Measuring Customer Based Brand Equity in Hotel Industry of Pakistan

1Raja Irfan Sabir, 2Batool Abbas Zaidi, 3Wasim Ahmad, 4Hussnain Kamil, Asad u Rehman

1Assistant Professor, Department of Management Sciences, COMSATS Institute of Information Technology, Sahiwal, Punjab, Pakistan
2Visiting Lecturer, Department of Business Administration, Bahauddin Zakariya University, Sahiwal Campus, Punjab, Pakistan
3,4,5MS Scholar, Department of Management Sciences, COMSATS Institute of Information Technology, Sahiwal, Punjab, Pakistan.

ABSTRACT

Hotel industry of Pakistan has contributed significantly to Pakistan’s national revenue. The current study focuses on measuring two dimensions of customer-based-brand-equity i.e. brand loyalty and brand image, and, factors of perceived value of the visitors in Pakistan’s hotel industry. Brands are valuable assets that add economic and strategic value for its proprietors which can be achieved through greater level of brand equity. A self administered questionnaire survey was conducted and data was collected from customers of hotels (N=259). For analyses purpose, the study has used reliability, correlation and regression analysis. Findings revealed that reliability had a greater impact on both dimensions of brand loyalty and brand image, than other factors. This would ultimately let the management know that how much influence does perceived value have on hotel brand loyalty and hotel brand image.

KEYWORDS: Brand image, Brand loyalty, Customer-based-brand-equity, Customer perceived value.

Article Type: Research Article

1. INTRODUCTION

Brand equity is actually what brand contains; including brand awareness, brand loyalty, brand association and perceived value of brand. In marketing, brand equity is a fundamental concept and has been the emphasis of research over the last many years. Customer based brand equity is defined as the extraordinary features of brands for which patrons are willing to pay premium price over other brands[1]. Brand equity is also defined as the market segment gained by brand, patron’s long term constancy, worth of brand strength and exceptional price. Brand equity has proved to be the source of competitive advantage, superior price, increase in customer demand and satisfaction, increased efficiency of marketing program [2].Brand knowledge refers to what a customer learnt, felt and heard about the brand over time[3].

The characteristics of services are elusive of manufacturing and usage [4].The increased worth of customer satisfaction has gained the interest of researchers and experts. There is a growing market for services worldwide and companies do realize that they are earning great percentage of revenue from service sector. When the nature of hotel service is considered, the guest leaves the hotel with memories of their experience[5].Customer based brand equity is what brand holds and what a customer feels about it. It is actually the competitive edge that the brand has as compared to its competitors. Brand equity is an extra pricing that a customer pays to the brand owner to get something extra-ordinary. Good brand equity leads towards higher financial value of the brand. In the service sector, many companies are focusing on different extents and aspects to encounter customer satisfaction. The features of services brands are different from physical goods because services are based on actions and approaches of employees [6].The development in services sector is increasing all over the globe and companies now are shifting their focus towards services. Service industry should focus on retaining customers and grasp the customers as a competitive asset [7].

Pakistan is a developing country and many service-based organizations are evolving such as telecommunication and hotel chains. Hotels provide good services to customers with the presumption of developing a good image in the mind of customers that would induce revisits resulting in loyal customers. Loyal customers are the strength of an organization, so, the need has been aroused to work in the area of customer based brand equity. In addition, this study examines the impact of perceived value on brand image and brand loyalty in Pakistan’s hotel industry involving five, four and three star hotels. The research purposefully inspected the impact of tangibility, reliability, responsiveness, assurance and empathy on the loyalty of customers and image of hotels. Furthermore, the...
study suggests on how strong brand equity can increase profitability of hotel and increase its cash flows. This research aims to answer the central question: which factor of perceived quality has greater impact on brand loyalty and brand image?

1.2 Research Objectives

- To determine the impact of factors of customer perceived value on brand loyalty in hotel industry.
- To determine the impact of customer perceived value on brand image of hotels.
- To investigate which factor has greater impact on perceived value.
- To provide practical implications to policy makers for better constitute the strategies.

