UNIVERSITI PUTRA MALAYSIA

INFLUENCES OF CUSTOMER-BASED BRAND EQUITY AND DESTINATION COMPETITIVENESS ON DESTINATION LOYALTY IN MALAYSIA

PHILIP WONG PONG WENG

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By

PHILIP WONG PONG WENG

Thesis Submitted to Graduate School of Management, Universiti Putra Malaysia, in Fulfillment of the Requirement for the Degree of Doctor of Philosophy

August 2014
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DEDICATION

To my wife, Yvonne, and son, Martin:
Thank you for journeying with me throughout my doctoral pursuit.

To my Mother:
Thank you for providing me with the opportunities that you never had.
Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Doctor of Philosophy

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By

PHILIP WONG PONG WENG
August 2014

Chair: Kenny Teoh Guan Cheng, PhD
Faculty: Economics and Management, Universiti Putra Malaysia

Many countries are heavily dependent on tourism receipts as a major source of foreign revenue, especially in the developing nations in the south-east Asian region such as Thailand, Indonesia, and Malaysia. Tourism and its related activities are often used as a catalyst for economic growth and development for many cities and towns located in this region and is also an effective tool for the reduction of poverty and the improvement of living standards for many of their residents.

Among the methods utilized to increase the competitiveness level of the destinations that are promoted, branding is regarded as an important strategy by tourism management organizations to differentiate their country, state, or city from competing destinations. A destination which possess a positive brand equity and strong competitiveness attributes will have an advantage over their competitors in attracting a bigger share of the tourists’ market and, furthermore, visiting tourists will probably stay
longer and will have a tendency to spend more on tourism related services when they are in the destination.

This study seeks to evaluate the brand equity and competitiveness levels of selected urban destinations in Malaysia and also to examine the relationships between the constructs of customer-based brand equity (CBBE), destination competitiveness (classified into functional and abstract attributes), and destination loyalty. This thesis can be considered a pioneer study in exploring the possibility of categorizing the destination competitiveness construct into the components of functional and abstract attributes using the Delphi technique. The research framework was validated by confirmatory factor analysis through structural equation modeling (SEM).

A non-probability sampling technique is employed in this study. The sample was chosen from international tourists comprising different nationalities, who have visited and stayed at least one night, in the cities of Kuala Lumpur, Penang, Melaka, Kota Kinabalu, and Kuching. The survey was conducted over a period of approximately four months (from January, 2013-April, 2013), and the questionnaires were distributed to tourists with the assistance of tour operators, hoteliers, and tourist information centers located in Kuala Lumpur, Penang, Melaka, Kota Kinabalu, and Kuching. In addition to the English version, the questionnaire was also translated into Chinese and Arabic.

Results from this study indicate that the construct of destination competitiveness can indeed be divided into the two components of functional and abstract attributes and
confirms the mediating roles of CBBE in the relationship between functional and abstract attributes, and also the indirect effect that CBBE has on destination loyalty via abstract attributes. Functional attributes has been found to be the antecedent of CBBE while abstract attributes are influenced by CBBE. Path analysis of the structural model also supports the hypothesized relationships between the constructs of CBBE, destination competitiveness (functional and abstract attributes), and destination loyalty.

In terms of practical implications, findings from this study will help destination management organizations (DMOs) to assess the brand equity and competitiveness levels of the selected destinations, and can be used to identify their strengths and weaknesses in relation to their competitiveness and brand equity levels. This will assist the DMOs in developing more effective branding strategies for their destinations, leading to increased tourist arrivals and tourist spending.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

PENGARUH EQUITI JENAMA BERASASKAN PELANGGAN DAN DAYA SAING DESTINASI TERHADAP KESETIAAN DESTINASI DI MALAYSIA

Oleh

PHILIP WONG PONG WENG
Ogos 2014

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Banyak negara adalah amat bergantung kepada hasil pendapatan pelancongan sebagai sumber utama pendapatan asing, terutamanya di negara-negara membangun di rantau Asia Tenggara seperti Thailand, Indonesia dan Malaysia. Pelancongan dan aktiviti-aktiviti yang berkaitan sering digunakan sebagai pemangkin bagi pertumbuhan dan pembangunan ekonomi untuk banyak bandaraya dan pekan yang terletak di rantau ini dan ianya juga merupakan alat yang berkesan untuk mengurangkan kemiskinan dan peningkatan taraf hidup bagi kebanyakan penduduk di sana.

Antara kaedah yang digunakan untuk meningkatkan tahap dayasaing destinasi yang dipromosikan, penjenamaan dianggap sebagai strategi penting oleh organisasi pengurusan pelancongan untuk membezakan negara, negeri atau bandaraya dari destinasi yang bersaingan. Destinasi yang mempunyai ekuiti jenama yang positif dan sifat dayasaing yang kuat akan mempunyai kelebihan berbanding pesaing mereka untuk menarik bahagian yang lebih besar daripada pasaran pelancong dan, tambahan pula, pelancong yang melawat mungkin akan tinggal lebih lama dan juga akan mempunyai
kecenderungan untuk membelanjakan lebih banyak untuk perkhidmatan pelancongan sampingan apabila mereka berada di destinasi.

