

AN INSIGHT INTO PERCEIVED QUALITY, BRAND IMAGE AND BRAND LOYALTY OF MCDONALDS AND PIZZA HUT.

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ABSTRACT

Brands are the most precious assets owned by any organization and are the source of many tangible as well as intangible benefits. In Marketing, Brand equity is regarded as an important concept which attracts the attention of corporates as well as academicians. Brand equity in simple terms may be defined as “what the customer thinks about the brand, which may be related to its performance or symbolic value delivered”. Lot of research work has been done on brands and brand equity. According to Aaker, brand equity is a multidimensional concept that consists of brand loyalty, brand awareness, perceived quality, brand associations and other proprietary assets. (Aaker, 1991). Both for product and service based organizations, it becomes necessary to understand perceived quality and brand image. Specifically, by virtue of higher intangibility of services, understanding how consumers perceive their quality and what image they have of the brand becomes important.

The purpose of this paper was to measure the perceived quality, brand image and brand loyalty intentions of two quick service restaurant chains in Lucknow city in the state of Uttar Pradesh. Brand awareness which is also an important constituent of Brand Equity has been deliberately ignored in this research as during initial group discussion it was found that these brands have high level of awareness and these 2 brands (Pizza Hut and McDonalds) were also selected considering their popularity and high level of awareness. A questionnaire was developed after thorough review of brand related literature and appropriate items were selected to measure brand loyalty, perceived quality and brand image. 5 focus groups discussions (of 10-12 students each) were also conducted in 5 different post graduate colleges before finalizing the questionnaire as a major target segment of these quick service restaurant chains is post graduate students. All items were measured on a five point Likert scale.

The brand loyalty scale was adapted from measures developed by Aaker (Aaker, 1991), Odin et.al, (Odin, 2001), Yoo and Donthu (Yoo and Donthu, 2001).

The results reflected that in brand loyalty McDonalds scores better as compared to Pizza Hut. In perceived quality, there was not much difference in the scores. In Brand Image, McDonalds scored better on price whereas Pizza hut scored better on Employee helpfulness. The findings can be useful for both the restaurants in improving their overall brand image and perceived quality

Introduction:

Brands are life line of any business. They play a vital role in decision making of consumers and in many markets and product categories enjoy the topmost. The benefits of brands are realized in many tangibles and intangibles form. Marketers coined the term Brand equity to better understand the power lying with the brands. Brand equity is regarded as an important concept which attracts the attention of business world as well as academicians. Brand equity is a widely accepted concept – but its definition is frustratingly elusive. The concept of brand equity first emerged in the marketing literature of the late 1980s. It was initially interpreted as a financial term by some research scholars which actually was a customer-based construct and a highly effective technique for communicating the idea that brands are long lived business assets that can have significant financial value which the marketers wish to increase with passage of time. The idea of “brands as business assets” was also reinforced in the mergers and acquisitions boom of the late 1980s and early 1990s when a number of strongly branded companies were taken over. These takeover proved the relative importance of the value of brands (intangibles) vs. the value of factories (tangibles). This led to a growing interest in brands and other forms of intangible assets from both the accountancy profession and the executive suite.

There are numerous different definitions of brand equity in literature which either tries to focus on financial aspect or on customer aspect.

Kapeferer (1998) talks about the financial aspect of brand equity. According to him, brand equity is a result of brand assets which include brand awareness, brand image, the perceived quality of the brand, evocations and the familiarity or appeal of the brand. These elements of brand assets bring added value to the product. The financial value of the brand is equal to the brand added value minus the costs of branding and the costs of invested capital.

Kevin Lane Keller coined the term customer based brand equity (CBBE) and defined it as “the differential effect of the brand knowledge on customer response to the marketing of the brand” (Keller, 1993). High brand equity acts as a strong source of competitive advantage which may be difficult to replicate. Additionally, higher brand equity also facilitates extension, resilience against competitors, promotional pressures and creation of barriers to competitive entry (Farquhar, 1989). Initially

the benefits of brands were linked only to customers and companies but gradually it increases and it now it incorporates benefit of every stakeholder.

