Impact of Service Quality on Brand Image: Empirical Evidence from Hotel Industry

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Abstract  
Brand image is one of the key components that enable hotels to gain superior advantage over their rivals. From last five years, there is huge proliferation of hotel brands across the globe due to which hotel management faced difficulties to build a unique brand image in consumers’ mind. So, the basic aim of this research endeavor was to find out what service quality dimensions can promote brand image of four and five star hotels in Pakistan. Hotel customers’ survey responses were analyzed by employing regression technique. It was observed that empathy, responsiveness and reliability perceptions were instrumental in nurturing hotel brand image. Interestingly, perceived assurance and tangibles did not contribute anything significant in boosting brand image. Implications for practitioners and suggestions of future researchers were presented, too.

Keywords: Service Quality, Brand Image, Hotel Industry, Pakistan

Introduction  
In recent years, brand management and branding have established its importance strategically for different companies (Post, 2008; Kapferer, 2008; Keller, 2008). Smith (2004) suggested that in service industry “brand management requires brand managers to take a holistic view of the brand that transcends the marketing and service function and makes it a rallying cry for the firm”. Brand has also been described as “the impressions received by consumers resulting in a distinctive position in their mind’s eye based on perceived emotional and functional benefits” (Shoemaker, Lewis, Yesawich, 2007).

In service sector, hotel industry is considered as most representative example where hotel brands played a crucial role in the success stories of the hotel (Berry, 2000). The hotel industry of Pakistan faced numerous challenges recently. Recession is a global phenomenon and Pakistan was no exception so the total growth in revenue sloped downwards to 45% and the rest was done by the continuing poor security turmoil. Nevertheless, the economic indicators for the hotel industry have been more than satisfactory over the year 2009-10, as the average growth rate in hotel industry was 5 percent in hotel establishments and 3.5 percent in rooms during the last five years and the hotel industry showed a growth of 9.7 percent in hotels and 9.5 percent in rooms (Pakistan Hotel Association, 2010).
Service quality defined by Gronroo (1984) as “the result of an evaluation process, which helps consumer compare his expectations with his perception of the service received; in other words, he places the perceived service and the expected service opposite one another.” Javalgi et al., (2006) claimed that during the decision making process, customers have very few cues while buying services while an established brand performed as crucial role in form of risk reducer and purveyor which makes the decision making process more easier (Davis, 2007; Kayaman & Arasli, 2007). Forgacs (2003) argued that hotel industry is heavily used branding strategies because of their success.

During last five years, there is huge hotel brands proliferation worldwide due to which customers faced number of confusion in recognizing the brand (Kim et al. 2008; Gibson, 2003). Consumers perceive the same service quality in different ways. This difference in perception is most likely influenced by corporate image. Companies can plan corporate brand image before implementing marketing communications, and shape brand image through various marketing strategies. That’s why Bailey and Ball (2006) suggested that “brand management within the hotel industry can be improved through more effective brand differentiation strategies” like their service quality, word-of-mouth communication, advertising techniques etc. Brand managers in hotel industry faced bigger challenge of differentiating themselves in a competitive market (O’Neill, Mattila & Xiao, 2006). Hence, the basic aim of this research was to assess empirically the role of customers’ perceptions regarding hotel service quality dimensions in building hotel brand image.

**Literature Review**

Brand image is a set of associations with the brand, revealing both association and image represented perceptions of either objective or subjective reality (Aaker, 1991). Keller (1993) clarifies the concept, defining it as “perceptions about a brand as reflected by the brand association held in memory”. Brand image management is significant in deciding whether or not the employee is connected with the organization by influencing the strength of an individual’s identification, and the evolving trend of brand image is noted in strategic importance (Dutton, Dukerich, & Harquail, 1994; Gray & Smeltzer, 1985). Keller, (2003) treated the concept of brand image the reasoned or emotional perceptions of the customers which they associate with a particular brand. Therefore, brand image is one of the key components that enable hotel companies to gain a superior advantage among others. Some scholars viewed brand image to be “directly related to the product category within which the brand is marketed” (Martínez, Chernatony, 2004).

