EXPLORING CUSTOMER BASED BRAND EQUITY: A STUDY AMONG THE TOURIST HOTELS IN THE EAST COAST OF SRI LANKA

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ABSTRACT

Industries face with issues in managing brand equity and its significant is that it helps firms to enhance their cash flow and service differentiation to enjoy and obtain benefits out of competitive advantage. Thus, brand equity is treated as the most valuable intangible asset according to literatures. Brand creates the most powerful point of difference among service suppliers. Therefore, it is imperative to explore the dimensions of brand equity such as brand awareness, brand association, brand perceived quality and brand loyalty.

There has been a boom in the tourism industry after the prolong war in the Eastern province of Sri Lanka. This helps hoteliers create innovative marketing strategies and enjoy competitive advantage in the industry. Hence, the objective of the research was to explore the customer based brand equity among the tourist hotels in the Eastern province of Sri Lanka.

In order to explore the elements of customer based brand equity of the hotel industry, researcher obtained filled questionnaires from 115 respondents who enjoyed the services of hotels in the Eastern province. Multivariate analysis was carried out to explore the elements of the customer based brand equity. Findings suggest that all dimensions of the customer based brand equity significantly contribute to the brand equity of the tourist hotels in the Eastern province of Sri Lanka. Further, the extent to which the dimensions create the brand equity is also investigated in this research.

Keywords: Customer Based Brand Equity, Eastern Province, Hotels, Tourism Marketing

1. Introduction and Background of the Study

Global tourism is showing the continuous growth and the industry is deemed to be one of the key sectors of economies (Mwaura et al., 2013). The number of tourists’ arrival to the Asian world has been forecast as near 1.5 billion by 2020 (Chung and Shin, 2004). Tourism sector in Sri Lanka is becoming one of the important sectors and has favorable impact on Sri Lankan economy. Both direct and indirect employment generated in the tourism sector was 6.5 percent in 2015. Tourism sector was at the third level as a source of foreign exchange earner of the national economy in 2015. There are many tourists’ hotels in the eastern coast of the country. All of these tourists hotels provide accommodation and meals for the foreign tourists who eagerly visits this country’s destinations. The east coast of the country consists of three districts namely Ampara, Baticaloa and Trincomalee. These tourists visit these attractions for the natural scene along with clear beach including board riding and sea surfing. In the selection of the hotels to stay and for meals by the foreign tourists the hotel’s brand plays a vital role. Competition between these hotels is intense and there must be a way of differentiating the hotel services. Therefore, it is important to study about the brand equity and how the customer based brand equity is created with the dimensions of brand equity. Brand gives the most important points of differentiation among the competing offerings. When selecting the hotels, a strong and unique brand reduces the perceived risks and search cost. This is also a fragment of brand equity and thus, enhancing the brand equity is becoming prominent trends (Chieng and Goi, 2011; Wood, 2000).

*This research paper was presented at the Sri Lanka Tourism Summit - 2016 at BMICH, Colombo
Keller (2013) defines customer based brand equity as “the differential effect that brand knowledge has on consumer response to the marketing that brand”. This definition implies that when a customer reacts favourably to the product or service the particular brand has positive brand equity. In contrast, the product or service will have condensed brand equity, when customers react less favourably to the brand. Further, this definition of the brand equity has three ingredients such as differential effect, brand knowledge and consumer response to marketing. According to Keller (2013), brand equity is emerging from the differences in consumer response. These differences in the responses are the result of consumer knowledge of the brand. Differential responses that create brand equity embedded in perception, preferences and behavior connected to the all aspects of brand marketing.

There are two general motives for studying the brand equity. The first is financial motivation to value the brand and to show in the accounts and the second is for the asset valuation for merger and acquisition (Keller, 1993). Brand has significant intangible value and hence, brand equity is prioritized by companies irrespective of sizes in all industries (Lehmann et al., 2008; Hao et al., 2007). The second reasons for studying the brand equity according to Keller (1993), is that improving marketing productivity. Firms are in need of rising the efficiency of marketing expenditures due to higher cost, intense competition and devastation of demand. As a result, marketers need to have full understanding of the consumer behavior and act accordingly. This can be done by the knowledge created though the brand in the mind of consumers with previous investment in the marketing program. Many researchers in the world have acknowledged the strategic significance of the brand (for example Aaker, 1991; Kapferer, 1994) and thus, brands are considered as heart of marketing and business strategy (Doyle, 1998) by a firms which can gain competitive advantage (Aaker, 1998).

