

**“When Experience Matters”**  
**Building and Measuring Hotel Brand Equity – The Customers’**  
**Perspective**

**Abstract**

**Purpose** – The purpose of this study is to provide hotel brand managers with a robust measure to evaluate brand equity as an outcome of brand strategies, as well as to gain insight into what contributes to hotel brand equity.

**Design/methodology/approach** – A quantitative methodology was adopted including the development of a survey questionnaire that allows for the measurement of the six constructs contained within Berry’s (2000) Service-Branding Model. The development of the survey instrument followed a two-stage process. In the initial stage, pretested items were generated from the research literature. The second stage involved conducting focus groups to identify and eliminate deficiencies of the questionnaire. Data were collected using a self-administered survey via central location intercept across multiple tourist attractions in a major tourist destination in Australia. The sample of the present study consisted of 288 respondents who have previously stayed in a hotel organisation.

**Findings** – Using Berry’s (2000) Service-Branding Model as a conceptual framework, a robust measure of hotel brand equity has been developed and validated. In doing so, the results of this study indicate that for experienced hotel customers, service experience is most influential in determining brand meaning (i.e., the customer’s dominant perceptions and impression of the brand). Such brand meaning in turn serves as the primary contributor to brand equity. The effect of brand awareness on brand equity is however found to be not significant.

**Research limitations/implications** – In establishing effective brand management practices and to realise positive and sustainable brand equity, hotel brand managers, need to have an equal focus on managing the brand internally as well as externally.

**Practical implications** – The findings provide a sound conceptual framework and robust measure through which hotel brand managers can effectively build, measure, and manage hotel brand equity from the customer’s perspective.

**Originality/Value** – The paper provides an empirical examination of Berry’s (2000) Service-Branding Model. In doing so, it provides hotel brand managers with a robust service brand measure to assess brand equity as an outcome of brand strategies. Further, the results give insight into the process by which hotel brand equity is built.

**Keywords** Services, Brand Equity, Hotels, Brand Awareness, Brand Meaning, Service Experience

**Paper Type** Research paper

## **Introduction**

The significant benefits of building a strong hotel brand have been well documented. For example, Prasad and Dev (2000) highlight that brands are seen by hotel firms as a quick way to identify and differentiate themselves in the minds of the customers, serving as a signature of the hotel chain, its products, and services. In addition, Forgacs (2003) suggests that branded hotels outperform non-branded properties on performance indicators such as average price, level of occupancy, revenue per available room, revenue per available customer, and return on investment. Such linkages have been empirically validated by Kim and Kim (2005), who establish a positive relationship between brand success (i.e., brand equity) and financial performance in the luxury hotel sector. Furthermore, Jiang *et al.* (2002) report CEOs of hotel companies that own brands recognise that brand equity drives stock price and shareholder value.

With the rationale behind growing successful hotel brands being apparent, branding strategies have extensively been adopted in the hotel industry (Forgacs, 2003; Prasad & Dev, 2000). In fact, over the last five years there has been a proliferation of new hotel brands. In consideration of such a significant trend arising in the global hotel industry, Gibson (2003), Olsen *et al.* (1998) and Kim *et al.* (2008) argue that the plethora of hotel brands and products actually creates confusion amongst customers. It is for this reason that Bailey and Ball (2006) suggest that brand management within the hotel industry can be improved through more effective brand differentiation strategies. It is significant for this research that lack of differentiation and customer confusion stemming from the recent brand explosion in fact contradicts the intended function of branding and negates the effort of marketing managers. Clearly, with

respect to hotel brand management, improved marketing decision making can only be realised through knowledge related to the issue in its specific context. To maximise the branding efforts of hotel firms, marketing managers need to understand first hand how brand equity, as an indicator of brand strategy success, can be measured, and more importantly, how it can be built.

To date there have only been a small number of studies that have explored branding in a hotel context (e.g., Kayaman & Arasli, 2007; Kim & Kim, 2005; Kim *et al.*, 2003; Kim *et al.*, 2008). In examining hotel brand equity specifically, these studies have adopted a traditional manufacture-based customer brand model (e.g., Aaker, 1991) to measure hotel brand equity. However, through their application of traditional brand equity models, they have overlooked the experiential aspects in building successful service brands, such as servicescape, service employees and core service. The significance of this oversight is that, in reality, the inherent characteristics of services can result in service brand managers having to face special challenges requiring a modification of branding and marketing techniques usually applied to physical products (de Chernatony & Dall'Olmo Riley, 1999). As such, to measure brand equity without a similar modification to brand equity measures is considered here to be misguided. The direct application of branding principles developed for tangible goods to services may not only be inappropriate, but it might also neglect areas needing attention. For this reason, a more rigorous brand measure is needed in order to assist hotel brand managers to effectively evaluate brand strategies.

This study, therefore, seeks to empirically validate a service brand equity model that provides such insight in the hotel industry. The benefit of this study is to provide an

empirical examination of a service brand equity model that to date, has only been conceptualised in the research literature. Berry's (2000) Service-Branding Model is used as the conceptual framework for this study given that it is the first brand equity model developed to explain the formation of brand equity exclusively in the context of services from the customer perspective. The results of this study will provide hotel brand managers with a robust service brand measure to assess brand equity as an outcome of brand strategies. It will also give an insight into the process by which hotel brand equity is built.

In order to achieve the abovementioned objective, this paper is organised into five sections. The first section presents a theoretical foundation for this study by reviewing the extant literature on branding, particularly in the context of hotel services. The second section articulates and justifies the adopted methodological approach and measurement techniques. In the third section, the results are outlined. The fourth section provides a discussion of the findings along with the subsequent implications. The last section identifies the limitations of this study and the areas for future research.