Kajian ini bertujuan untuk menilai ekuiti jenama dan aras dayasaing beberapa destinasi bandar terpilih di Malaysia dan juga mengkaji hubungan antara konstruk pelanggan-jenama ekuiti (CBBE), dayasaing destinasi (dikelaskan kepada sifat-sifat fungsi dan abstrak), dan kesetiaan destinasi . Tesis ini boleh dianggap sebagai kajian perintis dalam meneroka kemungkinan mengkategorikan konstruk dayasaing destinasi kepada golongan komponen berfungsi dan abstrak, dengan menggunakan teknik Delphi. Rangkakerja penyelidikan sudah disahkan dengan Analisa Faktor Pengesahan (Confirmatory Factor Analysis – CFA) melalui Pemodelan Persamaan Struktur (Structural Equation Modelling – SEM).

Hasil daripada kajian ini menunjukkan bahawa konstruk daya saing destinasi boleh sesungguhnya dibahagikan kepada dua komponen iaitu sifat fungsi dan abstrak dan mengesahkan peranan perantara oleh CBBE dalam hubungan antara sifat-sifat fungsi dan abstrak, dan juga kesan tidaklangsung yang yang dilakukan oleh CBBE ke atas destinasi kesetiaan melalui sifat-sifat abstrak. Sifat-sifat berfungsi telah disahkan sebagai penyebab ke atas CBBE manakala, sifat-sifat abstrak didapatai dipengaruhi oleh CBBE. Model Analisis Laluan ke atas model struktur juga menyokong hipotesis antara konstruk CBBE, dayasaing destinasi (sifat-sifat fungsi dan abstrak), dan kesetiaan destinasi.

Dari segi implikasi praktikal, penemuan daripada kajian ini akan membantu organisasi pengurusan destinasi (DMOs) untuk menilai ekuiti jenama dan aras dayasaing destinasi yang dipilih, dan boleh digunakan untuk mengenalpasti kekuatan dan kelemahan mereka berhubung dengan tahap dayasaing dan ekuiti jenama mereka . Ini akan membantu DMOs dalam membangunkan strategi penjenamaan yang lebih berkesan untuk destinasi mereka, dan seterusnya membawa kepada peningkatan ketibaan pelancong dan perbelanjaan pelancong.
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In addition, I would like to thank the other co-supervisors on my supervisory committee, Associate Professor Dr Yuhanis Ab. Aziz and Associate Professor Dr Sridar A/L Ramachandran for their kind mentoring and words of encouragement.

Finally, to my friends and colleagues at Taylor’s University who have contributed in one way or another towards my research: A big Thank You!
I certify that a Thesis Examination Committee has met on **25 August 2014** to conduct the final examination of Philip Wong Pong Weng on his thesis entitled "**Influences of Customer-based brand Equity and Destination Competitiveness on Destination Loyalty in Malaysia**" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.( A) 106] 15 March 1988. The Committee recommends that the student be awarded the Doctor of Philosophy degree.

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On behalf of,  
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This is to confirm that:

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- supervision responsibilities as stated in Rule 41 in Rules 2003 (Revision 2012 – 2013) were adhered to.

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<td>AMOS</td>
<td>Analysis of Moments Structures</td>
</tr>
<tr>
<td>ANOVA</td>
<td>Analysis of variance</td>
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<td>AVE</td>
<td>Average variance extracted</td>
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<td>CBBE</td>
<td>Customer-based brand equity</td>
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<td>CFA</td>
<td>Confirmatory factor analysis</td>
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<td>CR</td>
<td>Construct reliability</td>
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<td>DMO</td>
<td>Destination management organization</td>
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<td>SEM</td>
<td>Structural equation modeling</td>
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<td>TORA</td>
<td>Theory of reasoned action</td>
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<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<tr>
<td>UNWTO</td>
<td>United Nations and World Tourism Organization</td>
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<td>WTTC</td>
<td>World Travel and Tourism Council</td>
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CHAPTER 1

INTRODUCTION

The economies of many countries are heavily influenced by tourism-related spending by both incoming and domestic tourists. Tourism is the one of the main revenue earners in many developing nations, including Malaysia, and the industry is a key-driver for social and economic development through job creation and investment in new infrastructure (UNWTO, 2013).

International tourist arrivals exceeded 1 billion (1035 million) for the first time in 2012, an increase of 4% from the 2011 figure of 995 million (UNWTO, 2013). The increase in international arrivals in 2012 continued the trend of a rebounding from the low 2009 figure which was caused by the global economic slowdown. Most destinations registered impressive double-digit increases which enable them to recover from the losses incurred in late 2008 and 2009 even though the recovery rate varies from country to country, with emerging economies growing faster than the developed ones (UNWTO, 2011).

