

CONCEPTUALIZING AND MANAGING THE CUSTOMER-BASED BRAND  
EQUITY TOWARDS TOURISM SMES' ACCOMMODATION SERVICES

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## DECLARATION

“I hereby declare that this thesis entitle Conceptualizing and Managing Customer-Based Brand Equity towards Tourism SMEs’ Accommodation Services is my own work expect for the quotations summaries that have been duty acknowledged”

Signature :

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## ABSTRACT

This research is a study about the conceptualizing and managing the customer-based brand equity towards tourism SMEs in Malaysia. This research was focused on the Small and Medium Sized enterprise for accommodation services in Melaka due to lack of conducted research focus on the customer-based brand equity for the Tourism SMEs. The definition of SMEs in Malaysia, the customer based brand equity role and also the importance of customer satisfaction discussed in this research. In this research, the researcher conduct with the quantitative method to measure the level of satisfaction of customers for Tourism SMEs' accommodations services in Melaka. A questionnaire was conducted to survey the response from the customer perspective and collected the primary data. Therefore, the target respondents were the customers who experienced staying in the Small and Medium Sized Accommodation Services in Melaka. The data collected would be analysed by the SPSS method to understand the relationship between the customer-based brand equity and the customer satisfaction. The result showed the characteristics profile of the respondents was important to the research, and all the independent variables which were the brand awareness, brand loyalty, perceived quality, and brand association which belonged to brand equity had the significant relationship with the customer satisfaction towards tourism SMEs. On the other hand, this study has purposed the suggestion and recommendation to the industry field and also academic field. In the conclusion, the level of satisfaction of customers will impact on the successful brand equity development in Tourism SMEs.

## ABSTRAK

Kajian ini adalah kajian mengenai konsep dan pengurusan ekuiti jenama berasaskan pelanggan terhadap Perusahaan Kecil dan Sederhana pelancongan di Malaysia. Kajian ini memberi tumpuan kepada perusahaan kecil dan sederhana untuk perkhidmatan penginapan di Melaka kerana kurang fokus penyelidikan terhadap ekuiti jenama berasaskan pelanggan untuk Perusahaan Kecil dan Sederhana Pelancongan. Takrif Perusahaan Kecil dan Sederhana di Malaysia, peranan ekuiti jenama berasaskan pelanggan dan juga kepentingan kepuasan pelanggan yang dibincangkan dalam kajian ini. Dalam kajian ini, penyelidik menjalankan dengan kaedah kuantitatif untuk mengukur tahap kepuasan pelanggan bagi perkhidmatan penginapan Pelancongan SME di Melaka. Soal selidik telah dijalankan untuk meninjau tindak balas dari perspektif pelanggan dan mengumpul data primer. Oleh itu, responden sasaran adalah para pelanggan yang berpengalaman tinggal dalam Perkhidmatan Penginapan Berukuran Kecil dan Sederhana di Melaka. Data yang dikumpulkan akan dianalisis dengan kaedah SPSS untuk memahami hubungan antara ekuiti jenama berasaskan pelanggan dan kepuasan pelanggan. Hasilnya menunjukkan profil ciri responden adalah penting untuk penyelidikan, dan semua pembolehubah bebas yang kesedaran jenama, kesetiaan jenama, kualiti yang dilihat, dan persatuan jenama yang dipunyai oleh ekuiti jenama mempunyai hubungan yang signifikan dengan kepuasan pelanggan terhadap pelancongan PKS. Sebaliknya, kajian ini telah mencadangkan cadangan dan cadangan kepada bidang industri dan juga bidang akademik. Kesimpulannya, tahap kepuasan pelanggan akan memberi kesan kepada pembangunan ekuiti jenama yang berjaya dalam Pelancongan Perusahaan Kecil dan Sederhana

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## Chapter 1

### INTRODUCTION

This chapter briefly discussed the study's background, next are the problem statement, research questions, research objectives, scope and limitation, and also significant of the study.

