



# Customer based brand equity: evidence from the hotel industry

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## Abstract

**Purpose** – The paper aims to explore interrelations of the four brand equity components; brand awareness, brand loyalty, perceived quality and brand image in hotel industry and improve the conceptualization of customer-based hotel brand equity.

**Design/methodology/approach** – The paper is based on the recommendations of previous studies, the scale constructed to measure consumer-based brand equity included brand awareness, brand loyalty, perceived quality and brand image. The present study used a sample of 345 actual customers from 11 different countries whose accommodation in North Cyprus hotels was used to test the relations of the proposed model Path analysis.

**Findings** – The findings in this paper support the three-dimensional model of customer-based brand equity in hotel industry. Brand awareness dimension was not found significant in the tested model for hotels. The present study contributes to the understanding of customer-based brand equity measurement by examining the dimensionality of this construct.

**Research limitations/implications** – Further research in this paper should attempt to examine brand equity across many different hotel categories. This will give the opportunity to make comparisons between different hotels' products and this concept. Furthermore, intra relationship of customer based-brand equity components on the hotel performance needs to be investigated.

**Practical implications** – The paper shows that hotel managers and executives should try to influence; perceived quality, brand loyalty, brand image and brand awareness in their organizations and design their service delivery process by considering relations between customer based brand equity components.

**Originality/value** – The principal contribution of the paper is that it provides important insights into the development and measurement of customer based hotel brand equity scale and limited hotel brand equity literature.

**Keywords** Hotels, Brand equity, Brand awareness, Brand loyalty, Brand image, Cyprus, Turkey

**Paper type** Research paper

## Introduction

Branding is one of the most dominant trends in the global hotel industry. In the USA, brand penetration in the ratio of branded vs. non-branded properties is over 70 percent in the commercial lodging industry; in Canada it is just under 40 percent; and in Europe it is under 25 percent but growing (Forgacs, 2006).

With this parallel the concept and measurement of brand equity in the hotel industry has gained considerable attention from academicians, practitioners, and researchers in recent years (Bailey and Ball, 2006; Kim and Kim, 2005; Prasad and Dev, 2000; Cobb-Walgren *et al.*, 1995).

A variety of reasons have been cited in the literature for the growth of branding within the hotel industry. From the consumer point of view, key benefits include the reduction of perceived risks and search costs. In terms of the brand owners, key

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arguments proposed as the ability to charge a price premium over and above rival hotel chains and independent hotels, the ability to gain market share against these rivals, and the ability to keep customers by building brand loyalty which can in turn reduce marketing costs (Sangster *et al.*, 2001). O'Neill and Mattila (2004) also indicate that brands with higher guest satisfaction levels seem to achieve not only greater revenues per guest room but also achieve higher growth rates in room revenues than brands with lower satisfaction.

Despite these interests, the existing literature on brand equity within the hotel industry is still sparse. There is a gap in brand equity literature as to what is meant by hotel brand equity, what perspective it should be viewed from, and how it should be operationalised.

This study aims to make contribution towards a theory of service brand equity and specifically hotel brand equity literature, which has been very limited. Due to the lack of empirical data in the investigated area (Kim and Kim, 2005; Prasad and Dev, 2000; Cobb-Walgren *et al.*, 1995) this study promises valuable information for the operationalisation of customer based brand equity components and how they interact with each other in the system of hotel industry. Also the end results of this research should lead to a deeper understanding of hotel brand equity concept as well as some implications for practitioners.

To accomplish the above stated goals, this paper is organised in the following manner: first, a brief review of the literature in the area of conceptualisation and measurement of customer based brand equity and hotel brand equity have been provided. Next the methodology and the rationale for measuring the customer based brand equity is provided. This is followed by conclusion and managerial implications.

### **Service branding and hotel brand equity**

While brand equity associated with tangible goods has received a great deal of attention in the literature, a basic understanding of the nature of brand equity for services has yet to emerge. Most of what is known about brand equity for services is based on theoretical or anecdotal evidence (Krishnan and Hartline, 2001).

Simoes and Dibb (2001), argue that branding plays a special role in service companies because strong brands increase customers' trust of the invisible, enabling them to better visualise and understand the intangible and reduce customers' perceived financial, social or safety risk. Blankson and Kalafatis (1999) suggest that service brands are particularly different in that service characteristics are different from those of physical goods and that they rely on employees' actions and attitudes. This difference is seen to focus around the belief that services are conceptually different from products in that services are seen to have a number of unique characteristics including intangibility, inseparability of production and consumption, heterogeneity of quality and perishability (de Chernatoy and Segal-Horn, 2001). Hotel industry shares the same characteristics applicable to the services.

