

## Does Brand Extension in Hotel Chains Affect the Buying Decisions of Customers?

Yemisi Adetoun OMOTALADE\*

MA Graduate, School of Tourism and Hotel Management, Cyprus International University North Cyprus, Mersin, Turkey

**\*Corresponding author**  
Yemisi Adetoun OMOTALADE

### Article History

Received: 23.12.2017

Accepted: 29.12.2017

Published: 30.01.2018

### DOI:

10.36347/sjebm.2018.v05i01.006



**Abstract:** Brand extension is a marketing tool that involves using of a well-established or known brand name to introduce a new set of product either in a line or category extension. The fact that hotels are increasing and expanding makes competition more intensely among them. These allow hotels to examine ways of differentiating themselves from their competitors and in the same way allow them to have a competitive advantage in the market. The research problem is to analyze if the brand extension strategy adopted in selected hotel chains in Northern Cyprus affects the buying patterns of customers and if it also influences brand loyalty and brand equity on customer hotel brand identification. The sample of the study involves those tourist visiting Northern Cyprus hotels. Non-probability convenience sampling technique is used to collect data that was used as a survey instrument. The data was analyzed using SPSS version 20 based on the questionnaires. The use of tables, percentages, frequencies, bar charts and mean were used to sum up the demographics of respondents. To test the relationship between the hypotheses, the measurement technique that was used is Pearson Correlation and ANOVA. The research findings indicate the brand extension practiced by selected hotels in North Cyprus affects the buying decisions of customers. Customers having a positive attitude towards the parent brand of a hotel transfer this attitude to the extension, through previous knowledge and service quality which influences their purchase decision. The perceived fit and similarity between the hotel brand and its extension helps customers to view the brands as the same concerning the service quality and also increasing the value of the major hotel brand. This motivates customers to patronize the hotel brand. Customer brand loyalty leads to hotel brand equity at the long run. Brand extension strategy is therefore a marketing tool that can be utilized by managers of hotels to improve their productivity, stay ahead of competitors, allow large market share, increase the company's portfolio, delight customers, gain more loyal customers and increase sales and profits.

**Keywords:** Brand Extension, Perceived quality, Perceived fit, Customer characteristics, Brand loyalty, Brand equity, Customer buying decisions, Hotels, North Cyprus.

## INTRODUCTION

Over the years, the marketing environment has experienced a lot of changes leading to increase and improvement making a domestic market more saturated than ever. The changes in technology added up with numerous increase in demand of consumers and also the growing in competition among industries have played a crucial role in causing a big challenge for restoring the current marketing strategies of numerous firms [32]. Stern competition motivates hotels to implement new planning that build a ambitious advantage for the hotel in so doing, building a brand label with awesomely accepted associations is one of the ways of reaching this aspiration. The treasured and worthwhile asset is what

comes from a distinguished brand label that an hotel builds. It is an opportunity for firms to take advantage of, on their business competences and attach their unique cultures to have a place in consumer's mind and heart [24]. With the intension of that, it is very important for a firm to use a brand strategy in order to promote a positive constructive label for its brands. Nevertheless, because of the fact that most times, money might be a constraint for hotels in emerging a new brand label every time they intend in manufacturing new things, that is why a more efficient strategy is used to introduce a new product. In recent times, there are quite a number of varieties of products prevailing in the same classification and can only be

differentiated based on peculiar, distinctive and preferential difference from one product to the other. These differences leading to uniqueness are so extensive that recently many top managers sees their brand as an opportunity to create an ambitious advantages [30]. Likewise, in this same present time, because of a huge diversity in people's preferences and interests, organizations are now increasingly in quest of providing a means of meeting interests of customers with these new products[24]. To get a new customer is more expensive than retaining a current loyal customer. It is then advisable to encourage the current loyal customers in using a particular brand frequently leading to repeat patronage.

Brand extension is used to launch new products. Brand extension is also useful in increasing a company's portfolio, staying longer in the market by having a large market share, staying ahead of competitors in the minds of customers and adding more desirable perception and value to a particular brand label. The manner of brand extension which is a formidable strategy are helpful in increasing customer satisfaction by meeting the expectations of these customers in order to make them come back to patronize these brands. When customers know that a particular parent hotel has a high quality than other hotels, they will be glad to patronize any extension the hotel has to offer.

### **THE RESEARCH PROBLEM**

Hotels are expanding, growing and escalating giving rise to an intensely ambitious rivalry. Regarding this, without exception Hotels are obligated to provide distinctive schemes which makes them have a peak of a point to bypass other hotels. As these rivalries aggravate, hotels pursue different rewarding cost effective plans separating themselves from their rivals. The research problem is to analyze if the brand extension strategy adopted in selected hotel chains in Northern Cyprus affects the buying patterns of customers and if it also influences brand loyalty and brand equity on customer hotel brand identification.

### **THE RESEARCH AIMS AND OBJECTIVES**

To explain the perception of customers towards hotel brand extension and to explain how hotel brand extension lead to customer brand loyalty and hotel brand equity. The study of [34], made mention the aim of any brand extension developed with respect to its product or category class signifies a major way of achieving customer loyalty for that brand and also provide key rewards in terms of more profits, increase in competitive advantage in the market by closing any form of barrier to prospective entrants and increase in distribution channel. Brand managers use this brand extension as a strategy to increase and leverage brand equity [2].

### **RESEARCH QUESTIONS**

- What will be the effect of brand extension on the buying decisions of customers in selected hotel chains in Northern Cyprus?
- Will there be an increase in the buying behaviour of customers due to brand extension in hotel chains?
- Will brand extension lead to repeat patronage of customers?
- Will brand extension improve brand loyalty and brand equity for the selected hotel chains?

### **SIGNIFICANCE OF THE STUDY**

To establish the significance of the strategy of brand extension used in selected hotel chains in Northern Cyprus as a marketing tool for influencing the consumers when selecting the type of hotel to patronize leading to customer trust and loyalty, brand equity, increase in portfolio of hotels and their market share. The outcome of this research study will address the gap in the literature concerning brand extension strategy used in Northern Cyprus and also contribute towards informing the Government and Managers of hotels in Northern Cyprus on the significance of brand extension strategy.

### **LITERATURE REVIEW**

#### **Brand Extension strategy**

Based on the various research works, books, literatures and terminologies, the need to recognize and ascertain the distinction between various views of brand extensions has become paramount. Brand extension is the "use of established brand names to enter new product categories or classes" [25]. "A Strong brand will help to establish a firm's identity in the market place as well as to develop a solid customer franchise" [23]. According to [1], "A strong brand name can also provide the basis for brand extensions, which further strengthens the firm's position in the market place as well as potentially enhancing the brand's value".