Brand Equity has been a topic of interest to hospitality researchers for many years, although many aspects of branding are yet to be explored. Prasad and Dev (2000) found that strong branding would be a quick way for hotel chains to identify and differentiate themselves. They further suggested that computation of brand equity allows executives of hotel companies to compare the strength of brands in a competitive environment, to track brand equity over time and to develop remedial marketing strategies when necessary. In a way brand play an equally important role in case of services as well. The variety of studies done on brands in various sectors are good enough to prove that brands are important in all product categories and services and this is one aspect which should be necessarily taken care properly to ensure longevity and profitability of business.

Measuring Brand Equity:

In spite of increasing importance of the brand equity concept, an instrument to measure brand equity from a customer perspective has been lacking. (Keller, 1993).

As was the case with the definitions, some authors have studied the financial aspects of the brand equity measurement, whereas others have focused on the customer-based measurement issues. Among the financially-oriented studies, Simon and Sullivan (1993) emphasized macro and micro approaches as an estimation technique extracting the value of brand equity from the value of the firm’s other assets.

Customer-based brand equity measurement studies are constructed mainly on conceptual constructs proposed by various researchers. While Aaker (1991) focused on five brand equity dimensions – brand awareness, brand associations, brand loyalty, perceived quality, and other proprietary brand assets.

Keller (1993) adopted two basic approaches (direct and indirect) to measuring customer-based brand equity emphasizing two constructs: brand awareness and brand image.

Examining the common dimensions of brand equity, Yoo and Donthu adopted four of Aaker’s five categories, namely, brand loyalty, brand awareness, perceived quality and brand associations. (Yoo and Donthu, 2001).

After thorough review of related literature it was decided to measure brand loyalty, perceived quality and brand image were taken to measure brand equity. As the study was limited to two quick service restaurants namely McDonalds and Pizza Hut and through 5 group discussions done with post graduate students it was found that the awareness level of these 2 brands was very high and it was decided not to measure the brand awareness level of these 2 brands.

Brand Loyalty:

Customer loyalty towards brand is one of the most sought after requisite by the marketers in competitive markets. Brand Loyalty can be understood better by keeping in mind its 2 main components the behavioral aspect and the attitudinal part. While behavioral perspective is based on the amount of purchases for a particular brand, attitudinal perspective incorporates consumer preferences and dispositions towards brands, Javalgi and Moberg (1997).

Aaker (1991) defines brand loyalty as a situation which reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or in product features.

Keller (2003), on the other hand, examines brand loyalty under the term "brand resonance" which refers to the nature of customer-brand relationship and the extent to which customers feel that they are "in sync" with the brand. Customers, with true brand resonance, have a high degree of loyalty, actively seek means to interact with the brand and share their experiences with others. These definitions of brand loyalty point to a direct relationship between brand loyalty and brand equity where brand loyalty is often known to be a core dimension of brand equity (Aaker, 1991). After careful analysis of various studies done to measure brand loyalty 7 items (after focus group discussions) were selected to measure brand loyalty.

Perceived Quality:

Researchers argue that perceived quality is an important component affecting the choice of customers. Quality is a term which may be standardized still its meaning may vary for different customer groups. Brand "X" may enjoy a good quality status with one set of customers while the same brand may be considered as a brand of inferior quality by different customer set. Hence, it is required that as marketer attempts should be made to understand the notion of quality of the target segment

selected. Secondly marketers should try to abstain from their own perception of quality it should be looked upon by the lens of customer.

Perceived quality is defined as "the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives" (Zeithaml, 1988). It is a competitive necessity and many companies today have turned customer-driven quality into a potent strategic weapon. They create customer satisfaction and value by consistently and profitably meeting customer's needs and preferences for quality. For the purpose of this study 7 items (after group discussions) were selected to measure perceived quality.

Brand Image:

In simple terms Brand Image may be defined as the first picture or reflection which the customer visualizes or thinks of whenever he is exposed to a particular brand.

Brand image is a result of various associations in the minds of the customers. A brand association is "anything linked in memory to a brand" (Aaker, 1991, p. 109). Brand associations may be seen in all forms and reflect characteristics of the product or aspects independent of the product itself (Chen, 2001). The importance of brand name associations, for instance, is emphasized by Rio et al. (2001a) in obtaining differential advantages. Product associations and organizational associations are taken as the two mostly referred categories according to Chen's (2001) brand association typology. Associations represent basis for purchase decisions for brand loyalty, and also create value to the firm and its customers. Aaker (1991) has listed these benefits as follows: helping to process/retrieve information, differentiating the brand, generating a reason to buy, creating positive attitudes/feelings, and providing a basis for extensions. Rio et al. (2001b) proposes that brand associations are a key element in brand equity formation and management. For the purpose of this study 6 items (after group discussions) were taken to measure brand image of quick service restaurants.

