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## The Modern Brand: A Guide to the Intigration of CSR Practices into Hotel Branding

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THE MODERN BRAND: A GUIDE TO THE INTIGRATION OF  
CSR PRACTICES INTO HOTEL BRANDING

by

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2005

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of the requirements for the

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## PART ONE

### Introduction

There are certain components of the hospitality industry that make it unique in comparison to other industries. One of those components is the perishability that is associated with the hotel product. When it comes to hotel rooms, if a room is left empty then there is instantly lost profit for that property with no way of recovering it. In order to make maximum profit all rooms must be filled each night, this makes the task of attracting customers of the utmost importance within the industry. One of the primary ways in which hospitality companies have strived to attract customers is through brand development and extension. They have sought to create segments and styles of hotels that will appeal to different portions of the public and in turn make any type of customer happy. Brands have become a central component of the hospitality industry and hotel companies are always looking for new ways to brand their services in order to make it appealing to the consumer.

In recent years the affect that businesses have upon society has been a factor of business operations which has become increasingly important to the public. Gone are the days when consumers cared little about the actions of companies and the impacts that those actions had upon the world. Consumers today want to know that the companies they are supporting are doing their part to benefit society and not harm it. The growing importance of this factor has created a new component of business operations known as Corporate Social Responsibility (CSR). Essentially CSR's aim is twofold; it includes both improving the quality of life for the local communities where businesses operate as well as working to solve both socio-cultural and environmental problems (Rudez, 2010). Companies today must evaluate the way in which they

do business and insure that it is suitable with the public and customers today work to keep companies accountable for their actions.

The increased importance in CSR has altered some of the tactics that lodging companies use in the marketing of their brands. Companies are looking for ways to make customers aware of the steps that they are taking to benefit society. There are even some brands that have been developed with their primary focus involving CSR and the ways in which they benefit society. This paper begins by providing the necessary background information about both the branding and CSR that is needed to understand the two concepts and their relevance to the lodging industry. In addition, a review of the current climate of hotel CSR branding will be performed. This information will be used as the foundation for the final section of the paper where a guide describing how a company would go about imbedding their CSR practices into their branding strategy will be developed.

### **Purpose**

The purpose of this professional paper is to explore the use of corporate social responsibility practices and branding tactics being used in the hospitality industry. Then use that information to form a guide hotel organizations could use in order to integrate the two concepts in order to create competitive advantages.

### **Objectives**

The objective of this paper is to establish greater clarity as to the effect that CSR is having upon hotel branding practices. It will provide some exploratory analysis into the subject and establish a basic guideline as to how a lodging organization would implement CSR into their brand management. Although there is not a specific problem associated with this study, the growing importance of the subject matter could be viewed as a potential problem for the industry

as a whole if not addressed. Having more information about hotel CSR branding is a step toward providing lodging companies with the tools they will need to develop successful brands in the future. This will be accomplished by examining the branding tactics involving CSR currently being used within the industry. The information will then develop a better understanding of what the future of hotel branding will look like. This study will help multinational hotel companies achieve a better understanding of the role that CSR plays in branding and provide a base point for how CSR practices can be incorporated into brand management.

### **Justification**

Branding has long been an important aspect of strategy for hospitality companies (O'Neill & Mattila, 2010). It has been used as a way to create product differentiation, develop competitive advantages and increase customer loyalty. The branding tactics used in the hospitality industry have continued to evolve over time and companies are always looking for new ways to appeal to customers. A new tactic that has emerged in recent years is for hospitality companies to incorporate their CSR practices into their brand management. The effect that a company has upon society has become important to how consumers feel about that company. Therefore, it is now critical for companies to make consumers aware of the actions they take to benefit society.

As CSR continues to grow in importance in the minds of consumers it will become more critical for companies to make their customers aware of the ways in which they work to benefit society. Branding tactics are the easiest way to show customers this impact. Due to the increased level of competition within the hospitality industry in recent years companies have been focusing on branding strategies as a way of gaining competitive advantage (Bailey & Ball, 2006). Given this fact hotel brands are developing at an astonishing rate. A recent study found

the percentage of branded hotel bedrooms worldwide is expected to increase from 31% to approximately 50% of the hotel rooms by 2030 (Bailey & Ball, 2006). There are few that would dispute that brands bring value to a hotel property which means they are here to stay; however the ways in which companies go about developing these brands is continuously evolving (O'Neill & Mattila, 2010). This evolution is what makes this study important, lodging companies must always be aware of what the customer wants and continuously develop strategies as to how they are going to implement. With CSR being the 'hot topic' of the business world today it must also be factored into brand management.

### **Constraints**

The chief constraint involved in the paper is that it is dealing with a new and contemporary issue in CSR. As it is only recently that companies have begun to appreciate the fact that consumers are concerned with their actions there is limited information about the tactics that are currently in use. In addition, since the paper will be utilizing an exploratory case study approach it will need to rely upon secondary data along with informal discussions. Marketing materials (i.e. brochures, advertisements, and websites) will be used to provide some to the necessary information about the current campaigns being used in association with CSR and hotel branding. It is due to some of these constraints that this study should be viewed as a starting point to gain understanding about the relationship between these two factors. In order to gain more substantial knowledge about the subject the next step would be a study working with original data.

### **Glossary**

**Corporate Social Responsibility (CSR)** – Based upon a study completed in 2007 the American public's definition of CSR was described as the "organization's engagement with the

community, its treatment of its employees, and its response to environmental protection”

(Freeman & Hasnaoui, 2011).

## Part Two

### Introduction

Branding is not a new concept; for thousands of year's companies have looked for ways to differentiate their products from their competitors. The origins of branding are almost as old as the word itself, which is derived from the Old Norse language and literally means "to burn" (Blackett, 2009). Organizations are always searching for ways to 'burn' their goods or services into the subconscious of the consumer and for centuries brands have been a way to accomplish this. In this ultra-competitive and consumer-driven society firms in all industries view brands as one of their strategic tools they can use to establish a competitive advantage. Presently this is noticeably apparent in the hotel industry. In the past 25 years hotel companies have come too completely embrace the benefits associated with branding and consider it to be a critical component of the marketing strategies which they employ (O'Neill & Mattila, 2010). To a greater extent than ever before lodging companies use brands in opportunity to differentiate their product from the competition and foster loyalty with their consumers. It is for this reason that companies today must continue to evaluate the way in which they go about branding. It has become critical to understand what customers are looking for and show that your company is able to provide it.

Although it does not have the same lengthy history as branding the subject of corporate social responsibility (CSR) is quickly becoming significant for all business organizations references. Companies today are expected to be accountable for their business practices and the effects that they have upon the society that they operate in. Hotel companies must consider the demands of their customers and understand what it is they are looking for in the hospitality product. While the majority of hotel CSR current strategies have revolved around environmental

factors (Holcomb, Upchurch, & Okumus, 2007), this is ever evolving and it is important the firms stay up on the concerns of the day.

This literature review will provide a more detailed background on both the topics of branding and CSR and particularly how they relate to the hotel industry. This information is then used in order to establish how the two components work together in the lodging industry and how hotels would go about combining them.

## **Branding**

### **Branding a historical background.**

Kotler, Bowen, and Makens (2003, p. 312) established one of the most commonly used definitions of a brand, he explained a brand to be, “a name, term, sign, symbol, or design, or a combination of these elements, that is intended to identify the goods or services of a seller and differentiate them from those of competitors,” and throughout much of history this has been an adequate definition. While commercial branding has only been in use for the last 100 years or so (Rooney, 1995); the simple concept of branding has been present for much longer. There is considerable evidence available that shows the concept of branding has been in use for as long as humans have been creating and exchanging artifacts (Moore & Reid, 2008). Tradesmen have used signs and symbols as a way to differentiate their products for thousands of years. Thus, branding is not a new concept but one that has evolved over time. The modern concept of branding as we know it today did not really come into effect until the twentieth century (Moore & Reid, 2008).

The primary function of brands in the past is significantly different than the purpose that they serve today. In the past brands were actually tangible marks that craftsmen would put onto their goods so that everyone could identify the maker. When determining which product they

wanted to purchase the customer would look for the mark of the artisan or craftsman they were familiar with from prior experience (Neal & Strauss, 2008). For example, during the Roman Empire, clay pots were “mass” produced and were stamped with the Roman Eagle in order to show that the pot had come from within the Empire and was of good quality. During the 17<sup>th</sup> and 18<sup>th</sup> centuries, when volume manufacturing of goods such as fine porcelain, furniture and tapestries began to take place; in order to indicate quality and place of origin these factories would use brands to identify their goods (Blackett, 2009).

