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# The Impact of Brand Equity on Brand Loyalty: The Mediating Role of Customer Satisfaction

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#### **Abstract**

The study investigates the impact of brand equity on brand loyalty with the mediation of customer satisfaction in restaurant sector of Lahore, Pakistan. The study uses seven dimensions of brand equity, which include physical quality, staff behavior, ideal selfcongruence, brand identification, life style-congruence, trust and environment. Ouestionnaire has been used to collect the data from the customers using restaurants as a choice for their food demand. The data has been collected from 400 respondents and analyzed through SPSS and AMOS. All hypotheses have been supported except last hypothesis which has been partially supported. The effect of life style-congruence and environment has not been fully mediated by customer satisfaction and has proved insignificant, therefore these two variables have been dropped from modified model fit. It has found that the effect of physical quality, staff behavior, ideal self-congruence, brand identification and trust on brand loyalty has been fully mediated by customer satisfaction in case of Lahore. The study will enable the managers to change policies and to train the staff so they can satisfy the customers which in turn would make customers loyal with the organization. The study is limited only to the fast-food restaurants situated in the city of Lahore only. Future studies can be conducted across different type of businesses and cultures.

This paper provides a basis to study the effect of trust on brand loyalty with mediation of customer satisfaction and offers practical help for managers to train employees which could enhance customer satisfaction and loyalty.

**Keywords:** brand equity, customer satisfaction and brand loyalty.

#### 1. Introduction

Customers are primarily focused by the service firm, manufacturers and retailers. Commodities produced are demanded and consumed by the customers. So, to compete and to have competitive advantage over competitors businesses try to retain customers, satisfy them and build loyalty among them by serving the products of high quality. In this regard a continuous preference given by the customers to a specific restaurant while dining out results in loyalty with that restaurant. The equity, satisfaction and loyalty have

impact on business of fast-food service restaurants. Price and convenience are considered secondary by the satisfied and loyal customers. Most of the time satisfied customers tend to recommend brand to others, therefore, managers and marketers try to produce quality products that will satisfy the customers.

Brand equity was first introduced by Kevin Lane Keller in the mid of 1960's. By the same time the concept of loyalty emerged. The concept of equity was used to measure the effect of memory factors on consumer buying behavior whereas concept of loyalty is used to measure the consumer's act of continuous preference. There are some studies that examine the relationship of customer satisfaction and customer loyalty. Ekinic, Dawes, and Massey (2008) have studied the antecedents and consequences of consumers' satisfaction in hospitality sector. The researcher provided support to the mediation of customer satisfaction for service quality, self-congruence and customer's intention to return. Few researchers have studied the mediating effect of customer satisfaction on the relationship between brand equity and brand loyalty. As the study of Nam, Ekinci, and Whyatt (2011) is important in the context that has used customer satisfaction as a mediator between brand equity dimensions and brand loyalty, author has studied consumer satisfaction as full and partial mediator and established a basis for the relationship. Using the model provided by Nam et al. (2011), the current study contributes in it further using dimensions of environment and trust.

The current study focuses on how the brand equity relates to brand loyalty and what is the impact of customer satisfaction on the relationship between these two variables in fast food industry. Most importantly study aims to support the mediating effect of customer satisfaction on the relationship between trust and brand loyalty and in such a way adds to the existing body of literature relating to hospitality sector of Pakistan. Moreover, the study aims to support the full mediating role of customer satisfaction on the relationship between brand equity and brand loyalty in the context of fast-food restaurants serving in Pakistan.

With reference to Pakistan, service sector is the second largest contributor in economic growth of the country. According to economic survey of Pakistan 2012-13 this sector contributes to economic growth by 53.1%. So branch of service sector (fast-food restaurants) has been selected as an area of interest. Further recent openings of fast food restaurant (McDonald's) in Gujranwala, Sialkot, Faisalabad and other cities also denote an increasing demand of fast food in the region. Therefore, this sector has been selected to know the customer's satisfaction and attachment with the service provider. Moreover, customers of fast-food service restaurants within the city of Lahore are subject of the study.

#### 2. Problem Statement

The study tries to investigate the effect of brand equity on brand loyalty in the presence of customer satisfaction.

#### 3. Literature Review

3.1 Brand Loyalty a Unique Variable Other Than the Dimension of Brand Equity

Loyalty has been defined by the American Marketing Association as "the situation in which a consumer generally buys the same manufacturer-originated product or service repeatedly over time rather than buying from multiple suppliers within the category".

Satisfied and loyal customers make purchases from same manufacturer; they are less affected from the incentives and price promotions offered by the competitors (Dimitriades, 2006). Therefore, satisfaction, long term relations with customers and loyalty of customers are considered as an important factor for owner's success in today's economic world. By fulfilling customer's needs and by attracting them companies attempt to build loyalty among customers and have long term relationships with them (Gremler, Gwinner, & Brown, 2001). Brand loyalty occurs as the result of customer satisfaction. The satisfaction may or may not result in loyalty (Oliver, 1993).

