The Impact of Customer-Based Brand Equity on Revisit Intentions: An Empirical Study of Business and Leisure Travelers at Five Shanghai Budget Hotels

Yaqian Zhou

Abstract

The purpose of this study is to explore how, from a customers’ point of view, brand equity influences budget hotel revisit intentions. The research is based on a convenience sample of 400 respondents who had stayed at top-5 budget hotels in Shanghai, China, from July 10 to July 20, 2010. The results show that, in sequence of degree of significance, brand loyalty, brand awareness/brand association and perceived quality as brand equity sub-dimensions have positive relationships with perceived value and revisit intentions. Additionally perceived value plays an increasingly important role in budget hotel revisit intentions. It was also discovered that the effect of brand loyalty on revisit intention is greater for business travelers than for leisure ones. There is also no difference between business and leisure travelers in terms of their respective impact on brand awareness/brand association, perceived quality, and perceived value on revisit intentions.

Key Words: Budget hotel, customer-based brand equity, brand loyalty, perceived quality, brand awareness/brand association, perceived value, revisit intentions.

Introduction

Through a decade of advancement in the hospitality industry, hotel competition has undergone the evolutionary change from depending on service or price advantages to increasingly relying on brand management. This change has been typically accompanied by the accelerating effects caused by the massive entries of foreign brands into China. Facing these numerous hotel brands, customers have basically offer similar products and services i.e. all the products and services offered in a bed and breakfast (B&B) operation. As a result, hotel customers tend to lean toward the strongly established outstanding brands for easy selection, meanwhile feeling they are thereby reducing their purchase risk.

As Prasad and Dev (2000) stated, the stronger the hotel brand equity, the more customers will prefer that hotel brand. Brand equity had been widely recognized as the most valuable asset to companies and has become a top management priority since it can more easily retain customer loyalty, launch product extension and be synonym with price premium (Aaker, 1991; Lassar et al., 1995; Kim, An, & Kim, 2003; Keller, 1993).

Brand equity can be measured through either a financial or customer-based perspective (Keller and Lehmann, 2006). However, since the financial-based approach has limitations in terms of providing unbiased estimates of a brand’s intrinsic value by merely accounting purposes (Aaker, 1991, 1996; Keller, 1998), the customer based brand equity approach (CBBE) is the dominant perspective and the one preferred by a majority of academics and practitioners in marketing.

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1Yaqian Zhou recently graduated from Assumption University, Tourism Management, Graduate School of Business. This research was conducted under the supervision of Dr. John Barnes, Director of Tourism Management.
research as it incorporates all practical information on customer behavior for the formulation of marketing strategies (Lassar et al., 1995; Prasad and Dev, 2000; Yoo and Donthu, 2001).

From a customer’s point of view, the major components of brand equity are brand loyalty, perceived quality, brand awareness, brand association and other assets, which include assets such as patents and trademarks (Aaker, 1991).

Later contributions identifying the correlation between brand equity and a firm’s performance have concluded that brands with higher equity tend to generate significant revenues as the result of enhanced preferences and material revisit intentions of customers (Cobb-Walgren et al., 1995; Washburn & Plank, 2002; and Baldauf et al., 2003). What this implies is that brand equity channels its effect through its joint dimensions, brand awareness or brand association, to the revisit intention.

Yet, despite the significant effects of strong brand equity on price premiums, brand extension, great customer loyalty, and higher profitability and market value, little attention has been paid investigating customer-based brand equity and its effect on revisit intentions in the budget hotel segment. This study seeks to explore just that. It will examine the relationships between hotel brand equity, perceived value and revisit intentions from a customers’ point of view by employing the multiple regressions approach.

To do so, this study will use the Chinese budget hotel industry, which is considered as one of the most dynamic and competing markets in the world. Typically, budget hotels in China regard business travelers as their major target market, overlooking the leisure travelers that accounts only for less than 40% of overall guest share. One of the consequences of this specificity is that it enhances the importance of brand equity with respect to mass tourism development due to the stronger brand equity awareness among leisure travelers. This study will thus seek to gain insights about the differences between business travelers and leisure travelers under the aforementioned relationships.

