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# Branding destinations versus branding hotels in a gaming destination—Examining the nature and significance of co-branding effects in the case study of Macao

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ABSTRACT

This paper considers destinations and hotels operating within a gaming destination as co-branded experiential choice products. Specifically, it examines the overall and individual effects of visitors' perceived brand equity of a gaming destination and their perceived brand equity of various hotels, including 'flagship' or branded hotels, in terms of influencing their reaction to a hypothetical brand loyalty scenario in which their intended and preferred hotel was unable to provide accommodation thus forcing them to either: (1) choose an alternate hotel in the destination and continue with the visit, (2) cancel the trip and choose another destination to visit, or (3) insist on staying at the preferred hotel but postpone the trip at another period. The study's expectation is that visitors' response to such a hypothetical scenario is moderated by the relative influence of their perceived brand equity for the destination and for hotels. The emergent gaming destination of Macao is used as a case study for this purpose. The study's findings indicate that visitors' overall destination brand equity perceptions—rather than hotel brand equity perceptions—is robustly significant when it comes to influencing visitors' response to the brand loyalty scenario. Results of the study indicate several relevant implications for destination management organizations (DMOs) seeking to enhance their destination-branding efforts and for hotel operators, especially internationally branded hotel chains.



## 1. Introduction

Tourism destinations in the world face keen competition. In their drive to enhance their economy and develop or diversify tourism, many destinations look upon legalized gaming as a means to achieve this, inspired to a great degree by the success of gaming destinations such as Las Vegas as well as emergent ones in Asia. Las Vegas' short history but rapid rise as an international gaming destination can be attributed in one part to the many casino operators that began establishing and developing their own brand of gaming hospitality which, over time, helped establish Las Vegas as one of the top gaming destinations in tourism. Following this success, several countries in Asia have legalized gaming activities including Singapore, Japan, South Korea, Malaysia, India, China (Macao and Hong Kong) (Datamonitor, 2009). The Asia-Pacific casino and gaming sector grew by 12.5% in 2008 and reached $92.4 billion in value (Datamonitor, 2009). Forecasted figures indicate that the Asia-Pacific casinos and gaming sector will reach $157.3 billion in value by 2013—an increase of 70.3% over 2008 (Datamonitor, 2009).

Macao's particular example has been impressive. A special administrative region of China, Macao has had legalized gaming since the 1950s. But only after the liberalization of its gaming sector and opening the tender for casino operating licenses in 2002 did Macao begin to substantially attract investments in a number of new international casino hotels and resorts. The result of this open policy has been such that within five years gaming revenue in Macao began to eclipse that of Las Vagas. Though Macao's experience is not completely analogous to that of Las Vegas', there is some parallelism in the way newly established international branded casino hotels and resorts have catalyzed Macao's brand equity as a gaming destination. More recently, Singapore's opening of two new casino hotels and resorts (the Marina Bay Sands and Resorts World Sentosa) manifests a similar strategic goal of diversifying its tourism and attracting more visitors. It seems therefore that in the context of tourism diversification via gaming, destinations rely on bringing in already established and well brand casino hotel and resort operators in order to build a destination's brand equity, in return for favorable investment terms and business climate. The other option for destinations, however, is to devote resources to

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build up their destination brand equity without the co-branding equity "boost" produced by welcoming established and branded hotel operators. Indeed, it can be argued that the early years of Las Vegas posed precisely this scenario—a desert town with little to offer in terms of visitor attractions which had to be developed from scratch by its now-legendary pioneer operators. But which development path is better?

We frame the above problem within the ambit of branding destinations by posing the question: Is it more effective for tourism destinations to "acquire" internationally known or branded hotel operators as a way to build destination brand equity? Or are destinations better off developing their brand equity independently—though not entirely separately—from hotel operators? Does the establishment of an internationally branded hotel in a relatively un-branded destination enhance the latter's brand equity in the mind of visitors? Put another way, are visitors more swayed to visit destinations by the brand equity of hotels operating in the destination or by the destination's own brand equity, or by both acting in concert? We believe these questions to be important to destination marketers. For example, if visitors are more swayed to visit destinations by the brand equity of hotels operations, this may imply that destination marketers can seek help by attracting more international resort companies to improve their tourism. However, if the opposite is true, destination marketers may want to focus more on destinations' attractiveness rather than attracting international resort operators to invest in the destination.

