



BRAND EQUITY, BRAND LOYALTY AND CONSUMER SATISFACTION

Janghyeon Nam

Kyungnam University, South Korea

Yuksel Ekinci

Georgina Whyatt

Oxford Brookes University, UK

Abstract: This study aims to investigate the mediating effects of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty in the hotel and restaurant industry. Based on a sample of 378 customers and using structural equation modelling approach, the five dimensions of brand equity—physical quality, staff behaviour, ideal self-congruence, brand identification and lifestyle-congruence—are found to have positive effects on consumer satisfaction. The findings of the study suggest that consumer satisfaction partially mediates the effects of staff behaviour, ideal self-congruence and brand identification on brand loyalty. The effects of physical quality and lifestyle-congruence on brand loyalty are fully mediated by consumer satisfaction. **Keywords:** brand equity, customer satisfaction, brand loyalty. © 2011 Elsevier Ltd. All rights reserved.

INTRODUCTION

Consumer satisfaction is essential to long-term business success, and one of the most frequently researched topics in marketing (e.g., Jones & Suh, 2000; Pappu & Quester, 2006). Because consumer satisfaction has been regarded a fundamental determinant of long-term business success, much of the research on consumer satisfaction investigates its impact on consumers' post consumption evaluations such as behavioural and attitudinal loyalty (Cooil, Keiningham, Aksoy, & Hsu, 2007). It is widely accepted that satisfied consumers are less price sensitive, less influenced by competitors' attack and loyal to the firm longer than dissatisfied customers (Dimitriadis, 2006).

Janghyeon Nam is an Assistant Professor of Hospitality Marketing at the College of Business and Economics in Kyungnam University, South Korea. His research interests include brand equity and consumer satisfaction in the hospitality industry. Email <jhnam@kyungnam.ac.kr>. **Yuksel Ekinci** is a Professor of Marketing at the Business School in Oxford Brookes University and a Senior Research Fellow at the University of Wollongong, Australia. His research interests include service quality, consumer satisfaction and services branding. Email <yekinci@brookes.ac.uk>. **Georgina Whyatt** is Head of the Marketing Department at the Business School in Oxford Brookes University. Her research interests are consumer loyalty and relationship marketing within the services industry. Email <gewhyatt@brookes.ac.uk>.

Although previous research has examined the relationship between consumer satisfaction and consumer loyalty, there has been only limited investigation into the impact of consumer satisfaction on the relationship between brand equity and brand loyalty. Ekinci, Dawes, and Massey (2008) developed and tested a conceptual model of the antecedents and consequences of consumer satisfaction in the hospitality industry. They show that consumer satisfaction mediates the relationship between the two components of service evaluation—service quality, self-congruence—and intentions to return. Ekinci et al.'s (2008) study is notable because it shows that service quality and ideal self-congruence are antecedents of consumer satisfaction, which they suggest is a key determinant of intention to return. However, by focusing on self-concept only, their research examines a narrow aspect of symbolic consumption within hospitality services. This study introduces a parsimonious measure of consumer-based brand equity which expands symbolic consumption of brand evaluation by incorporating brand identification and lifestyle-congruence into Ekinci et al.'s (2008) model of consumer satisfaction and Aaker's (1991) model of brand equity.

This study further contributes to the existing body of knowledge by examining the mediating role of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty. Cai and Hobson (2004) suggest an integrated approach to successful brand development and brand loyalty by taking into account brand experiences. Hence brand image and brand loyalty must be confirmed through positive customer experiences. Accordingly, the effect of brand equity on brand loyalty is examined when consumers have direct experiences with brands (Brakus, Schmitt, & Zarantonello, 2009). Although past studies have proposed that brand equity has a direct influence on brand loyalty; to the best of our knowledge, no study has examined the influence of consumer satisfaction on the relationship between brand equity and brand loyalty in the hotel and restaurant industry.

RESEARCH MODEL

The purpose of this research is to investigate the mediating role of consumer satisfaction on the relationship between consumer-based brand equity and brand loyalty. Figure 1 exhibits the research model that guides this research.

