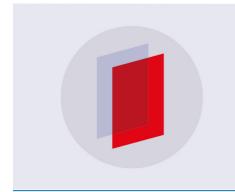**PAPER • OPEN ACCESS**

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Investigating brand identity on brand loyalty: Lessons from HK Express Airways Limited

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Abstract. This paper applies the integrated brand identity model to examine the brand loyalty of the only low-cost carrier company in Hong Kong, HK Express Airways Limited. The studied model has been statistically proven valid by complying to the quantitative research. The hypothesis of the model is applicable on LCC industry of Hong Kong. Brand identity does have moderate positive indirect effect on brand loyalty. Qualitative research was conducted to gather opinion and suggestion. It is concluded that the critical factors towards brand loyalty is brand identity and customer satisfaction. HK Express should improve to satisfy their customers if they want to acquire a high brand loyalty.

1. Introduction

Hong Kong Express is the only low-cost carrier company in Hong Kong. The projected increase of passengers, rising 30% to 3.7 millions in the end of 2017 proves its vitality to the Hong Kong airline industry (On.cc, 2018). Despite its importance, there had been issues raising regarding to HK Express' poor administration, flight delay or cancellation and shortage of employment. Since transformed into a low-cost carrier company in 2013, there has been error caused by staffs resulting inconvenience to the passengers. During flight delay or cancellation, poor communication was firstly shown. HK Express failed to reach the customers immediately about the latest flight details. Secondly, HK Express failed to bear their responsibility. They act slowly to pacify the affected customers. Last but not least, the shortage of employment was revealed after a series a flight cancellation. Shortage of employment results in tight working schedule and unfamiliar role of current staff, which is imposing a threat to the safety of flights.

Civil Aviation Department received 19 complaints of HK Express in the first half year of 2017, which is nearly 80% of 2016 (HK01, 2017). The sharply rise in the number of complaints reflects the fact that HK Express fail to satisfy their customers. Some of the customers stated that they would not take HK Express' flight ever again. The performance of HK Express had been attracting attention from public. The data justifies the need for improvement in services quality is necessary to regain trust and loyalty from the customers. Does brand identity influence brand loyalty of HK Express customers? In

this paper, we aim to clarify the challenges facing by HK Express; to identify and analyze the preference of HK Express customers; and to recommend customer engagement and brand loyalty building towards HK Express.

2. Research Methodology

2.1. Research design and collection

2.1.1. Quantitative Research A survey was conducted in Hong Kong International airport from 27th March to 14th April, 2018, with 300 of the sample size by using quantitative research methodology. Questions of survey are set according to the studied model. The survey would target at audience who have taken the flight of HK Express in the past year and aged over 18, who are available to be responsible for paying the flight and are eligible to choose their preferred airline companies. The quantitative research aims at testing the model validity. If the model is applicable in Hong Kong LCC industry, the data shall provide the study valuable statistics of HK Express. Customers' opinion and perception can be understood as well.Hypotheses are set as following:
➢ H1 - Strong brand identity relates to brand value positively.
➢ H2 - Strong brand identity relates to customer satisfaction positively.
➢ H3 - Strong brand identity relates to brand trust positively.
➢ H4 - Strong brand identity has an indirect effect on brand loyalty via brand value, customer satisfaction, and brand trust.(He et al., 2012)

2.1.2. Qualitative Research The aims of the qualitative research are as the following. First, to understand the operation of airline industry, secondly reveal the factors affecting brand loyalty in airline industry and lastly learning the opinion towards HK Express from an airline industry employee. By integrating the quantitative result from the perspective of customers and the qualitative result from the perspective of service provider, the study would be more comprehensive. Hence, more valuable recommendations could be provided to improve the performance of HK Express. The candidates of the interview are required to be the staff of the airline company, including low cost carrier and full-service airline. Also, the result would be more complete by interviewing both ground service and flight attendant, who represent the front line staff of the airline company. Last, the interviewee should be experienced enough to provide us unique insight from the employee's point of view. Total of 3 candidates were interviewed on 1st April 2018 in the Hong Kong International Airport.

3. Findings

3.1. Quantitative Research

3.1.1 Reliability Test A reliability test was conducted after finished the data collection. Cronbach's alpha >0.7 shows a good consistency of the survey (Nunnally, J.C., 1978). The research is recorded a Cronbach's alpha of 0.935, which means a high consistency of the data, and proved that the sample is relevant.

3.1.2. Hypothesis Testing To test the validity of the selected model, a quantitative research had been conducted. 300 customers of HK Express (N=300) had responded to the survey. H1, H2, and H3 is tested by the Pearson's Correlations Coefficient, to determine if there is a positive relationship between the variables. H4 is tested by a mediation test, to determine if brand value, customer satisfaction and brand trust are acting as mediator, to prove the indirect effect of brand identity on brand loyalty.

H1 - Strong brand identity relates to brand value positively.

According to the Pearson's correlation coefficient, the brand identity - brand value correlation coefficient is 0.738, while P<0.01, the test is significant. When a correlation coefficient is larger than 0.8, it means that there is a strong relation between the variables (Reuben. B & David. K, 1986) The coefficient of 0.738 shows a moderate relationship between brand identity and brand value. The positive value of the correlation also shows that brand identity and brand value is positively related.

