

**THE RELATIONSHIP BETWEEN BRAND EQUITY
AND FIRM'S PERFORMANCE IN THE MOVIE
PROJECTION INDUSTRY IN JILIN PROVINCE OF
CHINA**

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**A dissertation submitted in partial fulfillment of
the requirements for the degree of Masters of
Business Administration (MBA).**

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
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DALAM PEMBANGUNAN INDUSTRI WAYANG GAMBAR DI WILAYAH
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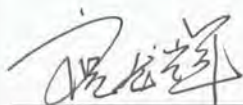
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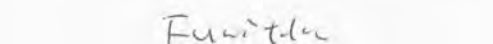
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DECLARATION

The materials in this dissertation are original except for quotations, excerpts, summaries and references, which have been duly acknowledged.

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ABSTRACT

There is a growing emphasis on building and managing brand equity as the primary driver of a service firm's success. Success in brand management results from understanding brand equity correctly and managing it to produce solid financial performance. This study examined customer-based brand equity and its underlying dimensions that affect cinema firms' financial performance in the movie projection industry in Jilin province of China. A survey was conducted among the cinemas' customers in Changchun city of Jilin province in March 2007. A total of 207 usable questionnaires were collected for this study. The finding revealed a significant positive relationship existing between customer-based brand equity and firms' financial performance in the movie projection industry in Jilin province of China. The study also found that brand awareness and brand associations do not significantly influence cinema firm's financial performance. Brand loyalty and perceived quality have significant positive influence on financial performance of cinema firm. Furthermore, moderating variable (firm's size) has significant influence on the relationship between brand equity and firm's financial performance. It suggested that the cinema operators need to pay most attentions to emphasize on these significant underlying dimensions of brand equity, namely brand loyalty and perceived quality as well as moderating variable of firm's size, to plan appropriate branding strategies for a long-standing brand power in the market, and at the same time help to improve cinema firm's financial performance in future.



ABSTRAK

HUBUNGAN DI ANTARA EKUITI JENAMA DAN PRESTASI FIRMA DALAM PEMBANGUNAN INDUSTRI WAYANG GAMBAR DI WILAYAH JILIN, CHINA

Penumpuan terhadap penghasilan dan pengurusan ekuiti jenama sebagai asas dorongan terhadap kejayaan bagi sesebuah firma yang menawarkan perkhidmatan adalah semakin dititikberatkan. Kejayaan pengurusan jenama hasil daripada pemahaman serta pengendalian yang betul terhadap ekuiti jenama untuk menghasilkan prestasi kewangan firma panggung wayang yang kukuh. Kajian ini mengkaji ekuiti jenama serta dimensi berkaitan yang memberikan impak kepada prestasi pembangunan industri wayang gambar di Wilayah Jilin, China. Kaji selidik telah dijalankan di kalangan penonton wayang di Bandar Changchun, Wilayah Jilin, China pada bulan Mac 2007. Sebanyak 207 set borang soal selidik berjaya dikumpulkan untuk kajian ini. Hubungan yang positif wujud di antara komponen ekuiti jenama berasaskan pelanggan dan prestasi firma di dalam pembangunan industri wayang gambar di Wilayah Jilin, China. Hasil kajian mendapati bahawa kesedaran jenama dan persekutuan jenama tidak signifikan mempengaruhi prestasi kewangan sesebuah firma. Manakala, kesetiaan jenama dan kualiti mempunyai hubungan positif dalam mempengaruhi prestasi kewangan bagi sesebuah firma. Para pengusaha wayang gambar perlu memberikan perhatian dengan memberi penekanan ke atas kedua-dua dimensi yang dirangkumi oleh ekuiti jenama, iaitu kesetiaan jenama dan kualiti serta saiz firma sebagai moderator untuk merancang strategi jenama bagi mempengaruhi penguasaan jenama oleh sesebuah panggung wayang di pasaran, serta juga dapat memperbaiki prestasi kewangan sesebuah firma panggung wayang pada masa yang akan datang.