As Figure 1 depicts, the important variables of this research include brand equity as the independent variable, consumer satisfaction as the mediating variable, and brand loyalty as the dependent variable. Keller (1993, p. 7) refers to brand equity as “the differential effect of brand knowledge on customers’ response to the marketing of a brand”. Vazquez, Del Rio, and Iglesias (2002) describe brand equity as the overall utility that the consumer associates with the use and consumption of the brand, including associations expressing both functional and symbolic attributes. More recently Brady, Cronin, Fox, and Roehm state that

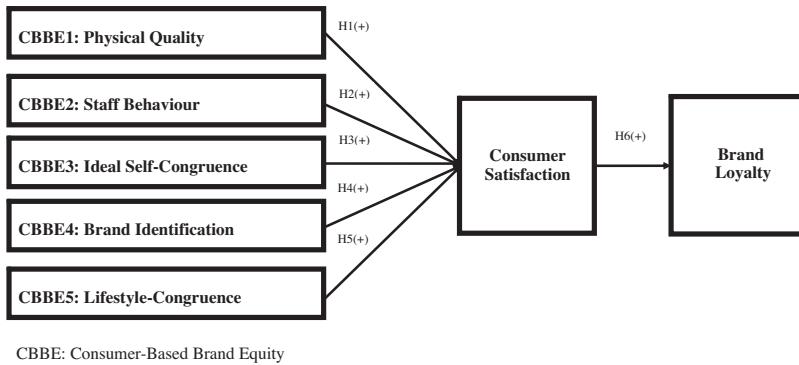


Figure 1. Full Mediation Model

Brand equity is a perception of belief that extends beyond mere familiarity to an extent of superiority that is not necessarily tied to specific action. Familiarity does not imply belief in superiority... Brand equity does not imply action, only perception. Commitment and loyalty also do not imply superiority, whereas brand equity does... (2008, p.152)

Brady, Cronin, Fox, and Roehm's (2008) definition is notable because it distinguishes brand equity from brand loyalty. Brand equity is conceptually broader which encompasses brand image (e.g., perception of service quality) and brand familiarity. Brand loyalty has traditionally been conceived as a behavioural construct relating to intentions towards repeat purchase. By contrast, brand equity entails favourable disposition that may not necessarily result in purchasing behaviour. Thus behavioural intentions are one of the consequences of brand equity, rather than its component.

Although consumer-based brand equity is seen as multi-dimensional within the marketing literature (e.g., Aaker, 1991; Keller, 1993) debate exists as to whether the principles of branding within goods marketing could be directly applied to service dominant brands such as hotels and restaurants. For example Aaker's (1991) study recognises perceived quality as one of the components of brand equity but does not specify whether this refers to goods or services. Aaker's study does not state which quality dimensions should be included in the brand equity model and therefore whether the model is suitable for assessing service dominant brand equity models in the hotel and restaurant industry. For example, applications of the goods-based brand equity models show poor validity in the tourism industry (Boo, Busser, & Baloglu, 2009). Adjustments to the goods-based branding models are needed to accommodate the unique characteristics of services (e.g., intangibility, inseparability, heterogeneity) because distinct dimensions of brand equity emerge when evaluating service dominant brands (Blankson & Kalafatis, 1999; O'Cass and Grace, 2004; Kayaman & Arasli, 2007). The dimensions mentioned most frequently for services are employees, facilities, experiences, and word-of-mouth (O'Cass and Grace, 2004).