When the nature of hotel services is considered, hotel guests leave a hotel with only the memories of their experiences. The biggest challenge for hotel industry today is "tangibilizing the intangible hotel experience" (Berry, 1986; Levitt, 1981). One way for overcoming this challenge can be by creating a strong brand, which represents the hotel services and appears to customer's tangible characteristics of an actual product. Strong brands enable customers to better visualize and understand the intangible side

of the products and services. Besides brand reduces customer's perceived monetary, social, or safety risk in buying services, and can help to optimize their cognitive processing abilities (Berry, 2000; Bharadwaj *et al.*, 1993).

Cobb-Walgren *et al.*, 1995) focused on customer based brand equity in their research and employed the perceptual components of Aaker (1991) definition of brand equity. In their study hotel services were characterized as high financial and functional risk services. Results showed that the brand with the higher equity generated significantly greater preferences and purchase intentions.

Prasad and Dev (2000) defined hotel brand equity as the favorable or unfavorable attitudes and perceptions that are formed and influence a customer to book at a hotel brand represent the brand equity (pp. 23-24). They developed a brand equity index for hotels according to the customer's rating of the brand by using indicators, brand performance and brand awareness. Researchers also claimed that a hotel will have strong brand equity when a large number of customers have a favorable perception of and attitude toward the hotel brand.

According to the results of very recent study on hotel consultants, Bailey and Ball (2006) defined hotel brand equity as "the value that consumers and hotel property owners associate with a hotel brand, and the impacts of these associations on their behavior" (p. 34). Empirical research conducted by Kim and Kim (2005) on luxury hotels and chain restaurants examines the customer based brand equity and its effects on firm performance. Study consists of four dimensions of customer based brand equity-brand loyalty, brand awareness, perceived quality, and brand image. Results identified that strong brand equity can cause a significant increase in profitability and the lack of brand equity in hospitality firms can damage potential cash flow.

The identified characteristics of the hotel services combined with the growing prominence of service marketing have heightened importance of brand equity as a marketing imperative and raised the need to understand and manage brand associations. On the contrary the current empirical research output can be of little use to hotel industry brand managers in developing the performance of their brands. Against this backdrop, Mackay (2001) advocates empirical research to explore the managerial practices within service industries with regard to if and how brand equity is managed.

The present research aims to improve the measurement of customer-based brand equity in hotel industry by using a sample of actual hotel customers from different countries and provide insights into the hotel brand equity phenomena. Also the present study aims to provide some contributions to the area of service branding, which has been slow to develop, and is primarily conceptual in nature. The end results of this research lead to a deeper understanding of brand equity effects for services, as well as some meaningful implications for services marketing management.

### **Conceptual framework and research hypothesis**

Despite the availability of numerous definitions for brand equity in the literature, there is no common consensus about what brand equity means and how a firm can measure the value of the brand (Bailey and Ball, 2006; Park and Srinivasan, 1994). Though several dimensions of brand equity are identified in the literature, the interrelations among the various dimensions of brand equity are not well understood. In this study customer based brand equity concept is measured by breaking it down into sub

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components and testing the relations between these sub components. So the end results will give opportunity to managers to develop detailed brand equity strategies.

The broad meaning attached to the term “brand equity” in branding literature is similar to the definition provided by Farquhar (1989) as the value endowed by the brand to the product. Aaker (1991) defining brand equity as:

a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers (p. 15).

Brand awareness, brand associations, perceived quality, brand loyalty and other proprietary assets were the five assets of brand equity he proposed. Keller (1993) referred to brand equity as the differential effect of brand knowledge on the consumer response to the marketing of the brand (p. 8). He also defined brand knowledge in terms of two core components, brand awareness and brand image. The importance of understanding brand equity from the customer's point of view is explained by Keller (1993) as:

positive customer based brand equity can lead to a greater revenue, lower costs, and higher profit, it has direct implications for the firm's ability to command higher prices, customer's willingness to seek out new distribution channels, the effectiveness of marketing communications, and the success of brand extensions and licensing opportunities (p. 8).

In other words, increasing the customer based brand equity level can cause many opportunities in the areas of strategic sources.

Although Aaker (1991) and Keller (1993) conceptualized brand equity differently, both defined brand equity from a customer perspective and emphasize that customer based brand equity provides value to the firm and to the customer. In investigating the similarities between these two main brand equity conceptualizations, both approaches also include similar dimensions, which could represent a common measure of customer based brand equity.

