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Airline brand equity, brand preference, and purchase intentions—The moderating effects of switching costs

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Abstract

This study examines the relationships between brand equity, brand preference, and purchase intentions on international air passengers' decisions in Taiwan. The findings indicate positive relationships between brand equity, brand preference, and purchase intentions with a moderation effect of switching cost affecting the relationship between brand equity and purchase intentions. More specifically, the effect of brand equity on purchase intentions is not significant for passengers with low switching costs.

Keywords: Brand equity; Brand preference; Purchase intentions; Switching costs; Airlines

1. Introduction

Brand equity refers to the incremental utility or value added to a product from its brand name. It is often believed to contribute to a company's long-term profitability. Despite airlines' efforts to establish and maintain their brand equity, a clear measurement of such equity is still lacking. Because there are switching costs associated changing airlines, for example, with frequent flyer programs and other customer loyalty schemes, these need to be considered when examining relationships between brand equity and customer loyalty.

This study looks at relationships between airline brand equity, brand preference, and purchase intentions for air passengers, and at the potential moderating effects of switching costs using a sample of Taiwanese air passengers taking international flights.

2. Conceptual background

Brand equity has been deemed as primary capital for many industries. Strong brands can increase customers' trust in the produce or service purchased and enabling them to better visualize and understand intangible factors. According to Yoo and Donthu (2001), brand image can influence a company's future profits and long-term cash flow, a consumer's willingness to pay premium prices, merger and acquisition decision making, stock prices, sustainable competitive advantage, and marketing success.

Three main aspects of brand equity are usually considered: i.e. the financial perspective, the customer-based perspective, and the combined perspective (Keller, 1993). Here we focus on the customer-based perspective (Morgan, 2000). The operationalizations of customer-based brand equity can be divided into consumer perception (e.g. brand awareness, brand associations, perceived quality) and customer behavior (e.g. brand loyalty, willingness to pay a high price). Cobb-Walgren et al. (1993) develop a framework for studying various antecedents and consequences of brand equity from the customer perspective and suggest that consumers' brand perceptions contribute to the meaning or value of a brand. Brand equity then influences consumer preferences and purchase intentions, and ultimately brand choice. Hence, the causal relationship is identified: brand equity $\Rightarrow$ preferences $\Rightarrow$ purchase intentions.

Switching costs between different product or service can act as moderating variable by significantly influence customer loyalty through loyalty determinants such as customer satisfaction and perceived value. From the brand

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management perspective, brand equity can be largely deemed as a customer's perceived value.

3. Methodology

Five hypotheses are examined (see Fig. 1).

H1. A customer's purchase intention is positively influenced by customer-based brand equity.

H2. A customer's purchase intention is positively influenced by the customer's brand preference.

H3. A customer's brand preference is positively influenced by customer-based brand equity.

H4. The higher the level of switching costs is, the greater the likelihood will be that customer-based brand equity will lead to a customer's greater purchase intention.

H5. The higher the level of switching costs is, the greater the likelihood will be that a customer's brand preference will lead to a greater purchase intention.

The framework embraces information on brand equity, brand preference, purchase intentions, and switching costs. Brand equity is taken to have four dimensions, including brand loyalty (two items), brand awareness (five items), perceived quality (six items), and brand associations (five items) all measured by using a five-point Likert-type scale. Brand preference, with four elements, using a five-point semantic differential scale considers passengers brand preferences. Purchase intentions, with two elements, considers respondents' likelihood of purchasing the brand in question by using a seven-point Likert-type scale. Switching costs with four elements looks at respondents' perceived costs when they are considering switching to other airlines.

A self-administered questionnaire is used to collect data from international airline passengers. The questions are based on a review of the literature and specific airline service contexts, and the questionnaire was pre-tested and revised. The questionnaires were distributed based on a

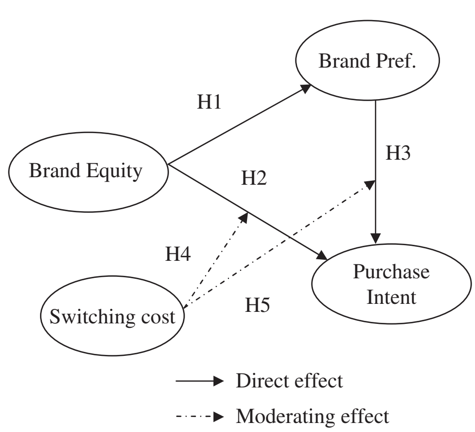

Fig. 1. Conceptual model.

Table 1
Measurement scales and summary statistics

Brand equity Mean = 3.7 Reliability = 0.817, ave. = 0.535	Brand awareness Perceived quality Brand association Brand loyalty
Brand preference Mean = 3.6 Reliability = 0.862, ave. = 0.611	I feel that this airline's name is appealing to me I prefer this airline to other airlines of its type If I was to buy an air travel product, I would prefer this airline if everything else was equal In total I prefer this airline
Purchase intentions	I am willing to recommend others to buy this airline's products
Mean = 3.5	I am willing to purchase this airline's products in the future
Reliability = 0.810, ave. = 0.680	

With $N = 407$, $\chi^2 = 114.85$ ($p = 0.000$), df = 39, χ^2/df = 2.93, CFI = 0.95, GFI = 0.95, RMSEA = 0.069.

"convenience"[1] sampling method and collected at Taoyuan International Airport in Taiwan during the month of March 2007. Six hundred questionnaires were distributed and 480 useable samples were obtained after excluding the incomplete ones, yielding an 80% response rate from those who agree to participate.

A confirmatory factor analysis was used to validate the brand equity scale of four underlying dimensions.[2] Two items relating to brand awareness, two to perceived quality, and one to brand association are removed to obtain construct validity. Table 1 lists the remaining elements.

4. Results

The overall fit of the model is reasonable.[3] Simultaneous maximum-likelihood-estimation procedures are used to examine relationships among brand equity, brand preference, and purchase intentions (Table 2).

The three hypothesized relationships are supported in the estimated structural model (Table 2). Brand equity has significantly positive effects on both brand preference and loyalty, supporting H_1 and H_2. Furthermore, the effect of brand equity on purchase intentions is also significant, supporting H_3. In terms of the mediating effect, the effect of brand equity on purchase intention is 0.68, including the

[1]This was done for practical reasons and the sample may thus not be random.

[2]The results are available on request.

[3]The ratio of the χ^2 value to degrees of freedom is less than the critical cut-off point of 3, while the χ^2 statistic is significant (Table 1). Furthermore, the goodness-of-fit index and comparative-fit index are greater than the recommended value of 0.9. The root-mean-square error of approximation is 0.069, i.e. less than 0.10. In addition, the composite reliabilities of the three constructs range from 0.81 to 0.86, well above the recommended value of 0.7, and the average percentage of variance extracted of each measure ranges are all over 0.5.