As the literature indicates, brands have been used for centuries in some form or another; however, the wide scale expansion of branding which we see today is in essence a phenomenon that did not fully develop until the 20<sup>th</sup> century (Blackett). It was during the onset of the industrial revolution and the expansion of mass produced consumer goods that the art of branding started to become what it is today. According to Blackett, a large majority of the best known consumer brands originated at this time and they include: Kodak Film, American Express, Bass Beer, Prudential Insurance, Quaker Oats, and Coca-Cola just to name a few. Since World War II, brands have become fully integrated within our society. With each improvement in technology it became easier for companies to produce and distribute their goods and services. Due to these improvements in distribution having a strong brand is worth far more today than it was ever worth in the past.

Brands in the modern era encompass far more than the physical attributes of the object they represent. Today a brand is complex and is expected to accomplish more than the simple job of helping a customer identify the product’s manufacturer (Moore & Reid, 2008). Brands involve the management decisions and consumer reactions that help to identify the specific good, service, or idea, and build awareness of it, which in turn creates meaning for it (Franzen &

Moriarty, 2009). Brands are unique intangible assets for many companies; they have the ability to influence the decisions of employees, customers, investors, and even government authorities (Lindemann, 2009). In today's hyper-competitive consumer driven environment brands have to be intense and vibrant so that they are able to connect on multiple levels of the consumer's senses. This connection helps to create a pleasant experience for the consumer allowing a stronger association with the brand to be formed (O'Neill & Mattila, 2010).

Taking a closer look at the differences between what a "brand" is considered and what is simply a "product" allows for a more complete understanding of what brands have come to encompass (Bailey & Ball, 2006). A product can be identified as anything that is presented to a market for acquisition, use, or consumption and by being attained is able to satisfy a consumer's wants or need's. Products include services, experiences, events, persons, places, properties, physical goods, organizations, information and ideas just to name a few (Kotler et al., 2003). Specifically, a product can be viewed as having a functional purpose (Jones & Slater, 2003). Due to the consumer-driven competitive environment that is today's marketplace brands have to be more than just physical components, they need to embody additional attributes which consumers value and the majority of those attributes are intangible (De Chernatony & McDonald, 2003). It is these intangible attributes, or the 'added values', that differentiate today's brands from simple products (De Chernatony & McDonald, 2003; Doyle, 2002; Jones & Slater, 2003). De Chernatony and McDonald (2003) tried to find a way to integrate this concept of 'added value' into a new definition of a brand:

"An identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs

most closely. Furthermore, its success results from being able to sustain these added values in the face of competition (p.25)”

It is the idea of these ‘added values’ which has allowed brands to evolve and become what they are today. Brands are now more than identifiers of the physical components of a product; they exemplify these additional intangible attributes and qualities that have become so important to customers (Bailey & Ball, 2006). Often the intangible attributes associated with brands are expressed as an emotional connection which is established between a brand and the consumer. There are a large portion of consumers who primarily buy branded products for emotional reasons as much as the functional aspects of the product (Doyle, 2002). Brands today are able to reflect the principles a consumer holds dear which can vary from honesty and respect for others to protecting the environment (Neal & Strauss, 2008). Franzen and Moriarty (2009) assert that the “emotional experience of the brand has become just as important – sometimes even more so – than the instrumental function of the product” (p. 70). At this point brands represent the consumer experience and relationship with the organization on a deeper level (O’Neill & Mattila, 2010). Cai and Hobson (2004) proposed that by applying a steady delivery of branded messages a firm would be able to foster a long term relationship with their primary consumers and establish a lasting emotional connection.

### **Services branding.**

As the industrial world has continued to shift from manufactured products to more service oriented industries the success of companies in these industries are even more tied to brands and brand development (Blackett, 2009). At the point brands began to poses intangible attributes services began to make use of brands in the same capacity that manufactured goods did. Today branding can be found in multiple contexts including, from companies, to

individuals, even entire countries can be branded. Branding is no longer simply the tool of consumer merchandise that acted as its incubator for growth (Jevons, 2005). It is clear that brands are now just as critical to service organizations as they have long been to the manufacturing industries. However, there are some clear differences between branded products and branded services. Unlike tangible products like soft drinks or toys, service organizations do not have the ability to simply pull their products off the shelves if a brand does not seem to connect with their consumers (Anhut, 2008). This unique factor makes the branding of services in some ways of even greater importance than the branding of products. Regardless of the complexity associated with the branding of services, it has been said that brands will be “a cornerstone of service marketing for the twenty-first century” (Berry, 2000, p. 128). This is largely due to the advantages they can provide to an organization and will continue to grow within service industries.

As previously stated the branding of a service is different than branding a manufactured good; service branding requires a more holistic view which transcends the original model of branding a manufactured good (Smith, 2009). Services encompass distinctive characteristics which set them apart from manufactured goods, these include; intangibility, inseparability, heterogeneity and perishability (Bailey & Ball, 2006). Inseparability of services is the characteristic which makes the evaluation of a service difficult until the consumer has experienced it for themselves (Bateson & Hoffman, 1999). Services possess greater perceived risks than manufactured goods do for a consumer. The heterogeneity of services create difficulty for consumers to accurately predict what service they intend to purchase (Bateson & Hoffman, 1999), establishing brands helps reduce any perceived risk since it provides customers a brand name they are familiar with and is associated with quality service. Berry (2000) writes

having a strong service brand increases the customer's trust in what is considered a risky purchase, it reduces a customer's perceived monetary, social, and safety risks connected with buying services that are not easily evaluated prior to experiencing them.

Brands are continuously evolving and in these "contemporary times, a brand now acts as an integration instrument, internally by steering [a company's] development programs, capacities, and personal orientations, and externally by developing common ground with suppliers, vendors, and other stakeholder groups" (Franzen & Moriarty, 2009, p. 73). For example Marriott is no longer just a hotel where you sleep, "it is the total experience in which the personnel's friendly faces contribute as much to brand evaluation as does" the actual quality of the room (Franzen & Moriarty, 2009, p. 73). Brands today serve as more than just product differentiators and value adders (Bailey & Ball, 2006). De Chernatony and Riley (1998) acknowledged twelve themes which represent elements that can be found in brands:

1. As a legal instrument, to provide proof of ownership for the company that maintains the brand.
2. As a logo, that is used to identify the good or service for the consumer.
3. As a company, to provide an overall association for the consumer when there are multiple brands under the same organization (i.e. Proctor & Gamble with multiple household goods).
4. As shorthand, when a brand becomes the term for the good (i.e. Kleenex)
5. As a risk reducer, to give the consumer an idea of the quality of a good or service when they have not purchased it before.
6. As an identity system, to be used as a way establish a position within a market for consumer to recognize.

7. As an image in consumer's minds, allowing for quick recall of different products.
8. As a value system, for certain organization where the brand is even associated with a way of life (i.e. Patagonia and environmental protection).
9. As a personality, brands can help define distinguishing characteristics about the consumer that uses them, most common in clothing.
10. As a relationship, where the brand signifies the bond between the consumer and the company.
11. As adding value, beyond that which is tangible to the good or service in the form of internal benefits the consumer receives.
12. As an evolving entity, brands are always changing to have new associations and new advantages.

These themes demonstrate how diverse brands have become and from how many various perspectives a brand can be viewed today. Brands are complex entities that will continue to grow and change as companies discover new ways of using them. As Blackett (2009) suggests "In the twenty-first century, branding ultimately will be the only unique differentiator between companies and brand equity is now a key asset" (p. 17).

### **Brand equity.**

According to Riezebos (as cited in Bailey & Ball, 2006), brand equity as a concept is fairly new, originating during the early 1980's, it became popular initially as a financially-oriented term which emerged due to the fact that a variety of brand-owning companies were being bought and sold for amounts which were significantly in excess of the company's net assets. In order to explain this difference between the price paid for a company and the actual tangible assets that the company was worth, the term brand equity was developed (Franzen,

1999). The idea of brand equity helped to explain why certain companies were being valued at amounts greater than what they appeared to be worth. It was clear that these companies had some kind of intangible assets that were not appearing on the balance sheet. A study was done between 1975 and 2005 that looked at the relationship between intangible and tangible assets. The study found that the contribution of intangible assets to overall corporate value has increased from 17% to 80% over that time (Lindemann, 2009). Today a brand is not an obscure metaphysical concept that does not possess understood relevance but is an asset with clear monetary value (Feldwick, 2002).

It was in the late 1980's that the brand equity concept became adopted by the marketing community (Bailey & Ball, 2006). Marketers believed they could use brand equity to help clarify the benefits or values that customers were seeking from brands and to determine how branding influences customers' perceptions and buying behavior. Whether viewed as a financial-oriented term or as a marketing theory there is little argument about the importance that brand equity has in today's business world. Brand equity is viewed as an asset which has the capacity to generate cash flows that are above and beyond those which are to be expected from a product that is not branded (Bailey & Ball). Many companies consider branding a long-term strategic management process that needs to be managed right alongside with short-term focuses such as sales and profit figures (Aaker & Joachimsthaler, 2000).

