

# A comparative study of customer-based brand equity across selected South African hotels

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## ABSTRACT

There is an increasing emphasis on building and maintaining brand equity as the primary driver of success for service organisations, such as holiday resorts and hotels. Limited research on customer-based brand equity within the South African hotel context has been conducted. This study examined the dimensions of brand equity and compared the differential effect that they had on brands within three hotel categories (low, medium and high priced) in South Africa.

Convenience sampling was used to obtain a return of 169 self-administered questionnaires in the Gauteng metropolitan area. The results suggest that the hotels did not differ on the dimensions of brand image and brand loyalty; however, they did differ on perceived quality. As perceived quality received is based on customers' expectations, hotels are required to provide quality services so as to meet customers' expectations. The research findings imply that the hotels' communication and operational efforts are effective in creating comprehensive brand equity. Focusing on brand equity from a customer's perspective enables marketing managers to determine how their marketing efforts contribute to the value of their brands in the mind of the customer. However, more effort should be made to improve the perceived quality within each of the hotel chains. Suggestions for future research are offered.

**Keywords:** brand equity; customer-based brand equity; brand image; brand awareness; brand loyalty

## INTRODUCTION

To achieve a sustainable competitive advantage in the marketplace, one has to value the importance of building, using and maintaining brands. For this reason academics and practitioners have studied the concept and measurement of brand equity for more than a decade (Kim, Kim & An, 2003:335). Prasad and Dev (2000:3) are of the opinion that branding is an effective method for hotels and hotel chains to identify and distinguish themselves from competitors in the mind of the customer.

Examples of other studies on brand equity have been conducted, inter alia, by Keller (1993), Yoo, Donthu and Lee (2000), Prasad and Dev (2000), and Kim and Kim (2005). Aaker (1991:15) defines brand equity as "a set of brand assets and liabilities linked to a brand, its name and symbol that add to, or subtract from, the value provided by a product or service to a firm and/or to that firm's customers". Aaker (1996:120) further states that developing measures and measuring brand equity provides a "missing ingredient" for managers who

build and cultivate brands. However, there is little agreement over what constitutes brand equity and how it can and should be measured.

The purpose of this study was to compare brand equity across three hotel brands in South Africa and the effect that the core dimensions had on a brand within three rate categories (low, medium or high-priced).

## LITERATURE REVIEW

### **Brands**

A brand can be defined as “a name, term, design, symbol, or any other feature that identifies one seller’s goods or services as distinct from those of other sellers” (American Marketing Association, 2005). According to Keller (2002:152), managers view brands as creating awareness, reputation and prominence in the market. Thomas (2008:325) posits that a brand “is that intangible bundle of images and feelings held within people’s minds”. The brand is a marketer’s guarantee to provide consistent services, benefits and features to the customer (Kotler, 2003:420). A brand is any product, service, place or organisation that communicates unique benefits to customers (Young & Rubicam, 2005).

Clifton and Maughan (2000:viii) define brand value as the estimated economic profit that the brand can generate in the future. Kotler (2003:422) adds that it is imperative to differentiate between brand equity and brand value, where the latter estimates “the total financial value of the brand”. Brand value refers to the benefits that result from leveraging brand strength in order to obtain advanced current and future profits. Brand strength is based on customers’ actions and perceptions towards a brand that has a differential advantage to them.

### **Brand equity**

Aaker (1991) and Keller (1993) have different definitions of brand equity, but both agree that it symbolises an added

value to the product or service that can be achieved, in part, from marketing the brand (Keller, 2002:154). Brand equity can be seen as a result of the confidence that customers place in one brand over another (Lasser, Mittal & Sharma, 1995:12), and shows the difference in a customer’s choice when deciding between a branded and an unbranded product with the same product features (Yoo, Donthu & Lee, 2000:196). This confidence leads to customer loyalty and willingness to pay a premium price for a brand (Kotler, 2003:422; Lasser et al., 1995:12). A hotel will have strong brand equity when customers have a positive perception of, and attitude towards, that hotel’s brand (Prasad & Dev, 2000:24).

