IMPACT OF BRAND KNOWLEDGE ON CUSTOMERS WILLINGNESS TO PAY PRICE PREMIUM FOR FINE DINING RESTAURANTS: MEDIATING ROLE OF BRAND ATTITUDE

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Keywords

Abstract

Fine dining restaurants are facing severe competition to attract customers to pay for their expensive menu. Thus the aim of the present study is to analyze the driving force and the underlying motivation behind customer's willingness to pay premium for their extravagant menu. This study examines the impact of brand knowledge on customers brand attitude and willingness to pay price premium. In the presence of brand attitude as a mediator, the impact of brand knowledge is tested on willingness to pay price premium. On the basis of convenience sampling, customers were intercepted at various restaurants. 500 self-administered questionnaires were collected, on a 5 point Likert scale. The data was subjected to simple linear regression analysis. Results suggest that, customers are willing to pay premium for best known restaurants more favorably, as they are quality conscious. Brand attitude (β=.447, p-value < α), partially mediates the relationship between brand knowledge (β=.362, p-value < α) and willingness to pay price premium. These findings provide an insight into customer's willingness to dine in expensive restaurants and also provide managerial implication for the marketers to build a sustainable fine dining businesses in Pakistan.

1. Introduction

Products, logo, brand prestige and social, economic, functional values, that the fine dining restaurants provides, have an important role to play in influencing customers brand knowledge. It is the characteristics of the product, the knowledge of the brand, and the awareness of its attributes such as quality, origin, uniqueness etc that customers have, that makes them not just loyal but motivates them to pay premiums or else, restaurants cannot generate revenue (Kumar et.al, 2015). Strong brands with strong brand equity, are able to make customers to even try out their new offerings and products, as they tend to be more loyal, have more confidence and trust the brand. There are three types of brands: generic brands, standard brands and premium brands (Rubio et.al, 2015). Fine dining restaurants are defined as the ones that offer the high quality and have high prices. It has a bundle of physical as well as psychological values for the customers (Kim et.al, 2012). Fine dining restaurants are the ones that goes beyond their basic products and the attributes (Su & Tong, 2015). According to the few psychological researches, it is the desire for status that creates the need for luxury lifestyle (Drèze & Nunes, 2008; Griskevicius et al., 2007).

Previously, researchers have investigated the impact of brand equity on their willingness to purchase but the result have vary from culture to culture (Wang et.al, 2011). Therefore, importance of brand knowledge in isolation is analyzed that may act as a motivator for

customers to go for extravagant restaurants (Siu et al., 2016). One of the elements of brand equity is the brand knowledge also referred as brand awareness. It is the ability of the customer to identify and recognize the respective restaurants, from a product category, without any aid.

A good brand knowledge signifies that customer is well aware of the brand in the market. Therefore, the more the brand is in the minds of the customer, the more likelihood that the customer will buy or frequently visit the can help in shaping up and developing favorable image in the minds of the customers respective restaurants rather than trying out the offerings provided by the competitors. Also, brand knowledge can change the perception of the restaurants in the minds of the customers, through effective marketing strategies (Hwang et.al, 2012). Brand knowledge increases the confidence among the customers for the restaurant. It works like a defense against rivals. As a cognitive factor, brand equity, influences customer's attitudes, which is an affective construct that ultimately leads to customer's willingness to pay price premiums (WTPP). A favorable brand equity triggers favorable emotional responses from the customers and thus helps in developing positive customer's affective attitude.

It is the consequence of consumption and purchase satisfaction, emotional reward and attachment that creates favorable brand attitude. Brand attitude can be both negative and positive. A positive one is the key to customers

willingness to pay the price premium, as brand equity is responsible for developing brand affection for the customers, which may be due to functional, emotional, or experience satisfaction from the purchase (Kumar et al., 2015). Marketing efforts are only effective if customers have positive brand attitudes, as they will respond more enthusiastically. They will be motivated to make a purchase as they will consider spending worth the values they are seeking for (Sean et.al, 2012). Customers seek for values and rewards when they make a purchase: functional, emotional, and economic and satisfaction from consumption. Brand attitudes are shaped by positive brand knowledge. Managers who are managing expensive restaurants need to know, how the brand knowledge works in the Asian markets. Proper understanding of brand knowledge from Pakistani perspective will help them devise proper effective marketing strategies, as same strategies cannot be carried from culture to culture.

1.1 Significance of the Study

Pakistan is one of the primary contributors towards luxury markets and thus a market for the prestigious and extravagant goods and services exists in Pakistan. Western researches are not applicable on eastern markets, primarily because of the culture differences. Therefore, the aim will be to assess the impact of brand knowledge on WTPP (dependent variable) for fine dining, with the mediator brand attitude. There are sound number of people who prefer to dine out and spend generous amount of

money to meet their social status requirement and out of passion and love for extravagant food. The results will highlight and conclude the determinants and elements of brand equity that has the most impact on customer's WTPP. Every existing or new restaurant needs to know which elements influences the most, in order to be a success in Pakistan's food industry. They can accordingly focus their marketing strategies that can motivate the customers to keep paying the premiums and to survive in a competitive market.

