



# MASTER OF BUSINESS ADMINISTRATION

# Mediating Role of Consumer Satisfaction on the Relationship Between Consumer-based Brand Equity and Brand Loyalty

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# Mediating Role of Consumer Satisfaction on the Relationship Between Consumer-based Brand Equity and Brand Loyalty

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# Mediating Role of Consumer Satisfaction on the Relationship Between Consumer-based Brand Equity and Brand Loyalty

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#### ABSTRACT

Customer satisfaction and brand loyalty have been addressed as marketing goals for many companies. Many researches have found that satisfaction has a significant favorable impact on brand royalty and a true repurchase behavior of the same brand to long term business profits. Therefore, my study investigated the impact of customer satisfaction on brand loyalty.

My study aims to investigate the mediating effect of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty in the hotel and restaurant industry.

By surveying 200 hotel customers, respondents, the author tried to give an empirical study to the literature. The data were analyzed by using SPSS and structural equation modeling (SEM) method via AMOS, all hypotheses in the proposed model were tested. The model fit indices are as follows: Chi-square=107.061; df=103; p value=.372; GFI=.996; AGFI=.926; RMR=.049; NFI=907; IFI=1.011; TLI=1.015; CFI=1.000; RMSEA=.000. These indexes suggest that the model is acceptable.

Based on the findings, managerial implications and directions for future research are also proposed in this study.

## CHAPTER 1

#### INTRODUCTION

#### 1.1 Purpose of this study

Customer satisfaction strategy has built a great deal of consideration during the past decades (Oliver, 1996). Many companies are trying hard to alignment between customer satisfaction and loyalty or focus more on the purchasing behavior of their customers and offer the products according to the requirement of buyers and develop strategies to retain them in the end. Also companies are focusing on increasing satisfaction because satisfied customers have higher chances to repurchase the same brand (Reichheld, 1996).

Therefore, satisfaction is in reality probably the most unassailable concepts of the modern management field (Oliver, 1996). Not simply does no idea of satisfying customers have a good, common-sense appeal but also it can be believed that customer satisfaction would lead towards loyalty, resulting in to increase higher profit gain (Oliver, 1996).

For many firms, customer satisfaction is becoming a guiding principle for establishing marketing tactics as well as developing marketing activities. Customer satisfaction must not be described as a goal its place but it should be considered a mean for improving the company's performance (Martensen, 2000).

My study postulates the mediating impact of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty. Bloemer, De Ruyter, and Peeters (1998) demonstrate that the effect of service quality on consumer loyalty is mediated by consumer satisfaction. Similarly, Caruana and Malta (2002) and Dabholkar et al. (2000) confirm the mediating role of customer satisfaction on the relationship between service quality and consumer loyalty. Ekinci et al. (2008) confirm that consumer satisfaction mediates the impact of the service quality and ideal self-congruence on intentions to return.

#### **1.2 Organization of the Thesis**

This thesis comprises of five chapters.

Chapter 1 shows a quick introduction of the purposes of the research postulated.

Chapter 2 explains a review of past postulated models from the literature, and then definitions of the constructs of the research model.

Chapter 3 forms the model framework of the research and hypotheses of this study are proposed based on the literature review.

Chapter 4 shows the sample collection, methodologies, measurement and results.

Chapter 5 provides result discussion, managerial implications, limitation of this paper and suggests and directions for future researches.

The purpose of my research is to investigate the mediating role of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty.

## CHAPTER 2

## Literature Review

## 2. Consumer-Based Brand Equity (CBBE)

In today's marketplace successful brands must develop and maintain distinctive images in order to sustain their competitive advantage (Aaker, 1991; Pappu, Quester, & Cooksey, 2005). Consumer-Based Brand Equity (CBBE) is essential for driving customer equity, differentiating brands, assessing brand performance and gaining competitive advantage in the marketplace (Lassar, Mittal, & Sharma, 1995; Sun, Kim, & Kim, 2014; Zhang, Ko, & Kim, 2010). Strong brand equity is achieved when consumers recognize brands, have favorable brand identification, and brand loyalty (Keller, 1993). As brand equity positively associates with customer equity and brand success, CBBE receives significant attention from the academic and business community (Kim, Kim, & An, 2003; Kim, Ko, Lee, Mattila, & Kim, 2014). The brand equity models introduced by Aaker (1991) and Keller (1993) are widely acknowledged (Martinez, & Chernatony, 2013; Pappu et al., 2005). Using Aaker's (1991) four dimensional brand equity model, scholars such as Yoo and Donthu (2001) introduce measurement scales for assessing CBBE. However, many of these measures are applied to goods dominant brands (Jung & Sung, 2008; Punj & Hillyer, 2004; Yoo & Donthu, 2001). Applications of the CBBE measures to service brands are limited. Also previous applications of Aaker's CBBE model to service organizations display poor validity (for example, Boo, Busser, & Baloglu, 2009). Nam, Ekinci, and Whyatt (2011) argue that the existing measurement scales based on Aaker's (1991) and Keller's (1993) CBBE models are not suitable for service dominant brands because of the inherent characteristics of services: intangibility, perishability, heterogeneity and inseparability (Grönroos, 1984). Some of the

brand equity dimensions seem to differ for services. Although Aaker (1991) states that perceived quality is uni-dimensional, services marketing scholars argue that service quality is multi-dimensional (Grönroos, 1984).