Countries in the Asia Pacific region registered the strongest growth (+7%) in 2012 which was nearly twice the world average. South-East Asia registered a positive growth rate of 8.3% in 2012, with countries like Vietnam (+2%), Singapore (+5.9%), Cambodia (+0.6%), Philippines (+1.2%), Thailand (+9.3%), and Indonesia (+2.6%)
experiencing some form of growth. Malaysia was no exception in the region, registering a growth of 6.3% in tourist arrivals in the 2012 period (UNWTO, 2013).

In 2012, international tourism expenditure was USD 1075 billion, an increase of just 4% in real terms when compared to the 2011 figure of USD 1042 billion. This increase in tourism receipts closely resemble the increase in international tourist arrivals in 2012 which was also at 4%. Malaysia earned an estimated USD 20.2 billion in international tourism receipts in 2012, an increase of 3% over its 2011 figure of USD19.65 billion (UNWTO, 2013).

The prospects for further growth in Asia Pacific travel and tourism industry remains good despite the current worldwide economic slowdown as history has proved the resilience of this industry as it has gone through a number of crises since the start of the millennium, such as the September 11 incident in 2001, the Bali bombing in 2002, SARS outbreak in 2003, bird flu, and other man-made or natural disasters (Kuldowski and Yoo, 2006).

Urban tourism has been used by governmental agencies to create cities and regions as engines of economic growth. Due to urban expansion, cities have become strategic centers of growth, innovation, and creativity, and therefore it is essential to ensure their long-term sustainability (Paskeleva-Shapira, 2007). Urban tourism is one of the fastest growing tourism sectors, and it has been used in developing countries as a driver for the development of their cities.
Most studies by urban tourism researchers are centered around cities located in Europe or North America while studies on tourism development in cities in developing nations has received less attention (Ismail, Baum, and Kokranikkal, 2008). More studies on urban tourism are required since urban tourism or even general systems of tourism in developing countries have not been adequately researched (Opperman and Chon 1997). Furthermore, international tourism has been instrumental in the development of the economies in the principal tourist receiving countries in Southeast Asia such as Malaysia, Singapore, and Thailand, and a more comprehensive study on the unique challenges faced by urban destinations in this region will lead to possible solutions to overcome these challenges.

**Background**

The competitiveness of a destination depends on its ability to increase tourist expenditure and increase visitor arrivals by providing them with satisfying, memorable experiences and doing it in a profitable and sustainable manner which will enhance the well-being of the destination residents and preserve the natural capital for future generations (Ritchie and Crouch, 2003).

Branding is regarded by many researchers as an important tool to increase the competitiveness of a tourist destination. City branding is becoming increasingly important for a city to differentiate itself from its competing destinations. According to
Mommas (2003), city branding is used to position a city more effectively in the minds of the business owners, residents, and visitors so as to distinguish the city from other competing cities.

For tourist destinations to provide satisfying and memorable experiences to tourists in a profitable and sustainable manner, it is important to understand the role of branding on destination competitiveness. Even though branding has generally been recognized as an important tool to improve competitiveness, there have been a paucity of research on the impact of branding on a destination’s competitiveness and travel behavior, especially with regards to urban destinations in developing nations like Malaysia.

In 2012, the travel and tourism industry in Malaysia is expected to contribute (total contribution) nearly 15.6% (RM 146.5billion) to its total GDP, and 13.6% of its total employment or one in every 8.4 jobs (WTTC, 2013). Tourism is also Malaysia’s second largest foreign exchange earner in 2012, after manufactured products, raking in nearly RM 47.2 billion (Aruna, 2013). In spite of the importance of travel and tourism’s contribution to Malaysia’s economy, very few studies have been conducted to evaluate and improve the competitiveness of its many urban destinations.

In order to develop better tourism products for Malaysia’s various tourist generating markets, it is necessary to identify the competitive attributes of its major destinations, which include its urban destinations, and evaluate the visitors’ perceptions of these attributes. This study seeks to assess the influence of customer-based brand equity
(CBBE) on the competitiveness of selected urban destinations in Malaysia and its impact on the travel behavior of visitors.

1.1.1 Urban Destinations in Malaysia

According to the Tourism Malaysia’s (2012) statistics on Malaysia Hotel Guests by state, the states/territory receiving the highest number of foreign visitors in 2012 are Kuala Lumpur (9.2 million), Pahang (3.1 million), Penang (3 million), Melaka (2 million), and Sabah (1.8 million). However, for the majority of foreign tourists traveling to Pahang, the main attraction is the famed highland resort of Genting, and only a small percentage of visitors visit the state capital of Kuantan. According to Datuk Shafik Fauzan Sharif, Pahang’s Tourism, Arts, Heritage, Family Development and Women Affairs Committee chairman, 70 per cent of tourists to Pahang visited Genting Highlands (Bernama, 2010), and therefore Kuantan should not be regarded as a major urban destination in Malaysia.

