

Examining the effect of customer experience on service brand evaluation.

ABSTRACT

In the context of services, where perceived risk and uncertainty is often high, brands play a particularly important role to consumers. However, in many cases, evaluation of the service brand cannot be truly orchestrated until the consumer has had first-hand experience with the brand. Therefore, the customer's actual experience with the service firm becomes a key issue in service brand evaluation as is clearly evidenced in Berry's (2000) Service-Branding Model. Using Berry's (2000) framework as a foundation for the theoretical model of this study we examine the effect of customer experience in service brand evaluation. Data collected from 268 self-report surveys reveals significant differences between the brand evaluations of consumers who have experienced the service brand as opposed to consumers who have not had first-hand experience with the service brand.

LITERATURE

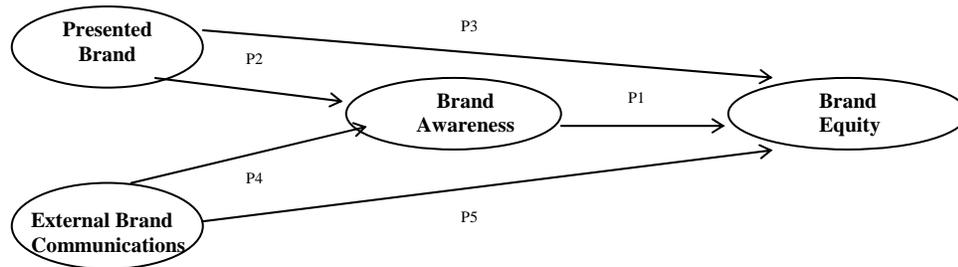
Recognising the importance of brand development in services, given the difficulty of differentiating products that lack physical presence and the intense competition within service markets, Berry (2000) proposed a theoretical model that illustrates the service brand from the consumer's standpoint. Given Berry's (2000) argument that the customer's experience with the brand has *primary* impact on brand meaning (as opposed to the secondary impact of the company's presented brand and external brand communications) and that brand meaning then has *primary* impact on brand equity (as opposed to the secondary impact of brand awareness), it could be suggested that the customer's experience with the brand is a key element of his model. It is on this basis, that the issue of consumer experience within the realm of services branding warrants further investigation and, in order to further explore this issue, the theoretical model of this study is further discussed.

In essence, Berry's (2000) service-branding model is parsimonious in nature and depicts the relationships between six key constructs, i.e., *company's presented brand*, *external brand communications*, *customer experiences*, *brand awareness*, *brand meaning* and *brand equity*. In a similar vein to that of Keller's (1998) *Brand Knowledge Model*, Berry (2000) advocates that *brand equity* is influenced by both *brand awareness* and *brand meaning* (referred to as *brand image* in Keller's (1998) model). According to Berry's (2000) model the primary source of brand awareness is the *company's presented brand*, i.e., the company's controlled communications (Berry, 2000). In other words, it is the communications that purvey the identity and purpose of the brand and its conceptualisation and dissemination is controlled within the service organisation. Further, Berry (2000) argues that such communication can be conveyed via the firm's advertising or promotional materials, service facilities, the appearance of their service employees, the company's name and logo and symbolic associations. The next key construct in Berry's (2000) model is that of *external brand communications*. This refers to the information

that consumers gather about the service brand from uncontrolled sources, i.e. word-of-mouth communications and publicity. Due to the intangible nature of services, word-of-mouth communications, in particular, are commonly used for information acquisition by consumers (Berry, 2000). Perceived by consumers to be largely un-biased and experience-based, word-of-mouth communications are often a major influence in the pre-purchase decision making stage, especially when the consequences of the purchase decision are severe (e.g., choice of doctor, lawyer, automobile mechanic, child care provider) (Berry, 2000).

Finally, Berry (2000) advocates that a customer’s experience with a service company is the primary source of brand meaning. In fact, on examining Berry’s (2000) model it is evident that customer experience is a key variable. This is so because the customer’s experience is shown to have primary impact on brand meaning whereas the impact of company’s presented brand and external brand communications on brand meaning is secondary. Furthermore, brand meaning is shown to have primary impact on brand equity, over and above brand awareness whose impact is secondary. Given that customer experience is purported to be a key component in service brand evaluation, surprisingly the effect of customer experience has received little empirical attention to date. It is on this basis that the significance of this research resides and the following research question is posed. *To what extent do the paths within the theoretical model (Figure 1) differ for consumers who have directly experienced the service brand as opposed to those consumers who have not directly experienced the service brand.*

Figure 1.