## 2.1 Price perception

Price perception is a signal information. It conveys the value of a product or service to consumers (Armstrong & Kotler, 2000). Throughout history, price has been a major factor in influencing buyer decisions (Armstrong & Kotler, 2000); thus, it is essential for firms to carefully implement their pricing strategies in order to attract sales and capture their profit objectives. One such pricing strategy where a firm can maximize its profit is through differential pricing. Differential pricing is defined as the practice of charging customers different prices for essentially identical goods (Hoffman, Turley, & Kelley, 2002); it is the adjustment of prices according to customer, location, product, or time (Armstrong & Kotler, 2000). For example, a firm could charge a lower price to attract new customers, while extracting a higher price from loyal customers. Consumer satisfaction does not track the consumer utility; these two important performance measures for consumers behave differently under different pricing strategies. Price adjust in the long run in response to market shortages or surpluses (Mercy, 2009). Price strategies also affect the revenues obtained by providers, as well as the request acceptance ratio. I introduce three pricing policies and investigate the effect of several parameters upon critical measures of performance for producers and consumers. The pricing policies are affected by the relationship between the amount of resources required and the total amount paid for them, as well as the overall state of the system (Howard, Daleyd 2008).

## 2.2 Brand recognition

Brand recognition refers to whether consumers can recall or recognize a brand, or simply whether or not consumers know about a brand (Keller, 2008). Brand recognition precedes building brand equity. The brand name provides the memory nodes in consumers' minds (Aaker, 1991). Consumers may link the related brand knowledge to the brand name, which finally constitutes brand equity (Aaker, 1991; Keller, 1993). Hence, brand recognition provides a kind of learning advantage for the brand (Keller, 2008). Brand awareness affects consumer decision-making, especially for low-involvement packaged goods. Brands that consumers know are more likely to be included in the consumers' consideration set (Hoyer and Brown, 1990; MacDonald and Sharp, 2000). Consumers may use brand awareness as a purchase decision heuristic (Hoyer and Brown, 1990; MacDonald and Sharp, 2000). Therefore, brand awareness increases brand market performance.

The image is projected by the design, equipment, facilities, and materials of the hotel or restaurant while staff behaviour is the image projected by competence, helpfulness, friendliness, and responsiveness of the hotel or restaurant employees. A highly extensible and flexible enterprise knowledge management and social collaboration platform is built on the design principle that takes future growth and evolution into consideration.

## 2.3 Quality perception

These perceptions before the use of service are then expectations, according to perceived performance, and become perceptions of quality after use of service (Hamer, 2006).

Service quality is central to the development of strong service dominant brands because it enhances perceived superiority of the brands and helps to differentiate brands in competitive markets. This study proposes two service quality dimensions for evaluation of hotel and restaurant brand equity: quality perception and brand extensibility. (Ekinci et al., 2008; Madanoglu, 2004), that people buy or own brands in order to sustain or enhance their self-esteem (Graeff, 1996). Consistent with prior research, the current study adopts the view that self-congruence relates to the extent to which brand image coincides with consumer's ideal self-concept (Ekinci et al., 2008; Hong & Zinkhan, 1995).

## 2.4 Brand Identification

Brand identification is a separate category from brand image. Brand identification is the message the consumer receives from the product, person, or thing. The brand identity will connect product recognition. Organizational identification theory states that an individual becomes a member of a social group in order to support his identity and sense of belonging (Mael & Ashforth, 1992). Similarly, consumers define their social identity by consuming brands or associating with brands (Del Rio, Vazquez, & Iglesias, 2001). Consumers positively value those brands that enjoy a good reputation among the groups to which they belong or aspire to belong (Long & Shiffman, 2000). Brand consumption also differentiates a consumer's social identity from other social identities (Kim et al., 2001). Hence brand identification allows the consumer to integrate or dissociate with the groups of individuals who constitute the social circle. (Nam 2011)

# 2.5 Lifestyle-congruence

Lifestyle, in its widest form, covers not only demographic characteristics, but also attitudes towards life, beliefs and aspirations. Although no commonly accepted definition of lifestyle

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exists, the term broadly refers to a person's unique patterns of living as expressed by activities, interests, and opinions, all of which display differences among individuals. Consumers develop repeat buying patterns when brands satisfy their needs to achieve a particular lifestyle. Furthermore, consumers form personal attachments when brand consumption reflects their desired lifestyles (Foxall et al., 1998; Onkvisit & Shaw, 1987). Building on the above research, this study defines lifestyle-congruence as the extent to which the brand supports the consumer's lifestyle. Lifestyle-congruence differs from self-congruence and brand identification because consumers use self-concept and social groups as comparison standards. In the case of lifestyle-congruence the comparison standards are associated with consumers' consumption goals, activities, interests and opinions that may be related to different social and personal values that are not captured by self-concept and social identity.