After reviewing the relevant related literature, introducing the conceptual framework, and outlining the methodology, it will consider the findings and make recommendations.

**Literature Review**

Anantachart (1998) thought Aaker’s model provided the most comprehensive framework for measuring brand equity, which is one of the first conceptualizations of brand equity from the customers’ point of view, including both attitudinal and behavioral dimensions. However Yoo and Donthu (2001) pointed out the counterview on the fifth component - other proprietary assets such as patents and trademarks - without any relevance to the customers’ perception which conflicts with the CBBE approach. In addition, the findings suggested that brand associations and brand awareness should be combined into one dimension which was supported by later studies by many academics (Washburn and Plank, 2002; Kim & Kim, 2004; Kim, Jin-Sun, & Kim, 2008). Consequently, this study adopted Yoo & Donthu’s (2001) theory, recognizing perceived quality, brand loyalty and brand association with brand awareness as the dimension of CBBE.
Brand Loyalty

Brand loyalty is regarded as the core dimension of CBBE for management (Keller, 1993) since it reflects a customer’s “deeply held commitment to re-buy or a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1997, p.392). The more attachment to a brand, the more resistance customers have to change (Kim, Jin-Sun, & Kim, 2008) which is related to profitability (Zeithaml et al., 1996; Reichheld & Sasser, 1990; Kandampully & Suhartanto, 2000). Oliver (1999) stated that brand loyalty can be measured through behavioral loyalty and attitudinal loyalty. Behavioral loyalty means the actual behavioral responses getting the precise data from the company’s cooperation; however it can not identify the spurious and latent customers (Dick and Basu, 1994); and attitudinal loyalty with attitude and behavior intent provides value to the company leading to the true behavior loyalty (repeat purchase) through the customers’ survey (Aaker, 1991). Considering behavior intent is represented in the revisit intention of this study, only the attitude aspect will be embodied in the brand loyalty dimension.

Perceived Quality

Perceived quality is a perception by customers and is one of the most important components of brand equity (Aaker, 1996). It is an estimation of the customers’ perceptions of the overall quality and their intentions (Zeithaml, 1988). Since the quality level is associated with a brand, their perception will be involved in their decision making process. A higher level of perceived quality increases the probability of choosing the brand instead of the competitors’ brand, supporting a premium price, which in turn can create more profits for the company that can be used to reinvest in brand equity (Yoo et al., 2000). The hotel industry as a service business using the SERVPERF model (Cronin and Taylor, 1992) refined from the original SERVQUAL dimensions - Tangibles, Reliability, Responsiveness, Assurance and Empathy (Parasuraman et al., 1988) - focuses only on evaluating performance, which is more applicable in measuring service quality (Bolton and Drew, 1991; Lee and Hing, 1995; Kim, An, & Kim, 2003), because SERVQUAL model has a series of problems with the reliability, discriminant validity and some other practices issues (Brown et al., 1993).

Brand Awareness/Associations

Developing and maintaining brand awareness is one of the major goals of a company for its special role in customers’ decision making, such as, advantages in learning, considering and choosing, and its impact on firms’ value (Keller, 2003). It is defined as “the ability of the potential buyer to recognize and recall that a brand is a member of a certain product category” (Aaker, 1991, p.61). The higher level of awareness of a brand, the more likelihood there is of this brand being considered when they purchase (Hoyer, 1990; Nedungadi, 1990). Therefore, the level of brand equity is determined by the level of brand awareness which plays an important role in brand equity. “Brand association is anything linked in memory to a brand” (Aaker, 1991, p.61), which forms different perceptions of the brand to customers and provides the basis of purchase decisions making. The unique, favorable and strong brand association leads to differential
customers’ responses, resulting in brand equity (Keller, 1993).

