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Applying consumer-based brand equity in luxury hotel branding

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ABSTRACT

This study examines the effects of consumer-based brand equity (CBBE) components (i.e., brand loyalty, brand awareness, perceived quality, and brand image) of luxury hotel brands on consumer brand attitude and purchase intention with brand performance as a contextual factor. Through a survey involving 327 tourists conducted in luxury hotels in Macau, results reveal that all four CBBE elements positively relate to brand attitude, and three directly influence purchase intention. Brand attitude mediates the relationship between four CBBE elements and purchase intention, and brand performance moderates the relationship between brand attitude and purchase intention. This study expands CBBE theory to include luxury hotel brands and contributes to the literature by clarifying the direct, indirect, and total effects of each CBBE element on brand attitude and purchase intention. In addition, the study identifies brand performance as a contextual factor rather than a consequence of brand equity and brand attitude.

1. Introduction

Branding is an effective tool for companies to identify and differentiate products or services in consumers' minds. Branding is a marketing strategy widely used to improve firm performance (Hsu, Oh, & Assaf, 2011; Liu et al., 2012; Mizik, 2014). The literature highlights building a strong brand as the primary goal of business (Aaker, 1996; Keller, 2008; O'Cass & Weerawardena, 2010). However, limited research exists on branding of luxury hotels, creating a gap in the literature. This study fills this gap by explaining how brand equity, attitude, and performance affect hotel guest loyalty intention.

The hospitality industry generally accepts hotel star ratings designated by Forbes (formerly, Mobil) Travel Guide, American Automobile Association (AAA), and other organizations (Verma, 2010; Sherman, 2007). The perception exists that a hotel awarded the Forbes Five Star award and/or AAA Five Diamond is a luxury hotel, and four-star and five-star hotels generally describe themselves as luxury hotels. The luxury hotel industry is a crucial and rapidly expanding segment of the hospitality industry. The Smith Travel Research (STR) report shows that the US luxury segment had the highest occupancy rate (72.3%) in the fourth quarter of 2014 (STR, 2015). The hotel industry's growth is

salient in Asia. For example, Marriott has 535 hotel properties open in the Asia-Pacific region and 475 in development (Marriott, 2016). The substantial growth of the luxury hotel segment draws considerable attention from researchers regarding the phenomenon of luxury consumption. Studies focus on emotional attachment (Hyun & Kim, 2014), guest loyalty (Yang & Lau, 2016), and status seeking (Yang & Mattila, 2013; Yang & Mattila, 2014). With marketing research shifting focus from one-time transactions to long-term relationship development between companies and consumers, the notion of consumer-based brand equity (CBBE) increasingly captivates managers and academics (Huang & Cai, 2015; Kim & Kim, 2005; Stahl, Heitmann, Lehmann, & Neslin, 2012). Efforts to value brands and identify drivers of brand preference have prompted much empirical research (Chaudhuri & Holbrook, 2001; Liu, Wong, Shi, Chu, & Brock, 2014; O'Cass & Weerawardena, 2010). However, research gaps exist. First, the current understanding of CBBE effects on service brands remains limited (Huang & Cai, 2015). Evidence suggests that brand equity substantially affects consumers' brand choice intentions (Lu, Gursoy, & Lu, 2015), brand reputation (Han, Nguyen, & Lee, 2015), and the mediating role of brand reputation on brand trust (Han et al., 2015). Nevertheless, such observations are limited to restaurants and are not applicable to

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the luxury hotel industry. Although Liu, Wu, Yeh, and Chen (2015) examine hotel brand equity, they do not discuss the effects of brand equity on consumer brand attitude and purchase intention. Hsu et al. (2011) develop a CBBE model for upscale hotels. However, the development of the model occurred before the strong growth of luxury travel market since 2011 and the emergence of distribution channels such as discount and flash sale websites (Market Publishers, 2013). Price promotions through discount websites negatively impact consumers who are in high need of status (Yang, Zhang, & Mattila, 2016). Therefore, a requirement exists for an updated CBBE model. Second, studies focus on conceptualization, assessment, and measurement of equity, and related causes and consequences in ordinary products and services. The underlying purchase decision process regarding CBBE elements in the context of luxury hospitality services remains to be addressed. Third, brand equity is of great financial importance and is discussed frequently in top marketing journals (Mizik, 2014; Simonin & Ruth, 1998; Stahl et al., 2012). Mizik (2014) reveals that brand equity positively affects firms' current financial performance, and has a greater impact on firms' future financial performance. Studies examine the mechanism of effects of brand equity on firms' performance; Stahl et al. (2012) reveal that CBBE is related to consumer acquisition and retention, which contribute to firm profits. Others find that consumers' brand attitudes significantly influence a brand's evaluation and purchase intention (O'Cass & Weerawardena, 2010; Park, MacInnis, Priester, Eisingerich, & Iacobucci, 2010; Sattler, Völckner, Riediger, & Ringle, 2010). The relationship between brand equity, brand attitude, and purchase intention requires further investigation. Brand performance might influence brand preference, which is a direct predictor of purchase intention (Chang & Liu, 2009; Liu et al., 2014). Although relationships among brand equity, brand attitude, brand performance, and purchase intention have been examined (Huang & Cai, 2015; Park et al., 2010), results are equivocal (Chang & Liu, 2009; Chaudhuri & Holbrook, 2001; Horng, Liu, Chiu, & Tsai, 2012). This study proposes an integrated model to further conceptualize the underlying mechanism of brand equity, brand attitude, brand performance, and purchase intention, which can aid marketers in understanding the impact of brand equity in a service setting (Helm & Özergin, 2015).

