

# Research on the Connotation, Influencing Factors and Promotion Strategy of Automobile Brand Premium

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**Abstract:** With automobile sales, market share also tends to stabilize. The growth rate of automobile sales is gradually decreasing. At the same time, the goal of maintaining high profits for automobile manufacturers is difficult to achieve only by "car production." As a component of brand equity, a brand premium has become essential for automobile manufacturers to improve profitability—the direction of development. Currently, the connotation and influencing factors of brand premium are still controversial in academic circles, and there are few particular kinds of research on brand premium in the automobile sales market. This paper takes the automobile industry as the research object and profoundly explores the concept and influencing factors of brand premium. On this basis, it proposes targeted suggestions for automobile manufacturers to improve their brand premium capabilities to encourage Chinese automobile manufacturers to achieve faster transformation and upgrading of industrial structure.

**Keywords:** Car, Brand premium, Premium strategy.

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## 1. Introduction

In recent years, the new energy vehicle industry has developed rapidly with the gradual transformation of China's new energy vehicle sales market from government-led to market-driven. At the same time, scientific and technological progress has enabled automobile manufacturers to continuously adjust and improve their market areas, model structures, and brands, and the industry layout has initially taken shape. With the gradual saturation of the automobile sales market, the homogenization competition among automobile manufacturers in the fields of products, technologies, and services continues to intensify, and the growth rate of automobile sales gradually weakens or even begins to decline. Therefore, more and more well-known auto brands such as Toyota, Volkswagen, GM, Changan, etc., have begun to seek price hikes and build brand premiums, hoping to achieve intellectualized operation and effective market growth through brands and then continue to create income. As an integral part of brand equity, the brand premium can not only provide some guidance for enterprises' pricing strategies but also give more added value to their products and services, helping enterprises to improve profitability and competitiveness. Presently, the research on brand premium by senior experts in the automotive industry mainly focuses on its definition, influencing factors, and promotion strategies. However, few industry experts conduct research on the issue of brand premium in the automobile sales market. This paper takes the automobile industry as the research object and profoundly explores the concept and influencing factors of brand premium. On this basis, it proposes targeted suggestions for automobile manufacturers to improve their brand premium capabilities to encourage Chinese automobile manufacturers to achieve faster transformation and upgrading of industrial structure.

## 2. The Concept and Connotation of Premium

The concept of product "premium" originated in the financial field, and "brand premium" is to introduce the connotation of "premium" into the field of brand equity research. The academic definition of brand premium can be roughly divided into two categories. From the perspective of brand equity, one type of industry expert generally believe that brand premium, as a component of brand equity, is the basis and premise for evaluating brand value. For example, brand premium is a component of brand equity management [1], and the consumer's perception of brand quality and value is the source of brand premium. Research based on management's perspective also shows that brand premium is an essential criterion for measuring brand equity [2], which to a certain extent reflects that a brand has a higher price tag than its homogeneous product. On this basis, some domestic industry experts further put forward suggestions to realize the effective management of brand assets for enterprises by enhancing the brand premium capability. For example, taking mobile phones as the research object [3], the research on brand equity shows that brand premium and brand image are essential dimensions of brand equity, and brand management can be done well by improving brand image and brand premium capability. The research on the brand premium in the network environment also shows that the brand premium refers to the partial value-added that the brand obtains based on the industry's average profit based on its influence and exceeds the price of other brands. Enterprises can achieve differentiation by increasing the brand premium, thereby enhancing brand competitiveness [4].

Another industry expert expounds on the concept and formation process of brand premium from consumers' perspective. The cost consumers need to pay in the composition of purchasing goods consists of two parts: monetary and non-monetary costs [5]. Among them, the non-monetary cost includes the time that consumers may spend searching for information such as commodity information,

price, and purchase location in the process of purchasing commodities. For consumers, what they are looking for is total cost minimization rather than monetary cost minimization. If an enterprise can reduce the cost of information search and enhance the credibility of the product through the brand effect, consumers may think that the quality and value of the branded product are higher than that of the product and are willing to pay a higher monetary cost to buy the branded product. These branded products have obtained a brand premium compared to this homogeneous product.

In addition, a small number of industry experts have conducted research on the issue of brand premium in the automotive field. As household cars are durable consumer goods, consumers often must carefully screen and screen the products before purchasing them. Compared with this product, there is larger premium space. Therefore, enhancing the brand by enriching product lines and consumers' purchasing choices is proposed. The view of premium capacity [6]. To explore the relationship and influence mechanism of brand premium and enterprise pricing strategy, and then put forward suggestions to reduce product energy consumption by increasing brand premium [7]. Research the relationship between car brand premium and quality premium, and believe that quality premium is the basis and premise of brand premium. Only when brand premium and quality premium go hand in hand can Chinese independent car brands gradually cultivate brand loyalty and catch up with foreign car brands. Super [8]. Currently, China's auto sales market has entered a stage of the differentiated competition, and the strategy of seizing market share through low-price and low-quality strategies has gradually lost its effectiveness. Automobile manufacturers should further optimize product quality to increase brand premium and achieve long-term development [9].