Following these two conceptualizations of Aaker (1991, 1996) and Keller (1993, 1998) as well as some other previous research findings (Yoo and Donthu, 2001, 2002) conceptual model comprises brand awareness, brand image, brand loyalty and perceived quality dimensions and hypothesis are presented (see Figure 1):

Aaker (1991) defines brand loyalty as:

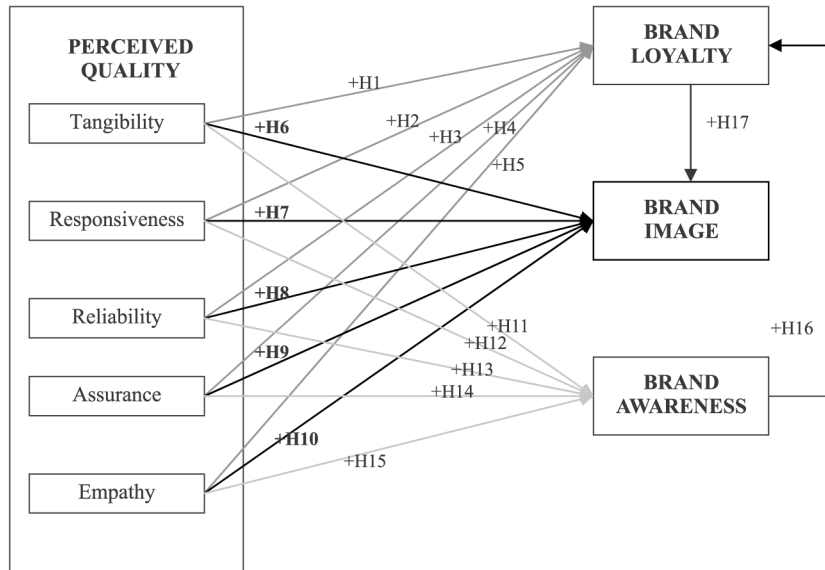
the attachment that a customer has to a brand (p. 39).

According to Aaker (1991) brand loyalty is a basis of brand equity that is created by many factors, chief among them being the use experience. Keller (2000) stated that brand loyalty certainly seems to be a key variable for management interested in the value of brand equity when measured from a consumer perspective.

Perceived quality is considered a “core/primary” facet across customer-based brand equity frameworks (Aaker, 1996; Dyson *et al.*, 1996; Farquhar, 1989; Keller, 1993).

Even though Carman (1990) observes that there is no consensus about conceptualizing and measuring (perceived) service quality, it has been suggested by Zeithaml (1988) that service quality is “the consumer's judgment about the overall excellence or superiority of a service”, or in other words, the brand's image.

Perceived quality provides value to customers by providing them with a reason to buy and by differentiating the brand from competing brands. It is envisaged that



**Figure 1.**  
Conceptual model

customers' perception of quality will be associated with their brand loyalty. Customer is likely to perceive the brand as offering superior quality will become more brand loyal. Bolton and Drew (1991) suggested:

service quality has significant effects on customer loyalty.

Bloemer *et al.* (1997) and Jones *et al.* (2002) were among others who pointed out that there is a positive relationship between perceived service quality and repurchase intention, recommendation and resistance to better alternatives, which can be interpreted as customer loyalty.

As perceived quality is decomposed into its five components (tangibility, reliability, responsiveness, assurance and empathy), hypotheses involving perceived quality have also been divided to show the relationship between each component with other customer-based brand equity variables.

Perceived quality and brand loyalty relationship is summarized in the following hypothesis:

$H_A$ . Perceived Quality has a significant positive impact on Brand Loyalty.

Considering the decomposition of perceived quality into its component units;  $H_A$  can be divided into the following:

$H1$ . 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.

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Brand image is defined by Keller (1993) as:

perceptions about a brand as reflected by the brand associations held in consumer memory (p. 3).

Brand image perception, which is built on the consumer's brand associations and attitude, has been considered an integral component of brand equity and has been widely employed in brand equity frameworks (e.g. Aaker, 1996; Agarwal and Rao, 1996; Feldwick, 1996; Keller, 1993; Park and Srinivasan, 1994; Srivastava and Shocker, 1991).

Brand image stems from all of a consumer's consumption experiences, and [perceived] service quality is a function of these consumption experiences. Hence, customer perception about service quality directly affects "(brand) image" (Aydin and Özer, 2005). This relationship is summarized in the following hypothesis:

*H<sub>B</sub>*. Perceived Quality has a significant positive impact on Brand Image.

Considering the decomposition of perceived quality into its component units; *H<sub>B</sub>* can be divided into the followings:

*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.