2. LITERATURE REVIEW

It has been stated that a satisfied customer leads an organization towards expansion in business, more profitability and eventually more market share [8]. Organizations should create services and products having strong brand name and possess more customer satisfaction for their longer existence[9]. Customer satisfaction has a considerable impact on customer detention and market share[10]. Organizations consider brand equity and its dimension as a main subject and consider brands as assets. Brand equity is defined as “the consumer’s idea about the product” [11]. In the like manner, the brand equity is defined as the individual assessment of a customer likes [12]. Jacobson defined brand equity as “the commercial assessment of the worth of a brand distinctiveness for which a patron is ready to pay extra price against other brands” [13]. Various studies suggest the goodness and worth which hotel proprietors relate with hotel brand as brand equity [14]. Brand Equity also affects the performance of luxury hotels and strong brand equity significantly increases profitability. Moreover, the absence of brand equity possibly can disturb in-flows and out-flows of customers. It is argued that the positive customer perception regarding hotels’ services leads the hotel towards strong brand equity [15].

Brand loyalty is referred to consumers’ intension to purchase which is repeated or referred others to purchase through positive word-of-mouth [16]. Brand loyalty is defined as “repeat customers’ purchase with a strong sensitivity” [5]. Loyal customers do not switch to competitors and also make more regular buying as compared to non-loyal patrons [17]. Factors like food quality, service quality, restaurant environment and price have major influence on satisfaction of customers but the impact of location of restaurant was not significant [18]. The loyalty plays a vital role in developing brand equity of a product/service [19].

Brand image is defined as the “opinions of patrons about a brand as image made in consumers’ remembrance”[3]. Brand image is actually everything related to brand in the mind of customers [20]. The customer understanding of products and perceived risks in choosing services are increased through brand image, and let the companies reach at higher performance level [17].

The view of customers about brand worth and control over buyer choice of goods and services is termed as perceived quality. Service quality is not just examined by customers in terms of what they acquire but also how these services are delivered [21].

Service quality may be assessed on the bases of well-designed quality dimension, characterized by five components that are known as SERVQUAL model [22]. This model uses the terms that define one or more factors of a “quality service encounter.”

The factors of perceived value as defined are:

- Reliability: the extent to which the services are done consistently and accurately.
- Responsiveness: the extent to which the workers of hotel are eager to help customer and deliver quick service.
- Assurance: the extent to which staff is courteous, knowledgeable and able to encourage reliance.
- Empathy: the extent to which the customer is offered individualizes attention.
- Tangibility: the extent to which physical facilities, equipment, and appearance of staffs are adequate.

The reliability, assurance and tangibility have a greater effect on customer satisfaction; while the other two dimensions i.e. empathy and responsiveness do not have any effect on customer satisfaction[23]. It has been explored that responsiveness, assurance, and empathy have no impact on customer satisfaction, nevertheless, reliability has negative relationship and tangibility has positive relationship with customer satisfaction [24]. Service quality is directly related with empathy and responsiveness, but, other dimensions of SERVQUAL have no effect on service quality [25]. However, it has been explored that brand equity has a significant impact on consumer purchase decision [26]. The brand imagery and brand loyalty has a direct relationship with brand equity in Iranian chain stores [27].
The model used in this research has been adopted from a research conducted in Cyprus, Turkey by Rüçhan and Arasli, wherein, the relationship of the three brand equity dimensions, i.e. brand awareness, brand loyalty and brand image has been measured and it also examines how these dimensions affect the perception of customer based brand equity in Pakistan’s hotel industry [5]. In this study, the customers based brand equity is measured by examining the impact of brand image and brand loyalty on customers based brand equity. For the sake of convenience, brand awareness has been omitted intentionally in this study. A little research has been found on customer based brand equity in Pakistan. Muhammad, conducted study on hotel services and brand loyalty; focused on the dimensions of perceived value, brand loyalty and brand image [28]. Therefore, feeling it a big gap, this study focuses on customer based equity in Pakistan’s hotel industry.

