Impact of Customer-Orientation on Brand Equity With Reference to Sri Lankan Airlines

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Maintaining positive customer-orientation is highly significant to build the brand name of a particular product or service in today’s highly-competitive market. Customer buying behavior and response towards a product or service is highly associated with the brand. Consequently, brand equity (BEQ) is considered as one of the key approaches to target the potential customer as it reflects the real value that a brand name holds. Sri Lankan airlines has managed to keep up its brand by focusing on customer-orientation in the airline industry. Considerably, the airline has reduced airfares to attract more customers. Therefore, the purpose of this study is to examine the impact of customer-orientation on BEQ with reference to Sri Lankan airlines. Here, the researcher considered BEQ as a dependent variable and customer-orientation as an independent variable that has three dimensions as customer relationship management (CRM), service quality (SQT), and price of the service. The sample size of the study is 75 respondents who used Sri Lankan airlines from December 2017 to May 2018. The researcher used a convenient sampling method to collect data from 75 passengers. The findings of the study are based on primary data which was collected through a questionnaire. The researcher used multiple linear regression analysis to examine the collected primary data. The outcomes of the study reveal that CRM, SQT, price of the service are significant factors, where \( p \) values are less than 0.05. Moreover, the findings of the study show that 1-point increases CRM, SQT, and price of the service corresponding to 0.038, 0.057, and 0.080, increases in BEQ. It also indicates that SQT has a higher impact than CRM and price of the service by comparing the standardized coefficients (beta = 0.732 vs. beta = 0.063 and 0.096). Apart from these, respondents are averagely satisfied with the price of the service (POS) and CRM. Therefore, it suggests that Sri Lankan airlines should offer reasonable low-price tickets than the competitors’ prices and vary the prices according to seasons and situations. In addition, airlines should focus on building and maintaining positive customer relationships in a manner that the customers will recommend the airline to their friends and family.

Keywords: brand equity, customer-orientation, Sri Lankan airlines

Introduction

Brand equity (BEQ) is a key focus for any firm to succeed in the business. Customer’s responses and behaviors towards a product or service are highly associated with the brand. Generally, a well-established brand creates more sales and revenue as compared to an unknown brand. From the researcher’s point of view, there are no particular elements of BEQ. However, many scholars have identified various elements of BEQ, such as brand loyalty, brand awareness, brand performance, brand attributes, perceived quality of the product or service.
and consumer perception, etc. Srivastava (2015) defined that BEQ is the added value endowed on products and services. Furthermore, it may be reflected in a way as consumers see, think, feel, and act towards a particular brand. However, customer-orientation plays an important role to build the BEQ of a firm. Hayes (2019) indicated that when the company creates positive BEQ, customers are willing to pay a high price for its product or service even though they could get the same product or service from a competitor with less price. BEQ describes the brand value of the product or service. The value is determined by consumers or customers through the experience and perception of the brand. Hence, it is necessary to build BEQ in the mind of the customer. One of the ways to build BEQ is through customer-orientation. Many firms considered customer-orientation as a priority to attract and retain the customer by identifying their changing needs and wants. Effective customer-orientation helps to build long-term relationships with the customer which leads to increase sales in the marketplace. As a result, it is one of the approaches to boost sales and retain customers in the long run. According to Mbaskool of article (2016), customer-orientation is defined as “a management and sales approach in which the customer is at the center and the business departments work around their needs and demands.” Customer-orientation gives importance to the customer by adding superior value to the product or service. Thurau (2004) revealed that customer-orientation is a key driver for customers’ satisfaction and customer retention in the service sector. The author also illustrates that employees’ social skills and their motivation as components to develop a stable relationship with the customer. A study conducted by Chinnasamy and Pongiannan (2014) based on Thirukkurungudi Vengaram Sundram (TVS) company, found that affordable price is the highest attribute followed by accessibility, brand value, brand exposure, a brand reputation, which are influence BEQ to retain the customer.