Perceived Value and Revisit Intention

Perceived value is not determined by the sellers or owners, but by the customers based on their perceptions of product or service and the price they paid (Anderson et al., 1994). It is also defined “as the customer’s overall assessment of the utility of a product based on the perception of what is received and what is given” (Zeithaml, 1988) which represents “a trade-off between the quality and benefits they receive in the product or service relative to the sacrifice they perceive in paying the price” (Dodds et al., 1991). That illuminates that even excellent quality can be regarded as poor value if it is too expensive to the customer (Rust and Oliver, 1994). Perceived value as one of the significant factors of repurchasing intentions (Chang and Wildt, 1994; Parasuraman and Grewal, 2000) has been popularly measured for acquiring a competitive advantage in business success (Parasuraman, 1997).

Repurchase intention was defined as “the individual’s judgment about buying again a designated service from the same company, taking into account his or her current situation and likely circumstances” (Hellier, et al., 2003). Repurchase intentions are customers’ subjective opinions on their behavior in the future and not always the same as the actual repurchase patterns (Rust et al., 1995). The perceived quality, perceived value, brand equity, brand preference, etc will influence the customers’ repurchase intention as one service outcome (Butcher, 2005). In a hotel study, repurchase intention is changed to the hotel revisit intention.

Conceptual Framework and Study Objective

Based on the literature review, this study considers a portion of Aaker’s (1991) original brand equity framework examined by Kim, Jin-Sun, & Kim (2008) in the mid-price hotel segment, extends the previous work by investigating the brand equity’s effects on the customers’ perceived value and their revisit intentions in terms of perceived quality, brand loyalty and brand awareness/brand association as well as the effect of perceived value on the revisit intention within the budget hotel segment of the Shanghai, China hotel industry. It further discusses differences between business travelers and leisure travelers in terms of these relationships.

Figure 1: Conceptual Model of Brand Equity, Perceived Value and Revisit Intentions

Source: Created by the Author for this Study

Research Hypotheses

Aaker (1991) advocated the framework of brand equity which considers a firm’s brand building efforts dedicated to the brand equity and underlying dimensions that have positive effects on the customers’ value and firms’ value as well. Furthermore, brand equity increases value to the firm indirectly through offering value to customers.

Based on the Aaker’s (1991) theory, Baldauf et al., (2003) investigated the impact of perceived quality, brand awareness and brand loyalty on perceived value and purchase...
intention. The research found that the customers who know the logos or brands well and loyal customers make purchase decisions easily or pay a premium price. This is also validated by the findings of Cobb-Walgren, Ruble, & Donthu (1995) and Kim, Jin-Sun, & Kim (2008). The following hypotheses are proposed for the conceptual model:

Hypothesis 1: In the budget hotel segment, all dimensions of brand equity have an effect on customers’ perceived value.

Sub-Hypothesis 1a: Brand loyalty has an effect on customers’ perceived value.

Sub-Hypothesis 1b: Perceived quality has an effect on customers’ perceived value.

Sub-Hypothesis 1c: Brand awareness/brand association has an effect on customers’ perceived value.

Washburn and Plank (2002) discovered a significant correlation between the CBBE (in terms of perceived quality, brand association, brand loyalty and brand awareness) and repurchase intention. Similarly, Kim, An, & Kim found that brand equity had a big influence on a hotel’s performance (Revenue per Available Room) which needs the customers’ revisit intentions for long-term development. Thus the following hypotheses are suggested for the conceptual model:

Hypothesis 2: In the budget hotel segment, all dimensions of brand equity have an effect on revisit intentions.

Sub-Hypothesis 2a: Brand loyalty has an effect on revisit intentions.

Sub-Hypothesis 2b: Perceived quality has an effect on revisit intentions.

Sub-Hypothesis 2c: Brand awareness/brand association has an effect on revisit intentions.

Sweeny’s et al. (1999) theory claimed that perceived value has a special effect on the outcome, for instance, purchase intent, mediating between the perceived quality and behavior intentions. In 2003, Hellier et al. further testified that perceived value is a major factor influencing repurchase intention and brand preference. Therefore, this study further tests these relationships:

Hypothesis 3: In the budget hotel segment, perceived value has an effect on hotel revisit intentions.

In order to identify the difference between business travelers and leisure travelers on the impact of brand equity, perceived value on revisit intentions, we did further hypothesis test.