On the other hand, visitors to the states of Penang, Sabah, and Melaka will need to go through, and probably stay at the respective state capital cities of Georgetown, Melaka, and Kota Kinabalu, making these cities the second, third, and fourth most popular urban destinations in terms of foreign visitor numbers. The nation’s capital, Kuala Lumpur, being the major gateway into Malaysia for most international airlines, is the number one urban destination in Malaysia in terms of visitor arrivals. In addition to being the nation’s gateway, Kuala Lumpur, one of the most vibrant cities in Asia, also has an
abundance of attractions to offer to the tourist, from architectural wonders such as the Petronas Twin Towers to exciting theme parks and ultra-modern shopping malls.

In recognition of their rich heritage, George Town in Penang, together with Melaka city, was listed as United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Sites on July 7, 2007 (Tourism Penang, 2010). The listing of Georgetown and Melaka as UNESCO’s World Heritage sites greatly improved the image and attractiveness of these two destinations. Penang is well known for its beaches as well as its cultural events such as the annual Dragon Boat Festival and the Chingay Procession (a procession of giant flags measuring up to 15 meters tall which are balanced on the shoulders and heads of “Chingay” exponents). Melaka on the other hand, boasts a host of historical attractions such as the Portuguese-built fortress, A Famosa, one of the oldest surviving European architectural remains in Asia, and Cheng Hoon Teng temple, the oldest Chinese temple in Malaysia. The city of Kota Kinabalu being the main entry point to the state of Sabah which is renowned for its natural attractions such as Mount Kinabalu, South-East Asia’s highest mountain, and Sipadan Island, a world-renowned dive site, ranks just behind Melaka as Malaysia’s fourth most popular urban destination.

Being among the top four urban destinations in Malaysia for international visitors, the cities of Kuala Lumpur, Penang, Melaka, and Kota Kinabalu have been selected as the urban destinations for this study. In addition to the above four cities, the capital city of the state of Sarawak, Kuching, has also been selected for this study, as it is the second
largest city in East Malaysia and it is also becoming an increasingly popular destination for international visitors. Kuching is well-known for its many natural attractions which includes the Bako National Park and Matang Wildlife Center, and world-renowned cultural events such as the annual Rainforest World Music Festival.

As they are among the most popular urban destinations in Malaysia, the level of brand awareness and knowledge of these destinations among international tourists is expected to be higher than that of the less visited and less well-known Malaysian cities. Furthermore, measuring the brand equity and competitiveness of better known destinations will enable survey respondents to provide more accurate and complete data because they are more familiar with the brand attributes and competitiveness factors of the destinations they are visiting.

1.2 Motivation for the Study

Research on the topic of destination branding is a relatively recent phenomenon, and the first studies only appeared in the late 1990’s (Pritchard and Morgan, 1998, Dosen, Vranesevic, and Prebeck, 1998). According to Pike, Bianchi, Kerr, and Patti, (2010), there is a scarcity of research specifically in the performance evaluation of branding campaign effectiveness in tourism destinations. Pike, et al. (2010), believed the conceptual models of CBBE developed by Aaker (1991, 1996), and Keller (2003), can provide Destination Management Organizations (DMOs) with a performance measuring tool of the effectiveness of their branding activities, and such a tool is
extremely useful, considering the ever increasing amount of investment DMOs are willing to make in developing branding strategies for their destinations.

Even though the competition for a bigger share of the tourists market has been growing in intensity in recent years, there has been a dearth of research in the area of destination competitiveness at either the regional, national or even city level (Kozak, 1999). Among the compelling reasons for identifying and evaluating the competitiveness of tourism destinations include; 1) the emergence of new destinations, 2) the growing influence of travel intermediaries and the media in shaping travelers opinion, 3) the attitude of repeat travelers, and 4) the increasing concern of tourists about the environment in tourism destinations (Keller and Smeral, 1997). According to Woodside and Lysonski (1989), destinations constantly compete among themselves to obtain a place in the consideration set of potential visitors as that will increase the probability of them being selected as a holiday destination. It is crucial for tourism destinations to evaluate their competitiveness attributes to enable them to discover their strengths and weaknesses, as the potential visitor’s destination selection process is greatly influenced by the destination’s overall competitiveness (Dwyer and Kim, 2003, Dwyer, Cvelbar, Edwards, and Mihalic, 2012).

Destination branding has been recognized as an essential marketing tool by destination marketing organizations to attract new tourists as well as encourage repeat visitors. Since the inception of the “Malaysia: Truly Asia” campaign in 1999, Malaysia has been successfully positioned as a multi-racial one-stop destination offering the best of Asia’s
three main cultures of the Malays, Chinese, and Indians, (Tourism Malaysia, 2010). However, Kent and Walker (2000) and Clifton (2014) argued that an umbrella branding strategy for both country and cities might not be the most effective way to market urban destinations, as attributes associated with the country might not necessarily be suitable for a city. For example, visitors to Kuala Lumpur might tend to associate the city more strongly with its modern architecture and shopping facilities rather than its multicultural communities. Separate brand images should be developed for the various urban destinations in Malaysia in order to attract more visitors to these destinations.

