Customer's Brand Equity and Customer Loyalty: a Study on Hotel's Conference Market

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Abstract: Building and properly managing brand equity has become essential for any business organizations and hospitality organizations are no exception. As such, branding has become one of the most dominant indicators in the global hotel industry performance. Customer-based brand equity is a valuable tool in brand positioning and evaluating their marketing strategy. Necessary feedback can be obtained from consumers for this evaluation will aid in: identifying service or product related problems; identifying advertising/positioning problems; and also providing feedback to the employees on where improvements need to be made. Customer-based brand equity scale gives service industry managers a structured approach for formulating their branding strategies. The purpose of this study was to explore the relationship between the multidimensionality of brand equity construct, satisfaction and loyalty in the conference market segment within the hotel industry. The model fits well with the data. In this case, the χ^2/df was 1.83 and CFI of .987 indicate a good fit between the hypothetical model and the sample data. The RMSEA for the measurement model was .045. Other fit indices also point to an acceptable model fit between the model and the data (GFI = .953, AGFI = .925, CFI =.987).

Key words: Conference · Brand management · Satisfaction · Loyalty · SEM

INTRODUCTION

Historically, brand management has not been the central concern of hoteliers. In the past decades this situation has markedly changed to the extent that brand management appears to be one of the fastest expanding areas of concern and research. In today's competitive business environment, managing brand equity has become essential for any business organizations and hospitality organizations are no exception.

In the USA branding is one of the most dominant trends in the global hotel industry [1]. Brand penetration in the ratio of branded vs. non-branded properties is recorded to be over 70 percent in the commercial lodging industry [1]. This is because successful brands can allow marketers to gain competitive advantage [2], including the opportunity for venturing new business opportunities and resilience against business uncertainties [3]. Strong brand increase trust in intangible products, enabling customers to better visualize and understand them,

including safety and risk issues [4, 5]. The concept and measurement of brand equity in the hotel industry has gained considerable attention from various interest groups [6, 7, 8]. Cultivating strong brand with high equity improves the probability of brand choice, brand performance and many other aspects [9, 10]. Despite the well-recognized significance of brand equity concepts in business and service literature [11], however, little study has been published in hotel or MICE literature to examine brand equity amongst conference attendees. Hence, the purpose of this study is to explore brand equity from the customers' (conference attendees) perspective.

Theoretical Model: In this study, customer-based brand equity is defined as ''the differential effect of brand knowledge on consumer response to the marketing of the brand'' [12]. Customer-based brand equity occurs when the consumer is aware of the brand with some favorable, strong and unique brand associations in memory. The core concept of this model draws on ''brand

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knowledge'' comprising two dimensions: a brand awareness and brand association, which was based from associative network model [13]. According to the associative network model, memory of a concept consists of a network of nodes and links among these nodes. Brand associations are informational nodes (e.g., tangible and intangible attributes, benefits and attitude) linked to a brand node (e.g., brand name or logo), providing meaningful information about the brand for consumers [12, 14]. Associations may be used as a general term to serve as a link between any two nodes, which suggests an association between brand node and other informational nodes in the consumer's mind [12].

On the other hand, brand awareness consists of both brand recognition and recall [12]. A better understanding of the customer's brand knowledge is important to marketers because in today's business environment hotels are using electronic marketing intermediaries as a powerful tool in the market for hotel rooms and services. In this respect, the financial, psychological and product/service risks could be reduced if not eliminated [15]. This proposition [12] has been well supported in the marketing stream where brand equity improves price premium, market share, firm performance and purchase intention [6].

Brand knowledge has been conceptualized of having several dimensions [12]. This includes staff service (brand associations), self-image congruence (brand associations), brand awareness and their relationship to brand satisfaction which leads to brand loyalty in MICE (Conference) market. This suggests customer's satisfaction has a mediating role in influencing post-purchase attitude [16]. Capturing these dimensions would lead to a deeper understanding of hotel brand equity concept (Figure 1).

Staff Service: According to the framework, staff service is crucial in determining the service quality and hence significantly contributes to the formation of attendee

satisfaction with the hotel's brand equity which leads to brand loyalty. A well-trained service staff can yield excellent service to the customers and it is an invaluable asset to the service providers. Consequently, a well-trained service staff will lead to a memorable experience. This has strong implications in the satisfaction-loyalty relationship.