Kim and Kim (2005:550) identify three perspectives for brand equity – the financial perspective and the customer-based perspective, and a combination thereof. Customers are the ultimate role players of brand equity as they are the source of cash flow and resulting profit (Prasad & Dev, 2000:23). For this study the customer-based brand equity perspective will be followed. According to this approach, customers place brands in specific categories, each with certain attributes, therefore certain brands become synonymous with certain attributes over time. These attributes are then associated with the attributes of different products in brand categories (Keller, 2002:153).

In contrast to Kim and Kim (2005:550), Keller (2002:153) states that there are traditionally three main approaches that define brand equity, namely customer psychology, economics, and biology and sociology. For the purpose of this study the psychology-based perspective is deemed the most appropriate within the context of customer perceptions and decision making.

### **Models of customer-based brand equity**

Vázquez, del Río and Iglesias (2002:28) define customer-based brand equity (CBBE) as the overall benefit, both functional and

symbolic, that customers associate with the consumption of a brand. Keller (1993:2) and Lasser et al. (1995:13) define CBBE as “the differential effect of brand knowledge on consumer response to the marketing of the brand”. Keller (1993:2) and Lasser et al. (1995:13) state that CBBE is the result of a customer’s familiarity with a brand that holds favourable, strong and unique brand associations in the mind of the customer. Following is a brief outline of the most prominent models used in this field.

PepsiCo use the **Equitrak™** model to measure their brand equity (Kish, Risky & Kerin, 2001:92). The model uses two factors that contribute to a positive relationship between the brand and the customer (Kish et al., 2001:92), namely *recognition*, which considers the awareness of the brand by customers, and *regard*, which refers to a customer’s emotions towards the brand. Components of regard include brand reputation, affiliation, momentum and differentiation. According to this model, the four components of regard are weighted together in order to obtain a total “regard” score (Kish et al., 2001:92). This model has important diagnostic capabilities such as the rise or fall of a brand’s equity in relation to competitors.

The **Equitrend®** model was developed by the Brand and Reputation Practice at Harris Interactive (2005). It is renowned for measuring and tracking the brand equity of over 1 000 brands in 35 product categories. Elements which form part of the measurement include *distinctiveness*, *purchase intent*, *quality*, *familiarity* and *brand expectations*. This model is a functional tool to measure the perception of the brand in the market and can be used to compare and track a brand’s equity to competitors over time (Harris Interactive, 2005).

Young and Rubicam (2005) developed the **BrandAsset Valuator®** in order to assist them in gaining knowledge about a client’s brand value. The dimensions of the BrandAsset Valuator include the following:

- *Differentiation* is the ability of a brand to be distinguished from its competitors (Pahud de Mortanges & Van Riel, 2003:523). In order to achieve this, a brand must be as distinctive as possible. Brand health is achieved through communicating and delivering on an organisation’s promises, which in turn creates brand value (Value Based Management.net, 2005).
- Pahud de Mortanges and Van Riel (2003:523) state that *relevance* measures the appreciation of a brand by customers with regard to the marketing mix (price, product, distribution, promotion).
- *Brand vitality* is the growth potential of a brand and is the result of relevance and differentiation (Value Based Management.net, 2005).
- *Esteem* is the degree to which customers hold a relevant brand in high regard. A marketer needs to determine whether the brand meets the customer’s expectations and delivers on promises (Pahud de Mortanges & Van Riel, 2003:523).
- *Brand stature* (the current power of a brand) is the result of esteem and knowledge (Value Based Management.net, 2005). It indicates status and scope of the brand, and establishes a customer’s response towards it.

The **Brand Equity Ten**, proposed by Aaker (1996:103), is a measurement of brand equity – brand loyalty (price premium and satisfaction), perceived quality (perceived quality and leadership/popularity), brand associations (perceived value, brand personality and organisational associations), brand awareness and market behaviour measures (market share, market price and distribution coverage). Brand equity provides value to the organisation through effective marketing efforts, pricing margins, brand extensions, trade leverages and competitive advantage. Customers who become brand loyal will repeatedly purchase the organisation’s products and

will in turn strengthen the financial stability (increased cash flow) of the organisation (Yoo et al., 2000:196).

## PROBLEM STATEMENT AND RESEARCH HYPOTHESES

Although several brands within different product and service categories have been used to measure brand equity, relatively limited research on customer-based brand equity within the hotel industry has been conducted, and even more so within the South African context. Therefore, this study focused on customer-based brand equity within the South African hotel context. It is hoped that the findings will add to the limited literature on this relevant subject and provide a basis from which additional research may be undertaken.

