The effects of service brand dimensions on brand loyalty

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A R T I C L E   I N F O

A B S T R A C T

The present paper uses a modified version of the Service Brand Verdict (SBV) model. The objective of the study is to incorporate service brand loyalty as an ultimate dependent measure seen as the outcome of consumers' evaluation of various service brand dimensions and communication, and test the generalizability of the modified SBV model in two different service sectors and cultural settings. Two studies using on-line survey data were conducted in Denmark and Norway in two different service industries (airlines and banks respectively). Previous findings suggesting that brand evidence significantly influences consumer satisfaction, attitude and behavioural loyalty towards service brands were confirmed. Moreover, contrary to previous findings, controlled communication elements (i.e. advertising and promotions) did not have any influence on customer satisfaction with service brands. However, the same communication elements directly and significantly shaped customers' perceptions of the various brand dimensions and their overall attitude towards the brand.

1. Introduction

As a result of the increasing competition that characterizes global markets, companies shift their strategic focus toward customer satisfaction and retention (Gustafsson et al., 2005). In this respect, branding is a prime practice that allows organizations to establish beneficial long-term relationships with their customers. Furthermore, branding creates superior customer value, which satisfies and helps retain consumers (Aaker, 1991; de Chernatony and McDonald, 1992). In the service sector, the importance of branding has been highlighted by several authors (Arora and Stoner, 1996; Berry, 2000; Brodie, 2009; Java and Cliquet, 2012; McDonald et al., 2001; Sok and O'Cass, 2011; Teichert and Schontag, 2010), who agree that branding is as a key success factor for service organizations and that it must be seen as "*a cornerstone of services marketing in the 21st century*" (Berry, 2000).

Several theoretical models have been proposed to explain how consumers evaluate and behave toward brands (Aaker, 1991; Berry, 2000; de Chernatony and Dall'Olmo Riley, 1998; Kapferer, 2008; Keller, 1993). In most of these models, the primary focus has been on physical products and goods, whereas attention to services has been limited. The differences between goods and services may well question the relevance of existing branding models in a service setting (Berry, 2000; Brodie et al., 2009; Grace and O'Cass, 2005). Features of services, such as intangibility, perishability, heterogeneity

and simultaneity (van Riel et al., 2001), have resulted in a widespread belief that consumer evaluation of service brands may differ from physical product brands in both kind and degree, and thus require different theoretical approaches (Berry, 2000; de Chernatony and Dall'Olmo Riley, 1998; McDonald et al., 2001; Zeithaml et al., 1985).

Moreover, the existing branding models often demonstrate significant weaknesses due to the absence of empirical testing, lack of validation and narrow focus (Grace and O'Cass, 2005). For example, de Chernatony and Dall'Olmo Riley (1998) investigated service branding based on expert interviews without incorporating the end-user's perspective. Likewise, the service brand equity model developed by Berry (2000) simplified brand complexity into a manageable number of elements, yet its focal constructs and their interrelationships were not empirically tested. Coping with these limitations, Grace and O'Cass (2005) proposed the Service Brand Verdict (SBV) model that explains how consumers evaluate and respond to service brands. In addition to the need for the development of empirically tested brand models tailored the characteristics of service sectors, it has also become apparent that in order to capitalize on the value of branding, research has to address not only the dimensions that are relevant to customers when evaluating service brands, but also their effects on consumers' response. When referring to the latter point, the concept of loyalty has received broad attention, especially in the service industries because it is frequently seen as the ultimate determinant for a successful and profitable business (Caruana et al., 2000; Juhl et al., 2002).

Taking into account limitations from previous work, this paper validates a modified version of the SBV model that investigates the effects that service brand dimensions have on consumers' brand

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loyalty. More specifically, the following research questions are addressed: (a) what are the dimensions of service brands that are meaningful to consumers when evaluating branded services? (b) how do service brand dimensions affect consumers' brand loyalty? and (c) how are other consumer response variables, such as customer satisfaction and brand attitude, relate to service brand loyalty?

2. Service branding

Similar to physical product brands, a service brand is the basis to build trustful customer relationships and, as such, it is frequently seen as a consumer-directed informational device that serves as a promise regarding the future service experience (Berry, 2000; Davis et al., 2000). However, due to the intangibility and the perceived risk associated with services, customers' perception of a branded service is particularly crucial, since it motivates their ultimate behaviour toward the brand (Davis et al., 2000). Consequently, branding is equally important for service providers as for physical goods manufacturers (Arora and Stoner, 1996; McDonald et al., 2001). Nevertheless, the significance of certain branding aspects is expected to vary between these two types of offerings (Berry, 2000).

One of the fundamental differences between product and service branding lies in the fact that within the service sector the company name becomes the brand name, since consumers usually view the whole firm as the provider of the service experience (Berry, 2000). The strength of a service brand is thus mainly determined by organizational attributes, such as the quality of the service provided by a company's employees and the overall relationship between the firm and its customers (Alexandris et al., 2008). However, the interactions between consumers and staff might cause disparate experiences with a service brand that pose major challenges to service marketers (de Chernatony and Segal-Horn, 2003).