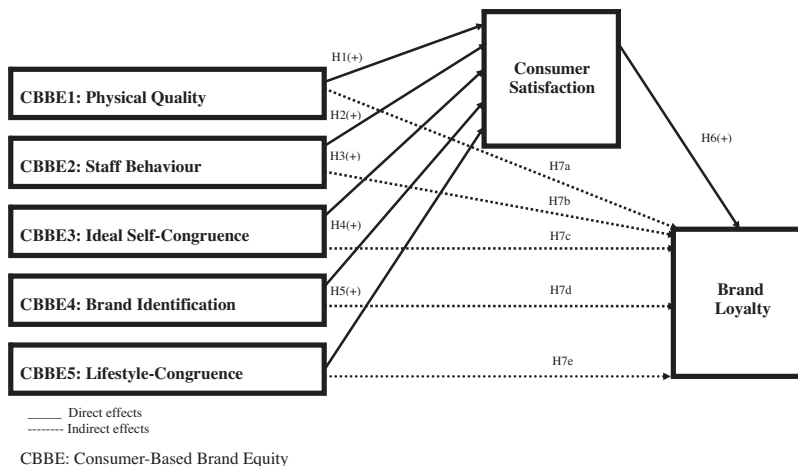


Figure 2. Partial Mediation Model

Based on earlier research in the service industry (e.g., [Ekinci et al., 2008](#); [Gronroos, 1984](#)) two service quality dimensions—physical quality and staff behaviour—are incorporated to the consumer-based brand equity model. Academics agree that successful brands are designed to satisfy not only consumers' functional needs but also their symbolic needs ([Dall'Olmio Riley and de Chernatony, 2000](#); [Kapferer, 1997](#); [O'Loughlin and Szmigin, 2006](#)). Following previous studies, ideal self-congruence, brand identification and lifestyle-congruence are also included to capture symbolic consumption of the hotel and restaurant brands (e.g., [Johnson, Herrmann, & Huber, 2006](#); [Kim, Han, & Park, 2001](#)).

The first research model proposes that the five dimensions of consumer-based brand equity; physical quality, staff behaviour, ideal self-congruence, brand identification, and lifestyle-congruence 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](#).

Independent Variable: Service Quality

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 ([Aaker, 1996](#); [Low & Lamb, 2000](#); [Yoo, Donthu, & Lee, 2000](#); [Zeithaml, 1988](#)). The concept of service quality is widely accepted as multidimensional, but the content and number of its dimensions is still debated

(Chao, 2008). The North American School of Thought's model of service quality best known as the SERVQUAL model consists of five service quality dimensions: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman, Zeithaml, & Berry, 1988). Although academics and practitioners have applied the SERVQUAL model, validity of the model is seriously questioned. The most significant disagreement surrounds the exact number of dimensions and its suitability to a specific service sector (Buttle, 1996).

The Nordic School's view of service quality consists of two dimensions: technical quality and functional quality (Gronroos, 1984). Technical quality is the net outcome of the service evaluation while functional quality is the subjective evaluation of service interaction. Empirical studies (e.g., Brady & Cronin, 2001; Ekinci, 2001; Madanoglu, 2004; Mels, Boshoff, & Nel, 1997) suggest that the two dimensional service quality model offered by the Nordic School is more valid when applied to hospitality services. Considering the growing body of research in the service industry, this study proposes two service quality dimensions for evaluation of hotel and restaurant brand equity: physical quality and staff behaviour (e.g., Brady & Cronin, 2001; Ekinci et al., 2008; Parasuraman et al., 1988). Physical quality is the image 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 (Ekinci et al., 2008; Madanoglu, 2004).

Independent Variable: Self-congruence

Self-concept can be viewed as the totality of an individual's thoughts and feelings with reference to the person as an object of thought (Rosenberg, 1979). Self-congruence refers to the degree to which a consumer's actual or ideal self-concept coincides with a brand image (Sirgy, 1982; Sirgy, Grewal, & Mangleburg, 2000). The theory of self-congruence states 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).

Independent Variable: Brand Identification

Organizational identification theory states that an individual becomes a member of a social group in order to support his identity and his 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.

Independent Variable: Lifestyle-congruence

Lifestyle, in its widest form, covers not only demographic characteristics, but also attitudes towards life, beliefs and aspirations (Brassington & Pettitt, 2003). Although no commonly accepted definition of lifestyle 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 (Foxall, Goldsmith, & Brown, 1998; Solomon, 2002). 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.

Mediator: Consumer Satisfaction

Rodriguez del 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,

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.

Dependent Variable: 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.

HYPOTHESES DEVELOPMENT

Effects of Physical Quality and Staff Behaviour on Consumer Satisfaction

Numerous researchers provide conceptual and empirical evidence to support positive relationship between service quality and customer satisfaction. For instance, Oliver (1993) finds that service quality is an antecedent of consumer satisfaction and that both constructs should positively associate with each other. Dabholkar, Shepherd, and Thorpe's (2000) study supports this relationship. Empirical research confirms the positive relationship between service quality and consumer satisfaction in the restaurant industry (Heung, Wong, & Qu, 2002; Lam & Heung, 1998; Tam, 2000). Our research focuses on two separate dimensions of service quality: physical quality and staff behaviour, and posits that they are positively related to consumer satisfaction. Ekinici et al. (2008) demonstrate that the two dimensions of service quality: physical quality and staff behaviour, have a positive effect on consumer satisfaction in the hospitality industry. Therefore, this research proposes that:

H1. Physical quality has a positive effect on consumer satisfaction with brand experience.