### **Branding in Services**

Branding has been described as “the cornerstone of services marketing for the twenty-first century” (Berry, 2000, p. 129). In fact, due to the inherent service characteristics (i.e., tangibility, inseparability, heterogeneity & perishability), it has been argued that the notion of branding is more important to services than to physical goods (de Chernatony & McDonald, 1998; Kapferer, 2004). While the distinction between goods and services has been increasingly questioned (e.g., Vargo & Lusch, 2004a;

Gummesson, 1995), Vargo and Lusch (2004b) emphasise the importance of services for all organisations (both goods and services). They suggest that new perspectives for marketing have emerged in which service provision rather than goods is fundamental to economic exchange. With this approach in mind, organisations need to appreciate how to effectively market the service component of their product offering in order for a competitive advantage to be realised.

In the context of services, as fewer tangible cues exist to assist customers in making decisions when purchasing services (Javalgi, *et al.*, 2006), a well-known brand name serves as a purveyor of information and risk reducer, simplifying the decision making process (Biswas, 1992; Davis, 2007; Kayaman & Arasli, 2007; Tepeci, 1999). While customer pre-purchase evaluation of services has largely changed as a result of the advancement of the Internet and its facilitation of greater customer access to various consumption related information (Peterson *et al.*, 1997; Moon, 2004), it has not completely resolved the issues that are inherent when marketing a service. Access to greater information can reduce the customer's perceived risk level with respect to service purchase decisions. However, such availability of information is unlikely to replace the actual experience for services that are high in experience qualities such as a hotel stay. In situations, such as these, a strong brand is a requirement for reducing the challenges customers may face when making a hotel purchase decision. Therefore, for customers, a strong service brand not only serves as a promise of future satisfaction, but also increases customer trust associated with the invisible purchase, enabling them to visualise and understand intangible products (Berry, 2000).

The benefits endowed to both the customer and the hotel as a result of successful brand management has seen several studies conducted to explore branding in the hotel industry. While a number of brand studies have been identified in the research literature, there is a focus on brand equity, given it represents the measurable outcome of brand management strategies. In examining the effects of brand equity on customer preferences and purchase intentions, Cobb-Walgren *et al.* (1995) found that the hotel brand with higher brand equity generated significantly greater preferences and purchase intention. With the objective to provide hotel companies with a diagnostic and decision making tool that can assist them in maximising their brand value, Prasad and Dev (2000) proposed a numerical brand equity index, which monitors the changes of a brand's equity. Furthermore, Kim *et al.* (2003) examined the underlying dimensions of brand equity and how they affect financial performance of companies in the luxury hotel sector. The results show that strong brand equity can lead to a significant increase in revenue and that a lack of brand equity in hotel companies can damage potential sales flow. More recently, Kim *et al.* (2008) studied the relationship between brand equity and guest value and revisit intention in the mid-priced hotel sector, and found that all dimensions of brand equity (i.e., brand loyalty, perceived quality and brand awareness/association) have a positive effect on perceived value. However, only two dimensions (brand loyalty and brand awareness/association) were found to significantly influence revisit intention.

In reviewing the extant hotel brand literature, emphasis is given to brand equity from a customer perspective. Justification for such a focus is grounded in the belief that the organisationally coveted goal of profitability is essentially derived from customers' knowledge that the brand has favourable, strong and unique brand associations

(Keller, 1993; Lassar *et al.*, 1995). This being the case, in the absence of customer knowledge, customer brand equity may not possess the ability to give added value to the firm as manifested in financial brand equity. For example, the brand equity of Marriott would have minimal financial value if customers did not hold any positive knowledge toward the brand. It is on this basis that brand equity from a financial perspective may have little meaning until brand equity from a customer perspective is established (Atilgan *et al.*, 2005; Cobb-Walgren *et al.*, 1995; Farquhar, 1989; Keller, 1993), hence the emphasis afforded in the literature. To ensure hotel managers have an effective tool to understand their brands, consideration of customer-based brand equity is required.

### **Customer-Based Brand Equity**

Brand equity from the customer perspective suggests that positive brand equity occurs when the customer responds more favourably to a marketing activity (e.g., advertising and promotion) for the brand than they do to the same activity for an unbranded product or service from the same category (Keller, 1993). Conceptualising brand equity from this perspective is useful: it gives both specific guidelines for marketing strategies and tactics and areas where research can be useful in assisting managerial decision making (Keller, 1993). For example, measuring customer brand equity overtime allows managers to understand how the firm's marketing activities affect brand knowledge held by customers, and how changes in such knowledge affect sales. To realise such important insight, a number of brand models have been developed for the distinct purpose of understanding the elements of customer-based brand equity (e.g., Aaker, 1991; Berry, 2000; Keller, 1998).

In the previously mentioned hotel brand studies, Aaker's (1991) model was the most commonly adopted framework. In contrast to other models, Aaker's (1991) model summarises different aspects of brands into a small number of measurable dimensions, which simplify the process of measuring the concept of brand equity. While Aaker (1991) argues that the model can be applied to both goods and services, the effect of marketing mix elements, other than advertising, on brand equity is not mentioned (Shocker, 1993). Further questions could be posed. For example, what can enhance brand awareness and brand associations? Why does brand loyalty exist? From this perspective, Aaker's (1991) model is more an outcome measure, as opposed to process and outcome. From a practical point of view, the model gives minimal indication to brand managers as to what marketing strategies (e.g., advertising, promotion, publicity or improving customer services) should be adopted to cultivate brand equity.

While Keller's (1998) model addresses this paucity, its claimed applicability to explain customer brand knowledge pertaining to both goods and services is observed to be biased towards physical goods. For example, Keller (1998) advocates that tools and objectives, such as packaging, distribution channels and country of origin, are elements that contribute to brand knowledge, which is the key to brand equity. Although these elements are important to manufactured goods, they may not be as relevant in the case of services. As such, it appears that the foundation of the model is more manufacture-based, as opposed to services. It is for this reason and in light of the importance of brand equity to hotel managers that a more context specific (i.e., services) brand equity model is investigated.

