

# Investigating the Relationship between Brand Equity, Brand Loyalty and Customer's Satisfaction (Case Study: Restaurants in Rasht City)

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## Abstract

The aim of this study was to investigate the relationship between brand equity, customer's satisfaction and brand loyalty. The study was a descriptive and in term of purpose is applied and in term of data collection will also be considered field. Data collection tool was questionnaire consisting of 21 questions to measure the research variables. The validity by professors and experts and its reliability by using Cronbach's alpha was reviewed and approved. The study population consisted of students at Islamic Azad University who were customers of restaurants and fast food in Rasht city. Using the Cochran formula final study sample 420 subjects was studied. In order to test the hypothesis structural equation modeling was used. The results showed that brand equity has a significant relationship with rate of 0.18 with a customer's satisfaction. As well as customer's satisfaction is related to customer's loyalty with rate of 0.88. Among the aspects brand equity as ideal inner satisfaction has the highest correlation with customer's satisfaction.

**Keywords:** brand equity, customer's satisfaction, customer's loyalty, restaurants, fast food

## 1. Introduction

The aim of marketing is demand management through pushing customer as far as maturity in loyalty ladder of organizations. Today customer's satisfaction is not sufficient and companies, organizations and banks should not be satisfied by customer's satisfaction. They should ensure that their satisfied customers are loyal as well. In this paradigm aims to establish long-term and interactional relationships with stakeholders and, most importantly, maintain customer is so that maintain more customers and lost fewer customers and long-term benefits resulted, thus increases market share and profitability. Organizations today due to more intensive competition, the development of information technology and knowledge of their customers are looking for loyal customers. These factors have created a situation merely by goods high price or quality cannot be achieved long-term success in the market. Today, managers have had to the fact that customer as a critical factor for the success of an organization attract new customers and retain existing customers will be more costly, in fact, the best customers are loyal to the company. In general, it can be said most large enterprises today strive to develop customer loyalty and as it is considered a strategic objective for themselves (Shojaee, 2010).

The importance of the customer is the extent that the cost of attracting a new customer is between 5 to 11 times maintaining an old customer or two percent increase in customers, reduce costs by ten percent. The most valuable asset of any organization is customer's trust and confidence. Get a loyal and permanent customer only is condition for continued and continuity survival of efficient activities of any company. The growing trend of developing products and competitors indicates that there is no such thing as a shortage of products but in fact, what it is, a lack of customers. This is what caused the increasing importance of the customer (Tajzadeh et al., 2010). Restaurant and food service industry to customer is vulnerable industries because the quality of medical services is customer. Therefore, the discovery of criteria and factors influencing customer's loyalty is important for executives in the industry and researchers are interested in research in this area.

## 2. The Review of the Literature

Customer satisfaction is undoubtedly one of the strategic issues in recent decades. Now, the global economy, lead to survival of firm's customers, enterprises can no longer be indifferent to the expectations and demands of customers, they have all their activities and their abilities to realize customer satisfaction, because it is the only source of return on investment for customers. The first principle in the business world today is customer-friendly value creation (Hill et al., 2009). Managers in manufacturing and service institutions in all public, private and cooperative sections gradually realize that not only product quality, distinguishing them from others, but, the focus should be shifted from marketing to customer orientation. Many of them not only have focused all their attention to the customer market but also retain existing customers as a strategy of cheaper, easier and perhaps profitable and more attractive (Horwitz, 2001).

According to research by Cutler (2005), Kotler and Keller (2006), the relationship between customer's satisfaction and customer's loyalty is very sensitive and important. Because when a customer is dissatisfied, distanced company and in relation to the product or service, tell bad story to other. However, when the customer is satisfied, repeatedly it will buy the product and about product will provide positive comments to others. The volume or frequency of repurchase and recommend the product by him to others were measured (Budiarti et al., 2013).

Over the past two decades, all types of organizations increasingly have understood the importance of customer satisfaction and loyalty. The main reason for the strong emphasis on customer satisfaction is that the organizations increase customer satisfaction, it can be stronger competitive position and increase the market share and market and take profits, reduce cost of goods and services, reduce risk and reduce the cost of attracting new customers is other results of customer satisfaction and loyalty. Customer satisfaction can be defined in different ways. Evaluation by the customer after the purchase of goods and services is a shopping satisfaction. In general, researchers believe that the customer satisfaction is determinant of repurchase, customer oral advertising and, ultimately, customer loyalty. Satisfaction is the determinants of customer loyalty have been a long time. Satisfied customers will return and repurchase or will use the service company next time. This category of customers will exchange their positive and negative experiences of company's goods and services (Bayraktar et al., 2012).