Exploring customer based brand equity for tourist hotel industry is significant because it gives suggestions of guiding the marketing strategies and provide insights into where the marketers need to focus in marketing managerial decision making. The knowledge created in the memory with regard to brand with short term marketing activities influences on the success of future marketing programs for a brand. Therefore, managers should be able to gain insights into how marketing programs influence on the consumer learning and how consumer recall the brand related information (Keller, 1993).

Brands having higher equity gain preferences of consumers and tendencies toward consumers due to the increased sale. Hence, factors that influence on brand performance should be evaluated carefully if managers is to have strong brands. Besides, the managers should also investigate dimensions of brand equity in order to get clear and precise results of brand performance (Chirani et al., 2012).

Owing to the service categories of business in which hotel industry falls has some unique characteristics like intangibility, variability and inseparability, tourist hotel industries face certain challenges in marketing their services to the tourists. In order to simplify strategy formulations, customer based brand equity should be studied in the hotel industry and it will help hoteliers to understand how the marketing efforts work among the target markets and be able to determine how the future marketing strategy should be formulated to achieve hotels’ objectives. This is due to the fact that all marketing efforts are endowing in building, managing and in exploiting brand equity in the accomplishment of successful or unsuccessful marketing (Aker, 1991; Yoo et al., 2000). It is also worthwhile to note here that few studies have been carried out in the hotel industry on customer satisfaction (see Karunaratne and Jaywardena, 2010; Athula, 2011) and a few studies are found on other aspects of marketing except studies on brand equity.

Therefore, this study focus on the exploring the customer based brand equity among the customers of tourist hotels in the East Coast of Sri Lanka. Hence the major objective of this study is to explore the brand equity dimensions of hotel brand in the East Coast and to identify lacking influence of the dimensions on the brand equity of these tourist hotels. In order to achieve this objectives of this this paper is designed in the following line. Firstly the theoretical framework is explained with support past literatures. Secondly, the methodology adopted for this study is explained. Thirdly, results and discussion are given and the conclusion and recommendation are provided at the end.

2. Literature Review and Theoretical Framework

Many researchers point out different sources of brand equity. For instance, Schocker and Weitz (1988) have shown that brand equity is in the function of loyalty and image and Agarwal and Rao (1996) point out that overall quality and choice intention are the main elements of the brand equity. Although many researchers have given different dimension of brand equity, dimensions given by the Aaker (1991) received prominence among scholars. In the brand equity, there are five dimensions conceptualized by Aaker (1991) namely
perceived quality, brand loyalty, brand awareness, brand association and other proprietary brand assets. Since the last element brand assets does not directly relate to the customer and it is not taken for marketing research.

This study also follows on Aaker (1991) model of brand equity and hence, the dimensions of customer based brand equity and its relationship with brand equity are explained below.

2.1 Brand Awareness
According to Aaker (1991), brand awareness by the potential consumer is the recognition of the brand as a member of product category. Keller (2013) identified two components of the brand awareness. The first component is brand recognition that is when a consumer see the product category at the store, the brand should be recognized as one of previously used one. The second component is brand recall which means that consumers should be able to recall the brand from his memory when the product category is given. The consumers should have the brand awareness in order to give the preference to the particular brand (Alamro and Rowley, 2011). Brand awareness is to play a vital role in consumer decision making. When consumers look at a product category, the brand comes into the mind and the particular brand will be in the consideration sets (Nedungadi, 1990). Most of the researches in the past literatures proved that brand awareness was one of the key determinants of brand equity (see Washburn and Plank, 2002; Pappu et al., 2005).

The brand equity will also be created with hotels’ brand awareness. Subsequently, customers will be familiar with hotel brand and recognition and recall of hotels brand will create customer based brand equity for the hotels. Thus, researcher hypothesis that

H1. Brand awareness tourists hotels in the East coast will contribute to the customer based brand equity of the tourist hotels.