The intangible nature of services stresses the crucial importance of service brands as opposed to physical goods brands. Since services lack the tangibility that would allow for packaging, labelling or displaying, strong brands are a particularly powerful instrument for service organizations to increase consumers' trust in such "invisible purchases" (Javalgi et al., 2006). Absence of physical properties in service offerings additionally emphasizes the role of branding as a means of differentiation (de Chernatony and Dall'Olmo Riley, 1999; McDonald et al., 2001). Keeping in mind that service branding is concerned with communicating the benefits of an offering, a strong brand is considered to be a key element in a service provider's effort to distinguish oneself from competition.

Service brands have often been exclusively associated with their brand names, based on the fact that service attributes are considered to be difficult to communicate via any other means (Turley and Moore, 1995). While at an abstract level a brand represents a product and its value, customers at a lower level of abstraction are expected to evaluate and respond to a variety of brand dimensions (Keller, 1993). A brand is more than a mere name, as it involves all those associations that a customer holds with respect to various product- and non-product-related attributes. Accordingly, Davis et al. (2000) stated that a service's brand image refers to the customers' perception of the service experience that is created by those service elements that are associated with the service brand. On a similar vein, the concept of service brand equity has recently gained the attention of many researchers (e.g. Boo et al., 2009; Brian and Chunhui, 2011; Java and Cliquet, 2012; So and King, 2010). In this respect, a better understanding of the brand associations formed is crucial and, therefore, a challenge for service marketers.

In an attempt to investigate the branding principles for services and physical goods, de Chernatony and Dall'Olmo Riley (1999) suggested that developing a brand is similar for both sectors. In their view, brands are regarded as a combination of functional and emotional attributes that symbolize a promise for future customer satisfaction that help building a brand image. It is at the operational level during which the manifestation of specific elements of services brands should be emphasized. However, the findings of de Chernatony and Dall'Olmo Riley (1999) do not reflect customers' perspective. While a service brand might essentially be viewed as "*a blend of what the company says the brand is, what others say, and how the company performs the service*" (Berry, 2000), it is still customers who form associations of various service-related dimensions. As a consequence, there is a need for customer-based information on which brand dimensions hold meaning for service users.

Grace and O'Cass (2002) compared the importance of brand dimensions for branded products and services. The authors suggested that brand dimensions may differ between services and physical goods to the extent that customers find some to be unique to one sector whereas others to be common to both sectors. More specifically, word-of-mouth (WOM) communications, as well as a company's physical facilities and employees, were shown to be particularly important for the evaluation of branded services. On the other hand, attributes such as consumers' feelings and self-image congruence with respect to the image of the brand were primarily of concern to customers of physical goods (Grace and O'Cass, 2002). All the above suggest that service brands are different from physical goods and therefore may require adjustment of marketing approaches, at least to a certain extent.

Besides understanding how customers formulate brand associations, a key point in branding is to understand the importance of these associations and the extent to which they influence customers' attitudes and behaviour. Although previous branding frameworks (de Chernatony and Dall'Olmo Riley, 1998; Keller, 1993) argue to be relevant to both products and services, there is criticism as regards to their application to service offerings (Berry, 2000; Grace and O'Cass, 2005). In addition, the majority of early branding frameworks lacked empirical testing, use an inconsistent terminology and identify different brand elements.

To address this limitation, Berry (2000) proposed a service branding model that explains the relationship between service brand dimensions and a company's performance. In his model, Berry suggested that building strong service brand equity can be created not only by the use of effective brand communications but also through customer experience. On a similar vein, Grace and O'Cass (2005) proposed the Service Brand Verdict (SBV) model that conceptualized a service brand as consisting of two basic higher-order dimensions ("brand evidence" and "brand hearsay") that, in turn, are composed by several lower order attributes of which customers formulate brand associations. In their model, brand evidence refers to all those brand attributes that a customer experiences during the pre-purchase and usage stage, whereas brand hearsay involves those types of communication (i.e. controlled and uncontrolled) that a customer exclusively receives prior to purchase. As such, brand evidence represents more than just the tangible dimensions of the brand (e.g. brand name, price), by comprising intangible service brand attributes that influence customers' brand evaluations (e.g. feelings, employee service).

