

**BRAND EQUITY AND FIRM PERFORMANCE: A STUDY OF FAST-FOOD
RESTAURANT BRAND EQUITY IN NIGERIA**

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ABSTRACT

Brand equity is expensive to build; more importantly is the difficulty in differentiating one fast food restaurant from another. Strong brand equity is significantly correlated with revenue for quick-service restaurant. The study involves 306 respondents of five fast food restaurant services in Lagos. Four brand equity dimensions were tested: brand awareness, brand image, brand loyalty and perceived quality. Brand awareness made the highest impact on patronage and revenue. Brand awareness showed the least effect on brand equity, while brand image, loyalty and product quality made far greater impact. Manager of fast-food restaurant should therefore emphasis brand awareness when building a brand

Keywords: Brand equity, Brand Image, Brand Loyalty performance

Introduction

Brand name and what it represents are important intangible assets of restaurant business. Brand can be used by restaurant business as sustainable competitive advantages. Most restaurant especially fast-food service chains make serious efforts to build recognizable brand identifiers. The primary source of differentiation for fast-food service chain is the easily identifiable brand names. Strong brand names are used to appreciate the intangible attributes and benefits of services; they also help to reduce customers' perceived monetary, social and safety risks associated with the purchase of services. According to Berry (2000) these risks are usually difficult to evaluate before buying services. A strong brand and its strong equity provide several benefits to the service organization, these benefits include: greater customer loyalty; reduced vulnerability to competitor marketing activities; possibility of larger profit; customers' reaction to changing prices possibly low increased effectiveness of marketing communication strategy and possibility of brand extension (Keller, 2001).

As such the main aims of our study include (a) to determine the possible relationship between brand equity and fast-food service restaurant firms' performance and (b) to evaluate the role of brand equity in creating a sustainable competitive advantage in fast-food service chain. It is expected that fast-food service restaurant with strong brand will attract high patronage, high customer satisfaction and a positive price-value relationship. There are several well known fast-food service restaurants in Nigeria, but a large number did not cross from brand awareness to quality, image, and loyalty which form brand equity. The relationship between brand equity and corporate performance has not been extensively researched in developing nation like Nigeria. According to Adebayo (2009) Nigeria fast food industry is worth about N190 billion (\$12.66 billion at an exchange rate of N150 to \$1). This study focused on the following research questions 1) Does CBBE differ between high-performing restaurants and low-performing restaurants with respect to the individual attributes of brand loyalty, brand awareness, perceived brand quality and brand image? 2) Will these four dimensions of brand equity have any significant effect on the restaurant firms' performance? 3) Will brand equity as a construct have a significant influence on the performance of the restaurant firms?

Literature Review

Fast-food service chain restaurants are highly disposed to building strong brand names because their services and foods are highly similar. A major weapon of building sustainable competitive advantage and creating a differential advantage is through brand equity (Neal, 2000). The other differential tool is price which often results in price war, reduced loyalty and revenue (Siguaw, Mattila and Austin, 1999). Brand equity can be used to build brand value and reduce service commoditisation. Berry (2000) argued that brand can be built on distinctiveness in performance and in communication of the benefits of services; by making emotional connection with the customers. Brand equity has been extensively researched in the hospitality industry and it has been suggested that strong brand is a quick way for hotel chains to be identified and differentiated (Prasad and Dev, 2000; Kim and Kim, 2004). The evaluations of brand equity provide comparative data for strengths and suggest possible marketing strategies that are required. These benefits are more pronounced in fast-food service chain as a way of not only

differentiating their services, but also as a means of creating sustainable competitive advantage (Kim and Kim, 2004)

A number of studies had suggested positive relationships between brand equity and firm's performance (Park and Srinivasan, 1994 and Aaker, 1996). Specifically, that brand equity creates value for the firm and the customers (Aaker, 1996); augment revenue (Morgan, 2000; Washburn and Plank, 2002), improves chances of charging higher prices (Keller, 2001); and provides higher bargaining power during mergers (Mahajan, Vithala and Srivastava, 1994).

Customer-based brand equity (CBBE) is anchored on the premise of the knowledge and power of the brand that the customers have learnt, felt, seen, and heard over a period of time. That is the power of a brand is in what resides in the minds of the consumers (Keller, 2001). Therefore in understanding the behaviour of consumer toward a brand, one should appreciate the multi dimensionality of the brand (Keller, 2003). Brand equity is explained by Aaker(1996) as consisting a number of dimensional concepts including brand loyalty, brand awareness, perceived quality, brand association and other proprietary assets. Other dimensions had been suggested by other authors. For example, Yoo and Donthu (2000) adopted Aaker (1996) four dimensions without proprietary assets as they argued that it is not relevant to CBBE.