Maintaining positive customer based brand equity is an important factor for the marketers. The brand equity enhances the competition with in the market. Brand equity is referred to as, "the differential effect of brand knowledge on consumer response to the marketing of that brand" (Keller, 1993). In the past the concept of brand loyalty has been studied as a sub-dimension of brand equity. However the brand equity has been studied separately as an antecedent to brand loyalty (Taylor, Celuch, & Goodwin, 2004). Here in the study the brand loyalty is treated individually rather than as a part of brand equity; this is based upon the definition of Brady, Jr, Fox, and Roehm (2008) who define that "brand equity is the perception of belief that extend beyond mere familiarity to an extent of superiority that is not necessarily tied up 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..." Furthermore brand loyalty has been considered as a behavioral concept that relates with the consumer's intent to purchase repeatedly product of same manufacturer, whereas brand equity relates with prosperous tendency that may not result in repeat purchases. Thus behavioral intent is not a component of brand equity rather this is one of the consequences. The equity, satisfaction and loyalty have impact on business of fast-food service restaurants.

# 3.2 Brand Equity

Brand equity has been studied in different perspectives by different researchers. The framework of Aaker (1991) and Keller (1993) were recognized as two main constituents of brand equity. Both researchers have defined it differently while taking into account consumer's perspective. Keller (1993), identifies that the brand's knowledge of a consumer depends upon associations like features, benefits, users and overall attitude, this knowledge depends upon prior investment for advertisement, promotion and marketing activities. Moreover, brand equity relates with customer's reaction to the marketing activities and differential impact of brand knowledge based upon prior marketing activities. Methods which are used to measure the brand equity can be categorized in one of the three categories financial, customer and combined (Keller & Lehmann, 2001).

In previous researches the operationalization of brand equity results in two groups (Walgren, Ruble, & Donthu, 1995; Yoo & Donthu, 2001) one is consumer behavior and other is consumer perception. Consumer behavior includes willingness for higher payment and brand loyalty whereas consumer perception includes brand association, perceived quality and brand awareness. Other researchers have defined brand equity from financial perspective. That is the value of brand to the firm(Pappu, Quester, & Cooksey, 2005).

For the current study, consumer based brand equity has been used as an independent variable and brand equity is operationalized through seven sub-dimensions used in previous studies of Johnson, Herrmann, and Huber (2006); Morgan and Hunt (1994); Ekinic et al. (2008); Hyun (2009) and Nam et al. (2011). These dimensions include trust, quality, life-style congruence, environment, ideal-self-congruence, and brand identification. The study determines their impact on consumer's satisfaction and then that of consumer's loyalty in restaurant industry, particularly in the city of Lahore.

## 3.2.1 Service Quality

In marketing research, service quality has been identified as an important field of interest. It has been considered as an important part for the development of brand because it raises perceived superiority and differentiation of a brand in a competitive market (Low & Jr, 2000; Yoo, Donthu, & Lee, 2000; Zeithamel, 1988). Service quality has been recognized as a method through which a consumer makes differentiation among competing organizations (Marshal & Murdoch, 2001). Services are regarded to be indivisible, intangible and heterogeneous, therefore the way that a consumer uses to evaluate service quality is specially composite and difficult to be identified (Parasuraman, Zeithaml, & Berry, 1985).

Reich, McCleary, Tepanon, and Weaver (2005) have inquired that whether or not in fast serving restaurants loyalty could be predicted from product and service quality and its relative strength. Study has used variables of brand's behavioral and attitudinal loyalty as well as service quality and product quality. Study concluded that product quality; in terms of temperature, freshness and taste; and the overall quality of services required to be more addressed in order to configure brand loyalty. Customer's loyalty with one brand affects loyalty with other brands.

Burns and Bowling (2010), studied a model which indicated that consumer's satisfaction is affected by disposition (negative and positive) and resultantly it influences consumer's behavior. Zhang, Zhang, and Law (2014), conducted a study on the combined impact of physical environment, food taste and employee service on consumer satisfaction in hospitality industry of China. The study concluded that food taste, physical environment and employee service all have impact upon customer's satisfaction and also each variable can substitute other.

## 3.2.1.1 Service Quality Model (Nordic School)

Service quality has been studied as a multidimensional concept, but the number and contents are still open for debate (Chao, 2008). A number of service quality models have been provided in literature. SERVQUAL model has been mostly studied in literature; it was given by the North American School of Thought. The SERVQUAL model has five service quality's dimensions (Parasuraman et al., 1985). Although previous studies have used SERVQUAL model, but its validity is highly questioned (Williams, 1998). Mostly the model has been criticized on the basis of its exact dimensions and on the basis of its pertinence to specific sector (Buttle, 1996; Williams, 1998).

The Nordic School operationalizes service quality into functional quality and technical quality (Gronroos, 1984). Technical quality referred to a final result of the service valuation, whereas subjective valuation resulting from service interaction has been referred as functional quality. Furthermore studies in service sector, have provided basis for the validity of these two constructs when applied in services sector (Ekinci, 2001;

Kang & James, 2004) especially in hospitality services (Brady & Jr, 2001; Ekinci, 2001; Madanoglu, 2004).

Depending upon evidence from studies, current study uses the staff behavior and physical quality dimensions of service quality to quantify restaurant's brand equity (Brady & Jr, 2001; Ekinic et al., 2008; Parasuraman & Zeithmal, 1988). "Physical quality referred to the image estimated from the equipment, design, materials, and facilities of a restaurant, whereas staff behavior referred to the image estimated through behavior such as friendliness, helpfulness, responsiveness and competence of restaurant employees" (Madanoglu, 2004).

# 3.2.2 Ideal-Self-Congruence

Self-concept has been studied as the conjunction of personal thoughts, feelings and opinion relating to individual as an object of thought (Rosenberg, 1979). Self-congruence is linked with the level with which a consumer's concept relates to the image of brand (Sirgy, 1982; Sirgy, Grewal, & Mangleburg, 2000). According to the self-congruence theory customer behavior has partly influenced by the congruence that is the result of psychological comparison of product and user image with customer self-concept (ideal, real, and social self-image) (Graeff, 1996).