While brand equity "has become established in the lexicon of contemporary business, there is not a common viewpoint as to how it should be conceptualized, defined or managed" (Bailey & Ball, 2006, p. 18). Franzen's research (1999) exemplified this fact by identifying 23 academic and practitioner definitions of brand equity in use, all of which reflect a different perspective on the concept. The reason for this confusion may radiate from the fact that brand

equity has been researched, defined and adopted by contexts ranging from several academic disciplines to diverse business functions (Bailey & Ball, 2006). Finding a central explanation of the factors which contribute to developing brand equity is critical to fully understanding the concept.

Keller (2002) identified three main directions of brand equity research pursued by academics: consumer psychology, economics, and sociology. From the consumer psychology perspective, researchers studied how consumers went about making brand related decisions when buying a good or service and what thoughts went into those decisions (Keller, 2002). The economic perspective explains the way in which customers use brands when they are unsure of a product or service, brands are able to inform consumers of the attributes associated with a product (Keller, 2002). By reducing the uncertainty associated with a product brands often lower the search cost and reduce the risk perceived by the consumer (Bailey & Ball, 2006). Keller (2002) observed that the sociological perspective of brand equity research investigated issues that dealt with the broader cultural meanings of brands.

Within the business forum, the concept of brand equity operates in the two disciplines of finance and marketing (Baldinger, 1991). Brand equity within the marketing literature functions under two primary areas. The first is the consumer's perception which would include the quality of a brand as perceived by the consumer, a consumer's awareness of the brand and any benefits or values the consumer associates with the brand (Myers, 2003). The second is consumer behavior which is indicated by the loyalty of consumers to a brand and the customer's willingness to pay a price premium for the brand (Myers, 2003). Typically, financial literature defines brand equity in terms of the financial value a brand is able to generate for its owners (Wood, 2000). To establish a clearer distinction between these perspectives, the marketing

interpretation of brand equity is often defined as customer-based brand equity (Bailey & Ball, 2006). All of these different viewpoints make it difficult to pinpoint exactly how companies should define brand equity. However, the interpretation that was set forth by Aaker (1991) is widely accepted because it conceptualizes brand equity from both a corporate and managerial standpoint and relies on consumer psychology principles. Aaker (1991) defined brand equity as follows:

A set of brand assets and liabilities linked to a brand, its name and symbol, which add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers. For assets or liabilities to underlie brand equity they must be linked to the name and/or symbol of the brand. If the brand's name or symbol changes, some or all of the assets and liabilities could be affected and even lost, although some might be shifted to a new name and symbol. The assets and liabilities on which brand equity is based will differ from context to context. However, they can be usefully grouped into five categories: brand loyalty; name awareness; perceived quality; brand associations in addition to perceived quality; and other proprietary brand assets – patents, trademarks, channel relationships, etc. (p. 15-16)

Brand equity has established itself as a critical factor in today's business environment from both the financial perspective and the marketing perspective. The chief reason that companies build brand equity as a cornerstone for business success is because having strong brand equity offsets competition through the differentiation of their product, which allows brand owners the chance to charge a premium price and foster customer loyalty (Prasad & Dev, 2000). It has been shown that if a consumer detects few differences in terms of price and product

performance between brands competing in a marketplace, then the brand equity between the customer and the product becomes the deciding factor for the consumer and a source for sustainable competitive advantage for the organization (Neal & Strauss, 2008). For the purpose of this study the marketing perspective, specifically the customer-based brand equity approach developed from Aaker (1991), seems to be the most practical being that it applies a strategic vision of customer behavior which can allow companies the ability to develop branding strategies accordingly (Kim, Jin-Sun, & Kim, 2008).

### **Customer-based brand equity.**

There were initially five established brand equity dimensions put forth by Aaker (1991): brand awareness, brand association, brand loyalty, perceived quality, and other proprietary brand assets. Proprietary brand assets, which would include trademarks, channel relationships and patents, are not as relevant in the context of marketing since they do not effect consumer perceptions of a brand (Yoo & Donthu, 2001). The other four factors make up what is known as customer-based brand equity, which according to Yoo and Donthu (2001) represents a measurement of “cognitive and behavioral brand equity.” This study will focus on the customer-based brand equity since it has the greatest effect on the hotel industry. Keller (1993) defined the following as customer-based brand equity:

“Customer-based brand equity is defined as the differential effect of brand knowledge on consumer response to the marketing of the brand. A brand is said to have positive (negative) customer-based brand equity when consumers react more (less) favorably to an element of the marketing mix for the brand than they do to the same marketing mix element when it is attributed to a factiously named or unnamed version of the product or service. Brand knowledge is conceptualized

according to an associative network memory model in terms of two components, brand awareness and brand image (i.e. a set of brand associations). Customer-based brand equity occurs when the consumer is familiar with the brand and holds some favorable, strong, and unique brand association in memory.” (pg. 1)

Brand loyalty is the first core dimension of customer-based brand equity. Brand loyalty can be viewed as the proportion of times that a consumer would choose the same brand in a specific product or service category over a specific time period when other acceptable products or services within that category are available (Neal & Strauss, 2008). Aaker’s (1991) definition of brand loyalty was “the attachment that a customer has to a brand” (p. 65). As a customer’s brand loyalty grows, the brand owner is able to profit from the brand’s value through increased market share, decreased price elasticity, price premiums, and greater brand expansion (O’Neill & Mattila, 2010). This attachment creates a resistance to change and gives the brand the ability to survive in fluctuating business environments (Kim et al., 2008). Brand loyalty works as a clear competitive advantage for companies that are able to develop it.

Since it is the result of a psychological process brand loyalty actually manifests itself in two categories: attitudinal and behavioral loyalty (Atilgan, Akinci, Aksoy, & Kaynak, 2009). Gounaris and Stathakopilos (2004) summarize behavioral loyalty as the consumers repeat purchases of a brand while attitudinal loyalty denotes a strong internal disposition toward a brand for the consumer. This is slightly different than the position that was put forth by Aaker (1991), who explained attitudinal loyalty as the part of loyalty which provides value to a firm, and eventually leads to behavior loyalty or repeat purchasing. Therefore, attitudinal loyalty which is given to a specific hotel brand should be viewed as a dimension of customer-based brand equity,

while behavioral loyalty would be a factor such as hotel revisit intent since it is a consequence of the already developed brand equity.

The second core dimension of customer-based brand equity is perceived quality. It represents “the consumer’s perception of the overall quality or superiority of a brand with respect to its intended purpose, relative to alternatives” (Bailey & Ball, 2006, p. 20). According to Zeithaml (1988), perceived quality can be separated into service quality and product quality. There are seven dimensions that comprise product quality that can be used to establish perceived quality in a consumers mind:

1. Reliability, meaning the product will be the same each time it is purchased.
2. Fit and finish, the fit of a product centers around its usefulness and the finish refers to the visual appeal that the product provides.
3. Durability, how well designed the product is to last throughout time and over multiple uses.
4. Performance, the ability of the product to perform the job it is intended to do and to what extent it performs.
5. Serviceability, how easily the product can be repaired when needed.
6. Features, the different aspects of the product can perform.
7. Conformance with specifications, the ability of the product to meet the common qualifications that make it like others.

Service quality is made up of five dimensions:

1. Tangibles, the parts of the service experience that are product related and therefore can be touched by the consumer. The quality of this dimension is determined by the same copayments that make up product quality.

2. Empathy, the ability of the service provider to understand what it is the customer desires and have the ability to provide that to the customer.
3. Capability, not just knowing what the consumer desires but actually having the ability to provide it.
4. Reliability, the ability of the company to continuously provide the same quality of service over a period of time with no discernable difference to the consumer.
5. Responsiveness, listening to what the consumer wants and then adjusting to make sure that the consumer demands are met.

Zeithaml (1988) identified perceived quality as being important to the growth of brand value; meaning that if a brand possesses high perceived quality a consumer is more likely to choose that brand over another. Therefore, the level at which a consumer perceives the quality of a brand directly corresponds with brand equity; as perceived quality goes up, so does brand equity (Yoo, Donthu, & Lee, 2000).

There is a distinct role that perceived quality plays, by being able to differentiate brands in the mind of a consumer and in turn provide a reason to purchase one brand over another (Ha, Janda & Mauthaly, 2010). Perceived quality is essential to brand equity because of the strategic role that it plays for companies. When perceived quality is high then the consumers' perceived risk is low, thus creating a competitive advantage for the brand (Atilgan et al., 2009). The predominant theory is that the consumers' perceived quality of a good or service is based upon both their prior purchase experiences and any information that is given in marketing ads by the company. Consumers compare the perceived quality to the actual purchase once it has been made (Oh, 2000). Research has indicated that at times when consumers do not possess

significant firsthand knowledge of a service, extrinsic cues, such as the product/service brand, are used to develop the consumers' perceived quality of the service (Oh, 2000).

