

Brand Equity and its Influence on Customer Satisfaction in Midscale and Budget Hotels of Jaipur

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Abstract

The main purpose of this paper is to utilise the customer-based brand equity (CBBE) model of David Aaker (Aaker, 1991) to examine the influence of brand equity on customer satisfaction in midscale and budget hotels in Jaipur. This study recruited 250 respondents who regularly visit the identified branded midscale hotels of Jaipur. In this paper, managerial implications of CBBE is proposed to provide a reference tool for the management of the brand equity of these midscale hotels and to enhance their brand value. The negative impression, which existed in the minds of consumers of midscale and budget hotels, is being replaced by a perception of affordability, efficiency, and good experience. The fast-changing market equation has positively impacted the midscale hotels segment. It can be seen from the competition among domestic as well as international hospitality operators in this segment. Midscale hotels are being redefined with new concepts, innovations, and strategies. Now they are mini full-service hotels being recognised as business class and installed with the basic facilities, targeting a specific market of mid-rank business executives and price sensitive corporate customers. Budget hotels reasonably priced with good service, style, and better ambience demonstrate professionalism. With heavy demand and less supply of midscale and budget hotels in Jaipur, hotel management has to stick to brand equity in order to maintain customer satisfaction, which in turn leads to profit.

Keywords: CBBE, hotels, customer satisfaction, hotel management, Jaipur

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Introduction

The concept of brand equity was first studied in the late 1980s. Brand equity is an intangible asset that creates a relationship between a brand and its consumers. Brand equity can be viewed from three perspectives: financial, brand extension, and the consumer. In this study, we focus on the consumer perspective. According to Keller (2003), “the power of a brand lies in what customers have learned, felt, seen and heard about the brand as a result of their experiences over time.” One way of understanding how customers are familiar with a brand is through brand equity. According to David Aaker, brand equity has four dimensions: brand loyalty, perceived quality, brand awareness, and brand association. He states that “[b]rand equity helps the customer to interpret and process information about the product, and also affects the customer’s confidence in the purchase decision and the quality of user experience.”

The branded midscale hotels in Jaipur have to operate in a challenging environment due to growing competition and increasing number of brands. Many branded hotels are competing in the market and customers are increasingly preferring branded hotels. Hotels are therefore more focused on establishing a strong brand identity for themselves in order to attract customers and build customer trust through customer satisfaction, and brand equity research plays an important role in helping brand managers to build a brand image and gain a competitive edge.

This paper studies the association among brand equity dimensions, overall brand equity, and customer satisfaction. Brand equity is a measure of the overall value of a brand (Keller, 1993) and an important index to evaluate the success of the brand. As competition increases in the modern hotel industry, brand has become one of the most valuable assets to obtain competitive advantages. Modern theory suggests that brand could bring additional value to the consumers and operators beyond the benefit of a product or service itself. For customers, the value of brand is that it reduces searching costs for hotel operators. Therefore, brand has very important values both to the consumers and hoteliers. This premium is an important asset for hotels, which is intangible and known as brand equity.

The midscale hotels in Jaipur is a new sector that has developed rapidly since 2010. According to the statistics issued by HVS Survey (Khanna & Jijina, 2017), there were more than 5058 rooms in Jaipur, which is likely to increase to 5924 by 2021. More than 1700 rooms have been proposed to be added to the existing room inventory (midscale,44.7% and upscale,55.3%) hotels as there is more demand and less supply in this sector in Jaipur. The competition in this market is becoming severe and the importance of having a brand is emerging. Many researchers and hoteliers have sought to study the branding, market, and product differentiation in the midscale hotels (Shen et al., 2011; Wu et al., 2004). But very few studies have focused on brand equity.

Midscale hotels also demonstrate different domains of consumer behaviour, showing the important marketing implications that an application of a customer-based brand equity (CBBE) may show in the midscale hotel sector. It is also important to establish a framework to understand the brand equity of hotels in Jaipur, which will have an empirical contribution to the current hotel branding literature, especially in the research on midscale hotel.