Brand awareness refers to "the ability for a buyer to recognize or recall a brand is a member of a certain product category" (Aaker, 1991, p. 61). Mostly brand awareness is represented either as brand recognition or brand recall (Keller, 1993). Consumers' brand awareness is likely to be high when they perceive the quality of the brand to be high. This relationship is summarized in the following hypothesis:

*H<sub>C</sub>*. Perceived Quality has a significant positive impact on Brand Awareness.

Considering the decomposition of perceived quality into its component units; *H<sub>C</sub>* can be divided into the following:

*H11*. Tangibility has a significant positive impact on Brand Awareness.

*H12*. Responsiveness has a significant positive impact on Brand Awareness.

*H13*. Responsiveness has a significant positive impact on Brand Awareness.

*H14*. Responsiveness has a significant positive impact on Brand Awareness.  
Assurance has a significant positive impact on Brand Awareness.

*H15*. Responsiveness has a significant positive impact on Brand Awareness.  
Empathy has a significant positive impact on Brand Awareness.

Brand loyalty will be considered as repeated purchasing behavior under conditions of strong sensitivity. A five star hotel guest who tends to stay at the same brand hotel next time and who attaches great importance to hotel brands in his/her choice is said to

be brand loyal (Odin *et al.*, 2001). Loyal customers are less likely to switch to a competitor solely because of price, and loyal customers also make more frequent purchases than comparable non-loyal customers (Bowen and Shoemaker, 1998). Hospitality companies need to expose their products to more customers to create and increase brand-loyal customers who will buy their product wherever it is available.

Loyalty begins with the customer's becoming aware of the product (Aaker, 1991). The more the customer is aware of the product, the greater the possibility that she/ he will purchase the product. High levels of brand awareness and positive brand image should increase the probability of brand choice, as well as produce greater customer loyalty and decrease vulnerability to competitive marketing actions (Keller, 1993). The next hypothesis can be constructed as:

*H<sub>D</sub>*. Brand Awareness and Brand Loyalty.

*H16*. Brand Awareness has a significant positive impact on Brand Loyalty.

One of the first steps in maintaining customer brand loyalty is to build and sustain a positive brand image. Andreassen and Lindestad (1998) cautiously state that customer loyalty can be an "extrinsic information cue for both existing and potential buyers" and "may or may not influence brand image". This study examines whether this relationship can also be in the hotel industry. Thus:

*H<sub>E</sub>*. Brand Loyalty and Brand Image.

*H17*. Brand Loyalty has a significant positive impact on Brand Image.

## **Methodology**

### *Setting and sample*

The aforementioned hypotheses were analysed by using data collected from foreign visitors who were staying in five-star hotels in northern Cyprus. There are six five-star hotels in northern Cyprus (*Statistical Year Book of Tourism, 2003*). As stated in a number of previous studies, tourism and hospitality industry has a vital role in the northern Cyprus economy (Okumus *et al.*, 2005).

The sample of the study included customers who stayed in five-star hotels in North Cyprus from July to September 2005. This period is known as high season period; hence the survey instrument was applied greatly among many nationalities visiting North Cyprus. Judgmental sampling was used in order to specify the sample of the study. Judgmental sampling or purposive sampling refers to "picking cases that are judged to be typical of the population which we are interested in, assuming that errors of judgment in the selection will tend to counterbalance one another" (Judd *et al.*, 1991, p. 136).

At the end of the data collection period, a total number of 345 questionnaires were personally retrieved with a response rate of 82.1 percent from the tourists at the time of their departure in Ercan Airport. Respondents were requested to fill out the questionnaires in a self-administered manner.

### *Measurement*

The study instrument includes questions about the four proposed dimensions; brand awareness, brand image, perceived quality and brand loyalty of customer based brand equity for the five-star hotels in North Cyprus as well as questions describing the

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demographic profiles of respondents. Responses to the items; brand awareness, brand image, perceived quality and brand loyalty were elicited on five-point scales ranging from “5 = strongly agree” to “1 = strongly disagree”.

To operationalise the brand awareness, brand loyalty, and brand image dimensions suggestions from Kim and Kim (2005) study were employed. The basic steps employed in constructing the scale in this research also closely parallel with the procedures recommended by Kim and Kim (2005).

Specifically, for the measurement of the brand awareness component three scale items were employed- top of mind brand, unaided brand recall, and brand recognition. In order to measure the brand loyalty, six items were employed. Perceived quality component was measured by a performance-based approach that focused only on customer perception rather than considering customer expectation. For the measurement of perceived quality in five-star hotels, SERVQUAL scale with twenty-two items developed by Parasuraman *et al.*, 1988) were employed. Finally to measure the brand image component 14 items were employed. The final scale consists of 45 variables to capture the four dimensions that comprise customer based brand equity.