RESEARCH DESIGN

The measurement instrument was a self-report survey that used existing scales to measure the constructs of interest. For example, brand equity was measured via 4 items from Yoo and Donthu’s (2001) overall brand equity (OBE) scale and brand awareness was measured via 2 items adopted from Mackay (2001). The company’s presented brand was measured using 4 items from Walker and Baker’s (2000) scale to measure tangibles and Holbrook and Batra’s scale was adapted to measure advertising/promotions (similar to that also used by Grace, 2002). In terms of external brand communications, word-of mouth was measured via 5 items originating from Bansal and Voyer (2000) and used by Grace (2002) and adapted for this study. Similarly, publicity was also measured using 5 items from Bansal and Voyer’s (2000) and Grace (2002) but adapted in the context of publicity rather than word-of-mouth. Brand stimuli for the survey consisted of nine well-known local and international hotel brands (eg., Holiday Inn, Marriott, Sheraton, Conrad, Hyatt Regency, InterContinental, Hilton, Best Western and Ritz Carlton Hotels). Although all questions in the survey were identical, one survey began by asking respondents to select from the list (nine brands) a hotel brand they had used before, while the other survey asked respondents to chose from the list a hotel brand that they had not used before.

Upon selecting their chosen brand, all respondents were then asked to use that hotel brand as a frame of reference when responding to all of the survey questions. Data was collected via mall-intercept in an inner capital city shopping mall in Australia. This location was chosen due to high traffic flow and the close vicinity of the some of the major hotels listed in the survey. A total of 268 usable questionnaires were collected with approximately 50% (135) of respondents completing the “experience with brand” survey, while 50% (133) completed the “no experience with brand” survey.

RESULTS

Preliminary Analysis. The item-to-item correlations within each of the scales were then inspected prior to the factor analysis and all correlations fell within an acceptable range of .30 and .90 (Tabachnick and Fidell, 1996), for factor analysis to proceed. Principal Components factor analysis was conducted on each of the scales which produced uni-dimensional factor structures with eigenvalues greater than 1 and communalities greater than the recommended level of 0.4 (Hair, Jr., et al., 1998; O’Leary-Kelly & Vokurka, 1998; Shi & Wright, 2001). Factor loadings of items to individual scales were strong and ranged from .83 to .94. In addition, variance explained for each of the scales was high and these ranged from 73% to 88%. Reliability analysis was then conducted via Cronbach’s alpha and all scales exhibited good reliabilities ranging from .86 to .94. Having determined that the items for each construct were valid and reliable indicators of the scale, composite scores were then computed using a mean score calculation.

Partial Least Squares (PLS) is used in the analysis of structural equation modelling and is a multivariate technique that allows for the estimation and examination of paths between latent variables that are measured via multiple indicators. The strength of this analysis lies in its ability to cope with small sample sizes and the abatement of the hard assumptions of multivariate normality (Bontis, 1998; Kroonenberg, 1990). The computer program, PLS-Graph, as developed by Chin and Fry (2000) was used to evaluate the theoretical model thus enabling the hypotheses of this study to be addressed. The evaluation of the model, as recommended by Fornell and Cha, (1994), involves a systematic examination of multiple indices which include R^2 , average variance accounted for (AVA), path coefficients and bootstrap critical ratios.

Results – “Experience” Model

Table 1. shows the path coefficients between the exogenous and endogenous variables for the “Experience” model along with the R^2 and critical ratios and the average variance accounted for (AVA). The R^2 values relating to the endogenous variables, *brand equity* and *brand awareness* were .55 and .40 respectively which were greater than the recommended level of .10 (Falk & Miller, 1992) and, as such, it is appropriate to examine the significance of the paths associated with these variables. An inspection of the bootstrap critical ratios show paths P1, P2 and P4 exceed the criterion of greater than 1.96 (Chin, 1998 a,b) and the AVA is .48. Based on these results, paths P1, P2 and P4 were significant and P3 and P5 are not significant.

Results – “No Experience” Model

Table 1 also shows the results for the “No experience” model. The R^2 values relating to the endogenous variables, *brand equity* and *brand awareness* were .38 and .17 respectively which were greater than the recommended level of .10 (Falk & Miller, 1992) and, as such, it is appropriate to examine the significance of the paths associated with these variables. An inspection of the bootstrap critical ratios show all paths exceed the criterion of greater than 1.96

(Chin, 1998 a,b) and the AVA is .28. In summary, all paths within the “no experience” model were significant and positive.

