J Community Nutrition 8(2) : 96~101, 2006

Brand Equity Comparison of Local and International Fast Food Operations between Korea and the Philippines

Seung-Hee Baek,[1] Sunny Ham,[2]† Il-Sun Yang[3]

Department of Food and Nutrition,[1] Shingu College, Seongnam, Korea
Hospitality and Tourism Management,[2] University of Kentucky, KY, USA
Department of Food and Nutrition,[3] Yonsei University, Seoul, Korea

ABSTRACT

This study compares brand equity of the fast food industry between Korea and the Philippines. This comparison is conducted by measuring a price premium that the college students in both countries would pay for hamburgers. Three popular fast food chains in each country, Lotteria, McDonalds', and Burger King in Korea and Jollibee, McDonalds', and Burger King in the Philippines, were chosen for the study. Utilizing a brand-based comparative approach, the findings of the study indicated that Burger King showed the highest brand equity for the premium brand image in both countries, whereas both local brands had a lower brand equity compared to international brands. The results of the study provide useful information for international and local brand managers that wish to establish strategies for a brand image, as well as to manage brand equity effectively. (*J Community Nutrition* 8(2): 96~101, 2006)

KEY WORDS: brand equity · fast food · willingness to pay a price premium · brand-based comparative approach · Korea · the Philippines.

Introduction

The importance of a brand in marketing has rapidly become the core of marketing itself. Since mid-1980, the subject, "brand", has gained interests of scholars in academia, while the great importance of this term led to the conceptualization of "brand equity" in the industry. Literature on brand equity consists of a myriad of unrelated studies resulting in a multitude of different conceptualizations of the subject (Maio et al. 1998). Brand equity can be viewed from the standpoint of either companies or customers. A company quantifies brand equity by focusing on the measure of the financial gains of a certain brand; however, doing so neglects the value of the customers who are the critical pieces to form brand equity. From the perspective of customers, brand equity is created inside customers' minds. Ideally customers' ideas on a brand should be solid enough to influence them to maintain loyalty to the brand. Customers are the beginning and ending point of successful brands in a firm (Marston 1992).

Serious debates were made in academia on which method would be the best to measure brand equity. Considering that the source of brand equity is the customer, or the purchaser of the product, this study applies the methods to measure the brand equity from the perspective of customers. Marketing literature views operationalizations of customer-based brand equity from two perspectives: one involving customer perceptions and the other involving customer behaviors (Cobb-Walgren et al. 1995). From a perceptual viewpoint, brand equity involves brand awareness, associations, and perceived quality. It is treated as brand name importance, since the name of a brand is often its core indicator (Yovovich 1988; Sharkey 1989; MacLachlan, Mulhern 1991). Prasad, Dev (2000) measured a hotel brand's equity via the customer's rating of the brand using multiple measures. They conceptualized brand equity as a measure derived from a range of customer-satisfaction criteria. A hotel would have strong brand equity when many customers have a favorable perception of and attitude toward the hotel brand.

From a behavioral viewpoint, brand equity involves both brand loyalty and the willingness to pay a price premium for

†**Corresponding author**: Sunny Ham, Hospitality and Tourism Management, University of Kentucky, 121 Erikson Hall, Lexington, KY 40506, USA
Tel: (859) 257-4332, Fax: (859) 257-4095
E-mail: sham2@uky.edu

a brand. The willingness to pay a price premium is the amount a customer is willing to pay for his/her preferred brand over comparable brands of the same package quantity. It is one of the strongest indicators of brand loyalty and may be the most reasonable summary measure of overall brand equity (Aaker 1996). It is conceptualized as 'core/primary' customer-based brand equity. The price premium that the consumer is willing to pay for a brand has been evaluated compared to an unknown brand of similar physical characteristics. According to Yoo et al. (2000), the same physical product without the brand name is the best referent object for measuring brand equity. As a referent, a generic brand may not be proper because it has its own brand equity resulting from its reputation and product utility. Rio et al. (2001) measured the willingness to pay a price premium for sports shoes of a known brand and an unknown one. It can be assumed that the consumer evaluates the unknown brands, taking into consideration their observable physical attributes at the time of purchase (Rangaswamy et al. 1993). The price of the unknown brand is then the one that the consumer assigns to the physical attributes of the product without the guarantee of the brand, and so the difference between the two prices corresponds to the price premium of the brand.

A brand-based comparative approach was introduced by Mahajan (1990) and involves a process that measures a variety of reactions and actions of two cohorts given two different brands respectively. The difference in consumer choice between two products can be assessed by measuring the intention to buy or a preference for the focal brand in comparison with the no-name counterpart (Yoo et al. 2000). In this method, brand equity was defined as the difference in consumer choice between a focal branded and an unbranded product given the same level of features. In other words, two products that are identical in all respects except the brand names are compared.