3. Model conceptualization and hypotheses

In an attempt to model consumers' evaluations and behaviour toward service brands this paper uses a modified version of Grace
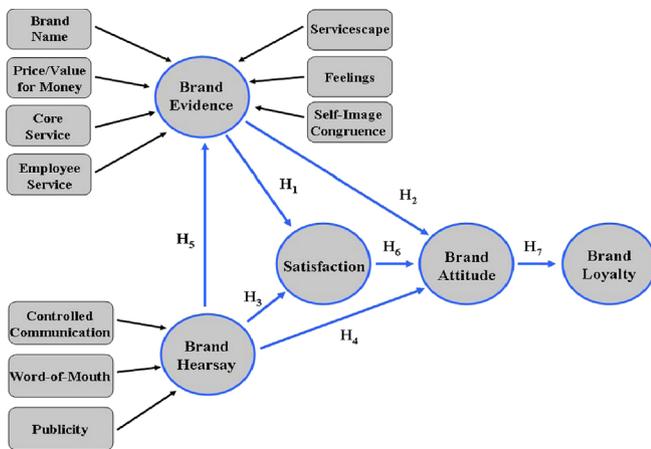
Fig. 1. The service brand loyalty (SBL) model.

and O'Cass's (2005) SBV model (Fig. 1), where service brand loyalty is seen as the outcome of consumers' evaluation of various service brand dimensions (i.e. brand evidence) and communication (i.e. brand hearsay). What follows is the definition of the key constructs and their hypothesized interrelationships.

3.1. Brand loyalty

Loyalty is often understood as consisting of both a behavioural and an attitudinal dimension (Dick and Basu, 1994), and thus refers to a deeply held dispositional commitment, which induces users to resist situational influences and marketing efforts that might have the potential to cause brand switching behaviours (Oliver, 1999). As such, brand loyalty results in repeated purchase as well as positive word-of-mouth (WOM) and, in turn, it is expected to lead to an organization's future profitability (Caruana, 2002). From a firm's perspective, previous research has found brand loyalty to have a strong effect on brand equity (Yoo et al., 2000), which indicates the potential of loyalty to cause superior brand performance outcomes, such as price premiums or greater market shares. Based on the assumption that it is the final outcome of a consumer's brand evaluation, brand loyalty is expected to result from a person's overall disposition toward the brand (Chaudhuri and Holbrook, 2001; Dick and Basu, 1994). In this respect, previous research showed that consumers' emotional responses to brands impact brand loyalty (Chaudhuri and Holbrook, 2001). Following this rationale, the modified SBV model suggests brand loyalty as the ultimate response toward a service brand, contrary to SBV's initial conceptualization that viewed purchase intention as the ultimate goal.

3.2. Brand evidence

Brand evidence is perceived as a higher order construct that comprises all meaningful brand associations made by customers when evaluating a service brand. More specifically, these associations are based on a variety of service brand dimensions that a customer experiences during both the pre-purchase and usage stage. In the pre-purchase stage, customers can primarily evaluate a service brand through its more tangible or known attributes, such as the brand name, servicescapes and price (Arora and Stoner, 1996; Turley and Moore, 1995). In the usage stage, a customer's evaluation process continues by judging service brand attributes that were previously inaccessible (i.e. intangible) by the customer. In this respect, brand dimensions, such as the actual encounter with the service staff (i.e. employee service), a user's self-image congruence or the feelings that occur during service provision are

particularly crucial. Overall, the brand evidence of service brands represents all those service brand dimensions that influence a customer's brand evaluation. As such, brand evidence is the foundation upon which customers' responses are based. Following Grace and O'Cass's (2005) conceptualization, brand evidence in the modified SBV model is perceived as a higher order construct that comprises all meaningful brand associations to a customer when evaluating a service brand.

3.3. Brand hearsay

Brand hearsay refers to service brand-related communications experienced by customers during the pre-purchase stage, such as controlled communications (i.e. advertising, promotions) and uncontrolled communications (i.e. WOM, non-paid publicity) (Grace and O'Cass, 2005). Prior to purchase, these sources of information directly shape customers' expectations and thus are strongly linked with customer satisfaction (Babin and Babin, 2001). Moreover, advertising affects consumers' attitudes, purchase intention and service brand perceptions (Brodie et al., 2009; Kempf and Smith, 1998), while WOM significantly impacts on customers' attitudes and purchasing behaviour (Bansal and Voyer, 2000; Mangold et al., 1999). In the modified SBV model, brand hearsay is comprised of three dimensions based on the fact that WOM as a personal source of information differs from non-paid publicity, since the intangible nature of service offerings gives higher importance to WOM communication. Besides its direct relation to customer satisfaction and brand attitude, brand hearsay is also hypothesized to affect brand evidence, since communication variables have often been expected to influence customers' evaluation of brand dimensions. In this respect, the common difficulty in determining the absolute level of quality of a service might result in customers' perceptions of brand attributes to be influenced by various sources of information received prior to purchase or consumption.