In consideration of this, Berry (2000) developed a brand equity model specifically related to service organisations. In depicting the formation of service brand equity, Berry (2000) accounts for service implications in a comprehensible and simplified way (see Figure i). The model contains six key components namely, *brand equity*, *brand awareness*, *brand meaning*, *company's presented brand*, *external brand communications* and *customer experience with company*. The conceptualised relationships between the components are represented by both dotted lines (secondary influence/impact) and bold lines (primary influence/impact).

-----Insert Figure i-----

As a secondary source of *brand equity*, *brand awareness* is influenced by both *company's presented brand* and *external brand communications*. This includes externally orientated brand management activities intended to project a desired brand image, such as advertising, promotions, word-of-mouth communications, as well as publicity. Alternatively, *brand meaning*, as a main source of *brand equity*, is determined primarily by *customer experience with company*. Such service experience relies heavily on internally focused brand activities, including managing the design and layout of the servicescape, encouraging brand consistent behaviour of service employees, as well as ensuring the relevance of the core service provided by the firm. As a result, internal brand management is promoted as being an essential part of a holistic brand strategy, for without the organisation's ability to deliver the brand promise, any external brand activities are likely to be wasted.

Berry's (2000) emphasis on customer experience in building service brands can be explained by the fact that the customer's perception of a service brand, while initially shaped by the marketing department through external communication, ultimately rests

on employee-customer interaction and the consistency of service delivery that is managed internally within the service firm (McDonald *et al.*, 2001). Further evidence of the importance of the customer's experience is provided in the relationship marketing literature (e.g. Berry, 2002; Lewis 1989). In addition to reducing costs to acquire new customers, the relationship marketing literature promotes that a key benefit of retaining customers is the ability to develop expertise within the customer base, thereby providing better service encounters (Hennig-Thurau *et al.*, 2002).

In explaining the formation of service brand equity, the model captures the importance of service experience, which has been overlooked in Aaker (1991) and Keller's (1993) theoretical models. Furthermore, Berry's (2000) model clearly allocates areas of management responsibilities in building a service brand. For example, the customer's service experience with the hotel (managed by operational departments) enhances brand meaning, which in turn, improves brand equity; whereas brand awareness is primarily influenced by the presented brand (managed by marketing department). The significance of segmenting contributing elements to hotel brand equity lies in the ability to not only understand the levers of brand equity, but more importantly, allocate responsibility to enhance brand equity across the hotel organisation. It is for these reasons that Berry's (2000) Service-Branding Model is determined to be the most appropriate conceptual framework developed to date in exploring brand equity in hotel services.

In a desire to provide for a more meaningful brand equity measure in the hotel industry, as well as in recognition for enhanced practitioner adoption and benefit, research applications should strive for parsimony and effectiveness. This study

provides an empirical validation of Berry's (2000) Service-Branding Model. In doing so, the results of this study will assist hotel brand managers to develop and evaluate brand strategies as well as to navigate this competitive market in seeking a differentiated competitive advantage. In order to measure the six constructs and given that Berry's (2000) model encapsulates service experience and its quality in determining brand equity, empirical validation of the model requires a sample that consists of hotel customers who have direct experience with hotel brands. To facilitate such an examination, the model is used as a conceptual framework upon which the research hypotheses are developed (see Figure i).

## **Method**

In order to test the research hypotheses that underpin this study, the research methodology adopted is based on the development of a questionnaire that allows for the measurement of customers' perceptions and past experiences with hotel brands. The adoption of this data collection method was due to the need to measure the focal constructs of the model, as well as the extensive use of survey methodology in previous studies examining customer branding (e.g., Grace & O'Cass, 2005; Kayaman & Arasli, 2007; Kim *et al.*, 2003; Lassar *et al.*, 1995; Mackay, 2001; Pappu *et al.*, 2005; Yoo & Donthu, 2001).

The development of the survey followed a two-stage process. In the initial stage, existing items were generated from the literature. In particular, four of the six constructs contained in Berry's (2000) model were measured by two or more dimensions. For example, advertising and promotions were used to measure

*company's presented brand* (Berry, 2000), while word-of-mouth and publicity were used to measure *external brand communications* (Berry, 2000). *Customer experience with company* was measured through core service, servicescape and employee service ( Grace & O' Cass, 2004) and, finally, *brand meaning* was measured through perceived value, brand personality and organisational associations (Aaker, 1996; Buil *et al.*, 2008). These items had previously been validated in the literature exhibiting high Cronbach's alpha and, therefore, were deemed appropriate for this study. Slight modification of item wording was required to reflect the context of this study. The second stage of survey development involved conducting focus groups to eliminate deficiencies regarding the instruction, content, and layout of the questionnaire. This resulted in the refinement of the instruction and six variables. The two-stage process ensured the reliability and validity of the survey instrument.

The sample of this study included both domestic and international customers who were over the age of 18 and had previously stayed in hotels. The data were collected via central location intercept across multiple tourist attractions in a major Australian tourist destination at various times of the day. These locations were selected based on their high traffic flow, diversified respondent profile, as well as close proximity to a large number of domestic and international hotels. This process increased the sample's representativeness of the target population. Respondents were randomly intercepted and asked whether they were interested in participating in the research. Upon agreement, respondents were first asked by the researchers to identify a hotel in which they had previously stayed, and subsequently to respond to survey questions in relation to the identified hotel in a self-administered manner. The average time taken to complete the survey was approximately 10 minutes. Surveys were completed on

site and upon completion, respondents returned the questionnaire directly to the researchers. At the end of the data collection period, a total of 303 completed surveys were retrieved.