He and Mukherjee (2007), have conducted a study on the relationship between customer's behavior and customer image congruence (ideal, actual, social and ideal social self-congruence) while choosing a store in China. The researcher uses perceived value, loyalty and satisfaction as customer's behavioral dimension to be derived from study and concluded that social and actual congruence relates positively with selected variables while other two dimensions do not have significant relation, further ideal-self-congruence has been found to have lesser effect than the self-consistence and social-confirmation. Depending upon previous studies, the study applies the concept of self-congruence to the degree to which image of a brand co-occur with ideal self-concept of the customer (Ekinic et al., 2008; Hong & Zinkhan, 1995).

## 3.2.3 Brand Identification

According to organizational identification theory individuals join social group to represent sense of belongingness (Mael & Ashforth, 1992). Similarly, consumer shows their social identity by affiliating himself and by consuming product of a brand (Rio, Vazquez, & Iglesias, 2001). Brand consumption by customer results in his differentiation from other social individuals (Han, Kim, & Park, 2001). Brand identification results in association or disassociation with social group that form a social circle.

Furthermore, it has been asserted that identification results in loyalty of the customers with the organization (Bhattachary & Sen, 2003). Further the study of Nam et al. (2011) found that customer satisfaction has a partial mediation between brand identification and brand loyalty. Based upon the theory of organizational identification, current study has defined brand identification as customer's perceived oneness and belongingness to the restaurant brand, customer uses and also refers the failure and success of brand with his own failure and success.

# 3.2.4 Life Style Congruence

In its broader term, lifestyle includes belief, demographic features, inspirations and behavior for the life (Brassington & Pettitt, 2006). There is no common recognized

definition existing for lifestyle, the concept refers to the person's unique living style that is shown through interest actions and thoughts, all these show differences among individuals (Foxall, Goldsmith, & Brown, 1998; Solomon, 2002). The relationship of life style congruence and brand loyalty has been studied by the Nam et al. (2011). The author concluded that customer satisfaction fully mediates the effect of life-style on brand loyalty.

Depending upon previous studies current study refers to the lifestyle-congruence as "the degree to which a customer's lifestyle is supported by the restaurant brand". Based upon comparison standards that customer uses the concept is different from the two concepts used in the study (self-congruence and brand-identification). Social groups are used as comparison standard for brand identification while self-concept is used as a comparison standard for self-congruence. For lifestyle-congruence consumer uses his/her goals of consumption, thoughts, actions and interests relating to personal and social beliefs and standards that are not used in the social and self-concept.

#### 3.2.5 Environment

Another important variable that has effect upon aesthetic evaluation of restaurant by customer is that of environment in restaurant (Bitner, 1992; Soriano, 2002). Atmospherics are used to form overall environment of restaurant and it is measured using four dimension; general exterior, general interior, layout and design, and P-O-P decorations (Hoffman & Turely, 2002). The researcher has focused on interior environment as a whole which has been studied in research as a sub dimension of general interior (Hoffman & Turely, 2002).

Chang (2000) conducted a study in the service sector using the consumer's perception about physical environment, return intention and satisfaction. Further consumer's return intention is measured by his satisfaction and satisfaction has been found to be affected by physical environment. \ Hyun (2009) studied environment as branch of value equity while studying determinants of consumer equity in which relationship equity, brand equity and value equity were found to be determinant of customer equity.

The current study has defined the interior environment as a whole in sense that a nice, clean and visually attracting environment would create positive valuation of restaurant and would be a contributory part of brand equity of restaurant, because customer interact with the owner in the restaurant's environment (Bitner, 1992).

#### 3.2.6 Trust

Trust has been functioned as to reduce consumer's vulnerability and doubtfulness in nonphysical service context. Loyalty of customer has been considered to be higher in the firm where consumer trusts upon the firm and considers that the firm has sufficient capability to reply to his needs (Ballester & Aleman, 2001; Thurau, Gwinner, & Gremler, 2002).

Ballester and Aleman (2005), studied trust as an important factor for the growth in brand equity of a firm and the network of relationship within which brand trust can be established and play an important role in the growth of brand equity. The study found that previous experience with brand results in brand trust and trust positively relate to loyalty with the brand. Chiou and Pan (2009), while studying the moderating role of shoppers on satisfaction and loyalty identified trust as a pre-requisite to customer satisfaction.

Moreover, Singh, Iglesias, and Foguet (2012) studied the impact of perceived ethicality of brand on brand loyalty, brand trust and brand affect at corporate and product level. The study supported that perceived brand's ethicality positively affect the brand affect and brand trust at both levels, and both variables positively relate with brand loyalty.

Furthermore, Everson, Dagger, and Elliott (2013), studied trust, as a relational determinant for loyalty along with other determinants such as, satisfaction, involvement, customer delight and commitment. Using model for loyalty, study revealed that trust, delight and commitment are other factors for loyalty than the satisfaction only. Kvasova, Leonidou, Chari, and Leonidas (2013), investigated that how the trust has been affected by the company's perceived unethicality and how the trust affects the satisfaction and ultimately to the loyalty. The study reveals that reduction in satisfaction results in reduced loyalty. Here trust means confidence held by customer on security, honesty and quality of restaurant as well as its employees.