Utilizing a brand-based comparative approach, the present study explores the brand equity of local and international fast food restaurants in Korea and the Philippines by measuring the willingness to pay a price premium. For this study, it would be useful to obtain measures of the willingness to pay a price premium that would be closer to customers' actual intended behaviors. The two objectives of the study are: 1) to compare the brand equity of local brands with international ones, and 2) to explore the difference of brand equity by cross-cultural environment. There is a degree of scarcity reported in the international markets regarding brand equity research in hospitality management, despite its crucial necessity. This study will contribute to the development of strategies on brand equity in hospitality management and will focus on the brand management of international areas by measuring the brand equity of the same brands in different cultures.

Subjects and Methods

1. Sample and data collection

Korea and the Philippines were selected as compared countries for the study, since both launched the fast food industry in the same period, the late 1970s, and are currently at the maturity stage in the life cycle. The items chosen for the study were three popular fast food chains, which specialized in hamburgers; these chains were located in Korea and the Philippines. Lotteria, Burger King, and McDonalds were selected for Korea while Jollibee, Burger King, and McDonalds' represented the Philippines. Lotteria and Jollibee are the leading fast food brands in Korea and the Philippines, respectively. McDonalds' and Burger King, on the other hand, are the international brands reported as the second and the third largest hamburger brands in these countries.

The population of the study is college students in Korea and the Philippines. College students in the two countries, this particular cohort of people, made the two groups narrow so similar sub-cultures are drawn but in different countries. The sample of the study is college students of seven universities in Korea and four universities in the Philippines, all of which were located within metropolitan areas. A pilot-test was conducted on sixty-two college students in university cafeterias from both countries-30 students were involved from Korea and 32 students were from the Philippines- for the purpose of verifying that the test items were well formulated. The survey was conducted in the summer of 2002, May 27 through May 31in Korea, and June 17 through June 22 in the Philippines. Contacts were made with the instructors for approval of the survey. The research assistant then communicated with the instructors concerning the purpose and description of the survey. The survey was conducted in the classroom or in the cafeteria of each university. Data were collected from 480 Korean and 495 Filipino students. 454 Korean students and 467 Filipino students completed surveys, making the response rates for the survey 94.6% and 94.3%, respectively.

2. Research instrument

A survey questionnaire for the study was initially developed in Korean and then translated into English. The survey is comprised of two parts; the first part is composed of the questions for investigating the willingness to pay a price premium. Grouped respondents were asked to estimate the price they were willing to pay for a hamburger according to their assigned brands when shown a picture and description. To make sure that the hamburgers compared were identical in all aspects except the brand name, the pictures were shown with the same detailed descriptions on the hamburgers but with different brands of each other. Since the same physical product without the brand name is the best reference for measuring brand equity (Yoo et al. 2000), competing brands were not used for the comparison. The procedure to measure the brand equity included calculating the mean prices of the willingness to pay a price premium of individual brands and deriving brand equity by subtracting the mean of the willingly payable price of an unknown brand. Part two contained demographic information of five categorical variables, including gender, age, year, major of college, and frequency of monthly dining out.

3. Data analysis

SPSS 10.0 for Windows was utilized for the data analysis. Descriptive statistics were conducted for all variables and chi-square tests were applied to identify a significant difference of a range of willingly payable prices between brands.

Results and Discussion

1. Description of respondents

Table 1 describes characteristics of the survey respondents. In Korea, the sample was evenly dispersed between males (42.5%) and females (57.5%); however, in the Philippines, the sample of females was somewhat higher (66.6%) than males (33.4%). The average age was 21.7 and 18.2 in each Korean and Filipino sample showing quite lower averages in the Philippines, which was driven by a different education