## **Results**

Of the 303 completed surveys, 15 observations were deleted due to the omission of a large proportion of responses, resulting in a total of 288 cases suitable for data analysis. Within the sample, female respondents represented 54% of the sample, while male respondents represented the remaining 46%, with 26% under the age of 25, 57% between the age of 25 and 45, and 17% over the age of 45. Annual income levels varied with 26% of the sample earning under \$30,000, 28% earning between \$30,000 and \$50,000 and 46% earning over \$50,000. Furthermore, the sample was 54.4% Australian, 7.6% New Zealander, 19.9% European, 8.7% Asian, 7.9% American and 1.4% African.

Preliminary data analysis involved testing scale items via bivariate correlations, factor analysis and reliability analysis to ensure the validity and reliability standard had been achieved. No items within each scale exhibited a correlation coefficient below 0.3 or above 0.9 and were therefore suitable for factor analysis. Each scale item was factor analysed using principal components with varimax rotation. A similar procedure used by Shi and Wright (2001) was followed in which factors that produce eigenvalues greater than 1 were identified, and items yielding factor loadings less than 0.50 were removed. As all items exhibited factor loadings above such an acceptable level (see Table i), the data was retained for the assessment of reliabilities via the reliability coefficient of Cronbach's alpha. As indicated in Table i, all items met the alpha level

of greater than 0.70 (Hair *et al.*, 2006), indicating that they were reliable indicators of the constructs (Mazzocchi, 2008). Therefore, composite variables were computed for further analysis (see Table i).

-----Insert Table i-----

Discriminant validity of the measures was tested using a method adopted by O'Cass (2002) and Gaski & Nevin (1985). This approach suggests that discriminant validity exists when correlations between constructs are not greater than the reliability estimates of the respective individual constructs. Such an examination revealed correlations ranging from 0.14 to 0.78 and reliabilities ranging from 0.76 to 0.95. As there was no correlation higher than their respective reliabilities, discriminant validity was verified. In order to address the proposed research hypotheses, the data was subject to Partial Least Squares (PLS) analysis.

### **Partial Least Squares**

Partial Least Squares (PLS) is a multivariate technique that allows for the approximation of the unobservable latent variables via various indicators and the examination of the paths between these latent variables (Cassel *et al.*, 2000). Unlike structural equation modelling (SEM) based analysis such as LISREL, which requires 'heavy' distribution assumptions and demands hundreds of cases (Tenenhaus *et al.*, 2005), PLS analysis, as a nonparametric technique, does not assume normality of the data nor require as large a sample size as other causal modelling techniques (Arnett *et al.*, 2003). In fact, using simulation results, Cassel *et al.* (1999) demonstrated the robustness of the PLS method against inadequacies such as skewness, multi-collinearity between variables, and misspecification of the structural model. In addition, Cassel *et al.* (2000) found that increasing the sample size from 50 to 200 had

very little influence on the estimates of PLS. Furthermore, as advocated by Fornell & Bookstein (1982), PLS may be preferable to LISREL in cases where constructs are measured primarily by formative indicators, as it does not create problems when analysing such indicators.

Based on the previous discussion, PLS was chosen as an appropriate analytical technique to address the proposed research hypotheses using the empirical data. The rationale behind this was two fold. Firstly, the preliminary analysis identified several variables were outside the normal range of  $\pm 2$  for kurtosis (SPSS Manual, 2008). Secondly, constructs such as *customer experience with company* was considered to be multidimensional and represented by formative indicators (e.g., *core service, servicescape & employee service*). Therefore, the inability of LISREL to deal with non normal data and formative indicators contributed to the selection of PLS as the most effective technique to examine the theoretical model. The evaluation of the model involves a systematic examination of indices including  $R^2$ , average variance accounted for (AVA), average variance explained (AVE), loadings, path coefficients and bootstrap critical ratios.

### **Outer Model Results**

As a formative measurement model was used for *company's presented brand, external brand communications* and *customer experience with company*, and a reflective model was used for *brand meaning*, the loadings (see Table ii) were used to evaluate the relationships. With respect to *company's presented brand*, the highest loading variable was *promotions* (0.94) followed by *advertising* (0.91). For *external brand communications*, the two indicators, *word-of-mouth* and *publicity*, were loaded

at 0.84 and 0.90, respectively. In relation to *customer experience with company*, all the loadings were high with *core service* (0.93) loading the highest, with both *servicescape* and *employee service* loading the same (0.90). In terms of *brand meaning*, *brand personality* (0.85) represented the highest loading variable, followed closely by *perceived value* (0.84) and *organisational associations* (0.84).

-----Insert Table ii-----

The results presented in Table ii revealed that all bootstrap critical ratios derived from the data were considered above the acceptable level (greater than 1.96,  $p < 0.05$ ) (Chin, 1998; O'Cass & Julian, 2003) for all variables. As such, it was evident that all constructs measured were significant contributors of their respective latent variables.

### **Inner Model Results**

Table iii refers to H1 through to H7, illustrating the path coefficients between the exogenous and endogenous variables, average variance accounted (AVA) for,  $R^2$  and critical ratios. The AVA for the endogenous variables was 0.43 and the individual  $R^2$  were greater than the recommended level of 0.10 (Falk & Miller, 1992) for all predicted variables. According to the bootstrap critical ratios shown Table iii, all paths, with the exception of two (H6 *external brand communications / brand meaning* path & H1 *brand awareness / brand equity* path), exceeded the criterion of greater than 1.96 (Chin, 1998; O'Cass & Julian, 2003). The results, therefore, support all the hypotheses proposed in the inner model, with the exception of two, being H1 and H6 (see Table iv).

