Are Investors Willing to Buy Non-award-wining Funds from Awarded Fund Companies?

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Abstract

This study takes Franklin Templeton Investments as an example to investigate investors' purchase intention of non-award-wining funds from an awarded investment company. We also study the relationships and effects between brand awareness, brand image, brand trust, perceived quality, and purchase intention of non-award-wining funds.   The research findings show that brand awareness has both significantly direct and indirect effects on brand trust, and the indirect effects are mainly via brand image and perceived quality. Besides, both brand image and perceived quality have a significantly direct effect on brand trust.   Brand trust also has a significantly positive effect on purchase intention.   However, both brand image and perceived quality do not have an indirect effect on purchase intention via brand trust.

1   Introduction

Mutual funds represent one of the most popular investment instruments today.   Some institutions hold fund awards to recognize strong performing funds and fund groups that have shown excellent performance relative to their peers.   Many fund companies use awards they have won as marketing and advertising material, hence raising a few questions: Does wining an award affect investors' brand trust?   Do investors think awarded fund companies have a better brand image or a better perceived quality?   How about investors' purchase intention of non-awarded funds from awarded fund companies?
Most related studies on awarded funds target investors' perceived value or brand preference for awarded funds (Wang and Tsai, 2014; Wang, 2015).   In fact, there is limited research

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targeting investors' brand awareness of awarded fund companies (Wang and Lee, 2016), or investors' purchase intentions of non-awarded funds from awarded fund companies.   This study looks to fill this gap.

Being a global leader in asset management serving clients for over 65 years in over 150 countries and is famous in Taiwan, Wang and Lee (2016) takes Franklin Templeton Investments as an example to investigate the relationships between brand awareness, brand image, brand trust, perceived quality, and purchase intention.   Their research findings show that brand awareness has both significantly direct and indirect effects on brand trust, and the indirect effects are mainly via brand image and perceived quality.   Besides, both brand image and perceived quality have a significantly direct effect and an indirect effect (via brand trust) on purchase intention.   This study extends Wang and Lee's (2016) research to investigate investors' purchase intention of non-award-wining funds using questionnaires.

The rest of this paper is organized as follows.   Section 2 reviews previous research on brand awareness, brand image, perceived quality, brand trust, and purchase intention. Section 3 describes the data and method we employ.   Section 4 reports the empirical results, and section 5 concludes the paper.

2   Literature Review

2.1 Influence of brand awareness on brand image, brand trust and perceived quality

Consumers are more likely to purchase products with high brand awareness, because a brand with high awareness does have the effect of increasing consumers' positive valuations and lowering consumers' perceived risks (Shimp & Bearden, 1982; Rao & Monroe, 1988; Dodds & Grewal, 1991; Aaker, 1991).   A brand with high awareness also promotes brand image, brand trust, and brand loyalty to consumers, which in turn increase their purchase intention (Aker and Keller, 1990).   Thus, we propose the following three hypotheses.

H1a: Brand awareness has a significantly positive impact on brand image.
H1b: Brand awareness has a significantly positive impact on brand trust.
H1c: Brand awareness has a significantly positive impact on perceived quality.

2.2 Influence of brand image on perceived quality, brand trust and purchase intention

Brand image is important during the process of consumers' purchase decision making. When consumers are evaluating a product before purchasing, brand image is often used as an extrinsic cue (Zeithaml, 1988; Richardson, Dick and Jain, 1994).   A favorable brand image positively influences consumers' perceived quality and consumers' choices about a particular product (Monroe and Krishnan, 1985; Dodds, Monroe & Grewal, 1991; Keller, 1993; Grewal, Krishnan, Borin & Baker, 1998).   It also promotes brand trust to consumers, which in turn increase their purchase intention (Aker and Keller, 1990).   Thus, we propose the three hypotheses as follows

H2a: Brand image has a significantly positive impact on investors' perceived quality.
H2b: Brand image has a significantly positive impact on brand trust.

H2c: Brand image has a significantly positive impact on investors' purchase intention.

2.3 Relations between perceived quality, brand trust and purchase intention

Consumers often form their beliefs on the basis of a variety of informational cues, and then they judge a product's quality and make their final purchase decision based upon these beliefs (Olson, 1977).   A higher perception of quality has a positive effect on consumers' brand evaluation about a product (Metcalf, Hess, Danes, and Singh, 2012), it also improves consumers' perceived value and then strengthens consumers' purchase intention (Monroe and Krishnan, 1985; Zeithaml, 1988; Dodds et al., 1991; Petrick, 2004).   Garretson and Clow (1999), Tsiotsou (2006), and Yee and San (2011) also confirmed the positive impact of perceived quality on purchase intention.