H2. Staff behaviour has a positive effect on consumer satisfaction with brand experience.

Effect of Ideal Self-congruence on Consumer Satisfaction

Some studies explain the positive relationship between self-congruence and consumer satisfaction in tourism and hospitality. For instance, Chon's (1992) study demonstrates a positive relationship between self-congruence and tourists' satisfaction with a destination visit experience. Bigne, Sanchez, and Sanchez (2001) show that similarity between tourists' self-concept and destination image has a significant effect on consumer satisfaction. Ekinci et al. (2008) examine the impact of actual self-congruence and ideal self-congruence on consumer satisfaction in the hospitality industry. They confirm that only ideal self-congruence has a positive influence on consumer satisfaction. Thus, this study hypothesizes that;

H3. Ideal self-congruence 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.

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

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 (Foxall et al., 1998; Solomon, 2002). Thus, we propose that:

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 (e.g., 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, we propose that:

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

This 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. Therefore, we propose that:

H7a to H7e. Consumer satisfaction with brand experience mediates the effects of consumer-based brand equity dimensions—physical quality, staff behaviour, ideal-self-congruence, brand identification, and lifestyle-congruence—on brand loyalty.

METHOD

Data Collection and Sample

The data were collected from British nationals through a personally administered questionnaire in the UK. Two different versions of the questionnaire targeted hotel and restaurant customers. All survey questions in the survey were the same except for the brand names. Thirty-two well known hotel and restaurant brands were recommended to stimulate the respondents' choice (e.g., Marriott, Hilton, Travelodge, KFC, Pizza Express, Harvester etc.). Before completing the survey questions, the respondents selected a familiar hotel or restaurant brand from the list of recommended brands. The data were collected from the consumers in the South East of England which is home to the most

demographically diverse area of the UK population. A reasonable attempt was made to randomize the sampling process by selecting random days and a variety of locations for data collection such as high street, shopping centres and train stations.

A total of 378 people responded to this survey. Some respondents refused to participate to this study due to inconvenience of time and location. Unfortunately, no information is available about non respondents and so this source of non sampling error cannot be controlled. The sample was almost equally split between males (52%) and females (48%) as well as hotel (53%) and restaurant customers (47%) which reflect typical visitors of hotel and restaurant brands. In terms of age group, 24% were between 16 and 24 years old; 26% were between 25 and 34 years old; 22% were between 35 and 44 years old, and 28% were older than 44 years old. For restaurant customers, 14% of respondents visited the self-nominated restaurant only once in the previous six months. The remaining 86% of the repeated visitors visited the restaurants 2 to 5 times in the last six months. The majority of respondents (78%) visited the restaurants for leisure purposes. For hotel customers, 13% of respondents stayed in the self-nominated hotel only once in the past two years. The remaining 87% of the repeated customers stayed in the hotel 2 to 5 times in the last two years. The main purpose of a hotel stay was for leisure (58%). This was followed by business (25%), business and leisure (15%) and others (2%).

Measurement

Measurements of all the constructs were carried out by the statements adopted from previous studies and a 7-point Likert type scale ranging from (1) Strongly Disagree to (7) Strongly Agree as shown in Appendix 1.

The service quality measures consist of 4 physical quality and 3 staff behaviour statements adopted from [Ekinici \(2001\)](#) and [Madanoglu \(2004\)](#). Measurement of ideal self-congruence used the method introduced by [Sirgy et al. \(2000\)](#) and later used by [Back \(2005\)](#) which suggests that processing self-congruence is global, direct and not dimension-based. This method requires a scenario type direction as shown below:

Please take a moment to think about the ____ hotel/restaurant brand. Consider the kind of person who typically visits this hotel/restaurant. Imagine this person in your mind and then describe this person using one or more personal adjectives such as organized, classy, poor, stylish, friendly, modern, traditional, popular, or whatever personal adjectives you can use.