Shocker and Weitz (1988) identified only two dimensions: brand loyalty and brand associations. Brand knowledge i.e. brand awareness and brand image is identified by Keller (2001) as the dimension of brand equity. For the purpose of this study, Yoo and Donthu (2000) four dimensions are adopted for analysis. Brand equity, therefore connotes high brand-name awareness, favourable brand image, perceived high brand quality and high level of loyalty to the brand.

Methodology

The study was conducted in Lagos, Nigeria. Lagos is Nigeria former federal capital and Nigeria commercial nerve centre. There are several fast-food service restaurants in Lagos. The respondents for this study are patrons of these fast-food service restaurants.

The respondents were approached in a weekend as it has been observed that the fast-food service restaurants attract large number of patrons usually during the week-ends. Patrons were approached in the restaurants to participate in the study and their anonymity was guaranteed. A convenience sample was used for this study. Data was collected from the actual customers in a realistic setting. The respondents were persuaded to fill and return the survey immediately. 850 copies of questionnaire were distributed and 306 usable copies were used for this study. This gives us a response rate of 36 percent. Items of the survey were drawn essentially from the studies of Aaker (1996); Yoo and Donthu (2000) and Kim and Kim (2004).

Five fast-food service restaurants were selected for this study: Mr. Biggs, Sweet Sensation, Tantalizer, Kas Chicken, and Tasty Fried Chicken. Item-scales were adapted for each dimensions of the brand loyalty to be measured. A seven point Likert scale ranging from 1 (strongly agree) to 7 (strongly disagree) was used to collect the data. Six item scales were adapted for brand loyalty from extant literature; ten item scales were used for perceived quality. For brand image fourteen item scales were used. The measurement of brand awareness, scale items were drawn from literature: top-of-mind brand, unaided brand recall, and brand recognition (Kapferer, 1994). Respondents were asked to indicate brand name that first comes to mind; three other names that come to mind at the moment, and to choose a brand name they were aware of to measure top-of-mind, unaided brand recall and brand recognition respectively. Sales revenue was used to capture performance. This will capture the customers' visitation levels while expenses and investment are held constant. To take care of differences in size unit sales were calculated by dividing sales revenue with number of units available during the survey period.

Analysis and Discussion

Table 1: Scale Items for Fast-food Service Survey

Scale Item	Mean
Brand Loyalty Scale: Cronbach's alpha=.793	
I regularly visit this restaurant	3.62

I intent to visit this restaurant again	4.97
I usually use this restaurant as my first choice	3.45
I am satisfied with the visit to this restaurant	4.44
I would recommend this restaurant to others	4.31
I would not switch to another restaurant next time	4.05

Perceived quality scale: Cronbach's alpha= .843

The staff served food in promised time	3.98
The staff quickly corrects mistakes	3.62
Well dressed, clean and neat staff	4.74
Visually attractive menu reflecting the restaurant's image	3.52
Serving ordered food accurately	3.98
Well trained, experienced staff	3.60
The restaurant provides clean dining areas and restrooms	4.11
The staff are knowledgeable about the menu	3.88
The restaurant operate at convenient hours for the customers	3.75

Brand image scale: Cronbach's alpha= .768

The dining area is frequented	4.28
The restaurant maintains appropriate sound level	4.69
Low price	3.82
Prompt services	3.65
Convenient location	4.12
Differentiated image from other brands	4.37
Compare to price the food taste good	4.01
Employees are courteous	3.68
It has very clean image	3.87
The atmosphere is enchanting	3.92
There are many events	3.24
I feel comfortable visiting	3.92
It has a long history	3.05
The brand is familiar to me	4.51

Brand Awareness*

Top-of-mind: name of brand that first come to mind	N/A
Unaided brand recall: name three brands that comes to mind	N/A
Brand recognition: identify unknown brand from the list	N/A
*Cronbach's alpha not calculated	

Table 1 shows the scale items and the relative reliability values for four dimensions of brand equity measured in this study. Except for brand awareness whose reliability was not measured the other three dimensions show very high and acceptable levels of reliability (Brand loyalty=.860; perceived quality scale=.916 and brand image scale=.804)

Table 2: Respondents Bio- Data

Sex	Frequency	Percentage
Male	120	39.22
Female	186	60.78
Total	306	100
Qualification	Frequency	Percentage
First Degree	132	43.12
Second Degree	121	39.54
School Certificate	19	6.21
Others	34	11.11
Total	306	100

The respondents consists of 186 female (60.78 percent) and 120 male (39.22 percent) with an average age of 27.6 years. Almost half of the respondents are holders of first degree 132 (43.14 percent), 121 (39.54 percent) secondary school certificate holders, only 19 (6.21 percent) had second degree while 34 (11.11 percent) other certificates. The average monthly visit to the fast-food service restaurant is 4.6 times and the average spending per visit is N350.66 (US\$2.92 at an exchange rate of N120=US\$1.00).