Table 1. Descriptive characteristics of respondents

Variables		Korea (n = 454)	Philippines (n = 467)
		Frequency (%)	Frequency (%)
Gender	Male	193 (42.5)	156 (33.4)
	Female	261 (57.5)	311 (66.6)
Age	Average	21.7 ± 2.7[a]	18.2 ± 2.2[a]
Classification	Freshman	74 (16.3)	111 (23.8)
	Sophomore	170 (37.4)	152 (32.6)
	Junior	102 (22.5)	105 (22.5)
	Senior	80 (17.6)	76 (16.3)
	Graduate student	27 (6.0)	23 (4.9)
	No answer	1 (0.2)	0 (0.0)
Major	Psychology, political · behavior science, language, law	59 (13.0)	98 (21.0)
	Engineering, math, biology, physics	99 (21.8)	156 (33.4)
	Economics & management, marketing	100 (22.0)	119 (25.5)
	Fine arts, mass communication	27 (6.0)	39 (8.4)
	Education	2 (0.4)	17 (3.6)
	Home economics, HRM	123 (27.1)	21 (4.5)
	Others	42 (9.3)	14 (3.0)
	No answer	2 (0.4)	3 (0.6)
Eat-out Frequency per month	Less than 5 times	104 (22.9)	56 (12.0)
	5 – 10 times	168 (37.0)	172 (36.8)
	11 – 15 times	87 (19.2)	72 (15.4)
	16 – 20 times	50 (11.0)	63 (13.5)
	More than 21 times	45 (9.9)	104 (22.3)

[a]Mean ± SD

system since two years are short in courses in the Philippines. More than one-third of the Korean sample dined out five to ten times a month and less than ten percent dined out more than 21 times a month. It is interesting to note that for the Filipino sample, more than one-third dined out five to ten times a month, whereas almost one-fourth dined out more than 21 times a month. These results show that Filipino students are more likely to dine out.

2. Willingly payable hamburger price by brands

Table 2 shows the means of willingly payable hamburger price for individual brands. By the time this survey was completed, won/dollar exchange rate was ₩1,250 and the peso/dollar exchange rate was PhP 50. With such exchange rates, the Korean and Philippines' currencies were converted into US dollars. Burger King showed the highest willingly payable price as $1.57 in Korea and $0.75 in the Philippines, followed by McDonalds' at $1.32 in Korea and $0.64 in the Philippines. Lotteria exhibited the lowest price at $1.24 among the three brands in Korea, while Jollibee exhibited the lowest price at $0.60 in the Philippines. As predicted, a product with an unknown brand was priced the lowest as $1.13 in Korea and $0.54 in the Philippines. Burger King's marketing strategy seemed to succeed in positioning itself as a premium brand. Overall, willingly payable prices of fast food brands from Korea were almost two times of those from the Philippines, which reflect the level of economic price index of both countries.

Table 2. Willingly payable hamburger price (means)

	n	Mean ($)	SD ($)
Korea			
Lotteria	92	1.24	0.35
McDonalds'	113	1.32	0.36
Burger King	93	1.57	0.48
Unknown brand	156	1.13	0.34
Philippines			
Jollibee	115	0.60	0.27
McDonalds'	97	0.64	0.29
Burger King	106	0.75	0.32
Unknown brand	149	0.54	0.22

The results of investigating the difference of a range of willingly payable prices between brands are presented in Table 3. The price range was categorized into low, medium, and high by dividing willingly payable hamburger prices into three equal groups. These results showed that the price range was significantly different by brands in both countries ($p < 0.05$). In Korea, McDonalds' (44.2%) and Lotteria (42.4%) showed the highest percentage in medium price range, while, in the Philippines, the price range was distributed relatively evenly between McDonalds' and Jollibee. Burger King exhibited the highest percentage in high price range and the lowest percentage in low price range in both countries, indicating a premium brand image. Results also showed that, the distribution of low price range of local brands were higher than the other price range, revealing the cheap brand image of the local brands.

3. Measurement of brand equity utilizing willingness to pay a price premium

The procedure for measuring the brand equity included calculating the differences between the prices customers were willing to pay for the product of individual brands and what they were willing to pay for unknown brands. The result of the brand equity for the study is shown in Table 4. In both countries, Burger King showed the highest brand equity, at $0.44 in Korea and $0.21 in the Philippines, followed by McDonalds's at $0.20 in Korea and $0.10 in the Philippines. Local brands, however, showed the lowest value as $0.11 in Lotteria and $0.06 in Jollibee.

Summary and Conclusion

This study measured brand equity through a customer-based comparative approach. This study was designed to in-

Table 3. Range of willingly payable hamburger price by brands N(%)

	Korea (n = 454)			Philippines (n = 467)		
	Low price	Medium price	High price	Low price	Medium price	High price
Local brand	27 (29.3)	39 (42.4)	26 (28.3)	40 (34.8)	39 (33.9)	36 (31.3)
McDonalds'	25 (22.1)	50 (44.2)	38 (33.6)	32 (33.0)	33 (34.0)	32 (33.0)
Burger King	8 (8.6)	32 (34.4)	53 (57.0)	16 (15.1)	37 (34.9)	53 (50.0)
Unknown brand	63 (40.4)	70 (44.9)	23 (14.7)	67 (45.0)	48 (32.2)	34 (22.8)
χ^2		59.043***			30.898***	