3.4. Brand satisfaction

Satisfaction as compared to brand attitude refers to the customer's immediate response to the brand's performance and is a result of the (dis)confirmation of users' expectations (Spreng et al., 1996). Satisfaction is considered to be the outcome of customers' post-purchase evaluations of both tangible and intangible brand attributes (brand evidence). Keeping in mind that satisfaction is often closely related to service quality (Caruana et al., 2000), several service brand dimensions have been identified as being strongly associated with satisfaction. For example, the interaction with the service personnel, as well as a company's physical surroundings affect service satisfaction (Johns, 1999; Wu and Liang, 2009), whereas other brand stimuli such as price, brand name and core service rather impact on customers' perceived service quality (Berry, 2000). Apart from satisfaction being a judgment of individual attribute performance, it also comprises a judgment that is based on the expectations that result from various sources of information (Spreng et al., 1996). Taking account of this fact, the modified SBV framework models satisfaction as a response to both service attributes (i.e. brand evidence) and service information (i.e. brand hearsay). Moreover, whereas satisfaction is basically seen as the outcome of customers' service brand performance evaluation, it is similarly argued to be a key determinant of brand attitude and customer loyalty behaviour (mediated via brand attitude). In this respect, a number of early studies have found strong effects of customers' satisfaction on brand attitude and brand loyalty (e.g. Bowen and Chen, 2001; Caruana, 2002; Rust and Roland, 1993).

3.5. Brand attitude

Brand attitude is defined as the consumer's overall positive or negative disposition toward the service brand and is expected to have a positive impact on brand loyalty (Keller, 1998). With respect to the different stages in the relationship between the customer and the service offering (pre-purchase, usage, post-purchase), brand attitude is understood as a more enduring global assessment of the brand as compared to a customer's immediate response to its performance (i.e. satisfaction). For instance, some of the tangible and more accessible service brand attributes (e.g. price, servicescapes) might directly shape customers' overall disposition toward the brand, while those brand attributes that are experienced in the usage stage (e.g. employee service, feelings) might indirectly influence attitudes through consumer satisfaction. Similarly, communication variables might be related to both brand satisfaction and brand attitudes, since earlier studies found that advertising could partially mitigate the detrimental effects of negative product performance on customers' brand attitudes (Kempf and Smith, 1998). In the modified SBV model, brand attitude is affected by customers' perceptions of and satisfaction with all brand stimuli that are experienced in the pre-purchase and consumption stage, including brand evidence and brand hearsay (Grace and O'Cass, 2005).

Based on the above discussion and the conceptualization of the modified SBV model, the following research hypotheses are established:

H_1: Brand evidence has a positive impact on satisfaction.
H_2: Brand evidence has a positive impact on brand attitude.
H_3: Brand hearsay has a positive impact on satisfaction.
H_4: Brand hearsay has a positive impact on brand attitude.
H_5: Brand hearsay has a positive impact on brand evidence.
H_6: Satisfaction has a positive impact on brand attitude.
H_7: Brand attitude has a positive impact on brand loyalty.

4. Methodology

In order to test the proposed hypotheses that derived from the modified SBV model two separate studies were conducted in two difference service sectors. In the first study, the aim was to test the proposed model, whereas in the second study the aim was to further validate the findings using a different service sector and country.

4.1. Study I

4.1.1. Procedure

A questionnaire was developed and a list of items was generated in order to operationalize the latent constructs of the modified SBV model. A pilot study with 25 respondents was conducted in order to check face validity of constructs and ensure that all questions were relevant, understandable and easy to assess. The final list of items measuring the key constructs of the modified SBV model is presented in the Appendix.

Study I used the airline industry as a relevant service sector. The core service of an airline was described to respondents using examples like "*providing safe and timely air transportation to various destinations*" or "*providing on-board service as well as airport ground service*", which were based on Tsaur et al. (2002). In order to increase realism and discard non-flyers, respondents were first prompted to think of an occasion in the past where they had to choose among competing airlines. Subsequently, they were requested to indicate the name of the chosen airline and to keep this airline in mind when answering the survey questions.

This procedure allowed taking account of the variability within the airline industry by not restricting respondents' choice to any particular brand or strategic grouping (e.g. low-cost carriers vs. flag carriers), while at the same time assuring that respondents referred to a specific brand during survey completion. The next part of the questionnaire included the questions related to the modified SBV model measured on a 7-point agreement Likert scale (end-points: 1="strongly disagree" to 7="strongly agree"). The last part of the questionnaire included socio-demographic questions.

The questionnaire was designed, administered and distributed on-line and data were obtained from a convenient student sample ($N=223$) studying at a leading Danish University. The survey took place in June and July 2009. The sample consisted of 62.3% female respondents, with an average age of 24.8 years. Preliminary results confirmed that respondents were familiar with and made frequent use of the services provided by airlines (69.5% indicated to fly approximately one to five times a year, with another 30.5% flying more frequently). The fact that 41.7% of the participants thought of a long-distance flight when filling in the questionnaire indicates that findings were not biased towards any specific airline type (i.e. low-cost).

4.1.2. Model specification

A distinction has to be made between the structural and the measurement parts of the model. The structural model consisted of five key constructs (i.e. brand evidence, brand hearsay, satisfaction, brand attitude, and brand loyalty) and their expected inter-relationships were specified by the hypotheses H_1–H_7. In this respect, satisfaction, brand attitude and brand loyalty were modelled as first-order constructs directly measured by multiple indicators. Brand evidence and brand hearsay were conceptualized as second-order latent constructs, which were operationalized by their underlying first-order facets. Hence, service brand dimensions (band name, price, core service, employee service, servicescapes, feelings, self-image congruence) and communication variables (controlled communication, WOM, publicity) were conceptualized as first-order dimensions and serve as indicators of the higher-order latent constructs brand evidence and brand hearsay.