Some researchers believed loyalty is the ultimate factor of customer satisfaction model. Loyalty by the intention to buy, bear the price of goods and services from customers and also offer goods and services to others are measured. It is thought that the idea of better and more satisfied customers of a company or organization must increase their loyalty (Bayraktar et al., 2012).

Customer's loyalty is a deep-seated commitment to repurchase or reuse of a product or service. Despite these effects, positioning, and marketing recommendations potentially on changing customer behavior are not influenced. The most common definition of loyalty is offered by Oliver and he defined loyalty as having a deep commitment to preferred product or service that buying continuous and consistent in the future occurred. Also it lead to repeat purchases of a specific brand or set of brands is determined and while there is position or efforts to replace or modify his behavior in outdoor (Tajzadeh et al., 2010). There is many definition and scope of customer loyalty. According to Majumdar's view, consumer loyalty is a complex concept and since it is multi-dimensional and complex loyalty and it has still not provided a single definition, but in general, researchers believe that loyalty can be examined from two attitudinal and behavioral dimensions (Shojae, 2010).

Since this study is to investigate loyalty to the service, in the following definitions of loyalty to the service provided. Sander believes that service loyalty is more complicated than brand loyalty that normally used for goods. In his view, service loyalty necessarily not match with other forms of loyalty, loyalty to brand, service loyalty, store loyalty or loyalty to suppliers. Schneider argues that loyalty to the service, is strict criteria compared to other items loyalty and a loyal customer to service should be brand loyalty and faithful loyal to place. Loyalty in this area can be attended service or provider. Also services has intangibility features, heterogeneity and simultaneity of production and consumption, this adds to the complexity of this kind of loyalty (Fooladvand et al., 2013). Brand equity means marketing and financial values related to brand power in the market included real estate dedicated to a brand, brand awareness, brand loyalty, perceived quality of the brand. According to Lassr, Mittal and Aaron (1995), literature, brand equity is evaluated from two different perspectives: financial perspective and customer perspective. The financial perspective usually refers to a company's brand value in the market. While the customer's perspective, brand equity based on brand value perceived by the customer is evaluated (Severi & ling, 2013). Brand equity is a broader perception of the brand. However, brand loyalty from the past means having a positive attitude towards buying a particular brand. The

brand equity of attitude does not lead necessarily to buy. Brand equity consists of 5 sections which include: 1) perceived quality; 2) employee behavior; 3) concept of an ideal; 4) brand identity; 5) lifestyle cohesion (Nam et al., 2011). Aaker (1996), brand equity as a set of related assets defines a brand name and emblem the value provided by a product or service for the company and the customer is added or subtracted (Juntunen et al., 2011). Perceived quality is the customer's perception of the overall quality or superiority of a product or service to the customer's desire to replace it. To understand the perceived quality, identify and measure critical dimensions it would be useful, but perceived quality itself is a summary structures. Brand associated by customer's perceived quality, the perception only show the overall quality and essentially based on customer knowledge is not about minor features (Pike et al., 2010). Employee behavior is other elements of brand equity. The employee behavior is sales staff or service providers create a mentality in consumers. The researchers because of the importance of employee behavior, brand equity are part of this section (Nam et al., 2011).

Ideal inner satisfaction can be generally as thinking and how people feels about something or somebody. The ideal concept of the degree of customer activity and thinking it is said that he thought the brand accordingly. Ideal theory states that people will buy a brand personality to promote self-actualization (Nam et al., 2011).

Brand identity, organizational theories of individuals is part of a social group and improves their sense of identity and belonging. Similarly, customer shows their social identity with the use of a brand or participating in the purchase. Customers give a positive value to brands that have a good reputation among the groups in which they belong. Therefore, brand identity allows people to improve their social character (Nam et al., 2011).