Results of a preliminary survey with tourism practitioners show that, even though the brand image of Malaysia as a country is relatively strong due to the ‘Malaysia Truly Asia” campaign launched in 1999, there is a lack of brand image of individual urban destinations in Malaysia. A preliminary survey was conducted in late 2010 to assess the level of branding activities for the city of Kuala Lumpur. The instrument used for the survey was a self-administered questionnaire which include both open-ended and close-ended questions. It was sent by e-mail to senior managers and managing directors of 10 selected major inbound tour operators and also to a senior officer from Tourism Malaysia. A total of 5 inbound operators and the officer from Tourism Malaysia responded after a follow-up reminder e-mail was sent.

Based on the responses received from inbound tour operators, the following findings in terms of branding activities associated with the city of Kuala Lumpur have been obtained:
• There is little or no effort on the part of Tourism Malaysia to brand Kuala Lumpur as an urban destination.

• There is general disagreement on how Kuala Lumpur should be branded as there is a wide divergence of views regarding the strengths of the city’s attributes (see Table 1).

• No logo has been developed for Kuala Lumpur as a tourism destination although there is a generic logo developed by Kuala Lumpur City Hall.

• Except for an expired slogan “KL Garden City of Lights,” there was no awareness of the creation of any new slogan for Kuala Lumpur.

• A majority of the tour operators would like a new logo of Kuala Lumpur to feature its modern architecture.

In terms of the city’s attributes, each respondent ranked the attributes provided in the questionnaire differently from the other respondents. The ranking of the city’s attributes by the respondents are summarized in Table 1:

Table 1: Ranking of Kuala Lumpur’s Attributes

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Attributes that reflect Kuala Lumpur’s Character (with 1 being the strongest attribute, and 5 the weakest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 1</td>
<td>1: Progressive 2: Cultural 3: Modern 4: Friendly 5: Cost-effective</td>
</tr>
<tr>
<td>Respondent 4</td>
<td>1: Relaxing 2: Vibrant 3: Dynamic 4: Modern 5: n/a</td>
</tr>
<tr>
<td>Respondent 5</td>
<td>1: n/a 2: “Green” 3: Relaxing 4: n/a 5: n/a</td>
</tr>
</tbody>
</table>
The divergence of views among the tour operators on the attributes which most strongly represent Kuala Lumpur suggests that the capital city lacks a strong brand image probably due to insufficient or ineffective branding efforts. If the major gateway city of Kuala Lumpur is not considered to be effectively branded, research should also be carried out to determine the brand images of the less well-known Malaysian cities such as Penang, Melaka, Kota Kinabalu, and Kuching as well, and findings from such research will aid in the development of a more effective branding strategy for these urban destinations.

Neighboring city destination, Singapore, after a seven year promotion campaign under its New Asia brand, launched another destination brand, Uniquely Singapore, in March 2004. This brand highlights the unique blend of the modern world and its rich cultures found in the city state. It also highlights its unique tourism products and events such as the Night Safari, Raffles Hotel, the Great Singapore Sale, and the Singapore Formula 1 Grand Prix. In March, 2010, the latest YourSingapore brand was launched as an evolution to the Uniquely Singapore campaign. According to the Singapore Tourism Board, YourSingapore intends to deliver on Singapore’s brand promise which is to provide “a concentration of multi-faceted and user-centric travel experiences,” and a “personal travel experience” to visitors (Singapore Tourism Board, 2011).

Another Asian city destination, Hong Kong, launched its Live It, Love It! campaign in 2004, positioning Hong Kong as a sophisticated and diverse city offering a wide variety
of unique experiences which touches the sensory perceptions of all visitors. The Hong Kong Live It, Love It! theme highlights the core strengths of the destination which are its shopping facilities, variety of cuisine, a cultural heritage that is a mixture of east and west, and its scenery- a unique combination of city, harbor, and greenery, revealing how much there is to see and do in Hong Kong (Hong Kong Tourism Board, 2011).

The importance of city branding is also reflected in Korea where the capital city of Seoul is attempting to create its own city brand separate from the country’s brand of Korea Sparkling. While the country brand emphasizes on its myriad of “sparkling” tourism products such as its food, culture and movie stars, Seoul is trying to brand itself with a distinct image as a city where the barrier between today and tomorrow is broken down, and where there are with no limits to one's experiences with its newly launched Infinitely Yours campaign. In this campaign Seoul is trying to project itself as a city with infinite curiosity, fun, and surprises (Korea Tourism Organization, 2011).