After reading this direction, consumers responded the 3 self-concept statements to register their ideal self-congruence. Brand identification measurement was carried by organisational identification measures ([Mael & Ashforth, 1992](#)). Lifestyle-congruence was measured with 3 statements adopted from [Del Rio et al. \(2001\)](#), [Johnson et al. \(2006\)](#),

and Vazquez et al. (2002). Consumer satisfaction with hotel and restaurant brand experiences was assessed by two 7-point numeric scales labelled as “extremely dissatisfied/extremely satisfied” and “terrible/delighted” (Spreng & Mackoy, 1996). Finally, brand loyalty was operationalized by 3 statements taken from Bloemer, De Ruyter, and Wetzels (1999) and Zeithaml, Berry, and Parasuraman (1996).

FINDINGS

Descriptive Results

As noted, all constructs were assessed using 7-point Likert type scales. Table 1 shows the descriptive statistics, spearman correlations and average variance extracted (AVE) for the model constructs.

As depicted in Table 1, the means of the consumer-based brand equity dimensions range from 2.28 to 4.93 for brand identification and staff behaviour respectively. As expected, all the brand equity dimensions are positively correlated with consumer satisfaction and brand loyalty. As can be seen from the measures of consumer satisfaction (average score = 4.35) and brand loyalty (average score = 4.24), the respondents are moderately satisfied with brand experience and likely to be loyal to the hotel and restaurant brands.

Measurement Model

Before testing the model, normality and validity of the measures were established by statistical normality tests and factor analysis (Hair, Anderson, Tatham, & Black, 1998; Malhotra, 1987). The calculated z-values and graphical analysis of the variables suggested that the data distribution was normal (i.e., z-values were between +1.96 and

Table 1. Descriptive Statistics, Bivariate Correlations, and Average Variances Extracted

Construct	Mean	SD	1	2	3	4	5	6	7
1. Physical Quality	4.69	1.09	0.74	0.57**	0.52**	0.25**	0.50**	0.43**	0.49**
2. Staff Behaviour	4.93	1.05	0.33	0.83	0.42**	0.20**	0.35**	0.41**	0.49**
3. Ideal Self-Congruence	3.39	1.38	0.27	0.18	0.95	0.41**	0.64**	0.42**	0.55**
4. Brand Identification	2.28	1.61	0.06	0.04	0.17	0.96	0.47**	0.25**	0.42**
5. Lifestyle-Congruence	3.33	1.48	0.25	0.12	0.41	0.22	0.92	0.41**	0.52**
6. Consumer Satisfaction	4.35	1.09	0.18	0.17	0.18	0.06	0.17	0.61	0.55**
7. Brand Loyalty	4.24	1.16	0.24	0.24	0.30	0.27	0.27	0.30	0.92

The diagonal figures in bold indicate the average variances extracted (AVE) for constructs. The scores in the upper diagonal are spearman's correlations. The scores in the lower diagonal are the squares of the correlations.

* Statistically significant at the 0.05 level (two-tailed); ** Statistically significant at the 0.01 level (two-tailed).

–1.96). The convergent and discriminant validity of the five brand equity, consumer satisfaction, and brand loyalty scales were tested by confirmatory factor analysis using the Weighted Least Squares estimator of LISREL 8.80 (Jöreskog & Sörbom, 1996). The discriminant validity of the scales was checked by the Fornell and Larcker’s (1981) formula. Discriminant validity is present when the AVE from each construct is greater than the square of the intercorrelations. As can be seen from Table 1, the five brand equity scales meet this criterion because the AVE for physical quality (0.74), staff behaviour (0.83), ideal self-congruence (0.95), brand identification (0.96), and lifestyle-congruence (0.92) are all higher than the square of the correlation between the constructs. The measurement properties of the five scales indicate that the factor loadings are high and statistically significant ($p < 0.05$). These results satisfy the criteria for convergent validity. The consumer satisfaction and brand loyalty scales are fully met with the requirements

Table 2. Results of Structural Equations Analyses for Full Mediation and Partial Mediation Models