-----Insert Table iii-----

-----Insert Table iv-----

Furthermore, the results show that 15% of the variance in *brand awareness* is explained by *company's presented brand* (10%) and *external brand communications* (5%), while *company's presented brand* (6%), *external brand communications* (3%) and *customer experience with company* (48%) collectively explained 57% of the variance in *brand meaning*. In addition, 56% of the variance in *brand equity* is explained by *brand awareness* (1%) and *brand meaning* (55%). Figure ii presents the graphical depiction of the model showing all loadings within the outer model, path coefficients of the inner model and the values of the R<sup>2</sup> associated with endogenous variables.

-----Insert Figure ii-----

## **Discussion and Implications**

The intention of this study was to empirically validate a brand equity model designed specifically for hotel services. The findings suggest that the identified dimensions used in this study were appropriate and reliable indicators of their respective latent variable. As a result, brand managers can be confident in using the model to measure brand equity. Furthermore, the results of this study support all proposed hypotheses with the exception of two (H6 *external brand communications* / *brand meaning* path & H1 *brand awareness* / *brand equity* path). For experienced customers, *brand awareness* is not a significant contributor to *brand equity*. This finding may stimulate discussion amongst hotel marketers, as one of the main benchmarks of effectiveness seems to be 'awareness', with limited consideration being given to whether such brand awareness actually translates to purchase behaviour. Such a finding is largely consistent with Kim *et al.* (2003), Kayaman and Arasli (2007) and Kim and Kim (2005), and suggests that customer recall of a brand name is not a guarantee that the customer will, hold a positive disposition towards the brand nor purchase the brand in

the future. Therefore, brand awareness alone is not a guarantee of success within the hotel industry (Bailey & Ball, 2006). In addition to brand awareness, customers need to assign meaning to the brand in order to identify if the brand can satisfy their needs and wants.

Similarly, *external brand communications* such as *word-of-mouth* and *publicity* were found to have a non-significant impact on experienced customers' overall perceptions of the brand (*brand meaning*). This is mainly because the influence of such communication is at its highest level when customers have little direct experience with the brand (O'Cass & Grace, 2004). As the customer accumulates their own personal experience with the company, the effect of such communication is likely to diminish. Therefore, in the context of this study, customer experience with a hotel brand diminishes the impact of the traditional brand management notion of brand awareness as well as the means by which to engender brand awareness (i.e., advertising and word-of-mouth). In doing so, the results of this study suggest that realising hotel brand equity from an existing customer perspective is more about internal brand management than external brand management. The results of this study may see some hotel brand managers needing to redistribute their marketing emphasis (i.e. internal versus external), particularly if relationship marketing is a strategic imperative.

The significant finding of this study was the dominance of service experience to brand equity. In fact, it overrides brand awareness. This can be attributed to the thinking that once customers have experienced the hotel service and become familiar with the hotel through their own personal experience, such experience significantly informs their

perceptions and impression of the service and the hotel brand (O'Neill & Palmer, 2003). Subsequently, these experience-based perceptions, rather than brand awareness, influence customers' reactions to the marketing activities of the brand as well as their future purchase decisions (Berry, 2000; Berry & Seltman, 2007). The importance of focusing on the customer's experience with the company is justified by the fact that repeat customers account for approximately 40% of the sales recorded in the global hotel industry (Horwath International, 1998).

While the strength of customer experience performed strongly in this study, such results should not be interpreted as negating the importance of brand awareness. Brand awareness still has a role to play in evoking the brand in the customer's consideration set. However, simply being aware of the brand is insufficient to affect customer behaviour. What the results of this study suggest is that for experienced customers, other internally oriented brand activities are more important than the traditionally, externally focused brand activities. Therefore, the traditional view of brand management being externally focused needs to be balanced with an internal focus given that hotels have existing, as well as new, customers that are important for future brand success.

The significant insight of this study lies in the overriding strength of the customers' service experience in determining the success of a hotel brand. The results of this study suggest that to maximise their brand equity, it is imperative for hotel managers to plan, develop, manage and control their brand *internally*, as well as externally. This can be achieved by focusing attention on the three distinctive underlying dimensions of a service experience as measured in this study, namely, *core service*, *servicescape*

and *employee service*. In making sure that the desired functional aspects are sufficiently incorporated in the *core service*, hotel managers need to firstly determine the primary needs of their customers and the key benefits of consuming the service. In turn, this provides marketers with the detail of how the service offering can be developed in a form that fulfils customer needs and achieves the expected service benefits.

Furthermore, in order to ensure that the *servicescape* is favourably perceived by the customer during the service encounter, hotel managers need to carefully plan the physical elements within the hotel, especially those visible to the customer, as they can create imagery and invoke feelings that stimulate positive responses to the brand (Grace & O’Cass, 2004). Greater attention also needs to be given to matching the hotel’s physical facilities with the type of services that they provide, so that the discrepancies between customer expectations and their actual service experience can be minimised.

Finally, in terms of *employee service*, management attention is drawn to the area of internal branding. By making the brand concept well understood within the service company, the brand message becomes an internal cohesive device that guides brand activities inside the organisation (de Chernatony & Dall’Olmo Riley, 1999).

Furthermore, communicating the brand message internally enables employees to hold appropriate brand knowledge in order to be able to deliver the brand promise to the external customers (King & Grace, 2009). Therefore, to encourage positive employee behaviour during the service encounter, hotel organisations are urged to place greater emphasis on providing employees with necessary brand information to deliver the

brand promise (King & Grace, 2009), as well as ensuring human resource initiatives such as recruitment, employee training and recognition, and reward system support brand oriented behaviours (Bettencourt & Gwinner, 1996).