#### 1.1 Background of Study

In recently, the tourism industry in whole the world is growing rapidly. Travel & Tourism became a popular trend among the people nowadays. Tourism was described as an action or movement which made by human being, as looking at the important on the root of 'tour'. It is well known as travel for entertainment, vacation or business purpose (Rashid, Jaafar, & Dahalan, [2013](#)). Tourism could support programmes to be implemented with immediate effect because it was considered as one of the immediate priority industries, and it generally provides physical and strong trading opportunities regardless of their level of development for all nations (Kushi & Caca, [2010](#)).

Tourism is a trend which has marked the sector for many years, in fact, the growth of tourism was stronger in emerging economies which increase for 4.3% as compared to advanced economies which increased 3.7%, in 2012. The growth of tourism could be viewed by region, Asia and the Pacific which increased 7% was the best performer (UNWTO, [2013](#)). According to UNWTO ([2017](#)), international tourist

arrivals reached 1.2 billion by way of it grew for the seventh consecutive year an order of uninterrupted growth not recorded since the 1960s. Africa and Asia and the Pacific regions were recorded as the strongest growth. In fact, the International tourist arrivals continuously grew and reached 1235 million.

The tourism industry has a huge impact on economic development and performances for all the nations. The World Travel & Tourism Council (WTTC) has affirmed that Travel & Tourism had a direct contribution to GDP by USD2, 229.8bn in 2015 which is represented for 3.0% of total GDP. Then, the forecast for 2016 aims to increase up to 3.3% which means USD2, 304.0bn, the tourism industries such as hotels, travel consultant, airlines company and other passenger transportation services which generate economic activities was primarily reflected in their Travel and Tourism: Economic Impact 2016 World Report (Turner, [2016](#)).

Malaysia is one of the countries in Asia –Pacific and belonged to the sub-region of Southeast Asia (Asian). Tourism Malaysia had growth as a good tourist attraction because the combination of the unique characteristics of natural resources and also multicultural with multi-ethnic in Malaysia has been reinforcing through tourism policies developed and executed by the Malaysia government with the purpose to develop competitive advantages for Malaysia tourism industry (Set, [2013](#)). Tourism SMEs in Malaysia has various type of industry and business, to gain the competitive advantage, the brand management practices should be enhanced in the tourism industry as tourism industry majority focus on the services industry such as hotel and resorts, souvenir and agents, and other services provided. The research focus on the brand management in term of brand equity and customer satisfaction for accommodation services of Tourism SMEs in Malaysia. The emergence of brand equity has enlarged the significance of marketing tactics and provided an attention to managers and researchers (Shahroodi, Kaviani, & Abasian, [2015](#)).

Brand equity, a major marketing asset, creates competitive advantages and improves firms' financial performance (Liu, Wong, Tseng, Chang, & Phau, [2017](#)). According to Aaker ([1991](#)), Customer-based Brand Equity (CBBE) as a multidimensional concept, which is “a brand that link with a set of brand assets and liabilities, the value of its name and character that added or subtracted from the

products or services of the firm provided or the value to that firms' consumers.” Therefore, the research focus on finding the most influential of brand equity dimension towards customer satisfaction on Tourism SMEs for accommodation services in Melaka State, Malaysia.

## 1.2 Problem Statement

Tourism had experienced continuously growing and excavating diversification to turn into as one of the economic sectors in the world with experiences fastest growing. According to the United Nations World Tourism Organization (UNWTO) ([2017](#)), the capacity of business for tourism has the same quantity to or even exceeds the oil exports, food products or automobiles. Tourism had developed as one of the major player in international commerce. Meanwhile, it also represents key income sources for many developing countries. This development goes hand in hand will result in an increasing variation and competition among destinations.

Previously conducted research showed that Malaysia tourism industry was covered by a high proportion of small businesses. Thus, it faces larger obstruction than other major industry. The management practices at the enterprise level, other internal and external factors will play a key role in the performance of TSMEs and affect the future development of the tourism industry. Therefore, it is crucial for focusing on investigating the important role of management practices adopted by TSMEs (Set, [2013](#)). However, the management practices especially the brand management which related to brand equity and customer satisfaction towards Tourism SMEs in Malaysia is important to address because a detailed understanding of brand equity from the customer's viewpoint is critical for efficacious brand management (Tong & Hawley, [2009](#)).