#### **Buying Decisions of Customers**

Consumers go through a decision-making process when looking to buy products or services. "Consumer behavior is the study of the processes involved when individual or groups select, purchase, use, or dispose of the product, service, ideas or experiences to satisfy needs and desires" [29]. "Previous research has established the role of consumer expertise in the processing of the product related associations of the parent brand" [8].

#### **Customer Characteristics**

The characteristic of customers influences the buying habits of targeted customers. "The buying habits of different types of consumers are extremely valuable to businesses and organizations, as they need information on the types of consumers who want to buy their products" [5]. Having to know those necessary

background characteristics of customers, it might in addition lead to brand loyalty [31].

**Relationship between Customer buying decisions and brand loyalty**

The buying decisions of customers promote and have a great effect on brand loyalty. In the study of [4], there is a discussion about when customers decide in choosing and selecting a particular brand product, the value of the brand plays an important role in allowing them to make a decision on buying the brand product, peradventure they are pleased with the quality of the value of the product offering, this motivates their continuous buying leading to loyalty (p. 307).

**Brand Loyalty**

[33] in his study, talks about how brand loyalty “can be viewed as a kind of deeply held psychological dedication towards rebuying and also repatronizing a favourite, desired and most wanted product or service always and some other times, in so doing causing a repetitive same brand purchasing, in spite of situational pressure and marketing efforts that can have the prospective of causing switching behaviour”.

**Brand Equity**

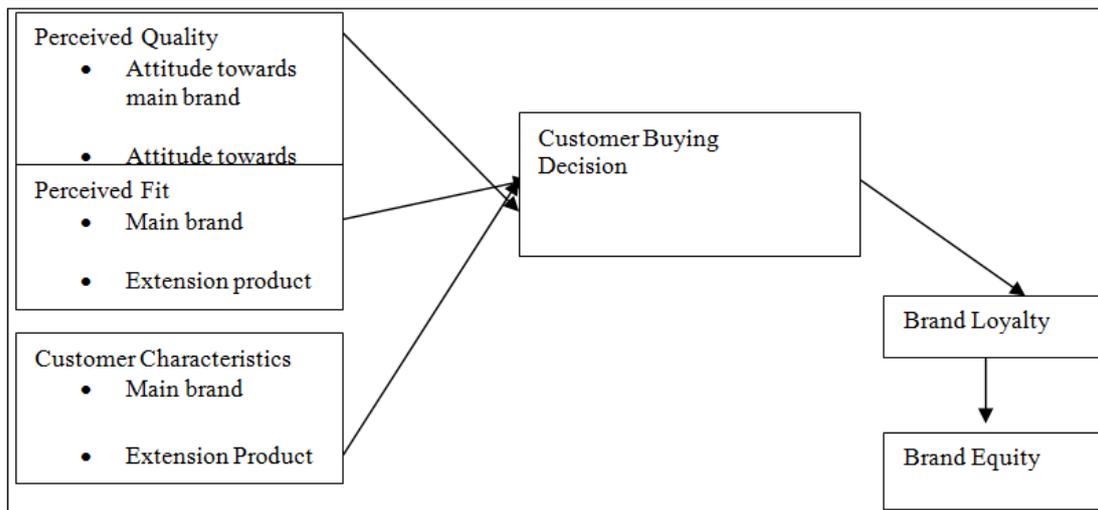
[2] has defined brand equity as a set of brand assets and liabilities that are attributed to a brand (its name and symbol) that adds to or subtracts from the value making it unique provided by a product or service to a firm or to the firm’s customers.

**Hotel Chains in Northern Cyprus**

Cyprus has an inadequate amount of natural resources with a extremely minute form of market. The tourism industry is regarded as one of the main contributor and backing support for income. In the year 2002, the tourism industry provided \$95.1 million (3.2 per cent) to the GDP of Northern Cyprus in addition to creating 6,000 jobs. There are 128 hotels, with 11,858 beds in total; these hotels comprises of 6 five star hotels, 8 four-star hotels, 28 three star hotels, 32 two star hotels, 41 one star hotels and 13 guest houses as cited by [26]. The hotel industries in Northern Cyprus over the last two decade’s attention have been diversified to the importance of their service sector [20]; [6]. This is because hotels are facing more challenges and fiercer competition than ever before among themselves. Therefore, improving the productivity is seen as a key issue for their survival and success in the long term [12, 22, 6].

**MATERIALS AND METHODS**

A descriptive research design was the design embraced. According to the study of [11], “a descriptive research design is concerned with finding out the; who, what, where, when and how much”. The relevance of this type of design is acknowledge on the grounds that major enthusiasm is to scrutinize feasible correlation and also to illustrate how this scheme of brand extension adopted in selected hotel chains affect the buying decisions of customers in Northern Cyprus. A structured close ended questionnaire was used to compile data.



**Fig-1: Research Model**

Based on the proposed research model, the following hypotheses are formed to support the research on the theoretical framework.

**H1:** The Perceived Quality of the main brand affects Attitude towards the extension product and has a significant relationship to customer buying decisions

**H2:** Perceived fit between the main brand and extension product has a significant relationship to customer buying decisions

**H3:** Customer Characteristics towards the main brand and extension product has a significant relationship to customer buying decisions

**H4:** Customer buying decisions has a significant relationship on hotel brand loyalty

**H5:** Hotel brand loyalty has a significant relationship on hotel brand equity

**Population and Sampling**

Given the hypotheses to be tested, the main hotel brands chosen were the actual hotel chain brands practicing the brand extension strategies in Northern Cyprus which were; Merit hotel, Golden Tulip hotel and Kaya Artemis hotel.

The target population of the study were tourists that have visited Northern Cyprus hotels. The sampling technique employed is non- probability convenience sampling technique. Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher [15].

Populations of 150 tourists were selected at the Park in City centre in Lefkosa, restaurants in Lefkosa and at the sea harbour in Girne.

The sample size of 150 was gotten using the formula;

$$\frac{Z^2 \times P (1-P) \div e^2}{1 + \{Z^2 \times P (1-P)\} \div e^2 N}$$

Where N= Population Size

Z= z-score

e = Margin of error

P= Standard of deviation (Cooper et al., 2003).

