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Building brand equity through industrial tourism

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ABSTRACT

As a consequence of rising operating and labor costs, numerous manufacturing companies in Taiwan have been closed or relocated overseas during the last two decades. Since 2003, Taiwan's government has advocated for the transformation of traditional factories into tourism-oriented facilities to increase the brand strength of the companies. As a result, industrial tourism has been boosted and many manufacturers in Taiwan are keen on establishing tourism factories; however, the association, if any, between offering industrial tourism and building a strong brand equity remains relatively unexplored. Thus, the present study sought to examine customers' perceptions of the value of a branded tourism factory through the concept of brand equity. More specifically, it was hypothesized that brand equity, which is composed of brand awareness, brand associations, and perceived quality, contributes to brand loyalty. Both qualitative and quantitative methods were employed in different phases of this study, including 1) questionnaires to identify industrial tourism factories with high brand awareness among consumers; 2) open-ended interviews regarding visitors' touring experiences to develop further questionnaires; and 3) questionnaires distributed to three food-oriented firms with similar levels of brand awareness. Analysis of the data from 312 valid questionnaires revealed that brand associations and perceived quality both positively and significantly predict brand loyalty. The results suggest that companies engaging in industrial tourism should focus on offering tourists interactive experiences to enhance brand associations and on ensuring a transparent operations process during tours to emphasize the high quality of whatever is being produced, thereby contributing to enhance brand loyalty.

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1. Introduction

Increasing global competition has placed great stress on many industries, especially traditional manufacturing industries. In earlier times, the demand for various products was always greater than the supply, so manufacturing companies only had to focus, in general, on increasing their production efficiency. However, after decades of technological advances that have accelerated production processes, supplies are now often higher than the corresponding levels of demand, forcing the various brands that exist in given markets to compete for potential customers' attention. As such, it has become increasingly difficult for customers to identify,

remember, and choose brands during purchase decision making. In addition, customers are growing more resistant to traditional forms of marketing such as print advertising and television commercials (Willmott & Nelson, 2003). Instead, consumers are increasingly seeking holistic, authentic, multisensory, and memorable experiences that are associated with the given product or service. Hence, there has been a rapid rise in the number of marketing efforts known as experience marketing, which attempts to establish a personal and meaningful interaction with the consumer (Schmitt, 1999; Tynan & McKechnie, 2009). In some sense, the memorable experiences produced by such marketing efforts effectively become part of the products in question, making them key aspects of the experience economy (Pine & Gilmore, 1999).

In order to enhance the revenues provided by customers' experiences as part of the experience economy (Pine & Gilmore, 1999), many factories have become involved in industrial tourism, which is also called industrial heritage tourism, by transforming

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their manufacturing factories into tourism factories. This type of tourist attraction includes manufacturing plant tours, company museums, company visitor centers, and brand parks, all of which serve as means by which a firm can open their factory doors to customers or visitors so that they can learn about the production process, product features, and company history (Mitchell & Orwig, 2002; Otgaar, 2012). For many marketing managers, establishing such tourism factories could be an effective marketing strategy as one visit is more valuable than one hundred commercials when guests relate their positive experiences to friends and relatives (Brumberg & Axelrod, 1995).

In Taiwan, many factories were closed or relocated overseas during the last two decades as a consequence of rising operating and labor costs and the competitive global environment. In 2003, the government of Taiwan's Industrial Development Bureau noticed this trend and established "The Project to Assist Manufacturing Industries in Developing Industrial Tourism" in an attempt to help traditional factories transform into tourism factories in order to build up industrial tourism, which can act in a multifunctional manner by allowing for both manufacturing and tourism and which, therefore, may successfully promote a given brand, making it stronger and more competitive (Industrial Technology Research Institute, 2013a).

As such, many manufacturers in Taiwan have become keen on establishing industrial tourism venues where they can provide opportunities for tourists to visit, be entertained, be educated, and get to know about the given brand and products. So far, 145 tourism factories have been set up throughout Taiwan (Industrial Technology Research Institute, 2013b). However, not all of these 145 industrial tourism sites are thriving. Some have been facing problems such as a lack of attractiveness to visitors or not receiving enough visitors to support their operating costs. Such problems can lead to situations in which these industrial tourism factories must struggle for survival, to say nothing of their actually achieving any monetary or nonmonetary benefits from their industrial tourism efforts. Therefore, considerable uncertainty still exists with regard to if and how brand equity can be promoted by the establishment of tourism factories, especially in today's intense and competitive market.