The midscale hotel segment flourished and has experienced an unprecedented growth over the past few years to meet the increasing demand of hotel guests who seek differentiated service with a more personalized touch. The traditional brand management in the hotel industry faces a major challenge as numerous brands provide hotel guests many choices. Furthermore, bargains in the cyberspace (e.g., Travelocity, Expedia, and Orbitz) drive customers to concentrate on the price rather than the service quality of the hotel. Hotel products face the threat of being “commoditized” almost like a soap or detergents on the shelves of supermarkets. This problem is rooted in the business condition in which hotel chains cannot patent their products to attain a competitive advantage.

The following is the website description of various hotel brands operating in Jaipur.

Ibis: An electric design to express a theme in a creative and playful economy brand. Economy hotel for business and leisure. Ibis Jaipur is the perfect family

destination, strategically located in the centre of the city, near Civil Lines metro station (500 m), Jaipur Railway Station (2.8 km) and Airport (12 km)¹.

Red Fox: Fully automated hotels which are first largest and finest chain of youthful, spirited, efficient and growing midscale hotels and resorts. This hotel welcomes you with its fresh bold interiors as well as crisp and clean rooms and delights you with its unbeatable value and reliable safety standards. Here friendly smiles and a lively environment go hand in hand with professional service. A hotel that is young at heart, Red Fox lets you be yourself whether you are working on your laptop or winning a game of carom in the lounge. Add to this, Clever Fox Café's scrumptious food and the hotels' "close to home" environment - these hotels become the first choice for price conscious travellers².

Four Points by Sheraton: Food is the USP and intensive focus on guest satisfaction and networking among guests. It offers excellent space for meetings & socials with over 5000sq.ft. 114 Rooms & Suites featuring Four Comfort™ Beds, Flat-screen TVs and high-speed free Wi-Fi. Trendy F&B; 1st Story - Co-Work Bar & Kitchen, Eatery - International All-Day Dining, 24X7 In-Room Dining, Spa, Well Equipped Fitness Centre & Great Outdoor Swimming Pool to Relax & Un-Wind. A perfect place for business & leisure travellers³.

The Fern: Leading environmentally sensitive hotel. Our promise at The Fern Hotels & Resorts is a premium standard of amenities and service with a true passion for the environment. A living thing, the fern is a perennial plant, retaining a rare consistency and many of its best characteristics over millions of years. It is an epitome of pedigree flora and it aptly represents us. In a world where guests require proactive, individualized service, The Fern delivers much more. Luxury with elegance and personalized service, and all the contemporary facilities packaged together with minimal impact on the environment⁴.

Ginger: One of the first premier Indian hospitality group to start budgetary hotels. Offering a host of amenities, Ginger Hotel Jaipur strives to ensure a delightful

¹<https://all.accor.com/hotel/6529/index.en.shtml>

²<https://www.lemontreehotels.com/red-fox-hotel/jaipur/hotels-jaipur.aspx>

³<https://www.marriott.com/hotels/travel/jaifp-four-points-jaipur-city-square/>

⁴<https://www.fernhotels.com/the-fern-jaipur.html>

experience for all its guests. Enjoy meals at the Square Meal Restaurant, a well-equipped gymnasium, a dedicated meeting room and Net Zone, laundry services, in-room dining and the Ginger Mart⁵.

Fortune Select Metropolitan: To provide quality accommodation at pocket friendly rates. Guests looking for hidden gems and fine dining experiences among the plethora of hotels in Jaipur should head over to Fortune Select Metropolitan. The hotel is located in the heart of Jaipur, where ancient traditions and a rich culture blend perfectly with the modern way of life. Being just 10 km from the airport and 2 km from the railway station, this 4-star hotel is the preferred choice for business and leisure travellers. Fortune Select Metropolitan provides first class facilities and efficient service with traditional Indian hospitality⁶.

One study found that 65% of hotel guests tend to switch lodging brands across different parent hotel companies on their next stay. The high turnover rate clearly discloses that most lodging brands have difficulty in maintaining customer loyalty. As lodging products become more commodity-like in nature, hoteliers must ask themselves how to differentiate their product from competing products and how to communicate the differences of their product to customers in the globe.