Self-Image Congruence: Self-image congruence or self-image [17], involving psychological comparison, has been used to predict satisfaction in several situations [18-21]. It is understood that self-image congruence affects purchasing behavior through motives of the customers [17] suggesting that customers enhance their satisfaction when perceiving high level of image congruence [20]. This has also lead to business organizations to position themselves accordingly [17]. High self-image congruence meets the expectations for social approval and consistency, thereby leading to brand loyalty [20]. In this respect self-image congruency strengthen the brand associated with the user image [21], which ultimately lead to brand loyalty.

Brand Awareness: Another important construct is consumer brand awareness which is related to the cognitive representation of a brand and organizational performance [22]. Thus, it is worthwhile to examine how the dimensions of brand equity affect and predict conference attendee behaviors, which in turn will return as a loyal customer. Although researchers [22, 23] have different views about the satisfaction–attitude relationship, they suggest that strong brand awareness positively affects brand satisfaction to shape favorable attitude. The proposed path is also supported by previous studies in the hospitality setting, particularly in the lodging [21] and quick service restaurants [11]. Thus, this study speculated that brand awareness can generate brand satisfaction through brand familiarity [24].
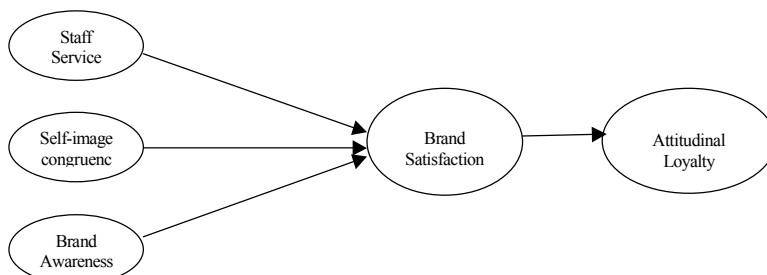

Fig. 1: Conceptual model of conference brand equity [17]

Satisfaction and Loyalty Relationship: Overall satisfaction, distinct from transaction-specific satisfaction, is shaped by evaluative judgment processes of post consumption experience [24, 25]. Applied market research is more inclined to base customer satisfaction on the overall level of satisfaction with various facets of a company than episode-specific satisfaction [26]. Brand satisfaction in this study is operationalized as overall satisfaction with a brand based on previous conference attendance experiences [26]. Satisfaction leads to commitment in business-to-business relational exchanges [27, 28] because relationships characterized by satisfaction are so highly valued that parties will want to commit themselves to such relationships [29], thereby enhancing repeat attendance intention to the brand-attitudinal brand loyalty.

Methodology: After an extensive literature review, the instrument included questions for measuring all of the constructs in the theoretical model. The target sample was those conference attendees staying at the hotel where the conference was held. Probability sampling techniques were employed (systematic). Participant list (pre-registration list) was provided by the respective organizers and every third participant was selected to participate in the study. To enhance the response rate, letter from the organizers was attached to the questionnaire.

The target sample comprised conference attendees which attended and stayed in the same hotel where the conference was held. Initial location was targeted at 8 conferences in Penang and Klang Valley. However, only 4 conferences agreed to participate. The survey was conducted in 4 hotels (2 in Penang and 2 in Klang Valley rated 4 and 5 star hotels) with a total sample size of 1500.

Since systematic sampling technique was employed, a total of 500 questionnaires were successfully distributed to the attendees with the assistance from the conference organizers. Out of the 500 questionnaires distributed, 415 usable questionnaires were returned, representing 83.0% response rate. Eighty-five questionnaires were rejected due to incomplete responses or the participants did not return the questionnaire.

Instrument Development and Data Collection: Building on marketing literature [29], each brand association had four to eight item scales: (1) an eight-item scale for staff service; and (2) a four-item scale for self-image congruence. Brand awareness construct is measured by a three-item scale [30]. Brand satisfaction construct was measured by a three-item scale [24] and brand loyalty by a nine-item scale [20]. All items were measured on 7-point Likert-type scales, with anchors of 1 = strongly disagree and 7 = strongly agree. A cross-sectional study was designed and executed through a survey. The survey instrument was tested for reliability and validity.