Hypothesis 4: In the budget hotel segment, there is a difference between business travelers and leisure travelers on the impact of brand equity on customers’ perceived value.

Sub-Hypothesis 4a: There is a difference between business travelers and leisure travelers on the impact of brand loyalty on perceived value.

Sub-Hypothesis 4b: There is a difference between business travelers and leisure travelers on the impact of perceived quality on perceived value.

Sub-Hypothesis 4c: There is a difference between business travelers and leisure travelers on the impact of brand awareness/brand association on perceived value.

Hypothesis 5: In the budget hotel segment, there is a difference between business travelers and leisure travelers on the impact of brand equity on hotel revisit intentions.

Sub-Hypothesis 5a: There is a difference between business travelers and leisure travelers on the impact of brand loyalty on hotel revisit intentions.

Sub-Hypothesis 5b: There is a difference between business travelers and leisure
travelers on the impact of perceived quality on hotel revisit intentions. Sub-Hypothesis 5c: There is a difference between business travelers and leisure travelers on the impact of brand awareness/brand association on hotel revisit intentions.

And the difference between business travelers and leisure travelers on the impact of perceived value on revisit intention also involved in this study.

Hypothesis 6: In the budget hotel segment, there is a difference between business travelers and leisure travelers on the impact of perceived value on hotel revisit intentions.

**Research Methodology**

A questionnaire was developed based on the review of literature and the coefficient alpha was used to ensure the reliability and validity of scales. Brand loyalty (3 items) and brand awareness/brand association (5 items) were developed from the scales of Yoo, Donthu, & Lee (2000). And Cronin and Taylor’s (1992) SERVPERF model was employed to scale the perceived service quality (5 items) which was refined from the original SERVQUAL dimensions (Parasuraman, Zeithaml & Berry, 1988): Tangibles, Reliability, Responsiveness, Assurance and Empathy. One item was selected to represent each dimension of SERVPERF. As regards the perceived value (3 items) and revisit intention (2 items), they were respectively developed from the research of Dodds, Monroe & Grewal (1991) and Kim, Jin-Sun, & Kim (2008) which studied revisit intention by testing the brand equity and mediating the perceived value. All items were measured by five-point Likert-type scale.

Base on the number of rooms, the top-5 brand budget hotel are identified: Home Inns, Jin Jiang Inns, Motel 168 Chain, 7 Days Inn, Hanting Hotel chain (Inntie, 2009). The sample population in this study was composed of those Chinese guests, who stayed at the selected budget hotels (Home Inns South Railway Station Guangda Branch, Jin Jiang Inns South Railway Station Branch, Motel 168 Rongwu Road Branch, 7 Days Stadium Branch, Hanting Indoor Stadium Branch) in Shanghai from 10 July to 20 July, 2010. The questionnaire was distributed to 400 Chinese guests when they were waiting to check out at lobby. Due to the limitation of the Convenience sampling methods, the results of this research can not be generalized to the population outside the sampling participants.

For Inferential statistics, this study used multiple regression for hypothesis 1&2 and relative sub-hypothesis, using bivariate regression for hypothesis 3.

**Hypothesis 1:** the regression of perceived value on brand equity equation is

\[ PV = \alpha + \beta_1 BL + \beta_2 PQ + \beta_3 BA/BA + \epsilon \]

Where PV=perceived value, BL=brand loyalty, PQ=perceived quality and BA/BA=brand awareness/brand association, \( \alpha \), \( \beta_1 \), \( \beta_2 \), \( \beta_3 \)=regression coefficients, and \( \epsilon \)=error term. Hypothesis 1 suggested the parameters \( \beta_1 \) should be statistically significant.

**Hypothesis 2:** the regression of revisit intentions on brand equity equation is

\[ RI = \alpha + \beta_1 BL + \beta_2 PQ + \beta_3 BA/BA + \epsilon \]

Where RI=revisit intentions and the other variables are as defined in Equation 1.