It seems that the purpose of tourism factories and the concept of brand equity are, in a sense, intertwined with each other, but there have not been many previous studies that have sought to address this interconnection. In particular, the concept of industrial tourism is a relatively new one in the realm of academia (Robinson & Novelli, 2005), in spite of industrial tourism itself being commonly practiced by many US and European firms. Most industrial tourism studies thus far, in fact, have been from the US perspective. Given the fact that culture plays an important role in brand equity (Blair & Chiou, 2013, 2014) and that, so far, very few studies have explored the marketing effects of industrial tourism in Taiwan, the association between offering industrial tourism and building a strong brand through brand equity remains relatively unexplored. Thus, the aim of this research was to examine customers' perceptions of the value of branded industrial tourism through the concept of brand equity. More specifically, it was hypothesized that brand equity, which is composed of brand awareness, brand associations, and perceived quality, contributes to brand loyalty.

It is necessary, therefore, to investigate the relationship between visits to industrial tourism sites and brand equity in order to assist in the development of industrial tourism in Taiwan. As such, the objectives of this study were as follows:

1. To examine if there are any differences relating to brand equity among tourists with different visiting experiences (i.e., travel

style, product-use experience, interpreter guidance experience, and brand orientation experience).

2. To investigate if visitors to industrial tourism sites will build upon their perceptions regarding brand equity from the lowest toward the highest levels as assessed by brand awareness, perceived quality, brand associations, and brand loyalty.

2. Literature review

2.1. Origins and development of industrial tourism

Industrial tourism can be traced back to Europe in the 1960s. At that time, many industries such as the textile, mining, steel, and other heavy industries faced structural imbalances, and some of them finally had to close down. Thereafter, many of the shuttered factories decayed with time and even turned into deserted, becoming what has been referred to as "industrial heritage" (Hospers, 2002). As time continued to pass, some people came to enjoy visiting these heritage sites to reminisce and have fun, and some factory owners simply seized on the chance to transform the given outmoded manufacturing industry into an industry based on serving the purposes of tourism, a phenomenon that would eventually be referred to as "industrial heritage tourism" (Edwards & Llurdés, 1996).

Later, as the concepts of brand marketing management began drawing the attention of more and more people, some of the owners of companies in various industries began to recognize that public relations were crucial to marketing. With that in mind, some opened up their industrial environments for tourists to see, strongly promoting industrial tourism in order to show their companies and company spirits to tourists, hoping that the tourists would then like their brands more and thus allow them to reap greater revenues (Edwards & Llurdés, 1996; McBoyle, 1996; Richards, 1996). Today, industrial tourism provides visitors with a place where they can feel and experience a brand's culture, gain knowledge about the details of products, have fun, and learn about the manufacturing process by participating in hands-on activities. In this way, they can get acquainted with and even be impressed by the given brand.

As such, industrial tourism has boomed in the last two decades, growing to encompass industries selling a wide variety of products, including food and beverages, clothing, appliances, automobiles, toys, pottery and glassware, sporting goods, etc (Mitchell & Orwig, 2002). A great amount of industrial tourism falls under the food and beverage category; for example, in Axelrod and Brumberg's guide, (1997) *Watch it made in the USA: A visitor's guide to the companies that make your favorite products*, it was reported that regarding 288 plant tours, 104 of the tours were in plants producing food and beverage products. In addition, there are more than 1500 wineries in the USA that provide wine tastings and tours for consumers.

2.2. Functions of industrial tourism

Extensive literature indicates that industrial tourism can provide a variety of advantages to a company that engages in it, including intangible benefits such as securing a good reputation, building up a relationship with the public, an improved brand image, creating a bond between consumers and the brand, and increased brand loyalty (McBoyle, 1994; Mitchell & Orwig, 2002; Otgaar, 2012; Rhees, 1993), as well as tangible benefits such as opportunities to display products, increased sales through both on-site and post-visit visitors, revenues generated from the sale of tickets for the industrial tours, etc. Moreover, these potential benefits are not limited solely to end users, but may also be shared, to

varying extents, with business clients, employees, investors or stakeholders, and local residents (Mitchell & Mitchell, 2001). For example, for firms that belong to the business-to-business model, trust and understanding between the firms and their stakeholders could be fostered by allowing the stakeholders to visit a live company in the supply chain (Otgaar, 2012). Furthermore, the benefits of industrial tourism could also extend to regional economic development as it has become a niche tourism market that can draw tourists to visit and stay (Otgaar & Klijs, 2010; Otgaar, 2012). In addition to monetary benefits, industrial tourism can also serve an educational function by allowing young people to witness manufacturing processes that are rarely experienced in the present day while, relatedly, providing older generations with nostalgic experiences by allowing them to reflect on their lives in earlier times (Frew, 2010; Rhees, 1993).

2.3. Brand equity

The concept of branding has become widely accepted as one of the key purposes of marketing efforts over the past several decades (Kotler, Bowen, & Makens, 2013). The basic function of a branding strategy is to add value to a given product or service. In order to obtain strategic advantages by building, maintaining, and utilizing brands, the subject of brand equity has attracted the attention of academics and practitioners for decades (Erdem et al., 1999). Ultimately, brand equity can be used to summarize all of the various assets that are parts of a brand, to measure the performance of a brand in the past, and to predict the performance of a brand in the future (Pike, 2007, 2010).