Literature Review

Brand Equity

Many researchers (Aaker, 1991; Keller, 2003; Kotler & Keller, 2016) have provided definitions and models about brand equity. David Aaker was the first to introduce the concept of brand equity during the 1980s. Aaker (1991) described brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service” (p. 15). Farquhar (1989) stated that we can generate brand equity by “adding value” to the product. Keller (1993) introduced the customer-based brand equity model. He defined brand equity as “the differential effect of brand knowledge on

⁵<https://www.gingerhotels.com/ginger-jaipur>

⁶<https://www.fortunehotels.in/factsheet/fortune-select-metropolitan-1630.pdf>

consumer response to the marketing of the brand” (p. 45) and highlighted four steps to build and manage a brand. Kapferer (1992) proposed the brand identity prism which is represented by a hexagonal prism which defines 6 characters of a brand i.e. physical facet, brand personality, brand culture, brand relationships, customer reflection and customer self-image. Yoo et al. (2000) described brand equity as “the difference in consumer choice between the focal branded product and an unbranded product, given the same level of product features.” All researchers agree that an added value can generate brand equity by enhancing consumer association and perception about a particular brand. According to Liaogang et al. (2007), generating brand equity and managing it is an important issue for companies. Generating brand equity helps the companies in product differentiation and getting a competitive advantage. According to Park and Srinivasan (1994), “brand equity is incremental utility and value endowed to a product or service by its brand name.” According to Chen and Tseng (2010), “it is considered as a source of competitive advantage by many firms.”

Customer Satisfaction

Oliver (1981) describes customer satisfaction as “the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer’s prior feelings about the consumption experience.” Vavra (1997: 17) defined customer satisfaction as “a satisfactory post-purchase experience with a product or service given an existing purchase expectation.” According to these studies, customer satisfaction increases the purchase intent.

Types of hotels

Hotels are categorised into three types on basis of service they provide (Khanna & Jijina, 2017).

Upscale/Luxury hotels:

Hotels with a rating of 5 stars and above are classified as upscale/luxury hotels. They house multi-cuisine restaurants, lounges, meeting rooms, dining facilities, concierge services, etc. Business executives, high ranking diplomats, and HNIs are the prime target customers. Both the hotel and the rooms usually have high quality furnishings, exquisite décor, artwork, etc. These hotels offer services equivalent to 5/5-D star rated hotels.

Midscale hotels

Mid segment/midscale /mid-market hotels provide simple and comfortable services. The hotel may have a swimming pool or a fitness centre and the base tariffs would exclude the usage charges for such facilities. They have a single restaurant and offer services equivalent to 4-star rated hotels.

Budget hotels

Economy/budget hotels provide accommodation and limited services to the guests. They provide clean, comfortable, and inexpensive rooms to the guests. They offer services equivalent of a 3-star rated hotel.

Hypotheses development***Brand loyalty and brand equity***

Sheth and Park (1974) concluded that loyalty has three dimensions. The first one is emotive dimension, which includes fear, respect, and obedience. The second is evaluation dimension, which is based on basic usage benefits assessment. The third one is behavioural dimension, which includes consumer likings towards certain products. According to this theory, rational customers exhibit loyalty. According to Solomon (1992), the buying decision towards a product turns into a habit (loyalty) as a result of brand equity. Assael (1997) describe brand loyalty as the situation wherein “consumers have deep commitment to re-buy and satisfy their past experiences with the use of the same brand and incur repurchase behaviour” (p. 45). Aaker (1991) states that brand loyalty “symbolizes a constructive mind-set toward a brand leading to constant purchasing of the brand over time.”

Based on the above discussion, the following hypothesis is formulated

H1: Brand loyalty has substantial impact on brand equity.

Perceived quality and brand equity

Perceived quality is positively related to brand equity and is identified as one of its dimensions (Aaker, 1991; Feldwick, 1996; Kamakura & Russell, 1993; Motameni & Shahrokhi, 1998; Yoo et al., 2000). Aaker (1991) defined perceived quality as “consumer’s perception of the overall quality or superiority of a product or service

with respect to its intended purpose, relative to alternatives.” Boulding et al. (1993) claimed that “quality is directly influenced by perception” (p. 7). Perceived quality has a deep impact on decision making for purchasing. If the perceived quality increases among customers after using the product or service, purchase intention will also increase (Rust & Oliver, 1994). According to Grunert et al. (2001) perceived quality is defined as “the estimation made by the consumer relying on the whole set of basic as well as outer dimension of the product or service.”