#### 3.2.7 Customer Satisfaction

Satisfaction directly affects customer loyalty and is different from other related concepts i.e. quality, loyalty and attitude (Mittal & Lassar, 1998). Satisfaction has been defined as "satisfaction is a consumer's fulfillment response. It is a judgment that a product/service feature, or the product or service itself, provided a pleasurable level of consumption-related fulfillment, including level of under or over fulfillment" (Oliver, 2010).

Kim, Lee, and Lee (2008), studied the effect of satisfaction on loyalty with brand, using co-branding as an independent variable having effect on satisfaction in Korean's restaurants. The study revealed a significant effect of satisfaction on loyalty with the restaurant brand. Further joint promotion was found to create switching barrier, increase satisfaction and an effective advertising strategy.

Nesset, Nervik, and Helgesen (2011), studied the mediating effect of satisfaction and image on loyalty drivers (service quality, assortment, store location and price) and store loyalty. Study support mediating effect for service quality and price. Further image and customer's satisfaction positively affect store loyalty. In current study customer satisfaction is mediator and referred as customer's experience, his subjective assessment of brand and fulfillment of his needs.

# 3.3 Brand Loyalty

Loyalty has been considered a part of relationship building strategies; predicting and defining it is difficult. Past researches has revealed two dimensions of loyalty that are attitudinal and behavioral loyalty (Bandyopadhyay & Martell, 2007). From the behavioral dimension loyalty means proportion of purchasing a brand repeatedly. From the attitudinal aspect loyalty means psychological commitment of consumer in buying act, i.e. intent to recommend and buy a product without conducting any actual purchase in account (Jarvis & Wilcox, 1976).

Brand loyalty was being studied with different constructs and found to have relation with them. Martinez and Bosque (2013), studied customer identification, trust and satisfaction as a mediator between perceived CSR and brand loyalty in hotel industry and found the effect of consumer's perceived CSR on brand loyalty. Bianchi, Drennan, and Prouda (2014), stated that higher satisfaction would result from trust on the brand. Therefore, the customer satisfaction with the said brand is a substantial driver of loyalty.

In the literature for tourism, the behavioral loyalty has been criticized by Chen and Gursoy (2001), the researcher argues that traveler's loyalty can be best measured through attitudinal approach. So, in current study attitudinal approach for loyalty has been used.

## 3.4 Relationship between Variables

## 3.4.1 Service quality (physical quality and staff behavior) and customer satisfaction

Service quality and customer satisfaction has been found to relate with one another. Service quality was established as an antecedent to customer satisfaction in research (Oliver, 1993). Service quality and satisfaction relates positively with each other. Furthermore, Lee, Park, and Kwon (2005) has provided support for the relationship. The empirical research conducted in the restaurant sector support positive relationship between these two constructs (Heung, Wong, & Qu, 2002; Tam, 1999). Current study has used two dimensions of service quality that is physical quality and staff behavior, and postulates that these two relate with customer satisfaction.

- > H<sub>1</sub>: Physical quality has a relationship with customer's satisfaction with the restaurant brand.
- > **H**<sub>2</sub>: Staff behavior has a relationship with customer's satisfaction with the restaurant brand.

# 3.4.2 Ideal-self-congruence and customer satisfaction

Self-image congruity plays an important part in changing customer's behaviors such as loyalty (Kressmann et al., 2006), attitude with brands (Ekinci & Riley, 2003), choice of customers (Quester, Karunaratna, & Goh, 2000), and perceived quality (Kwak & Kang, 2009). Studies in tourism and hospitality sector have supported the relationship of self-congruence and customer satisfaction.

He and Mukherjee (2007), studied the relationship that exists among four dimensions of self-congruity and consumer satisfaction, the findings do not support the relationship of the two constructs. Ekinic et al. (2008), conducted a study on the hospitality sector on the relationship between actual and ideal self-congruence and customer satisfaction, and confirms that customer satisfaction is positively related with ideal self-congruence.

➤ H<sub>3</sub>: Ideal self-congruence has a relationship with customer's satisfaction with the restaurant brand.

## 3.4.3 Brand identification and customer satisfaction

When brand identification increases the positive representation of a person in social group and rich feelings of association to a social group then the customer would gratify with that brand (Han et al., 2001). Emotional attachment, loyalty and emblematic consumption would result from brand identification. Identification was found to have an impact on loyalty, satisfaction and perception of service quality and the identification was also found as relevant to create service profit chain (Han et al., 2001).

➤ H<sub>4</sub>: Brand identification has a relationship with customer's satisfaction with the restaurant brand.

#### 3.4.4 Life style-congruence and customer satisfaction

Lifestyle has comprised of shared beliefs, taste and consumption practices (Solomon, 2002). Brands have been considered as mirror reflection of one's lifestyle. The brand which tries to substantiate the interest, attitude and thoughts of a group is referred as

lifestyle brand. The higher the level of fit between brand image and lifestyle, the higher would be the satisfaction of customers with brand. Lifestyle branding relates to social position and social state of affairs in which people purchase goods which are inherent in specific lifestyle. The marketer sets the targets to create satisfaction of customers with brand through formulating the brand that catches a particular lifestyle (Foxall et al., 1998; Solomon, 2002).

H<sub>5</sub>: Life style-congruence has a relationship with customer satisfaction with the restaurant brand.