Where N = 247; Z = 1.96; e = 0.05; P = 0.5

$$= \frac{\{1.96^2 \times 0.5 (1-0.05)\} \div 0.05^2}{1 + \{1.96^2 \times 0.5(1-0.5)\} \div (0.05)^2 \times 247}$$

$$= \frac{3.8416 \times 0.25 \div 0.0025}{1 + 3.8416 \times 0.25 \div 0.0025 \times 247}$$

$$= \frac{0.9604 \div 0.0025}{1 + 0.9604 \div 0.0025 \times 247}$$

$$= \frac{384.16}{1 + 0.9604 \div 0.6175}$$

$$= \frac{384.16}{2.5553036437}$$

= 150.33829774 which equals 150 sample size.

**Data Collection**

The primary data of the study have been collected through structured questionnaires. To learn and see how brand extension strategies adopted in hotel chains affect the buying decisions of customers in Northern Cyprus. The measurement items used (i.e; Perceived quality, perceived fit, brand loyalty, brand equity and customer characteristics) where measured using the five point Likert scale from (1= totally disagree... to 5 = totally agree).

**Reliability and Validity**

The reliability and validity of the survey instruments have been tested previously in other research work within the measurement scale of 5 points to 7 points. Cronbach alpha was used to test the reliability of the survey instrument with the research work. According to [9], Cronbach alpha ‘essentially calculates the average of all possible split-half reliability coefficients’. In addition, Alpha coefficient ranges from 0 and 1 and the closer the alpha coefficient is to 1.0 the higher the internal consistency of the items in the scale [19].

**Data Analysis**

The data was analyzed using SPSS version 20 based on the questionnaires. The use of tables, percentages, frequencies, bar charts and mean were used to sum up the demographics of respondents. To test the relationship between the hypotheses, the measurement technique that was used is Pearson Correlation and ANOVA.

Pearson correlation depicts basically the strength of and direction of linear relationship involving two variables. The preferable outcome would be to obtain a result close to “1” since this indicates a significant relationship between the variables. If the data suggest a correlation of “0” it implies that there is a non-existing relationship between them and -1 proposes a negative relationship [9].

The one-way analysis of variance (ANOVA) is used to establish and conclude on whether there is any form of statistically significant differences involving and linking the means of three or more independent (unrelated) groups [3].

**RESULTS**

**Table-1: Demographic Profiles of Respondents (Gender)**

	Frequency	Percentage (%)	Cumulative Percentage
MALE	85	70.8	70.8
FEMALE	35	29.2	100.0
TOTAL	120	100.0	

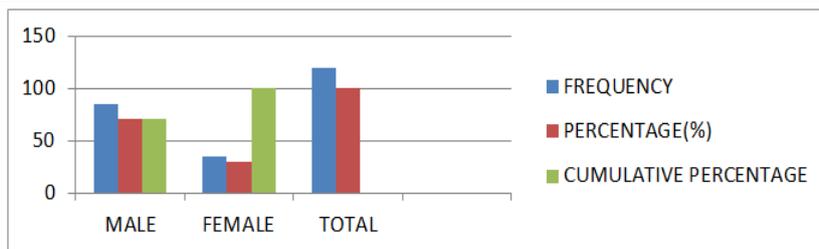


Fig-2: Bar chart for Gender

Table-2: Respondent Age

	Frequency	Percentage (%)	Cumulative Percentage
Below 20 Years	2	1.7	1.7
21-30 Years	8	6.7	8.3
31-40 Years	18	15.0	23.3
41-50 Years	24	20.0	43.3
Above 51 Years	68	56.7	100.0
Total	120	100.0	

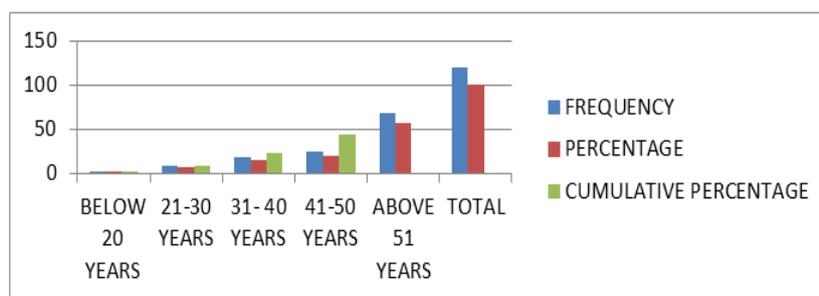


Fig-3: Bar chart for Respondent Age

Table-3: Respondent Marital status

	Frequency	Percentage (%)	Cumulative Percentage
SINGLE	13	10.8	10.8
MARRIED	82	68.3	79.2
DIVORCED	11	9.2	87.5
WIDOWED	14	11.7	100.0
TOTAL	120	100.0	

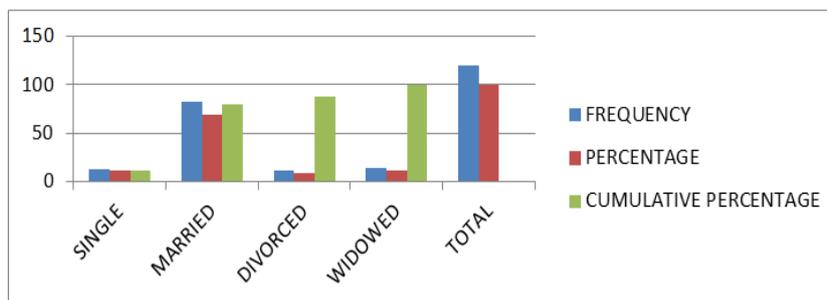


Fig-4: Bar chart for Respondent Marital status

Table-4: Educational Qualification

	Frequency	Percentage (%)	Cumulative Percentage
Doctorate Degree	4	3.3	3.3
Masters Degree	15	12.5	15.0
Bachelor Degree	66	55.0	70.0
High School	35	29.2	100.0
Total	120	100.0	

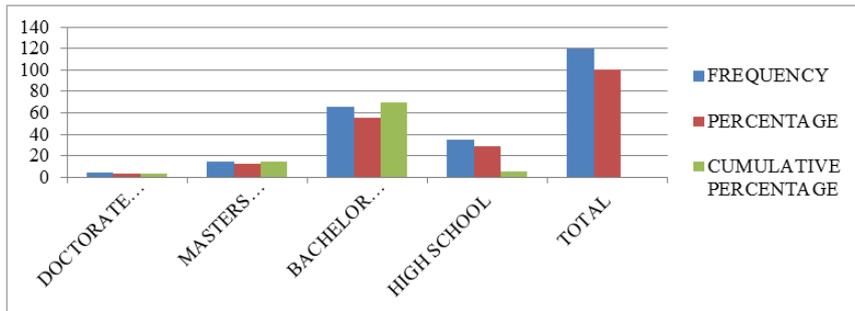


Fig-5: Bar chart for Respondent Educational Qualification

Table-5: Employment status

	Frequency	Percentage (%)	Cumulative Percentage
Student	6	5.0	5.0
Employed	40	33.3	38.3
Self Employed	16	13.3	51.7
Retired	58	48.3	100.0
Total	120	100.0	