Problem Statement

Currently, Sri Lankan airlines is the largest airline in Sri Lanka by operating 113 destinations in 51 countries from its main hub located at Bandaranaike, the International Airport in Colombo. Sri Lankan airlines has managed to keep up its brand by focusing on customer-orientation in the airline industry. Considerably, the airline has reduced airfares to attract more customers. Further, Sri Lankan airlines has been continuously working on the quality of flight by redesigning the interior, improvements to on-board service, especially the business class cabins with first-class recliner seats for added comfort. According to the Sri Lankan airlines Annual Report (2018), the airline has achieved revenue of Rs. 126.9 billion in the financial year of 2017/2018, which is the highest ever revenue in the company’s history. In the case of the airline industry, BEQ derives especially from the components of customer-orientation, such as quality of the service, price of the service, communication of information, and customer relationship management (CRM). Therefore, this study focuses on how customer-orientation has an impact on BEQ with reference to Sri Lankan airlines.

Aim and Objectives of the Study

The aim of this study is to analyse the impact of customer-orientation on BEQ. The researcher has developed a few specific objectives in order to achieve the aim of the study as:

1. To examine the relationship between customer relationship and BEQ;
2. To examine the relationship between service quality (SQT) and BEQ;
3. To examine the relationship between price of the SQT and BEQ;
4. To find out the strategies in order to boost customer-orientation, which would bring favorable outcomes towards the BEQ?
The Significance of the Study

The finding of the study might be useful to the decision-makers, society, country, and fellow researchers. This study highlights the significant role of customer-orientation to build positive BEQ in the field of marketing. The study also determines the contributing factors of customer-orientation in the airline industry. Thus, this study might be guided on what factors should be emphasized by management in order to improve customer-orientation. Increasing demand for the airline industry justifies the need for concentration on BEQ in the airline industry. Therefore, the recommended approach derived from the result of the study will be able to improve customer-orientation which will lead to build positive BEQ.

Literature Review

Customer-Orientation

Customer is one of the most important elements that can help the firm to run the business successfully. Customer-oriented organizations mostly focus high priority on the individual customer needs, which is essential for building the BEQ of the product. Therefore, consumer orientation stresses understanding consumers’ needs which leads to satisfying customers at the maximum level. Many firms concentrate on customer-orientation to build the BEQ of the product. Buttenberg (2017) defined, “Customer-orientation is focused on the perception of products or services and how they are fulfilling consumers’ needs.” The author also mentioned that market-learning capabilities and CRM capabilities as components of customer-orientation.

Customer relationship management. CRM is an approach for managing the positive relationship between customer and firm. It became an essential marketing tool to increase sales of the firm. CRM helps to retain the old customer and also to attract the potential customer. Amoako, Arthur, Bandoh, and Katah (2012) mentioned that CRM is an approach to understand and influence customers through meaningful communication in order to improve customer acquisition and customer retention. Further, the authors highlighted that CRM creates customers’ willingness to repurchase services and refer the services to friends and relatives. According to the CRM Aviation Report (2019) revealed that proper implementation of CRM helps to take the right decision in a timely manner to reduce operational costs that can transfer to gain customers in the form of reduced airfare. Some of the measurements of CRM are customer involvement, responsiveness, assurance, courtesy, and skillful staff. Krishnakumar and Baby (2012) identified that responsiveness factor has a positive role and direct impact in the airline service, which helps to improve the performance of airline companies to succeed in the competitive aviation market. Similarly, Majid, Zahra, and Azade (2016) found that responsiveness has a significant and positive impact on BEQ.

Quality of service. Quality of service is the output of the service which is able to deliver to the customer as per their expectation. Gefan (2002) defined quality of service is a subjective comparison among the services that customers prefer to receive and what they actually received from the provided service. Airlines should develop proactive strategies to improve customer satisfaction on SQT by fulfilling their service promise (Akpoymare, Adeosun, & Ganiyu, 2016). Majid, Zahra, and Azade (2016) found that reliability, tangible factors of service, assurance, and empathy have a positive and significant impact on BEQ and also identified that tangible factors of services have the most impact on BEQ. However, the authors mentioned that further investigation of the effect of SQT on BEQ is necessary as BEQ is vital for organisations. Ahn and Lee (2011) found that tangible factors of service have a significant influence on the customer’s overall perception of the quality of service.
Price of the service. Price is the amount of money payable by a customer for goods, services, or ideas receive from the seller. The price paid by a customer should match the value of the goods or services provided by a seller. Certainly, price indicates the quality of the service offering to the customers. In the airline industry, the price for the same flight fluctuates frequently depending on the time of purchase or situation. The study conducted by Escobari, Rupp, and Meskey (2018) found that charge for higher price for business travelers who mostly travel during office hours between 9 a.m. and 5 p.m. and lower prices for tourist and leisure travelers who travel in the evening between 5 p.m. and midnight.