**Hypothesis 3:** the regression of revisit intentions on perceived value equation is:

\[ RI = \alpha + \beta_1 PV + \epsilon \]
For the different impact hypothesis test, bivariate or multivariable linear regression model with dummy-interaction regressor methods were adopted in this study.

**Hypothesis 4:**

\[ PV = \alpha + \gamma D_i + \beta_1 BL_i + \beta_2 PV_i + \beta_3 BA_i/BA_i + \delta_i(BLD_i) + \delta_2(PV_i) + \delta_3(BA_i/BA_i) + \varepsilon \]

Where dummy-variable \( D_i \) is coded 1 for leisure travelers and 0 otherwise (business travelers in this study). \( r \) is the difference in intercept between the business and leisure groups.

**Hypothesis 5:**

\[ (5)RI = \alpha + \gamma D_i + \beta_1 BL_i + \beta_2 PV_i + \beta_3 BA_i/BA_i + \delta_i(BLD_i) + \delta_2(PV_i) + \delta_3(BA_i/BA_i) + \varepsilon \]

**Hypothesis 6:**

\[ (6)RI = \alpha + \gamma D_i + \beta_1 PV_i + \delta_i(PV_i) + \varepsilon \]

**Results**

**Demographic Information**

A total of 400 questionnaires were distributed for the study. The respondents’ ratio of business travelers to leisure travelers was 2:1. The sample consisted of 67.3% males were more inclined than females to stay at budget hotels for business purposes, while there was no significant difference between genders for the leisure purposes. As result showed, 18-39 years olds were the major age range choosing to stay at budget hotels, especially for the 26-39 year old group, which accounted for 65.2%. Also, budget hotels were affordable for the 18-25 year olds traveling for leisure. Most of the respondents (85%) were educated with college or bachelor degrees. And budget hotels in the price range of 90-200 RMB per night had the largest market segment since they met the guests’ psychological price level. With regard to the number of visits, over 5 times (36.8%) constituted the greatest percentage of respondents, followed by the 2-3 times (32.5%). As a result of purpose characteristics, 47% of business travelers visited over 5 times and the nearly 50% of leisure travelers visited the same hotel brand 2-3 times.

**Data Quality**

Descriptive statistics of variable appear in Table 1 (see Appendix A). The alpha value for all questions exceeds the minimum .60 level, so the questionnaire that was used in this study was valid and sufficient enough for examining its hypotheses. The mean values ranged from 3.2 for brand loyalty to 3.88 for revisit intention.

**Regression Results**

Table 2 (see Appendix B) presents the results of Equation 1-3. As hypothesized in hypotheses 1 to 2, all dimensions of brand equity have a positive effect on customers’ perceived value and revisit intentions (p<.05). And perceived quality (.284) had a more positive effect on the customers’ perceived value than brand loyalty (.230) and brand awareness/brand association (.126). In addition, brand loyalty (.271) had a more positive effect on revisit intentions than perceived quality (.218) and brand awareness/brand association (.244). In hypothesis 3, it shows perceived value also has a positive effect on hotel revisit intentions (p<.05).

The results of difference impact between business travelers and leisure travelers (Equation 4-6) appear in Table 3. In hypothesis 4 & 6, for dummy variables (trip purpose) and all interaction regressors, the p value of t was over .05 which means they were not statistically significant in the trip purpose and all two-way interactions which should be dropped from the equation. And in hypothesis 5, there are no significant
difference between business travelers and leisure travelers on the impact of perceived quality (p>.05) & brand awareness/brand association (p>.05) on revisit intentions, except brand loyalty (p<.05) dimensions. It shows for business travelers, brand loyalty had a greater effect on revisit intentions than it had on leisure travelers.