The third dimension of customer-based brand equity, brand awareness, is explained as the ability of a consumer to recognize or recall a specific brand and be aware of what product category that brand is in (Aaker, 1991). The majority of research that has been done on brand awareness has focused on the effect it has upon brand choice (Atilgan et al., 2009). It has been found that by developing strong brand awareness with consumers, a company creates an opportunity for increased purchase intention, enhanced value judgments, and a decrease in search behavior among potential customers (Oh, 2000). More often than not, customers are going to look for familiar products and services and choose those over similar items that are unfamiliar to them (O'Neill & Mattila, 2010).

Brand association is the final dimension and can be defined as "anything linked in memory to a brand" (Aaker, 1991, p. 109). They can include brand name, relative price, and specific attributes (Yoo et al., 2000). Associations are a complicated concept since the majority of brand associations are linked to one another and normally are comprised of multiple episodes, instances, facts and ideas which work together to develop firm brand knowledge for the consumer (Yoo et al., 2000). It has been shown that brand knowledge has close ties to brand equity (Ha, Janda, & Muthaly, 2010). Keller (1993) defined brand knowledge in the terms of both brand image and brand awareness. Awareness (recall and recognition) and image relate to brand associations which are held in a customer's memory and allow the customer to form a connection with the brand (Ha et al, 2010).

Keller (1993) classified brand associations into three chief categories: benefits, attributes, and attitudes, he portrays attitudes as being the most abstract and the highest level of brand

association. In Keller's (1993) opinion customer-based brand equity appears to occur once a consumer has become aware of the brand and then develops a unique, strong, and most importantly favorable association with that brand. From a measurement standpoint, brand awareness, familiarity, and image can all be considered part of brand associations, and are seen as primary customer-based brand equity facets (Ha et al., 2010). Consequently, brand associations are essentially a set of memory-based feelings that are connected with a brand. These associations are at their strongest when they have been based upon multiple experiences or exposures to the brand over an extended period of time (Yoo et al., 2000). Companies that are able to establish strong associations between their brands and the consumer will greatly increase their brand's equity.

### **Branding in the Hotel Industry**

Due to an increase in the level of competition in recent years hospitality companies have begun to fully embrace branding and view it as one of the primary way to gain competitive advantage in the industry. Hotel brand development has become a critical component of lodging industry, given this fact brands are developing at an astonishing rate. A recent study found that the proportion of branded hotel bedrooms worldwide is likely to increase from 31% to approximately 50% by 2030 (Bailey & Ball, 2006). There are few that would dispute that brands bring value to a hotel property; however there are still questions about how well a brand creates overall customer loyalty (O'Neill & Mattila, 2010). The continuous growth of hotel brands indicates that lodging companies consider branding to be a key aspect of their success within the market.

The international lodging industry is a fiercely competitive environment; therefore it is not surprising that multiple organizations have sought our brand development in an attempt to be

successful in the industry and establish a competitive advantage (Bailey & Ball, 2006). The lodging industry is a textbook illustration of the form of service oriented industry in which branding now plays such a critical role (Brodie, Glynn, & Little, 2006). Indeed, research has shown that having a well-known hotel brand can create many competitive advantages for hotel companies and has the ability to improve shareholder value (Jing & Chan, 2010). Many of the advantages can clearly be evident in the simple fact that most consumers seem to prefer branded hotels. After all one study found that of leisure travelers 76% would choose to stay in a branded hotel over an independent property, and the number was even higher when it came to business travelers where 85% said they prefer brands (O'Neill & Xiao, 2006). Forgacs (2003) found branded hotels were able to outperform non-branded hotels in several key areas including revenue per room, level of occupancy, average price, and return on investment. For these reasons the concept of branding will continue to hold a positive impression in the minds of executives in the hotel industry as well as those associated with the industry (Olsen, Chung, Graf, Lee, & Madanoglu, 2005).

Brands have allowed hotel companies the ability to create a set of promises with the consumer, the bond that is formed by these promises then helps differentiate the character of each hotel, making them seem unique when in all actuality the hotel products themselves are not significantly different (O'Neill & Mattila, 2010). Lodging companies view brands as significant because through brands hotels can work to establish emotional connections with consumers creating memories of a pleasant experience with a particular brand (O'Neill & Mattila, 2010). A strong brand is able to establish positive customer perceptions of the brand and become the symbol of what the hotel hopes to represent (Prasad & Dev, 2000), the creation of these positive perceptions establishes competitive advantages for hotel companies.

Currently in the hospitality industry there are three primary brand management strategies which are employed in the marketing and development of a hotel brand; there are the indirect experiences of advertising and word-of-mouth (WoM) and there is the direct experience of service performance (Duncan & Moriarty, 1998). By using a combination of both the direct and indirect experiences a brand image is generated. Of the three methods utilized advertising is directly associated with marketing communications making it a central driver in the brand development of hotels (Grace & O’Cass, 2005). It has been found that advertising has the capacity to yield brand awareness in the minds of consumers and create brand associations in a profound manner (Grace & O’Cass, 2005). Herremans, Ryans, & Aggarwal (2000) suggested that, among all marketing activities advertising is the most critical to the building of a brand since it plays the important role in conveying preliminary information about the service to the consumer, helping to develop the primary attributes of the brand. WoM is essentially a type of referral marketing which consumers use between each other as a source of brand information. It develops from “loyal customers who are committed to a brand and then act as an alternative source of information in helping others to make brand decisions” (Bill & Chan, 2010, p. 180). The direct experiences that a customer has with a brand in terms of establishing standards for that brand are known as service. Hotel customers are able to acquire a greater brand awareness and stronger brand meaning through these direct experiences. Successful lodging organizations utilize service performance to build brand loyalty and develop a stronger connection between the brand and the customer (Jing & Chan).

Both consumers and hotels themselves have a variety of benefits that they are able to garner from the use of brands. For the hotels companies, the value of a brand is found in several areas including; branding hotels gain more market share than non-branded, they are able to

charge price premiums compared to other hotels, and brands seem to build customer loyalty that is stronger helping to reduce marketing cost. From the hotel guest perspective, a brand brings benefits which include the reducing of risks associated with picking an unknown product as well as decreasing the search time and cost related to finding the product (Bailey & Ball, 2006).

Branding is the driving force behind numerous operating ratios that correlate to a hotel property's market value. "Some brands consistently have stronger net operating incomes (NOIs) than do others, while other brands report consistently stronger average daily rates (ADRs)" (O'Neill & Mattila, 2010, p. 29). It had been established in other study that ADR is a more accurate predictor of the market value of a hotel than NOI (O'Neill & Mattila, 2006). That same study found certain product tiers of hotel brands affect the market value of the hotel above and beyond the effects of occupancy rates, NOI, number of guest rooms, and ADR, the affects were most prevalent in the middle chain hotel category.

Another value that branding provides hotel companies is that branded hotel chains are more easily able to attract financing for future development in order to expand their brands (Ransley & Ingram, 2000). Since the inception of product tiers occurred in the 1980's, the lodging companies have completely embraced the concept by developing new hotel brands which are essentially extensions of the original or parent brand (Lane & Jacobson, 1995). O'Neill and Xiao (2006) reported that more than 285 hotel brands existed worldwide. Over the last 25 years, long established brands such as Hyatt, Hilton, InterContinental, and Marriott have used brand extension as w way to grown their organizations and operate in multiple segments of the industry (O'Neill & Mattila, 2010). These companies have extended their brands through two primary methods, which are franchising and owner-operation management contracting (Sangster, Wolton, & McKenney, 2001). Brand-extension strategies seem to work well for the

lodging industry because consumers will select a different category of hotel based upon the purpose of their travel, brand expansion provides customer with a familiar name, giving them the chance to save on time and search costs since they can rely on one trusted brands which operates in multiple segments (Lane & Jacobson, 1995).

Although there are some apparent benefits related to hotel brands that does not mean that hotel branding does not come with some disadvantages as well. It has been suggested that do to the plethora of hotel brands available today and the variance of different branding strategies utilized confusion amongst consumers might be an issue (Gibson, 2003). Olsen, West, and Tse (1998) argued that the “power of the brand may be overstated in the hotel industry as many argue that branding in this business has confused the customer because there are so many brands and the consistency both within and between them is poor” (p. 191). In addition disadvantages can transpire when hotel companies end up developing too many extensions of their brand. When brands are expanded, a number of complexities are added to the corporate structure, it is often difficult to insure that a new brand is marketed in such a way that it will not cannibalize an existing brand (O’Neill & Mattila, 2010). In an attempt to avoid these disadvantages, hotel companies must focus on the consistency of their service quality across company and clear brand differentiation strategies when it comes to brand extension (Bailey & Ball, 2006).