## 2.6 Consumer Satisfaction

Consumer satisfaction can be defined as how well the expectations of a consumer concerning a product or service provided by the company have been met. Consumers' satisfaction has been considered one of the most important constructs (Morgan et al., 1996; McQuitty et al., 2000), and one of the main goals in marketing (Erevelles and Leavitt, 1992). Satisfaction plays a crucial role in marketing because it is a predictor of purchase behaviour (repurchase, purchase intentions, brand choice and switching behaviour) (Oliver, 1993; McQuitty et al., 2000).

Bosque and San Martin (2008) suggest that consumer satisfaction is not only cognitive but also emotional. While the literature contains significant differences in the definition of satisfaction, there are at least two common formulations of satisfaction: transaction-specific and overall satisfaction. Transaction-specific satisfaction is an immediate post-purchase evaluative judgement and, as such, is an affective reaction to the most recent experience with a firm (Oliver, 1993). The transactional-specific approach suggests that satisfaction occurs at the post-consumption stage following a single encounter with the service provider (e.g., satisfaction with a specific employee) (Jones & Suh, 2000). Overall satisfaction is an evaluative judgement of the last purchase occasion and based on all encounters with service provider (Bitner & Hubbert, 1994). Thus, overall satisfaction is an aggregation of all transaction-specific satisfaction with service encounters (Veloutsou, Gilbert, Moutinho, & Goode, 2005). Transaction-specific satisfaction is likely to vary from experience to experience while overall satisfaction is a moving average that is relatively stable and most similar to an overall attitude towards purchasing a brand (Auh, Salisbury, & Johnson, 2003). This conceptualisation is notable because overall satisfaction is a better indicator of future loyalty and business performance (Fornell, Johnson, Anderson, Cha, & Bryant, 1996; Johnson, Gustafsson, Nam et al. (2011) Andreassen, Lervik, & Cha, 2001). Therefore, we view consumer satisfaction as a consumer's overall emotional response to the entire brand experience following the last purchase.

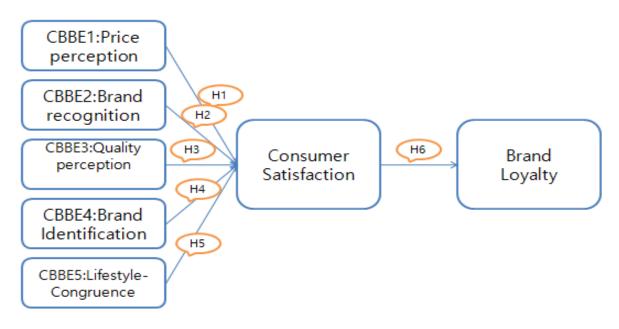
### 2.7 Brand Loyalty

Despite the large number of studies on brand loyalty, much of the research over the past three decades investigates consumer loyalty from two perspectives: behavioural loyalty and attitudinal loyalty (e.g., Bandyopadhyay & Martell, 2007; Dick & Basu, 1994). Behavioural loyalty refers to the frequency of repeat purchase. Attitudinal loyalty refers to the psychological commitment that a consumer makes in the purchase act, such as intentions to purchase and intentions to recommend without necessarily taking the actual repeat purchase behaviour into account (Jacoby, 1971; Jarvis & Wilcox, 1976). In the tourism literature, Chen and Gursoy (2001) strongly criticise the behavioural approach and argue that the attitudinal approach is more appropriate to study traveller loyalty, because travellers can be loyal to a destination even when they do not visit the place. Hence the study adopts' attitudinal loyalty and defines brand loyalty as the consumer's intention to visit or willingness to recommend the hotel or restaurant brand.

## CHAPTER 3

## HYPOTHESES AND RESEACH MODEL

## 3.1 Research Model



CBBE:Consumer-Based Brand Equity

FIGURE 1. Full Mediation Model.

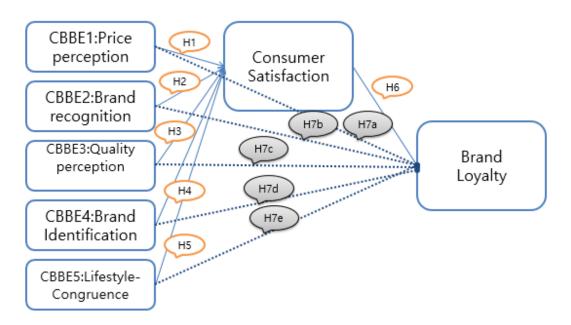


FIGURE 2. Partial Mediation Model.