Based on feedback from a pilot sample of five employees in five-star hotels in North Cyprus, there was no compelling reason to make any changes in the questionnaire.

The survey instrument was originally developed in English and back-translated to be employed in Turkish culture (Aulakh and Kotabe, 1993). Its wording and the face validity of the questions were examined by two other marketing and tourism researchers. After that, the study instrument was translated into the Turkish language by experts fluent in both English and Turkish. The verbal equivalence between the Turkish and English versions was checked through a back translation with another bilingual translator (Brislin and Pedersen, 1976). Some adjustments were made for the final version of the study instrument.

To evaluate the validity and internal consistency of the measurement scales: Cronbach's alpha was applied for inter-term consistency of independent and dependent variables and confirmatory factor analysis was performed to test the one-dimensional qualities of the scales and construct validity of each of them. Evidence in support of the convergent validity was generated by computing corrected item-correlations. The inter-item correlations which are greater than 0.32 or equal to it provided the evidence in support of the convergent validity of the scale (Tabachnick and Fidell, 1996). The reliability coefficients computations resulted in and overall Alpha coefficient score of 0.90 at the aggregate level for each study variable (see Table I). In these findings each coefficient is shown to exceed the cut-off value of 0.70 as recommended by Nunnally (1978).

## Results

### *Characteristics of the respondents*

The sample consisted of 184 male (53.3 percent) and 161 female (46.7 percent) respondents. In terms of education level, more than half of the respondents (65.8 percent) had a college degree and 84 had a high school degree (24.3 percent). In terms of country of origin, 167 (48.4 percent) of the respondents were from Turkey, 90 (26.1 percent) from the UK and 20 (5.8 percent) were Cypriots (living abroad). Another 12.4 percent of the respondents were from other foreign countries such as Iran, Germany, Greece, the USA, France, Russia, Republic of Azerbaijan and South Africa.

Scale items	Standardized loadings	t-values	$\alpha$
<i>Brand loyalty</i>			
I usually use this hotel as my first choice compared to other hotel brands	0.51	9.78	0.83
I am satisfied to the visit of this hotel	0.87	19.82	
I would recommend this hotel to others	0.89	20.29	
I would not switch to another hotel the next time	0.64	12.86	
<i>Perceived quality</i>			
The hotel has modern looking equipment	0.75	15.63	0.96
The physical facilities at the hotel are visually appealing	0.77	16.14	
Staff at the hotel appear neat	0.68	13.61	
Materials associated with the service are visually appealing	0.74	15.40	
When the hotel promised to do something by a certain time, it did it	0.81	17.88	
When patrons have problems, the hotels shows a genuine interest in solving them	0.80	17.62	
The hotel performs the service right the first time	0.83	18.42	
The hotel provides its services at the time it promises to do so	0.85	19.15	
The hotel insists on error free service	0.74	15.64	
Staff at the hotel were able to tell patrons exactly when services would be performed	0.83	18.42	
Staff at the hotel give prompt service to the patrons	0.88	20.29	
Staff at the hotel are always willing to help patrons	0.77	16.72	
Staff at the hotel are never to busy to respond to patrons	0.83	18.61	
The behavior of staff instills confidence in patrons	0.84	19.07	
Patrons of the hotel feel safe in their transactions	0.81	17.90	
Staff of the hotel are consistently courteous with patrons	0.83	18.69	
Staff of the hotel have the knowledge to answer patrons	0.80	17.47	
The hotel gives patrons individualized attention	0.76	16.06	
The hotel has opening hours convenient to all of its patrons	0.67	13.58	
The hotel has staff who give its patrons personalized attention	0.83	18.31	
The hotel has the patrons best interest at heart	0.79	17.03	
The staff of the hotel understand the specific needs of their patrons	0.76	16.21	
<i>Brand image</i>			
It is comfortable	0.74	15.63	0.86
It has a very clean image	0.69	14.22	
It is luxurious	0.69	14.05	
It is a suitable place for high class	0.60	11.82	
I become special by visiting this hotel	0.71	14.72	
The staff is very kind	0.66	13.40	
It has a long history	0.50	9.39	
It has a differentiated image from other hotel brands	0.73	15.38	
Fit indices			
Chi-square/f = 3.20		NNFI (non-normed fit index) = 0.96	
GFI (goodness of fit index) = 0.98		CFI (comparative fit index) = 0.99	
AGFI (adjusted goodness of fit index) = 0.97		RMR (root mean square residual) = 0.08	