#### 3.4.5 Trust and customer satisfaction

Trust and satisfaction were found associated with one another. Researches in hospitality settings provide evidence for the relationship of trust and satisfaction (Christou, 2010; Ekinic et al., 2008). Trust as antecedent to satisfaction is studied in the literature (Chiou & Pan, 2009). As reported in these researches there are diverse causes of trust and they have significant impact on the consumer's experience with the firm (e.g. assessment of the satisfaction). Trust upon an organization may be the result of firm's advertising activities, positive words of mouth, and communication through other means. This trust will have impact upon customer's assessment of the firm while visiting the firm personally. Trust upon a firm will result in a favorable behavior toward the firm and will increase the customer satisfaction (Chiou & Pan, 2009).

➤ H<sub>6</sub>: Trust has a relationship with customer satisfaction with the restaurant brand.

#### 3.4.6 Environment and customer satisfaction

Environment when considered in its overall interior will result in satisfaction or dissatisfaction of customer and also will affect the behavioral intention. As the study of Chang (2000) had supported that the physical environment has an impact upon the satisfaction of customer with the restaurant. The environment is considered in terms that it influences upon the consumer's overall satisfaction.

▶ H<sub>7</sub>: Environment has a relationship with customer satisfaction with the restaurant brand.

#### 3.4.7 Customer satisfaction and brand loyalty

Relationship between satisfaction and loyalty is documented in previous researches within the context of services (Back & Parks, 2003). Kim et al. (2008) has established the relationship among these constructs with in restaurants industry. Satisfaction is also studied as the predictor to loyalty (Faullant, Matzler, & Fuller, 2008). Furthermore, evidence to support the positive relationship between customer satisfaction and loyalty formed in the study of Alexander, Kim, and Roberts (2003), Yoon and Uysal (2005), Lin and Wang (2006).

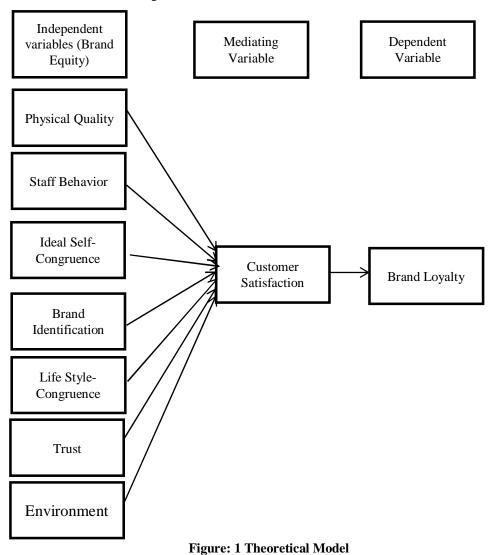
➤ **H**<sub>8</sub>: Customer satisfaction has a relationship with brand loyalty.

# 3.4.8 The Mediating role of customer satisfaction

The study aims at examining the mediating role of customer satisfaction on the relationship between customers based brand equity and brand loyalty. Bloemer, Ruyter, and Peeters (1998), revealed that customer satisfaction mediates the effect of service quality on brand loyalty. Caruana (2002), confirmed the mediating role of satisfaction on

service quality and service loyalty in the retail banking sector. Moreover, Karatepe (2011), also confirmed that there is a mediating role of satisfaction on the relationship between the two constructs. Moreover, Ekinic et al. (2008) has also confirmed that the effect of service quality and ideal self-congruence on brand loyalty, intonation to return is mediated by the customer satisfaction.

➤ H<sub>9</sub>: Physical quality, staff behavior, ideal self-congruence, brand identification, life style-congruence, trust and environment have an impact on brand loyalty with the mediating effect of customer satisfaction.



# 4. Research Methodology

The study has used causal type of investigation as the study analyzes the effect of variables. The study is also cross sectional. The population for the study is customers of fast-food service restaurants. Sample size of 400 customers is drawn randomly

questionnaires are used as a tool for data collection. Questionnaire for the study has been adapted and consists of two sections demographic section including four questions and measurement of variables including 33 items. Permissions were sought from the authors before adapting the questionnaire. Each item has been measured and responses have been collected using five-point Likert-scale, i.e. strongly disagree = 1, disagree = 2, neutral = 3, agree = 4 and strongly agree = 5. The distribution of items relating to each variable has been given in table 1.

**Table: 1 Detail of Items** 

Variable	No of items used to measure	Adopted from the study		
Physical Quality	4	Ekinci (2001) and Madanoglu (2004)		
Staff Behavior	3	Ekinci (2001) and Madanoglu (2004)		
Ideal-Self Congruence	3	Sirgy et al. (2000)		
Brand Identification	3	Mael and Ashforth (1992)		
Life-Style Congruence	3	Rio et al. (2001) and Johnson et al. (2006)		
Trust	5	Morgan and Hunt (1994); Sirdeshmukh Singh, and Sabol (2002)		
Environment	3	Law, To, and Goh (2008)		
Customer Satisfaction	5	Cronin, Brady, and Hult (2000)		
Brand Loyalty	4	Zeithaml, Berry, and Parasuraman (1996)		

# 4.1 Response Rate to the Questionnaire

Total 440 questionnaires was distributed to the customers, out of whom 400 were usable constituting 90.91% response rate, 10 questionnaires were not returned constituting 2.27% of total distribution, 30 questionnaires were not fully filled by the respondents constituting 6.82% of total distribution and thus not used in study.