The research model proposes that the five dimensions of consumer-based brand equity; price perception, brand recognition, quality perception, brand identification, and lifestylecongruence have positive effects on brand loyalty via consumer satisfaction as shown in Figure 1. The effects of the brand equity dimensions on brand loyalty are fully mediated by consumer satisfaction. In order to examine the direct effects of brand equity dimensions on brand loyalty, the study develops and tests an alternative model a partial mediation model as shown with dotted lines in Figure 2.

In this model there are 5 dimensions: price perception, brand recognition, quality perception, brand identification, and lifestyle-congruence. Now why only those dimensions? Because development of the Customer-based Brand equity model was driven by two goals. First, the model has to be logical, well integrated, and grounded. The model needs to reflect state-of-the-art thinking about branding from both an academic and industry point of view. Second, the model has to be versatile and applicable to all possible kinds of brands and industry settings. As more diverse applications of branding emerge for all types of products, services, organizations, people, places, and so on, the model needs to have far-ranging relevance.

#### **3.2 Hypotheses Development**

#### Effects of price perception on consumer satisfaction

Customers show positive intentions such as approving the firm, expressing preference, increasing purchasing volume, paying premiums willingly, saying positive things about the

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firm(hotel) to others, making recommendations to others, and continuing purchasing when they are satisfied (Zeithaml et al., 1996). Satisfied customers stay loyal longer with an organization, pay less attention to the competition, are less price sensitive, offer service ideas to the organization and require less cost for the organization to service them (Weinstein et al., 1999d). According to Cronin (2000) satisfaction stems from the fact that the customer derives a feeling that the service provided is of real value. Anderson and Sullivan (1993), Bansal and Taylor, (1999) and Cronin (2000), show that customer satisfaction was the key to retaining a customer. The level of satisfaction has direct impact in pricing perceptions. Research stated that price perception include both differential pricing in which different buyers may receive different prices based on expected valuations, and dynamic pricing mechanism, such as auctions, where prices and conditions are based on bids by market participants. Therefore the following hypothesis is formed.

H1. Price perception has a positive effect on consumer satisfaction with brand experience.

#### Effect of brand recognition on consumer satisfaction

Organizations need to retain existing customers while targeting non-customers (Joby 2003). To measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. "Customer satisfaction is measured at the individual level, but it is almost always reported at an aggregate level. It can be, and often is, measured along various dimensions. A hotel, for example, might ask customers to rate their experience with its front desk and check-in service, with the room, with the amenities in the room, with the restaurants, and so on. Additionally, in a holistic sense, the hotel might ask about overall satisfaction 'with your

stay.'(Farris, Paul and Reibstein 2010). Some researches opined that, as research on consumption experiences grows, evidence suggests that consumers purchase goods and services for a combination of two types of benefits like hedonic and utilitarian. The first one, hedonic benefits are associated with the sensory and experiential attributes of the product while the second one utilitarian benefits of a product are associated with the more instrumental and functional attributes of the product (Batra and Athola 1990).

This would imply that where a known brand exists in a choice set, consumers are more likely to choose the known brand on the first trial, but given the opportunity to try other brands after the initial trial. The results of this study indicate that consumers demonstrated curiosity about the other brands available to them, but still preferred to choose the wellknown brand. This could be a result of some of the effects attributed to high-awareness brands, such as reassurance of popularity and quality. Therefore the following hypothesis is formed.

H2. Brand recognition has a positive effect on consumer satisfaction with brand experience.

#### Effect of quality perception on consumer satisfaction

These perceptions before the use of service are then expectations, according to perceived performance, and become perceptions of quality after use of service (Hamer, 2006). Hamer (2006) pointed out some disadvantages of low expectations. if consumers expect low service they will perceive the service firm as a relatively low quality service provider. Even, if the service firms exceed consumers' expectations they will still be perceived as low quality providers of the service. If the firm went in "under-promising" phenomenon, then the expectations could not be revised up to a level which is beneficial to a firm. Thus "under-

promising" will result in lower levels of perceived service quality. Therefore, it is important to remember that it is better to meet high expectations than to exceed low expectations (Hamer, 2006). The gap between perceived performance and expectations can be taken as a measure of perceived service quality. Hamer (2006), therefore suggested that managers who want to increase customer perceived quality should decrease the gap between expected quality and actual received service by the raising of expectations instead of trying to maximize the gap between delivered service and expectations. Expectations can be taken as equivalent to perceptions of service quality before use of service. Therefore the following hypothesis is formed.

H3. Quality perception has a positive effect on consumer satisfaction with brand experience.

#### Effect of brand identification on consumer satisfaction

Consumers are satisfied with a brand when brand identification enhances their positive image within social groups or achieves sense of belonging to a social group (Ferreira, 1996; Kim et al., 2001). Previous studies show that brand identification stimulates symbolic interaction, emotional bonding and brand loyalty. For example, Peter and Olson (1993) show that 94% of Harley-Davidson buyers are emotionally attached to the Harley-Davidson brand. Harley-Davidson customers not only enjoy the quality of the motorbike but also enjoy being part of a community and so remain loyal. Thus, this study postulates that stronger consumer identification with a brand results in greater consumer satisfaction. Therefore the following hypothesis is formed.