2.2 Perceived Quality
Perceived quality is one of the important dimensions of the brand equity framework (Aaker, 1991; Kapferer, 1991). Perceived quality is positively associated with brand loyalty (Salman et al., 2015). “Perceived quality is a products’ overall excellence or superiority” (Zeithml, 1998; Keller, 2003). Further, Zeithml (1998) emphasizes that since perception and experience are connected with quality of the product, quality attributes provide a base for customer based brand equity. This is due to the fact that products are judged as per the expectation and performance of the products. In addition, perceived quality incorporates customer experience and perception of the service providers (Gonzalez et al., 2007). Customer will purchase a product or service when customers have brand knowledge. According to Syzmanski & Henard (2001), perceived quality is an antecedent of the customer satisfaction and that has positive influence on the purchase intension of customers. Therefore, perceived quality is considered as central to the brand equity (Keller, 2003).

In the hotel industry, customer perception about the quality should exceeds the customer expectation so that customers will be delighted and the brand equity will be enhanced. Hence, having considered the literatures and its relationship with brand equity, researchers hypothesize that

H2. Perceived quality of tourists’ hotels positively contribute to the customer based brand equity of the hotels.

2.3 Brand Associations
Keller (2013) stresses that brand association is related with attributes and benefits associated with products. This can be stored in the memory of the consumers after the brand awareness in the memory. Brand associations are directly linked to the consumer mind and help develop brand image of products (Pitta & Katsanis, 1995) and contribute to the customer based brand equity significantly (Aaker, 1991; Yoo & Donthu, 1997).

Tourist hotels need to make differential response in order to create customer based brand equity. Marketers of these tourist hotels originate associations that should create favorable and unique associations compared to their competing hotels’ brands. This will help consumers to choose hotels with their awareness created in the memory. Further, word of mouth is vital for service businesses. For creating of positive word of mouth, direct experience in the services may be important. This can be achieved through the brand association since the benefits of the brand will be publicized. Managers create favourable brand association by assuring that
particular brand has required attributes and benefits which satisfy the needs and wants of customers (Keller, 2013).

Keller (2008) expresses that a brand with several brand associations will have positive brand equity. Further, Tong and Hawley (2009) emphasize that there must be high level of awareness along with strong, unique and favorable brand associations in order to the customer based brand equity to occur. Therefore, researchers hypothesize that

H3. Brand association of tourists’ hotels positively contribute to the customer based brand equity of the hotels.

2.4 Brand Loyalty
When a consumer learns that only the particular brand can satisfy their needs, the brand loyalty is emerged. It represents a positive attitude towards a brand resulting in repeated purchase. Travis (2000) considers that brand loyalty is the ultimate objective and meaning of brand equity. He further emphasized that brand loyalty can be enriched with other dimensions of the brand equity. The brand loyalty is a core of a brand equity (Tuominen, 1999; Aaker, 1991). This infers that when a customer is loyal to the brand, customers will not switch to the other brand even if the particular brand has changes either in price or in product features.

Tourist hotels with enhanced brand loyalty, will have less competitive retaliation from the competitors. Hence, it will also be a competitive advantage for the hotels. When a customer is loyal to the hotels, they will not switch to other hotels of different brand and thereby the brand equity will be boosted. Therefore, researchers hypothesize that

H4. Brand loyalty of tourists’ hotels positively contribute to the customer based brand equity of the hotels.

Having discussed the variables and relationships with the brand equity and development of hypotheses, the following research model is given.

Source: Aaker (1991)

3. METHODOLOGY

This study was quantitative in nature. The research was conducted among tourists who were staying in the tourist hotel in the east coast of the country. Questionnaire was used as instrument for data collection. The questionnaire was adopted from Tong & Hawley (2009). These researchers also adopted the questionnaire from various researchers.

Primary data was used for this study. Since identifying tourists is extremely difficult and they are unwilling to fill the questionnaires, convenient sampling technique was used. 115 respondents (tourists) in Ampara, Baticaloa and Trincomalee were issued questionnaire consisting of items on brand awareness, perceived
quality, brand association and brand loyalty. Altogether, there were eighteen items were included under these dimensions of brand equity. Questionnaires were administered during May to July 2016 since tourist arrival were peak in the period in the region. Respondents were from Canada – 17, United Kingdom – 25, Germany – 17, Russia – 13, France – 8, India – 25 and Australia – 10.

Although the adapted questionnaire, pilot survey was conducted with 26 respondents and Cronbach’s Alpha value was 0.91 which proved that the internal consistency of the items in the instrument. Factor analysis was carried out using principle component analysis in order for data reduction. The first item in the brand perceived quality was removed since it had less than 0.5 values of communalities. Other items under each variable were more than 0.5 values of communalities. Researcher had more than one rotated components for some variables and hence, data were grouped to reduce the data using computation method in SPSS. Multiple regressions were used as multivariate technique for data analysis.

