

# Research Horizons

*Highlights of Recent Research by the SHTM*

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## Brand Management and Reliability Valued in Upscale Chinese Hotels

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Customer trust in management and brand reliability are key components of brand value for upscale Chinese hotels, according to recently published research from the SHTM's Professor Cathy Hsu and two co-authors. The researchers are the first to consider these two components as drivers of customer brand loyalty amongst international and Chinese travellers staying at four- and five-star hotels in major Chinese cities. Their results hold true across gender, brand experience and country of origin, thus providing hotel brands with a better understanding of what creates brand value in the fast-growing upscale lodging sector.

### Measuring Intangible Value

Intangibles, write the researchers, are becoming increasingly important to business modelling and planning around the world. Measuring what something as intangible as "a brand can add to the business portfolio seems to be a critical management practice". Nowhere is this more accentuated than in the lodging sector, where hotel firms are struggling to differentiate themselves in an increasingly crowded global marketplace.

As the researchers point out, efforts to measure the value of hotel brands are particularly critical in a sector "where branding has been popularly used as a strategy to develop new products and introduce existing and extended brands to new markets, both domestic and global". Outside of China the growth rate of branded franchise hotels has far outpaced that of unbranded hotels. In China, the phenomenal growth in domestic and international tourist numbers has been far more prominent. The key question is, what value does a brand offer in the burgeoning Chinese lodging sector?

The overall value created by a brand is generally conceptualised as 'brand equity'. In the lodging sector,

brand equity is thought to constitute "a combination of brand awareness and brand performance that reflects customer satisfaction, return intention, price-value relationship and preference", the researchers note. Generic products and services generate different customer responses than their branded equivalents. The key to determining customer-focused brand equity for service firms is understanding "the sources of brand knowledge and the differential advantages they create for the brand".

The overarching element of brand equity, and the crucial driver of the intention to repurchase, is brand loyalty or how attached a customer has become to a brand. For a brand to have value, customers must feel loyalty towards it. Usually considered as driving brand loyalty, and hence brand equity, are brand awareness, brand image/associations and perceived brand quality. The general perception is that before customers feel loyalty to a hotel brand, they must recognise that brand, associate it with a positive lodging experience and perceive it to be of superior quality.

The researchers note that in China, where the "recent expansion of foreign and domestic hotels has been rapid", few economy brands have managed to establish themselves and accumulate a significant amount of brand equity. Hence, they focused their attention on upscale hotels, given "the more intense competition among luxury hotel brands", in their efforts to determine whether the conventionally perceived drivers of hotel brand equity apply in China.

### Frequent Travellers Surveyed

To investigate the determinants of brand equity for upscale Chinese hotels, the researchers carried out two focus group interviews in Beijing with 18 Chinese and international frequent travellers. The resulting questionnaire was pilot-

tested and subject to expert review by 10 Chinese- and English-speaking hotel managers and hospitality and brand-equity researchers before being used to survey 1,346 guests at 29 four- and five-star hotels in 12 major Chinese cities. Eleven of the hotels were local brands, and 18 international.

The sample included a majority of men (64%), with most respondents aged between 26 and 55 (85%). They were close to evenly divided between inbound foreign (51%) and domestic Chinese (49%) travellers, most of whom were travelling on business (70%). A majority of the respondents held graduate degrees (72%). Nearly three-quarters had stayed with the brand before (72%), and half at the same hotel.

### **New Hotel Brand Equity Components**

The two focus groups generally confirmed that brand equity comprised brand awareness, brand image, perceived brand quality and brand loyalty. The researchers note that within this framework brand loyalty is determined by the three other components.

A surprise for the researchers, however, was that the interviewees saw two additional components as being essential: management trust and brand reliability. Management trust, according to the researchers, incorporates “the customer’s feelings of confidence in and willingness to rely on the management (practice) of a brand”. Brand reliability is “the brand’s overall ability to meet the customer’s expectations repeatedly over time or over repeated brand purchase occasions”.

These concepts are new to considerations of brand equity, the researchers note. “Knowledge-based trust and confidence in the brand’s management practice may be an important ingredient for a successful hotel brand”, they emphasise. Equally important is assurance that the brand experience is consistent. A reliable brand will build into “commitment-like loyalty”, whereas inconsistency is likely to prompt “customer defection”.

### **Implications for Brand Management**

The hotel consumer survey results confirmed the importance of management trust and brand reliability, suggesting that they may exert an even stronger impact on brand loyalty than brand awareness, image or perceived quality. The researchers suggest that hotel operators include aspects of both in assessing their brand equity efforts:

“future lodging branding and marketing efforts in a global marketplace need to emphasise the company’s trustworthy management practices and ability to deliver product and services consistently.”

The researchers suggest that one practical way of doing so would be to increase the visibility of management staff in the service process “to strengthen the customer’s positive perceptions of direct access to the hotel’s management”. Consistent service delivery requires effective coordination between management and service staff and a “shared understanding of customer needs”. Furthermore, customers also need to perceive that management feels and can be held accountable for any service failures.

Such reactions held true across gender, brand familiarity and country of origin for the hotel guests surveyed, suggesting that they are representative of a broad range of travellers staying in both domestic and international upscale hotels in China.

### **Brand Management and Reliability Build Brand Equity**

By considering the essential building blocks of brand equity – brand loyalty, brand awareness, brand image and perceived quality – alongside the newly identified dimensions of customer trust in management and brand reliability, the researchers offer insights into how luxury hotel managers can build and measure brand equity. Managers will find an understanding of the dimensions identified critical to their success in today’s increasingly globalised, competitive hotel market, both in China and beyond.

#### **Points to Note**

- Global hotel competition makes branding increasingly important.
- Brand value is generally conceptualised as brand equity.
- Customer trust in management and brand reliability are key to brand equity.
- A focus on these two dimensions can boost luxury hotel brand success.

Hsu, Cathy, Oh, Haemoon and Assaf, A. George. (2012) “A Customer-Based Brand Equity Model for Upscale Hotels”. *Journal of Travel Research*, Vol. 51, No. 1, pp. 81-93.