On the other hand, Martínez and de Chernatony (2004) found out that there was no agreeable consensus in literature for the empirical measurement of brand image and the basic reason for this is the multi-dimensionality of the concept. More or less same were the findings of Dobni and Zinkhan (1990) who claimed that because of the confusing variety of work on defining the concept of brand image, at first it may result to ambiguity in selecting the best scale for its measurement. To exemplify its multi-dimensionality, brand image has also been taken as an element of brand personality (Hosany, Ekinci, & Uysal, 2006) and there are examples in which literature significantly relates it to customers’ self-concepts (Belk, 1988; Aaker, 1996; de Chernatony & Dall’Olmo Riley, 1998; Solomon, 1999).

A very interesting study of Pitt, Opoku, Hultman, Abratt, and Spyropoulou (2007) maintained the notion that even branding is itself is entirely the process of creating and building a brand image. And according to them, ‘creating a brand image means’ an effort that “engages the
hearts and minds of customers”. Grönroos (1984) emphasized the extreme importance of brand image for service firms because when the customers use service, they see the firm and its resources by their judgment of the interaction between them and their service providers. His findings depicted that the customers formulate image as they see the components of the firm and develop their perceptions. The definition by Kurtz and Clow (1998), “the overall or global opinion customers have of a firm or organization” depicts threat customers show high tendency of patronizing the firm if they develop high perceptions of its image.

Service serves as the most salient phenomenon that customers can experience and perceive. Hence, quality of firm’s service mainly builds up the image of that particular brand. Similarly, Nguyen and LeBlanc (1998) explained that overall brand image of the company is formed by the combined perceptions of service quality as a result of frequent service experiences. Many researchers (e.g. Gummesson and Grönroos, 1988) reported brand image to be the key factor in the evaluation of overall service quality. Keller (1993) studied brand image as a perception, held in consumer memory, of an organization which serves as a filter to influence the perceptions related to operational aspects of the organization. In his study of airline service, Ostrowski et al. (1993) argued, “positive experience over time (following several good experiences) will ultimately lead to positive image”. Kim and Kim (2005) observed that “brand image and service quality perceptions share too many features”. Aydin and Ozer (2005) found that perceived service quality directly determines the perception of brand image. Therefore the following proposed relationship may be expected:

**Research Hypothesis**: Perceive Service quality (regarding SERVQUAL dimensions namely tangibles, assurance, reliability, empathy and responsiveness) will result into improve hotel brand image in Pakistan.

**Research Methods**
Data was collected from the customers of 8 four/five star hotels living in different cities of Pakistan during May and September, 2010. After multiple follow-ups, 250 questionnaires were successfully retrieved and 190 were considered fit for statistical analysis. For testing the hypothesised relationship, the main concepts measured in this study included SERVQUAL dimensions namely tangibles, assurance, reliability, empathy, responsiveness and brand image. Brand image was measured by using 14-items from the study of Kim and Kim (2005) whereas perceived service quality was measured by 22-items scale developed by Parasuraman et al., (1988). The 5-point Likert scale was employed. Stepwise regression analysis was employed to test the research hypothesis.

**Analysis and Interpretation**
The demographic profile of four and five star hotel customers is given hereunder:
- Gender: male customers’ proportion was 78% and female represented only 22%.
- Profession: 30% were serving in private companies, 17% were students, 10% doctors while housewives 6% were from government sector

Table 1 reflects the descriptive statistics and inter-item correlation matrix of all independent and dependent variables.
Table 1: Descriptive Statistics and Inter-Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
<th>X5</th>
<th>X6</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>4.10</td>
<td>0.33</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2</td>
<td>4.06</td>
<td>0.423</td>
<td>0.30*</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td>3.88</td>
<td>0.48</td>
<td>0.54*</td>
<td>0.32*</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X4</td>
<td>3.98</td>
<td>0.46</td>
<td>0.56*</td>
<td>0.32*</td>
<td>0.58*</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X5</td>
<td>4.03</td>
<td>0.43</td>
<td>0.32*</td>
<td>0.47*</td>
<td>0.45*</td>
<td>0.32*</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>X6</td>
<td>3.91</td>
<td>0.49</td>
<td>0.60*</td>
<td>0.33*</td>
<td>0.58*</td>
<td>0.61*</td>
<td>0.48*</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*Significant at 0.001 Level

Table # 2 depicts the results of stepwise regression procedure where all dimensions of service quality proposed by Parasuraman et al., (1988) regressed on dependent variable (brand image). The results indicated that about 45% variance (adjusted R²=0.45) was explained by perceptions regarding “empathy”, “responsiveness” and “reliability”. The empathy alone explained 37% variability (R² change = .37) whereas responsiveness and reliability accounted for only 6% (R² change = .06) and 3% (R² change = .03) variance in brand image respectively. However perceptions on “tangibles” and “assurance” did not contribute in building hotel brand image.