Brand Equity

BEQ is one of the most important concepts in the service sector, especially in the airline industry. It provides meaning to the total value of the brand associated with the brand name and symbol. BEQ could be positive, negative, or neutral thoughts, beliefs, and emotions that customers associate with the brand of the product or service. BEQ as a set of assets and liabilities linked to a brand that adds value to or subtracts value from the product or service under that brand (Aaker, 1991). The author also identified brand loyalty, brand awareness, brand association, and perceived quality as dimensions of BEQ. Thakshak (2018) found that flight SQT, brand awareness, and brand association have a positive effect on brand reputation. Bhasin (2019) highlighted that BEQ influences the client’s trust in the purchase choices. The author also mentioned that brand awareness, perceived quality, and brand association can reinforce and motivate to purchase the product or service (see Figure 1).

![Five assets model of BEQ](source: Aaker, 1991)

**Methodology of the Study**

Inductive, deductive, and abductive are the research approaches used in research. In this study, the researcher adopted a deductive approach. The researcher believes that it is appropriate to use a deductive approach, because this study is about finding out how customer-orientation factors influence on BEQ.

**Conceptualization of the Study**

Here, the researcher considered BEQ as a dependent variable and customer-orientation as an independent variable that has three dimensions as CRM, SQT, and price of the service.

**Hypotheses of the Study**

The following hypotheses were constructed based on the conceptual framework shows in Figure 2.

H1: Customer relationship has a positive relationship with BEQ;
H2: SQT has a positive relationship with BEQ;
H3: Price of the service has a positive relationship with BEQ.

![Conceptual framework](image)

**Population of the Study**

A population is an entire group of people or objects consider for the study. For this study, the population of the study is passengers who used Sri Lankan airlines from December 2017 to May 2018.

**Sample Size and Sampling**

Sample is the group of individuals who actually participate in the study. Sample size refers to the number of elements selected from the population. The sample size of the study is 75 respondents, who used Sri Lankan airlines. The researcher used a convenient sampling method in order to select those 75 passengers.

**Data Collection**

This study is mostly based on primary data collected from the passengers of Sri Lankan airlines. Primary data for this study was collected by using the survey method through the questionnaire, which was distributed among passengers of Sri Lankan airlines. The questionnaire was divided into two sections: The first section was designed to analyze the demographic information of the respondents; and the second section consists of the questions based on the variables. Questions covered all the variables of the study, which BEQ being the dependent variable and CRM, SQT and price of the service as dimensions of an independent variable. Questions were designed based on responsiveness, assurance, and courtesy to measure CRM. Convenience, reliability, on time and tangible factors, were used to measure SQT. The POS was measured through reasonable price, price comparison, and pricing strategy. And BEQ was measured through brand value, brand awareness, and brand loyalty. Secondary data were collected through published research papers, journals, reports, websites, guidelines, and newspapers.

**Result and Discussion**

There are no gender biases in the study as 53% of the respondents were male and 47% of the respondents were female. The majority (45%) of respondents is degree holders, 35 % are master, 15 % advanced level, and only 5 % are ordinary level. The reliability of the data was checked by the Cronbach’s alpha. Cronbach’s alpha value of 0.846, 0.863, 0.876, and 0.785 indicates that the questionnaire used for the study is reliable.