Consistency in lifestyle, lifestyle is including not only demographic characteristics but also a positive attitude to life, opinions and attitudes of people as well. Although there is no full complement of life-style, but the term is widely used to pattern the lives of individuals, interests and the views of the people who provide it. When customers purchase a brand or a brand that can provide a positive opinion and they reaches a certain pattern of lifestyle needs to solve, so consistency is what brand of lifestyle means it is in accordance with the lifestyle of people. This is contrary to the concept of the ideal brand identity and a personal element is unique and do not depend on social and group norms (Nam et al., 2011).

Researchers believe that the brand equity positively affects customer loyalty, customer satisfaction in this connection plays mediator role. Satisfaction when comes you are able to meet different needs of customers. Satisfaction is a level before customer loyalty. In other words, people are satisfied at the beginning of a particular brand and they express their satisfaction. Then be loyal to it (Nam et al., 2011).

Brand loyalty is created when customers have a positive attitude towards the brand and specific brand in succession and special purchase. In addition, the movement of other brands attracts consumers to resist. The researchers found that when customers are loyal to a particular brand, brand loyalty factor allows consumers continuously buy the products of a particular brand and the movement of other brands attracts consumers to resist. Brand loyalty can be trusted, oral advertising customers and understand their intentions (Loureiro & Miranda, 2011).

The purpose of this study is investigating the effect of brand equity and customer loyalty to the brand in restaurants and fast food in Rasht. This research tries to answer the question of whether brand equity on brand loyalty in restaurants and fast food in Rasht is effective or not? Conceptual model is presented in the figure below.

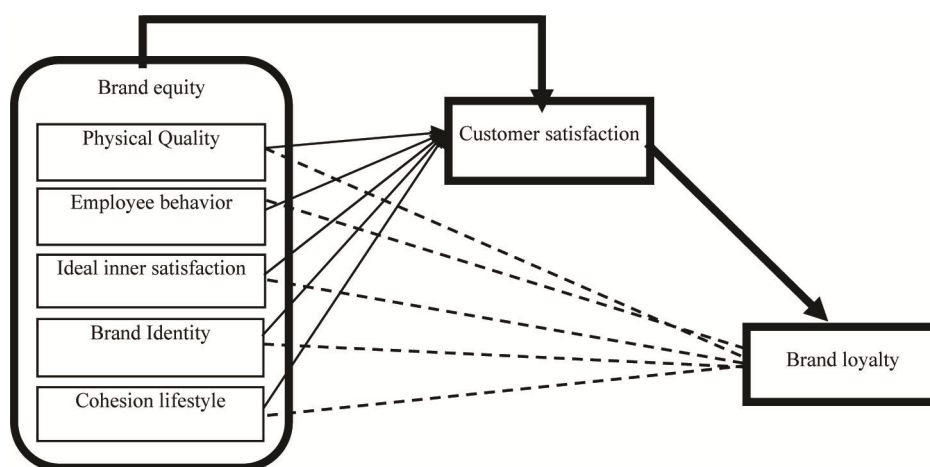


Figure 1. Conceptual model (Nam et al., 2011)

The main hypothesis 1: there is a significant relationship between brand equity and customer satisfaction.

- 1) There is a significant relationship between physical quality and customer satisfaction.
- 2) There is a significant relationship between employee behavior and customer satisfaction.
- 3) There is a significant relationship between ideal and customer satisfaction.
- 4) There is a significant relationship between brand identity and customer satisfaction.
- 5) There is a significant relationship between lifestyle coherence and customer satisfaction.
- 6) Customer satisfaction plays mediator role between physical quality and brand loyalty.
- 7) Customer satisfaction plays mediator role between employee behavior and brand loyalty.
- 8) Customer satisfaction plays mediator role between brand loyalty and ideal concept.
- 9) Customer satisfaction plays mediator role between brand identity and brand loyalty.
- 10) Customer satisfaction plays mediator role between brand loyalty and cohesion lifestyle.

The main hypothesis 2: there is a significant correlation between customer satisfaction and brand loyalty.

### 3. Methodology

The study was a descriptive-survey research. The study population consisted of students of Islamic Azad University. Study sampling was simple random sampling using Cochran sampling formula sample size was estimated 384. In order to achieve the desired rate of return, the number of 450 questionnaires was distributed among samples, eventually 420 questionnaires were usable. The questionnaire consisted of 21 questions. To measuring brand equity Nam et al. questionnaire contains 16 questions were used. To measuring job satisfaction 2 questions and to measure loyalty 3 questions of Nam et al. used. The reliability of the questionnaire using Cronbach's alpha calculated. Can be seen in the Table 1.