Clearly branding is a significant feature of operating within the lodging industry. Although several definitions of a ‘brand’ can be found, few academics have attempted to directly define a ‘hotel brand’. Olsen et al. (1998, p. 159) however did attempt to establish a hotel industry specific definition:

[Brands are] attempts by hotel companies to create and deliver new products to the customer. [They are] often thought of as levels of services such as budget,

economic, luxury, and business class hotels. Each [brand] is associated with specific products and services to differentiate it from the competition.

As it is clear in their definition, Olsen et al. believed that companies used brands create product levels or segments within the hotel industry. By using a segmentation strategy lodging firms believe they can build strong relationships with customers which will extend across each of their perspective brands. This will lead to improved equity between the brands and the consumer, meaning that regardless of which segment the consumer is planning to stay in they will choose whichever brand is associated with the parent company they have developed the most equity.

### **Hotel brand equity.**

So as to have a greater understanding of the way that brands effect the hotel industry a evaluation of the concept of brand equity as it directly relates to hotels must be examined. Normally brand equity is conceptualized as being the value a brand can bring to a company (Bailey & Ball, 2006). Currently brand equity is considered one of the most significant issues within the hotel industry. With such a large amount of brands available to customers, how a firm manages their brand equity is critical to their ability to maintain a competitive advantage (Kim at al., 2008). Firms that are able to develop strong brand equity seem to establish advantages such as; higher profitability, high market value, greater customer loyalty, and higher resiliency to endure crisis situations (O'Neill & Xiao, 2006). It appears hotels that are able to create brand equity with their guests have a better chance at success than hotels that do not.

An examination of the academic and trade journals literature over the last few years would indicate that the concept of brand equity has become as much a part of the general lodging industry terminology as brands themselves (Bailey & Ball, 2006). Jiang, Dev, and Rao (2002) stated that CEOs of major hotel companies now recognize that brand equity has influence upon

both the company's shareholder value and its stock price. The importance of brand equity to hotel companies today is clear and can be seen in the following example. When EIH Limited formed an alliance with Hilton International to re-brand the Oberoi Towers into the Hilton Towers, Hilton International released the following press announcement. "This alliance brings together the international brand equity and extensive worldwide marketing resources of the Hilton Group and the highly regarded expertise of the Trident Group" (Bailey & Ball, 2006, p. 26). Hilton specifically lists the company's brand equity as an asset in the alliance, showing the significance of brand equity for lodging firms today.

One of the forerunners in attempting to measure and evaluate brand equity in the hospitality sector were Cobb-Walgren, Ruble, and Donthu (1995). Their study demonstrated how consumers' brand perceptions effect brand preferences and brand choice. They theorized that consumers establish perceptions about any physical and psychological features connected to a hotel brand through multiple sources (Kim et al., 2008). The perceptions that are developed contribute to any value the brand has for the consumer (i.e. brand equity). This equity will then influence the consumer's purchase intentions, preferences, and brand choices (Cobb-Walgren et al., 1995).

Prasad and Dev (2000) established a customer-centric index to measure brand equity in hotels. It was their notion that consumers were the primary source of all cash flows and profits of hotels (Kim et al., 2008), and therefore, the building and maintaining of brand equity should be considered a key determinate of success within the lodging industry (Prasad & Dev, 2000). Their index converted customer awareness of a brand along with the customer views of a brand's performance into a numerical index it was based upon actual consumer data which included brand preference, customer satisfaction, perception of price-value relationship, top-of-mind

awareness of the brand, and intent to return (Kim et al., 2008). This index was able to show some direct correlations between the importance of brand equity and building strong relationships with the consumer. Empirical research has shown there to be a positive relationship between customer-based brand equity and the financial performance of hotels within the luxury segment of the industry (Bailey & Ball, 2006). This correlation was found by Kim, Kim, and An (2003) when they linked customer-based brand equity to the financial measure of revenue per available room (RevPar). According to the study, “the results revealed that brand equity perceived by customers can have a significant influence on RevPar” (Kim et al., 2008: p. 238). Kim and Kim (2004) did a similar hospitality study where they investigated the relationship of customer-based brand equity to sales in a quick service restaurant (QSR). Through a regression analyses it was determined that brand equity again had a positive effect on QSR’s financial performance similar to that of the hotel study (Kim et al., 2008).

One of the most recent studies examined the effect that customer-based brand equity has upon guest perceived value of a brand and their revisit intention of that brand within the midpriced hotel segment. It was found that each of the dimensions of customer-based brand equity has a positive effect on perceived value, with perceived quality displaying the most dominant effect on perceived value. With regard to the relationship between customer-based brand equity and revisit intention, all factors except for perceived quality were found to have a positive effect on revisit intention. It is likely that perceived quality has less effect on revisit intention due to the fact that after a guest has stayed with a property they are less concerned with the perceived quality of a brand and more concerned with the other dimensions of brand equity. In addition the study found perceived value had the greatest amount of direct influence upon

revisit intention. Overall the study highlighted the importance of customer-based brand equity and perceived value for hotels in the mid-priced hotel segment (Kim et al., 2008).

## **Corporate Social Responsibility**

### **Historical background of corporate social responsibility.**

Although it does not have the same lengthy historical background of branding, the concept of corporate social responsibility (CSR) is not entirely new. While it has only been in recent decades that CSR has become increasingly important to business practices certain studies can trace an academic interest in the concept of CSR all the way back to the 1850's (Tsai, Hsu, Chen, Lin, & Chen, 2010), and the use of the term CSR has existed since the 1930's (Freeman & Hasnaoui, 2011). In spite of this long term academic interest in CSR there does not appear to be a consensus as to how CSR should be defined (Green & Peloza, 2011). Much of this is due to the fact that CSR covers a multitude of concepts many of which can vary in meaning between individuals and cultures (Freeman & Hasnaoui, 2011). This means establishing one overarching definition of CSR is difficult to reach, in spite of this difficulty academic literature has spent significant time attempting to establish one.

In 1932 an article by Berle (as cited in Freeman & Hasnaoui, 2011) was one of the first to mention the importance of CSR, he stated that corporate managers have a responsibility to provide "safety, security or means of support for that part of the community which is unable to earn its living in the normal channels of work or trade" (p. 420). This is an early indication that there were certain individuals that believed corporations did have some obligation to the community they did business in. Although the majority of large corporations paid little attention to CSR during this time there were some companies who already considered CSR important. For example, co-founder of the Hewlett Packard Company, Davie Packard, believed that a company

does not simply exist to make money but rather have a deeper reason for being; they are there to make a contribution to society (Freeman & Hasnaoui, 2011).

While there had been some discussion about CSR, it was in 1953 when H. R. Bowen wrote a seminal text on CSR that the topic started to garner significant interest (Freeman & Hasnaoui). Bowen defined CSR as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society” (as cited in Freeman & Hasnaoui, p.420). This view of CSR was from a more economic perspective, meaning that while helping society was important the decisions that companies made should still revolve around taking care of their stockholders. For the next two decades CSR was primarily treated as something that corporations were aware of but was for the most part discussed by academics. Over this time academics worked to merge the existing view of CSR with an emerging perspective that viewed CSR as something more than an economic consideration. By the mid 70’s a more robust view of CSR began to emerge. This new view saw CSR as not only something that should be done to not harm society but that corporations need to be engaged in the improvement of the society in which they functioned (Freeman & Hansaoui).

From this new assessment of CSR a three pronged approach was developed, it included: social responsibility comprised of social contract and moral agency, social responsiveness, and social issues management (Freeman & Hansaoui, 2011). Social responsibility is the most common prong when it comes to corporate involvement today and involves practicing business in both a moral way and in a way that does not harm society. Social responsiveness on the other hand deals with corporations responding directly to social issues and social issues management deals with companies whose primary goal is to improve one particular issue. After the

identification of these three prongs the definitions of CSR began to splinter off into several different facets depending upon the location of the research and the industry that was being examined. In fact, Clarkson (1995) stated that while there have been hundreds of empirical studies done on the concept of CSR there does not appear to be a satisfactory and generally accepted definition of the term. The reason for this may be because of CSR seems to be a socially constructed concept that cannot be universally defined and will always vary by situation and by culture (Dahlsrud, 2008). In spite of these challenges there have been attempts to develop a broad definition of CSR. Holloway's (2004) view was that CSR meant corporations would take responsibility for all individuals in society, not simply their shareholder and customers. This broad view of CSR could include solving environmental and socio-cultural problems, improving the quality of life for the local community, and simply acting in an ethical manner (Rudez, 2009). In taking this broader definition of CSR one can examine the current climate of the concept and evaluate the different ways in which it is practiced.