This study investigated the dimensions of brand equity and compared the brand equity of three hotel brands within three price categories (low, medium, and high priced) in South Africa. The perceptions of customers' brand image, perceived quality, brand loyalty and brand awareness was also determined. The four main dimensions of brand equity, namely brand loyalty, perceived quality, brand associations and brand awareness (as mentioned by Aaker above) formed the basis for the formulation of hypotheses for the study.

Previous research (Kim & Kim, 2005:552; Yoo & Donthu, 2001:18) on measuring brand equity has been conducted through the comparison of various brands within a specific product or service category, or tracking the brand equity of one brand over a period of time (Prasad & Dev, 2000:23). The focus of this study was to compare three hotel brands across three alternative categories on the dimensions of brand equity.

Keller (1993:3) acknowledges two dimensions of brand equity – *brand image* and *brand awareness* – and defines brand image as the perceptions about a brand as projected by brand associations held in a customer's mind. Yoo et al. (2000:197) state that “brand awareness with strong

associations forms a specific brand image”. Brand awareness influences a customer's decision making by determining the order and strength of associations with the brand image, and together brand image and brand awareness form the customer's knowledge of the brand (Keller, 1993:8). Brand awareness reflects the prominent attributes of the brand in the mind of the customer (Aaker, 1996:114) and deals with the ease with which a brand name is recalled (Keller, 1993:3). According to Aaker (1996:114), awareness influences customers' perceptions and attitudes towards a brand. In some situations it can drive brand choice and loyalty.

Marketers and customers make use of brand associations (Low & Lamb, 2000:351), and marketers use them to differentiate between competing brands, to extend and position brands, and to highlight attributes of a product or service. Associations are formed in the mind of customers and are therefore used to aid them in decision-making processes (Low & Lamb, 2000:351). Aaker (1998:175) defines brand associations as “anything that is directly or indirectly linked in the customer's memory to a brand”. Associations increase in strength when based on more experiences and exposure to communications of the brand (Yoo et al., 2000:197). Brand associations, with high brand awareness as a consequence, are favourably related to brand equity as they signal quality and commitment, and will assist in customer decision making (Yoo et al., 2000:196). Yoo et al. (2000:197) state that in order to generate brand equity, the abovementioned dimensions (brand loyalty, perceived quality, brand awareness, brand associations and brand image) need to be strengthened. Based on the discussion above it is hypothesised that:  $H_{1(alt)}$ : The level of brand image differs between hotel brands.

Perceived quality is defined as “the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to

alternatives” (Aaker, 1991:85). A customer’s judgement of quality is influenced by personal experiences, needs and consumption situations. When customers have a long-term relationship with the brand, high perceived quality leads to brand differentiation and superiority, resulting in the purchase of one brand over another, and the subsequent repurchase of that brand. Therefore, brand equity will increase when customers perceive brand quality (Yoo et al, 2000:197). It is therefore hypothesised that:  $H_{2(alt)}$ : The level of perceived quality differs between hotel brands.

Aaker (1991:39) refers to brand loyalty as the extent to which a customer is attached to a brand. Oliver (in Yoo et al., 2000:197) defines brand loyalty as “a deeply held commitment to rebuy or repatronise a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior”. Loyal customers, as opposed to non-loyal or switching customers, show positive and favourable actions towards a brand and will purchase it repeatedly. Brand equity will increase to the extent that a customer becomes brand loyal (Yoo et al., 2000:197). The following is hypothesized:  $H_{3(alt)}$ : The level of brand loyalty differs between hotel brands.

By measuring brand equity through the above-mentioned dimensions, hotel managers can compare the brand’s strength relative to competitors, and monitor a hotel’s brand equity over time (Prasad & Dev, 2000:22).