Hypothesis Number	Relationship	Full mediation		Partial mediation	
		Standardised path coefficient	t-value	Standardised path coefficient	t-value
H1	Physical quality → CS	0.13	2.25 [*]	0.16	1.90 [*]
H2	Staff behaviour → CS	0.18	3.83 ^{**}	0.19	2.74 ^{**}
H3	Ideal Self-congruence → CS	0.56	6.07 ^{**}	0.48	3.92 ^{**}
H4	Brand identification → CS	0.25	3.26 ^{**}	0.14	1.76
H5	Lifestyle-congruence → CS	0.18	1.99 [*]	0.19	1.65
H6	Consumer satisfaction → BL	1.01	24.23 ^{**}	0.44	9.39 ^{**}
H7a	Physical quality → BL			0.08	1.59
H7b	Staff behaviour → BL			0.15	3.31 ^{**}
H7c	Ideal Self-congruence → BL			0.34	3.89 ^{**}
H7d	Brand identification → BL			0.14	2.53 ^{**}
H7e	Lifestyle-congruence → BL			0.08	1.02
<i>Model Fit Statistics</i>					
χ^2		458.88		378.28	
<i>Df</i>		173		168	
RMSEA		0.05		0.05	
GFI		0.99		1.00	
NFI		0.99		0.99	
CFI		1.00		1.00	
Variance explained (R ²)					
Consumer Satisfaction		74		51	
Brand Loyalty		75		86	

Note: CS: Consumer Satisfaction; BL: Brand Loyalty; RMSEA: Root Mean Square Error of Approximation; GFI: Goodness of Fit Index; NFI: Norm Fit Index, CFI: Critical Fit Index.
* Statistically significant at the 0.05 level; ** Statistically significant at the 0.01 level.

of convergent and discriminant validity suggested by Fornell and Larcker (1981). Accordingly, the AVEs are found to be high, all the standardised item loadings are statistically significant and associated with the nominated constructs. The reliability of the brand equity scales (physical quality = 0.86, staff behaviour = 0.85, ideal self-congruence = 0.90, brand identification = 0.93 and lifestyle-congruence = 0.88) and brand loyalty (0.78) are high. Additionally, the two satisfaction measures are strongly correlated ($r = 0.70$).

The primary method for model testing was structural equations modelling by means of LISREL 8.80 and the polychoric correlation matrix as input. Weighted Least Squares was used as the model estimation method due to using ordinal scales for measurement (Jöreskog & Sörbom, 1996). This testing confirms a model's goodness of fit, and the hypothesized paths. The overall fit of the structural model is determined initially by examining the χ^2 statistic which, along with the associated probability value. The χ^2 test was statistically significant which indicated an inadequate fit. However, this statistic is mostly influenced by sample size and model complexity. Therefore rejection of a model on the basis of this test alone is inadequate (Hair et al., 1998). The other fit indices such as Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Adjusted GFI, Norm Fit Index (NFI), and Critical Fit Index (CFI) are also used to assess goodness of fit (Hu & Bentler, 1999).

To examine the mediating impact of consumer satisfaction, two models are tested. As depicted in Figure 1, consumer satisfaction fully mediates the effect of the brand equity dimensions on brand loyalty in Model 1. Model 2, as shown in Figure 2, allows for both the direct and indirect effects of brand equity on brand loyalty. Accordingly, Table 2 presents the results of the full and partial mediation model.

The results of the Model 1 indices support a good overall model fit ($\chi^2_{(173)} = 400.18$, $p < 0.00$, RMSEA = 0.05, GFI = 0.91, NFI = 0.97, CFI = 0.99). The structural model is also tested in the hotel and restaurant sample. The results of the model testing confirm validity of the model (Hotels: $\chi^2_{(173)} = 174.52$, $p = 0.45$, RMSEA = 0.007, GFI = 0.99, NFI = 0.99, CFI = 1.00 and Restaurants: $\chi^2_{(173)} = 303.12$, $p < 0.00$, RMSEA = 0.06, GFI = 0.86, NFI = 0.95, CFI = 0.98). The partial mediation model reported in Table 2 also has good overall model fit results ($\chi^2_{(168)} = 363.90$, $p < 0.00$, RMSEA = 0.05, GFI = 0.92, NFI = 0.98, CFI = 0.99). Because the first model is nested within the second model, a χ^2 difference test is performed to determine whether consumer satisfaction fully or partially mediates the influence of the brand equity dimensions on brand loyalty (Brown, Mowen, Todd, & Licata, 2002). Accordingly, the partial mediation model provides the best fit for the data ($\Delta\chi^2_{(5)} = 80.60$, $p < 0.01$). This investigation also considers whether the inclusion of consumer satisfaction in the model would improve the predictive power of brand loyalty. Because of the impossibility of conducting a direct test in LISREL for the improvement in R^2 , hierarchical regression is used after creating index scores for the brand equity, consumer satisfaction, and brand loyalty measures. The improvement in R^2 is statistically significant