From the previous research, we knew that many conducted research were focused on the customer-based brand equity in many industries or different countries but the fact is lack of conducted research that focus on customer-based brand equity



for Tourism SME's in Malaysia. The researcher Shahroodi, Kaviani, & Abasian, (2015) had shown that the physical quality in the services industry and the behavior of employees does not impact the satisfaction of the customers through the experience of the brand in food product retail industry in Mazandaran province, Iran. The researchers Chow, Ling, Yen, & Hwang, (2017) had stated that the research conducted was focused on Taiwan food factories in tourism and the questionnaires which regarding measure for brand equity only suitable for food factories for tourism, and worth to discuss the model of brand equity in other types of industries. According to Odoom, Narteh & Boateng (2017), there were lack of research reinforcements in branding research for SMEs. Therefore, a research had been chosen for carrying out with the purpose of indicating the importance of four dimensions of brand equity which are brand awareness, brand loyalty, perceived quality and brand associations on customer satisfaction of tourism SMEs' in Malaysia.

### **1.3 Research Questions**

1. What are the characteristics profiles of the customers of Tourism SMEs?
2. What factors influences the customer satisfaction level for tourism SMEs?
3. What are the most success factors in brand equity that influence the customer satisfaction level in Tourism SMEs?

### **1.4 Research Objectives**

1. To identify the characteristics profile of the customers of Tourism SMEs.
2. To examine the factors influence on customer satisfaction level for tourism SMEs.
3. To study the most success factors in brand equity that influence the customer satisfaction level in Tourism SMEs.

## 1.5 Research Scope

This research discussed the influence of customer-based brand equity towards customer satisfaction for Tourism SMEs in Malaysia. The scope of the research would cover the accommodation services which belong to the Tourism Small and Medium Enterprise (TSMES) in Melaka such as homestay, resort or hotels. Melaka has located in Southern Region in Malaysia. The researcher choose Melaka as target respondents place only due to the Melaka is a historic city which attracted many tourists as one of the highest tourist arrivals recorded as 13.7 million tourists in 2012 (Teo, Khan, & Rahim, [2014](#)). Besides, The Sun Daily ([2017](#)) had indicated that Melaka had attracted 5.38 million tourists in the Jan until April of 2017, It also indicated that domestic tourists were the largest contributor with 3.69 million and foreign tourists with 1.69 million people in the first four months of the year 2017. Besides, in the report of The British Post, Melaka also was listed in the fifth spot in “The Word’s Trendiest Holiday Destinations”.

The drive of this research was to found out the most influences elements or factors based on customer-based brand equity towards customer satisfaction for tourism SMEs accommodation services in Melaka State, Malaysia. Therefore, the characteristics profile of customers was crucial to use for investigating the view of customers. The survey questionnaires would be distributed to the customers of accommodation services in Tourism SMEs Melaka, the observation would be used.

## 1.6 Significant of the Study

The significance of the research was an attempt to explore the relationship between customer-based brand equity and customer satisfaction for Tourism SMEs in Melaka, Malaysia and explore how the customer-based brand equity affects the customer satisfaction and identified the most influential customer-based brand equity elements towards customer satisfaction for tourism SMEs. This research would determine the availability of research question answers the research objective based on the concept developed and variables chosen by the researcher. Research method

would support the theories and solved the problem statement by collecting data and information. The researcher gained the valuable knowledge and experiences on doing research and apply this kind of the knowledge in the real-life environment.

The point of view of the customer's aspect is crucial for the organization management in term of decision making, strategies developed and also brand management. This research was mainly focused on identifying the factors affecting customer satisfaction by using the concept of customer-based brand equity from the customers' perception in order to help the SMEs in Malaysia much understanding about the brand equity. This research helps the readers to understand the influence of customer-based brand equity on Tourism SMEs, especially in Malaysia.