In the measurement model, an additionally important distinction has to be made between its reflective and formative parts, due to the fact that they differed in their direction of causation and further estimation method (Diamantopoulos and Winklhofer, 2001). Within the modified SBV model, all first-order dimensions of brand evidence and brand hearsay, as well as the response constructs (i.e. satisfaction, brand attitude and brand loyalty) were conceptualized in the reflective mode due to theoretical considerations and the types of indicators used. On the other hand, brand evidence and brand hearsay were considered to be compositions of their underlying first-order dimensions and they were therefore operationalized in the formative mode. Due to the formative nature of such an underlying "reflective first-order, formative second-order model" (Type II Model), the various service brand dimensions (e.g. employee service, servicescapes, etc.) did not necessarily have to share a common theme and hence did not have to be correlated (Jarvis et al., 2003). Keeping in mind that all first-order dimensions were in the formative mode, it is quite intuitive that, for example, the strength of consumers' association with a firm's servicescapes might change without affecting their evaluation of the employee service.

4.1.3. Model estimation and results

The model was estimated using Partial Least Squares (PLS), given that PLS is more suitable for relatively complex models and when formative constructs are included (Wetzels et al., 2009).

However, the analytical capabilities of PLS do not allow for the direct estimation of higher-order constructs. Therefore, a two-stage approach was applied, in which latent variable scores were initially estimated without the presence of the second-order constructs and these scores were subsequently used as indicators in a separate higher-order structural model analysis. In that case, a model containing only the first-order constructs of the modified SBV framework was run in order to validate the measurement model and to obtain construct scores for the dimensions of brand evidence and brand hearsay. After this, the latent variable scores were used as direct formative indicators for the two second-order constructs in a separate model that was then estimated to investigate the remaining relationships. Such a procedure has previously been applied in Type II higher-order models (e.g. Agarwal and Karahanna, 2000; Wan et al., 2008).

Based on the first PLS estimation almost all items loaded significantly on their respective latent variable by exceeding the commonly accepted threshold of 0.7 (Jarvis et al., 2003). However, one of the items measuring core service (CS5) had a zero construct loading (i.e. 0.05) and was thus deleted from further analysis. Moreover, convergent validity was justified with all Cronbach alphas being above 0.7 and all composite reliability indices above 0.8, whereas the average variance extracted (AVE) for each variable was above 0.5, exceeding the recommended parameter values (Hulland, 1999). Furthermore, inspection of the cross-loadings revealed that almost all items correlated most strongly with their intended construct than with any other, thus indicating acceptable discriminant validity.

Based on the loadings that resulted from the first PLS estimation, latent variable scores for the first-order dimensions of brand evidence and brand hearsay were computed and subsequently used as formative indicators of their respective constructs in a second PLS run. The results from the PLS estimation are illustrated in Table 1 and highlight that brand name, as well as WOM and publicity were not significant for the conceptualizations of their corresponding second-order constructs.

The PLS results for the structural model are presented in Table 2. Except for one (H3), all hypothesized relationships were confirmed through the existence of statistically significant path coefficients ($p < 0.05$). In this respect, the suggested consumer response process was supported by strong effects from satisfaction on brand attitude (0.38) and, in turn, from brand attitude on brand loyalty (0.62). Moreover, it was revealed that a consumer's satisfaction with a service brand was mainly based on the brand's dimensions (0.79), while brand-related communications were not found to significantly influence satisfaction. On the other hand, both brand hearsay (0.15) and brand evidence (0.42) jointly affected consumers' overall attitudes toward the branded offering. Finally, brand hearsay had a clear and strong influence on brand evidence (0.49).

Table 1
Weights for formative dimensions of brand evidence and brand hearsay (Study I).

Construct	Dimension	Weights	t-Value
Brand evidence	Brand name	0.05	0.91
	Price/value for money	0.27*	3.40
	Core service	0.27*	3.30
	Employee service	0.17*	2.21
	Servicescapes	0.13*	2.23
	Feelings	0.30*	4.27
	Self-image congruence	0.23*	4.26
Brand hearsay	Controlled communication	0.96*	14.08
	WOM	0.20	1.73
	Publicity	−0.02	0.13

* Indicates significant weights ($p < 0.05$).

Table 2
Results of the structural model (Study I).