($\Delta R^2 = 0.07$, $\Delta F_{(6df,371)} = 5.89$, $p < 0.01$), which confirms that inclusion of the consumer satisfaction in the model enhances its predictive power. The tolerance values and Variance Inflation Factors (i.e. all VIF are below 2.2) suggest that the findings of the regression models are not influenced by any multicollinearity effect (Hair et al., 1998, p.193).

Effects of Consumer-based Brand Equity on Consumer Satisfaction

The current research predicts, in H1, that physical quality has a positive relationship with consumer satisfaction. The results of the study support this proposition (Standardised Path Coefficient (SPC) = 0.13, $t = 2.25$, $p < 0.05$). The findings of the model testing also support H2 (SPC = 0.18, $t = 3.83$, $p < 0.01$) and H3 (SPC = 0.56, $t = 6.07$, $p < 0.01$) and therefore confirms that staff behaviour and ideal self-congruence have a positive influence on consumer satisfaction.

Further, this study posits that brand identification is positively associated with consumer satisfaction. Hence, the findings of the study support H4 (SPC = 0.25, $t = 3.26$, $p < 0.01$). Similarly, H5 is also supported. This result indicates that lifestyle-congruence is positively related with consumer satisfaction (SPC = 0.18, $t = 1.99$, $p < 0.05$). Overall these results indicate that the brand equity dimensions—physical quality, staff behaviour, ideal self-congruence, brand identification, lifestyle-congruence—are important determinants of consumer satisfaction with brands and brand loyalty.

Effect of Consumer Satisfaction and Brand Equity on Brand Loyalty

The result of the model testing confirms that consumer satisfaction with hotel and restaurant brand experience has a strong influence on brand loyalty as predicted by H6 (SPC = 1.01, $t = 24.23$, $p < 0.01$).

H7a–H7e suggest that consumer satisfaction mediates the effects of the brand equity dimensions on brand loyalty. As can be seen from the results of the partial mediation model in Table 2, staff behaviour (SPC = 0.15, $t = 3.31$, $p < 0.01$), ideal self-congruence (SPC = 0.34, $t = 3.89$, $p < 0.01$) and brand identification (SPC = 0.14, $t = 2.53$, $p < 0.05$) directly influence brand loyalty. Therefore, customer satisfaction partially mediates the effects of these brand equity dimensions on brand loyalty. The effect of physical quality (SPC = 0.08, $t = 1.59$, $p > 0.05$) and lifestyle-congruence (SPC = 0.08, $t = 1.02$, $p > 0.05$) on brand loyalty is found to be statistically insignificant in Model 2. To sum up, the study supports the premise that the effect of physical quality and lifestyle-congruence on brand loyalty is fully mediated by consumer satisfaction.

CONCLUSION

This study contributes to the growing body of literature on consumer-based brand equity and brand loyalty in two ways. Firstly,

drawing on past research, a parsimonious model of brand equity is developed and tested for hotels and restaurants. This study suggests that physical quality, staff behaviour, ideal self-congruence, brand identification and lifestyle-congruence are key determinants of consumer-based brand equity. Physical quality and staff behaviour capture the functional aspects whereas ideal self-congruence, brand identification and lifestyle-congruence capture the symbolic aspects of brand equity. Thus, by investigating the effect of lifestyle-congruence on brand loyalty, our study extended the symbolic meaning of the existing models of consumer-based brand equity (e.g., Aaker, 1991). The study suggests that self-congruence, 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. Thus, the study corroborates the findings of earlier studies by Sirgy (1982) and most recently that of Graeff (1996) and Ekinci et al. (2008). Furthermore, the current research extends Aaker's (1991) brand equity model by incorporating lifestyle-congruence.