Therefore, the following hypothesis is framed.

H2: Perceived quality has a substantial impact on brand equity.

Brand awareness and brand equity

Awareness is a key determinant in the brand equity model (Aaker, 1991; Kapferer, 1992; Keller 1993). According to Farquhar (1989; cited in Tanveer & Lodhi, 2016: 45) awareness is the accessibility aspect of brand equity, which relates to “how quickly a consumer can retrieve brand elements stored in his/her memory.” According to Keller (1993), “brand awareness affects consumer decision making by influencing the formation and strength of brand associations in the brand image” (p. 46).

Considering these aspects, the following hypothesis is formulated

H3: Brand awareness has a substantial impact on brand equity.

Brand association and brand equity

According to Aaker (1991), brand association is the foundation for purchase decision. Brand association represents customer’s thoughts, feelings, association, images, and experiences about that brand. Cheng-Hsui(2001) identifies two types of associations. The first one is product association and the second is organisational association. If a brand does not perform its function properly, then it will have a low brand equity. While customers evaluate a brand, they do focus on brand attributes (Lassar et al., 1995; Pitta & Prevel, 1995). Bridges et al. (2000: 7) state that “positive associations help to strengthen the brand and the equity that is carried into a leverage situation if affected by the types association made with the brand.”

Therefore, the following hypothesis is formulated.

H4: Brand association has a substantial impact on brand equity.

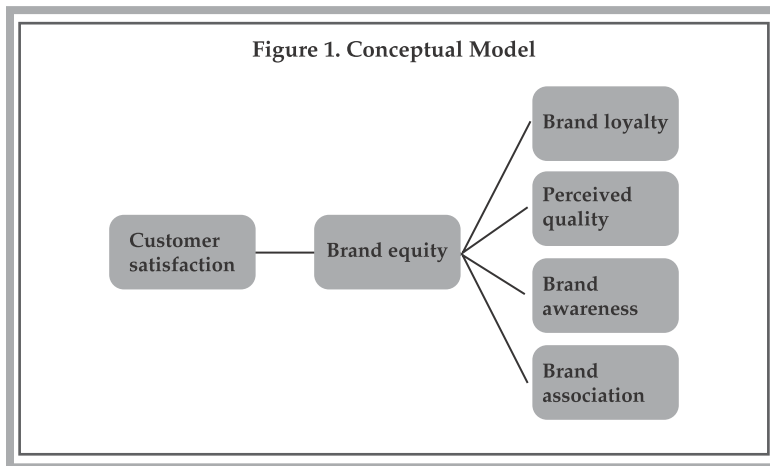
Overall impact of brand equity on customer satisfaction

According to Keller and Lehman (2006), customer satisfaction increases the willingness to pay for the product or service and also increases his/her brand loyalty. According to Chen and Tseng (2010), strong brand boosts customer's trust for purchasing a product. They argue that there is a substantial relationship between brand equity and customer satisfaction.

Based on the above discussion, the following hypothesis is formulated.

H5: Brand equity has a substantial impact on customer satisfaction.

The conceptual model arrived at from the five hypotheses formulated so far is depicted in Figure 1.



Data and Methodology

The target population for this study was the people who had visited any of the hotel/s mentioned in the questionnaire and at some point stayed in that hotel. A sample size of 260 was selected for this study and usable data was obtained from

250 respondents. Aaker's (1991) brand equity model is used in this study. The dimensions of this brand equity model are brand loyalty, brand association, brand awareness, and perceived quality. For the data, 42 questions on brand loyalty, brand association, brand awareness, perceived quality, brand equity, and revisit intention were asked and responses were collected using a 7-point Likert scale (1 = Strongly disagree, 2 = Disagree, 3 = Somehow disagree, 4 = Undecided, 5 = Somehow agree, 6 = Agree, 7 = Strongly agree).

Results and Discussion

Demographic analysis

There were more male respondents (77.2%) than female respondents (22.8%). Further, a majority of the respondents were in the age group of 18 to 24 years (43.2%); 42% of the respondents earned between ₹10,000 to ₹50,000 per month; 54.8% of the respondents were single and 40% were married. Majority of the respondents (29.2%) had chosen Four Points as the most preferred brand which was followed by Fortune Select Metropolitan (20%).