3. Conceptual Framework and Hypotheses Development

3.1 Research Model

Figure 3.1 Effect of Factor of Perceived Value on Brand Loyalty and Brand Image:

3.2 Research Hypotheses

The hypotheses of study are as follows:

H0: Factors of perceived value have significant positive impact on brand loyalty.
H1. Tangibility has a significant positive impact on brand loyalty.
H2. Responsiveness has a significant positive impact on brand loyalty.
H3. Reliability has a significant positive impact on brand loyalty.
H4. Assurance has a significant positive impact on brand loyalty.
H5. Empathy has a significant positive impact on brand loyalty.

Hb: Factors of perceived value have significant positive impact on brand image.
H6. Tangibility has a significant positive impact on brand image.
H7. Responsiveness has a significant positive impact on brand image.
H8. Reliability has a significant positive impact on brand image.
H9. Assurance has a significant positive impact on brand image.
H10. Empathy has a significant positive impact on brand image

Hbo: Factors of perceived value have no significant positive impact on brand image.

4. METHODOLOGY

The population of study consisted of customers who visit hotels for staying and dining. The study used simple random sampling for data collection and respondents (N=259) included families, job holders and business owners of Punjab province of Pakistan, who visited three, four and five star hotels. Data was collected through questionnaire survey including questions about three suggested dimensions i.e. brand loyalty, brand image and perceived value of customer-based-brand-equity in hotels. There were also questions regarding demographics of the respondents i.e. age, income, gender, and education level. The five-point likert scale (Strongly disagree=1, Strongly agree=5) was used to measure the perceptions of respondents. The correlation, regression and reliability analysis was performed for the purpose of analyzing the collected data. The customer based brand equity was measured in terms of brand loyalty and brand image.

5. Findings

The sample comprised of 148 males (57.1%) and 111 female (42.9%) respondents. In terms of education level, the 64.1 % of respondents had a master degree and above, and the respondents had the income between Rs. 41000 to Rs. 50000. The cronbach’s alpha was applied to check the reliability of measurement scale. The reliability coefficient computation resulted in alpha’s value of 0.839.

The significance value (**) was set at 0.01. The analyses shows that brand loyalty and tangibility have good correlation (β=.547**) for measuring customer-based-brand-equity. There is a positive significant correlation (β=.718**) between brand loyalty and responsiveness. The analyses shows that there is a positive significant correlation(β=.628**) between brand loyalty and reliability. The results about brand loyalty and assurance shows a moderate positive (β=.474*) correlation; while, a weak positive correlation (β=.22) was found between brand loyalty and empathy. Tangibility and brand image also holds a positive correlation (β=.484*) for measuring customer based brand equity. There is a positive significant correlation (β=.634**) between responsiveness and brand image. The analyses show that there is positive correlation (β=.427**) between reliability and brand image. Likewise, the results show a positive correlation (β=.306) between assurance and brand image. Conversely, a weak correlation (β=.072) was observed between assurance and brand image. The significant value for this hypothesis was .25, which disapproves the relationship of assurance and brand image. The correlation between brand loyalty and brand image was good (β=.584**) and significant for measuring customer-based-brand-equity.
Table 5.1 Correlation Results