While brand identity represents the identification of the customers towards the brand, it means that the value of the product of the company is recognized at the same time. The identity of low cost carrier with its affordable image of flight fee is well recognized by the passengers, which is supported by the data that there are 79% of respondent choosing HK Express because of price of ticket, promotion and discount. Thus, it shows the positive relation between the brand identity and brand value.

H2 - Strong brand identity relates to customer satisfaction positively.

Brand identity also relates to customer satisfaction positively of HK Express. The correlation coefficient of two value is 0.791, while P<0.01, shows an almost strong positive relation between the two variables.

Brand identity relates to customer satisfaction because as HK Express is identified as an LCC company, the expectation of the customers is formed. Comparing to full-service airline, the expectation of LCC is usually lower as the flight ticket fee is relative lower. The customers expect less entertainment and worse food while travelling with LCC. The stronger identity of HK Express as an LCC is perceived by the customers, the lower the expectation of the customers shall be obtained. This explained the relatively strong positive relation among the three hypotheses.

Also, the statistic shows that there is 35.3% of respondents travel with HK Express for 3 times or more per year. The repeated number of travel by the customers implies that the brand is well identified, and the customers are satisfied and willing to travel with the same company again.

H3 - Strong brand identity relates to brand trust positively.

Brand identity - brand trust correlation coefficient is 0.726, while P<0.01. The strength of the relationship of brand identity to brand trust is the weakest among the three. However, according to the interpretation suggested, the relationship of brand identity to brand trust can still be regarded as positively moderate.

HK Express is well identified as an LCC company. Brand trust emerged after customers found the company is reliable. The brand identity contributes in the process of gaining confidence. With the better identity the company acquired, the customers show their willingness to trust. However, the relation is moderate because it is less solid. This is because brand trust of airline company stressed on safety heavily, any accident and scandal could provoke the customers react intensively.

With the testing of H1, H2 and H3, it is concluded that brand identity is related positively to brand value, customer satisfaction and brand trust respectively.

H4 - Strong brand identity has an indirect effect on brand loyalty via brand value, customer satisfaction, and brand trust.

To prove the indirect effect of brand identity on brand loyalty via brand value, customer satisfaction and brand trust, a multiple regression test has to be conducted. H1, H2 and H3 has to be proved as above before the regression. Moreover, the correlation of brand value, customer satisfaction and brand trust towards brand loyalty has to be established separately as a prerequisite. Also, the correlation between brand identity and brand loyalty has to be established in order to carry out the test.

According to the Pearson correlation coefficient test, coefficient values of brand value, customer satisfaction and brand trust towards brand loyalty are 0.693, 0.800, and 0.738 respectively, while

P<0.01. Brand value and brand trust is moderately positively relates to brand loyalty, and customer satisfaction relates to brand loyalty strongly and positively.

Brand identity is also moderately related to brand loyalty positively, coefficient value of 0.726, P<0.01. As a result, statistically, it is confirmed that the brand identity, brand value, customer satisfaction, brand trust and brand loyalty have a positive relation with each and other.

After confirming the positive relation of each variables, multiple regression can be conducted in a hierarchical level to prove the mediator effect of brand value, customer satisfaction and brand trust. If the standardized coefficient of brand value, customer satisfaction and brand trust is smaller in the model of multiple regression than the coefficient in brand identity - loyalty relation, it can be concluded that the variables function as a mediator. The indirect effect of the H4 can be established.

Examining the mediator effect of brand value on brand identity towards brand loyalty, the coefficient of brand identity and brand loyalty is 0.726. After putting both brand identity and brand value into the regression test, the coefficient of brand identity is recorded as 0.471. The test is significant and the mediator effect of brand value stands.

Secondly, indirect effect of brand identity via customer satisfaction is 0.250, smaller than the sole coefficient value of the brand identity – loyalty relation. The mediator effect of customer satisfaction stands too. Moreover, the statistics reveal that customer satisfaction has a strong mediator effect on brand loyalty.

Lastly, the coefficient of brand identity integrating with brand trust is valued as 0.403. Yet again, the coefficient is smaller than 0.726. It is proved that brand trust has a mediator effect too.

The test confirmed that brand value, customer satisfaction and brand value have a mediate effect on the relation of brand identity and brand loyalty. HK Express positions are as a low cost but with high quality airline. When customers recognize and identify, they are attracted to try. The traveling experience would construct and improve their perceived value of brand, satisfaction and trust. The indirect effect of brand identity can be seen while brand loyalty emerges as customers purchase repeatedly, priorities to choose, and have positive affection to the brand. In conclusion, the H4 is proved.

3.2. Qualitative Research
A number of three individual interviews have been conducted in the part of qualitative research. The three interviewees are working at the front line in the aviation industry, from ground services to flight attendant.

