence its four major dimensions should all be considered for constant improvement.

Therefore, the research gaps exist and will be addressed in this study. That is, this study will address the research purpose, i.e. investigating the relationships between the dimensions (brand awareness, perceived quality and brand associations) of brand equity; and to examine the mediating effect of brand loyalty on the relationship between the dimensions (brand awareness, perceived quality and brand associations) and overall brand equity. To fulfill this research purpose, the following research questions and objectives will be addressed.

1.4 Research Questions

Based on the problem statement, the research questions of the present study are developed and presented as follows:

1) What is the relationship between brand awareness and perceived quality in China’s fashion clothing sector?
2) What is the relationship between brand awareness and brand associations in China’s fashion clothing sector?

3) What is the relationship between brand awareness and brand loyalty in China’s fashion clothing sector?

4) What is the relationship between perceived quality and brand loyalty in China’s fashion clothing sector?

5) What is the relationship between brand associations and brand loyalty in China’s fashion clothing sector?

6) What is the relationship between brand loyalty and overall brand equity in China’s fashion clothing sector?

7) Does brand loyalty have a mediating effect on the relationship between brand awareness, perceived quality and brand associations, and overall brand equity in China’s fashion clothing sector?
1.5 Research Objectives

In order to provide answers to the aforementioned research questions, the present study will achieve the following research objectives:

1) To examine the relationship between brand awareness and perceived quality in China’s fashion clothing sector

2) To examine the relationship between brand awareness and brand associations in China’s fashion clothing sector

3) To examine the relationship between brand awareness and brand loyalty in China’s fashion clothing sector

4) To examine the relationship between perceived quality and brand loyalty in China’s fashion clothing sector

5) To examine the relationship between brand associations and brand loyalty in China’s fashion clothing sector
6) To examine the relationship between brand loyalty and overall brand equity in China’s fashion clothing sector.

7) To examine the mediating effect of brand loyalty on the relationship between the variables (brand awareness, perceived quality and brand associations) and overall brand equity in China’s fashion clothing sector.

1.6 Scope of the Study

The present study investigates the determinants of brand equity in the context of China’s fashion clothing sector. Other potential factors that may also have effects on brand equity are excluded in the present study as studying all possible influential factors is unpractical in a small-scaled research project.

Moreover, this study is conducted in Beijing where samples are chosen. As the capital of China, Beijing has witnessed the rapid growth in its fashion clothing sector, and hence it is not difficult to find consumers that seek for fashion clothing products. In addition, nation-wide investigation is beyond the ability of the researcher and the requirement of this dissertation. This study is therefore only conducted in Beijing.
Furthermore, this study is focused only on the mass fashion clothing market of China in which competition is highly intensive, and hence it is crucial to formulate a strategic business direction (i.e., brand equity strategy) for the competitors in this sector. Typical mass fashion clothing brands have been mentioned earlier in the problem statement, such as Yishion, Septwolves, Spirit, Vero Moda, Only, Jack Jones, Mango, Forever 21, H&M, Zara, etc. Mass fashion is a business strategy used by the aforementioned mass retailers (Barnes and Lea-Greenwood, 2006). Mass fashion clothing is concerned with trendy inexpensive clothing and rapid delivery with low lead times, responds quickly to consumers’ changing fashion trends, and mimics high-end fashion (Barnes and Lea-Greenwood, 2006). The new product development cycle of fashion clothing often takes two to four weeks according to Plunkett (2010). Moreover, mass fashion products are usually in smaller volumes and not replenished for purposes of minimizing the likelihood of inaccuracy and of being outdated (Hines and Bruce, 2007).

Finally, the target population of the present study consists of the youth consumers aged between 20 and 35. The reasons for this is that the mass fashion clothing market aims mainly at the youth consumers, and that these consumers are mostly still low in disposable income thus being unable to afford luxury fashion clothing but mass fashion clothing only.
1.7 Significance of the Study

Previous discussion reveals that although the fashion clothing industry of China is still on its rapid growth stage, competition is strong in this industry, as a result of rapid expansion of various fashion brands, including both the domestic and foreign competitors in this industry. Therefore each competitor is confronted with the increasing competition from others. This is particularly true for domestic competitors whose brand image is widely perceived by Chinese consumers lower than many foreign fashion clothing brands. Moreover, advantage achieved through price competition is gradually disappearing since the competition of China’s fashion clothing has been gradually shifting from price-based competition to brand-based competition. The purpose of such competition shift is to better respond to consumers’ increased concern about brand image and value in China. It is therefore significant for fashion clothing brands to enhance brand equity to maintain their competitive advantage.

In addition, although the brand equity has been studied in various contexts, few past studies have been conducted to investigate the brand equity in China’s fashion clothing sector. For example, Chen and Yang (2013) studied only the relationship between perceived quality and brand loyalty in the fashion clothing sector of Shanghai. Qi et al. (2013) studied the brand equity in China’s telecom industry; Buil et al. (2013) investigated the brand equity of the Best Global Brands (Adidas, Nike, Sony, Panasonic, BMW and Volkswagen) in the UK and Spain; and Jung and Sung (2008) conduct a cross-cultural study with respect to brand equity based on the American and South Korean college students’ perceptions towards Polo, Gap and Levi’s. Therefore, this study is empirically significant in the context of
China’s fashion clothing sector.