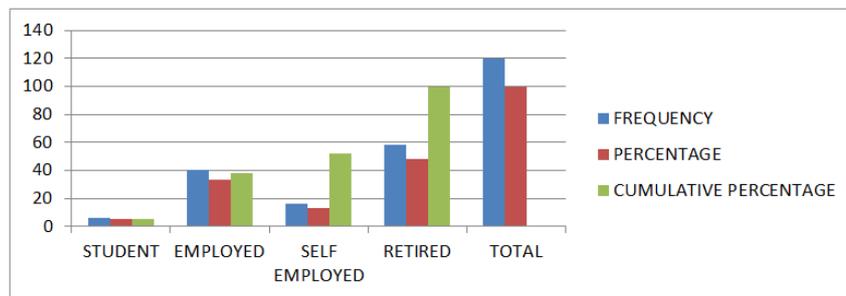


Fig-6: Bar chart for Respondent Employment status

Table-6: Monthly Income

	Frequency	Percentage (%)	Cumulative Percentage
Above 2000 Dollars	87	72.5	72.5
1900- 1500 Dollars	24	20.0	92.5
1400- 1000 Dollars	3	2.5	95.0
900- 500 Dollars	4	3.3	98.3
Below 500 Dollars	2	1.7	100.0
Total	120	100.0	

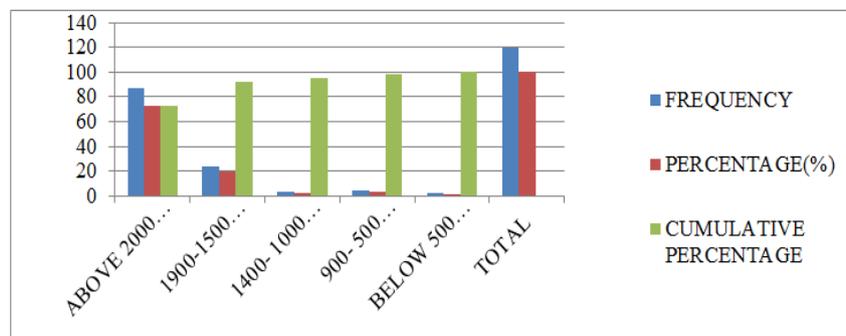
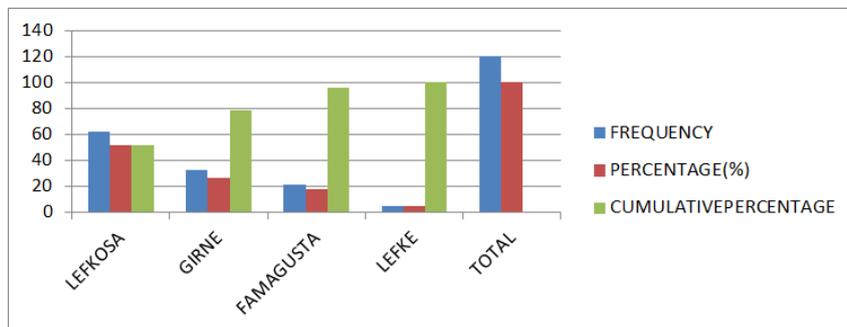


Fig-7: Bar chart for Respondent Monthly income

**Table-7: The place visited in North Cyprus**

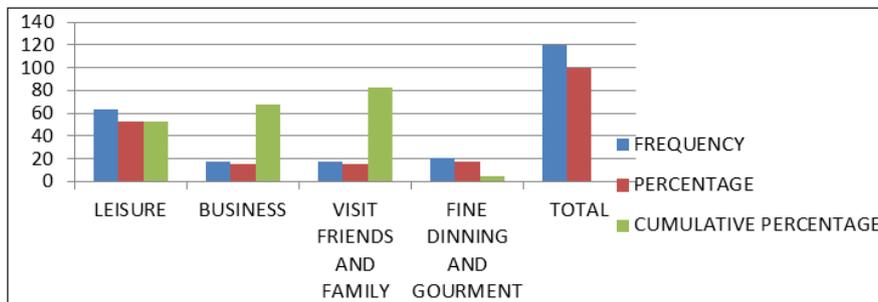
	Frequency	Percentage (%)	Cumulative Percentage
Lefkosa	62	51.7	51.7
Girne	32	26.7	78.3
Famagusta	21	17.5	95.8
Lefke	5	4.2	100.0
Total	120	100.0	



**Fig-8: Bar chart for places visited in North Cyprus**

**Table-8: What is your main purpose of choosing a hotel**

	Frequency	Percentage	Cumulative Percentage
Leisure	63	52.5	52.5
Business	18	15.0	67.5
Visit Friends & Family	18	15.0	82.5
Fine Dinning & Gourment	21	17.5	100.0
Total	120	100.0	



**Fig-9: Bar chart for respondents' main purpose of choosing a hotel**

**Table-9: which hotel brand would you patronize**

	Frequency	Percentage (%)	Cumulative Percentage
Merit Hotel	54	45.0	45.0
Golden Tulip Hotel	38	32.5	77.5
Kaya Artemis Hotel	26	21.7	100.0
Total	120	100.0	

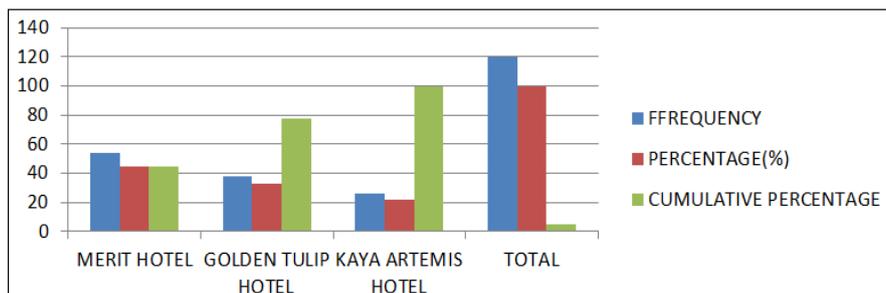


Fig-10: Bar chart for respondents Hotel brand to patronize

Table-10: How do you get to know about the hotel brand

	Frequency	Percentage (%)	Cumulative Percentage
ADVERTISEMENT	25	20.8	20.8
COLLEAGUES	16	13.3	34.2
WORD OF MOUTH	22	18.3	52.5
TRAVEL AGENTS	34	28.3	80.8
BOOKS AND GUIDES	23	19.2	100.0
TOTAL	120	100.0	