Brand Equity Rating

The brand equity ratings of the five fast-food service restaurant sampled for this study are presented in table 3. The mean scores of four dimensions of the five fast-fast service restaurants are indicated below.

Table 3: Brand Equity Rating

	Brand Loyalty	Brand Awareness	Perceived Quality	Brand Image	Total Brand Equity
Mr. Biggs	4.39	4.43	4.18	4.31	17.31
Sweet Sensation	4.04	4.68	4.13	4.37	17.22
Tantilizer	4.18	3.22	3.93	3.85	15.18
Kas Chicken	3.91	4.03	3.65	3.55	15.14
Tasty Chicken	3.43	3.92	4.22	3.75	15.31

A look at the brand rating in table 3 shows some interesting features. Mr. Biggs has the highest mean value for brand loyalty (mean=4.39), while Tasty Chicken scores the lowest rating 3.43 for brand loyalty. Sweet Sensation has the highest mean rating for brand awareness of 4.68, followed by Mr. Biggs (4.43), Tasty Chicken and Tantilizer had the least mean rating of 3.92 and 3.22 respectively for brand awareness. Chicken George has the least mean rating for perceived quality (3.65). Sweet Sensation's mean score of 4.37 is the highest in brand image dimension while Chicken George's mean score of 3.55 is the least score. The other fast-food service restaurants have the following mean scores 3.75, 3.85 and 4.31 for Tasty Chicken, Tantilizer and Mr. Biggs respectively. An analysis of the summary of the mean rating of the four dimensions of Brand equity shows that Mr. Biggs has the highest mean rating (17.31) out of the five fast-food service restaurants studied. Sweet Sensation is second with mean rating of 17.22, Tantilizer rank third with a mean score of 15.18. The other two have the least mean scores Chicken George (15.14) and Tasty Chicken (15.31).

A further test was conducted using the t-test to find out whether respondents opinions differed between high and low performing restaurant in terms of brand loyalty attributes. The classification of the restaurant into low or high performing was done by using

median sales per restaurant as a cut off. Restaurant with below median cutoff mark are classified as low performing and those with median mark above the cutoff are regarded as high performing. The respondents are expected to indicate the restaurant that he/ she can readily remember from his most recent visit, as we have two independent groups of respondents. The results did not show any difference between the low and high performing groups (table 4).

Table 4: Mean Difference of Brand Loyalty between High- and Low-performance Restaurants.

Variable (Brand Loyalty)	High -sales Restaurants ^a		Low-sales Restaurants		t-value
	M	SD	M	SD	
Regularly visiting this restaurant	4.26	1.33	4.44	1.17	0.04
Having intention to visit again	4.83	1.26	4.87	1.16	0.643
Using the restaurant as my first choice	4.74	1.23	4.79	1.14	1.175
Being satisfied with my visit	4.60	1.29	4.57	1.16	0.364
Recommending this restaurant to others	4.19	1.28	3.86	1.22	0.563
Would not switch to other restaurants	3.83	1.39	3.41	1.33	1.350

a. Median is employed to categorize low and high performance

However, high-performing restaurants are easily remembered by the respondents. There is a significant mean difference between high-and low-performing restaurants. For brand awareness, the high-performing group achieved a higher mean than the low-performing group. Five significant mean differences are used for perceived quality attributes between the high- and low-performing restaurants. These are prompt service in promised time, well-dressed, clean and neat staff appearance; serving ordered food accurately, employees' knowledge about menu and convenient operation hours. See table 4 below

Table 5: Mean Differences of Brand Awareness between High and Low-performing Restaurants

Variable	High sales Restaurants (n = 170)		Low sales Restaurants (n = 240)		t-value
	M	SD	M	SD	
Brand awareness	4.15	0.34	2.73	0.84	18.632***

Only five of the dimensions used in quality attributes measurement are significant in term of their mean difference. The significant dimensions are food services in the right time, corrections of mistakes on time, serving ordered food accurately, employees shift to maintain speed and quality of service and operating at convenient hours. The other dimensions mean differences are not significant, see table 6.

Table 6: Mean Differences of Perceive Quality between High- and Low-performing Restaurants.

