EXAMINING THE LINK BETWEEN WORD OF MOUTH AND BRAND EQUITY: A STUDY ON INTERNATIONAL FAST FOOD RESTAURANTS IN MALAYSIA

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ABSTRACT

This paper aims to test the link between word of mouth and brand equity in the restaurant industry. The data were collected from 293 customers of the international fast food restaurants in east coast Malaysia using convenience sampling technique. The collected data were analysed using SPSS and Structural Equation Modelling (SEM). The findings revealed that word of mouth has a significant relationship with brand image and brand loyalty. Furthermore, word of mouth has a significant relationship with brand preference and brand leadership. Finally, the findings indicated that word of mouth has a significant positive relationship with overall brand equity. This paper provides useful implications for the decision makers in the fast food restaurants by improving their understanding of the role of word of mouth in affecting brand equity.

1. INTRODUCTION

Brand equity is a well-researched marketing concept that has been extensively discussed by several scholars and business practitioners over the prior decades. Several researches have focused on conceptualizing, measuring, and identifying the antecedents of customer based brand equity. There are many advantages for acquiring strong brand equity such as: minimal anticipated risk on purchasing decision of a brand and higher customer loyalty (Guerrero et al., 2000; Keller, 1993; Lassar et al., 1995). According to Aaker (1996) firms with strong brand equity are likely to enjoy higher levels of anticipated confidence in consumers’ brand purchase behaviour. Moreover, consumers tend to develop higher levels of satisfaction toward the products or services of well-known brands. De Chernatony and Riley’s (1999) also supported that brand equity facilitates or eases consumers’ purchase decisions process through brand name as it can enable them to make better choices without taking long time to search.

Past studies indicated that in order to build and strengthen brand equity, it is vital to focus on various marketing factors such as word of mouth. To succeed in the current intense business competition, providing products or services with high quality is the key strategy of strong brands.
Particularly, a brand must deliver its consumers products that are characterized by high quality and superior performance in order to influence them to develop favourable associations in their memories (Farquhar, 1989). Such evaluation would as a result lead to positive word of mouth among customers. In past literature, word of mouth is considered as an important mechanism of information communication among customers (Jalilvand et al., 2011). In other words, word of mouth has a key role in influencing consumers’ purchase decisions and behaviour. Virvilaitė et al. (2015) also found that word of mouth had a significant relationship with brand equity. The authors also regarded word of mouth as a key marketing factor that could affect brand equity.

Although word of mouth was recognized as key marketing factor that influences consumer purchase behaviour, there appears to be only few studies that examined its link with brand equity assets such as brand preference and brand leadership. According to Armelini (2011) future studies should be centered towards examining the link between word of mouth and brand equity assets, such as brand loyalty and brand image. Furthermore, brand equity has received high intention in physical product categories, but only few scholars intended to examine this concept in the service industries. Therefore, the objective of this study is to empirically test the link between word of mouth and brand equity of the fast food industry in Malaysia. It also aims to provide a contribution to the theory of brand equity by using brand preference and brand leadership to measure brand equity as previous studies of this nature are very limited. The following section presents some literature on both variables with empirical evidence about the association between them.

2. LITERATURE REVIEW

2.1. Brand equity

Prior literature reveals that brand equity is a well-researched topic in marketing. However, although it is considered as a controversial marketing subject, the final objective of any business is to obtain high brand equity. Therefore, focusing on brand equity should not be over locked. Aaker (1991) viewed brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol that add or subtract from the value provided to a firm and/or to that firm’s customers” (p.15). Keller (1993) also incorporated the perspective of customers into brand equity and described it as the “differential effect of brand knowledge on consumer response to the marketing of the brand” (p. 2). Moreover, brand equity was defined in past literature as the customers’ overall perceptions toward the value of a brand, which motivates them to acquire, maintain, or increase their possession of something in order to meet certain needs, wants, purposes, or desires (Broyles et al., 2009). Similarly, et al. (1994) referred brand equity to the “added value endowed by the brand to the product” (p. 271).