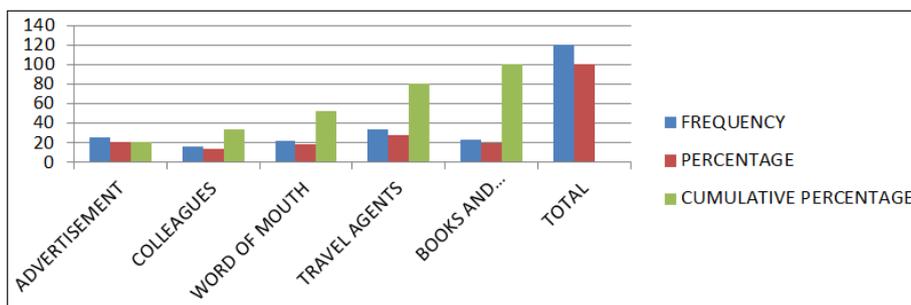


Fig-11: Bar chart for how do you get to know about the hotel brand

Table-11: How long have you been patronizing the hotel brand you have chosen

	Frequency	Percentage (%)	Cumulative Percentage
LESS THAN 2 YEARS	82	68.3	68.3
3-5 YEARS	22	18.3	86.7
5-7 YEARS	7	5.8	92.5
7 YEARS AND ABOVE	9	7.5	100.0
TOTAL	120	100.0	

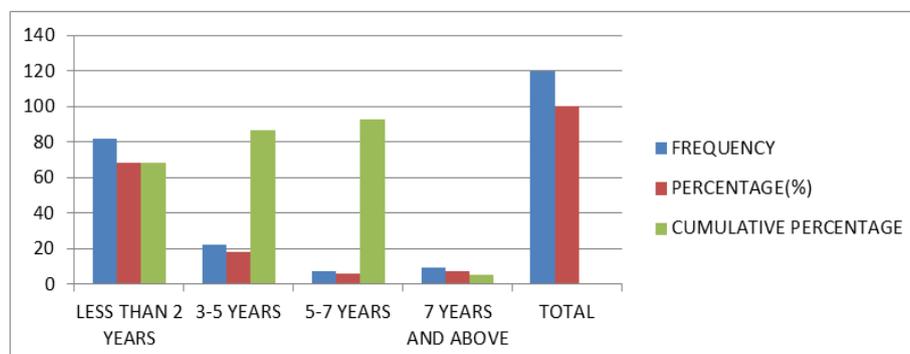
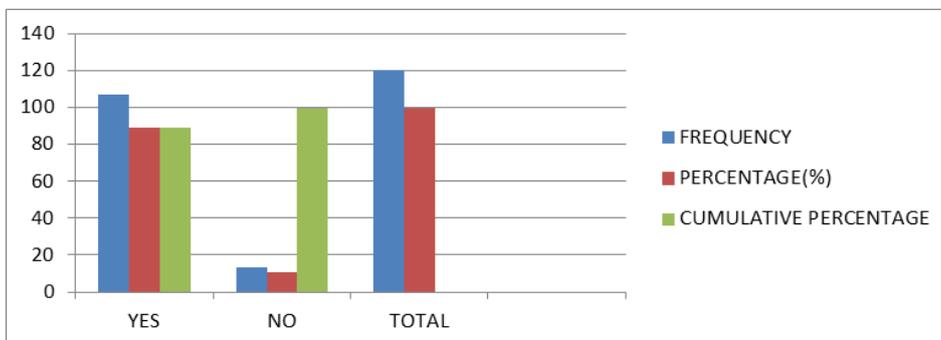


Fig-12: Bar chart for years of patronizing the hotel brand

**Table-12: Launching a new hotel brand**

	Frequency	Percentage (%)	Cumulative Percentage
YES	107	89.2	89.2
NO	13	10.8	100.0
TOTAL	120	100.0	



**Fig-13: Bar chart for launching a new hotel brand**

**Table-13: Summary of descriptive statistics**

	Mean	Median	Standard Deviation
Gender	1.29	1.00	.456
Age	4.23	5.00	1.043
Marital status	2.23	2.00	.827
Educational Qualification	3.13	3.00	.733
Employment status	3.53	3.00	1.483
Income	1.42	1.00	.836
The place you visited in North Cyprus	1.74	1.00	.893
What is your main purpose of choosing a hotel	1.98	1.00	1.177
Which of the following hotel brand would you patronize	1.81	2.00	.863
How do you get to know about the hotel brand	3.13	3.00	1.421
How long have you been patronizing the hotel brand you have chosen	1.53	1.00	.934
If your chosen hotel wants to launch a new brand as the same name with the one you know, would you patronize it	1.11	1.00	.312

**Validity and Reliability**

**Table-14: Reliability Statistics**

Cronbach's Alpha	N Items
.852	22

**Testing of the hypotheses with the model**

*H1: The Perceived Quality of the main brand affects attitude towards extension and has a significant relationship to customer buying decisions*

**Table-15: Correlation Test for Perceived Quality and Customer buying decisions**

Correlations		Perceived Quality	Buying decision
Perceived Quality	Pearson Correlation	1	.617**
	Sig.(2-tailed)		.000
	N	120	120
Buying decision	Pearson Correlation	.617**	1
	Sig.(2-tailed)	.000	
	N	120	120

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table-16: Model Summary for Perceived Quality and Customer buying decisions**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Model
1	.617 <sup>a</sup>	.380	.375	.69972	1

Predictors: (Constant), Percived Quality

**Table-17: ANOVA Test for for Perceived Quality and Customer buying decisions**

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	35.467	1	35.467	72.439	.000 <sup>b</sup>
	Residual	57.775	118	.490		
	Total	93.242	119			

a. Dependent Variable: Buying decision

b. Predictors: (Constant), PercivedQuality

**Table-18: Coefficients Test for Perceived Quality and Customer buying decisions**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.314	.297		4.425	.000
	Percived Quality	.661	.078	.617	8.511	.000

a. Dependent Variable: Buying decision

The result of the correlation shows that there is a positive relationship between perceived quality and buying decision. This indicates that as perceived quality increases, the buying decision increases and also, as perceived quality decreases, the buying decision decreases. It shows one percentage of increase in perceived quality leading to 0.617 unit increases in buying decision. According to the result in the model summary, it is possible to comment that with the R

Square of 0.380 which explains that 38% of buying decision of customers is explained by perceived quality. The first hypothesis has been supported from the results.