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CHAPTER 1

INTRODUCTION

1.1 Overview

In the last few years, China's government successfully set up a series of special policies in the way to help cinemas' investment, reformation and development. The implementation of these policies significantly improved development of the movie projection industry in China (State Administration of Radio Film and Television, 2002). Currently, China's progress in the movie projection Industry is very aggressive and impressive due to the rapid development of China's economy and the 1.3 billion population huge market that provide a great potential for the movie projection industry development.

Table 1.1 and Figure 1.1 likewise presented the statistic information of the State Administration of Radio Film and Television, which showed sales revenues of the movie projection industry of China from the years of 2001 to 2006. It showed that there was a significant movie sales revenue growth in the last few years. In the table, RMB represents Chinese money (Yuan), 1 RMB equals 0.456 Malaysia ringgit (RM).

Table 1.1: Sales Revenues of the Movie Projection Industry of China in the Years of 2001 – 2006.

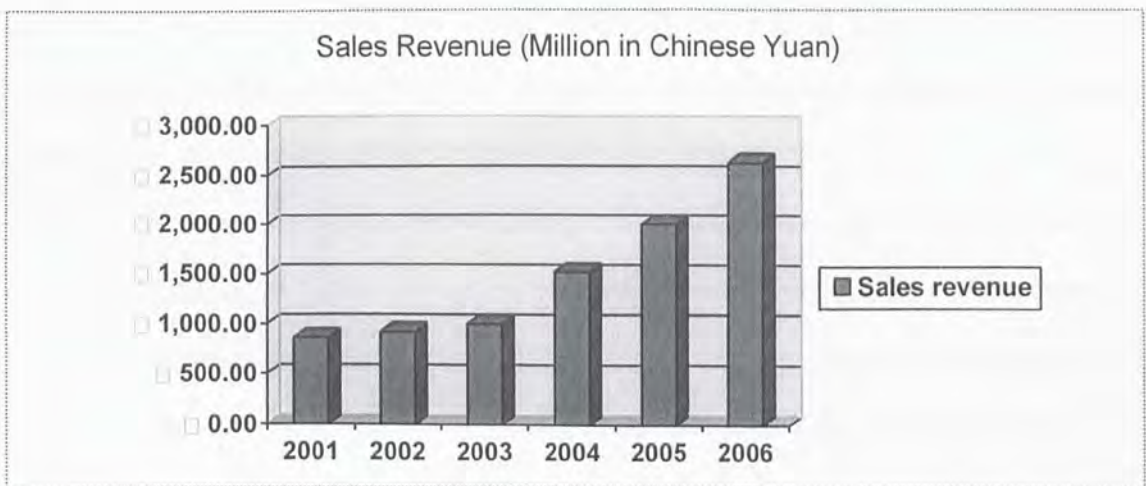
Years	Sales Revenue (In Chinese Yuan)	Growth Rate
2001	RMB 860,000,000	—



2002	RMB 920,000,000	6.97%
2003	RMB 1,000,000,000	8.69%
2004	RMB 1,520,000,000	52.00%
2005	RMB 2,000,000,000	31.57%
2006	RMB 2,620,000,000	31.00%

Source: (Li, 2007).

Figure 1.1: Sales Revenues of the Movie Projection Industry of China in the Years of 2001 – 2006.



Source: (Li, 2007).

China's leaders knew that greater trades and more foreign capitals would be coming in if they opened China's market to foreign investors. In 11th December 2001, China joined WTO (World Trade Organization) and officially became one of the 143 members in WTO. Joining WTO brings the benefits to the China's movie projection industry, more resources of foreign movies, for example, strengthening positive actions

of the movie projection industry in the market and etc. It would also help in reformation of the China's movie projection industry and establishment of the Cinema Line Membership System (State Administration of Radio Film and Television, 2002).

Furthermore, joining WTO would make the revolutionary change in the intellectual property protection system of China. The various previous problems of intellectual property protection in China could be gradually eliminated due to joining WTO (State Administration of Radio Film and Television, 2002). For example, China's government has to enhance the strike level to the CD and DVD of pirated editions which are existing in the market of China. Therefore, the survival space of these pirated editions can be further reduced, and in the end, these pirated CD and DVD will be extruded from the market necessarily. China's movie projection industry that is deeply affected by these problems for a long time will be able to replace itself with the enforcement of legal regulations. Thus, the movie sales revenue of cinemas of China will be improved significantly.