Predicted variable	Predictor variable	Hypothesis		Path	t-Value	R^2
Satisfaction	Brand evidence	H1	Supported	0.79*	15.91	0.65
	Brand hearsay	H3	Not supported	0.04	0.79	
Brand attitude	Brand evidence	H2	Supported	0.42*	6.44	0.70
	Brand hearsay	H4	Supported	0.15*	3.24	
	Satisfaction	H6	Supported	0.38*	6.11	
Brand loyalty	Brand attitude	H7	Supported	0.62*	13.86	0.38
Brand evidence	Brand hearsay	H5	Supported	0.49*	8.16	0.24

* Indicates significant paths ($p < 0.05$).

When referring to the endogenous latent variables in the modified SBV model, the results showed that 65% of the variance in satisfaction, 70% of the variance in brand attitude and 38% of the variance in brand loyalty was explained by the underlying framework. Although a strong relationship was found between brand hearsay and brand evidence, indicating that brand-related communications might shape a customer's perception of the various service brand dimensions, the explained variance in the brand evidence construct ($R^2 = 0.24$) should be seen with cautiousness. This is because, from a theoretical point of view, the variance in a formatively measured latent variable is supposed to be fully accounted for by its indicators (Diamantopoulos et al., 2008).

4.1.4. Discussion

The results from Study I showed that all service brand dimensions except one (i.e. brand name) are important to consumers' evaluation of a service brand. Thus, core service, value for money, feelings and self-image congruence were the most important brand components for consumers' perception of their chosen brand. The strong weight attributed to the price/value for money dimension indicated that customers always consider what they have to sacrifice in order to get higher service quality. Previous research has also shown that price strongly shapes customers' perception of service quality (e.g. Dodds et al., 1991). The price of a service is one of the few tangible attributes that can already be assessed prior to purchase and, as such, the perception of good value for money could significantly impact on consumers' decision-making.

Besides this tangible service element, brand evidence was mainly accounted for among those brand dimensions that are experienced by the consumer during the consumption stage, such as core service and employee service. This is not surprising given the intangible nature of services and is in accordance with prior research that suggests a customer's perceived brand image to be disproportionately shaped by its direct experience with the service brand (Berry, 2000). Moreover, due to the inseparability of services, the interaction between the customer and the service provider becomes a key element of service delivery and thus service users see the employee service dimension as an important part of a brand's evidence. The feelings aroused during experience, as well as the congruence of a user's self-image with respect to the image of the brand, were also critical components of the service brand dimensions. This is attributed to the fact that services are experiential in nature and their provision takes a certain amount of time, so it is particularly important for customers to feel good when receiving a service. Similarly, these feelings may be related to the self-image dimensions, meaning that, overall, customers want to feel they are in a pleasant environment at the time of service consumption. Finally, a company's physical facilities also appeared to be an important brand dimension for consumers'

satisfaction, thus illustrating that servicescapes is a crucial means for making a service offering tangible in order to have consumers easily assess a company's quality.

As regards to brand hearsay, the findings suggest that controlled communication was the most important source of information affecting brand hearsay. It thus is advertising that accounts for establishing those meaningful associations that are important for consumers in the evaluation of a service brand. On the other hand, uncontrolled communications (WOM and publicity) were not found to have any significant contribution in forming the brand hearsay construct.

With respect to the hypothesized relationships, all except one were supported. Brand loyalty was shown to be strongly affected by a customer's brand attitude, which, in turn, was determined by satisfaction, as well as by both brand evidence and brand hearsay. The strong relationships between the dimensions of a service brand (i.e. brand evidence) and satisfaction and brand attitude clearly highlighted that it is mainly a service brand's tangible and intangible attributes that result in customers' satisfaction and favourable attitudes towards the brand. In this respect, the dimensions experienced by the customer during the consumption stage, together with the price/value for money component were the most important elements affecting customer evaluation of and response to a service brand.

Moreover, the strong link between brand evidence and satisfaction supported the hypothesis that satisfaction should be understood as the result of a customer's post-purchase evaluation of service attributes. While brand hearsay did not significantly impact on customers' satisfaction with the service brand, it nevertheless influenced brand attitude directly, thus indicating that controlled communications can strongly shape a customer's overall disposition toward a brand. This was also true for brand evidence, which illustrated that the dimensions of a service brand are not only compared to users' pre-purchase expectations (i.e. satisfaction) but they directly shape customers' overall brand attitude. Finally, a strong link was found between a firm's communications and a user's perception of the various attributes of a service brand. This clearly highlighted that advertising and promotions shape customers' perception of the brand evidence and, as a consequence, controlled communications must be seen as a powerful instrument for marketers in affecting customers' brand evaluation and behaviour. However, this also implied that marketing communications are subject to a critical examination by the user (satisfaction judgment) and thus no promises should be made that cannot be kept during actual service delivery.

Overall, the results follow to a certain extent earlier findings by Grace and O'Cass (2005). The fact that brand hearsay did not have any direct effect on satisfaction toward the brand suggested that customers may need first to experience the brand, which in turn forms their evaluations toward the service brand. In other words, brand hearsay may have an effect but such an effect is mediated by brand evidence, something that holds in the proposed model. However, such a finding could have been due to peculiarities of the service sector under investigation. Therefore, in order to further explore this finding and be able to come up with theoretical and practical generalizations a second study was conducted.