In comparison, there has been a lack of city branding activities in the major Malaysian urban destinations of Kuala Lumpur, Penang, Malacca, Kuching, and Kota Kinabalu even though these cities are among the most popular tourist destinations. Therefore, a study of this nature can be considered both timely and appropriate as there have been relatively few studies conducted on urban tourism destinations in developing nations such as Malaysia, especially in the areas of destination brand equity and destination competitiveness. As mentioned earlier, the travel and tourism industry is a major contributor to Malaysia’s GDP, and urban tourism have been one of the fastest growing
tourism sectors which is used to drive the nation’s economic growth. More extensive research on Malaysian urban destinations will therefore assist in improving the competitiveness of these destinations and increase the effectiveness of the marketing efforts of the relevant national and state tourism organizations to achieve greater destination loyalty.

1.3 Problem Statement

Research on consumer behavior related to travel or travel behavior have focused on travel motivation, destination loyalty, length-of-stay, and tourist expenditure in a destination. Although brand loyalty has been a popular research topic for consumer products, there has been a lack of research on loyalty towards a travel destination (Oppermann, 1999). There have been a number of studies on the factors influencing the tourist’s duration of stay and the tourist’s expenditure in a destination. Results from the studies have revealed that the duration of stay was mainly influenced by personal, family, and economic factors (Alegre and Pou, 2006) while tourist expenditures are mainly influenced by factors such as income, traveling time to destination, marital status, age (Mak, Moncur, and Yonamine, 1977a). However, there have been insufficient research to explore how destination loyalty, duration of stay, and tourist expenditures are influenced by the destination’s brand equity and competitiveness.

Numerous studies support the view that effective branding could result in greater competitiveness, which in turn can lead to a higher tendency of brand selection,
stronger brand loyalty, minimized influence of competitive actions, and increased profitability (Aaker, 1991, Pitta and Katsanis, 1995, Wood, 2000, Kotler, 2003). However, in the field of destination marketing research, there has been a lack of empirical studies to establish the role of destination competitiveness in the relationship between the CBBE of the destination and the main facet of travel behavior of destination loyalty. The influencing role of destination competitiveness needs to be further explored to determine its mediating effect in its relationship between CBBE of the destination and destination loyalty.

Despite strong evidence of the mediating role of destination competitiveness in the relationship between the destination’s CBBE (destination brand equity) and travel behavior, other studies, however, suggest that destination brand equity may, in fact, mediate the relationship between two possible components of destination competitiveness (functional attributes and abstract attributes). An analysis by Echtner and Ritchie (1993) on the attributes used by different researchers to measure destination image revealed that a number of the image measurement attributes such as tourist sites/activities, national parks/wilderness activities, beaches, scenery/natural attractions, and nightlife are also used for measuring the destination competitiveness dimension of core resources and attractors. To date, there has been insufficient research on the possible mediating role of destination brand equity in the relationship between the destination competitiveness components of functional attributes and abstract attributes. Since destination image is measured by using destination competitiveness attributes, and image is a vital component in the development of destination brands (Cai, 2002,
Jensen and Korneliussen, 2002, Govers, 2003, Pike, 2009), further research should be carried out to determine the mediating effect of destination brand equity in the relationship between the two destination competitiveness components.

An important theoretical contribution of this study will be the determination of the possible mediating role of a destination’s CBBE in the relationship between the two possible destination’s competitiveness components of “functional attributes” (which are more tangible and measurable) and “abstract attributes” (which are more psychological and less tangible). As for practical contribution, the discovery of the dimensions of brand equity and the components of destination competitiveness used in this study for the measurement of destination brand equity and competitiveness, offers to destination management organizations, a standardized measuring instrument for future studies on other tourism destinations in Malaysia. In addition, the relevant tourism bodies can also make use of the inputs of this study to strengthen the destinations’ competitive attributes to enable these destinations to attract more new and repeat visitors, as well as to influence the visitors’ average expenditures and length of stay.

Despite the success of Malaysia’s Truly Asia branding campaign (in terms of awards won, and visitor arrivals numbers), there has been little or no research conducted to evaluate the customer-based brand equity (CBBE) for the country destination in general, and its various urban destinations in particular. The customer-based brand equity for Malaysia’s urban destinations needs to be properly assessed as it can be used

As competition among tourist destinations in the region to attract more tourists is becoming more intense, it is essential for destinations in Malaysia to identify and evaluate their competitive attributes to enable our different industry stakeholders to manage and maintain the destinations' tourism resources more effectively. To date, there is a paucity of research on the competitiveness attributes of the various urban destinations in Malaysia that receive the majority of its foreign visitors. In order to be more competitive, tourist destinations need to provide a superior overall tourist experience to foreign visitors when compared to competing destinations (Ritchie and Crouch, 2003). To evaluate our urban destinations competitiveness, it is necessary to look at the elements of both the comparative and competitive advantage of the destinations.