Methodology:

For the purpose of study a questionnaire was developed after thorough analysis of related literature. Before finalizing the questionnaire 5 group discussions consisting of 10-12 members were conducted in 5 different

post graduate institute in Lucknow. They were selected based on suitability and keeping in mind that both the outlets McDonalds and Pizza Hut are frequented by youngsters. After analyzing the work done in past and after group discussion a questionnaire was prepared. The questionnaire was pilot tested on 50 respondents (25 each for McDonalds and Pizza Hut).

Factor analysis was conducted on the collected sample and the items with loadings less than 0.50 were removed. This led to formation of final questionnaire which had 3 factors namely Brand Loyalty (7 items), Perceived quality (7 items) and Brand Image (6 items). The final questionnaire was administered to total 240 respondents (140 McDonalds and 100 for Pizza hut). The respondents were assisted by field investigators who also explained them the purpose of the study and also explained the meaning of items as and when required to prevent any distortion of meaning. The data was collected between January-17 to March 17 from various malls, under and post graduate institutes.

Demographic Profile of the respondents: Total 240 respondents participated in the study, the demographic profile of the sample was as:

Variables		Percent
Age	<20	24
	20-30	52
	31-40	18
	41-50	4
	51-60	2
Gender	Male	45
	Female	55
Marital Status	Single	60
	Married	40
Profession	Student	25
	Private Sector	30
	Government Sector	28
	Self Employed	17
Monthly Family Income	<15,000	30
	15,000-30,000	25
	30,001-45,000	17
	45,001- 60,000	18
	>60,0000	10
Family size	1-2	4
	2-4	32
	4-6	45
	More than 6	19

Data analysis and Findings

In order to test the reliability of the overall scale and each of the brand equity dimensions,

Cronbach's alpha scores were evaluated. Convergent and discriminant validity of the constructs were tested by principal components analysis, using varimax rotation. High value (between 0.5 to 1) of KMO indicates that the data set for factor analysis is appropriate, items having factor loadings more than 0.50 were included in interpretation, the reliability coefficients more than 0.5 were regarded as acceptable. The summary of analysis is as:

BRAND LOYALTY		McDonalds	Pizza Hut
		KMO: 0.67	KMO: 0.51
		Variance: 54.88	Variance: 52.43
		Cronbach Alpha: 0.68	Cronbach Alpha: 0.74
1	I regularly visit this restaurant.	0.54	0.31
2	I intend to visit this fast food restaurant again	0.73	0.44
3	Visit to this fast food restaurant gives me satisfaction.	0.55	0.29
4	I recommend this fast food restaurant to others also.	0.85	0.55
5	I never think of switching to another fast food restaurant.	0.80	0.60
6	It is my preferred choice for celebrations (Friendship day, Birthday, Valentines day, etc.)	0.84	0.64
7	It provides me best value for money.	0.72	0.55

The loadings in the above table are clearly indicative that the items measuring loyalty for both the restaurants have different loadings. The highest loadings for McDonalds was of item "I recommend this restaurant to other also" closely followed by "It is my preferred destination" indicating that these items adequately captures the loyalty intention of customers for McDonalds. For Pizza Hut the highest loading is of "It is my preferred destination" item. But its value is less than that of McDonalds indicating that McDonalds is more preferred by its respondents. Three items "I regularly visit this restaurant", "I intend to visit this fast food restaurant again" and "Visit to this restaurant gives me satisfaction" have poor loadings in case of Pizza Hut which may be early problematic signs for Pizza hut in Lucknow city.