### **Current trends in CSR.**

Since the 1990's a focus on CSR has become a mainstay within the US media and public perceptions and therefore has become an important factor for corporations to consider when establishing their business strategies (Holcomb, Upchurch, & Okumus, 2007). Motivated by the concerns of their stakeholders, consumers, societies and governments, leading companies in almost every industry are redefining their initiatives and practices in order to demonstrate their commitment to CSR in the way that they do business (Kang, Lee, & Huh, 2010). While CSR has been a subject of academic research for a number of years and there are certain companies with established CSR track records, the large majority of corporations are just beginning to focus on CSR practices. Today, CSR is "increasingly being embraced by companies all over the world"

(Bohdanowicz & Zientara, 2008), and in order to maximize their CSR practices most companies pursue the triple bottom line concept. This concept includes the economic, societal, and environmental benefits that companies pursue in the implication of CSR practices (Bohdanowicz, 2007).

Although it is clear that companies have begun to focus on CSR in part due to pressures applied by the public, it is still true that it is the ultimate goal of any business to make a profit. In pursuing CSR initiatives it should not be a surprise that one of the primary components is looking at CSR from an economic perspective (Kang et al., 2010). In fact, some definitions of CSR still only mention the value that is created for the company and not society as a whole, for example the Dow Jones Sustainability Index (as cited in Holcomb et al., 2007) defines CSR in this way:

Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability cost and risks. (p. 462)

While this definition does make mention of the environmental and social aspects of CSR practices it is still in the context of financial success. The economic implications of CSR must be important to companies, after all if a company is losing money simply to help certain members of society than it is still hurting other stakeholders of that company such as their employees or the stockholders.

There have been three predominate theories put forth as to the relationship between financial performance and a company's CSR activities (Kang et al., 2010). The initial viewpoint came from Friedman who believed that managements sole responsibility was to act in the best interest of the stockholder, and therefore the only 'social responsibility' of a company was to increase the wealth of its owners. His fear was that pursuit of CSR would then reduce the profits generated by the firm. Since Friedman several academics working under the concept of stakeholder theory have come to disagree with this assentation that CSR cannot create value for a company (Kang et al.). Stakeholder theory suggest that CSR activities can improve the value of the firm in three ways: creating cost savings, enhance the firm reputation, and the discouragement of possible regulations generated by governing bodies that could impose cost to the company (Bird, Hall, Momente, & Reggiani, 2007). The final theory suggested that there is not a particular relationship between financial performance and CSR practices, stating that there are too many contributing factors for a clear relationship to be established (Kang et al., 2010).

Today the contradictions between Friedman and stakeholder theory seem to have been reconciled in the fact that while it is a firm's goal to maximize profit for its owners, in today's world long-term value cannot be created if all stakeholders are not considered (Kang et al., 2010). It is this reconciliation that has lead companies to begin to focus on CSR because it is understood that focusing on stakeholders and not just stockholders is for the good of the organization. These benefits can been seen if the outcomes that CSR activities can lead to: positive company evaluations, higher customer purchase intentions, resilience from negative information, positive word-of-mouth, and a willingness to pay a price premium (Green & Peloza, 2011). While these might not be direct financial benefits all of them can lead to a stronger performance by the organization and eventually to the 'bottom line.' Therefore, from the

economic perspective there are clear benefits associated with CSR, making it a factor of business that is likely to stay.

Of the three components that make up the CSR bottom line, economic, societal, and environmental benefits the issues involving environmental benefits seem to be the fastest growing. Businesses today are expected to have a statement and action plan in terms of their environmental protection efforts as well as being transparent in their reporting on the businesses effects on the environment. Although some might view this concern with environmental practices to be a factor that could create more cost for the company, it has been shown that a focus on reducing energy consumption and waste generation can provide cost savings to the organization (Bohdanowicz, 2007). Overall the ‘greening’ of industries is still considered somewhat of a recent trend but is likely to be a component of CSR that continues to grow as time goes by.

The societal benefits associated with CSR can be viewed from several different angles. They can focus the firm’s actions that benefit society as a whole or they can center on the benefits that are related to employee relations. CSR has substantial implications when it comes to the area of human resource management (HRM). By using miscellaneous CSR-oriented schemes multiple HRM issues can be improved, companies can show that they really care about their employees in terms of improving their health/lifestyle as well as their skill/competence when it comes to their job (Bohanowicz & Zientara, 2009). A proper implementation of these types of CSR activities can lead to better employee retention and well as increased moral. By using CSR to create a reputation that a firm is honest and reliable companies can build stronger employee commitment to the organization and ultimately enhance performance (Bink, Rettab, & Mellahi, 2011).

While it is clear that there can be genuine benefits associated with the implementation of CSR practices, one thing that companies must be aware of is what types of CSR activities can have the greatest effect on their consumer base. “In order for consumers to support firms that engage in CSR, they must receive value from the exchange (i.e., the “win” for the consumer)” (Green & Peloza, 2011, p. 48). Rowley and Moldoveanu (2003) explained that stakeholders evaluation of CSR activities are interest-based, meaning that consumers evaluate any CSR practice in terms of their own morals, values, and priorities and then apply a value based upon those beliefs.

There are three different forms of value that consumers can garner from CSR initiatives. The first type of value is the emotional value that a consumer can receive from making a purchase that has a social or environmental attribute to it. While consumers see a benefit in receiving emotional value it is not of the greatest importance to them, describing it more as a ‘extra bonus’ rather than something that would make them choose one product over another (Green & Peloza, 2011). Social value is the second form of value that consumers can receive, this refers to the judgments that fellow consumers make about another purchase based upon the corporations they are associating with (Yoon, Gurhan-Canli, & Bozok, 2006). Similar to emotional value, consumers seem to put a lower emphasis on social value, while it is recognized that being seen a consumer that supports CSR can provide social benefits most consumers do not see it as a necessity. The final form of value is functional value which can be seen as concrete benefits (i.e. better fuel economy) that a consumer can receive from using a product of service associated with CSR. For a large majority of consumers this is the sole driver behind choosing a product or service that is directly associated with CSR (Green & Peloza). This shows that while consumers are aware of benefits involved with CSR products the thing that is still most

important to them is the functionality, meaning that if no concrete benefits are offered there is no guarantee a consumer will choose one service over another just because of the companies CSR practices.

Overall it appears as though CSR is a concept that is growing and is here to stay in the lexicon of business discussions. This is evident in a 2001-benchmark survey that was done on the state of global environmental and social reporting that found out of the 100 largest companies in the world, 65% engaged in some form of reporting of the CSR practices (Holcomb et al., 2007). While companies might still have some work to do when it comes to determine the best ways of going about attracting consumers through CSR it is necessary for them to factor it in. Consumers seem to place a greater weight on negative information than positive information about an organization meaning that if companies do nothing in terms of CSR practices it is likely that they could develop a negative reputation which could harm financial performance (Kang et al., 2010). In the ultra-competitive business world today CSR is just one more way that consumers evaluate one company from another.

### **CSR in the Hospitality Industry**

The hospitality industry has not been exempt from the growing importance on CSR. This is evident from the increasing number of CSR and environmental related news stories that have appeared on hospitality web sites in recent years. For example, on the site Hospitality Net, from 1999 to 2007 the number of CSR stories increased from 63 to 139 this was an annual growth rate of 10.4%, while the overall rate of growth for the site was only 2.8%, meaning the CSR issues were a major contributor to increase stories (Kang et al., 2010). While there have been some claims that hotels have lagged behind other sectors of the hospitality industry in terms of responsible tourism (Tsai et al., 2010), they are starting to catch-up and are now establishing a

greater focus on CSR. Beginning in the early 90's the primary CSR trends in the hospitality industry were community contributions, the use of technology, efficient use of energy, and environmental concerns (Holcomb et al., 2007). Initially, the incorporation of the CSR tactics as a part of corporate strategy has come from the larger hotel companies (Bohanowicz & Zientara, 2008), but as time goes by it is expected that many of these practices will expand throughout the industry.

The most common CSR tactics utilized by hotel companies are in the area of community involvement, in a study to determine where hotel companies were concentrating their CSR efforts it was found that charity donations and working in local communities were first and second respectively. These types of donations and involvement have come in the forms of sponsoring local sports teams, serving meals to the homeless, donating hotel furniture and linens, and offering part-time jobs to individuals with disabilities. Having CSR driven initiatives such as these can have major effects upon the socioeconomic situation of the hotels host community (Bohdanowicz & Zientara, 2008). Initially the majority of lodging corporations felt as though it was best to not overly publicize their CSR practices. However in recent years companies have seen the benefits of making their customers aware of their community involvement. Marriott Hotels for example saw a boost in their employee recruitment efforts once candidates were aware of community involvement that Marriott practices such as charity involvements and environmentally aware practices (Holcomb et al., 2007). While there are more types of CSR tactics than direct community involvement, it seems to be the first step that hotels take when establishing CSR practices.