## METHOD

### Sampling

The sampling frame includes hotels within the City Lodge Hotels Ltd group, which contains brands within three price categories (high, medium, and low priced). The target population for this study consisted of guests staying at City Lodge (high priced), Town Lodge (medium priced), and Road Lodge (low priced) in the Gauteng metropolitan area. These three brands target both

business and leisure travellers. Financial and time constraints compelled the researchers to make use of a convenience sampling approach. The following branches were selected non-randomly:

- **City Lodge**  
Johannesburg – JHB International Airport  
The City Lodge hotels provide a business-class alternative to the first-class Courtyard Hotel.
- **Town Lodge**  
Pretoria – Menlo Park  
Town Lodge is similar to City Lodge but it provides customers with a value-for-money alternative to the more expensive City Lodge.
- **Road Lodge**  
Johannesburg – JHB International Airport. The Road Lodge is the most economical option within the City Lodge Group.

### Data collection

The questionnaire was pre-tested by asking 20 respondents, representative of the target population, to complete it while being observed and timed. The 20 respondents comprised 10 people who had recently visited and/or stayed at a hotel, and 10 hotel guests staying at Sparkling Waters Hotel (situated in Magaliesberg), a facility that also targets business and leisure travellers. Pre-testing indicated whether the questionnaire provided the relevant information and if respondents were able to complete it accurately.

Kim and Kim’s (2005) brand equity questionnaire was reproduced for the purpose of this study. Besides the brand awareness scale, no items from the original scale were adapted. The original brand awareness scale was converted from a three-item to a one-scale measure.

Self-administered questionnaires with a field worker to assist were given to Town Lodge and Road Lodge guests (100 each). Respondents were selected conveniently (non-randomly) according to their

availability and time. Self-administered questionnaires (100) were left with City Lodge management, as the field workers were not permitted to administer the questionnaires to the guests. As a result, the response rate from the City Lodge guests remained low due to the researchers' financial and time limitations, which may have impacted the findings and conclusions. No incentives were provided to respondents to complete the questionnaire, but gifts were handed to hotel management for their assistance in the data collection process.

## RESULTS AND DISCUSSION

A total of 169 usable questionnaires were returned (City Lodge 38; Town Lodge 81; and Road Lodge 50). The sample was dominated by male respondents (66%), and the majority of the respondents were in the 18–25 (14%), 26–30 (13%), 31–35 (13%) and 41–45 (14%) age groups.

Total image, perceived quality and brand loyalty were measured at an interval level of measurement, and the appropriate parametric significance test which can be used is the One-way ANOVA. However, the assumption of normality was assessed through the Shapiro-Wilk test for all three hypotheses, as the sample size for subgroups City Lodge and Road Lodge were relatively low (38 and 50 respectively). Tests for normality were also assessed through a visual examination of histograms and normal probability plots. These histograms indicated a slight departure

from normality in the sub-samples, and the normal Q-Q plots did not indicate a strong linear relationship, therefore the Kruskal-Wallis test was used as a non-parametric alternative to test the hypotheses (Pallant, 2001:263). The hypotheses were tested at a 5% level of significance (i.e.  $\alpha = 0.05$ ). The

first hypothesis focused on comparing the brand image across the three hotel brands – City Lodge, Town Lodge and Road Lodge. The null and alternative hypotheses are stated below:

$H_{1(\text{alt})}$ : The level of brand image differs between hotel brands.

$H_{1(\text{null})}$ : The level of brand image does not differ between hotel brands.

Kim and Kim's (2005:558) brand image scale was used to assess how customers interpret the signals communicated by a hotel's brand. Brand image was measured through a 12-item five-point Likert scale. All the scale items were labelled from 5 ("strongly agree") to 1 ("strongly disagree"). A reliability analysis of the scale indicated that one item had to be removed as it had a low item-to-total correlation (0.2226) compared to the other items, and decreased the Cronbach alpha. The remaining 11 items showed a Cronbach alpha coefficient of 0.8748, which indicated fairly good internal consistency reliability. The results of the Shapiro-Wilk and Kruskal-Wallis tests for  $H_1$  are shown in Table 1.