This study focuses on analyzing and understanding direct effects of CBBE elements of luxury hotel brands on consumers' (1) brand attitude and (2) purchase intention, (3) the mediating effects of brand attitude between CBBE elements of luxury hotel brands and purchase intention, and (4) the moderating effects of brand performance of luxury hotel brands between brand attitude and purchase intention. This study tests proposed relationships using a survey of 327 customers from luxury hotels in Macau, providing the following contributions.

First, in addition to the direct effects of CBBE elements, this study assesses potential indirect effects of CBBE on purchase intention using consumers' brand attitude. The study measures brand success or consumer responses in terms of brand attitude and purchase intention for a specific brand in the luxury hotel business. The study analyzes the effect of each CBBE element on two dependent measures: brand attitude and purchase intention. Second, this study delineates how CBBE elements influence consumers' responses in decision-making process using information integration and attitude accessibility theories. The study elucidates the mechanism of CBBE from the information processing perspective and contributes to CBBE literature by confirming and extending results of previous studies conducted in the service setting. This study confirms the applicability of the Aaker (1991) CBBE model in the luxury hospitality industry. This study provides empirical evidence in an emerging market of how CBBE elements of luxury hospitality brands relate to consumers' brand attitude and purchase intention. Results provide practical implications for international branding strategies and practices.

2. Literature review and hypotheses development

2.1. Consumer-based brand equity

Brand equity, a major marketing asset, creates competitive advantages and improves firms' financial performance (Mizik, 2014; Stahl et al., 2012). The conceptualization and measurement of brand equity are diverse and inconclusive (Huang & Cai, 2015). Despite diverging perspectives, the definition of brand equity is in terms of marketing effects unique to a specific brand. The power of a brand depends on convictions and perception of consumers, based on what they have learned, felt, seen, and heard (Keller, 2008). The value of a brand can only be realized when the brand is relevant to consumers (Cobb-Walgreen, Ruble, & Donthu, 1995). Following previous studies (Aaker, 1996; Huang & Cai, 2015; Keller, 2008; Stahl et al., 2012), this study adopts a customer-based approach, instead of product market or financial market approaches, to address consumer aspects affecting brand equity (Keller & Lehmann, 2003) and investigates the influence of brand equity on consumer responses.

Most CBBE studies represent two theoretical frameworks: Aaker's CBBE model and Keller's CBBE theory. Aaker (1991, p. 15) defines CBBE as a multidimensional concept, which is "a set of brand assets and liabilities linked to a brand, its name and symbol that adds to or subtracts from the value provided by a product or service to a firm and/or to that firm's consumers." The definition of CBBE by Keller (1993) focuses on marketing, describing brand equity as the differential effect of customers' knowledge of a specific brand on responses to marketing activities and programs of that brand. Researchers propose various dimensions of brand equity linked to a brand (e.g., Aaker, 1996; Christodoulides, Cadogan, & Veloutsou, 2015; Hsu et al., 2011; Kayaman & Arasli, 2007; Nam, Ekinci, & Whyatt, 2011; Yoo & Donthu, 2001). The common denominator in all models is adoption of one or more dimensions from the Aaker model. This study uses perceived quality, brand loyalty, brand awareness, and brand image as common dimensions of CBBE. Consumer responses indicate brand attitude and purchase intention. Brand attitude is a predisposition to respond favorably or unfavorably to a brand (Phelps & Hoy, 1996), whereas purchase intention (or willingness to buy) is the likelihood that a buyer intends to purchase a product or service (Dodds, Monroe, & Grewal, 1991). These aspects yield competitive advantages for companies (Huang & Cai, 2015). This study treats brand attitude and purchase intention as outcome variables.

2.1.1. Brand loyalty

Brand loyalty is "the attachment that a consumer has to a brand" (Aaker, 1991, p.39). Numerous studies imply the relationship between brand loyalty and consumer responses. Reichheld (1996) demonstrates that brand-loyal consumers are willing to pay more for that brand. Higher brand loyalty can increase brand performance and improve sales-related outcomes (Chaudhuri & Holbrook, 2001). Grover and Srinivasan (1992) assert that loyal consumers respond more favorably to a brand than nonloyal or switching consumers. Loyal consumers purchase their favorite brand routinely and are less likely to switch brands (Yoo, Donthu, & Lee, 2000). Oliver (1999) claims that affective loyalty is an accumulation of a customer's past favorable experiences and can generate attitudinal orientation toward a brand. Liu et al. (2012) reveal that affective loyalty is positively related to attitudes toward cobranded products. In this study, brand loyalty refers to the attitudinal preference for a focal brand and the intention to buy the brand as a primary choice (Oliver, 2014). Hence, high brand loyalty can facilitate favorable brand attitude and generate higher purchase intention for luxury hotel brands:

H1a. Brand loyalty has a positive effect on consumers' brand attitude toward luxury hotels.

H1b. Brand loyalty has a positive effect on consumers' purchase intention for luxury hotel services.

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