Discussion

This study shows that brand loyalty is an important dimension of brand equity amongst the sample visitors. It also shows that brand loyalty has a positive effect on customers’ perceived value (H_{1a}) and the hotel revisit intentions (H_{2a}). The result is consistent with and similar to the one in the value hotel chain study by Baldauf, Cravens and Binder (2003) and in the research on mid-price hotels by Kim, Jin-Sun, & Kim (2008). In other words, a higher level of brand loyalty can explain that customers perceive a higher service value. It leads the customers to consistently prefer a brand, which is strongly related to the hotel’s future revenue (Washburn and Plank, 2002; Kim, An, & Kim, 2003; Kim & Kim, 2004). That is the reason why the hotel industry treats loyal customers as its most important assets. The highest partial coefficient of brand loyalty (.271) pertaining to revisit intentions is also significant in the budget hotel segment. It is worth noting that, for business travelers, brand loyalty had a greater effect on revisit intentions than it had on leisure travelers (brand loyalty partial coefficient 0.334>0.156). This is consistent with the generally accepted view that business travelers favor a strong brand so as to save searching time and reduce purchase risk. On the other hand, leisure travelers may pursue new experiences and change from the brand that they are usually loyal to.

The findings of this study indicate that perceived quality has a positive effect both on the perceived value (H_{1b}) and on hotel revisit intentions (H_{2b}). There is no controversial item between the perceived quality and perceived value that was globally recognized (Zeithaml, 1988; Dodds et al., 1991; Anderson, Fornell et al., 1994). Nonetheless, the effect of perceived quality on revisit intentions is significant (p<.05), which conflicts with the empirical studies of Kim, An, & Kim (2003) and Kim, Jin-Sun, & Kim (2008) who determined that perceived quality was not important to hotel revisit intentions. Their results were based on a study of mid-price or luxury hotels located in mature hotel markets, which is not sufficient enough for the demonstration in China. As expected, in the less developed Chinese hotel industry and given the characteristics of budget hotels, perceived quality is still playing a sizeable role on budget hotel revisit intentions. This is consistent with a previous study by Washburn and Plank (2002), which also points out that the impact of perceived quality on perceived value and revisit intentions made no difference regardless of whether it is business or leisure travelers (p>.05).

Hoyer (1990) determined that the higher the level of brand awareness among customers, the more likelihood there is that this brand be considered when they purchase. With regard to the brand awareness/brand association, the data in this study shows it has positive effects on perceived value (H_{1c}) and revisit intentions (H_{2c}). Interpreting these findings, it can be said that the perceived value may work through the brand awareness/brand association even without true experience, e.g. Banyan tree hotel. And the brand awareness/brand association will inflate perceived value when
customers are satisfied, which further increases their revisit intentions.

As initially predicted, perceived value appears to have significant positive effects on revisit intentions ($H_3$), accounting for 0.483, which is higher than other predictors that were also found by Chang & Wildt (1994) and Parasuraman & Grewal (2000). These studies show that customers, not only in mid-priced hotels (Kim, Jin-Sun, & Kim, 2008) but also in budget hotels, are sensitive to the service they receive and the price they pay. In Rust and Oliver’s (1994) words, “even excellent quality can be regarded as poor value.” This result comes as a warning for those who are only concerned with service quality improvement. Apparently, value for money is one of the critical success factors for budget hotels – and one that should be given much greater attention.

**Conclusions and Implications**

This study aims to investigate the relationships between multidimensional customer-based brand equity (brand loyalty, perceived value and brand awareness/brand association), perceived value and revisit intentions in the Shanghai budget hotel segment. The results show that strong brand equity leads to customers’ higher perceived value, which increases their revisit intentions. Brand loyalty has a great impact on hotel revisit intentions, followed by brand awareness/brand association and perceived quality. Also worth mentioning is that perceived quality has positive effects on revisit intentions in the budget hotel segment. This contradicts the findings of Kim, Jin-Sun, & Kim (2008) and Kim, An, & Kim (2003) in their studies of other hotel segments. And perceived quality is the most significant predictor for perceived value, which has a significant impact on hotel revisit intentions.

In addition, it was discovered that the effect of brand loyalty on revisit intentions is greater for business travelers than for leisure travelers and there are no differences between business travelers and leisure travelers in terms of the impact of brand awareness/brand association, perceived quality, perceived value on revisit intentions.