*H2: Perceived fit between the main brand and extension product has a significant relationship to customer buying decisions*

**Table-19: Correlation test for Perceived fit and customer buying decisions**

Correlations		Perceived Fit	Buying decision
Perceived Fit	Pearson Correlation	1	.616 <sup>**</sup>
	Sig.(2-tailed)		.000
	N	120	120
Buying decision	Pearson Correlation	.616 <sup>**</sup>	1
	Sig.(2-tailed)	.000	
	N	120	120

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table-20: Model Summary for Perceived fit and customer buying decisions**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.616 <sup>a</sup>	.380	.375	.70007

a. Predictors: (Constant), Percivedfit

**Table-21: ANOVA Test for Perceived fit and customer buying decisions**

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	35.410	1	35.410	72.251	.000 <sup>b</sup>
	Residual	57.832	118	.490		
	Total	93.242	119			

a. Dependent Variable: Buying decision

b. Predictors: (Constant), Percived fit

**Table-22: Coefficients for Perceived fit and customer buying decisions**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.783	.359		2.182	.031
Perceivedfit	.782	.092	.616	8.500	.000

a. Dependent Variable: Buying decision

The result of the correlation shows that there is a positive relationship between perceived fit and customer buying decision. This positive result indicates that as perceived fit increases, buying decision increases and also, as perceived fit decreases, the buying decision decreases. It shows one percentage of increase in perceived fit leading to 0.616 unit increase in buying decision. According to the result in the model summary,

it is possible to comment that with the R Square of 0.380 which explains that 38% of buying decision of customers is explained by perceived fit. The second hypothesis have been supported from the results.

H3: *Customer Characteristics towards the main brand and extension product has a significant relationship to customer buying decisions*

**Table-23: Correlations Test for Customer Characteristics and Customer buying decisions**

Correlations		Customer Characteristics	Buying decision
Customer Characteristics	Pearson Correlation	1	.193*
	Sig. (2-tailed)		.035
	N	120	120
Buying decision	Pearson Correlation	.193*	1
	Sig. (2-tailed)	.035	
	N	120	120

\*. Correlation is significant at the 0.05 level (2-tailed).

**Table-24: Model Summary for Customer Characteristics and Customer buying decisions**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.193 <sup>a</sup>	.037	.029	.87222

a. Predictors: (Constant), Customer characteristics

**Table-25: ANOVA Test for Customer Characteristics and Customer buying decisions**

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	3.470	1	3.470	4.562	.035 <sup>b</sup>
	Residual	89.771	118	.761		
	Total	93.242	119			

a. Dependent Variable: Buying decision  
b. Predictors: (Constant), Customer characteristics

**Table-26: Coefficients for Customer Characteristics and Customer buying decisions**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.869	.435		6.590	.000
	Customer characteristics	.346	.162	.193	2.136	.035

The result of the correlation shows that there is a positive relationship between customer characteristics and buying decision. This positive result indicates that customer characteristics increases the level of buying decision. It shows one percentage increase in customer characteristics leading to 1.93 unit increase in buying decision. According to the result in the model summary,

it is possible to comment that with the R Square of 0.370 which explains that 37% of buying decision of customers is explained by customer characteristics. The third hypothesis have been supported from the results.

H4: *Customer buying decisions has a significant relationship on hotel brand loyalty*

**Table-27: Correlations Test for Customer buying decisions and Hotel brand loyalty**

Correlations		Buying decision	Brand Loyalty
Buying decisions	Pearson Correlation	1	.481 <sup>**</sup>
	Sig. (2-tailed)		.000
	N	120	120
Brand Loyalty	Pearson Correlation	.481 <sup>**</sup>	1
	Sig. (2-tailed)	.000	
	N	120	120

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table-28: Model Summary for Customer buying decisions and Hotel brand loyalty**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.481 <sup>a</sup>	.232	.225	.77921

Predictors: (Constant), Brand Loyalty

**Table-29: ANOVA Test for Customer buying decisions and Hotel brand loyalty**

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	21.596	1	21.596	35.569	.000 <sup>b</sup>
	Residual	71.646	118	.607		
	Total	93.242	119			

a. Dependent Variable: Buying decision  
b. Predictors: (Constant), Brand Loyalty

**Table 30: Coefficients for Customer buying decisions and Hotel brand loyalty**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.314	.420		3.129	.002
	Brand Loyalty	.622	.104	.481	5.964	.000

a. Dependent Variable: Buying decision

The result of the correlation shows that there is a positive relationship between buying decision and brand loyalty. This positive result indicates that as buying decision increases, the loyalty increases and also, as buying decision decreases, loyalty decreases. It shows one percentage of increase in buying decision leading to 0.481 unit increase in Brand loyalty. According to the result in the model summary, it is

possible to comment that with the R Square of 0.232 which explains that 23% of buying decision of customers is explained by brand loyalty. The fourth hypothesis have been supported from the results.

*H5: Hotel brand loyalty has a significant relationship on hotel brand equity*

**Table-31: Correlations Test for Hotel brand loyalty and hotel brand equity**

Correlations		Brand Loyalty	Brand Equity
Brand Loyalty	Pearson Correlation	1	.742 <sup>**</sup>
	Sig. (2-tailed)		.000
	N	120	120
Brand Equity	Pearson Correlation	.742 <sup>**</sup>	1
	Sig. (2-tailed)	.000	
	N	120	120

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table-32: Model Summary for Hotel brand loyalty and hotel brand equity**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742 <sup>a</sup>	.550	.546	.61576

a. Predictors: (Constant), brand loyalty

**Table-33: ANOVA Test for Hotel brand loyalty and hotel brand equity**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.697	1	54.697	144.259	.000 <sup>b</sup>
	Residual	44.740	118	.379		
	Total	99.437	119			

a. Dependent Variable: Brand Equity  
 b. Predictors: (Constant) Brand Loyalty

**Table-34: Coefficients for Hotel brand loyalty and hotel brand equity**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.906	.332		2.730	.007
	Brand Loyalty	.991	.082	.742	12.011	.000

a. Dependent Variable: Equity

The result of the correlation shows that there is a positive relationship between brand loyalty and hotel brand equity. This positive result indicates that as brand loyalty increases, the hotel brand equity increases and also, as of brand loyalty decreases, the hotel brand equity decreases. It shows one percentage of increase in brand loyalty leading to 0.742 unit increase in hotel brand equity. According to the result in the model summary, it is possible to comment that with the R Square of 0.550 which explains that 55% of hotel brand equity is explained by brand loyalty. The fifth hypothesis have been supported from the results.