## 4.2 Data Analysis Tools

To analyze the data SPSS 16.0 and AMOS 22 are used. The software is used due to their ease of accessibility, and these are user friendly software. Further frequency, percentage, correlation analysis has been drawn through SPSS and finally the mediating effect has been checked through Structural Equation Modeling using AMOS 22.

# 5. Data Analysis and Discussion

The demographic profile of respondents has been shown in table 2. Most of the respondents **are** male consisting of 54% and most of the respondents belong to age range 21-25 consisting of 49.5% of total respondents. Most of the respondents i.e. 41.5% has tendency to visit once in a month to a specific restaurant. Lastly higher percentage of respondents i.e. 20% has visited Fri chicks as a preferred restaurant.

**Table: 2 Demographic Profiles** 

Demograp	phic Variables	Frequency	Percentage	
Gender	Male	216	54	
Gender	Female	184	46	
	15-20	76	19.0	
	21-25	198	49.5	
Age	26-30	81	20.2	
	31-35	24	6.0	
	36 And Above	21	5.2	
	Once in a Month	166	41.5	
No of Visits	Twice in a Month	112	28.0	
During a Month	More than Twice in a Month	122	30.5	
	Mcdonald's	62	15.5	
	Pizza Hut	77	19.2	
	Salt N Pepper	10	2.5	
	Fri Chicks	80	20.0	
Most Visited	Hardees	12	3.0	
Restaurant	KFC	45	11.2	
	HFC	20	5	
	Usmania Restaurant	14	3.5	
	Subway	17	4.2	
	Others	63	15.8	

Table 3 below reflects the descriptive statistics, including mean that show average response of respondents, standard deviation showing variation, skewness that shows normality of data and factor wise reliability.

**Table: 3 Descriptive Statistics** 

Variables	Mean	S.D	Skewness	Reliability
Physical quality	3.8562	.58245	788	.634
Staff behavior	3.9117	.63848	659	.624
Ideal self-congruence	3.6542	.66299	444	.609
Brand identification	3.2792	.94523	274	.666
Life style-congruence	3.3592	.88909	528	.794
Trust	3.9062	.56084	367	.690
Environment	4.0275	.65365	-1.05	.685
Customer satisfaction	3.9010	.59387	602	.745
Brand loyalty	3.7956	.63494	266	.661

Table 4 indicates the correlation between variables. The relationship between variables is positive and highly significant at 1 percent level of significance p < 0.001. These results provide support for  $H_1$ ,  $H_2$ ,  $H_3$ ,  $H_4$ ,  $H_5$ ,  $H_6$ ,  $H_7$  and  $H_8$  of the study.

**Table: 4 Correlation Analysis Matrix** 

	Variables	1	2	3	4	5	6	7	8	9
1	Brand	0.400								
	Loyalty									
2	Customer	.597*	0.454							
	Satisfaction	*								
3	Physical	.453*	.467*	0.360						
	Quality	*	*							
4	Staff	.261*	.371*	.341*	0.358					
	Behavior	*	*	*						
5	Ideal Self-	.457*	.397*	.365*	.275*	0.371				
	Congruence	*	*	*	*					
6	Brand	.437*	.398*	.302*	.142*	.404*	0.413			
	Identification	*	*	*	*	*				
7	Life Style-	.458*	.356*	.367*	.070*	.362*	.518*	0.571		
	Congruence	*	*	*	*	*	*			
8	Trust	.514*	.580*	.483*	.321*	.373*	.378*	.414*	0.301	
		*	*	*	*	*	*	*		
9	Environm	.415*	.467*	.530*	.349*	.320*	.231*	.249*	.559*	0.42
	ent	*	*	*	*	*	*	*	*	2

<sup>\*\*</sup> p < 0.001

# 5.1 Structural Equation Modeling

Before testing the structural model, convergent validity of the model has been checked through confirmatory factor analysis using factor loading of each items. Each item has factor loading above 0.3 and constitute the part of corresponding variable as shown through table 5. To have a goodness of fit 6 items (PQ4, T2, T5, CS1, CS4 and BL1) were deleted due to low factor loading and high covariance with other items used in the questionnaire. Then the path fit has been achieved that has been shown in figure 1 and the summary of final path fit has been given in table 6. All the values are nearer to the threshold values for good fit and indicates acceptance. The discriminant validity can be checked through the formula of Fornell and Larcker (1981) and it is fulfilled when AVE of a construct is greater than the squares of inter-correlation. AVE has been presented in correlation table (table 4) in the diagonal through bold numbers. The AVE is greater than the square of inter-correlations so the discriminant validity has been fulfilled.