As a result of the knowledge acquired from this study, the following practical implications are identified:

- Effective hotel brand management requires an internal as well as an external focus to account for existing and new customers. Effective internal brand management practices will contribute to brand equity through consistency in customer expectation and experience, while effective external brand management will not only ensure the brand remains top of the mind for existing customers but will also contribute to forming appropriate brand imagery and associations in the minds of the inexperienced customers.
- Given the significance of operational areas contributing to existing customer brand equity (e.g., servicescape and core service), brand key performance indicators need to be included for operational managers. Due to its traditionally externally oriented nature, brand management, has been treated as the sole responsibility of the marketing department. However, as the results of this study suggest, hotel operational departments play a significant role in creating brand equity. Therefore, to ensure effective internal brand management practices, it is recommended that in addition to traditional operational key performance indicators (KPI), measurable brand KPIs are articulated for operational managers as well. Such measurement will facilitate

a greater understanding that it is not just the responsibility of marketing to manage the brand effectively. In acknowledging that there is sometimes an “operational vs. marketing” mindset, such new accountability may meet with some resistance, especially in the current market where operational managers are already on pressure to meet their revenue and budget KPIs. However, given the significant role that the experience plays in brand equity, such whole-of-organisation brand responsibility is a necessity.

- Suggestions for new practices in managing the service experience have also been developed as a result of the research insights provided by this study. For example, hotel companies may consider introducing employee programs (e.g., free one night stay) to allow service providers to experience the hotel services as a guest and to see how their work behaviour influences customer experience. Similarly, regular focus group interviews with repeat hotel customers can be conducted in order to monitor service experience in the eyes of the customer. Hotel managers may also need to consider the use of mystery shoppers with the purpose to identify elements of service experience that require management attention for improvement.
- Hotel brand management needs to emphasise the importance of service employees as the delivery of a successful hotel brand relies heavily on them. Ultimately, it is the interaction between employees and customers that solidifies customer perception of the brand and subsequent brand equity. Therefore, every effort needs to be made to ensure that employees are not only

providing good service but also providing a customer experience that is commensurate with the hotel's brand promise.

## **Limitations and Future Research**

In evaluating the findings, several inherent issues and limitations need to be acknowledged in order to establish the boundaries of this study rather than negate the results. Firstly, using surveys as the method of data collection may raise the issue of measurement error. Such measurement error not only can emerge from the scales used to measure the constructs (Aaker *et al.*, 2007; McDaniel & Gates, 2005), but also from respondent inability to accurately report past experience with the hotel brands previously used. Secondly, as the research data of this study were collected via central location intercept, this may result in the narrow distribution of the survey and the difficulty in getting a completely representative sample (McDaniel & Gates, 2005). To address this potential limitation, the data were collected on multiple locations at various times of the day, thereby reducing the issue of narrow distribution. However, as the research was conducted in an urban area, applying the research findings to non-urban areas may be problematic. In addition, in order to measure the quality of the customer's experience with the company as a key construct of Berry's (2000) Service-Branding Model, the sample of this study consisted only of hotel customers who had direct experience with the hotel brands. It is suggested that careful consideration may be required when generalising the results to customers who have had no experience with a hotel brand.

A number of possible areas for future research can be identified as a result of conducting this study. Firstly, as the present study was intended to empirically

validate Berry's (2000) Service-Branding Model only in the context of hotel services, further examination of the model in different service categories may be needed in order to gain an insight into the extent to which the model explains the formation of service brand equity. Secondly, as global hotel brands continue to fly their flags across many different countries, an examination of the theoretical model in various geographical areas around the world may further the comprehension of issues of cultural differences in customer branding.

Finally, it is suggested that qualitative research approaches might also be followed to research the topic of hotel brand equity. For example, the Critical Incident Technique can be used to collect incidents where brand communications were incompatible with the service experience. This can provide further insight into brand-experience inconsistency from the customer perspective. Alternatively, focus group interviews can be conducted with hotel customers to identify important attributes that a successful hotel brand must possess.

## **Conclusion**

With the proliferation of new hotel brands emerging in the global hotel industry brand managers are challenged to manage their brands to achieve the anticipated branding outcomes. The lack of hotel brand differentiation and the resulting confusion amongst customers has deviated from the original intention of adopting a brand strategy. In order to seek a differentiated, competitive advantage in the market, brand managers require a robust measure to effectively evaluate brand equity as an outcome of brand strategies. It also needs to be evaluated for the contribution of various brand building actions to such equity. To address such a pressing need, this study has examined

Berry's (2000) Service-Branding Model in the context of hotel services. In doing so, it provides brand managers with an empirically validated theoretical framework to measure hotel brand equity. The findings of this study suggest that for experienced hotel customers, service experience plays a dominant role in building hotel brand equity. While brand awareness is important in ensuring the presence of the brand in the minds of customers, the results indicate that brand awareness is not a significant predictor of hotel brand equity. As customers accumulate service experience and become familiar with the hotel brand, their perception of the brand is influenced by their actual experience with the hotel, rather than its brand name. Therefore, in establishing effective brand management strategies for both new and existing hotel customers and to realise positive and sustainable brand equity, brand managers need to have an equal focus on managing the brand internally, as well as externally.