On the other hand, joining WTO might directly and seriously influence the movie projection industry of China. It had to compete intensely with many well established international movie projection groups in the market of China. These international movie projection groups, which had already coveted to this 1.3 billion population latent huge market for a long time, would expand their business in a large scale soon in China. This meant big movie players in the world, such as AMC, Lark, Smile, Golden Village, the Studio City and others of the United States and Europe, would freely compete with the local cinemas in China without limitations of regulations from the China government. Even though the local cinemas had some special policies for support and protection from the government, the survival crisis would also take place and widely affect the whole movie industry of China in a short period of time (State Administration of Radio Film and Television, 2002).

While the outside world might see the movie projection industry of China anxiously as a rising economic rival, many China's state cinema companies were still simply unable to shape up before foreign competition arrives. Therefore, the whole movie projection industry of China must develop and increase its competitive strength quickly if it wants to be successfully survived in the movie market of China after joining WTO (State Administration of Radio Film and Television, 2002).

Jilin province was an important part in the movie market of China. The movie projection industry of Jilin province was a traditional industry, which was set up in 1949. It had glorious history and honors in past 50 years, but this industry was no more optimistic from the side of economic development situation after joining WTO (Wu, 2002).

It was placed in the predicament of market economy transformation and development, besides also facing with various problems that need to be solved promptly. These problems included lack of source for good movies, excellent human capitals, effective organizations, management knowledge and skills, development funds, well cooperation between cinema firms and etc. The movie projection industry of Jilin province was not only far behind left by the developed countries in the world, but also by other provinces in the domestic market of China (Wu, 2002).

Table 1.2 and Figure 1.2 below showed sales revenues of the movie projection industries of Beijing, Shanghai, Guangdong and Jilin provinces in the years of 2003 – 2006. It showed that there was a significant growth of movie sales revenue from the years of 2003 – 2006 in Jilin province. In 2006, total movie sales revenue of Jilin province was RMB (Chinese Yuan) 24 million, which was 4 times larger than the year of 2003. This phenomenon explained well that the movie projection industry of Jilin province was growing up, and had potential to expand further. On the other hand, when compared Jilin province with other more developed provinces in China in terms of movie sales revenues, the table showed that it was far behind with other provinces in China,

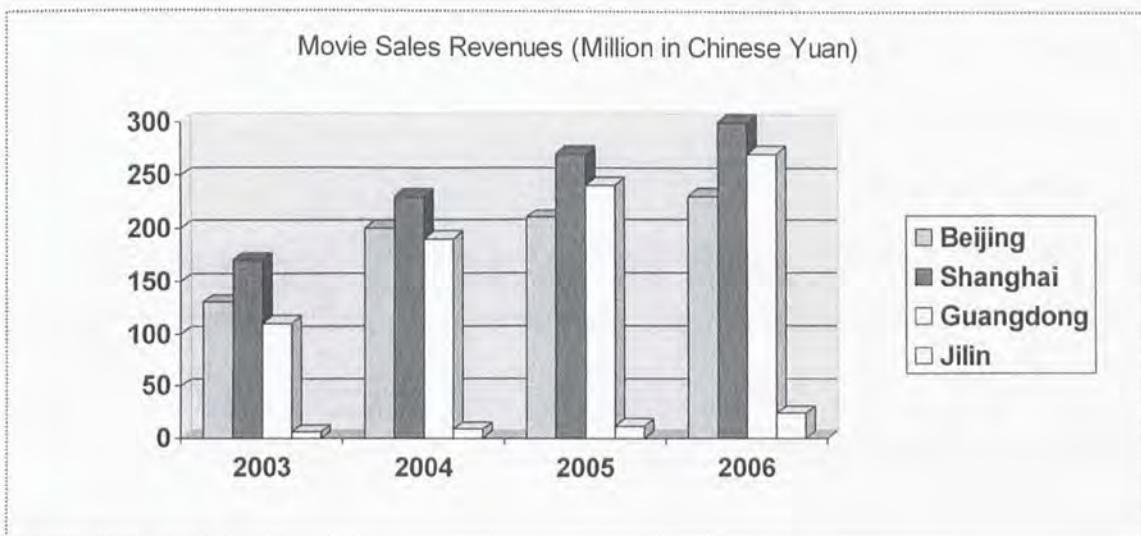
such as, Beijing, Shanghai, Guangdong. Hence, it could be consider there was a big gap existing between Jilin province and other more developed provinces in the movie market of China in terms of movie sales revenue generation.