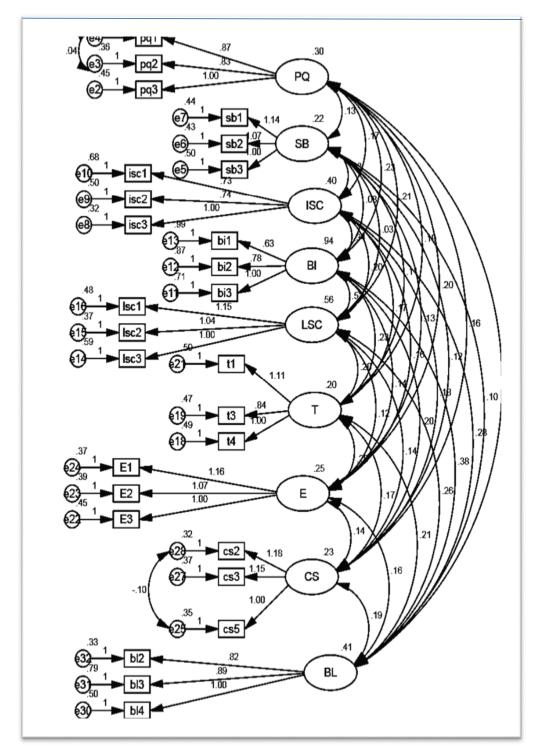


Figure: 2 Final CFA Path Fit

**Table: 5 Factors Loading** 

Q3       ← PQ       .633         Q2       ← PQ       .603         Q1       ← PQ       .550         Q5       ← SB       .630         Q6       ← SB       .610         Q7       ← SB       .553         Q8       ← ISC       .489         Q9       ← ISC       .552         Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673         Q27       ← BL       .536			Estimates or Factor loadings
Q1       ← PQ       .550         Q5       ← SB       .630         Q6       ← SB       .610         Q7       ← SB       .553         Q8       ← ISC       .489         Q9       ← ISC       .552         Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q3	<b>←</b> PQ	.633
Q5       ← SB       .630         Q6       ← SB       .610         Q7       ← SB       .553         Q8       ← ISC       .489         Q9       ← ISC       .552         Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q2	<b>←</b> PQ	.603
Q6       ← SB       .610         Q7       ← SB       .553         Q8       ← ISC       .489         Q9       ← ISC       .552         Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q1	<b>←</b> PQ	.550
Q7       ← SB       .553         Q8       ← ISC       .489         Q9       ← ISC       .552         Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q5	<b>←</b> SB	.630
Q8       ← ISC       .489         Q9       ← ISC       .552         Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q6	<b>←</b> SB	.610
Q9       ← ISC       .552         Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q7	<b>←</b> SB	.553
Q10       ← ISC       .746         Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q8	<b>←</b> ISC	.489
Q11       ← BI       .523         Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q9	<b>←</b> ISC	.552
Q12       ← BI       .629         Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q10	<b>←</b> ISC	.746
Q13       ← BI       .754         Q14       ← LSC       .779         Q15       ← LSC       .788         Q16       ← LSC       .697         Q17       ← T       .576         Q19       ← T       .482         Q20       ← T       .540         Q22       ← E       .693         Q23       ← E       .651         Q24       ← E       .600         Q26       ← BL       .673	Q11	<b>←</b> BI	.523
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Q12	<b>←</b> BI	.629
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Q13	<b>←</b> BI	.754
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	Q14	<b>←</b> LSC	.779
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Q15	<b>←</b> LSC	.788
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Q16	<b>←</b> LSC	.697
Q20       ←       T       .540         Q22       ←       E       .693         Q23       ←       E       .651         Q24       ←       E       .600         Q26       ←       BL       .673	Q17	<b>←</b> T	.576
Q22       ←       E       .693         Q23       ←       E       .651         Q24       ←       E       .600         Q26       ←       BL       .673	Q19	<b>←</b> T	.482
Q23       ←       E       .651         Q24       ←       E       .600         Q26       ←       BL       .673	Q20	<b>←</b> T	.540
Q24 ← E .600 Q26 ← BL .673	Q22	<b>←</b> E	.693
Q26	Q23	<b>←</b> E	.651
	Q24	<b>←</b> E	.600
O27 ← BL .536	Q26	<b>◆</b> BL	.673
	Q27	<b>◆</b> BL	.536
Q28 ← BL .670	Q28	<b>◆</b> BL	.670
Q30 ← CS .710	Q30	<b>←</b> CS	.710
Q31	Q31	CS CS	.675
Q33	Q33	← CS	.633

**Table: 6 Final CFA Path Fit Summary** 

Index	Measurement values	Threshold value
CMIN/DF	2.22	Less than 5
GFI	.90	Greater than or equal to .90
CFI	.89	Greater than or equal to .90
RMSEA	.05	Less than or equal to .08

# 5.2 Structural Model Testing

Modified structural model has been shown in figure 2. Table 6 indicates the results of structural model testing for full mediation. While fitting the structural model two variables life-style-congruence and environment were seen to be insignificant so, these variables have been deleted from the model. Therefore, results in table 7 partially support H<sub>o</sub> which indicates that customer satisfaction fully mediates the effect of brand equity dimensions on brand loyalty. Standardized path coefficients in table support that the dimensions of brand equity has an effect upon customer satisfaction and customer satisfaction then has an effect upon brand loyalty. All the effects are highly significant at 1 percent level of significance as  $\rho$ <.001. The VIF below 10 indicate that multicollinearity does not exist (Research Consultation). Standardized coefficients indicates that change in PQ by 1 percent would cause change in customer satisfaction by 20.3%, change in SB by 1 percent would cause change in customer satisfaction by 19%, similarly ISC would cause change by 21.1%, BI would cause by 9.5% and T would cause change in customer satisfaction by 42%. Then one unit change in customer satisfaction due to these variables would cause change in brand loyalty by 1.156 units. The table supports that customer satisfaction fully mediates the effect of dimensions of brand equity on customer satisfaction as shown through the values of model fit. Further the value of CMIN/DF is also acceptable, RMSEA is also less than 0.08 so it is also accepted and support the model fit. The value of GFI and CFI are less than 0.90 but these are accepted due to larger sample size, because higher sample size would results in lower GFI and CFI (Shevlin & Miles, 1998).