Brand equity has been conceptualized and measured in previous studies using a set of dimensions. In general, the most frequently used dimensions which include: brand awareness, perceived quality, brand association and brand loyalty were proposed by Aaker (1991). Brand equity was also measured in the literature using brand distinctiveness, brand awareness, and brand loyalty (Yasin et al., 2007). Similarly, Taleghani and Almasi (2011) used brand awareness, perceived quality, brand associations, and brand image to conceptualize and measure brand equity. Another contribution to brand equity was provided by Hanaysha and Hilman (2015) who integrated brand loyalty, brand awareness, brand leadership, and brand image for measuring brand equity. In addition to that, Silva et al. (2012) used the following dimensions to measure brand equity: functionality, perceived quality, brand loyalty, and brand image. However, this study aims to provide a contribution to brand equity theory by using brand image, brand loyalty, brand preference, and brand leadership to measure brand equity.

In marketing literature, brand loyalty was defined as the degree to which consumers develop emotional attachment to a brand through their commitment to repeat purchases of company’s products without intending to switch to others. Peng et al. (2016) also defined brand loyalty as the willingness of customers to keep their relationships with a certain brand on the long term. The other dimension which is brand image was described in the literature as the overall impression that
is inclined in consumers’ memories about a brand (Hanaysha & Hilman, 2015). That is, brand image
can be expressed based on the views and evaluations of consumers about a brand’s products or
services (Laasch & Conaway, 2014). Moreover, brand preference refers to consumer’s decision to
choose or purchase a certain brand in the presence of other competing ones, and it can be formed
based on past experiences or the recommendations of others. Finally, brand leadership was defined
in past literature as the competitive advantage that a brand has over its competitors (Zarantonello
& Pauwels-Delassu, 2015). It reflects the perceptions of customers about the distinctive capabilities
of a brand in achieving excellence and providing unique offerings which are not easy for
competitors to copy or imitate.

2.2. Word of mouth
With the increasing demand of customers and high competition among various industries,
organisations started to look for new ways to serve customers in order to improve and sustain their
competitive advantages. A key differential advantage that a firm or brand can possess is the
favourable word of mouth recommendation by its satisfied customers. The significance of word of
mouth is well established as the most influential communication tool to drive consumers’ reactions
toward a brand. Past literature reported that positive word of mouth is more effective than
advertising technique (Day, 1971). Hawkins et al. (2004) viewed word of mouth as a key factor that
customers tend to rely on before making purchase decisions, and is reflected through the and
experiences shared by others toward certain products, services, and brands. Word of mouth was
also defined by Arndt (1967) as “oral person to person communication between a receiver and a
communicator whom the receiver perceives as non-commercial, regarding a brand, a product or a
service”. The key idea of word of mouth is directed towards sharing and communicating consumers’
knowledge and opinions about the products or services of a particular brand sandwich others. In
general, word of mouth comprises any shared information about a brand which can be transmitted
from one consumer to another through personal conversations or via other tools of communication
(Brown et al., 2005).

In past literature, word of mouth was widely accepted as a key traditional and highly effective
element of marketing communication which is characterized by cost-effectiveness (Godes et al.,
2005; Hogan et al., 2004). Similarly, Kotler et al. (2014) considered word of mouth as the main
marketing tool that can be quickly transferred among customers at very minimal cost. Nowadays,
word of mouth has received higher importance from customers as a reliable communication tool
because of their less interest in advertising and other traditional media. Lang and Hyde (2013)
indicated that word of mouth can be stimulated through marketing communication tools such as
advertising, celebrity endorsement, and promotions. According to Taghizadeh et al. (2013), word of
mouth is a powerful marketing factor that received significant emphasis from various service
providers, particularly, those whose businesses focus on intangible offerings. In such services,
customers depend mostly on the given advice and recommendations by others, friends or relatives
who had previous experience in using that service. Moreover, consumers usually tend to develop
trust toward friends and relatives more than the communications initiated by the brand itself, and
this confirms the significance of word of mouth as a marketing tool (Nget et al., 2011).

In previous studies, certain scholars concluded that word of mouth had a positive influence on brand
equity (Murtiasih et al., 2013; Rezvani et al., 2012). Herr et al. (1991) also demonstrated that positive
word of mouth among customers can reinforce brand association strength, as the information
presented through face to face manner is likely to be more credible than those communicated in a
less vivid manner. Virvilaite et al. (2015) indicated that consumers value word of mouth information,
because it delivers various messages to them about a brand, and such information can affect brand
equity and its assets; brand loyalty and brand association. Additionally, Hoyer and MacInnis (2001)
found that positive word of mouth was the most important factor to affect brand reputation, and
their results are in line with Cornelissen (2000) who endorsed the contribution of word of mouth to
corporate reputation. Yildiz (2015) also reported that word of mouth has a significant relationship
with brand equity dimensions; brand image, brand association, brand awareness, and brand loyalty.
Similarly, Torlak et al. (2014) concluded that word of mouth has a significant and positive
association with consumer’s purchase intentions and brand image. Based on the above discussion, the hypotheses of this study are presented as follows:

H1: Word of mouth has a significant relationship with brand image.
H2: Word of mouth has a significant relationship with brand loyalty.
H3: Word of mouth has a significant relationship with brand preference.
H4: Word of mouth has a significant relationship with brand leadership.
H5: Word of mouth has a significant relationship with overall brand equity.

3. METHODOLOGY

This study is designed to examine the link between word of mouth and brand equity in the fast food industry. The data were collected from the customers of international fast food restaurants in East Coast Malaysia using survey method. Specifically, 384 questionnaires were personally distributed on the targeted respondents after briefing them about the purpose of this study. During data collection, the respondents were screened first before giving them the questionnaire in order to confirm their acceptance to participate in this study. To ensure that the minimum required sample size could be obtained, the data were collected using convenience sampling technique. Moreover, several scholars (Hameed, 2013; Severi et al., 2014; Yıldız, 2015) relied on convenience sampling methodology in collecting their data.

In designing the survey, each construct was measured based on a set of items with reference to previous studies. For instance, four items were employed to measure word of mouth based on the study of Goyette et al. (2010). The dependent variable; brand equity as stated in the earlier sections consists of four elements; brand image, brand loyalty, brand preference, and brand leadership. Brand image was measured by five items which were proposed by Jin et al. (2012) and Park (2009). Similarly, a four-items scale was employed to measure and operationalize brand loyalty. The items were developed based on the studies of Gil et al. (2007) and Hameed (2013). Additionally, a four-items scale was utilized to measure brand preference, and it was taken from Sirgy et al. (1997). Similarly, five items were employed for measuring brand leadership based on the research of Hanaysha and Hilman (2015). A five-point Likert scale that ranges from 1 (strongly disagree) to 5 (strongly agree) was used in measuring the selected items.

4. ANALYSIS OF RESULTS

As stated earlier, 384 survey questionnaires were distributed on the respondents; however, only 293 (76.3%) were willing to take part in answering the questionnaire. The analyses of demographic data revealed that approximately 33.1% are male, while 66.9% are represented by female. Almost 19.4% of those respondents fall under the age category of 16 to 25 years, but 53.2% fall under the age group that ranged from 26 to 35 years. However, those who represented the age group of 36 to 45 years accounted for 20.5% of overall response, whereas 6.9% were 46 years old or above. The educational profile also revealed that 79 (26.9%) of the respondents had the highest qualification of school certificate, 111 (37.9%) obtained undergraduarte certificate, 34 (11.6%) acquire postgraduate certification, while 69 (23.6 %) had diploma certificate. Most of the participants (55.7%) receive RM3000 as monthly income, 16.3% get monthly income of less than RM500. Those whose monthly income ranged between RM500 and RM1000 are represented by 6.8%, whereas 21.2% get a monthly income between RM1000 and RM3000.

To measure the constructs’ reliability, this study relied on Cronbach’s alpha. The findings indicated that all of the constructs exceeded the minimum tolerable value of 0.7 according to the suggestions of Pallant (2007); word of mouth (0.849), brand image (0.826), brand leadership (0.780), brand loyalty (0.852), and brand preference (0.891). After testing the reliability of constructs, the measurement model was then assessed using AMOS 18. Moreover, confirmatory factor analysis was conducted on AMOS 18, and the results indicated that the remaining items as shown in Appendix A achieved acceptable factor loading values of more than 0.50. Therefore, convergent validity is
confirmed. The analysis also showed that there are no Multi collinearity issues in the screened data as the correlation values between any pair of constructs were less than 0.90 as recommended by Tabachnick and Fidell (2007).

To verify the hypotheses which were proposed in the above literature review section, structural model was formulated using AMOS. The model requires that a set of criterion fit indices should be achieved based on the recommended values. Overall, the final structural model suggested an adequate fit to the collected data where the value of Chi-square ($\chi^2$) is equal to 472.837 ($p$-value = 0.000). Other fit indices also achieved the minimum cut-off values (GFI = 0.836, AGFI = 0.817, CFI = 0.943, and RMSEA = 0.079). Based on the above results of criterion values, it can be said that the final structural model has a good fit with the data of this study (Hair et al., 2010).