Table 1.2: Sales Revenues of the Movie Projection Industry of Beijing, Shanghai, Guangdong and Jilin Provinces in the Years of 2003 – 2006.

	2003 (In Chinese Yuan)	2004 (In Chinese Yuan)	2005 (In Chinese Yuan)	2006 (In Chinese Yuan)
Beijing	RMB 130,000,000	RMB 200,000,000	RMB 210,000,000	RMB 230,000,000
Shanghai	RMB 170,000,000	RMB 230,000,000	RMB 270,000,000	RMB 300,000,000
Guangdong	RMB 110,000,000	RMB 190,000,000	RMB 240,000,000	RMB 270,000,000
<u>Jilin</u>	RMB 5,900,000	RMB 8,500,000	RMB 12,000,000	RMB 24,000,000

Source: (Li, 2007).

Figure 1.2: Sales Revenues of the Movie Projection Industry of Beijing, Shanghai, Guangdong and Jilin Provinces in the Years of 2003 – 2006.



Source: (Li, 2007).

In the movie projection industry more developed provinces of China, such as Beijing, Shanghai and Guangdong, the movie markets have well growth reputation. The management of the cinemas in these provinces is very innovative and creative, and knowledgeable about cinema's development and management as well as customer service and brand equity. For example, the single cinema which named Big-Sunshine in Shanghai generated a great movie sales revenue for more than RMB (Chinese Yuan) 40 million in 2006 just depended on its perfect management, excellent customer service and well-known cinema's brand name (Mu Zi, 2007). In terms of brands' economics, customers who are positively predisposed to a brand name subsequently may require less exposure, less brand reinforcement, and reduced marketing resources (Rossiter and Perey, 1987; Keller, 1993), thus can increase sales revenue of the business.

Because of the historical and geographically reasons, the movie market in Jilin province is developing slowly compare with other provinces in China. Hence, the management of the movie projection industry in Jilin province is finding alternatives to improve their cinemas' performance for future development. One of the important aspects which needs the cinema's managers to consider is how their cinema's brand equity can influence and improve cinema's performance in Jilin province.

Management strategies for long term brand power rather than short term performance have been re – evaluated by many US companies (Aoki, 1997). Thus, the concept and measurement of brand equity has interested academics and practitioners for more than a decade, primarily due to the importance in today's marketplace of building, maintaining and using brands to obtain a definite competitive advantage (Kim *et al.*, 2003).

Brand equity is supposed to bring several advantages to a firm. For example, high brand equity levels are known to lead to higher consumer preferences and purchase intentions (Cobb – Walgren *et al.*, 1995). Firms with high brand equity are also

known to have high stock returns (Aaker and Jacobson, 1994). Developing further insights into the measurement of consumer-based brand equity is important in the face of the prominence of branding. Branding is a powerful means of differentiation. Differentiation is one of the key competitive positioning strategies suggested by Porter (1998). The strategic impact of branding is duly recognized in the marketing literature (see Aaker, 1991, 1992; de Chernatony and McDonald, 1998; Kapferer, 1994; Keller, 1999). Brands may develop sustainable competitive advantage for firms (Aaker, 1989). For the movie projection industry, if consumers perceived a particular brand favorably, then the cinema may have a competitive advantage. Hence, it becomes vital for brand managers to have access to valid reliable consumer-based brand equity instruments.

The intention of the study was to examine how brand equity and its underlying dimensions affect firm's performance in the movie projection industry of Jilin province of China. There are some assertions concerning the positive correlation between brand equity and a firm's performance (Park & Srinivasan, 1994; Aaker, 1996). The rationale for the movie projection industry, for example, is quite straightforward—cinemas with strong brand equity are expected to command higher movie sales revenue and average seat rates, due to high customer attraction, satisfaction and a positive price–value relationship. It will result in higher operational performance. According to Kim *et al.* (2003), however, little empirical research actually demonstrated the correlation between brand equity and corporate performance in service brands. Therefore, this study aimed to fill in this gap.