Brand trust is the willingness of consumers to believe that the brand has the ability to perform its stated function (Doney and Cannon, 1997) or meet consumers' expectations (Chaudhuri & Holbrook, 2001).   Both Zboja and Voorhees (2006), Kuan and Bock (2007) confirmed the positive relationship between brand trust and purchase intention.   Thus, we set up the following hypotheses.

H3a: Perceived quality has a significantly positive impact on brand trust.

H3b: Perceived quality has a significantly positive impact on investors' purchase intention.

H4:   Brand trust has a significantly positive impact on investors' purchase intention.

3   Data and Methods

We design the items of the questionnaire for the five dimensions according to the research framework.   The gauging scales are selected from the literature.   Brand image is measured by 5 items take from Park, Jaworski and Maclnnis (1986).   Perceived quality is measured by 3 items by means of Petrick (2002).   Brand trust is gauged by 4 items take from Delgado-Ballester and Munuera-Aleman (2001).   Purchase intention is gauged by 3 items take from Zeithaml (1988) and Dodds et al. (1991).   All of the items are measured on Likert's seven-point scale, ranging from 1 point to 7 points, denoting "strongly disagree", "disagree", "a little disagree", "neutral", "a little agree", "agree", and "strongly agree", respectively.

The questionnaires were administered to investors living in Taiwan from February 1, 2015 to May 31, 2015.   A total of 550 responses were distributed, and 500 usable responses were collected, for an acceptable response rate of 91%.   We perform data analyses on SPSS 20.0 and AMOS 21.0, with the adopted methods including reliability and validity analysis, correlation analysis, and structural equation modeling (SEM) analysis

4   Analyses and Results

This research conducts confirmatory factor analysis (CFA) to measure reliability and convergent validity.   As presented in Table 1, all the dimensions have a CR value greater than 0.7, which indicates good internal consistency reliability (Fornell and Larcker, 1981).   Besides, all factor loadings are greater than 0.5, and all Average Variance Extracted (AVE)

estimates are greater than 0.5 in these five dimensions.   This is consistent with the criterion of convergent validity proposed by Fornell and Larcker (1981) and Hair et al. (2009).

Table 1: Confirmatory factor analysis

Dimension		Factor loading	CR	AVE
Brand awareness	BR1	0.879		
	BR2	0.936	0.935	0.828
	BR3	0.914		
Brand image	BI1	0.900		
	BI3	0.886		
	BI4	0.933	0.964	0.844
	BI5	0.939		
	BI6	0.934		
Perceived quality	PQ2	0.864		
	PQ3	0.897	0.928	0.812
	PQ4	0.940		
Brand trust	BT1	0.908		
	BT3	0.875		
	BT4	0.846	0.931	0.771
	BT6	0.882		
Purchase intention	PI2	0.943		
	PI3	0.937	0.916	0.785
	PI4	0.766		

Table 2 presents the results of discriminant analysis, with the values on the diagonal being AVE of our five constructs and values on the non-diagonal are the square of the correlation between two constructs.   According to Fornell and Larcker (1981), we note that the questionnaire has discriminant validity, because the AVE of each construct is greater than the square of the correlation between any two constructs.   In addition, it also has content validity, because our scale and item contents are constructed according to the literature review and do pass the questionnaire pre-test.

Table 2: Discriminant analysis

	Brand awareness (BA)	Brand image (BI)	Perceived quality (PQ)	Brand trust (BT)	Purchase intention (PI)
BA	0.828				
BI	0.296	0.844			
PQ	0.261	0.570	0.812		
BT	0.364	0.607	0.526	0.771	
PI	0.178	0.176	0.172	0.184	0.785

This research conducts structural equation modeling (SEM) analysis to test the fit of the factors (dimensions) of brand awareness, brand image, perceived quality, brand trust, and purchase intention.　For a model with good fit, GFI (goodness of fit) should greater than 0.8 (Browne and Cudeck, 1993).　AGFI (adjusted goodness of fit) should be greater than 0.8, and CFI (comparative fit index) should be greater than 0.9 (Doll, Xia, Torkzadeh, 1994; Hair et al., 2009; Gefen et al., 2000).　RMSEA (root mean square error of approximation) should be under 0.08 (Brown and Cudeck, 1993), and the ratio of the chi-square value to degrees of freedom (χ^2/df) should be no greater than 5 (Wheaton et al., 1977).　The goodness-of-fit indices of the model are as follows:　GFI is 0.892, AGFI is 0.853, CFI is 0.956, RMSEA is 0.083, and χ^2/df　is 4.475.　All these indices are near or within the acceptable range, meaning the overall model fitness is good.