Overall, the presented hypotheses were tested based on the regression table which was generated based on the final structural model’s output. The findings presented in Table 1 indicate that word of mouth has a significant positive relationship with brand image ($\beta$ = 0.794, $t$-value = 6.982, $p < 0.05$), and thus, H1 is accepted. H2 which stated that word of mouth has a significant relationship with brand loyalty is also accepted ($\beta$ = 0.970, $t$-value = 8.240, $p < 0.05$). Additionally, the results indicated that word of mouth has a significant relationship with brand preference ($\beta$ = 0.817, $t$-value = 10.340, $p < 0.05$), therefore, H3 is supported. This study also confirmed that word of mouth has a significant relationship with brand leadership ($\beta$ = 0.640, $t$-value = 6.438, $p < 0.05$), thus, H4 is supported. Finally, the results revealed that word of mouth has a significant relationship with brand equity ($\beta$ = 0.591, $t$-value = 6.863, $p < 0.05$), consequently, H5 is supported. In general, word of mouth explains 32% of variance in brand equity.

### Table 1. Results of hypotheses

<table>
<thead>
<tr>
<th>Hypothesized Effect</th>
<th>Std. Beta</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Word of mouth has a significant relationship with brand image.</td>
<td>0.794</td>
<td>0.065</td>
<td>6.982</td>
<td>***</td>
<td>Yes</td>
</tr>
<tr>
<td>H2: Word of mouth has a significant relationship with brand loyalty.</td>
<td>0.970</td>
<td>0.090</td>
<td>8.240</td>
<td>***</td>
<td>Yes</td>
</tr>
<tr>
<td>H3: Word of mouth has a significant relationship with brand preference.</td>
<td>0.817</td>
<td>0.077</td>
<td>10.340</td>
<td>***</td>
<td>Yes</td>
</tr>
<tr>
<td>H4: Word of mouth has a significant relationship with brand leadership.</td>
<td>0.640</td>
<td>0.067</td>
<td>6.438</td>
<td>***</td>
<td>Yes</td>
</tr>
<tr>
<td>H5: Word of mouth has a significant relationship with overall brand equity.</td>
<td>0.591</td>
<td>0.066</td>
<td>6.863</td>
<td>***</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### 5. DISCUSSION AND CONCLUSION

The purpose of this paper was to empirically examine the link between word of mouth and brand equity in the fast food restaurant industry in Malaysia. The findings indicated that in line with previous empirical researches (Armelini, 2011; Kassim & Abdullah, 2008; Murtiasih et al., 2013; Rezvani et al., 2012) word of mouth has a significant positive relationship with brand loyalty. Further, Ghorban and Tahernejad (2012) considered word of mouth as a key marketing factor which has a powerful effect on consumers’ behavior and the decisions that they form during purchasing process. The finding indicates that consumers’ loyalty toward a brand increases through positive word of mouth recommendations from others who had previous experiences in using the products or services of that brand. This shows that by getting positive recommendations from other people whom customers can trust, a higher degree of confidence is likely to be enhanced towards the brand. Such confidence is likely to influence consumers’ behaviour and lead to positive repurchase intentions.

The findings of this paper also confirmed the significant positive relationship between word of mouth and brand image. This finding is in line with previous studies which established word of
mouth as a key factor that affects brand image (Farooqui, 2015; Severi et al., 2014; Torlak et al., 2014; Yıldız, 2015). Additionally, Hoyer and MacInnis (2001) considered word of mouth as an important marketing factor that influences brand reputation. Cornelissen (2000) further endorsed the contribution of word of mouth to brand reputation. Given this result, it can be concluded that brand image is likely to be formed based on the perceptions and associations held in consumers’ memories as a result of past consumption experiences or positive word of mouth recommendations. However, in order to influence consumer behaviour through positive word of mouth, firms are suggested to provide products and services with added values and that differ from those of competitors to their customers.