1.2 Problem Statement

Brands are increasingly considered primary capital in many businesses, and it is supposed to bring several advantages to a firm (Cobb – Walgren *et al.*, 1995). In the movie projection industry more developed provinces of China, the effects of brand equity



in the movie market are contributing much value to cinemas' performance, whilst it is also pushing the movie projection industry to develop healthily.

On the other hand, in the less developed regions of China, such as Jilin province, the movie market condition is very different compare with the developed provinces. So the cinema managers of Jilin province need to recognize and understand brand equity that may have under this market condition. Besides that, cinema managers need to study whether brand equity of cinema will have same effects and influences to the cinema's performance in Jilin province just like in the movie projection industry more developed provinces, Beijing, Shanghai, Guangdong and other provinces? Thus, to what extent the brand equity influences and helps cinema's performance and economic growth? How to plan and implement cinema's branding strategies correctly so that it can push the firm to continuously succeed? Cinema managers also should know how to increase these effects and influences of brand equity for promoting cinemas' performance with the minimal market investments. All of these are crucial problems that cinemas' managers of Jilin province are facing to and need to be solved correctly. In this study, **the research problem was to examine possible relationship between consumer – based brand equity and cinema's performance in the movie projection industry of Jilin province, China.**

Brand equity has gained renewed attention in recent years (Van Osselaer Alba, 2000; Yoo & Lee, 2000). The importance of brand equity has led to many published studies that explore the importance of brand equity in marketing (Aaker, 1991; Keller, 1993). A strong brand provides a series of benefits to a service firm, such as greater customer loyalty and higher resiliency to endure crisis situations, higher profit margins, more favorable customer response to price change, and licensing and brand extension opportunities (Keller, 2001).



Performance can be defined in many different ways. EFQM (1999) defined performance as a measure of attainment achieved by an individual, team, organization or process. There are many different indicators to measure the performance. According to previous researchers (Ezzemel, 1992; Ezzemel & Hart, 1989; Rappaport, 1986), financial performance has been widely used as an indicator for business performance. Therefore, in this study, it used financial performance to be a measurement of cinema's performance.

This research was conducted based on the theoretical framework that was adopted with modification from previous researchers of Kim *et al.* (2003), Seggie *et al.* (2006) and Majumdar (1997) as a blueprint to achieve the right direction and result of the research. The research addressed two main research questions:

- 1) What are the main effects of cinema's brand equity and its dimensions that influence cinema's performance – financial performance in the movie projection industry in Jilin province of China?
- 2) Do the moderating variables (cinema's size and age) affect the relationship between cinema's brand equity and its performance – financial performance?

1.3 Objectives of Study

The objectives of this research were:

- a. To identify cinema's brand equity and its dimensions that influence cinema's performance – financial performance in the movie projection industry in Jilin province of China.
- b. To investigate the effect of the moderating variables (cinema's size and age) on the relationship between cinema's brand equity and its performance – financial performance in the movie projection industry in Jilin province of China.



- c. To give input for the movie projection industry of Jilin province offering a diagnostic decision – making tool to help top cinema managers plan appropriate branding strategies, maximize the value of their firm's brand and long – standing brand power.

1.4 Significance of Study

The purpose of this study was to examine brand equity and its underlying dimensions how they affect firm's performance in the movie projection industry in Jilin province of China. The results from this study could benefit the movie projection industry especially the cinema management in Jilin province. It aim to confirm whether there is a significant relationship existing between brand equity and firm's performance in developing movie market, Jilin province, like in more developed movie market, such as Beijing, Shanghai, Guangdong and other provinces in China. Logical reasoning behind the study hypothesized that the more customers are satisfied, the more they prefer the brand and more they will return. This should translate into higher sales revenue. The study's results could offer a diagnostic decision – making tool to help top cinema managers plan appropriate branding strategies, maximize the value of their firm's brand and long – standing brand power that can provide more growth opportunities and financial revenues.