**Table: 7 Results of Structural Model Testing for Full Mediation** 

Relationships	Full Mo		
	Standardized path coefficients	Significance value(ρ-value)	VIF
$PQ \longrightarrow CS$	.203	0.000	1.673
SB →CS	.190	0.000	1.279
$ISC \longrightarrow CS$	.211	0.000	1.400
$BI \longrightarrow CS$	.095	0.000	1.556
$T \longrightarrow CS$	.420	0.000	1.595
$CS \longrightarrow BL$	1.156	0.000	1.769
Model fit	statistics		
CMIN/DF	3.60		
GFI	.85		
CFI	.75		
RMSEA	.08		

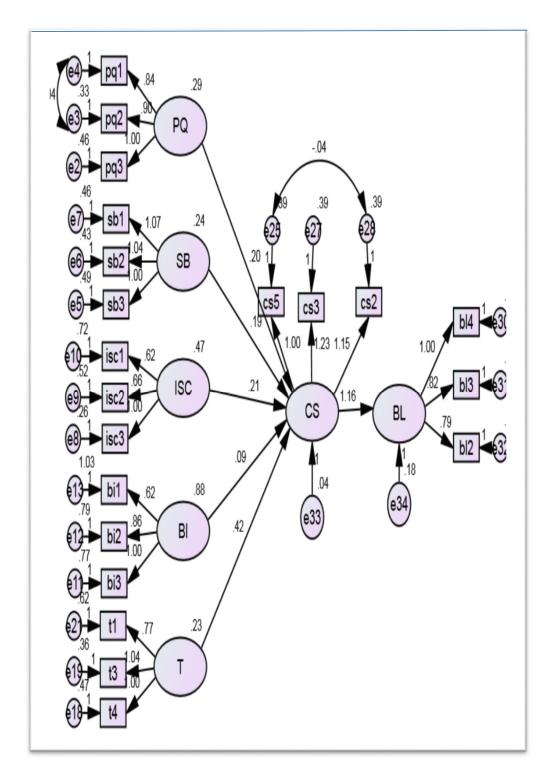


Figure: 3 Modified Structural Model

# 6. Discussion, Limitations and Recommendations

#### 6.1 Discussion

All the hypotheses except H<sub>9</sub> has been fully supported, H<sub>9</sub> has been supported partially due to the deletion of two variables from the model. These results are in deviance from the study of Nam et al. (2011) and Hyun (2009). The study supports the relationship of environment and life-style with the satisfaction but the effect is not enough significant to be shown through model testing. Therefore, the two variables has been deleted from model inconsistency and insignificance of result the reason might be that in fast food service firms customer does not necessarily come for their congruency with life style, and in their views lifestyle and environment are not bigger reasons for their satisfaction but other factors are; such as trust on a brand, quality, staff behavior etc. The difference in thinking of people in Pakistan results in different findings.

Overall study contributes to the previous studies conducted in the literature. First the study is conducted in different culture. As most of the studies were related to the advance nations this study is conducted in Pakistan; the nation being in development; and capture the behavior of customers, their satisfaction and loyalty. The results provide different results than that of other countries as people in Pakistan give higher importance to trust self-congruence and quality of product contributing to their satisfaction as shown through the regression coefficients. The study contributes through checking the full mediation of customer satisfaction on the relationship between brand equity and loyalty. The study also supports the mediating role of satisfaction between trust and loyalty.

# 6.2 Implications for Managers

The significance of effect and support of model given in the study has significant practical implication for managers in the field of marketing. Physical quality and staff behavior represents the functional aspect of a service brand equity whereas ideal selfconcept and brand identification represent symbolic aspects of brand equity (Nam et al., 2011). The support of effect of physical quality and staff behavior induces the managers to improve the quality of goods as well as physical quality through representing the goods in beautiful manner. Further in order to satisfy and retain customers the staff behavior should also be improved by providing ethical training and providing incentives to staff, because a satisfied customer will be loyal and will purchase again and again. The support of effect of trust, ideal-self-concept and brand identification induces the mangers to win trust of customers by advertising through trust building words i.e. "Halal Food Only" and also improve the layout of brand to match it with customer's self-concept. Also the brand identification of customers could be improved if the customers are provided with distinct identity of brand that they like most. As distinction of brand among other brands motivates the customers to come again this will increase the loyalty of customers with that brand.

# 6.3 Significance of the Study

Considering the customers of fast-food service firms, the study focuses on the impact of brand equity and brand loyalty within the city of Lahore. The study has provided description of loyalty, equity and satisfaction behavior of customers. Secondly the relationship between dimensions of brand equity, customer satisfaction and brand loyalty has been checked. Finally to the best knowledge of the researcher the customer satisfaction is not studied as a mediator between the trust and brand loyalty, the

originality value of the study is that it has provided support for this relationship. The study has conducted to check how a satisfaction of customer has a full mediating impact upon the relationship between equity and loyalty. Generally this study tries to make contribution towards the literature relating to brand equity in restaurant industry in Pakistan and specifically to the fast-food serving restaurant's brand equity in the city of Lahore.

#### 6.4 Limitations and Recommendations

No work is last in itself each one has some limitations in it. The current study also has some limitations within it. As the data is collected from the respondents in one city and results are applicable to that city only, so, future research could be done to collect data from the whole country in order to enhance generalizability of the data. Furthermore, no cross gender, cross group, and cross culture comparisons were made, future research studies can be conducted to have comparison among different groups, cultures, age ranges, etc. Lastly the study has been conducted in one service sector future study can be conducted in other service sectors to check the behavior of customers in those sectors.

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