**Table 1:** The results of the Shapiro-Wilk and Kruskal-Wallis tests for  $H_1$

	Hotel	Shapiro-Wilk			Kruskal-Wallis
		Statistic	df	Sig.	
TOTAL IMAGE	City Lodge	0.98	38	0.65	
	Town Lodge	1.00	81	0.82	
	Road Lodge	1.98	50	0.36	
	Asymp. Sig.				0.166

*Sig.* = significance, *df* = degrees of freedom, *Sig.* = significance, *Asymp. Sig.* = significance level

It can be observed from Table 1 that the Kruskal-Wallis test indicated that there was no significant difference (Asymp. Sig. = 0.166) between the hotel subgroups on the total image variable as the level of significance was greater than 0.05.  $H_{1(null)}$  can therefore be accepted. It can therefore be concluded that customers' perception of brand image does not differ significantly across the three hotel brands. This would suggest that the communication strategies used by the City Lodge Hotels Ltd group to promote total brand image of the three hotel brands is effective, as the City Lodge and Town Lodge brand image is not perceived as being "better" than the Road Lodge brand image. The communication strategies work towards creating the same standard image across the three hotel brands.

The second hypothesis focused on comparing the perceived quality of the three hotel brands. The null and alternative hypotheses are stated below:

$H_{2(alt)}$ : The level of perceived quality differs between hotel brands.

$H_{2(null)}$ : The level of perceived quality does not differ between hotel brands.

Kim and Kim's (2005:558) perceived quality scale was used to assess a brand's overall superiority in relation to other brands. Perceived quality was measured through an 11-item five-point Likert scale. All the scale items were labelled from 5 ("strongly agree") to 1 ("strongly disagree"). The 11 items showed a Cronbach alpha coefficient of 0.8875, which indicated an acceptable internal consistency reliability. The results of the Shapiro-Wilk and Kruskal-Wallis tests for  $H_2$  are shown in Table 2.

**Table 2:** The results of the Shapiro-Wilk and Kruskal-Wallis tests for  $H_2$

		Shapiro-Wilk			Kruskal-Wallis
	Hotel	Statistic	df	Sig.	
TOTAL IMAGE	City Lodge	.962	38	.217	
	Town Lodge	.963	81	.019	
	Road Lodge	.939	50	.012	
	Asymp. Sig				.048

*df* = degrees of freedom, *Sig.* = significance, *Asymp. Sig.* = significance level

As depicted in Table 2, the Kruskal-Wallis test indicated that there is a significant difference (Asymp. Sig. = 0.048) between the hotel subgroups on the total perceived quality variable, as the level of significance is smaller than 0.05.  $H_{2(null)}$  can therefore be rejected.

The Mann-Whitney *U* test was used to identify which subgroups differ on the total perceived quality variable and the results are illustrated in Table 3.

Table 3 indicates that there is a significant difference (Asymp. Sig. = 0.014) in perceived quality between the customers of Town Lodge and those of Road Lodge. Customers' perceived quality did not differ between the City Lodge and Town Lodge brands, or

between the City Lodge and Road Lodge brands. Perceived quality did, however, differ between the Town Lodge and Road Lodge brands. Since a customer's judgement of quality is influenced by personal experiences, needs and consumption situations, it is important that Road Lodge management improves on these aspects in order to maintain consistency in the standard of perceived quality within the City Lodge Hotels Ltd group.

Hypothesis three focused on comparing customers' brand loyalty towards the three hotel brands. The null and alternative hypotheses are stated below:

$H_{3(alt)}$ : The level of brand loyalty differs between hotel brands.

$H_{3(\text{null})}$ : The level of brand loyalty does not differ between hotel brands.

Kim and Kim's (2005:558) brand loyalty scale was used to assess a customer's attachment towards a hotel brand. Brand loyalty was measured through a six-item five-point Likert scale. All the scale items

were labelled from 5 ("strongly agree") to 1 ("strongly disagree"). The six items showed a Cronbach alpha coefficient of 0.8704, which indicated acceptable internal consistency reliability. The results of the Shapiro-Wilk and Kruskal-Wallis tests for  $H_3$  are shown in Table 4.