There are at least two different perspectives through which to study brand equity, including financial-based brand equity and customer-based brand equity. For example, from the financial perspective, several studies have attempted to explain brand equity as the increase in profit or the quantity of cash flow in the future, and have also argued that the value of a brand's equity can be defined as the cost of replacing the brand or its liquidation value (Simon & Sullivan, 1993). In addition, some scholars view brand equity as an aspect of perceived value in customers' minds such that branded products and services cause customers to be biased toward the brand and/or the given products and services versus an unbranded equivalent (Biel, 1997). They argue that if consumers perceive a product to have high brand equity, they will think more positively about the given product or brand (Keller, 1993), which will, in turn, have an impact on their purchasing choices (Kim, 1990). Brand equity can also be defined as the contrast in consumer choice between a specific branded product and an unbranded product which is set at the same level in terms of product features (Yoo, Donthu, & Lee, 2000).

Much of the literature has indicated that brand equity provides a strong platform for the introduction of new products, for differentiating a company from its competitors, and for protecting the given brand from competitive attacks. Keller (2001a, 2001b) further indicated that if consumers have greater knowledge of a specific brand, they will have more favorable reactions to the elements of the marketing mix. Furthermore, as brand equity is created, customers tend to perceive the tangible and intangible features of a brand through various information sources. These perceptions will intensify the value or meaning of the brand to the consumers, and the brand equity will then influence consumer preferences and purchase intentions (Cobb-Walgreen, Ruble, & Donthu, 1995). Therefore, among firms facing keen market competition, it has become very important to establish brand equity. Aaker (1991) posited that owning one or more competitive brands is the only way to strengthen market share, and that doing so is better than having a factory without brand equity.

Aaker (1991) suggested that there are four dimensions of customer-based brand equity, all of which are widely accepted by scholars (Keller, 1993; Kim, Kim, & An, 2003; Low & Lamb, 2000; Yoo et al., 2000). The four dimensions include brand awareness, perceived brand quality, brand associations, and brand loyalty.

2.3.1. Brand awareness

Brand awareness is an essential aspect of as well as the first step in building brand value (Gartner & Konecnik Ruzzier, 2011). It can be defined as the level of brand recall and familiarity when consumers make a choice of their preferred brand (Aaker, 1991, 1996; Cobb-Walgreen et al., 1995; Keller, 1993; Yoo & Donthu, 2001). Researchers (Tasci & Kozak, 2006; Woodside & Lysonski, 1989) have identified different levels of such brand awareness. Stage one refers to a complete lack of awareness. At this stage, consumers do not know the brand or its name. Stage two stands for a level of brand recognition such that consumers can identify the brand but do not remember the brand's name. Stage three refers to brand recall; consumers can utter the brand's name after being reminded of it by others. Finally, consumers at the stage of high awareness, stage four, can make a connection between the brand and its products automatically, that is, without any reminders from others. Due to the fact that people usually choose to buy familiar products, such name awareness is very important to a product in terms of getting the product included into a consumer's buying consideration set (Tasci & Kozak, 2006; Woodside & Lysonski, 1989).

2.3.2. Perceived quality

Perceived quality is defined as the consumers' judgement of the superiority or excellence of a brand (Konecnik, 2006). The fact that consumers have high awareness of a branded product/service does not necessarily imply that they will perceive it to be of high quality. Perceived quality shapes brand image, increases the perceived value of the given brand in consumers' minds, and serves as a determinant in the brand equity model (Baloglu & McCleary, 1999; Gartner & Konecnik Ruzzier, 2011; Netemeyer et al., 2004; Pike, 2002).

2.3.3. Brand associations

The role of brand associations as an important element in brand equity management has been previously documented (Im, Kim, Elliot, & Han, 2012). It is classified into three major categories, i.e., attributes, benefits, and attitudes (Keller, 1993; Qu, Kim, & Im, 2011). The attributes are features of a brand; in other words, they constitute what a consumer thinks the brand has to offer. The benefits are values associated with the features of the brand. The brand attitudes are consumers' overall evaluations of the brand. As a whole, the potential value of a brand name is based upon specific associations and is related to its image. Brand associations influence a consumer's brand choices and purchases, increase the barriers through which competitors may need to break, and may also serve as the basis for brand extensions (Aaker, 1991, 1996; Keller, 1993). For instance, Coca-Cola can provide a new drink with a competitive advantage based upon the brand associations people already have with Coca-Cola itself, such that customers may trust the brand and thus choose the new drink when making a purchase choice.

2.3.4. Brand loyalty

Brand loyalty refers to the degree to which people are committed to a given brand as shown both by their inner attitudes reflected in lasting biases toward a specific brand, as well as by externally exhibited behaviors such as repeat purchases of a certain brand among several alternatives (Jacoby & Kyner, 1973; Odin, Odin, & Valette-Florence, 2001). In many industries, it is both time-consuming and costly to attract new customers while being