1.4 Research Questions

Based on the above problem statement, the following research questions have been formulated:

1. What is the level of customer-based brand equity of the urban destinations of Kuala Lumpur, Penang, Melaka, Kota Kinabalu and Kuching from the perspective of international tourists?
Few studies have been conducted to measure the customer-based brand equity of Malaysian urban destinations and answers to this question can provide insight to the level of the destination brand equity held by foreign tourists, and whether further strengthening of their brand image and brand awareness is required.

2. What is the strength of the competitiveness attributes of the urban destinations of Kuala Lumpur, Penang, Melaka, Kota Kinabalu and Kuching from the perspective of international tourists?

The answers to this question can provide a better understanding of the strengths and weaknesses in relation to the competitiveness attributes of these urban destinations and can lead to more effective recommendations for improving their competitiveness.

3. What is the influence of destination competitiveness I (functional attributes) on the tourists’ assessment of customer-based brand equity (CBBE) and abstract attributes?

This question will determine the relationship between functional attributes and CBBE, and its influence on abstract attributes. The answers to this question will highlight the importance of increasing the competitiveness level of a destination which can lead to the development of a more effective branding strategy for the destination.

4. What is the influence of customer-based brand equity on the tourists’ assessment of the destinations’ competitiveness attributes (abstract attributes) and destination loyalty?
This question will determine the relationship between customer-based brand equity of the destinations and the level of the destinations’ competitiveness (abstract attributes). The answers to this question will highlight the importance of an effective branding strategy towards increasing destination competitiveness and destination loyalty.

5. What is the influence of destination’s competitiveness II (abstract attributes) on travel behavior (destination loyalty)?

A destination’s competitiveness is described as its ability to increase visitor arrivals by providing them with satisfying, memorable experiences and doing it in a profitable and sustainable manner (Ritchie and Crouch, 2003). Competitiveness can result in the increase of both new and repeat (loyal) visitors. The answer to this question will highlight the importance of a destination’s competitiveness (abstract attributes) on destination loyalty.

6. What is the role of destination’s competitiveness (abstract attributes) in the relationship between customer-based brand equity and destination loyalty?

As it is generally agreed that branding increases destination competitiveness, and competitiveness influences travel behavior, it is important to determine the role of competitiveness in the relationship between customer-based brand equity and travel behavior of foreign tourists. This question will determine the role of destination competitiveness (abstract attributes) in the relationship between customer-based brand equity and destination loyalty.
7. What is the role of customer-based brand equity in the relationship between the two destination’s competitiveness components of functional attributes and abstract attributes?

Since destination image is generally agreed to be an important component in the development of a destination brand and image is measured by using destination competitiveness (tourism attractors) attributes, the answer to this question will determine the role of customer-based brand equity in the relationship between the two destination competitiveness components.

8. Does the destination competitiveness component of functional attributes have a direct influence the other component of abstract attributes?

This research question will determine the level and type of influence one component of destination competitiveness has on the other.

1.5 Research Objectives

The primary objective of this study is to categorize the attributes of destination competitiveness into the two components of functional and abstract attributes, and to determine the mediating effects of: (1) CBBE in the relationship between functional and abstract attributes, and (2) abstract attributes in the relationship between CBBE and destination loyalty.
The specific objectives of this research are:

1. To evaluate the customer-based brand equity of Kuala Lumpur, Penang, Melaka, Kota Kinabalu, and Kuching from the perspective of international tourists.

2. To measure the competitiveness attributes of Kuala Lumpur, Penang, Melaka, Kota Kinabalu, and Kuching from the perspective of international tourists.

3. To examine the influence of functional attributes on customer-based brand equity and abstract attributes.

4. To examine the influence of customer-based brand equity on abstract attributes and destination loyalty.

5. To examine the influence of destination competitiveness II (abstract attributes) on travel behavior (destination loyalty).

6. To determine the role of abstract attributes in the relationship between customer-based brand equity and travel behavior (destination loyalty).

7. To determine the role of customer-based brand equity in the relationship between functional attributes and abstract attributes.
1.6 Scope of the Research

As this study focuses on Malaysian urban destinations, the scope of the research is confined to the geographical borders of Malaysia. Data was obtained from international visitors to the cities of Kuala Lumpur, Penang, Melaka, Kota Kinabalu, and Kuching, over a specific time frame. No attempts have been made to test the cross-border (across nations) validity and longitudinal robustness of the findings as such endeavors are beyond the scope of this study, and will be left to future research.

As stated earlier, a major theoretical contribution of this study is to demonstrate that the construct of destination competitiveness can be classified into the components of “functional attributes” (which are more tangible and measurable) and “abstract attributes” (which are more psychological and less tangible). Furthermore, this study also helps to determine the mediating role of a destination’s CBBE in the relationship between functional attributes and abstract attributes.

1.7 Operational Definitions of Terms

There are a number of variables used in this study which need to be operationally defined so that they can be accurately assessed and tested.

**Brand:** name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition (American Marketing Association, 1960 p. 18).
Brand Equity: Customers’ subjective and intangible assessment of the brand, above and beyond its objectively perceived value (Keller, 2008, p.83).