**H4**. Brand identification has a positive effect on consumer satisfaction with brand experience.

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#### Effect of lifestyle-congruence on consumer satisfaction

Solomon (2002) argues that lifestyle consists of shared values, taste and consumption patterns. He sees brands and brand settings as an expression of lifestyles. The greater the degree that a brand image fits in a consumer's personal lifestyle, the greater is the consumer satisfaction with brand experience. Lifestyle branding, for example, refers to a social situation where people buy things that are associated with a particular lifestyle. Therefore, lifestyle marketers aim to create consumer satisfaction with brands by developing a brand that matches with the identified lifestyle. Thus, I propose following hypothesis:

**H5**. Lifestyle-congruence has a positive effect on consumer satisfaction with brand experience.

#### Effect of consumer satisfaction on brand loyalty

Previous studies support a positive relationship between consumer satisfaction and brand loyalty in the service industry (Back & Parks, 2003). Rust and Zahorik (1993) demonstrate a link between consumer satisfaction and brand loyalty in the retail banking and hotel industry. McDougall and Levesque (1994) show that customer satisfaction has a positive effect on brand loyalty in different service sectors: dentistry, auto repair services, restaurants, and hairdressers. Faullant, Matzler, and Fuller (2008) confirm the predictive ability of consumer satisfaction on loyalty. Further empirical studies supporting the positive relationship between consumer satisfaction and consumer loyalty can be found in Anderson, Fornell, and Lehmann (1994), Fornell (1992), Hallowell (1996), Kandampully and Suhartanto (2000), Lin and Wang (2006), Yoon and Uysal (2005), and so on. Thus, I propose the following hypothesis:

H6. Consumer satisfaction with brand experience has a positive effect on brand loyalty.

**H7a to H7e.** The effects of consumer-based brand equity dimensions—physical quality, staff behaviour, ideal-self-congruence, brand identification, and lifestyle-congruence—on brand loyalty.

## **CHAPTER 4**

## **Methodology and Results**

#### 4.1 Data collection and sample

The data were collected through a personally administered questionnaire in the South Korea. The questionnaire targeted hotel customers. All survey questions in the survey were the same except for the brand names. A total of 200 people responded to this survey.

There was a total of 200 completed responses from 102 males (51%) and 98 females (49%). The largest portion of respondents belongs to the group of 18 to 24-year-old with 106 people (53%). 58 people (29%) are from the group of 25 to 34-year-old; 26 people (13%) are from 35 to 45 years old and only 10 people (5%) are over 45 years old.

Among the respondents, 111 (55.5%) of them have a bachelor degree as the highest degree. The numbers of people who have only associate degree are 45 (22.5%) and people who have high school degree are 21 (10.5%). 14 (7%) people hold a master's degree and 9 (4.5%) people hold a doctoral degree.

About their employment status, more than half of the respondents (101 – 50.5%) are students. 72 people (36 %) are employed for wages; 16 people (8%) are self-employed; 6 people (3%) are unemployed and only 5 of them (2.5%) are retired.

# Table 1: Sample profile

Demographic Variabl	е	Frequency	Percentage (%)
Age	From 18 to 24 years old	106	53
	From 25 to 34 years old	58	29
	From 35 to 45 years old	26	13
	Over 45 years old	10	5
	Male	102	51
Gender	Female	98	49
	Bachelor's Degree	111	55.5
Highest Degree	Associate Degree	45	22.5
	High school	21	10.5
	Master's Degree	14	7
	Doctoral Degree	9	4.5
	Student	101	50.5
Employment Status	Employed for wages	72	36
	Self-employed	16	8
	Unemployed	6	3
	Retired	5	2.5

#### 4.2 Measurement

The research model of this paper comprises seven variables. Five variables are price perception, brand recognition, quality perception, brand identification, and lifestyle congruence as key determinants of consumer based brand equity. Mediator variable is customer satisfaction and dependent variable is brand loyalty. Therefore, a list of seven constructs was created to test the model.

The each of the five constructs price perception, brand recognition, quality perception, lifestyle congruence and brand loyalty had three items and the for price perception were adapted from Mercy, (2009), for brand recognition were adapted from Huang (2012), also items were adapted from Malik 2011. Customer satisfaction had one items were adapted from Nam. Perceived service quality and mediating role of perceived value (quality perception items), were adapted from Nam (lifestyle congruence and brand loyalty). The other variables had two items and for other variables items were adapted from Nam (2011). According to the constructs and items, a questionnaire which comprised 18 questions was created. Respondents were asked to answer the questions by rating from five-point. (1 = strongly disagree to 5 = strongly agree). After that, a table of collected data set was used to test the model and the hypotheses.