**Table I.**  
Scale items, reliabilities  
and confirmatory factor  
analysis results

**Note:** Each item is measured on a five point Likert scale. All loadings are significant at 0.001 levels or better

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### *Psychometric properties of the measures*

Confirmatory factor analyses were employed to address the issues of dimensionality, convergent and discriminant validity (Anderson and Gerbing, 1988). Items having standardized loadings below 0.50 and/or items having no significant inter item correlations were deleted. According to the initial results of the confirmatory factor analysis brand awareness dimension were omitted due to low standardized factor loadings ( $< 0.50$ ) which had (three) items; q44: "X hotel comes into my mind"; q45: "X hotel comes into my mind at this moment"; and q46: "I have not heard of X hotel". Also, two items from brand loyalty; q1: "I regularly visit this hotel" and q2: "I intend to visit this hotel again" and six dimensions from image dimension q30: "it offers high level of service", q33: "it is expensive", q37: "it is big and spacious", q38: "it is quiet and restful", q39: "service is sometimes excessive to me", q40: "it has long history", were eliminated.

The final results of the confirmatory factor analysis demonstrated a reasonable fit of the three-factor model to the data on the basis of a number of fit statistics ( $\chi^2(1621.67, df(506); GFI(0.87); AGFI(0.99); NFI(0.94); NNFI(0.96); CFI(0.99); RMSEA(0.06); RMR(0.08)$ ).

As indicated in Table I, the magnitudes of the standardized loadings ranged from 0.50 to 0.89, and all  $t$ -values were significant (greater than 2.00). In addition, the majority of the standardized loadings were above 0.70. These results collectively provided empirical support for the issue of convergent validity (Anderson and Gerbing, 1988).

In addition, Table I demonstrates that all reliability coefficients were deemed acceptable, since they exceeded the benchmark of 0.70 as recommended by Nunnally (1978).

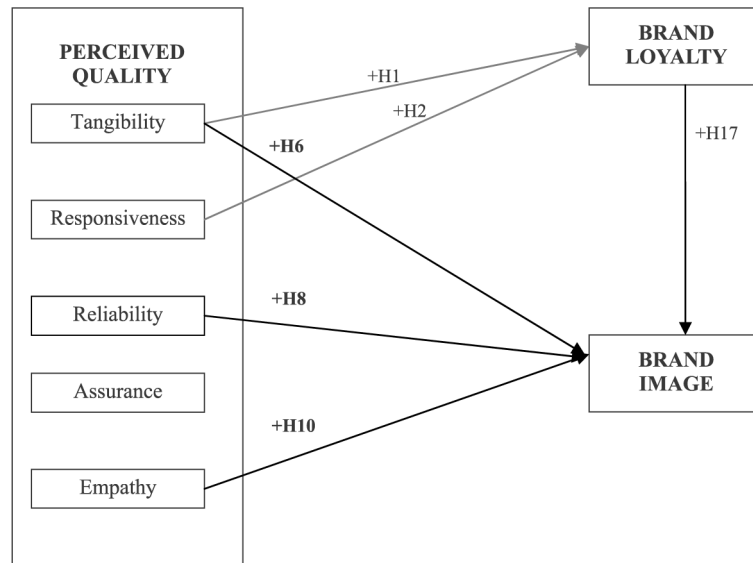
The results show that four dimensions of brand equity are loaded significantly except for brand awareness in five-star hotels of North Cyprus. The revised model is given below (see Figure 2).

### *Correlation analysis results*

Composite scores for each study variable were calculated by averaging scores across items representing that construct. Table II demonstrates the correlation coefficients among study variables. The correlation coefficients ranged from 0.59 to 0.77. None of the correlation coefficients were equal to and/or above 0.90, providing empirical support for discriminant validity. The table indicates that each construct had coefficient alpha greater than the 0.70 cut-off value. Means and standard deviations of study variables are also presented in the following table.