PERCEIVED QUALITY		McDonalds	Pizza Hut
		KMO: 0.65	KMO: 0.64
		Variance: 62.87	Variance: 68.60
		Cronbach Alpha: 0.61	Cronbach Alpha: 0.70
1	The staff serves food in promised time.	0.77	0.74
2	The menu is visually attractive.	0.55	0.33
3	The staff quickly accepts and corrects mistakes.	0.67	0.43
4	The staff is very well dressed and clean.	0.59	0.57
5	There is cleanliness in dining area.	0.78	0.93
6	The attractive presentation of food is important to me.	0.73	0.63
7	The menu is updated regularly.	0.38	0.59

The above table indicates that the loadings for various items for both quick service restaurants are different. Some items like "The menu is visually attractive", "The staff quickly accepts and corrects mistakes" has loadings lower than the acceptable range in case of Pizza Hut, whereas the loading for item "The menu is updated regularly" was much below the

acceptable limit in case of McDonalds. Both the restaurants had similar loadings for item "The staff serves food in promised time" indicating prompt services in both the restaurants. Very high loading of item "There is cleanliness in dining area" for Pizza hut is a good sign for the organisation.

BRAND IMAGE		McDonalds	Pizza Hut
		KMO: 0.70	KMO: 0.57
		Variance: 68.21	Variance: 59.36
		Cronbach Alpha: 0.70	Cronbach Alpha: 0.69
1	Prices are attractive here.	0.66	0.79
2	The dining area is always overcrowded.	0.67	0.26
3	The taste of the food is important to me.	0.61	0.50
4	The body language of employees is very positive and helpful.	0.73	0.70
5	It has a very clean image.	0.81	0.73
6	I am familiar with this fast food restaurant brand.	0.85	0.55

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The above table indicates that in terms of image and familiarity McDonalds has better loadings than Pizza Hut. The item "The dining area is always overcrowded" had low loading in case of Pizza Hut which may be inferred as McDonalds is more frequented as compared to Pizza Hut.

For further analysis mean values of all the items were calculated and T test for equality of means was used to find significance in the mean values.

	BRAND LOYALTY	McDonalds		Pizza Hut		T test for equality of means
		MEAN	SD	MEAN	SD	
1	I regularly visit this restaurant.	3.34	0.87	3.59	1.03	0.675#
2	I intend to visit this fast food restaurant again	3.88	0.93	3.89	0.84	0.000**
3	Visit to this fast food restaurant gives me satisfaction.	4.12	0.82	3.83	0.68	0.017**
4	I recommend this fast food restaurant to others also.	3.98	0.79	4.0	0.84	0.946#
5	I never think of switching to another fast food restaurant.	3.40	1.07	2.91	1.12	0.354#
6	It is my preferred choice for celebrations (Friendship day, Birthday, Valentines day, etc.)	3.89	1.19	3.91	1.05	0.016**
7	It provides me best value for money.	3.92	0.77	3.64	0.87	0.068#

	PERCEIVED QUALITY	McDonalds		Pizza Hut		T test for equality of means
		MEAN	SD	MEAN	SD	
1	The staff serves food in promised time.	3.49	1.07	3.62	0.75	0.000**
2	The menu is visually attractive.	3.90	1.02	3.70	0.67	0.055#
3	The staff quickly accepts and corrects mistakes.	3.88	0.93	3.89	0.84	0.595#
4	The staff is very well dressed and clean.	4.11	0.72	3.58	0.80	0.030**
5	There is cleanliness in dining area.	4.14	0.65	4.03	0.86	0.337#
6	The attractive presentation of food is important to me.	3.79	0.71	3.71	1.03	0.000**
7	The menu is updated regularly.	3.52	1.04	2.84	1.19	0.222#

	BRAND IMAGE	McDonalds		Pizza Hut		T test for equality of means
		MEAN	SD	MEAN	SD	
1	Prices are attractive here.	3.93	0.88	3.71	0.78	.334#
2	The dining area is always overcrowded.	3.06	1.10	3.27	0.87	.037**
3	The taste of the food is important to me.	4.41	0.84	4.64	.77	.027**
4	The body language of employees is very positive and helpful.	4.00	.93	4.38	.63	.056#
5	It has a very clean image.	4.06	.80	3.78	.64	.184#
6	I am familiar with this fast food restaurant brand.	4.12	.71	4.21	.71	.129#

** mean difference significant. (Value less than 0.05) # Mean difference insignificant 95% confidence level.

Of the total 20 items used in the study, the mean value of 7 items were found to be significant which may be used by the quick service chains to further improve their offering and better alignment of various related aspects to improve to enhance customer satisfaction and create a differentiated place in the minds of customers for themselves.