The present study also contributes to the theory of consumer-based brand equity. The existing theory is mainly focus on the general framework of brand equity, but does not address the relationship strengths between the dimensions involved in the framework in particular settings. The findings of this study contribute to the theory of brand equity in the setting of fashion clothing industry. In a word, the present study provides a theoretical orientation to account for the significant determinants of the fashion clothing brand equity model.

Finally, the present study is of empirical contribution. It provides an empirical validation of the theoretical orientation. Very limited empirical studies have been conducted to address the issue of developing brand equity in China’s fashion clothing sector. The empirical findings of the present study can therefore be used as a reference for future research and for developing competitive fashion clothing branding strategies.

**1.8 Limitations of the Study**

There are some limitations relating to the current research project. First of all, the convenience sampling method used to select samples is imperfect due to the
potential sampling bias. This bias is caused by only selecting samples close to hand. Other targeted consumers who were not selected due to whatever reasons were excluded in this research. As a result, their voices could not be heard and acted upon. Moreover, the interaction between the two parties (the respondents and the researcher) was very limited as the questionnaire was self-administered, making it difficult to clarify any survey-related problems for the respondents as well as to obtain extra valuable information that might be provided by the respondents. Besides, this study was affected by the limited time for material searching, limited cost which affects the availability of the paid materials, and geographical limitation, which might affect the generalization of the findings. In addition, the present research surveyed the customers of fashion clothing in Beijing only, excluding the customers of the other cities of China. These customers (in other cities) were excluded given the time, cost and geographical limits. As a result, the generalization of the findings was limited. Finally, this study only investigated the effects of the four major dimensions of brand equity on the overall brand equity, while excluding the effects of other proprietary brand assets (e.g. patents, trademark) on brand equity.

1.9 Operational Definitions

The key terms of the present study include brand equity, consumer-based brand equity and its four major dimensions as mentioned earlier. The definitions of the said key terms are presented as follows:

1) The definition of brand equity cannot reach its universal version. For example,
Farquhar et al. (1990) define brand equity as the added-value that a brand grants a product. Aaker (1991) defines brand equity as a set of brand assets and liabilities with respect to a brand, its name and symbol that add to or subtract from the value provided to a firm and/or to their customers. Despite the varied definition, Aaker (2014) argues that brand equity is referred to as the value added to a brand or product, and is a multidimensional concept. In the present study, brand equity means the value added to a fashion clothing brand or product through brand name, symbol, slogan, and so on.

2) Consumer-based brand equity means “the differential effect of brand knowledge on consumer response to the brand marketing.” (Keller, 1993, p. 2; Keller, 1998, p. 45) In the present study, consumer-based brand equity helps fashion clothing marketers gain deeper understanding of how their marketing programs improve their brand value based on the brand evaluation from consumers’ perspective.

3) Brand awareness is the extent to which a customer can recall or recognize a brand (Aaker, 1996; Chitale and Gupta, 2011). In the present study, brand awareness measures the extent to which the target consumers can recall or recognize a fashion clothing brand.

4) Perceived quality is defined as the customer’s perceived superiority of a product compared with its alternatives (Keller 2013). In this study, perceived quality means consumers’ perceived superiority or excellence of a fashion clothing brand compared with other fashion clothing brands.
5) Brand associations are mental linkages to a brand in a customer’s memory, such as product attributes, product benefits, lifestyle, competitors, country of origin, etc. (Keller and Lehmann, 2006). For example, the major product-related attributes of fashion clothing include design, support, colour, fit and protecting; competition-based price strategy; product packaging of fashion clothing; and benefits such as body protection, avoidance of hurting body, comfortable of wearing, prestige, exclusivity, fashion of a brand, etc.

6) Brand loyalty is defined as the extent to which a consumer attaches to a brand (Aaker, 1991). In the present study, brand loyalty measures how the extent to which a consumer is loyal to a fashion clothing brand through, for example, repetitive purchase, intention to recommend, word of mouth, intention to repurchase, etc.

1.10 Structure of the Dissertation

- Chapter 1 justifies the research rationale and provides an overview of the selected research topic. The industrial background of fashion clothing is presented in the research background. Thereafter, the research problem is presented, supported by the background of China’s fashion clothing sector and theories of brand equity. Research questions and objectives are developed to address the research problem. This chapter also presents the scope, significance and limitations of the study.
Definitions of major terms are also presented, followed by the structure of the dissertation.

• Chapter 2 is focused on the literature review relevant to the current research topic. Sources of literature include journals, textbooks, and online data base. The concept of brand equity is discussed with a focus on the concept of consumer-based brand equity and its major dimensions. In addition, the relationships between these dimensions are highlighted, and the mediating effect of brand loyalty on brand equity is discussed. The major contribution of this chapter is to provide a theoretical basis for hypotheses development as well as the formation of the conceptual framework of this study.

• Chapter 3 provides a critical discussion of the research methods adopted by the present study to attain the research objectives. Methods to be discussed include the research paradigm, research design, research strategy, reliability and validity, sampling strategy, data collection and response rate, and data analysis procedure. This chapter ends with the ethical considerations.

• Chapter 4 provides a quantitative analysis of primary data and concludes findings. Raw data is summarized and hypotheses are tested in this chapter.

• Chapter 5 discusses the findings, concludes the dissertation, presents the limitations and contributions, and provides recommendations for both the
marketers in China’s fashion clothing sector and future research.
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