This research contributed the Tourism SMEs in Malaysia understand the importance of the brand management in terms of the brand equity as well as customer point of view and customer satisfaction. Brand management can help the enterprise or organization improve their business performance and also increase the reputation as well as generate more profit.

## **1.7 Summary**

Tourism can be defined as activities made by humans including travel and recreation or business activities. Small and Medium Enterprises (SMEs) now is not only covered in manufacturing sectors but also covered in Tourism. The tourism brings the significant benefit to the economy of countries, and the SMEs grow rapidly. To increase the capability of management for the enterprise, the management skills and branding aspect should be considered. This chapter introduced the conceptualization of customer-based brand equity in Tourism SMEs. This chapter covered the background of the study, problem statement, research question and research objectives, scope and also significant of the study. The next chapter would cover the literature review for the definition of Tourism SMEs, customer-based brand equity as independent variables and also customer satisfaction as dependent variables.

## Chapter 2

### LITERATURE REVIEW

A literature review is the writing about the knowledge including substantive findings and concept or theories which related to the research topic and objectives based on the secondary sources such as the journal and article, the books and newspaper. The literature review in this research discussed the definition of SMEs in the tourism industry, and also discussed the customer-based brand equity and customer satisfaction. The researcher also conceptualized the framework of customer-based brand equity which including brand awareness, brand associations, brand loyalty and perceived quality.

#### 2.1 Definition of Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) have been well-defined in different and broad ways across countries, with more than hundred countries in whole the world. Some of the countries used the term of MSMEs to describe the Micro, Small, and Medium Enterprise while SMEs also used by others to explain them. In fact, no certain and significant definition of what micro firm and SMEs are. According to the World Trade Organization ([2016](#)), the SMEs normally are defined as the firms consists of the number of employees between 10 to 250 people in most of the countries.

### **2.1.1 Definitions of Small and Medium Enterprises (SMEs) in Malaysia**

Small and Medium Enterprises (SMEs) had been assumed to be the backbone of the economic development. According to the Rashid, Jaafar, & Dahalan (2013), the SMEs covered high percentage of total business establishments in the economic sectors with five sectors, namely mining and quarrying, agriculture, manufacturing, construction and services compared to only three sectors which were covered in the census of 2005, namely agriculture, manufacturing and services in Malaysia.

According to the SME Corp. Malaysia (2018), SMEs definition's review was started in 2013 and during the 14th NSDC Meeting in July 2013, a new definition for SMEs had been authorized. The definition of SMEs in Malaysia is based on two conditions which are the number of workforces and number of sales turnover. The definition was simplified as sales turnover not greater than RM50 million OR full-time workers not exceeding 200 personnel for manufacturing sectors while for the services and other sectors, the sales turnover not more than RM20 million OR full-time employees not more than 75 workers. According to SME Corp. Malaysia (2013), A business meets this specified qualifying conditions either one of the two which are namely sales turnover or permanent employees, whichever is lower will be considered as SMEs.

Table 2.1: Definition of SMEs Malaysia  
(Adopted from Sources: SME Corp. Malaysia, [2013](#))

Category	Micro	Small	Medium
Manufacturing	Sales turnover of less than RM300, 000 OR less than 5 permanent employees.	Sales turnover from RM300,000 to less than RM15 million OR permanent employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR permanent employees from 75 to not exceeding 200
Services and other sectors		Sales turnover from RM300,000 to less than RM3 million OR full time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

SMEs were Malaysia's important economic agents based on its contribution to Gross Domestic Product (GDP) of 35.9 % in 2014, which was the overhead the standard for a developing nation status for SMEs, said by SME Corp chief executive director Datuk Dr. Hafsa Hashim. They attempt to donate 42 percent for GDP, 62 percent for employment and 25 percent for exports contribution for the nation as well as part of the SME's development and capacity building area by the year of 2020, stated by Datuk Dr. Hafsa Hashim at the third Asian SME Conference 2015 (Pail, [2015](#)). According to the SME Corp. Malaysia ([2017](#)), SME contribution to GDP from 32.2% in 2010 to 36.6% in 2016 for overall, the growth of SMEs to GDP majority was contributed by services sectors and further followed by construction sectors in terms key economic sectors performances, the GDP growth expanded at average annual rates of 10.2% in services sectors and 7.0% in construction sectors respectively in the growth period of 2011 – 2016. All major economic sectors were reflecting on the SME GDP growth. It was mainly supported by strong tourism activity and domestic demand, both consumption and investment activities were led to these activities.