Figure 1 presents the path analyses from SEM.　According to the estimated values of the standardized parameters of the relationship model in Figure 1, we find that brand awareness has a significantly positive influence on brand image, brand trust and perceived quality (H1a, H1b, and H1c are supported).　Brand image has a significantly positive effect on perceived quality and brand trust (H2a and H2b are supported), perceived quality also has a significantly positive impact on brand trust (H3a is supported).　However, both brand image and perceived quality do not have a significant impact on purchase intention (H2c and H3b are not supported), but brand trust has a positive influence on purchase intention (H4 is supported).
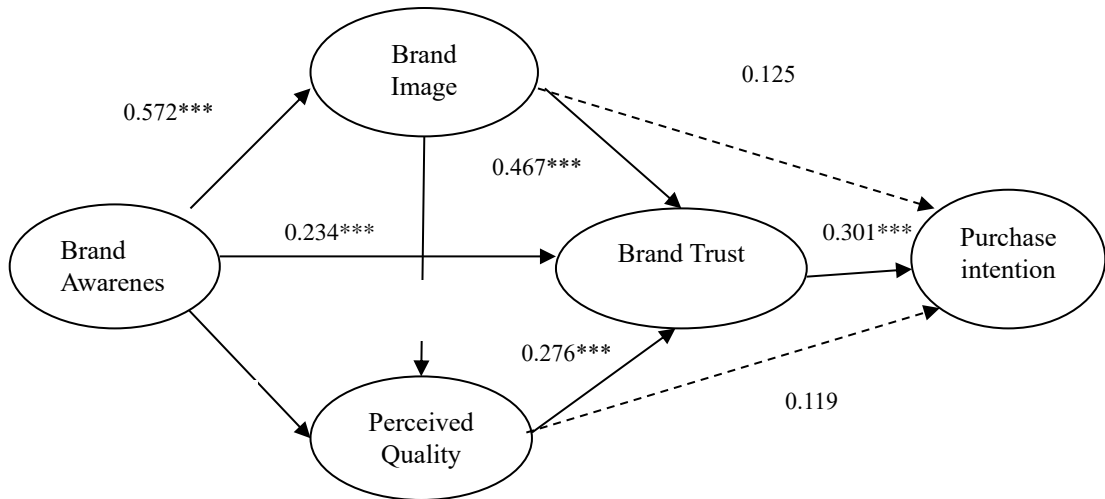
Figure 1: Path analysis from SEM

5   Conclusion

Mutual funds represent one of the most popular investment instruments today.   Some institutions hold fund awards to recognize strong performing funds and fund groups that have shown excellent performance relative to their peers.   Many fund companies use awards they have won as marketing and advertising material, hence raising a few questions: Does wining an award affect investors' brand trust?   Do investors think awarded fund companies have a better brand image or a better perceived quality?   How about investors' purchase intention of non-awarded funds from awarded fund companies?

This study extends Wang and Lee's (2016) research to investigate investors' purchase intention of non-award-wining funds and the relationships between brand awareness, brand image, perceived quality, brand trust, and purchase intention.   We take Franklin Templeton Investments as an example, because it has outstanding performance and is famous in Taiwan.   The methods adopted including reliability and validity analysis, correlation analysis, and structural equation modeling (SEM) analysis.

The research findings show that brand awareness has both significantly direct and indirect effects on brand trust, and the indirect effects are mainly via brand image and perceived quality.   However, both brand image and perceived quality have not a significantly direct effect on purchase intention, but brand trust has a direct influence on purchase intention. Both brand image and perceived quality have an indirect effect on purchase intention via brand trust.   Therefore, we suggest that fund companies should put more efforts to establish investors' brand trust when they use awards won as advertising and marketing material.   Once the brand trust is established, investors' purchase intention will increase directly.

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