4.2. Study II

4.2.1. Procedure

Study II chose banking as a brand stimuli under investigation. This service sector was also explored by Grace and O'Cass (2005), so its choice allows for comparison of the findings to the original model. The same questionnaire and procedure as in Study I was followed. Participants in study II had to belong to the same age cohort as the participants in study I (i.e. 20–29 years old), be

owners of a bank account and use bank services at least on a weekly basis (e.g. using online banking, withdrawing/depositing money, paying bills). The study was conducted in Norway in order to have a different cultural setting than in Study I. Data collection was done online during May–June 2011. In total, 172 participants completed successfully the survey (average age of 26.5 years, 56.4% female participants).

4.2.2. Results

The analytical procedure was similar to that followed in Study I. With respect to the measurement model, Table 3 presents the results from the first PLS estimation. The results for brand evidence showed similar pattern to those from Study I, with the only exception being that self-image congruence was not significant. Similar was the case for brand hearsay, in which only controlled communication was found to have a significant weight on the construct. The structural model-related PLS results are presented in Table 4. Except for one (H_3), all hypothesized relationships were once again confirmed.

4.2.3. Discussion

Study II succeeded in further confirming findings from Study I. Brand name was shown not to have any significant contribution in formulating the brand evidence construct. This could be explained by the heterogeneous nature of service brands (van Riel et al., 2001). Unlike physical goods that provide a more standardized value, experience provided by services may vary from day to day and from one occasion to the next. As a result, although a brand name might be an important element for a firm, it is not as important for customers if the experience of a service delivery is to a large extent inconsistent. Moreover, similar to findings from Study I, uncontrolled communications was shown not to have any significance in formulating the brand hearsay construct. This finding was also supported in the Grace and O'Cass (2005) earlier study, who attributed it to the fact that personal sources of communication, such

Table 3
Weights for formative dimensions of brand evidence and brand hearsay (Study II).

Construct	Dimension	Weights	*t*-Value
Brand evidence	Brand name	0.12	1.82
	Price/value for money	0.28*	3.17
	Core service	0.33*	3.02
	Employee service	0.17*	1.97
	Servicescapes	0.14*	2.03
	Feelings	0.28*	3.55
	Self-image congruence	0.07	1.13
Brand hearsay	Controlled communication	0.99*	17.46
	WOM	−0.07	0.52
	Publicity	0.06	0.46

* Indicates significance ($p < 0.05$).

Table 4
Results of the structural model (Study II).

Predicted variable	Predictor variable	Hypothesis		Path	*t*-Value	R^2
Satisfaction	Brand evidence	H1	Supported	0.67*	14.68	0.64
	Brand hearsay	H3	Not supported	0.23	03.92	
Brand attitude	Brand evidence	H2	Supported	0.34*	3.98	0.71
	Brand hearsay	H4	Supported	0.12*	1.72	
	Satisfaction	H6	Supported	0.48*	5.90	
Brand loyalty	Brand attitude	H7	Supported	0.78*	20.68	0.61
Brand evidence	Brand hearsay	H5	Supported	0.48*	7.34	0.23

* Indicates significant paths ($p < 0.05$).

as WOM, are more important for consumers who are unfamiliar with the brand (Sundaram and Webster, 1999), or for a brand that is new or novel (Wilson and Peterson, 1989). Finally, the hypothesis that brand hearsay (i.e. controlled communications) has an effect on satisfaction with the brand was again rejected.

5. Conclusion

This study proposed and tested a modified version of the SBV model developed by Grace and O'Cass (2005). The aim was to provide a better understanding on the way in which service users make sense of and evaluate service brands and, in turn, how these brand evaluations impact on customers' ultimate behaviour. Furthermore, the aim was to build on previous findings in order to be able to come up with generalizations in relation to how consumers evaluate and respond toward service brands. Overall, the results suggested that, apart from few exceptions, the modified SBV model is a parsimonious one and holds in different service sectors and culture settings.

Customers' degree of brand loyalty as ultimate behavioural variable is not only influenced by customers overall disposition toward a service brand, but it is significantly affected by both brand evidence and brand hearsay. This highlights that advertising, as well as a brand's tangible and intangible dimensions jointly impact on consumers' response toward the service brand. However, there were some differences observed to the original model by Grace and O'Cass (2005). In this respect, and contrary to previous findings, brand hearsay does not seem to have any direct effect on satisfaction toward the service. This suggests that customers may need first to experience the brand, which in turn impacts on their evaluations toward the service brand. In other words, brand hearsay may have an effect, but this effect is mediated by brand evidence.