**DISCUSSION**

The purpose of this study was to know if brand extension adopted in hotel chains affects the buying decisions of customers. The study examined how independent variables such as perceived quality, perceived fit and customer characteristics regarding hotel brand extension affects the buying decisions of customers(dependent variable). These three major construct from the study are important indicator that describes how brand extension improves the buying decisions of customers.

The results show that all the hypotheses were in fact supported. The result from the first hypothesis suggests that customers having a positive attitude towards the parent brand of a hotel transfers this attitude to the extension, through previous knowledge and service quality which influences their purchase decision [34]. Found similar results stating that customers having a strong affection regarding their attitude of the quality of a brand will transfer this attitude to the brand extension. And also in the study of [10], it was observed that the attitude of a person towards a brand or a product will motivate the person to buy the brand or the product. The result from the second hypothesis suggests that the fit and similarity between the hotel brand and its extension helps customers to view the brands as the same in terms of service quality and increasing the value of the major hotel brand; subsequently, this motivates customers to patronize the hotel brand. Similar results supporting

this was found in the study of [1], which explains the fit between the main brand and the product category were the keys in influencing customers buying attitudes towards the extended brand. Also, experimental studies show that positive affect leads to higher purchase intentions for the extension [7, 27]. The result from the third hypothesis suggest that customer characteristics in terms of their monthly income, educational qualification, employment status, marital status, gender and age also positively affect the buying decisions of customers. The findings showed that majority of the tourists were male with the age range higher than 51 years, having bachelor degree within educational qualification, retired. It denotes that majority of the tourists were matured and experienced people. The study of [13], supports this result by stating that the age of an individual alters consumer behaviour. The more older an individual gets, the more experience they have with their buying behaviour than the younger ones. A similar work by [36] also confirms that the older people rely on thinking through different options with their experience they have developed over time while the younger ones with lesser experience will only rely on price of a branded product. Income is another variable under customer characteristics that influenced the buying decisions of customers. The result shows that majority of the tourists were having monthly income more than 2000\$ which meant that the tourists were able to afford patronizing the hotels. In the same study of [13], income is stated as a high indicator for checking the purchasing behaviour of customers. It is further supported by the work of [36] that discusses how the level of income tends to influence the lifestyle and attitude of a consumer. An individual with high income buys expensive products while those individuals with lower income will tend to buy products with lower price. The result from the fourth hypothesis suggests that customer buying decision contribute to brand loyalty. When customers continue to patronize a particular product, it leads to brand loyalty. This result can be supported by the work of [33] that discussed brand loyalty as “a sort of deeply held psychological commitment towards rebuying or repatronizing a preferred product or service always in the future, in so

doing causing a repetitive same brand or same brand set purchasing, in spite of situational pressure and marketing efforts that can have the potential of causing switching behaviour". The result from the fifth hypothesis suggests that brand loyalty has a positive effect on brand equity. This is supported by the study of [14], that explains that the advantage of a customer in a hotel or any serving firm apart from providing services for them, they can also be called a partner with the full aim of purchasing any advertised or manufactured goods and services provided by the firm. The word equity becomes evident in the long run due to the continuous support of customer to a hotel brand and its extension. Also, the study of [2] further explains brand equity as a set of brand assets and liabilities that are attributed to a brand (its name and symbol) that adds to or subtracts from the value making it unique provided by a product or service to a firm or to the firm's customers.

### **RECOMMENDATIONS**

The hotel industries in Northern Cyprus over the last two decade's attention have been diversified to the importance of their service sector [20, 6]. This is because hotels are facing more challenges and fiercer competition than ever before among themselves. Therefore, improving productivity is seen as a key issue for their survival and success in the long term [12, 22, 6]. Brand extension strategy is therefore a marketing tool that can be utilized by managers to improve their productivity, stay ahead of competitors, allow large market share, increase the company's portfolio, delight customers, gain more loyal customers and increase brand equity.

### **Government Bodies**

Government bodies should provide opportunities and give room for foreign investors and local private investors to keep expanding the tourism and hospitality industry with regards to brand extension in Northern Cyprus. This is because according to the Gross Domestic Product of Northern Cyprus in the year 2002, \$95.1 million (3.2 per cent) was gotten from the tourism industry which has then been regarded to as one of the key means of getting income for the Country.

### **Managerial Sector**

The Managers of hotels in North Cyprus should endeavour to continue to practice brand extension strategy. This is because the changes in technology added up with numerous increase in demand of consumers and also the growing in competition among industries have played a crucial role in causing a big challenge for restoring the current marketing strategies of numerous firms [32]. Firms put in a lot in developing a brand name since the brands serves as a valuable asset. It is an opportunity for firms to take advantage of specific business competences and attach what makes them exceptional in consumer's mind [24]. With that, it is very important for a firm to use a brand

strategy in order to promote a positive image for its brands.

### **LIMITATIONS OF THE STUDY**

Firstly, this study just focuses on the positive implications of brand extension on buying decisions of customers. Further studies should be on the negative impact of brand extension on image of main hotel brand.

Secondly, the results of this study were limited to three major five star hotel brands practising brand extension which are (Merit hotel, Golden Tulip hotel and Kaya Artemis Hotel) in North Cyprus. The model of the study might work differently for other lesser known four or three star hotels.

Thirdly, the responses gotten from the respondents were based on a quantitative method using a closed ended questionnaire. Further studies should focus on qualitative method.

### **CONCLUSION**

It can be concluded that 'Yes' brand extension affects the buying decisions of customers. Brand extensions allow the hospitality industry to improve their way of serving more heterogeneous consumer tastes [37]. The taste perceived by a customer depends on quality they observe. The fit shows its importance when customers are able to see the connection between main brand with the extension. The lifestyle and geographical characteristics of customers are also major influence on their buying decisions. Perceived quality, perceived fit and customer characteristics leads to repeat patronage causing brand loyalty. Customer brand loyalty leads to hotel brand equity at the long run. A brand's loyal customers are the ones that help to promote the market share of a particular branded hotel and its extensions; they are not affected by the price of service provided but rather pleased to pay more for a brand because they recognise some exclusive attributes in terms of value in the brand that no other brand can provide. This exclusive attributes can be developed from being able to rely on a brand or from more favourable satisfaction when customers use that brand. The advantage of a customer in a hotel or any serving firm apart from providing services for them, they can also be called a partner with the full aim of purchasing any advertised or manufactured goods and services provided by the firm [14].