4. RESULTS AND DISCUSSION

Regression analysis was performed in order to test the contribution of the independent variables to the customer based brand equity of tourists hotels. The results are given in Table I.

Table 1: Regression Results

<table>
<thead>
<tr>
<th>Predictable variable</th>
<th>Beta</th>
<th>p</th>
<th>t</th>
<th>IVF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand association</td>
<td>0.890</td>
<td>0.00</td>
<td>12.540</td>
<td>3.337</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>-0.167</td>
<td>0.03</td>
<td>-3.042</td>
<td>1.998</td>
</tr>
<tr>
<td>Brand awareness</td>
<td>-0.122</td>
<td>0.171</td>
<td>-0.122</td>
<td>5.174</td>
</tr>
<tr>
<td>Brand perceived quality</td>
<td>0.332</td>
<td>0.000</td>
<td>4.444</td>
<td>3.689</td>
</tr>
</tbody>
</table>

Note: F₄₋₁₁₀ = 138.180, p < 0.05, R-Square = 0.834, Adjusted R-Square = 0.828, n=115

This shows that R-square value is 0.834 which is significant at 5% level. p-value of this model is 0.000 (p < 0.05). This explains that 83.4% of the variation in customer based brand equity of these tourist hotels are explained by the independent variables namely brand association, brand loyalty, brand awareness and brand perceived quality. Adjusted R-square of 0.828 reveals that model has accounted for 82.8% of the variance in the criterion variable. IVF values are less than five and therefore, there is no serious multicolinearity problem. p-value of the brand awareness is 0.171 which is greater than 0.05 and the model is significant since multiple regressions takes combination of variables into consideration. This is also confirmed with correlation matrix in Table III.

Further, researchers tests the adequacy of multiple regression fitted model and the model adheres to the normality assumption. Histogram of the residuals is given in Figure 1.

In addition to the histogram of residuals, in order to test the model fitted with multiple regression, Normal Probability Plot is also tested. NPP is approximately a straight line and it can be said that variables of interest is normally distributed. NPP is given in Figure 2.

The adequacy of the model also tested using histogram which adheres to the normality assumption (Mean = -3.90E-16, Std. Dev. = 0.982, N=115).

It is also worthy to note here that the overall brand equity of the tourist hotels in the East Coast is determined by brand equity dimensions as proposed by Aaker (1991) with brand awareness, brand associations, perceived quality and brand loyalty of the tourist hotels in the east coast of the country. The regression formula is given as under:

\[ y = 4.186E - 16 + 0.890_{BA} - 0.167_{BL} - 0.122_{BA} + 0.332_{BPQ} \]

In the tourist hotel industry, brand associations which the hotels promote is the major factor contributing to the overall brand equity of these tourist hotels (\( \beta = 0.890, t = 12.540, p < 0.05 \)). The second dimension that is contributing to the customer based brand equity of these hotels is brand perceived quality (\( \beta = 0.332, t = 4.444, p < 0.05 \)). Other two dimensions of the brand equity of these hotels such as brand loyalty and brand awareness are with negative beta value along with negative t value in the model (Brand loyalty: \( \beta = -0.167, t = -3.042, p < 0.05 \), Brand awareness: \( \beta = -0.122, t = -0.122, p > 0.05 \)).
Table 2 Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Relationship</th>
<th>Coefficient</th>
<th>t – value</th>
<th>p – value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Brand awareness → CBBE</td>
<td>-0.122</td>
<td>-0.122</td>
<td>&gt; 0.05</td>
<td>Unsupported</td>
</tr>
<tr>
<td>H2</td>
<td>Perceived quality → CBBE</td>
<td>0.332</td>
<td>4.444</td>
<td>&lt; 0.05</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>Brand association → CBBE</td>
<td>0.890</td>
<td>12.540</td>
<td>&lt; 0.05</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>Brand loyalty → CBBE</td>
<td>-0.167</td>
<td>-3.042</td>
<td>&lt; 0.05</td>
<td>Unsupported</td>
</tr>
</tbody>
</table>

The model has negative β value along with negative t values for two dimensions of brand equity of these tourist hotels. If a unit of brand loyalty is increased, customer based brand equity of these hotels will come down by -0.167 (t = -3.042, p < 0.05) and the brand awareness (t = -0.122, β = -0.122) is insignificant contribution to the brand equity (see Table II). Thus, H1 and H4 are not supported in this study. The reason for the unsupported hypothesis H4 is that it has respondents may be the first visitors for the hotels in the east coast. Therefore, they might be not knowing about the hotels and its facilities.