1.2 Research Question

The study of impact of brand knowledge on consumer's brand attitude and willingness to pay a price premium for fine dining restaurants.

1.3 Theory of brand knowledge, brand attitude and willingness to pay price premium

Kim and Kim, (2005) states that brand equity is important as it effects financial performance. In terms of performance, brand awareness influences the most for restaurants, especially for the luxury restaurants. A positive brand equity results in positive cash flow and therefore maintaining good brand equity is important or else the firms can suffer from declining sales in the long term. Customers tend to trust a brand more, when they are well aware and are familiarized with the brand. A positive brand awareness results in a positive image and thus determines future purchase (Esch et.al, 2006). Severi and Ling, (2013) claims that important objective of a market search is to analyze the power of brand equity. It cannot be

ignored when designing marketing strategy as it impacts customers brand experience and thus the decision when buying. Brand knowledge is the ability of the customer to identify and recognize the brand in their minds. They are able to easily recall without any aid. However, it should be under consideration, price premium relates to the customers willingness to make the payment at the stated price. Therefore, particular restaurant image and favorable elements in the minds of the customers help build and develop price premiums (Anselmsson et.al, 2014).

H1: there is a significant impact of brand knowledge on willingness to pay price premium.

Fine dining is an attraction for young customers to buy and satisfy their social needs. There is cut throat competition and service providers not only strive to provide best deal but the quality that the customer seeks for. This result in positive and favorable brand attitude. It is the attitude that customers develop for the restaurant which is based on their overall evaluation and past experiences in the restaurant. It can be both positive and negative attitude, which tends to last for a longer time but can be changed by providing them new good experiences (Ghorban, 2012). A favorable brand attitude is an underlying force that makes customer willing to pay for the premium. Brand attitude acts as a mediator and motivates customers to spend premiums. Though non luxury brands also provide the basic satisfaction from utilization. But it is the customers brand

attitude the drives them to make expensive purchases (Bian & Forsythe, (2012).

H2: there is a significant impact of brand attitude on willingness to pay price premium.

As customers become more aware of the famous brands, they become critical about the brands on the basis their uniqueness (Zhan & He, 2012). Delgado-Ballester and Luis Munuera-Alemán, (2005) states when customers have enough awareness that attracts them to try the restaurant, and are happy with their purchase experience and they developed trust. The element of trust persuades them to make repeated purchases, and ultimately premiums. It helps in generating three important strengths for the brands. Firstly, when customers have more brand knowledge and awareness, they are more familiar with the respective brand. Secondly, they will consider the respective brand over other competitor's brands if they have increased positive brand knowledge. And lastly, customers trust a particular brand more than the competitors because of brand knowledge and awareness (Lu et.al 2015).

It is said that brand knowledge plays an important role during customers buying decision process. It is the customers recognition, awareness and knowledge dominance and recall for the brands (Barreda et.al, 2015). According to Miller and Mills, (2012) elements like, prestige, high quality, and ability of the brand to act as a part of individual self-esteem and social status, and only if the customers are well aware of restaurants that

satisfy those social needs, triggers the motivation in the customers to make them willing to pay premiums.

H_3: brand attitude mediates the relationship between brand knowledge and willingness to pay price premium

2. Materials and Methods

2.1 Research Method

To reach respondents, non-probability sampling technique was adopted. Where on the basis of convenience sampling, respondents answer is collected by intercepting them at various restaurants. Some extravagance, renowned and expensive restaurants: Veranda Bistro, Cosa Nostra Bon Vivant Palais,Cuckoos Den etc. were specified on the questionnaire as cases/ reference. Questionnaire was originally written in English as the target sample is educated. Their responses were marked on a rating scale. 5 point Likert Scale was utilized, where respondents marked their responses from strongly disagree to strongly agree

2.2 Instrument and Data Collection Procedure

Unit of analysis are the customers of fine dining restaurants. Survey was conducted in the natural setting. Customers were intercepted at various restaurants. Since they were self-administered questionnaire, minimal interference was made between respondents and researcher. The objective for research was clearly mentioned as an introductory line on the questionnaire, which further limited the researcher-respondent interaction Convenience sampling method was used, where various

respondents were intercepted at various restaurants in Lahore. They were also asked to select and name any number of fine dining restaurant they have experienced dining in. 500 questionnaires were successfully collected.

2.3 Population and Participants

500 customers of fine dining restaurants is the sample size. For the research purpose, the sample is picked out from Punjab province of Pakistan. 312 questionnaires were successfully collected from the area Gulberg, 81 from DHA and 107 from Johar Town. Customers were intercepted at various expensive, well renowned restaurants. Sample comprises customers who dine in fine dining restaurants, are brand conscious and idealize luxury life styles.

2.4 Data Analysis

To ensure the reliability of the data collected, Cronbach alpha test is carried out. Descriptive statistics and linear regression analysis is conducted, to draw conclusions. Pearson correlational analysis is also part of the data analysis.