**Table 3:** The results of the Mann-Whitney  $U$  test for  $H_2$

	Hotel	n	M Rank	SD	Mann-Whitney $U$	Asymp. Sig. (2-tailed)
<b>Comparison 1</b>	City Lodge	38	55.01	0.49	1349.50	0.279
	Town Lodge	81	62.34	0.47		
	<b>Total</b>	119				
<b>Comparison 2</b>	City Lodge	38	47.83	0.49	823.50	0.286
	Road Lodge	50	41.97	0.65		
	<b>Total</b>	88				
<b>Comparison 3</b>	Town Lodge	81	72.37	0.47	1509.00	0.014
	Road Lodge	50	55.68	0.65		
	<b>Total</b>	131				

**Table 4:** The results of the Shapiro-Wilk and Kruskal-Wallis tests for  $H_3$

	Hotel	Shapiro-Wilk			Kruskal-Wallis
		Statistic	df	Sig.	
<b>TOTAL IMAGE</b>	<b>City Lodge</b>	.926	37	.017	
	<b>Town Lodge</b>	.956	80	.008	
	<b>Road Lodge</b>	.947	50	.025	
	<b>Asymp. Sig</b>				.767

$df$  = degrees of freedom,  $Sig.$  = significance,  $Asymp. Sig.$  = significance level

The results in Table 4 indicate that there is no significant difference ( $Asymp. Sig. = 0.767$ ) between the hotel brands on the total loyalty variable, as the level of significance is bigger than 0.05.  $H_{3(\text{null})}$  can therefore be accepted. The findings indicate that customers' brand loyalty did not differ across the three hotel brands. Customers staying at City Lodge, Town Lodge and Road Lodge were loyal towards the hotel's brand, thus the City Lodge Hotels Ltd management are effective in creating brand loyalty among their customers.

**MANAGERIAL IMPLICATIONS**

The research suggested that there was no significant difference in brand image across the City Lodge, Town Lodge and Road Lodge brands (respectively high, medium and low priced). It is essential for hotels to portray a consistent brand image through the products and services offered and their communication strategies, as brand image together with brand awareness form the customer's knowledge of the brand (Keller, 1993:8).

Perceived quality is found to significantly affect a hotel's performance. As perceived



quality received is based on customers' expectations, hotels are required to provide quality services so as to meet customers' expectations (Yoo et al., 2000:197). A hotel guest that repeatedly visits the same hotel brand is considered to be brand loyal. A loyal customer is more likely to make repeat visits and is less likely to switch to an alternative hotel brand. Most hotel companies aim to achieve this type of buying, and thereby positively affecting the hotels' performance (Kim & Kim, 2005:557). Intense and successive promotional activities exist within the hotel industry, such as advertising, therefore increasing brand awareness through promotional communication strategies is essential when hotels attempt to differentiate themselves from competitors. Kim and Kim (2005) suggest that brand awareness can be improved through charity involvement and public events.

Ultimately an organisation's reasons for building brand equity include offsetting competitors through differentiation, the ability to charge a premium price and building customer loyalty (Prasad & Dev, 2000:23), therefore it is suggested that, in order to create a sustainable competitive advantage, hotel management should build, use and maintain their brands. The hypothesis tests of brand loyalty showed that there was no difference in brand loyalty across the City Lodge, Town Lodge and Road Lodge brands. The research implied that City Lodge Hotels Ltd's communication and operational efforts are effective in creating comprehensive brand equity. However, more effort should be made to improve the perceived quality within each of the hotel chains.

## LIMITATIONS

This study was subject to a number of limitations. First, the use of convenience sampling was a major limitation as it did not allow the researchers to apply their findings to the entire population. The results of this study would have been more representative of the population if research was conducted

through random sampling. Second, because the research was based on a sample of 169 responses from a limited geographical area, the results cannot be generalised. In the third instance, the research was based on customers' perceptions of the hotel brands and not actual measures. As brand equity is a multifaceted construct, it would be meaningful from a managerial perspective to make use of "hard" marketing data, such as data from organisations that market the respective brands, in combination with field research indicating customers' perceptions of the brand.

## RECOMMENDATIONS FOR FUTURE RESEARCH

This study focused on identifying and comparing the underlying dimensions of customer-based brand equity within the hotel industry, and makes a contribution to knowledge on customer-based brand equity within the South African hotel context. The findings imply that hotel management should consider perceived quality, brand loyalty, brand awareness and brand image when attempting to establish customer-based brand equity.

It is therefore recommended that future researchers develop a more composite scale for measuring customer-based brand equity, including brand equity aspects such as perceived value for the cost, uniqueness and willingness to pay a premium price (Netemeyer et al., 2004:5–6). To add to the limited literature available on this subject, future researchers could attempt to replicate this study in other South African service industries, for example the transport (airlines) or hospitality (restaurants) industries, and compare the results thereof.

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