Table 2-definition and items of v	ariables
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Variable	Definition	ltems	Reference
Price perception	The degree to which consumer perceive that price is high or low.	Customer satisfaction level with our price	(Armstrong & Kotler, 2000)
		-Price-quality ratio	

		-Hotel inside service prices	
Brand recognition	Extent to which a brand is	-Customer recognize level to	Rong Huang
	recognized by a potential	this brand	2012.
	customer.		
		-Customer trust in this brand	
		-Hotel brand is obvious	
		different then others	
Quality perception	Perceived quality can be	- Personnel service quality	Saifullah Malik
	defined as the customer's		2011.
	perception of the overall	-Quality of the rooms	
	quality.		
		-Quality of the breakfast	
		services	
Brand identification	The extent that consumer	-If a story in the media	Janghyeon Nam
	identify themselves with the	criticizes this brand, I would	2011.
	brand.	feel embarrassed	
		-When someone criticizes this	
		brand, it feels like a personal	
		insult	
Lifestyle	Lifestyle-congruence is the	-This brand reflects my	Janghyeon Nam
congruence	extent to which the brand	personal lifestyle	2011.
	supports the consumer's	-This brand is totally in line	
	lifestyle.	with my lifestyle	
		-Staying in this hotel brand	
		supports my lifestyle	
Customer	Consumer needs and wants	-Consumer satisfaction level	Janghyeon Nam
satisfaction	are met.		2011.
Brand loyalty	Behavioural loyalty refers to	-Next time I will stay in this	Janghyeon Nam
	the frequency of repeat	brand	2011.
	purchase.	-I will switch to other brands	
		if I experience a problem with	
		this brand. (reverse)	
		-I will recommend this brand	
		to someone who seeks my	
		advice	

## 4.3 Data analysis and results

## 4.3.1 Exploratory factor analysis

Exploratory Factor Analysis (EFA) was conducted to test the internal consistency of the constructs, that is, how closely items in one construct are related to each other. By using SPSS, an EFA with varimax rotation and seven factor loadings were run. Item that was highly correlated with more than one loading was removed.

As shown in table 3, each factor loading is highly correlated with only one construct. Cronbach's alpha for each construct are also acceptable, ranging from .569 for brand identification (BI) to .957 for price perception (PP). All of them were greater than the cutoff level of .6, therefore, all of the items in each construct have a high internal consistency.

			Factor L	Cronbach's	Eigenvalue	Cumulative				
ITEMS	1	2	3	4	5	6	7	Alpha		Explained
										Variance
PP1	.930	.012	.038	.037	.036	.031	.057	.957	2.354	13,833
PP2	.967	.073	016	.007	.020	.022	.054			
PP3	.968	.041	017	.061	.021	.030	.049			
BR1	.053	.887	.051	.008	.035	013	.052	.919	2.087	26.119
BR2	005	.955	005	.022	049	.073	.013			
BR3	.072	.931	.067	027	026	.062	044			
QP1	.067	011	.020	.823	001	.022	110	.774	1.960	37.658
QP2	005	041	.095	.805	.020	.030	.079			
QP3	.033	.055	050	.857	005	021	.042			
BI1	.072	.021	087	028	.022	041	.821	.569	1.770	48.060
BI2	.058	003	.000	.041	072	.115	.833			
LC1	051	.045	.022	.079	.791	104	.006			

 Table 3: Exploratory factor analysis

LC2	.048	045	119	012	.797	020	081	.721	1.618	57.576
LC3	.074	033	.130	055	.809	.059	.023			
CS1	.042	.059	032	.067	008	.923	.016	.841	1.538	66.623
BL1	013	.107	.759	.052	.091	.135	.022	.852	1.414	74.943
BL2	.022	.031	.897	.003	015	130	064			
BL3	001	032	.911	.013	049	041	063			

## 4.3.2 Confirmatory factor analysis

To test the construct validity, a confirmatory factor analysis (CFA) was run via AMOS. Poor factor loadings were found for two items of price perception (PP3) and brand recognition (BR3), so I dropped them out and run the model again. I found good fit indices for the CFA model including all latent variables assuming they are correlated (further analysis shows this is true assumption since correlations among all variables are significantly greater than zero).

As presented in table 4, all the factor loadings of the confirmatory model were significant (at p value = .000). The model Chi-square was 90.473, degrees of freedom (df) = 98 and Chi-square/df = .923 (< 2) at probability level=.000 suggests that the model is accepted. The goodness of fit index (GFI) = .951; normed fit index (NFI) = .909; and comparative fit index (CFI) = .951 also confirm that the model is suitable because they are close to 1. Besides, the root means square residual (RMR) = .048 (<080), a badness of fit index, is considered as acceptable.