3. Results

Descriptive analysis comprises of ranges, mean and standard deviation of the respective variables. Brand knowledge has a mean of 37.26 with a standard deviation of 7.279. Brand attitude has a mean of 2.845 and a standard deviation of 20. Similarly, willingness to pay price premium has a mean of 12.39 and a standard deviation of 3.555. Brand knowledge shows reliability index of.763, brand attitude .776 and willingness to pay price premium of

.845. Hence there is no doubt of reliability in the data.

Impact of brand knowledge on willingness to pay price premium shows value of R^2 0.228 signifies that there is 22.8% variation in WTPP, by brand knowledge. R 0.478 shows there is a moderate relationship between both the variables. The ANOVA table signifies that the model is good fitted (F statistics 147.331, with a p-value less than Alpha .05). One unit change in the independent variable which is Brand knowledge will bring 0.594 units change in dependent variable i.e WTPP. H1 is supported i.e brand knowledge has a significant impact on WTPP (β = 0.594, .000<α).

The value of R^2 is 0.260 signifies that there is 26% variation in WTPP, a dependent variable, is by brand attitude, which is a mediator. R 0.514 shows there is a moderate relationship between both the variables. The ANOVA table signifies that the model is good fitted (F statistics 174.683, with a p-value less than Alpha .05). The Beta value shows that a one unit change in brand attitude will bring 0.637 units change in dependent variable i.e WTPP. H2 is also supported; brand attitude has a significant impact on WTPP (β = 0.637, .000<α). Linear regression analysis for mediation shows that, the value of R^2 is 0.322 signifies that there is 32.2% variation in WTPP, a dependent variable, is by brand knowledge, an independent variable, in the presence of the mediator brand attitude. R 0.567 shows there is a moderate relationship between both the variables, when a mediator is involved. The

ANOVA table signifies that the model is good fitted (F statistics 117.785, with a p-value less than Alpha .05) A change of 1 unit in brand knowledge, and 1 unit change in brand attitude, will bring about .362 and .447 units change in the dependent variable i.e WTPP, respectively. Also, when the mediator is controlled, independent variable is significant, which shows that there is partial mediation.

This means that brand knowledge (β =.362, .000<α) has a direct impact on WTPP as well as has a relationship with the WTPP in the presence of the mediator brand attitude (β=.447, .000<α). Also, Sobel test was also conducted to test the mediation (test statistics= 9.50887393, p=0). Thus H3 is also supported.

Regression assumptions were also tested for every step. The histogram is Bell shaped, and also P P-plot shows the errors are normally distributed. Since there is no trend in the scatter plot, therefore there is homoscedasticity.

4. Discussion

Brand equity is a multi-dimension construct and the determinants intensity of impact varies from culture to culture. The focus of this study is the importance of brand equity from customer's perspective i.e. how customer reacts and appraises a fine dining restaurant. It is the overall strength of a restaurant that is able to make customer dine in frequently and thus raise financial values. It is the customers understanding level, their association with the restaurant and overall quality perception. Times have changed. Customers are now willing to pay more for a different menu. Customers here

are food lovers and they tend to enjoy new dishes and have a thrill to try out mediator. Brand equity is a multi-dimension construct and the determinants intensity varies from culture to culture. This study states that brand knowledge is important in the context of WTPP, for long term profits. The focus is to understand the importance of brand knowledge from customer's perspective i.e. why customers are WTPP for a fine dining restaurant. It is the overall strength of a restaurant that is able to make customer dine in frequently and thus raise financial values. It is the customers understanding level, their association with the restaurant and overall quality perception. Strong attitudes works like defense against the offering by rivals, and therefore strong brand equity can mold their attitudes to make them willing to pay premiums. A good past experience and positive quality perception is key to developing loyalty with the restaurants. It is the awareness of their unique positioning that will make them competitive regardless of the price.

6. Recommendations

- Psychological judgment of the customers may change over time and results may differ with change in customer's disposable income, therefore longitudinal studies may explain the impact of brand equity in a more effective way. Also, probability sampling may generate more accurate results, thus enhancing the validity of the research.

- There are certain dimensions of brand equity that has the deepest impact on the customers WTPP, and pay repeated visits. As the results show and describes the importance of brand equity in terms of relationship with each other.

- Disposable income relationship with their purchasing power can be another strong element that can be tested for customers WTPP.

- There may be social status stigma that makes customers to dine in expensive restaurants to seek emotional and psychological satisfaction of self-identity. Thus, there relationship to persuade for expensive dining can be investigated.

7. Limitations

- This study cannot be generalized to other sectors or industries, the results may vary from industry to industry.

- The representation of the data- sample obtained from Lahore, which is economically advanced city compared to rest of the cities.

- Preference to spend money on expensive food may also vary according to the level of disposable income across nation.

- A different methodological technique, probability sampling technique may have generated different results.

- Longitudinal studies may have concluded different results.

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