Table 1. Demographic

Variable	Category	Percentage
Gender	Male	77.2
	Female	22.8
Age (in years)	18-24	43.2
	25-34	24.8
	35-44	22.8
	45-54	6.8
	55-64	1.6
	65 or above	0.8
Monthly Income	10,000 – 50,000	42
	50,001 – 1,00,000	36
	Above 1,00,000	22
Marital Status	Single	54.8
	Married	40
	Divorced	3.2
	Widowed	2.0

Reliability

Cronbach's alpha was used to measure the reliability of the scale used in this study. While the acceptable value for reliability should be greater than 0.7 (Field, 2009), the Cronbach's alpha obtained for the 42-item scale used here was 0.967. This shows that the data is reliable and consistent.

Regression analysis

Regression analysis was done to test the hypotheses. Table 2 provides the findings of the regression analysis. The results reveal a significant relationship of brand awareness, brand association, perceived quality, and brand loyalty with brand equity. There also exists a significant relationship between brand equity and customer satisfaction. The beta coefficients (β) show the intensity of the impact the dimensions of brand equity have on overall brand equity. Based on the impact brand equity has on customer satisfaction (results in Table 2), the hypotheses from H1 to H5 are accepted.

Table 2. Regression Results

Hypothesis	Beta Coefficient (β)	Adjusted R square	Sig.	Durbin-Watson	t-Value
H1	.679	.459	.000	1.792	14.568
H2	.476	.223	.000	1.897	8.516
H3	.314	.095	.000	1.547	5.201
H4	.427	.179	.000	1.651	7.444
H5	.639	.406	.000	1.999	13.090

Source: Authors.

Notes: *t*-value should be greater than 1.96; the significance values should be less than 0.05 ($p < 0.05$); Durbin-Watson statistic of around 2 or more indicates that there is no auto correlation.

Conclusion

This research paper offers an overview of the emerging challenges faced by branded budget hotels in Jaipur and suggests remedies to cope up with them. It is essential that all employees understand the importance of customer satisfaction. Also, in-house training for the workforce has to be regularly conducted by the

branded budget hotels of India just like their international counterparts do. For the international brands, it is important to understand that they would be unable to sell in India with a “transactional way of service based on systems and logics” (Rishi & Joshi, 2016: 79). Adoption of India’s relation-based environment is also important for them.

Marketers of branded hotels in Jaipur are facing challenges due to brand conscious environment and increasing competition in the market. The aim of this research was to verify the applicability of David Aaker’s brand equity model in this context. This study confirms that in the context of the branded hotel market in Jaipur, the four dimensions– brand loyalty, perceived quality, brand awareness and brand association– have a positive impact on brand equity, which in turn has a positive impact on customer satisfaction. The β coefficient for brand equity (0.639), indicating that brand equity has a strong influence on customer satisfaction. Among the dimensions of brand equity, brand loyalty ($\beta = .679$) has the strongest impact on brand equity, followed by perceived quality ($\beta = .476$) and brand association ($\beta = .427$). Brand awareness has the least impact on brand equity ($\beta = .314$), which means that just the knowledge of the brand in the customers is not sufficient for brand equity and does not help much in increasing customer revisit intention. To raise the bar of brand equity, we have to rely on brand loyalty as it most important in increasing brand equity.

Implications and Limitations

One of the implications is that hotels should increase their brand equity with a specific focus on brand loyalty, perceived quality, and brand association in order to increase customer satisfaction. Some of the limitations of this research are that it is confined to only one city, Jaipur, India, and deals with only one product, i.e., branded hotels. Wider applicability of the model can be explored by conducting a study that takes other places and other product categories into consideration. Hospitality managers face the following challenges – dipping gross operating profits, higher global distribution systems productivity for international hotel brands, location constraints, high royalty structures for management contracts, regulatory issues, business poaching and unorganized growth, bureaucracy

among vendors and contractors and lack of trained manpower. Customer expectations include poor check-in/check-out services, inefficient service management, inconsiderate personnel, poor management of feedback and instances of theft.

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