The SMEs could be defined as the backbone of the economy of Malaysia because based on the SME Corp. Malaysia, ([2017](#)), the SME Annual Report 2016/2017, Special Highlight: Economic Census 2016, the statistics showed that contribution of SMEs in 2016 was 98.5% of business establishments across all sizes and sectors in Malaysia were SMEs. The population of SMEs grouped by sectors, the services sectors was the highest among all sizes and sectors which have 809,126 establishments (89.2%) of the total establishments. Meanwhile, Manufacturing SMEs had 47,689 establishments (5.3%), Construction had 39,158 establishments (4.3%), Agriculture sectors hold 10,218 establishments (1.1%) and mining and quarrying hold the lowest number with 865 establishments (0.1%). from the total of 907065 establishments.

### **2.1.2 Definition of Tourism SMEs**

Tourism research described tourism as an action or program made by human being, as looking at the noteworthy on the root of 'tour'. Often it has been acknowledged as activities of travel for recreational, leisure or business reasons. Tourism is a money-making business and a growing industry in the global. Tourism created employment chances in a large number of countries worldwide as a significant contributor to economic development (Rashid et al. [2013](#)). Tourism is a trend which has marked the sector for many years, in fact, the growth of tourism was stronger in emerging economies which increase for 4.3% as compared to advanced economies which increased 3.7%, in 2012. The growth of tourism could be viewed by region, Asia and the Pacific which increased 7% was the best performer (UNWTO, [2013](#)). According to UNWTO ([2017](#)), international tourist arrivals reached 1.2 billion by the way of it grew for the seventh consecutive year an order of constant growth not recorded since the 1960s. Africa and Asia and the Pacific regions were recorded as the strongest growth. In fact, the International tourist arrivals continuously grew and reached 1235 million.

The travel and tourism industry continues to contribute to driving growth, generating employment, decreasing impoverishment and encouragement of

improvement and tolerances. Thus, it making a real difference to the lives of millions of people. The travel and tourism industry bestowed a quantity of US\$7.6 trillion to the worldwide economy (10.2% of global GDP) and created 292 million jobs (1 in 10 jobs on the world) in 2016 (World Economic Forum, [2017](#)). This shows that tourism industry is very important to a country, it would directly impact on the economic growth and also help in increasing job opportunities.

According to SME Corp. Malaysia ([2018](#)), the SMEs could be classified into manufacturing sectors, services sectors or others. Manufacturing sectors refer to transform the new products by using physical or chemical materials or components. All services including distributive trade, hotels and restaurants, business, professional and ICT services, education and health, entertainment, financial intermediation, and manufacturing- related services such as research and development (R&D), logistics, warehouse, or engineering are included in service sectors. Other sectors refer to the other 3 key economic activities which are primary agriculture, construction, and also mining and quarrying. According to Rashid et al. ([2013](#)), activities which provided the products or services to fulfill the requirement and wants of tourists such as food, room, transportation, and others involved as business activities in Tourism or Tourism SMEs.

Most of the business or enterprises which linked to tourism are micro, small and medium sized enterprises. Small and medium-sized enterprises (SMEs) face obstacles for the establishment and also ongoing operation. Tourism is a multidimensional service industry. Therefore, well-developed tourism SMEs is required in advance to attain higher growth of tourism. According to the Hossain ([2014](#)), tourism product often refers to a heritage or an attraction of local community that exists in the micro-destination. The development and promotion aspects of attractive and sellable of the local community, transportation, hospitality management and directing the activity of visitors and provide the goods and promote the goods for tourist were including in business activity of tourism industry.

Normally, tourism is related to services sectors, the business activities for tourism have four categorize which are the food and accommodation services, retail and souvenir, travel representative, transportation and sport, and others. Tourism is