Table 1. Results of PLS Analysis

		“Experience” Group		“Non-Experience” Group	
		Path Coef.	t-value	Path Coef.	t-value
P1	Brand Awareness to Brand Equity	.66	7.62*	.37	4.79*
P2	Presented Brand to Brand Awareness	.43	6.30*	.22	2.15*
P3	Presented Brand to Brand Equity	.10	1.38	.32	3.37*
P4	Ext. Brand Com. to Brand Awareness	.36	5.20*	.30	3.09*
P5	Ext. Brand Com. to Brand Equity	.06	0.92	.16	1.99*
		AVA	.48	AVA	.28

* Significant $p < .01$

Results - Comparison of Models (Experience vs No Experience)

In order to address the research question of this study, a comparative analysis of the results pertaining to the “Experience” model and the “No Experience” Model was undertaken. To begin, the significance of corresponding paths between the two models were visually inspected for compatibility. While all paths were significant for the “no experience” model, paths P3 and P5 were not significant for the “experience” model. Initially, this indicates that the two models differ on the basis of these two paths, however, to further test for differences in the models, an examination of the differences in the *strengths* of the remaining paths was warranted. In order to test for such differences, a procedure equivalent to a t-test procedure, as recommended by Chin (2002), was undertaken. The results conducted via one-tailed t-tests revealed show that all paths tested (P1, P2 and P4) were significantly different i.e. the t-values were greater than 1.64 (refer Table 5). More specifically, the strength of the paths associated with P1, P2 and P4 were all significantly higher for the “experience” group. On this basis, it appears that the models do differ significantly in both significance and strength.

Table 2 Comparison of path coefficients via t-tests

Path	Experience		No Exper.		t value	Result
	Path	SE	Path	SE		
P1	.66	.09	.37	.04	33.99	Significantly stronger “experience group”
P2	.43	.07	.22	.05	28.22	Significantly stronger “experience group”
P3	Not Sign.		Significant			Only significant “no-experience group”
P4	.36	.07	.30	.03	9.09	Significantly stronger “experience group”
P5	Not Sign.		Significant			Only significant “no-experience group”

DISCUSSION

However, on comparing the model across consumers who have directly experienced the brand and those who have had no direct experience, the relationships between the brand dimensions (eg. company's presented brand and external brand communications) and brand awareness and brand equity is somewhat different. For example, when consumers have not experienced the brand, the brand dimensions show positive relationships with both brand awareness and brand equity. This being the case, in the absence of experience, these brand dimensions do indeed play an important role in establishing not only brand awareness but also brand equity. Therefore, the tangibles and communications of the brand can influence the degree to which the consumer positively or negatively evaluates the brand prior to usage and may, in fact, dictate whether the customer chooses to experience the brand at all. Thus, at this point of the consumer/brand relationship these brand dimensions need to be strategically designed to reinforce a strong positive equity position thus enhancing the chances of brand experience occurring. However, once the consumer has experienced the brand, these brand dimensions appear to take on a secondary role whereby they are still instrumental in enhancing brand awareness but they no longer have a direct influence on brand equity. The arguments of Krishnan (1996), Padgett and Allen (1997), Berry (2000) and others are, therefore, substantiated by the findings here which clearly indicate that, where service brands are concerned, experience overrides all brand dimensions in the brand equity race. Furthermore, the findings would suggest that the evaluation of service brands is based on different criteria at different times. For example, this study clearly shows that consumers rely on the tangibles and communications of the service brand prior to purchase and it is upon these dimensions that consumer-based brand equity may be formulated at this stage. However, upon purchase (consumption) of the service brand, a new set of criteria based on the direct experience with the brand (which can include many intangible elements such as interpersonal interaction, noise, temperature, feelings etc) is used to evaluate the brand and, thus, the pre-consumption brand equity position is no longer of relevance as the post-consumption brand equity position takes precedence. Therefore, at separate points in time brand evaluation may, in fact, change dramatically not because the brand has changed but because the evaluative framework (criteria) of the consumer has changed.

LIMITATIONS

Firstly, as data collection was conducted at one shopping mall it could be suggested that generalisability of the findings beyond this region may be problematic. However, the mall chosen for data collection was made on the basis of high traffic flow and central location within a major capital city, thus ensuring a good cross-section of respondents. Secondly, the brand stimuli used in the surveys included only hotel brands and thus the generalisability of the findings may be limited to this service type.

CONCLUSION

In conclusion, this study has enhanced our understanding of service brands from the consumer's standpoint. By utilising Berry's (2000) framework of service branding as a basis upon which to model and compare relationships, we have come closer to understanding how consumers interact with service brands. The key focus of this paper has been centered on the effect of customer experience in service brand evaluation and the results clearly confirm that this is an important aspect of brand evaluation. As such, this should be a major consideration in the development and maintenance of strong service brands.

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