Data Analysis: Data was analyzed using a Confirmatory factor Analysis (CFA) approach. CFA is a statistical technique that enables a researcher to assess relationships among both manifest (i.e., observed) and latent variables for the purpose of testing a theoretical model or confirming the factor structure of a research instrument [31, 32, 33]. The goodness of fit of all CFA and structural model followed the accepted standards levels of normed χ^2 of >3, RMSEA (<.08) and GFI (> .95) [32]. Assessment of normality was carried out to determine data distribution. Result from the test indicates that only 4 variables are normally distributed. Joint multivariate kurtosis value and associated critical ratio there is a moderate degree of normality; therefore, transformation was needed in order to rectify the situation (data influencing the results). Following transformation, a Bollen-Stine bootstrap procedure (2000 iterations) was employed [34]. The result from this analysis for measurement model) indicates that the p value was < .05 (.107) indicating that the model fit was not inflated.

Findings: The initial reliability test recorded an acceptable result (Staff service α= .933, Self-image congruence α=.94, Brand awareness α=.90, Satisfaction α=.92, Loyalty α=.94). The next step in the data analysis was to establish the construct validity (convergent and discriminant validity) of the five dimensions. The average variance extracted (AVE) was calculated for each of the five constructs: Staff service, Self-image Brand awareness, Satisfaction and Loyalty [35]. Table 1 provides evidence for adequate composite reliability and construct validity [35].

- Composite Reliability (CR) > .7; strong reliability and convergent validity.
- Average Variance Extracted (AVE) > .5 shows strong discriminant validity.
- Question 23(Brand awareness) removed (high error variance, low individual item reliability of .48) structural Model.

Table 1: Composite Reliability and Validity

Model Fit	Construct	Loading	CR	AVE
χ^2/df of 1.75, p=.000	Staff Service	.670	.92	.62
and CFI of .992.	(8 items)	.761		
		.718		
		.807		
		.770		
		.741		
	Self-image	.741		
	(4 items)	.789	.82	.66
		.838		
		.829		
		.822		
	Brand	.882	.92	.75
	Awareness	.915		
	(3 items)	.899		
χ^2/df of 1.74, p=.041	Loyalty	.716	.92	.56
and CFI of .99.	(9 items)	.738		
		.784		
		.817		
		.902		
		.753		
		.807		
		.842		
		.767		

With these results, we proceed to test the structural model to assess its casual and the significance of its paths. Structural model indicates that the chi-square value of 177.67 is significant at the p < .05 level (p= .000). In this case, the χ^2/df of 1.83 and CFI of .987 indicates a good fit between the hypothetical model and the sample data. The RMSEA for the measurement model was .045. Other fit indices also point to an acceptable model fit between the model and the data (GFI = .958, AGFI = .925, CFI =.987). Diagram 2 depicts the structural model and Table 2 for the Regression Weight.