**Managerial Implications**

Brand loyalty has the greatest effect on revisit intentions. So it is important to develop customers’ brand loyalty to improve budget hotel revisit intentions. Aiming to be a listed company seems to make the best of both worlds as it improves the brand’s reputation, and simultaneously facilitates raising funds for expansion plan. Therefore, establishing more branches and a renowned brand will enhance brand loyalty in the cognitive section.

Hotel managers can cooperate with relevant industries and companies who have the same target customers, using promotion, especially price discounts, to attract these customers to experience their brand. And for long term development, loyalty program for members should be build with E-commerce systems. Offering different hotel prices and promotions to different members at different booking times can make customers more loyal and meanwhile bring more profit to the budget hotels.

Building customers’ brand awareness/brand association contributes to increase the revisit intentions. Hotel managers can use a news website, forums, SMS, emails, radio and other communication methods to keep their brand relationship with customers. For the long term strategy, customer lifecycles should be considered for cross sell/up sell at customers’
different age stages. It is generally regarded as a good idea to foster brand awareness/brand association of subdivisions of budget hotel markets such as students, business travelers and families over a long time, since customers initially start as students. In addition, the segmentations can guide the firm to better match customers’ demands and reduce competition due to their recognition of the brand and hotel services.

No matter how fast the budget hotel segment expands, service quality always needs to be guaranteed at a certain standard. Otherwise, it would be better not to expand since over-expansion will damage hotels’ brand awareness/brand association and brand loyalty, and the hotel brand will disappear as has been the case with the Top Star Hotel Chain which was merged into Home Inn in 2007.

Apparently, perceived value is a powerful predictor of hotel revisit intentions, implying that Chinese customers are more sensitive to the price that they pay. Hotel managers have to be meticulous about setting prices and take into consideration perceived value in their hotel survey so as to make their marketing promotions more effective.

Due to small differences between business travelers and leisure travelers in China’s budget hotels, hotel managers are just inclined to focus on brand awareness/brand association, perceived quality and perceived value in their efforts to build a strong brand for leisure travelers. For this target market, a product differentiations strategy will have a chance to win the 90-200 RMB hotel market segment thanks to the affordable price for customers. And it is easy to guide customers’ consumer habits, e.g. through online booking and forum communication. Because the majority of customers are young and generally have higher degrees, they are willing to accept the new things, especially when it comes to business travelers. And providing business facilities and fast check-in and check-out special service for business travelers can better satisfy their requirements for efficiency.

Limitations
As a result of the limitations of time and resources, the findings of this study are from a sample in the Xiujiashui district of Shanghai, so generalization of the findings is limited. Further research is suggested in the whole city of Shanghai or in other provinces in China in order to test the results again.

This study emphasized the significance of brand equity in budget hotel development. The adjusted R Square indicates that brand equity could only explain 31.7% of the variations in revisit intentions. Considering the importance of perceived value in budget hotels, the proposed model can be extended to include the price and perceived value into the research of budget hotel revisit intentions. However, this is not enough to explain the revisit intentions. There must be other important factors that need to be identified in the future, e.g. customer satisfaction, hotel geographic coverage, etc.

References


### Appendix A

**Table 1: Descriptive statistic of variable**

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<th>Scale</th>
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<th>Number of Items</th>
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<td>Perceived Quality</td>
<td>1-5</td>
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### Appendix B

**Table 2: Regression of hypothesis 1-3 testing**

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<td>Perceived Value (Equation 1)</td>
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<td>Brand loyalty</td>
<td>0.23</td>
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<td>Perceived quality</td>
<td>0.284</td>
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<td>Brand awareness</td>
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<td>Interceptor</td>
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<td>R² (Adjusted R²)=.231(.225)a</td>
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Revisit Intention (Equation 2)

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<td>Interceptor</td>
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<td>R² (Adjusted R²)=.243 (.241)a</td>
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### Appendix C

**Table 3: Regression of hypothesis 4-6 testing**

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<td>Perceived quality</td>
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* F<.01, * p<.05, **p<0.01
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<td>Brand awareness</td>
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Revisit Intention (Equation 5)

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Revisit Intention (Equation 6)

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a F<.01.  * p<.05.  **p<0.01. Otherwise p>.05