**Testing of Hypothesis**

Correlation explains the relationship between two variables and also examines the significance of the
relationship. Table 1 represents the result of the correlation between CRM and BEQ. It suggests that correlation coefficient (r) is equal to 0.562, which indicates that there is a moderate positive relationship between CRM and BEQ. P-value for this correlation coefficient is 0.005, which is < 0.01 significant value. It meant that it is statistically significant between CRM and BEQ. Hence, Hypothesis 1 has been accepted.

Table 1

|            | CRM     | BEQ     |
|------------|---------|---------|
| Pearson correlation | 1       | 0.562** |
| Sig. (2-tailed)  |         | 0.005   |
| N           | 75      | 75      |

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

Table 2

|            | SQT     | BEQ     |
|------------|---------|---------|
| Pearson correlation | 1       | 0.984** |
| Sig. (2-tailed)  |         | 0.002   |
| N           | 75      | 75      |

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

Table 2 describes the correlation between SQT and BEQ. According to Table 2, the correlation of coefficient is 0.984 which meant that there is a very strong positive relationship between SQT and BEQ. The significant level of the p-value is equal to .002 which is < 0.01. Hence, there is a statistically positive significant relationship between SQT and BEQ. Therefore, Hypothesis 2 has been accepted as per the analysis.

Table 3 represents the correlation between the POS and BEQ. As per Table 3, the correlation coefficient (r) is 0.758 which shows that there is a strong positive relationship between the price of the SQT and BEQ. The P-value of correlation coefficient (r) is 0.001, which is significant at 0.01. It concludes that there is a significant positive relationship between the price of the SQT and BEQ. Therefore, it has been proved that Hypothesis 3 is accepted.

Multiple Linear Regression Analysis

A multiple linear regression analysis was carried out in order to measure the significant levels and also to find out the impact of the considered factors on BEQ. Based on the analysis, CRM, SQT, price of the service are significant factors, where p values are less than 0.05. It also reveals how many units of b BEQ increases for a single unit increase in each factor. The findings of the study demonstrate that 1-point increases on CRM, SQT, price of the service corresponding to 0.038, 0.057, 0.080, increases on the BEQ. It also shows that SQT has a higher impact than CRM and price of the service by comparing the standardized coefficients (Beta = 0.732 vs.
Beta = 0.063 and 0.096). Based on this analysis, the model has developed as:

\[
\text{Brand equity (BEQ)} = 0.156 + (0.038 \times \text{CRM}) + (0.057 \times \text{SQT}) + (0.080 \times \text{POS})
\]

Table 3

|                  | POS       | BEQ       |
|------------------|-----------|-----------|
| Pearson correlation | 1         | 0.758**   |
| Sig. (2-tailed)   | 0.001     |           |
| \(N\)             | 75        | 75        |
| Pearson correlation | 0.758**   | 1         |
| Sig. (2-tailed)   | 0.001     |           |
| \(N\)             | 75        | 75        |

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

Table 4

| Model                  | Un-standardized coefficients | Standardized coefficients | \(t\) | Sig. |
|------------------------|------------------------------|---------------------------|-------|------|
| (Constant)             | 0.156                        | 0.144                      | 0.926 | 0.136|
| CRM                    | 0.038                        | 0.043                      | 0.063 | 1.245| 0.002|
| SQT                    | 0.057                        | 0.543                      | 0.732 | 3.321| 0.000|
| Price of the service   | 0.080                        | 0.046                      | 0.096 | 1.718| 0.000|

a. Dependent variable: Brand equity.

**Conclusion and Recommendation**

This study is conducted to analyze how customer-orientation can impact BEQ in the airline industry. The research was focus on customer-orientation and BEQ by referring to Sri Lankan airlines. The findings of the study highlight that CRM, SQT, price of the service are statistically significant factors affecting BEQ in Sri Lankan airlines. Consequently, these factors have a positive relationship with BEQ. It also demonstrates that respondents are average satisfaction on the POS and CRM. Therefore, it suggests that Sri Lankan airlines should offer reasonable low-price tickets by comparing with the competitors’ prices and also varying prices according to seasons and situations. Correspondingly, maintain and improve strong positive customer relationships in a manner that customers will recommend the airline to friends and family.

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