Table 2: Model Summary (Dependent Variable: Brand Image)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.61</td>
<td>0.37</td>
<td>0.36</td>
<td>0.26</td>
<td>0.37</td>
<td>83.87</td>
<td>1</td>
<td>146</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>0.65</td>
<td>0.43</td>
<td>0.42</td>
<td>0.25</td>
<td>0.06</td>
<td>15.48</td>
<td>1</td>
<td>145</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>0.67</td>
<td>0.45</td>
<td>0.44</td>
<td>0.25</td>
<td>0.03</td>
<td>06.80</td>
<td>1</td>
<td>144</td>
<td>.010</td>
<td>1.86</td>
</tr>
</tbody>
</table>

Table 3 shows ANOVA results in which predictive strength (F 3,144 = 39.59, p < .001) of the model suggesting its appropriateness for explaining variance in brand image.

Table 3: ANOVA (Dependent Variable: Brand Image)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>7.15</td>
<td>3</td>
<td>2.38</td>
<td>39.59</td>
<td>.000c</td>
</tr>
<tr>
<td>Residual</td>
<td>8.66</td>
<td>144</td>
<td>.060</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15.81</td>
<td>147</td>
<td></td>
<td>39.59</td>
<td>.000c</td>
</tr>
</tbody>
</table>

Table 4 reflects that empathy (beta = 0.34, t = 4.08, p < 0.001) had stronger positive impact on brand image than did responsiveness (b = 0.24, t = 2.87, p < 0.01) and reliability (beta = 0.21, t = 2.61, p < 0.01). Whereas, assurance and tangibles perceptions didn't explain any significant impact on brand image hence dropped from the empirical model.

This finding supports Andreassen and Lindestad’s (1998) contention that the perception of service quality was an important factor in influencing image because services were difficult to evaluate. In addition, this result supports Zeithaml’s (1988) proposition that service quality was customers’ judgment about the overall excellence or superiority of a service or, in other words, the image. The study results support Kayaman and Arasli’s (2007) findings that brand image developed from all of customers’ service experiences. These results are partially in
agreement with Kayaman and Arasli (2007) observations that reliability and empathy perceptions have a developmental role in brand image.

### Table 4: Coefficients (Dependent Variable: Brand Image)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Zero-order</th>
<th>Partial</th>
<th>Part</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.99</td>
<td>0.20</td>
<td>10.15</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empathy</td>
<td>0.23</td>
<td>0.06</td>
<td>0.34</td>
<td>4.08</td>
<td>0.60</td>
<td>0.32</td>
<td>0.25</td>
<td>0.55</td>
<td>1.81</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.17</td>
<td>0.06</td>
<td>0.24</td>
<td>2.87</td>
<td>0.56</td>
<td>0.23</td>
<td>0.18</td>
<td>0.56</td>
<td>1.80</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.14</td>
<td>0.06</td>
<td>0.21</td>
<td>2.61</td>
<td>0.54</td>
<td>0.21</td>
<td>0.16</td>
<td>0.59</td>
<td>1.71</td>
</tr>
</tbody>
</table>

### Conclusion & Recommendations

The main goal of current research was to ascertain the impact of perceptions on Parasuraman proposed SERVQUAL dimensions on brand image of four and five stars hotels operating in Pakistan. According to results, it can be concluded that only empathy, responsiveness and reliability perceptions were drivers to building hotel brand image. Interestingly, perceived assurance and tangibles did not contribute anything significant in nurturing brand image. So, Hotels should build up brand image conception and strengthen brand consciousness; pay attention to reliable factors and establish customer credit; regard reliability factors and enhance employee accomplishment; tangibilize the intangible and create core advantage; improve responsiveness factors and increase working efficiency; resort to empathy factors and add additional value and extend brand awareness.

The current research endeavor also has several limitations. The study was conducted only on four and five stars hotels of Pakistan so the researchers should take other categories of hotel operating in Pakistan to conduct comparative analysis across diverse star classifications. To have more confidence in cause-effect relationship between perceived service quality and brand image, longitudinal research design should be considered in future investigations. Triangulation regarding data information sources, data collection methods and analytical techniques is advised to future researchers.
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