### *Test of hypothesis*

The path analysis shown in Table III indicates that two of the five dimensions of service quality; tangibles (estimates = 0.50,  $t = 10.2$   $p > 0.01$ ), responsiveness (estimates = 0.18,  $t = 3.18$   $p > 0.01$ ) have significant and positive impact on brand loyalty that provide support for  $H1$  and  $H2$ . In addition, the tangible dimension has a greater relative influence on brand loyalty than on responsiveness dimensions. Meanwhile, the analysis depicts that three of the five service quality dimensions, which are tangibility (estimates = 0.20,  $t = 3.74$   $p > 0.01$ ), reliability (estimates = 0.29,  $t = 5.29$   $p > 0.01$ ) and empathy (estimates = 0.12,  $t = 2.57$   $p > 0.01$ ) have a significant



**Figure 2.**  
Revised model

indirect effect on brand image that provide support for *H6*, *H8* and *H10*. Moreover, reliability dimension has a greater relative impact on brand image on both, tangibles and empathy cues. Brand loyalty was found to have a significant positive impact on brand image (estimates = 0.30,  $t = 6.24$   $p > 0.01$ ) supporting for *H17*. These results depict that the effect of perceived service quality is partially mediated through brand loyalty.

### Conclusion

The inter-relationship between the individual elements of customer-based brand equity and applicability of the suggested customer based brand equity scale on the hotel industry has been examined in this study. Our scale comprises 45 variables representing the four dimensions of brand loyalty, brand image, perceived quality, and brand awareness.

Important practical and theoretical implications that benefit customer based brand equity research in service industry and particularly hotel industry are presented in the study: Firstly, the study contributes to our understanding of customer based brand equity phenomena and its measurement by examining the dimensions of this construct. Secondly, customer based brand equity concept is measured by breaking down this construct into the sub components and the relations between these sub components are tested. So the end results give opportunity to managers to develop detailed brand equity strategies for their organizations. Thirdly, the present study relies on a sample of actual hotel customers with international diversity, which may contribute to international hotel industry practitioners as well.

The three dimensional construct which consists of – loyalty, image and quality dimensions found in this research was similar to Kim and Kim, 2005 study on luxury

	Mean	SD	Loyalty	Image	Tangibles	Responsiveness	Reliability	Assurance	Empathy
Loyalty	4.01	1.14	1.00						
Image	4.29	1.09	0.70	1.00					
Tangibles	4.07	1.20	0.76	0.72	1.00				
Responsiveness	4.36	1.32	0.69	0.71	0.74	1.00			
Reliability	4.40	1.22	0.64	0.75	0.67	0.77	1.00		
Assurance	3.94	1.12	0.60	0.69	0.66	0.70	0.77	1.00	
Empathy	4.01	1.34	0.59	0.67	0.62	0.66	0.71	0.73	1.00

Customer based  
brand equity

**Table II.**  
Correlation matrix of  
independent variables

	Standard parameter estimates (ML)	<i>t</i> -value	Significance
<i>I. Impact on brand loyalty</i>			
<i>H1. Tang</i> → brand loyalty	0.50	10.02	0.001
<i>H2. Resp</i> → brand loyalty	0.18	3.18	0.001
<i>H3. Relia</i> → brand loyalty	0.10	1.70*	0.001
<i>H4. Assur</i> → brand loyalty	0.002	(0.035)*	0.001
<i>H5. Empa</i> → brand loyalty	0.085	1.68*	0.001
<i>Explained variance (R<sup>2</sup>) = 0.62</i>			
<i>II. Impact on brand image</i>			
<i>H6. Tang</i> → brand image	0.20	3.74	0.001
<i>H7. Resp</i> → brand image	0.067	1.24*	0.001
<i>H8. Reliab</i> → brand image	0.29	5.29	0.001
<i>H9. Assur</i> → brand image	0.083	1.61*	0.001
<i>H10. Empa</i> → brand image	0.12	2.57	0.001
<i>Explained variance (R<sup>2</sup>) = 0.67</i>			
<i>III. Impact of brand loyalty on brand image</i>			
<i>H17. Loyalty</i> → image	0.30	6.24	0.001
<i>Explained variance (R<sup>2</sup>) = 0.58</i>			
<b>Note:</b> *Not accepted			

**Table III.**  
Standardized structural  
path analysis results

hotels. According to the statistical results, brand awareness was not loaded significantly as a customer-based brand equity factor for five-star hotels. Although the brand awareness is a critical factor for the brand equity (as a key task of brand management is to get the brand in the target consumer's consideration set), our research suggests that it is not a key dimension of hotel brand equity. This result is consistent with the study of Bailey and Ball (2006) who stated that having a brand name alone is not a guarantee of success within the hotel industry.

The present research also enriches customer-based hotel brand equity measurement by adding a detailed perceived quality measures. The findings depicts that several components of perceived quality have a significant and direct effect on brand loyalty, while some of them have an indirect and significant impact on brand image.