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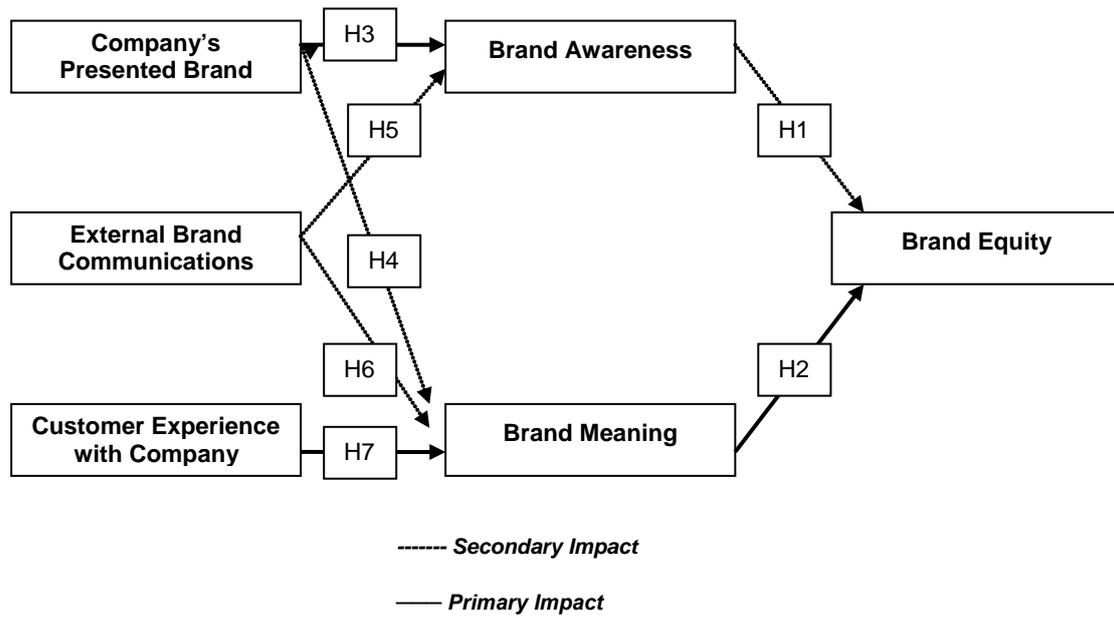
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**Figure i A Service Branding Model**



Source: Berry, 2000.

**Table i Measurement Scales**

Scale Statement	Factor Loading
<b><i>Advertising (adapted from Holbrook &amp; Batra, 1987)</i></b>	
Like the advertising	0.90
React favourably to the advertising	0.91
Feel positive toward the advertising	0.92
The advertising is good	0.87
Variance explained:	81.11%
Cronbach alpha coefficient:	0.92
Composite score:	4.98
Standard deviation:	1.19
<b><i>Promotions (adapted from Holbrook &amp; Batra, 1987)</i></b>	
Like the promotions	0.92
React favourably to the promotions	0.94
Feel positive toward the promotions	0.94
The promotions are good	0.94
Variance explained:	87.72%
Cronbach alpha coefficient:	0.95
Composite score:	4.95
Standard deviation:	1.29
<b><i>WOM (adapted from Bansal &amp; Voyer, 2000)</i></b>	
Affected my views	0.84
Revealed some things	0.88
Provided some different ideas	0.87
Helped me formulate ideas	0.90
Influenced my evaluation	0.86
Variance explained:	76.02%
Cronbach alpha coefficient:	0.92
Composite score:	3.77
Standard deviation:	1.68
<b><i>Publicity (adapted from Bansal &amp; Voyer, 2000)</i></b>	
Affected my views	0.90
Revealed some things	0.87
Provided some different ideas	0.91
Helped me formulate ideas	0.94
Influenced my evaluation	0.89
Variance explained:	81.36%
Cronbach alpha coefficient:	0.94
Composite score:	4.09
Standard deviation:	1.57

**Core Service (adapted from Grace & O’Cass, 2004)**

Suits my needs		0.88
Is reliable		0.89
Is superior		0.90
Good service		0.91
Quality service		0.93
Variance explained:	81.04%	
Cronbach alpha coefficient:	0.94	
Composite score:	5.69	
Standard deviation:	1.23	

**Servicescape (adapted from Grace & O’Cass, 2004)**

Up-to-date facilities		0.83
Facilities are attractive		0.85
Neat employees		0.81
Facilities suit service type		0.91
Variance explained:	72.20%	
Cronbach alpha coefficient:	0.87	
Composite score:	5.69	
Standard deviation:	1.19	

**Employee Service (adapted from Grace & O’Cass, 2004)**

Provides prompt service		0.87
Willing to help		0.91
Never too busy for me		0.88
I can trust employees		0.87
Feel safe in transactions		0.89
Employees are polite		0.91
Gives personal attention		0.84
Variance explained:	77.63%	
Cronbach alpha coefficient:	0.95	
Composite score:	5.72	
Standard deviation:	1.20	

**Brand Awareness (adapted from Buil et al., 2008)**

Am aware of this hotel		0.88
Comes to my mind		0.89
Am familiar with this hotel		0.90
Know what it looks like		0.91
I can recognise this hotel		0.93
Variance explained:	69.90%	
Cronbach alpha coefficient:	0.89	
Composite score:	5.49	
Standard deviation:	1.40	

***Perceived Value (adapted from Buil et al., 2008)***

Is good value for money		0.93
I consider this hotel a good buy		0.92
Get more than my money's worth		0.86
Variance explained:	81.82%	
Cronbach alpha coefficient:	0.89	
Composite score:	5.17	
Standard deviation:	1.25	

***Brand Personality (adapted from Buil et al., 2008)***

Has a personality		0.82
Is interesting		0.89
Clear image of the type of customers		0.75
Variance explained:	67.71%	
Cronbach alpha coefficient:	0.76	
Composite score:	5.14	
Standard deviation:	1.12	

***Organisational Associations (adapted from Buil et al., 2008)***

I trust the company		0.93
I like the company		0.92
Has credibility		0.91
Variance explained:	84.22%	
Cronbach alpha coefficient:	0.91	
Composite score:	5.32	
Standard deviation:	1.19	

***Brand Equity (adapted from Yoo & Donthu, 2001)***

Makes sense to use this hotel instead of other		0.87
Prefer to use this hotel even have same features		0.94
Prefer to use this hotel if another is as good		0.92
Seems smarter to use this hotel if another is not different		0.90
Variance explained:	82.43%	
Cronbach alpha coefficient:	0.93	
Composite score:	4.64	
Standard deviation:	1.48	