Constructs	ltem	Standardized	Standard	t value	p value
		Regression	Error		
		Coefficient			
Price	PP1	.870	.167	5.718	.000
perception	PP2	.760			
Brand	BR1	1.290	.743	3.391	.000
recognition BR2		.517			
Quality QP1		.724	.114	8.016	.000
perception	QP2	.678	.109	7.837	.000
	QP3	.794			
Brand	BI1	.601	.215	3.787	.000
identification	BI2	.739			
Lifestyle	LC1	.791	.104	9.794	.000
congruence	LC2	.774	.105	9.720	.000
	LC3	.773			
Customer	CS1	.878	.136	8.103	.000
satisfaction					
Brand loyalty	BL1	.770	.077	11.232	.000
	BL2	.788	.077	11.430	.000
	BL3	.877			
Model Fit	Chi-squar =	90.473; Degre	ees of freedo	om = 98; Pro	bability level
Indices	= .000; GFI =	= .951; AGFI = .	924; RMR = .	048; NFI = .90	9;

# Table 4. Result of confirmatory factor analysis

Constructs	Price	Brand	Quality	Brand	Lifestyle	Customer	Brand
	perception	recognitio	perceptio	identificatio	congruence	satisfactio	loyalty
		n	n	n		n	
Price	.574						
perception							
Brand	.050	.557					
recognition							
Quality	078	.047	.903				
perception							
Brand	057	001	.039	.506			
identificatio							
n							
Lifestyle	.008	130	.003	065	.956		
congruence							
Customer	.091	.025	.041	.071	013	.817	
satisfaction							
Brand loyalty	.018	031	.003	.072	053	.025	.872

Table 5: AVE and squared correlations

With the standardized regression coefficients, average variance extracted (AVE) values were calculated as indicators of convergence. As shown in table 5, all the AVE values were larger than .5 which suggests that on average, less than 50% error remains in the items. By running a discriminant validity test, the author discovered that all AVE values were greater than the corresponding squared correlations among the constructs. It implies that the results are acceptable for the CFA model.

## 4.3.3 Hypothesis testing

By using structural equation model (SEM) method via AMOS, all hypotheses in the proposed models were tested. Full mediation and partial mediation models are compared: Full mediation model fit indices are follows: Chi-square=107.061; df=103; p value=.372; GFI=.996; AGFI=.926; RMR=.049; NFI=907; IFI=1.011; TLI=1.015; CFI=1.000; RMSEA=.000. Partial mediation model fit indices are follows: Chi-square=105.175; df=98; Probability level=.292; GFI=.994; IFI=.994; RFI = .871; NFI=.917.

Between two models 2.046, differences of Chi-squares at df 5 (difference of degrees freedom) is not significant. Partial mediation model is not better than full mediation model. So the full mediation model is used for hypothesis testing. These indexes suggest that the model is acceptable.

Hypothesis		Coefficie	Std.	Std.	t value	p value	Conclusion
		nt	Coefficient	Error			
H1	Price perception → Customer satisfaction	112	110	.089	-1.259	.208	Not supported
H2	Brand recognition→ Customer satisfaction	.334	.195	.104	3.204	.001	Supported
Н3	Quality perception→ Customer satisfaction	.289	.210	.114	2.524	.012	Supported
H4	Brand identification → Customer satisfaction	.368	.290	.145	2.536	.011	Supported

#### Table 6: Hypothesis testing

H5	Lifestyle	.218	.156	.114	1.906	.057	Supported
	congruence→						
	Customer						
	satisfaction						
H6	Customer	.122	.146	.069	1.766	.027	Supported
	satisfaction $\rightarrow$						
	Brand loyalty						

Hypothesis 1 stating the relationship between price perception and customer satisfaction, is not supported statistically. Hypothesis 2 showing the relationship between brand recognition and customer satisfaction with a coefficient of .334, p value = .001 is supported significantly. Hypotheses 3 testing consumers' quality perceptions to customer satisfaction is supported with coefficient of .289, p value = .012. The relationship between brand identification with customer satisfaction as in hypothesis 4 is significant at p value so hypothesis 4 is supported statistically. The coefficient of this hypothesis 5 is .218 and also p value = .057 is supported. However, hypothesis 6 showing the correlation between customer satisfaction and brand loyalty is significant, is supported because p value = .027.

## CHAPTER 5

#### 5.1 Summary

The findings suggest that brand loyalty can be generated through improving customer satisfaction and offering high brand value. Brand performance has significant positive relation with customer satisfaction.

Customer satisfaction companies should understand customer-specific needs, provide good quality service/products, and have the capacity to address customer complaints or problems in the friendly manner. Quality perception of service is a key driven of brand loyalty and also significantly influences customer satisfaction. My study suggests that price perception, brand recognition, quality perception, brand identification, and lifestyle congruence are key determinants of consumer-based brand equity. Thus, by investigating the effect of lifestyle-congruence on brand loyalty, my study extended the symbolic meaning of the existing models of consumer-based brand equity (e.g., Aaker, 1991). The study suggests that quality perception, brand identification and lifestyle-congruence have a positive effect on brand loyalty. In other words, consumers intend to recommend, or visit, service dominant brands not only for their functional values but also their symbolic values emanated from self-congruence, brand identification and lifestyle congruence. The current study delineates how deep and meaningful relationships can be established between brands and consumers through symbolic consumption.