These results do not provide empirical support for all the service quality related hypothesized relationships; however, the path analysis results specifically reveal that tangibility and responsiveness both have a significant impact on brand loyalty. These findings are partially consistent with Aydin and Özer (2005) who stated that perceived quality is a necessary but not sufficient condition for brand loyalty. Tangibility dimension is related with hotel's physical characteristics such as architecture, style, layout and so forth. In other words, tangible elements of hotels initially may attract visitors and give competitive advantage over rivals.

Responsiveness is found to be a key to creating brand loyalty and represents the staff's politeness and punctuality that has a positive significant impact on customer loyalty. In other words, customer perceptions are mainly influenced from the employee's behavior and attitudes. As Lee *et al.* (2005) stated, an employee's friendly

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approach to customer may result in desired comfort resulting in customer satisfaction toward service value or loyalty to the organization.

In addition, three service quality cues: tangibility, reliability and empathy are the basic cues for brand image in the hotelier's existing and potential marketing plans. Results of path analysis revealed that tangibility dimension has both direct and indirect effect on brand image as well; while reliability and empathy have a direct and positive impact on brand image. As Bailey and Ball (2006) stated developing positive perceptions of quality are vital parts of hotel brand management.

The other finding of the study was the positive and significant relationship between brand loyalty and brand image. One of the first steps in maintaining customer brand loyalty is to build and sustain a positive brand image or vice versa in hotel industry.

#### *Managerial implications*

Customer based brand equity is not only valuable tool for hotel practitioners but also for other service industry practitioners to evaluate their marketing efforts. Necessary feedback can be obtained from consumers for this evaluation will aid in: identifying service 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. Its straightforward approach illustrates how different components and their relations contribute to branding strategies effectiveness. As managers often have limited resources (e.g. money, time, and manpower) to implement branding strategies, this framework helps them to prioritize and allocate resources across brand equity components.

In the means of brand equity components, findings of the current study have also important implications for the service industry managers:

The managers can increase their hotel's brand awareness through various marketing efforts such as advertising, direct mail, trade press, word-of-mouth communication, and promotion activities (Grover and Srinivasan, 1992) and as a result they may increase their customer's service quality, loyalty and image as well as profitability of their organizations.

Today the major challenge for the service industry is tangibilizing the intangible. As a part of the service industry, hotels face the same challenge as well. Therefore managers of the hotel organizations should formulate strategies for tangibilizing their intangible service offerings. One of the strategies that can be used by the hotel managers is using attractive physical features and creating an elegant atmosphere for the service provided.

In the highly competitive hospitality industry, the key to increasing and preserving market share is not just winning new customers but also keeping them. Brand loyalty is one of the most important competitive survival tools because loyal customers provide; repeat business, higher market shares and profits, referrals, and competitive advantage (Tepeci, 1999).

Having a brand loyal customer profile in the service industry is crucial. One of the strategies of having such a customer profile is creating a unique environment in the service organization in which physical, service delivery and employee variables are all well balanced. The staff's politeness and timely service has a positive impact on customer loyalty meaning that customer perceptions are mainly influenced by the

employee's behavior and attitudes. For this reason, human resource policies like recruitment, selection and training play a crucial role in the success of hotel organizations.

One of the first steps in maintaining customer brand loyalty is to build and sustain a positive brand image or vice versa. Just like brand loyalty, a strong brand image is a core requirement for brand owners because the brand name distinguishes a product from the competitors' products. As a concluding note, customers attempt to reinforce their self-image by buying products that are congruent with their self-image. Being aware of this reality the hoteliers should keep in mind that the consumer may perceive one brand is more desirable than its competitor's solely because of the difference in image (Schiffman and Kanuk, 1991).

#### *Limitations and implications for future research*

The study has some limitations. First of all, the study is limited to only five-star hotels. Thus, future research should attempt to examine brand equity across many different hotel categories. This will give the opportunity to make comparisons between different hotel products. Also the results of this study will be more representative if the research is conducted through probability sampling method. It should also be noted that no performance measurements have been conducted in this study due to inability to gather the required financial data. Including performance measurement and financial performance of the studied hotels, e.g. revenue per room and annual occupancy rate will further strengthen this study.

An odd finding of this study, based on the empirical results of the path analysis, was that of the components of perceived quality as suggested by Parasuraman *et al.* (1988), assurance was found to have no direct relationship with any component of customer-based brand equity. As explained in the discussion section, this might show that this 5 component models of perceived quality is not applicable to the five-star hotels. Further research into this claim would clear this suggestion.

As for future research, the scale developed here can be used to measure consumer-based brand equity in other service sectors, introducing the necessary adaptations, in line with their balance of service characteristics such as their mix of tangible to intangible components or the type of customer.

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