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**Table ii Component Loading for the Measurement Models**

<b>Components and Manifest Variables</b>	<b>Loading</b>	<b>Critical Ratio<sup>a</sup></b>
<b><i>Company's Presented Brand</i></b>		
Advertising	0.91	48.90
Promotions	0.94	89.26
AVE <sup>b</sup>	0.85	
<b><i>External Brand Communications</i></b>		
WOM	0.84	22.34
Publicity	0.90	39.57
AVE <sup>b</sup>	0.75	
<b><i>Customer Experience with Company</i></b>		
Core Service	0.93	99.78
Servicescape	0.90	67.97
Employee Service	0.90	51.36
AVE <sup>b</sup>	0.83	
<b><i>Brand Meaning</i></b>		
Perceived Value	0.84	38.04
Brand Personality	0.85	40.80
Organisational Associations	0.84	42.79
AVE <sup>b</sup>	0.72	
<sup>a</sup> Bootstrapping estimates calculated based on Chin (1998) <sup>b</sup> Average Variance Explained		

**Table iii Partial Least Squares Results for the Theoretical Model**

Equation	Predicted Variables	Predictor Variables	Hypothesis	Path	Variance <sup>a</sup> due to path	R <sup>2</sup>	Critical Ratio <sup>b</sup>
1	Brand Awareness	Company's Presented Brand	H3	0.29	0.10	0.15	4.28
		External Brand Communications	H5	0.16	0.05		2.68
2	Brand Meaning	Company's Presented Brand	H4	0.13	0.06	0.57	2.91
		External Brand Communications	H6	0.09	0.03		1.91
		Customer Experience with Company	H7	0.65	0.48		15.64
3	Brand Equity	Brand Awareness	H1	0.02	0.01	0.56	0.38
		Brand Meaning	H2	0.74	0.55		20.30
AVA <sup>c</sup>						0.43	

<sup>a</sup> These are only interpreted if the R<sup>2</sup> is greater than 0.10.

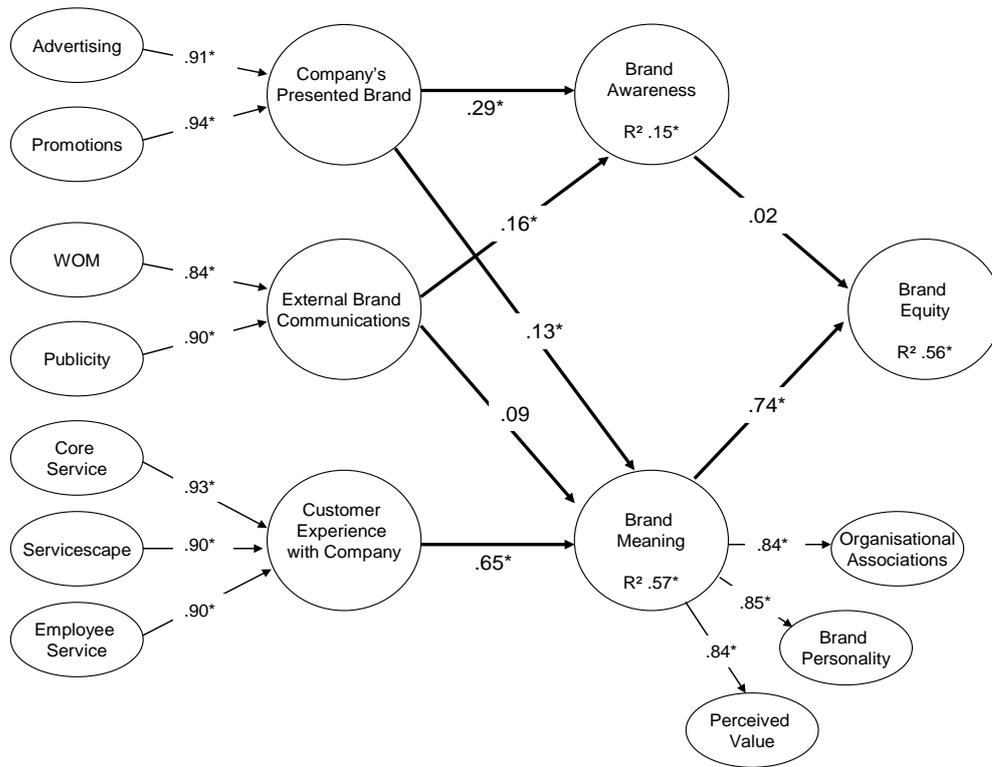
<sup>b</sup> Bootstrap estimate divided by bootstrap standard error.

<sup>c</sup> Average Variance Accounted for.

**Table iv Results of Hypotheses Testing**

<b>No</b>	<b>Hypothesis</b>	<b>Result</b>
H1	<i>Brand Awareness</i> has a significant positive impact on <i>Brand Equity</i>	Not supported
H2	<i>Brand Meaning</i> has a significant positive impact on <i>Brand Equity</i>	Supported
H3	<i>Company's Presented Brand</i> has a significant positive impact on <i>Brand Awareness</i>	Supported
H4	<i>Company's Presented Brand</i> has a significant positive impact on <i>Brand Meaning</i>	Supported
H5	<i>External Brand Communications</i> has a significant positive impact on <i>Brand Awareness</i>	Supported
H6	<i>External Brand Communications</i> has a significant positive impact on <i>Brand Meaning</i>	Not supported
H7	<i>Customer Experience with Company</i> has a significant positive impact on <i>Brand Meaning</i>	Supported

**Figure ii Graphical Depiction of the Path Results within the Model**



\* Significant