A number of 7 questions had been asked to learn from the perspective of the insider of the industry, thus, to understand the challenges HK Express facing and to inspire the solution to raise brand loyalty. In fact, recognized by all the interviewees, the aviation industry has a growing trend benefits from the willingness of travel and frequency of business exchange. LCC is gaining increasingly more market share than before. Air transport has become more than a means of transport, but also a form of recreation before arriving to the destination. Therefore, providing basic transport had no longer satisfied the passenger.

Whilst full-service carrier providing long flight routes with distanced destination, HK Express, as an example of LCC, only connect Hong Kong to nearby areas with short flight routes. Also, the economies of scale differentiate them. With a smaller scale of size, HK Express has to reduce cost. As a result, value added services are charged separately in LCC. While on the other side, the full-service carrier focus provide a different flying experience with free value added features.

As suggested, service quality, safety and ticket fare are most important to brand loyalty. To maintain their loyalty, it is important that the customers acknowledge the perceived value of the service. The interviewees all stated that LCC customers are relatively more price sensitive. They have less demand in value for added services in their short period of the flight; in return, they would like to pay a fairly low price of the ticket.

Summarizing the disadvantages of HK Express, the interviewees suggested that the insecure service is the most noticeable one. Flight cancellation and delay are the reason that causing the

passenger dissatisfied. Moreover, the policy of unchangeable flight ticket caused the passengers find it difficult to amend after purchase. The two problems are actually derived from the same origin, which is the lack of capital input.

To conclude, the interviewees stated that increase amount of investment can help HK Express to regain brand loyalty. With more capital invested, the accuracy of flight can be improved. Flight services can also be benefited by the increase of resources, keeping its low flight fare but a fairly improved quality of services.

4. Discussion and Conclusion

The integrated brand identity model has been proved its validity in cosmetic product and mobile phone market. This quantitative research resulted in the same conclusion as the model does. It means that the integrated brand identity model has got its validity in the Hong Kong LCC industry. Hence, it provides the positive relationship between brand identity and brand loyalty, and brand value, customer satisfaction and brand trust serve as mediator on the effects. It is noted that HK Express should focused on improving its identity, value, customer satisfaction and trust in order to improve the loyalty of its customers.

To further examine the perception of customers of HK Express, average score of brand identity, brand value, customer satisfaction, brand trust and brand loyalty had been calculated. The mean of the several variables are as follow: brand identity ($\bar{x}$=3.203), brand value ($\bar{x}$=3.411), customer satisfaction ($\bar{x}$=3.257), brand trust ($\bar{x}$=3.451), brand loyalty ($\bar{x}$=3.198), with the highest score of 5 and lowest of 1.

The Challenges HK Express facing is that the lack of brand loyalty. In fact, the opinions of the respondents towards HK Express are not outstanding at all. There is room for improvement in every dynamics. Luckily, although the customers are holding average opinion towards Hk Express, the result is still leaning towards the good side, with no variables scored below the average value of 3. The research shows that HK Express is not doing a bad job, with Brand value and trust scored over 3.4. It is obvious that the customer satisfaction and identity is the key factors leading to a weak brand loyalty.

The comparatively low brand loyalty ($\bar{x}$=3.198) revealed that customers of HK Express are showing the lack of loyalty to the company. There is a lack of motivation for the customers to choose HK Express repeatedly before others brand. Ticket fees have long been the main reason for customers choosing low cost carriers. Once HK Express failed to win the price competition, customers switch to the others. Moreover, HK Express failed to build emotional attachment towards its customers.

The strong positive relation between customer satisfaction and brand loyalty hints the solution to the question. As suggested by the interviewees, flight delays and cancellation are the main reason behind the dissatisfaction of the customer inside the airline industry. Due to the frequently inaccurate flight, Customer satisfaction of the survey scored only average ($\bar{x}$=3.257), which shows a similar reaction from the qualitative interviewee. Although customers of LCC pay less for a ticket, they still expect their flights take off and land on time. Because of the short routes of flights provided by HK Express, upgrade of food and beverage or entertainment system is regarded less important. To obtain an improvement of satisfaction, the accuracy of flight must be improved if HK Express is determined to raise its customers' loyalty.

To improve brand identity in order to improve loyalty, it is suggested to improve the awareness of the brand by advertising and promotion. According to the survey, only 6% of the respondents agree to the statement "HK Express has a high reputation." The low recognition implies the needs for HK Express to gain popularity among the passengers. Instead of focusing on the low ticket fee, promotion and discount, good brand image and brand characteristic should be presented on the advertisement to improve the identification of the company.

The study tested the four hypotheses and proved the validity of applying the integrated model of brand identity on investigating brand loyalty in HK Express. Firstly, the quantitative research suggested that brand identity has positive relation with brand value, customer satisfaction and brand trust. Second, the quantitative research suggested that brand identity has a moderate indirect effect on brand loyalty via brand value, customer satisfaction and brand trust. Thirdly, the study also provides

valuable data of perception from customer of HK Express, concerning the lack of customer satisfaction and leading to a poor brand loyalty. The qualitative research result also supports the findings. The customers are looking for satisfaction from HK Express. It is suggested that HK Express may consider improving the accuracy of flight or offering lower priced tickets, to gain and restore customer satisfaction.

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