<table>
<thead>
<tr>
<th></th>
<th>brandloyalty</th>
<th>brandimage</th>
<th>tangibility</th>
<th>reliability</th>
<th>responsiveness</th>
<th>assurance</th>
<th>empathy</th>
</tr>
</thead>
<tbody>
<tr>
<td>brandloyalty</td>
<td>1</td>
<td>54.7&quot;</td>
<td>54.7&quot;</td>
<td>71.1&quot;</td>
<td>62.8&quot;</td>
<td>47.4&quot;</td>
<td>22.6&quot;</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>brandimage</td>
<td>54.7&quot;</td>
<td>1</td>
<td>48.4&quot;</td>
<td>83.4&quot;</td>
<td>42.7&quot;</td>
<td>30.6&quot;</td>
<td>0.72</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.25</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>tangibility</td>
<td>54.7&quot;</td>
<td>48.4&quot;</td>
<td>1</td>
<td>71.1&quot;</td>
<td>86.3&quot;</td>
<td>5.39</td>
<td>1.01</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>reliability</td>
<td>71.8&quot;</td>
<td>63.4&quot;</td>
<td>71.8&quot;</td>
<td>1</td>
<td>77.0&quot;</td>
<td>6.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>responsiveness</td>
<td>62.8&quot;</td>
<td>42.7&quot;</td>
<td>66.3&quot;</td>
<td>7.70&quot;</td>
<td>1</td>
<td>6.40</td>
<td>32.2&quot;</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>assurance</td>
<td>47.4&quot;</td>
<td>30.6&quot;</td>
<td>53.9&quot;</td>
<td>8.00&quot;</td>
<td>6.40&quot;</td>
<td>1</td>
<td>26.9&quot;</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>empathy</td>
<td>22.6&quot;</td>
<td>0.72</td>
<td>1.01</td>
<td>16.5&quot;</td>
<td>32.2&quot;</td>
<td>23.0&quot;</td>
<td>1.00</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
</tbody>
</table>

**Note**: Correlation is significant at the 0.01 level (2-tailed).

The significant value for the approval is "p=.000". The brand loyalty and brand image were taken as dependent variables. The value of “adjusted R²=.536” indicates that the independent variables explain brand loyalty by “β=.536. The results revealed that tangibility has weak effect “β=.037” on brand loyalty; whereas, reliability strongly effected brand loyalty (β=.574). Responsiveness has a weak positive effect (β=.135); while, assurance has no effect (β=.000) on brand loyalty. The empathy also weakly explained (β=.084) brand loyalty. Hence, the results indicate that reliability has greater impact on brand loyalty as compared to other variables. In case of brand image, value of “adjusted R²=.421”showed that factors of perceived value have moderate positive impact on brand image. The analyses shows that tangibility weakly explains and has a weak effect(β=.0115) on brand image. Nevertheless, reliability had a strong effect(β=.723) on brand image. Responsiveness and empathy has a negative effect (β=-.147, β=-.017) on brand image. In the same way, assurance has a negative (β=-.10) effect on brand image. Thus, the results predict that responsiveness and assurance have a negative effect on brand image. The overall results indicate that brand loyalty has a weak contribution in building customer-based-brand-equity in case of hotel industry of Pakistan. The brand image proved to have restrained involvement in building customer-based-brand-equity.

6. Conclusion

Brand loyalty and components of factors of perceived value have positive significant correlation. Whereas, analyses of brand image and components of perceived value show that all other factors have significant positive correlation except empathy. Reliability is found to be the key factor effecting brand loyalty as it represents problem solving of customers by staff behavior and provides services on time. Reliability and tangibility also has a significant positive impact on brand image development. Therefore, customers trust hotel brands which are a key factor for their revisits and transactions. Assurance, knowledge of service provider, is found to have no significant impact on brand loyalty and brand image which indicates that customers of Pakistani hotels are not much concerned about the knowledge of service provider. Empathy, caring and individualized attitude towards patrons are very critical towards brand loyalty and brand image for Pakistani customers. It can be concluded that customer-based-brand-equity is not just important tool for hotel industry; but, in fact, it is also important for all other service industry. The study provides the management of hotel industry with a structured approach for making their strategies. Brand loyalty and brand image are core requirements of brand equity. Good staff response, timely services and appealing physical and visual facilities will lead towards customer brand loyalty and good brand image.
7. Limitations

The study used three, four and five star hotels to explain customer-based-brand-equity in hotel industry in Punjab, Pakistan. There is still a need of work on restaurant chains all over Pakistan. Moreover, this research is done in only one province of Pakistan; so, future studies could consider other provinces and cultures. This study would be more representative if other sampling techniques were applied, and, the resources and sample size for this research was limited. The scale developed in this study can be used in other services sector to measure customer-based-brand-equity.

Acknowledgment

The authors declare that they have no conflicts of interest in the research.

REFERENCES