1.5 Scope of Study

The study was investigated in Changchun city of Jilin province in China, which is the capital and biggest city in Jilin province, because of 80 percent of cinemas' sales revenue in Jilin province came from Changchun city in 2006 (Li, 2007), which justified the sampling site. All of the 11 cinemas in Changchun city were chosen to receive survey responses. The data was collected from a total of 220 respondents of cinema consumers.



According to the study by Aaker (1991, 1996), which broadly supported by many researchers (Keller, 1993; Motameni & Shahrokhi, 1998; Low & Lamb, 2000; Prasad & Dev, 2000; Yoo & Donthu, 2001), this study could be divided into five independent variables where the factors were the brand equity which presumed to be a variable measured in its entirety, brand loyalty, brand awareness, perceived quality and brand associations. It was possible for the firm's size and age to have impacts or moderating effects on the relationship between brand equity and the firm's performance (Seggie *et al.*, 2006). Therefore, firm's size that measured by the number of employees in the firm and firm's age that measured by years of operating in the business were used as moderating variables.

1.6 Key Variables

For the purpose of this study, the following terms were clarified to avoid confusion and on what it meant in the context of this study.

1.6.1 Brand

The term "brand" has multiple connotations. At one end of the spectrum, brand constitutes a name, a logo, a symbol, and identity, or a trademark. At the other end, brand embraces all tangible and intangible attributes that the business stands for (Prasad & Dev, 2000). Similarly, according to Murphy (1987, 1989, 1990), a brand is the product or service of a particular supplier which is differentiated by its name and 'get-up'. A brand is not only an actual product, but also the unique property of a specific owner. It has been developed over time so as to embrace a set of tangible and intangible attributes that appropriately differentiate products. Brands serve a number of functions for the consumer. They provide an assurance of quality, reliability, etc. and they therefore allow the consumer to shop with confidence and specify unerringly what he or



she wants. They therefore serve as a kind of 'route map' through a sometimes bewildering range of alternatives.

1.6.2 Brand Equity

Brand equity has been considered in many contexts: the added value endowed by the brand name (Farquhar, 1989); brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets (Aaker, 1991); the differential effect of brand knowledge on consumer response to the marketing of the brand (Keller, 1993); incremental utility (Simon & Sullivan, 1993); total utility (Swait et al., 1993); the difference between overall brand preference and multi – attributed preference based on objectively measured attribute levels (Park & Srinivasan, 1994); and overall quality and choice intention (Agarwal & Rao, 1996). All these definitions imply that brand equity is the incremental value of a product due to the brand name (Srivastava & Shocker, 1991).

1.6.3 Financial Performance

Financial performance has been widely used as an indicator for business performance (Ezzamel, 1992; Ezzamel & Hart, 1989; Rappaport, 1986). According to Financial Dictionary, financial performance means that a company's ability to generate new resources, from day-to-day operations, over a given period of time.

1.6.4 Size of Firm

Size of firm is the firm's dimension, large or small, measures by the number of employees (Hall, 1995). In this study, size of firm was measured by the number of employees currently in the cinema.



1.6.5 Age of Firm

Age is the length of time or age of firm in the business or years of survival (Hall, 1995). Age of firm in this study was reflected the level of maturity of the cinema in the Movie Projection Industry.

1.7 Organization of Thesis

In order to theoretically and methodologically explain the research, the dissertation was organized as follow:

Chapter 2: Literature Review – This chapter reviewed and synthesized the relevance of the various past researches that had been done previously. It examined previous researcher's discussion and arguments, the type of model, theory and concepts that had been previously used. This would give the readers more information on what had been done in this particular field before. This was also to formulate the research questions, objectives and theoretical framework.

Chapter 3: Research Methodology – This chapter explained the technique and method used to conduct the research. This included the theoretical framework, hypothesis assumption, the nature and type of the study, instrument (design of the questionnaire) used to conduct the research. This chapter also included the size and group of the sample as well as data collection methods and the methods for analysis of the data.

Chapter 4: Analysis of Results – The fourth chapter illustrated the respondents' profiles followed by the research results and findings.



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