### **REFERENCES**

1. Aaker DA, Keller KL. Consumer evaluations of brand extensions. *The Journal of Marketing*. 1990 Jan 1:27-41.
2. Aaker DA. Measuring brand equity across products and markets. *California management review*. 1996 Apr 1;38(3):102-20.
3. Stockmann C, Ampofo K, Hersh AL, Carleton ST, Korgenski K, Sheng X, Pavia AT, Byington CL.

- Seasonality of acute otitis media and the role of respiratory viral activity in children. *The Pediatric infectious disease journal*. 2013 Apr;32(4):314.
4. Ahmed Z, Rizwan M, Ahmad M, Haq M. Effect of brand trust and customer satisfaction on brand loyalty in Bahawalpur. *Journal of Sociological Research*. 2014 Apr 11;5(1):306-26.
  5. Babili GN. *The effect of branding on customer buying behaviour in selected hotels of Gaborone, Botswana* (Doctoral dissertation, Cape Peninsula University of Technology).
  6. Ball SD, Johnson K, Slattery P. Labour productivity in hotels: an empirical analysis. *International Journal of Hospitality Management*. 1986 Jan 1;5(3):141-7.
  7. Bhat S, Reddy SK. The impact of parent brand attribute associations and affect on brand extension evaluation. *Journal of Business Research*. 2001 Sep 30;53(3):111-22.
  8. Broniarczyk SM, Alba JW. Theory versus data in prediction and correlation tasks. *Organizational behavior and human decision processes*. 1994 Jan 1;57(1):117-39.
  9. Bryman A. Mission accomplished?: Research methods in the first five years of Leadership. *Leadership*. 2011 Feb;7(1):73-83.
  10. Churchill GA, Brown TJ, Suter TA. *Basic marketing research*. Fort Worth, TX: Dryden Press; 1992 Jan.
  11. Cooper DR, Schindler PS. *Business research model*. 2000.
  12. David JS, Grabski S, Kasavana M. The productivity paradox of hotel-industry technology. *The Cornell Hotel and Restaurant Administration Quarterly*. 1996 Apr 1;37(2):64-70.
  13. Roszkowska-Hołyśz D. Determinants of consumer purchasing behaviour/Uwarunkowania zachowań nabywczych konsumentów w świetle teorii zachowań konsumentów. *Management*. 2013 May 1;17(1):333-45.
  14. Duncan T, Moriarty SE. A communication-based marketing model for managing relationships. *The Journal of marketing*. 1998 Apr 1:1-3.
  15. Etikan I, Musa SA, Alkassim RS. Comparison of convenience sampling and purposive sampling. *American Journal of Theoretical and Applied Statistics*. 2016;5(1):1-4.
  16. Fournier S. Consumers and their brands: Developing relationship theory in consumer research. *Journal of consumer research*. 1998 Mar 1;24(4):343-73.
  17. Hosmer BE. The loyalty effect: The hidden force behind growth, profits, and lasting value. *Consulting to Management*. 1998 Nov 1;10(2):82.
  18. Gilbert D, Horsnell S. Customer satisfaction measurement practice in United Kingdom hotels. *Journal of Hospitality & Tourism Research*. 1998 Nov;22(4):450-64.
  19. Gliem JA, Gliem RR. Calculating, interpreting, and reporting Cronbach's alpha reliability coefficient for Likert-type scales. *Midwest Research-to-Practice Conference in Adult, Continuing, and Community Education*.
  20. Gummesson E. Productivity, quality and relationship marketing in service operations. *International journal of contemporary hospitality management*. 1998 Feb 1;10(1):4-15.
  21. Gundersen MG, Heide M, Olsson UH. Hotel guest satisfaction among business travelers: what are the important factors?. *The Cornell Hotel and Restaurant Administration Quarterly*. 1996 Apr 1;37(2):72-81.
  22. Jones P. Operational issues and trends in the hospitality industry. *International Journal of Hospitality Management*. 1999 Dec 31;18(4):427-42.
  23. Kapferer JN. Brand NEW world, brand equity. *The Economic Times*. 2004;30.
  24. Keller KL, Apéria T, Georgson M. *Strategic brand management: A European perspective*. Pearson Education; 2008.
  25. Keller KL, Aaker DA. The effects of sequential introduction of brand extensions. *Journal of marketing research*. 1992 Feb 1:35-50.
  26. Kilic H, Okumus F. Factors influencing productivity in small island hotels: evidence from Northern Cyprus. *International Journal of Contemporary Hospitality Management*. 2005 Jun 1;17(4):315-31.
  27. Lane VR. The impact of ad repetition and ad content on consumer perceptions of incongruent extensions. *Journal of Marketing*. 2000 Apr 1;64(2):80-91.
  28. Lee J, Morrison AM. A Burst of Beds: Why Consumers Purchase Brand Extended Beds in the Upscale Hotel Industry?. *Journal of Marketing Development and Competitiveness*. 2013 Aug 1;7(3):43.
  29. Solomon MR. *Consumer Behaviour: Buying, having, and being* (4<sup>th</sup> edition), Prentice Hall College Div. 1998.
  30. Mohammadian MR, Mohammad H. *Brand Promotion Strategies and Techniques*. 2010.
  31. Morgan MS, Dev CS. An empirical study of brand switching for a retail service. *Journal of Retailing*. 1994 Nov 30;70(3):267-82.
  32. Mwangi BM. *The influence of brand extension strategies on brand image among pharmaceutical firms in Nairobi, Kenya*. 2013.
  33. Oliver RL. Whence consumer loyalty?. *the Journal of Marketing*. 1999 Jan 1:33-44.
  34. Pina JM, Martinez E, De Chernatony L, Drury S. The effect of service brand extensions on corporate image: an empirical model. *European Journal of Marketing*. 2006 Jan 1;40(1/2):174-97.
  35. Reichheld FF. The query for loyalty~ w: Business leaders who want the leverage advantages of sustained growth and profit must begin to measure and nurture their human assets as carefully as they

do their financial assets. CHEMTECH-WASHINGTON DC-. 1996;26:14-8.

36. Richardson PS, Jain AK, Dick A. Household store brand proneness: a framework. *Journal of retailing*. 1996 Jun 1;72(2):159-85.
37. Tepeci M. Increasing brand loyalty in the hospitality industry. *International Journal of Contemporary Hospitality Management*. 1999 Sep 1;11(5):223-30.