In order to confirm this result, a competing model was run where the direct paths between the customer-based brand equity constructs and loyalty were introduced. The assumption behind this test was that the second model would produce a better fit (larger χ^2 value) between the two competing models, however, except self-image the introduction of the paths (brand awareness and Staff service) did make the model better, hence partially confirms the mediation effect of satisfaction.
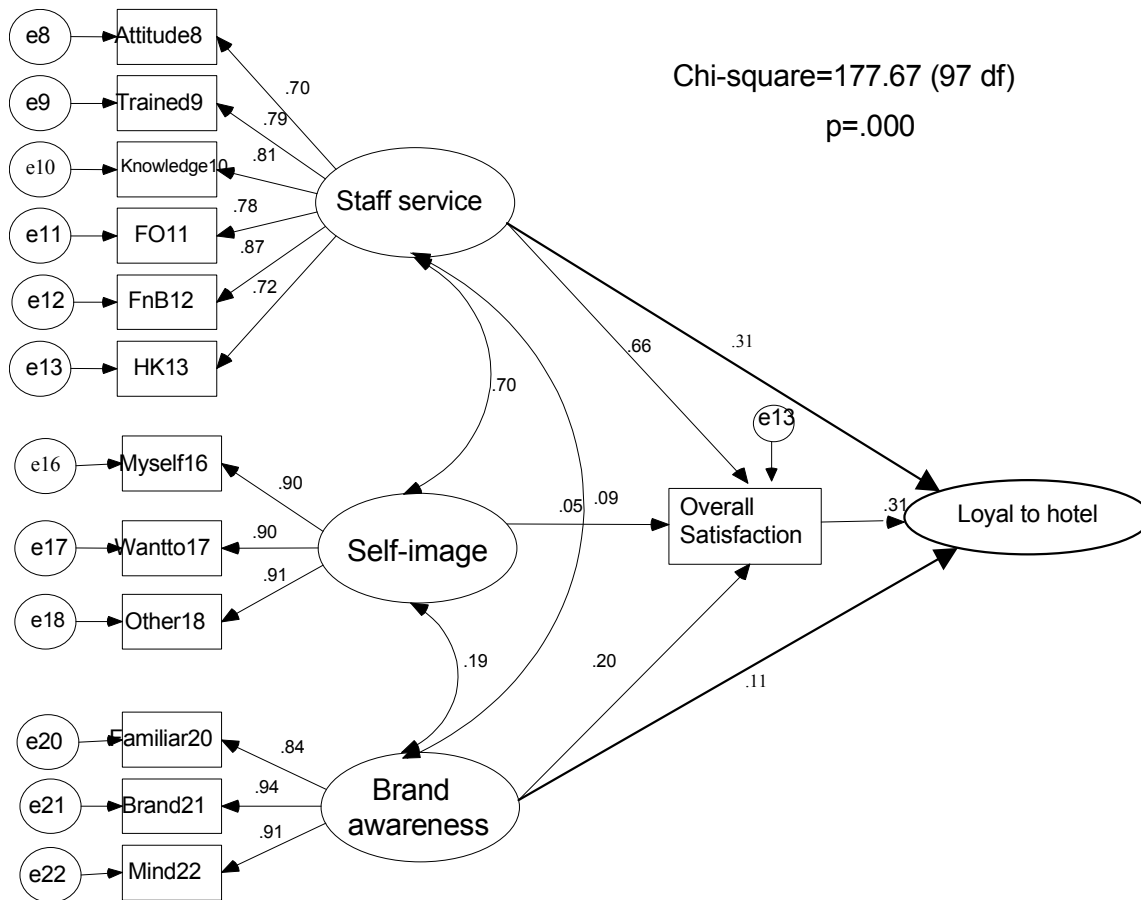
Chi-square=177.67 (97 df)

p=.000

Diagram 2: Structural Model.

Table 2: Regression Weight

			Estimate	S.E.	C.R.	P
Brandsatisfaction	<---	Staff service	.619	.059	10.485	***
Brandsatisfaction	<---	Self-image	.131	.055	2.388	.017
Brandsatisfaction	<---	Brand awareness	.174	.026	6.831	***
AttitudinalLoyalty	<---	Brandsatisfaction	.313	.044	7.147	***
AttitudinalLoyalty	<---	Self-image	.115	.046	2.487	.013
AttitudinalLoyalty	<---	Brand awareness	.112	.023	4.913	***
AttitudinalLoyalty	<---	Staff service	.305	.058	5.228	***

*** $\rho < .001$

CONCLUSION

It has been known that marketing mix activities affect how customers perceive brands [8,12]. Unfortunately, this knowledge does not guarantee that marketers understand how the resulting brand image is created or its ultimate impact on the brand's equity. The review of the constructs provides a clear direction of the issue of customer-based brand equity within the hotel business, particularly focusing on conference attendees. This study has examined a mediating model of the relationship between customer-based brand equity constructs, satisfaction and loyalty. From the findings, it can be understood that in customer-based brand equity, staff service is the most prominent aspect in understanding customer purchase behavior. This has been confirmed when the relationship between staff service and satisfaction shows the strongest relationship among the three customer-based brand equity constructs.

However, the results did not support the direct relationship between the constructs and loyalty, suggesting that satisfaction mediates the relationship between customer-based brand equity constructs and loyalty. Table 1 and 2 indicate that self-image construct did not have any significant effect on satisfaction and the mediating effect of satisfaction on self-image - Loyalty relationship was the weakest.

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