Consumer Behavior: The study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires (Solomon, 2004, p. 7).

Travel Behavior: Consumer behavior related to tourism - how people consume tourism products (Pizam and Mansfeld, 1999, p. 1)

Customer-based Brand Equity: The differential effect that brand knowledge has on consumer response to the marketing of that brand (Keller, 2008, p. 48)

Destination Brand: a name, symbol, logo, word mark or other graphic that both identifies and differentiates the destination; furthermore, it conveys the promise of a memorable travel experience that is uniquely associated with the destination; it also serves to consolidate and reinforce the recollection of pleasurable memories of the destination experience (Ritchie and Ritchie, 1998, p. 103).

Destination Competitiveness: The ability of a destination to increase tourist expenditure and increase visitor arrivals by providing them with satisfying, memorable experiences and doing it in a profitable and sustainable manner which will enhance the well-being of the destination residents and preserve the natural capital for future generations (Ritchie and Crouch, 2003).

International Tourist: Any person who travels to a country other than that in which s/he has his/her usual residence but outside his/her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an
activity remunerated from within the country visited, and who stays at least one night in a collective or private accommodation in the country visited (UNWTO, 1994, para 29).

**National Competitiveness:** Competitiveness is a country’s capacity to sustain and expand its share of international markets and at the same time to improve its people’s standard of living (Fajnzylber, 1988, p. 12).

**Destination Management Organization (DMO):** Tend to be part of the local, regional or national government and have political and legislative power as well as the financial means to manage the destination’s resources rationally and to ensure that all stakeholders can benefit in the long term (Buhalis, 2000, p. 3).

### 1.8 Significance of the Study

There has been insufficient research to determine the level of consumer-based brand equity held by international tourists on the various urban destinations in Malaysia even though branding has been acknowledged to be an important tool to increase a destination’s competitiveness. Furthermore, there is also limited research on the impact of customer-based brand equity on the destination’s competitiveness and tourists’ travel behavior in the destinations. Findings from this research will lead to a greater understanding of the relationships between the constructs of customer-based brand equity, destination’s competitiveness, and travel behavior (destination loyalty).
1.8.1 Theoretical Contribution

This study would be one of the pioneer studies on urban destinations in Malaysia to explain the relationship between the destinations’ brand equity and their competitiveness attributes, and how travel behavior can be affected by the destinations’ brand equity through the destinations’ competitiveness.

A number of earlier studies supported the position that effective destination branding leads to greater destination competitiveness. However, there are very few studies that make the argument for the reverse causation effect, i.e. higher competitiveness can lead to an increase in customer-based brand equity for the destination. An important theoretical contribution of this study will be the determination of the possible mediating role of a destination’s CBBE in the relationship between the two possible destination’s competitiveness components of “functional attributes” (which are more tangible and measurable) and “abstract attributes” (which are more psychological and less tangible).

In examining the relationships between the destinations’ brand equity, competitiveness, and travel behavior, this study will contribute to the body of knowledge of urban tourism marketing, and the factors influencing consumer behavior related to tourism, especially in urban destinations.
1.8.2 Practical Contribution

Findings from this study will provide the information related to the brand equity of urban destinations in Malaysia required by destination marketing organizations to enable them to develop a more effective branding strategy for their destinations.

The relevant tourism bodies can also make use of the inputs of this study to strengthen the destinations’ competitive attributes to enable these destinations to attract more new and repeat visitors, as well as to influence the visitors’ average expenditures and length of stay.

Finally, this study can lead to the development of a more effective overall marketing strategy for Malaysia’s major urban destinations which can help the nation to achieve its target tourists’ arrivals and receipts.

1.9 Organization of the Thesis

Chapter 1. Introduction. This chapter provides an overview of urban tourism in Malaysia, and the background and need for this study, research problems, research objectives, questions, hypotheses, and the organization of this thesis.

Chapter 2. Literature Review. This chapter reviews the extant literature on destination marketing, urban tourism, branding, customer-based brand equity, competitiveness, and consumer behavior related to travel.
Chapter 3. Framework Development. This chapter describes how the theoretical framework is developed.

Chapter 4. Research Methodology. This section highlights the methods utilized in the sample selection and data collection. It also provides a detailed description on the statistical tools to be used for the data analysis.

Chapter 5. Findings and Discussions. This chapter provides the results of the data analysis including findings on the level of the CBBE and competitiveness of the urban destinations of Kuala Lumpur, Penang, Melaka, Kota Kinabalu and Kuching. The relationship between CBBE and destination competitiveness will be discussed in this chapter, and the role of destination competitiveness in the relationship between CBBE and travel behavior will be identified.

Chapter 6. Conclusion and Recommendations. This chapter will offer the theoretical and practical implications of the findings; including limitations of the research and implications for future research. Important contribution to the field of tourism marketing, in particular urban destination marketing, will also be provided in this chapter.
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