#### 5.2 Managerial implications

As quality perception has a positive influence on brand loyalty, hotel and restaurant marketers should study personality characteristics of their brands from the consumer's point of view and develop a brand image to match with the consumer's ideal self-concept. As consumers choose hotels and restaurants beyond satisfying their immediate needs, brand personality can be used for positioning hotel and restaurant brands in competitive markets.

The findings of the study also show that consumers develop brand loyalty because the brand experience fits well with their lifestyles and social identity. Therefore, the brand experience should empower consumers to associate—or to disassociate—themselves with a specific social group in order to strengthen brand equity and brand loyalty. To do this, hotel and restaurant brands should develop new products (e.g., gourmet food, vegetarian menu, gym membership, etc.) to enhance customers' social identity. For example, a customer may be able to define his social identity as a serious, designer-suit-wearing, Applelaptop-carrying businessman or a hedonistic clubber by engaging in different business and leisure activities in hotels. It is essential that brand managers should think strategically about how they can strengthen their brand identification by, for example, capitalising on opportunities for networking and organizing social events with themes (e.g. charity events, conferences, wine testing) that would match with customers' social identity. Similarly lifestyles are not fixed because they continuously change throughout a consumer's life cycle. Brand managers should continuously monitor current and potential consumers' lifestyles to understand their needs, interests, and develop suitable services in order to

enhance brand equity. For example, the growth in coffee bar brands such as Starbucks is partly being fuelled by the demand that can fit into a busy work lifestyle. Budget hotel brands and Travelodge have appeared on growing numbers of roadside locations to serve frequent travellers. Finally, managers of hospitality firms should ensure that existing facilities and physical surroundings maintain, or upgrade their visual appeal in order to develop strong brand image and brand loyalty. The front-line employees play key roles in brand development (Nam 2011) delivering brand promises in the hotel and restaurant industry because of high customer-to-employee interaction. The quality of perception can be strengthened through appropriate training and recruitment programs. If in-house training programmes promote brand values, this can improve consumer-based brand equity and brand loyalty.

#### 5.3 Limitations and future research

Although the present research makes contributions to the existing brand management literature, it has some limitations. One of the limitations of my research is that it is specific to one and two service sectors (hotels and restaurants). The second limitation relates to the sample size. Therefore, the study cannot be generalized to the entire population and the brand equity model should be applied to other service dominant brands in order to establish its external validity. Although, this research provides some preliminary insights into the relationships between consumer-based brand equity, consumer satisfaction, and brand loyalty, future research should build upon my research model and provide further insights into the nature of these relationships in different consumption situations.

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## **APPENDIX**

# Questionnaire

### SATISFACTION SURVEY FOR HOTEL CUSTOMERS

The following questions are all about \_\_\_\_\_Hotel. Please give your opinion about the following theses, Thank you.

- 1. Overall, how you satisfied with this hotel services price?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 2. What level were Price-quality ratio?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all

- 3. How affordable price the hotel inside services?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 4. Did you know about this brand before?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 5. Do you trust in our product?
  - o Extremely
  - o Quite
  - o Moderately
  - o Somewhat
  - o Not at all

- 6. This hotel brand is obvious different then others?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
  - 7. Overall, how friendly was the hotel staff?
  - o Extremely friendly
  - o Quite friendly
  - o Moderately friendly
  - o Somewhat friendly
  - o Not at all friendly
  - 8. How clean was your room upon arrival?
  - o Extremely
  - o Quite
  - o Moderately
  - o Somewhat
  - o Not at all

- 9. How good was the hotel breakfast service?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all

10. If a story in the media criticizes this brand, I would feel embarrassed?

- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 11. When someone criticizes this brand, it feels like a personal insult?
- o Extremely
- o Quite
- o Moderately
- o Somewhat

o Not at all

- 12. This brand reflects my personal lifestyle?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 13. This brand is totally in line with my lifestyle?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 14. Staying in this hotel brand supports my lifestyle?
- o Extremely
- o Quite
- o Moderately
- o Somewhat

o Not at all

- 15. Overall, at what level were you satisfied with our hotel?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 16. How likely are you to stay at our hotel again?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all
- 17. I will switch to other brands if I experience a problem with this brand?
- o Extremely
- o Quite
- o Moderately
- o Somewhat

o Not at all

- 18. How likely are you to recommend our hotel to a friend or colleague?
- o Extremely
- o Quite
- o Moderately
- o Somewhat
- o Not at all

Demographic questions:

- 19. What is your age?
- o Under 18 years
- o 18 to 24 years
- o 25 to 34 years
- o 35 to 45 years
- o Over 45 years

20. What is your gender?

### o Male

o Female

- 21. What is the highest degree or level of school you have completed?
- o High school
- o Associate's Degree
- o Bachelor's Degree
- o Master's Degree
- o Doctoral Degree
- 22. What is your employment status?
- o Student
- o Employed for wages
- o Self-employed
- o Unemployed
- o Retired