As mentioned one of the largest issues revolving around the adaptation of CSR practices to hotels companies is a concern with environmental factors. In recent years there has been an

increase in public awareness about the extent to which environment deprivation can result at the hands of the tourism industry (Bohdanowicz, 2007). Because of this a significant amount of tourism supplies have looked to improve their image and their brands by establishing environmentally responsible practices. These companies understand that they will be able to either remove a negative image or improve a neutral image by working to improve the environment in which they operate (Rudez et al., 2010). The increased concern in the environmental effects of tourism operations have lead some hotel companies to establish what has been referred to as a “Green Hotels” concept, these hotels are designed with a focus on reducing solid waste, saving energy, and water conservation. This is accomplished through tactics such as linen reuse programs, more energy efficient lighting, water reduction devices, and other items. Pursuit of these programs has been found to achieved positive responses from hotel guest as well as management staff (Holcomb et al., 2007). Overall this focus on protecting and preserving the environment appears to be a CSR tactic which is being embraced by more lodging companies every day and is likely to be present in the industry for a long time.

There has been significant research about the value that CSR can bring to a company. In terms of the hotel industry it appears that the greatest benefits could come in the form of increased customer loyalty and improved employee retention, both of which are issues that are of great importance in the industry (Holcomb et al., 2007). However there has also been research that suggest that CSR practices seem to have a positive correlation with financial performance (Tsai et al., 2010), average room rates, and overall size of a property (McGehee, Wattanskamolchai, Perdue, & Onat, 2009). It has always been of the utmost concern to hotel companies that they find ways to cultivate and maintain the consumer bases knowing that having loyal customer leads to repeated and frequent purchase (Rudez et al., 2010). This is part of what

makes the progression of CSR so important to the lodging industry. One VP of distribution and marketing services at a major hotel company explained that CSR practices are important because they “assist in establishing the human face of your hotel to the outside world, as well as a good way of improving employee morale” (Holcomb et al., 2007). By being a way of establishing that always important connection between the guest and the property CSR has made itself a critical factor for hotel corporate strategy and will in all likelihood only continue to grow.

### **Summery**

The practices of branding and CSR both have lengthy histories in both overall business and in the hotel industry in particular. They have come to be critical components to the success of companies that operate in the lodging industry. While it is true that both continue to evolve over time and are always changing in the ways that they interact with consumers, there are some central components to both that are always going to be important. The most important is the emotional connection that brands and CSR are able to develop with the consumer. It is through these connections that companies are able to form lasting competitive advantages and this is what is most important when it comes to business since the first goal of business is to make a profit. Since these two practices are able to develop competitive advantages it is clear that they are going to be a part of the business lexicon for years to come.

## Part Three

### Introduction

The business concepts of branding and corporate social responsibility have become critical components of the hospitality industry. Hotel companies today must take both of these concepts into constant consideration in order to be successful. While it is clear that each of these tactics on their own have been able to establish competitive advantages for a lodging company, little consideration has been given to the idea of having these two work together in order to form even greater advantages. Hotel companies always need to be on the forefront of marketing strategies and the development of CSR Brands could certainly be the way of the future. While there are some hotel companies which have utilized the promotion of their CSR practices within their marketing tactics this practice is not widespread and still has significant room for growth. The interest of consumers in companies CSR practices is not going to go away and it is clear that branding is only going to grow in the lodging industry. Therefore, it would only be natural for these two to work together in order to maximize the effectiveness of each. The remainder of this study will focus on what it takes for the integration of CSR and branding to be successful and then how hotel companies can use this information as a guide for incorporating these concepts into their brands.

### Results

One of the chief factors driving the growth of CSR is that companies have realized that consumer perceptions of the overall organization and the effect it has on society can greatly affect a brand's strength and equity (Hoeffler & Keller, 2002). This can be seen in a 1999 Cone/Roper Cause-Related Trends Report (as cited in Hoeffler & Keller, 2002) which "revealed that among U.S. residents (1) 80% have a more positive image of companies that support a cause

that they care about, (2) nearly two-thirds report that they would be likely to switch brands to one associated with a good cause, and (3) almost three-quarters approve of cause programs as a business practice” (pg. 78). The tactic of using CSR as a part of a company’s marketing practices is known as corporate societal marketing (CSM) and is comprised of two main steps. The initial step any company must take in the process of developing CSM is to insure the selection of the most effective CSR practices. Not all CSR practices are equal in the eyes of consumers; some practices are more effective than others based upon the industry of the organization. A company must carefully select what CSR activities will be most effective in the marketing of their consumer base. There are three basic factors that must be considered in prediction the amount of leverage a CSM program might have over the consumer.

- 1) Awareness and knowledge of the cause: A consumer needs to have some knowledge of the issue that the corporation is trying to improve. Ideally the consumer would have a strong connection to the issue making the chance of positive feelings toward the organization more likely.
- 2) Relevance and meaningfulness of the cause’s knowledge: If there is awareness of the cause, what extent of this knowledge of the cause is then relevant to the brand? The meaningfulness of the knowledge can vary based on the brands context. For a consumer certain associations or feeling a more relevant than others when it comes to causes.
- 3) Transferability of the cause’s knowledge: Once a strong knowledge of the cause has been established the critical step of transferring these feelings about the cause to the brand. Thus, the consumer must not only care about the cause they will

need to associate those feelings with the brand as well in order for CSM to be successful. (Hoeffler & Keller, 2002)

These factors all build upon one another and the success of CSM lies in the hands of successfully completing each of these phases. With the knowledge of how consumers go about associating brands with causes companies can make better decisions about what cause to choose.

Looking at CSM from a branding perspective leaves companies with two clear paths they can choose in selecting a cause, commonality or complementary. The commonality strategy of selection involves choosing a cause that shares similar association and responses to the brand, the logic being that having a brand linked to a similar cause will create even greater brand associations for the consumer (Hoeffler & Keller, 2002). An example of this in practice would be if a lodging company partnered with an environmental protection organization so both could promote the importance of sustainability. One issue with the commonality strategy is that organizations run a risk of not developing any new competitive advantages, if no new feelings are created from the CSM then little is gained for the organization. However, if an organization pursues a CSM strategy that is based on the complementary practices of the brand and the cause they have a better chance of establishing new advantages (Hoeffler & Keller). An example of this would be if a hotel company partnered with something completely unrelated to the industry such as AIDS awareness, this association will then expand customer's feelings about the brand creating a new competitive advantage for the brand. In all likelihood both of these paths are going to be necessary for company in the future. As more organizations begin pursuing CSM the advantages it creates are going to be lessened meaning that companies are going to be expected to function in both of these areas (Hoeffler & Keller).

The second step of CSM is to determine how the causes the company has chosen should be integrated with the organization brand. There are three primary tactics that can be utilized in the branding of a cause and the one that is employed should be based upon the organizations goals (Hoeffler & Keller).

- 1) Create a self-branded cause: This is a form of CSM when a company creates an entirely new organization with the goal of working toward the selected cause. The most commonly used example of this is the Ronald McDonald House Charities, which is under McDonalds Corporation but works as its' own entity. A way this could be utilized in the lodging industry would be if a company such as Marriott created a foundation with the goal of stopping world hunger with the Marriott brand name at the forefront. This form of CSM can create positive associations for customers, which can lead to an overall preference to one brand.
- 2) Cobranding – link to an existing cause: CSM in this form occurs when a company chooses to partner with an existing organization which is already working toward a cause. Currently, this is the most popular form of CSM; a prime example of this is American Airlines relationship with the Komen Foundation which they have had since 1992. This form of CSM could be utilized in the lodging industry by a firm like Hilton partnering with the World Wildlife Foundation. Using both brands to work towards the goal of wildlife protection.
- 3) Jointly branded – branded link to existing cause: This is a kind of hybrid approach to CSM, where a firm partners with an existing cause but creates a new program associated with that cause. While not as common as the other two methods an example of this is the American Express “Charge Against Hunger” campaign.

American Express partnered with Share Our Strength to create this campaign where both companies worked toward the same goal but under a new jointly created brand. This form of CSM is less common for the lodging industry (Hoeffler & Keller).

In determining which form of CSM brand development an organization wants to use there are multiple factors that need to go into consideration but the most important factors are the resources of the firm and the ultimate goals of the firm. The resources must be taken in account because some methods are more costly than others. It takes significantly more company capital to create a new brand than to partner with an existing organization. The importance of an organization's long term goals should be clear when they are establishing CSM. If the firm is looking to build upon brand equity that they have already established then the best route might be to pursue cobranding in some form while if they want to look for a way to generate new brand equity then the creation of a new brand might be the best option. All of these options must be weighed out by the organization in order to determine what CSM practices will be most beneficial to the firm's goals and help to create the greatest competitive advantage (Hoeffler & Keller).