Secondly, this study contributes to the existing body of knowledge by examining the effect of customer satisfaction in predicting brand loyalty. Although previous research suggests that brand equity has a direct effect on brand loyalty, this empirical study is the first to examine the influence of consumer satisfaction on the relationship between brand equity and brand loyalty in the hotel and restaurant industry. The study finds that consumer satisfaction partially mediates the effects of consumer-based brand equity on brand loyalty and therefore supports the importance of consumer satisfaction with brand experience (e.g., Cai & Hobson, 2004). The study confirms that consumers' satisfaction with hotel or restaurant brands is dependent on both functional (e.g., attractiveness of décor, competence of service employee) as well as symbolic benefits (fun, excitement, fantasy). Therefore, this study support previous studies which suggest that consumer satisfaction is a precursor of successful development of brand marketing campaigns and brand image (e.g., Cai & Hobson, 2004; O'Cass and Grace, 2004).

Managerial Implications

As self-congruence 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. For example, if a hotel brand is found to have friendly, sophisticated or upper class type personality traits, marketing campaigns should design promotions that feature these


characteristics. The findings of the self-congruence and brand identification suggest that consumers are motivated to differentiate themselves through brand experiences. Therefore, the brand experience should be customised to support a customer's individualism and distinctiveness in order to stimulate brand loyalty. Some of these marketing tactics are successfully applied in the hotel industry. For example, Wyndham Hotels encourage customers to display their personal items (e.g., family photographs) in their rooms to express their individuality. An application of these marketing tactics also enhances congruence between hotel brand and self-concept (Piccoli, O'Connor, Capaccioli & Alvarez, 2003). Another practice is to modify the layout and decor of the hotel room to portray a certain type of personality (e.g., an extrovert rock-star) and to create fantasy-based symbolic consumption. As a result of this experience, consumers are able to reach their ideal self-concept and experience greater fun and entertainment. Thus, brand managers should use tangible cues such as colours, designs, music, celebrities or words as symbols for development of distinct brand image to support brand loyalty. As self-concept exists for the purpose of both protecting and enhancing a person's ego, a brand advertisement or a service employee should aim to create congruence with desired self-concept or avoid contradicting customer's beliefs about their self-concept.

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, Apple-laptop-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 such as Formula 1 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 and

delivering brand promises in the hotel and restaurant industry because of high customer-to-employee interaction. The quality of staff behaviour 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.

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 this research is that it is specific to one culture (British) 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 this research model and provide further insights into the nature of these relationships in different consumption situations. 

APPENDIX 1. MEASURES

Brand Equity (7-point Likert scale: ‘1’ Disagree Strongly and ‘7’ Agree Strongly)

Service Quality: Physical Quality

This brand has modern-looking equipment.	(0.68) ^a
This brand’s facilities are visually appealing.	(0.92)
Materials associated with the service (such as menus, furniture) are visually appealing.	(0.88)
This brand gives you a visually attractive room	(0.94)

Service Quality: Staff Behaviour

Employees of this brand listen to me	(0.86)
Employees of this brand are helpful	(0.96)
Employees of this brand are friendly	(0.91)

Ideal Self-Congruence

The typical guest of this brand has an image similar to how I like to see myself	(0.94)
The image of this brand is consistent with how I like to see myself	(1.00)
The image of this brand is consistent with how I would like others to see me	(0.99)

Brand Identification

- If I talk about this brand, I usually say “we” rather than “they” (0.95)
- If a story in the media criticizes this brand, I would feel embarrassed (0.99)
- When someone criticizes this brand, it feels like a personal insult (1.00)

Lifestyle-Congruence

- This brand reflects my personal lifestyle (0.96)
- This brand is totally in line with my lifestyle (0.97)
- Staying in this hotel brand supports my lifestyle (0.95)

Consumer Satisfaction

- | | | | |
|---------------------|---------------|------------------------|--------|
| Terrible | 1 2 3 4 5 6 7 | Delighted | (0.65) |
| Extremely satisfied | 7 6 5 4 3 2 1 | Extremely dissatisfied | (0.90) |

Brand Loyalty

- I will recommend this brand to someone who seeks my advice (0.97)
- Next time I will stay in this brand (0.97)
- I will switch to other brands if I experience a problem with this brand (-) (0.95)

Note. ^a The figures in the brackets represent the standardised path coefficients.

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