To address these questions, this paper examines the relative influence of a destination's brand equity vis-à-vis hotels' brand equity in terms of visitors' reaction, obtained via a survey interview, to a hypothetical scenario in which their intended and preferred hotel was unable to provide them with accommodation and would have to choose between three courses of action: (1) to choose and look for another hotel in the destination, (2) cancel the trip and choose another destination, or (3) postpone the trip to the destination at a period where the preferred hotel has vacancy. The objective is to determine whether visitors' manifest preference for either the destination or the hotel is, considering one or the other being unavailable, determined by their latent perceptions of brand equity measuring both the destination and hotel.

The above research questions are examined within the specific context of gambling destinations, particularly Macao, a once sleepy Portuguese colony known more in the past as a day's excursion destination one hour's ferry ride from Hong Kong but now radically transformed as a the biggest gaming destination in the world.

## 2. Literature review

### 2.1. Branding destinations and hotels

Kotler (1997) defines a brand as "a name, term, sign, symbol, or design or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors (p. 443)." A brand serves to distinguish a product or service by enveloping and connecting it with a unique identity. In so doing, a brand serves to enhance product awareness, recognition, memory and image which are postulated to be the effects of the branding process, a conception based on the "hierarchy of effects" model of advertising communication (Lavidge and Steiner, 1961). What makes a brand valuable to marketers is the equity it generates among consumers, a construct (brand equity) which Keller (1993) defined as "the marketing effects uniquely attributable to the brand...outcomes resulting because of [its] brand name that would not occur if the same product or service did not have that name." Because tourism destinations are generally regarded as a form of leisure consumption not far removed from consumption of traditional consumer goods and services, scholars and destination marketers consider the general principles of consumer branding to be applicable in the context of destination marketing. Indeed there has been an increased academic and practical interest of late in branding tourism destinations (Gnoth, 1998, 2002; Pritchard and Morgan, 2001). Branding has become an important part of marketing tourism destinations and destination marketers now recognize how they can anchor their marketing programs by capitalizing on the underlying images and associative knowledge that visitors use to identify, distinguish and evaluate destinations (Blain et al., 2005). Ritchie and Ritchie (1998) reinforced the utility of destination branding by defining it and its core components as "the marketing activities that (1) support the creation of a name, symbol, logo, word mark or other graphic that both identifies and differentiates a destination; (2) that convey the promise of a memorable travel experience that is uniquely associated with the destination; and (3) that serve to consolidate and reinforce the recollection of pleasurable memories of the destination experience, all with the intent purpose of creating an image that influences consumers' decisions to visit the destination in question as opposed to an alternative one." Recently, Hosany et al. (2006) found that a destination's image and personality are related concepts, a finding that lends support and efficacy to the need for branding destinations.

The precise effects on a destination arising from the entry or presence of internationally branded hotel chains are largely unknown but can be considerable. Forgacs (2003) noted that "in the USA, over 70% of the hotels are branded; in Canada, brand penetration is around 40%, in Europe it is under 25% and growing" (p. 340). To relatively unknown or unbranded destinations, the entry of internationally branded hotels usually invigorates marketing and enhances the place image as they introduce new concepts of leisure and entertainment integrated with the core provision of accommodation. Even to established and already-branded destinations, the arrival of prestigious and branded hotel chains and operators imparts an opportunity to innovate its offering, or re-invent and reposition itself in the global tourism market just like Las Vegas. This paves the way for new potential visitor markets to become aware of and consider traveling to the destination because of branded hotels. Overall, however, destination branding is complex and much has yet to be studied in the relatively nascent efforts to apply branding principles in the marketing of destinations (Morgan et al., 2003; Pike, 2005; Pritchard and Morgan, 2001).

### 2.2. Destinations and hotels as co-branded choices

Despite the number of recent studies covering destination and hotel branding, it remains unclear what independent or interactive effects branding efforts conducted separately by tourism or destination marketing agencies (DMOs) and hotels have on the psychology of visitors' preference. This knowledge gap is critical considering the substantial amount spent separately by DMOs and hotels on marketing and brand-development activities. Not knowing the underlying nature and effects between branding efforts of DMOs and the constituent hotel operators they cover also undermines enhanced industry cooperation, an oft-cited prerequisite for tourism competitiveness (Cai, 2002; Ritchie and Ritchie, 1998). The paucity of studies addressing destination branding in relation to hotel branding and marketing efforts is also surprising considering the abundance and progress of knowledge archived in the co-branding literature of the marketing field (Boone, 1997; Grossman, 1997; Hadjicharalambous, 2006; Park et al., 1996; Rao and Ruekert, 1994; Swaminathan, 1999; Washburn et al., 2000a,b).

The framework of this study utilizes the conceptual elements of co-branding, the pairing of two or more constituent brands (Park et al., 1996) in marketing a product offering. Though Park et al.