It would appear that CSR is the near-perfect vehicle to be used in corporate marketing efforts to grow brand equity. When it is performed correctly CSM can cause all stakeholders to form long-lasting bonds with the brand (Hildebrand, Sen, & Bhattacharya, 2011). However, what is critical for the successful merger of CSR and branding tactics is that organizations analyze their prospective CSR practices within the same framework that guides any other core business choice (Tsai, Hsu, Chen, Lin, & Chen, 2010). With so many options as to how to incorporate these two practices companies cannot take for granted their importance. CSR should

no longer be an afterthought or something that is done when the company has some extra resources, it must be planned out and integrated into other business practices such as branding. The market orientation perspective suggest that firms can gain competitive advantages through effectively serving their stakeholders and that there seems to be a synergy between market orientation and CSR which makes the two work together for the benefit of the company (Brik, Rettab, & Mellahi, 2011). What this should tell companies is that the decision on what CSR practices to select should not be based upon if the cause is worthy but if it creates the opportunity of increased benefits for society while at the same time improving the position of the business (Tsai et al., 2010). That is why the selection of proper CSR practices is so critical and they can not only improve society but they are able to enhance the overall value of a brand.

### **Recommendations**

Brands have become an essential part of strategic planning for companies within the lodging industry. Finding ways to continuously distinguish one brand from another is becoming increasingly difficult. This is why an incorporation of CSR practices into hotel brand image should be viewed as a logical direction for lodging companies to consider. CSM has shown the ability to form bonds with customers that are similar to those achieved in brand management, making the two clearly complimentary practices. By merging the benefits of brands with those associated with CSR hotel companies will be able to create even greater competitive advantages within the industry.

As explained in the results section the first step that any company must take in the integration process is to select the appropriate forms of CSR to pursue and then determine in what form the CSR should be marketed. It appears as though the community category is currently the most widely used and publicized form of CSR within the hotel industry (Holcomb,

Upchurch, & Okumus, 2007). What that means is that community involvement is a necessity for any hotel company. Community involvement might not be a way to set the hotel apart it is almost an expectation at this point. However, the type of community involvement that a hotel selects could be unique; choosing to partner with local organizations rather than national allows the chance of developing stronger brand equity with the local community that could then extend to the rest of the brand.

While community involvement is a good way of looking to build brand equity with the local community, it would seem that environmental protections would be a tactic that could be used to build equity on a more international scale. While the majority of international hotel chains focus on some form of environmental protection, they do not do a good job of reporting it (Holcomb et al., 2007). A greater concentration of making consumers aware of the efforts that are taken to protect the environment might be a way to set one brand apart from another. Hotels that are environmentally responsible have shown improvement in their brand image (Rudez, 2010). If the customer does not know about these environmental actions then there is no way that the brand can reap the benefits.

One possible pursuit of cobranding that has not really been attempted in the hotel industry is the combination of CSR practices into hotel loyalty programs. Hotel loyalty programs have long been used as a way for lodging companies to attempt to build brand equity with their consumers. This would indicate that an incorporation of CSR into a loyalty program should be able to generate brand equity to an even deeper degree. Having a well-designed customer loyalty program that was cobranding with a CSR cause would create trust and a long lasting relationship between the hotel and its customers. One way of achieving this would be to have some type of arrangement where every time a customer used their loyalty card to stay at the

brand a donation was made. The type of emotional and psychological connection that could be established with this form of CSM branding could turn customers into advocates that had a true commitment to the organization (Rudez, 2010).

The most important thing for hotel companies to remember when they are pursuing CSM is that the emotional connection of the brand to the consumer is what is most important. When it comes to brand equity within the hotel industry the experience the customer has with the brand is what is critical, the way that they customer remembers the brand is what in the long run creates loyalty and a sustainable competitive advantage. That is why companies should focus on increasing positive CSR activities such as energy efficient hotels and charitable activities, instead of trying to reduce any negative aspects that might have been created from hotel operations, because for hotels customers appear to remember the positive associations more than anything else (Kang, Lee, & Huh, 2010). Therefore focusing on the positive components of CSR is the key to successfully integrating it with branding. If this is done successfully than lodging companies should be able to capitalize on positive CSR practices through an increase in brand equity.

Based upon the information that was discussed throughout the literature review, the results, and the recommendations sections a table was created. This table can serve as a usable guide for hotel companies to use in the integration of CSR practices into their brand management. It is the step by step process of what a company should do to develop a CSR brand and can be used as a guide for any company looking to facilitate the merger of these to disciplines.

Step	Implementation	Purpose
1) Selection of a CSR practice	The initial step is for the hotel to select what form of CSR they wish to pursue (i.e. environmental or social), while there are multiple options for each of these categories they are still the primary choices. This decision should be based upon what is the best fit for the property and what form will be able to make the largest impact with their consumer base. While it is possible for a hotel to pursue multiple forms of CSR the one that is associated with the brand should be whichever can have the greatest impact, this means that the practice chosen must be with the consumers awareness, relevant to the consumer, and transferable in the feelings that the consumer has for it.	There is no reason to merge CSR and branding if it cannot provide a benefit to the organization. In order for there to be some competitive advantages created it is essential for the correct practice to be selected, if it is not than the company will not be able to us CSR to bond with the customer.
2) Strategy for integration	There are two primary paths of integration that can be used by the hotel. For an existing brand that is just looking for a new way to connect with the consumer a commonality strategy might be best as it would allow the company to build upon it current brand equity without altering the perception of the brand. In selecting a commonality strategy a company would pursue a partnership with an existing organization to promote a cause (i.e. working with an environmental agency to promote green practices). However if a hotel company were looking to create a new brand that would target a consumer in a different way and needed to develop its own brand equity a complementary	It is important for hotels to understand what they are trying to accomplish through the integration of CSR and branding. If they are wanting to simply strengthen current brand equity than one tactic can be used while the creation of new brand equity takes another path. The decision of commonality verse complementary should be made based upon the goals of the organization which really come down to

	<p>strategy would be best. In this case the new hotel brand would have the CSR practices directly markets with traditional brand components. For example rather than saying the brand works with an organization for the protection of the environment, the marketing tactic would be to describe the green practices of the hotel and how those are a part of the overall experience for the consumer.</p>	<p>existing brand verse new brand.</p>
<p>3) Form of branded CSR utilized</p>	<p>Upon the determination of what strategy to pursue the hotel has three choices when it comes to what type of CSR brand to use. Using a self-branded cause corresponds best with a commonality strategy as it allows the company to take advantage of the current brand name while at the same time building new associations with the brand. Cobranding is a tactic that can work well with the complementary strategy as it would allow an organization to like a new brand to an existing cause giving the new brand a chance to instantly gain any equity associated with that cause. The use of Jointly branded causes is a hybrid that could be utilized with either strategy since it could utilize the current brand name or help develop a new brand.</p>	<p>The selection of CSR brand form is possibility the most important step of the implementation process. This is because even if the right cause is selected and the correct strategy is chosen the form of CSR brand can have the greatest determination upon how strong the connection with the consumer might be. The right cause used with the right form of CSR brand can build long-lasting connection between brand and consumer (i.e. Ronald McDonald House).</p>
<p>4) Evaluate</p>	<p>After the CSR brand has been implemented it is important for the hotel to go back after a period of time and evaluate the effect it is having upon the consumer base. The goal in integrating CSR</p>	<p>With any business decision it is always important to review and reevaluate after the implementation and this is</p>

	and branding is to create new competitive advantages for the hotel, therefore it is important that hotels evaluate the previous decisions they have made and make sure the strategy they have chosen is helping them meet their goals for the CSR brand.	still the case when it comes to CSR branding.
5) Continue or Reconstruct	Upon the evaluation of how the CSR branding tactics are performing a hotel must then determine if they should continue with the current strategy or start over with a new strategy. If they are required to start over than the hotel should go back to step one and go through the process again.	This final step is simply used to determine if the hotel will continue on with the CSR brand that was implemented.

**Conclusion**

The goal of any organization is to find a way of developing competitive advantages over their competitors. For the hotel industry both brand development and CSR have been a way to accomplish this. Companies must stay on the cutting edge of what consumers are looking for and these two practices on their own will soon no longer be enough to attract customers. Hotel companies will have to find new ways to establish the important bond between the customer and the brand.

The continued success of branding within the lodging industry will rest on the ability of hotel companies to find new ways of distinguishing their products. While the initial use of brands in the industry was to work as a differentiator this has become less effective as more brands have been introduced. For brands to be successful in the future they will need to have new ways that they connect with the consumer. This is when CSR comes into play. At the heart of CSR is an emotional connection with the consumer and this is exactly what hotel companies

are trying to create with brands. The integration of CSR into the brand image will allow hotel companies the ability to create emotional bonds that are stronger than the brand could have accomplished on its own. The future of the modern brand will be dependent on continuing to establish the emotional connections that have been so important in the past but in new ways that have not been used before.

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