Discussions

The results are clearly indicative of the aspects which the customers perceive better in the 2 quick service restaurant chains selected for the study. For example in brand loyalty the mean values are clearly indicative that McDonalds score better as compared to Pizza Hut. Customers are highly satisfied with their visit to McDonald and never think of switching the same. On the other hand, Pizza hut scores relatively low on customer satisfaction and loyalty and is also perceived as a more expensive option by consumers. Even for celebrations, Mc Donalds is preferred more than Pizza hut.

On analyzing the various mean values of perceived quality it was found that there is not much difference in the mean values of both the quick restaurant chains. Still, McDonalds scores better on dress and cleanliness of staff and regular up-dation of Menu. Pizza Hut again scored low on visual attractiveness of menu. As far as employee behavior is concerned specifically accepting mistakes, Mc Donalds score higher than Pizza Hut.

The brand image items indicate that price wise the customers find McDonalds to be more attractive. It is interesting to note down that on cleanliness and neat dress of employees Mcdonald has a better mean score but on body language and helpfulness of employees Pizza Hut has a better score. In terms of familiarity McDonald scores better and that may be due to the fact

that it is a majorly a pure dining facility while Pizza Hut drives good amount of revenues through delivery as well and the customers frequents the dining area much lesser.

The analysis on one hand raises the question on the generalizability of the tools used to measure brand equity, on the other hand the different factor loadings in case of three factors taken are indicative of the customer feels about the quick service chains selected for study. Further, the equality of means are definite indicators of the difference in customer experiences from these restaurant and the underlying reasons for the same as well.

Further there is difference in the product and service level of the selected quick restaurant chains. On one hand McDonalds is largely famous for its burgers while Pizza Hut is a popular name in Pizza segment. Further, majority of sales revenue of McDonalds comes from dine in experience while for Pizza Hut it's a mix of dine-in as well as home delivery services. These differences may have affected the result to some extent as well.

Managerial Implications: Since, the paper investigates the perceived quality, brand image and brand loyalty of McDonalds and Pizza Hut in Lucknow city. The results are not only indicative of what the customers feel about these brands, they also indicate what are the major positives and negatives associated with these 2 different brand. The results may be used to understand where the brand lacks and hence can facilitate the strengthening of these brands.

The results have clear implications for both chains that they need to improve their customer referrals as both of them are on equal footing in this item, they may think of adding excitement or innovative ideas to surprise their customers and strengthen their relationship with them

they may think of starting a customer referral program with incentive attached to it ensure more and more customers are associated with them. They may also think of active engagement of customers through social media as well, as largely there target segment is youth which is very much familiar with this media.

Also, as the results indicate, for Pizaa Hut employee training may not be required but a change in their dress design can be done to make it visually appealing and their basic grooming skills need to be improved upon.

Pizza Hut should focus on making the place more attractive as well as work on making the menu look more appealing. As it is perceived to be more expensive than Mc Donalds, Pizza Hut needs to make customers feel that they are getting value for money by improving on the taste, décor and customer service. They can increase customer satisfaction by focusing on better visual appeal, designing their layout to suit celebrations of some personal events like birthdays etc. Further pizza Hut needs to train their employees better in complaint and grievance handling and be more outright in accepting their mistakes if any. Mc Donalds need to focus on updating their menu from time to time to hold customer interest.

Limitations:

The respondent size is small (240 only) and the study is limited to Lucknow city. The results may or may not be indicative of customer's perception in rest of the country.

Future Research:

The paper offers many research opportunities for future as well. The factor loadings of items taken for study namely brand loyalty, perceived quality and brand image are different in cases of McDonald and Pizza Hut. For example in Brand Loyalty the item "I regularly visit this restaurant" has loadings of 0.54 and 0.33 in case of McDonalds and Pizza Hut, similarly item "Visit to this restaurant gives me satisfaction" has loadings of 0.55 and 0.29 for McDonalds and Pizza Hut respectively which indicates that the measurement scale needs to be refined more and this can only be done by using this scale in different cities and taking different quick service restaurants. Similar results are also evident in perceived quality and Brand Image.

Further, research efforts may also be put in to identify and measure any other factor which may be contributing to brand equity in case of quick service restaurant chains.

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