### **3. Factors Affecting the Brand Premium**

The relevant research on the influencing factors of brand premium in academia mainly focuses on consumer goods such as food, clothing, and mobile phones. For example, from the perspective of brand equity, the research on the premium of grocery products shows that the premium of grocery products is affected by brand awareness, brand loyalty, perceived quality, and brand association [10]. Brand premium may be influenced by product quality, purchase frequency, popularity, and the number of homogeneous products [11]. The research on the brand premium ability of the men's clothing market believes that the brand premium is affected mainly by consumers' perception and suggests that enterprises should establish a good brand image in the consumer group [12]. Brand attachment is divided into two dimensions: affection and dependence. By constructing a structural equation model, the influence mechanism of brand attachment on brand premium in China's mobile phone market is studied [13]. From the perspective of product pricing, it is proposed that brand premium is affected by consumers' purchase intention, perceived quality, and value [14]. The research on non-GMO agricultural products puts forward policy suggestions to improve the construction of e-commerce marketing channels, improve the marketing service system through experiential marketing, and then improve the product premium capacity [15] using AHP analytic hierarchy process to analyze the factors affecting the

brand premium capacity of tea brand enterprises. It is believed that brand premium is affected by factors such as product quality, uniqueness, and brand strength [16]. This paper further explores the influencing factors of automobile brand premium by sorting out relevant literature and, on this basis, puts forward targeted suggestions for automobile manufacturers to improve their brand premium capabilities.

#### **3.1. Product Quality**

Product quality is the core competitiveness of automobile manufacturers, which not only directly determines the sales performance of the enterprise but also affects the quality costs, such as the control of the scrap rate of automobiles. As we all know, companies with lower quality standards may lead to higher after-sales costs, which significantly threaten the profit margins and brand reputation of automobile manufacturers. Since product quality is a direct manifestation of brand quality and image, companies with higher product quality tend to have a higher reputation among consumers, and their brand image will continue to rise. Consumers' perception of brand quality ultimately leads to a constant rise in the brand's premium capacity. Therefore, product quality is the fundamental factor affecting the brand's premium ability. Enterprises with higher product quality often obtain higher brand premiums in the process of transformation and upgrading. Essentially, consumers' recognition and trust in a brand are an essential source of brand premium, and product quality is the fundamental way to improve consumer trust, especially in the actual performance, reliability, failure rate, and installation of products—quality, etc. Because automobile products are durable consumer goods with a long life cycle, consumers often do not replace automobile products very frequently, which puts forward higher requirements for product quality, durability, comfort, energy saving, and environmental protection. Therefore, improving safety, environmental protection, reliability, and assembly quality of automotive products will help improve the brand's touchpoint design, enhance consumers' sense of brand identity, and then promote the increase of brand premium.

#### **3.2. Brand Awareness**

Brand awareness is the concentrated expression of consumers' brand recognition, which shows consumers' purchasing confidence. When a brand has a high reputation in the market, consumers are more willing to buy products with a higher reputation to avoid the risks and uncertainties that may arise from purchasing the brand. Therefore, brand awareness has a positive impact on brand premium ability. On the one hand, brand awareness is conducive to increasing consumers' perception of brand quality and value, bringing greater spiritual satisfaction to target consumer groups, and cultivating existing consumers' loyalty to the brand. On the other hand, it is also conducive to enhancing the influence of the brand, thereby stimulating the purchasing desire of potential consumers. To get rid of the situation of homogeneous competition and obtain a higher brand premium, automobile manufacturers should pay full attention to the role of brand awareness.

#### **3.3. Value-added Services**

With the increasingly fierce market competition, more and more enterprises are not limited to providing products for consumers, and the competition extends to the service field. For automobile consumption, enterprises have contact with

consumers before, during, and after purchase, and there are contact points to provide services to consumers. Therefore, improving the service quality of the whole consumption process can effectively improve consumption—the perceived value of the user, which in turn translates into the brand's premium capability. Automobile manufacturers with a relatively complete value-added service system can provide consumers with a better shopping experience and use experience, improve consumer satisfaction, and ultimately promote brand premiums. Therefore, although traditional automobile manufacturers may lose some of their advantages in the fuel vehicle market in the process of transitioning to new energy vehicles, enterprises can gradually transition from homogeneous competition to differentiated strategies by enriching value-added services and continuously improving their core competitiveness. As the two core dimensions of brand equity, safety and service play an essential role in enhancing brand competitiveness. In order to provide consumers with full-lifecycle services, automobile manufacturers should pay special attention to increasing value-added vehicle services such as road assistance, vehicle safety inspection, driver-in-charge, and inspection-delivery services, to obtain more brand premiums.