Moreover, the findings confirmed that word of mouth is positively correlated with brand preference and brand leadership. These findings are supported by some previous studies which viewed word of mouth as an important predictor of brand image and brand preference (Permatasari & Widiyanto, 2014). Word of mouth exerts a strong effect on the choice or preference of consumers, and this may enable firms to uplift their market shares by influencing their customers to develop favourable word of mouth (Casaló et al., 2008). Particularly, favourable word of mouth is highly regarded as driving factor of brand choice, whereas negative word of mouth discourages brand choice (Ghorban & Tahernejad, 2012). The practical implications from these results indicate that firms should put greater emphasis on word of mouth in order to maximize brand popularity that resultantly would influence consumers’ preferences during purchase process. Firms may also use different communication tools to advertise their products and services to customers and ensure their distinctive offerings.

Finally, the outcomes of this study revealed that in line with the study of Murtiasih et al. (2013), word of mouth has a significant relationship with brand equity. Virvilaitė et al. (2015) established that both the vividness and value of word of mouth messages provide significant implications to brand equity development. The authors recommended that marketers should pay attention to word of mouth as a significant marketing tool that influences brand equity and competitiveness. The finding is expected to provide useful insights and suggestions for policy makers in the fast food restaurant industry. For instance, by focusing on word of mouth as a key communication strategy, they can build and improve their brand equity through unique offering of products and services, and this subsequently can attract higher number of customers. Therefore, marketers must put in mind that word of mouth is a very important tool which can be used to influence brand equity and long term success.

As with any research, there are some limitations in this study that would open avenues for further researches. Firstly, the main focus of this paper is on the fast food restaurant industry which may hinder the generalizability of the findings to other contexts. Thus, future researches should be directed to re-examine the variables of this study in other industry contexts. Secondly, only word of mouth was used to examine its link with brand equity; hence, future researches should test other factors, such as innovation and ambience. Furthermore, this study used survey instrument during data collection. Therefore, future researches may adopt qualitative methodologies to determine the key factors the can influence consumers’ perceptions in the fast food market. Finally, this study was conducted in east coast part of Malaysia, thus, future researches may extend the scope by covering other areas in order to be able to make better conclusions.

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### Appendix-A: Measurement scales of constructs

<table>
<thead>
<tr>
<th>Code</th>
<th>Construct/ Items</th>
<th>Factor loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>WOM1</td>
<td>I am proud to tell others that I am a customer of this restaurant.</td>
<td>0.909</td>
</tr>
<tr>
<td>WOM2</td>
<td>I say positive and favourable things to others about this restaurant.</td>
<td>0.688</td>
</tr>
<tr>
<td>WOM3</td>
<td>Overall, I encourage friends and acquaintances to visit this restaurant based on my experience.</td>
<td>0.830</td>
</tr>
</tbody>
</table>

**Word of Mouth (Cronbach’s Alpha = 0.849)**

| BI1 | The brand of this restaurant has a fashionable and trendy image. | 0.666 |
| BI2 | The brand of this restaurant has a reputation for quality. | 0.776 |
| BI3 | The brand of this restaurant has unique features. | 0.605 |
| BI4 | The brand of this restaurant provided me a better lifestyle. | 0.711 |
| BI5 | The brand of this restaurant provides good value to its customers. | 0.753 |

**Brand Image (Cronbach’s Alpha = 0.826)**

| BL1 | I consider myself to be loyal to the brand of this restaurant. | 0.659 |
| BL2 | I would continue to visit this restaurant even if its prices somewhat increase. | 0.708 |
| BL3 | I say positive things about this restaurant to other people. | 0.830 |
| BL4* | I recommended this restaurant to others. | 0.858 |

**Brand Loyalty (Cronbach’s Alpha = 0.852)**

| BP1 | I like to go to this restaurant more than others. | 0.895 |
| BP2 | I would buy from this restaurant frequently. | 0.735 |
| BP3 | This restaurant is my preferred choice over others. | 0.881 |
| BP4* | I would be inclined to buy from this restaurant brand over other brands. | 0.802 |

**Brand Preference (Cronbach’s Alpha = 0.891)**

| BLe1 | This restaurant brand is one of the leading brands in its category. | 0.785 |
| BLe2 | This restaurant brand is growing in popularity. | 0.818 |
| BLe3 | This restaurant brand provides good care to its customers | 0.505 |
| BLe4 | This restaurant brand is one of the most widespread brands and can be found in different places. | 0.650 |
| BLe5 | The brand of this restaurant has many visitors every day. | 0.513 |

**Brand Leadership (Cronbach’s Alpha = 0.780)**

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