Table 1. Analyses of questionnaire

Variable	Mean	Standard deviation	Number of questions	Cronbach's alpha coefficients
<b>Brand equity</b>	2.9275	0.76278	16	0.944
<b>Physical Quality</b>	2.9089	0.88488	1-4	0.887
<b>Employee behavior</b>	2.9206	0.82493	5-7	0.849
<b>Ideal inner satisfaction</b>	3.0444	0.85836	8-10	0.701

<b>Identity of the restaurant</b>	2.7976	0.88239	11-13	0.770
<b>life style</b>	2.9659	0.86944	14-16	0.753
<b>Customer satisfaction</b>	3.5000	0.68307	17-19	0.765
<b>Customer loyalty</b>	4.1429	0.48931	19-21	0.710

## 4. Research Findings

### 4.1 Descriptive Findings

According to the results of summarizing data collected, it can be seen that gender 54.1% (227 persons) of the respondents were male and 45.9 percent (193 people) are female. Age 16.2 percent (n=68) of respondents is less than 20 years, 67.1 percent (282 cases) between 21 to 30 years and 16.7 percent (70 people) over 30 is healthy. A total of 90 patients (21.4%) of Razeghi restaurant as a favorite restaurant, 43 patients (10.2%) of Moharam restaurant, a total of 24 patients (5.7 percent) from Abbas Rashti restaurant, 38 patients (9.1%) of Jahangir restaurants and 225 patients (53.6%) have chosen the other option. A total of 144 patients (34.3%) of fast food Amir pizza, 83 patients (19.8) of fast food Pizria, 76 (18.1) of fast food Barca pizza, 68 patients (16.2%) of fast food Garmoon pizza and 49 patients (11.6%) have used other fast food.

### 4.2 Testing Hypothesis

The results of Kolmogorov-Smirnov for the main variables showed the significant level obtained for each variable is higher than 0.05, except the ideal inner satisfaction, so the study variables in the sample are normally distributed. The main prerequisite for using structural equation modeling is provided. The present research model was tested using structural equation modeling. The results of the research model fitting indices in Table 2 show the research model with data collected from statistical samples, has suit fitting.

Table 2. Fit indicators of overall model

ROW	Fit Indices	INDEX	Desirable value	Obtained value	result
1	chi-square/df	$\chi^2/df$	3>	2.09	Good
2	Root Mean Squared Error of Approximation	RMSEA	0.08>	0.056	Very good
3	normed fit index	NFI	0.9<	0.98	Very good
4	Tucker-Lewis Index	TLI	0.9<	0.98	Very good
5	Comparative Fit Index	CFI	0.9<	0.99	Very good
6	goodness-of-fit index	GFI	0.9<	0.97	Very good
7	Adjusted goodness-of-fit index	AGFI	0.8<	0.94	Very good

#### 4.2.1 Direct Effects

In Table 3, all hypotheses are based on the existing direct routes as well as significant numbers and t shown significant coefficients and accordingly to approve or reject assumptions, necessary checks carried out.

Table 3. Studied direct routes

Hypothesis	Direction	Beta	T statistic	Results of hypothesis
<b>Main1</b>	Brand equity to customer satisfaction	0.18	3.21	Confirmation
<b>Main2</b>	Customer satisfaction to brand loyalty	0.88	5.61	Confirmation
<b>1</b>	Physical quality to customer satisfaction	0.23	2.66	Confirmation
<b>2</b>	Employee behavior to customer satisfaction	0.24	3.37	Confirmation
<b>3</b>	Inner satisfaction to customer satisfaction	0.49	5.07	Confirmation
<b>4</b>	Brand identity to customer satisfaction	0.35	4.26	Confirmation
<b>5</b>	Lifestyle to customer satisfaction	0.24	3.12	Confirmation

#### 4.2.2 Indirect Effects

In Table 4 all indirect routes to assess mediator role of customer satisfaction has been shown.