The present work is not free from limitations, each also seen as a direction for future research. While operationalizing brand evidence and brand hearsay as second-order constructs might appear intuitively correct, such a formative conceptualization nevertheless requires a better determination of the constructs by their respective indicators or dimensions. Further research has to examine the full range of potential service dimensions (brand evidence) and communication (brand hearsay) that might be important in a specific service brand setting. Moreover, keeping in mind that existing literature (Brodie et al., 2009; de Chernatony and Dall'Olmo Riley, 1998) proposes significant moderating effects of psychometric constructs, such as familiarity with and involvement to the service sectors under study, on the relative importance of various aspects of service branding and corresponding consumers' decision-making and behaviour, further research should try to incorporate those and other personality constructs with a potential moderating effect in an extended theoretical framework.

Acknowledgements

Appendix

Description of measures of the adapted Service Brand Verdict model used in Study I (adapted from Grace and O'Cass, 2005).

Construct	Label	Indicator/Question
Brand name	BN1	The name of this airline tells me a lot about what to expect from this airline
	BN2	The name of this airline tells me a lot about this airline
	BN3	The name of this airline means something to me
	BN4	The name of this airline sends a message to me about this airline
	BN5	The name of this airline tells me everything I need to know about this service
Price/value for money	PV1	This airline's services are reasonably priced
	PV2	This airline offers satisfactory value for what it costs
	PV3	This airline provides a good service for the price
	PV4	Using this airline is economical
Servicescapes	SS1	The facilities of this airline, both at the airport and on the airplane itself, suit my needs
	SS2	This airline's physical facilities, both at the airport and on the airplane itself, are visually attractive
	SS3	This airline's employees have a neat and well-dressed appearance
	SS4	The appearance of the physical facilities of this airline, both at the airport and on the airplane itself, is in accordance with the type of service provided
Core service	CS1	The core service provided by this airline suits my needs
	CS2	The core service provided by this airline is reliable
	CS3	I can rely on this airline to provide good core service
	CS4	This airline provides quality core service
	CS5	The core service provided by this airline is superior
Employee service	ES1	I receive prompt attention from this airline's employees
	ES2	Employees of this airline are always willing to help me
	ES3	The employees of this airline are never too busy to respond to my requests
	ES4	I can trust the employees of this airline
	ES5	I feel safe in my transactions with this airline's employees
	ES6	Employees of this airline are polite
	ES7	Employees of this airline give me personal attention
Feelings	FE1	When flying with this airline I feel annoyed (reverse scored)
	FE2	When flying with this airline I feel happy
	FE3	When flying with this airline I feel irritated (reverse scored)
	FE4	When flying with this airline I feel frustrated (reverse scored)
	FE5	When flying with this airline I feel pleased
	FE6	When flying with this airline I feel sad (reverse scored)
	FE7	When flying with this airline I feel disgusted (reverse scored)

	FE8	When flying with this airline I feel uneasy (reverse scored)
	FE9	When flying with this airline I feel good
	FE10	When flying with this airline I feel nervous (reverse scored)
	FE11	When flying with this airline I feel confident
	FE12	When flying with this airline I feel impressed
Self-image congruence	SI1	The image of this airline is consistent with my own self-image
	SI2	Flying with this airline reflects who I am
	SI3	People similar to me use this airline
	SI4	The kind of person who typically flies with/uses this airline is very much like me
Controlled - communi-cations	CC1	I like the advertising and promotions of this airline
	CC2	I react favourably to the advertising and promotions of this airline
	CC3	I feel positive toward the advertising and promotions of this airline
	CC4	The advertising and promotions of this airline are good
	CC5	The advertising and promotions of this airline do a good job
	CC6	I am happy with the advertising and promotions of this airline
Publicity	UC1	Publicity about this airline has been significant in affecting my views of this airline
	UC2	Publicity about this airline revealed some things I had not considered about this airline
	UC3	Publicity about this airline provided some different ideas regarding this airline
	UC4	Publicity about this airline really helped me formulate my ideas about this airline
	UC5	Publicity about this airline influenced my evaluation of this airline
Word-of-mouth	WOM1	The opinion of my friends/family has been significant in affecting my views of this airline
	WOM2	My friends/family mentioned some things I had not considered about this airline
	WOM3	My friends/family provided some different ideas regarding this airline
	WOM4	My friends/family really helped me formulate my ideas about this airline
	WOM5	My friends/family influenced my evaluation of this airline
Satisfaction	SA1	I am very satisfied with the service provided by this airline
	SA2	This airline does a good job of satisfying my needs
	SA3	The service provided by this airline is very satisfactory
	SA4	I believe that flying with this airline is usually a very satisfying experience

	SA5	I made the right decision when I decided to use this airline
Brand attitude	BA1	Overall I think this airline is very good
	BA2	Overall I think this is a nice airline
	BA3	Overall I think this airline is very attractive
	BA4	Overall I think this airline is desirable
	BA5	Overall I think this airline is extremely likeable
Brand loyalty	BL1	I am likely to use this airline in the future
	BL2	I am likely to recommend this airline to others
	BL3	If I were to make the same trip another time, I would choose this airline again
	BL4	If it were available for my trip, this airline would be my first choice
	BL5	I consider myself to be loyal to this airline

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