5. Conclusion and Recommendations
The objective of this study is to exploring the brand equity dimensions of hotels’ brand in the East Coast and to identify lacking influence of the dimensions on the brand equity of these tourist hotels. Since multiple regression is taking all variable into considerations, the model given in the theoretical framework is significant. This means that all dimensions are elements of customer based brand equity as suggested by previous researchers (for example see Aaker, 1991). In this model, in the context of tourists’ hotels in the east coast, brand perceived quality and brand associations are significantly contributing to the customer based brand equity. Other two variables namely brand loyalty and brand awareness are contributing insignificantly.
These two dimensions such as brand loyalty and brand awareness to the customer based brand equity needs to be given more attention by the service marketers in the industry of tourist hotels to make positive and contribute to the dimensions of brand equity. The negative beta value and insignificant contribution of brand awareness to brand equity of these tourist hotels in the east coast of the country implies that tourists are unable to recall the hotel brand quickly and it is very hard to recognize the brand quickly among the other competing hotels’ brand. This is, in fact, due to unfamiliarity with hotel brands.

Marketers in the tourist hotel industry may attempt to focus on establishing brand awareness of their hotel brands by increasing the familiarity of hotels’ brands. Marketers’ task here is that storing the brand in the memory of the target market. This can be done through the repeated exposure to the customers with experiences in brand by seeing, hearing and thinking about the hotel brand. This is only possible by the experience created by marketers with regard to exposure to the brand elements and this in turn will increase the brand familiarity and awareness. In order to implement this strategy, marketers can have attractive brand name, slogan, and event marketing with the participation of tourists and implement digital advertising and promotion. This will enhance the brand familiarity to these hotels.

In the case of brand loyalty, the reasons for the negative effect of the brand loyalty to the brand equity in these tourist hotel industry in the east coast may be that when tourist searching the hotels, the hotel brand should come first and should be the choice if brand loyalty exists. In this case, target market is not doing so. The second reason may be dissatisfaction of service quality of the hotels. The third reason for this may be unwilling to stay at these hotels even if the price is little higher than the competitive brand of hotels. Another reason may be that tourists who stayed at hotels may not have positive word of mouth for these hotels. Marketers build the brand equity through brand loyalty only by satisfying the customers. That is through high quality of service and that should be positioned with properly planning communication strategies. Thus, there is an urgent requirement for marketing communications. If marketers do so, tourist hotels in the east coast will enjoy advantages like increased marketshare, premium prices and thereby hotels will gain high return on investment and have competitive advantage that will enhance to the brand equity of tourist hotels.

As Yoo et al. (2000) mentioned brand equity is originated through enhanced brand awareness, brand perceived quality and brand loyalty is extremely difficult either to build or destroyed in the short run but it could be created in the long run by formulating effective marketing strategy with marketing investment.

6. Managerial Implications
This study is useful for in the tourists hotel industry since it has managerial implications. Although the customer based brand equity model is statistically significant, brand loyalty and brand awareness do not give enough support in contributing to the brand equity in this hotel industry indicating that having high customer brand equity and high brand awareness will not help for successful brand and enhanced brand equity in the tourist hotel industry.

Further, managers in the tourists hotel industry should concentrate on brand association, brand perceived quality and brand loyalty due to the fact that the brand awareness is influenced by brand association and perceived quality and brand association is affected by brand loyalty and perceived quality (see Table III). In the context of tourists hotel industry, brand awareness and brand association are vital for building up the brand image. While managers improve these two dimensions for tourist hotels’ brand equity, they cannot ignore any marketing strategy formulations to improve brand perceived quality and brand loyalty.

7. Limitations and Direction for Future Research
This study is limited only in the east coast of the country. Further, study should be carried out extending to all tourist hotel in the county. The second limitation is that this study focus on the theory and tested the brand equity concept in future, specific hotels brands should be taken into considerations in exploring the customer based brand equity. In addition, since this study focus on the dimensions of brand equity, future study may focus on how dimensions of service quality create the brand equity dimensions.
8. REFERENCES


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