### **3.4. Brand Marketing**

With the continuous increase in the number of products and brands in the automobile sales market, the homogeneous competition intensifies, and the consumer information load is too large. The information about products and brands cannot be perceived by consumers accurately and efficiently. Marketing, as the link between brands and consumption. The importance of the brand has become increasingly prominent. On the one hand, brand marketing can weaken information asymmetry to a certain extent and enhance consumers' understanding of car quality, design, structure, and other information. On the other hand, with the continuous expansion of the new energy vehicle sales market, online sales and services penetration has also been catalyzed, and service contacts have gradually shifted online. Therefore, the importance of brand marketing is further highlighted. The reason why some high-end brands can maintain a high brand premium for a long time is closely related to the brand marketing strategy of combining their characteristics to create publicity and selling points. For example, the Volvo brand emphasizes safety, Mercedes-Benz emphasizes luxury and comfort, and BMW emphasizes driving manipulation. Marketing methods such as selling point promotion can increase consumers' perceived value of brands and products, thereby enhancing consumers' willingness to pay a premium.

## **4. Strategies to Enhance the Premium Capability of Automobile Brands**

### **4.1. Pay Attention to Brand Quality - Construction of Quality Management System**

Product quality is the basis and premise for enhancing the brand's premium capability, and improving the quality management system is the fundamental guarantee for product quality. Only high-quality products can an enterprise strengthen consumers' purchasing confidence, form a good reputation, and ultimately achieve sustainable and healthy development. Therefore, if an enterprise wants to improve its brand premium capability in the process of laying out the new

energy track, it must focus on improving the quality and intrinsic value of the brand and on the premise of establishing a "quality first" strategic layout, establish a long-term lasting The quality management system has a clear division of labor for quality management from product research, development, production, sales, etc., to ensure the design quality and manufacturing quality of automotive products, and continuously improve brand competitiveness.

### **4.2. Raise Awareness - Build A Circle Culture**

The circle culture is conducive to enhancing the target consumer group's sense of identity with the brand, enabling consumers to obtain more emotional value from the brand, thereby enhancing the brand's popularity and influence. First, focus on offering a unique portfolio of services. Including car information provision, display, new car test drive, club marketing, and other warm services. Second, pay attention to the impact of hot events on brand promotion. Automobile manufacturers should keep up with the trend and expand brand awareness by holding feasible and wide-ranging promotions. In addition, adopt a broader range of new media promotion methods, including community marketing, Weibo marketing, community group buying, concept marketing, etc., and quickly establish a circle culture through personalized information dissemination. On the other hand, the promotion of brand awareness also depends on the strength of publicity and marketing. Automobile manufacturers can also further increase their marketing efforts, brand exposure and increase brand awareness with the help of special activities.

### **4.3. Add Additional Services**

Adding additional services is another important measure for automobile manufacturers to enhance their brand premium capabilities. Although electrification has dramatically simplified the car structure, it is still tricky for the offline car buying experience to be replaced entirely by online in the short term. Therefore, for automobile manufacturers, the links such as car purchases and after-sales service are also important links to shape the brand image and enhance the brand premium ability. For example, car manufacturers can improve the service system by adding one-stop life services such as car experience halls, vehicle disinfection, system upgrades, and beauty maintenance, enhancing consumer satisfaction, and gaining brand premiums. Taking Hongqi as an example, Hongqi and Wanda Group reached a strategic cooperation in October 2021 to innovate and jointly build a "Hongqi User Experience Ecosystem." According to the agreement, Wanda Group will provide a series of parking, movie viewing, hotel, and other series for car owners of partner Hongqi. Services to further enhance the user experience. At the same time, to win consumers' trust and praise, enterprises should meet and exceed consumers' expectations with high-standard service quality and form a benign interaction mechanism with consumers.

### **4.4. Realize Digital Marketing and Improve Operational Efficiency**

The continuous acceleration of the digitalization process enables automobile manufacturers to break through the limitations of the traditional distribution model, helping automobile manufacturers and consumers to conduct direct communication, feedback, and sales, and shorten the distance between enterprises and consumers. More and more

automobile manufacturers realize the importance of quickly responding to user needs and take digital operations as a starting point to improve consumer experience further. In order to obtain a higher brand premium, automobile manufacturers should use digital information to empower sales channel selection, product promotion, and customer management and maintenance, such as precise advertising, combined online and offline marketing, and improvement of customer relationship management systems. In other ways, while saving time and cost for consumers, it provides more emotional value and achieves a win-win situation.

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