Variable (Perceived Quality)	High sales Restaurants N = 170		Low-sales Restaurants n =240		t-value
	M	SD	M	SD	
Serving food at promised time	4.44	1.37	4.21	1.39	3.156***
Correcting mistakes quickly	4.68	1.20	3.11	1.23	1.430
Trained and experience staff	4.17	1.19	4.59	1.15	1.700***
Well-dressed and neat staff	4.33	1.35	3.91	1.32	2.623***
Serving accurately ordered foods	4.20	1.36	4.21	1.24	1.242

Maintaining speed and quality					
Of service	3.69	1.45	4.33	1.36	1.448**
Convenient operating hours	4.33	1.35	4.15	1.38	1.988***

*p<.1. **p<.05. ***p<.01

Brand Equity Structure

The validity of brand equity structure (comprising of brand loyalty, brand awareness, perceived quality and brand image) was tested with the use of factor analysis. The component factor analysis and Varimax rotation produced Eigenvalue greater than 1.0 and factor loading greater than 5.0. This means that the four dimensions used for brand equity are valid. Of the four dimensions three are highly loaded: brand image, brand loyalty, and perceived quality, while brand awareness is not highly loaded but has factor loading greater than 5.0 (see table 7).

Table 7.0: Dimensions of Brand Equity Structure

Brand Equity	Factor Loading
Brand Loyalty	.781
Brand Awareness	.556
Perceived Quality	.711
Brand Image	.792
Eigenvalue = 2.14	
Variance explained = 53.5%	

Causal Relationship between Brand Equity and Firm's Performance

Regression analysis is used to determine the relationship between brand equity fast food service restaurants' performance. The factor loading of each variable are considered. Brand equity was taken as a single predictor and then the four independent dimensions of brand equity are also considered. Brand equity has a strong correlation with performance of fast food service restaurants ($R = .724$). This confirms our earlier assertion that

consumer based brand equity is an important factor in firm's performance. The four underlying dimensions were tested and the results shows that they have influence on the performance of fast food restaurants ($R = .798$). The multicollinearity of the variables was tested with the use of variance inflation factor (VIF) see table 8.0.

Table 8.0: Relationships between Brand Equity and Four Dimensions on Restaurant Performance

Independent Variable	Dependent Variable: Performance		
	β	t	Variance Inflation Factor
Brand equity	.724	2.638***	
<i>R</i>	.724		
<i>R</i> ²	.581		
<i>F</i>	6.423		
<i>Significance</i>	.001		
Brand loyalty	.032	0.846	1.264
Brand awareness	.765	8.425***	1.828
Perceived quality	.054	2.098**	2.420
Brand image	.094	2.823***	2.587
<i>R</i>	.798		
<i>R</i> ²	.736		
<i>F</i>	22.687		
<i>Significance</i>	.001		

Significance at .05 levels. *Significance at .01 level.

The result shows no significant correlation. Three of the four underlying variables were found to influence performance: brand awareness, perceived quality, and brand image,

though all the four dimensions are important constructs in brand equity. The finding shows that brand awareness, is the most important dimensions of hospitality brand equity.

Conclusions

Brand awareness was found to be the most significant element in influencing the fast food restaurant services performance. As such fast food restaurant services should build their advertising messages around customer awareness. Therefore fast food restaurant services should consider as very critical brand awareness in promotional adverts when building brand equity. The use of other promotional means like sales promotion should have the same focus as advertising to achieve a cohesive brand awareness image. The need is for customer to make on the spot favourable decisions. Other support activities such as involvement in children programme, social, and cultural as well as sponsorship of sporting activities and other public events can improve the firm's brand awareness.

One other important conclusion that can be drawn is that perceived quality of a specific fast food restaurant service affects its performance. Therefore, fast food restaurant services should provide consistent quality services such as serving food as promised, serving food accurately, and staff knowledgeable about menu, convenient operating hours, and near staff appearance. The restaurant company can differentiate its service-delivery systems through its people, physical environment, and the service delivery system.

The following attributes: frequented dining area; appropriate sound level; convenient location; cheerful and enchanting; differentiated image; convenient operating hours and familiarity were scored high for high- performing restaurants. This indicates that managers of fast food restaurant services should carefully design interiors and exteriors building to attract customers. Empty looking restaurant may convey negative impressions to customers. More importantly a convenient location is an important selection factor of restaurant. The fast food restaurant services should differentiate their images through symbols and branding and particularly, designing of superior delivery process.

Brand loyalty does not support a positive relationship with fast food restaurant services performance. Customers place significant value in having a variety of choices when selecting a fast food restaurant service. The result of this study implies that brand equity

can cause a significant increase in revenue and that a lack of brand equity in hospitality firms can damage potential cash flow of the company. It should be bear in mind that old and familiar brands may die due to over extension, poor brand management, or lack of investment in building brand value.

Area of Further Study

Sophisticated measure such as return on sale, return on equity and financial ratios should be used by future similar study. More importantly is the need to use more comprehensive scale for customer-based brand equity in multiple service industries.

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