***: p<0.05

Table 4. Brand equity measurement utilizing willingness to pay a price premium

	n	Mean($)	SD($)
Korea			
Lotteria	92	0.11	0.35
McDonalds'	113	0.20	0.36
Burger King	93	0.44	0.48
Philippines			
Jollibee	115	0.06	0.27
McDonalds'	97	0.10	0.29
Burger King	106	0.21	0.32

vestigate the willingness of a customer to pay a price premium for brands associated with the same hamburger pictures shown to a certain sample group. The procedure included calculating the means of the willingly payable price of individual brands, and getting the brand equity. Brand Equity was estimated by subtracting the willingly payable price of an unknown brand from that of individual brands. In both countries, Burger King showed the highest brand equity, followed by McDonalds', which showed the lowest value for the local brands.

It is worthwhile to note that the brand equity, reflecting brand image, showed a similar pattern among local and international brands in both countries where different cultural environments exist. The finding of the study that Burger King explored the highest brand equity revealed the premium brand image of the company through cross-cultural environments.

The result concluded that college consumers in both countries would like to pay the most for the Burger King hamburgers. Even if McDonald's is still a fast food or hamburger brand giant, the market is rather saturated in the US. On the other hand, Burger King has grown very fast for the last decade in the US and also has expanded their market throughout the continents. The possible explanation to the growth is that it appeals to consumers through better quality items, including more fresh ingredients, in their hamburgers. Recently McDonald's is working hard in developing healthy items in their menus, but it is a prevailing perception among consumers that Burger King offers better quality hamburgers and more healthy menus. It seems that the perception would attract customers willingly to pay more for the Burger King hamburgers.

Considering that both local brands had lower brand equity than international brands, it would be necessary to make an effort for local brands to focus on the improvement of the brand image rather than cheap-priced marketing. Customers could easily access numerous franchises of local chains; however, because international brands extend their chains aggressively, there could be a threat to local brands.

This study still holds some limitations. One limitation is that the outcome of the study cannot be compared directly with those of other studies. There is virtually no previous research examining brand equity of fast food restaurants by measuring a willingness to pay a price premium and utilizing a brand-based comparative approach. Therefore, the present study is exploratory and the findings of the study may not be generalized to other nations. Another limitation to this study is that the results from the study may not be suited for a whole population. The samples for the study are college students, who are more sensitive to price than quality considering their financial situations. The other groups of population, with a different financial environment, might generate dissimilar results on the willingness to pay a premium price. Future research may be directed to explore consumer perceptions, which can be antecedents to behavioral manifestations of brand equity issues. This particular kind of study will shed light on understanding of brand equity in the hospitality industry.

■ **Acknowledgments**

This research was supported by the grant from 2002 Yonsei University Research Fund.

References

Aaker DA(1996): Measuring brand equity across products and markets. *California Management Review* 38(3): 102-120

Cobb-Walgren CJ, Ruble CA., Donthu N(1995): Brand equity, brand preference, and purchase intent. *J of Advertising* 24(3): 25-40

MacLachlan DL, Mulhern MG(1991): Measuring brand equity with conjoint analysis. Sawtooth Software Conference, Sun Valley, ID, January 28-30

Mahajan VV, Srivaslava R(1990): Development, testing and validation of brand equity under conditions of acquisition and divestment. Marketing Science Institute seminar about brand equity, Cambridge.

Maio MM, Romaniuk J, Sharp B(1998): A classification of brand equity research endeavours. *Journal of Brand Management* 5(6): 415-429

Marston MR(1992): Transferring equity across borders. *J of Advertising Research* 32(3): RC3-RC5

Prasad K, Dev CS(2000): Managing hotel brand equity: A customer-centric framework for assessing performance. *The Cornell H.R.A. Quarterly* 41(3): 22-31

Rangaswamy A, Burke RR, Olive AT(1993): Brand equity and the extendibility of brand names. *International Journal of Research in Marketing* 10: 61-75

Rio AB, Vazquez R, Iglesias V(2001): The effects of brand associations on consumer response. *The Journal of Consumer Marketing* 18(4/5): 410-425

Sharkey B(1989): The people's choice. *Adweek's Marketing Week* 30(November 27): 6-10

Yoo B, Donthu N, Lee S(2000): An examination of selected marketing mix elements and brand equity. *Journal of the Academy of Marketing Science* 28(2): 195-211

Yovovich BG(1988): What is your brand really worth? *Adweek's Marketing Week*, 9(August 8): 18-20