Table 4. Studied indirect routes

Hypothesis	Direction	Beta	T statistic
<b>6</b>	Physical quality to customer satisfaction to brand loyalty	$0.22=0.92 \times 0.23$	5.61, 2.66
<b>7</b>	Employee behavior on customer satisfaction to brand loyalty	$0.23=0.92 \times 0.24$	5.61, 3.37
<b>8</b>	Inner satisfaction to customer satisfaction to brand loyalty	$0.46=0.92 \times 0.49$	5.61, 5.07
<b>9</b>	Brand identity to customer satisfaction to brand loyalty	$0.32=0.92 \times 0.35$	5.61, 4.26
<b>10</b>	Lifestyle to customer satisfaction to brand loyalty	$0.23=0.92 \times 0.24$	5.61, 3.12

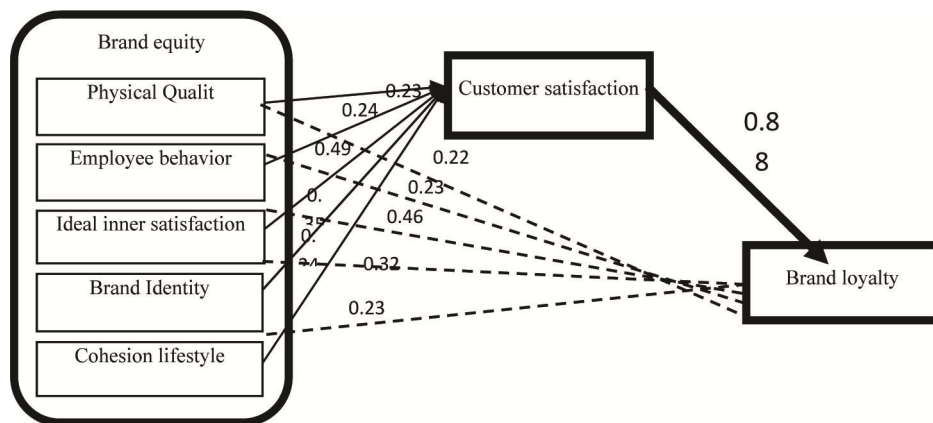


Figure 2. Final model (Nam et al., 2011)

## 5. Conclusions and Recommendations

According to the first hypothesis, physical quality has a significant correlation with customer satisfaction. However, among the variables related to physical quality restaurants and fast food, restaurants and fast food facilities are not so advanced from the customer perspective and in the typical restaurants level are located. It is suggested that managers of fast food restaurants in physical equipment and facilities at the customer when editing the meal to devote more attention to and the pleasure of eating in this restaurant or fast food for more customers and thereby obtain their consent.

According to the second hypothesis, employee's behavior has a significant relationship with satisfaction. Analysis of data collected and the average customer responses to statements related to employee behavior has shown that from the customer perspective, restaurants and fast food employees in study well to talk and listen to

customer demands and has appropriate behavior, but little help in food choices, or how to order, or taste different foods offer to customers. It is proposed food choices and behavior of employees in order to facilitate greater customer convenience and lack of ambiguity after entering the restaurant or fast food, and any activity that can reduce customer inconvenience, the staff is customer satisfaction. According to the third hypothesis, ideal inner satisfaction has a significant relationship with satisfaction.

In other words, the image of restaurants to their customers in accordance with their wishes and views are perfect and brand is ideal. Customers want brands that are using them earn a place in society. It is recommended that customers' favorite restaurants in this area more managers consider and the quality of their restaurants more promote the area's premier restaurants. Brand identity is a significant relationship with customer satisfaction. In other words, if you take the criticism to the restaurants to the customer, the customer is upset and sees his nearby restaurant. In this context restaurant managers recommended that customers have to pay special attention to further attract their attention. For example, you can SMS or through the systems in virtual spaces on different occasions such as anniversaries or birthdays with communicate your customers and somehow demonstrate to their customers that cannot be viewed solely from the perspective of profitability. But when a customer at the restaurant would not be given to him. Cohesion lifestyle has a significant correlation with customer satisfaction. However, among the subset of these variables, personal lifestyle support from the customer perspective is the lowest average restaurant. It is suggested that managers their restaurant space designed in such a way that the customer feels when eating and the environment is encouraging for him and like his home, relax while eating. Customer satisfaction has a significant relationship with loyal customers. The ultimate goal of managers is customer loyalty in various businesses such as restaurants and fast food. Managers should use different methods to obtain customer satisfaction. Customer satisfaction leads to his loyalty to restaurants in addition to restaurant promotions and customer good will among family and friends, if you still intend to use the services of restaurants have re-visit the same restaurant.

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