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QUANTIFYING THE BRAND EQUITY OF A LUXURY HOTEL RESULTING FROM A SOFT BRAND AFFILIATION: "ZAFFRE RESORT", A 5 STAR HOTEL IN QUINTANA ROO, MEXICO

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Project Report

Masters in Hospitality Management

Work done under the supervision of:

Professor Margarida Santos

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Quantifying the Brand Equity of a Luxury Hotel resulting from a Soft Brand affiliation:"Zaffre Resort", a 5 Star Hotel in Quintana Roo, Mexico -Project Report

Declaration of Authorship

I declare that this thesis and the work presented within it are my own and have been generated by me as the result of my research. Where I have used thoughts from external sources, directly or indirectly, published or unpublished, this is always attributed.

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RESUMO

Ao longo dos tempos, as marcas têm assumido uma infinidade de papéis. Por vezes, ajudam a promover um fabricante para além do seu âmbito geográfico; noutras situações, para prevenir a substituição por produtos inferiores entre produção e distribuição. Mais recentemente, a marca surge para diferenciar um produto perante os seus concorrentes.

Enquanto alguns autores definem uma imagem de marca como sendo um nome, termo, sinal, símbolo ou *design*, que se destina a identificar produtos e serviços de um vendedor ou grupo de vendedores, a sua importância para uma empresa vai muito além da sua identificação. Esta é na verdade, a perceção global da marca e a sua capacidade para influenciar a decisão de compra que acrescenta valor a um negócio.

A importância da gestão da marca tem sido reconhecida e sustentada num amplo número de indústrias. As empresas que reconheceram este recurso e se esforçaram para construir o seu próprio valor da marca enquanto desenvolvem os seus produtos, foram capazes de resistir com o passar do tempo e ultrapassar em muitos anos os seus concorrentes. Da mesma forma, a indústria hoteleira reconheceu que uma forte aposta na gestão da marca tinha o potencial para atrair novos clientes, juntamente com um fluxo estável de receitas. Esta perceção conduziu ao desenvolvimento e proliferação de marcas de hotéis.

Apesar dos proprietários e gestores de hotéis poderem selecionar entre imensas marcas de gestão e de afiliação com o fim de posicionar com sucesso as suas propriedades, no segmento de mercado desejado; é interessante notar que algumas unidades hoteleiras emblemáticas são melhor sucedidas operam de forma independente. Consequentemente, os gestores devem avaliar o valor da marca ou "*brand equity*" que uma potencial afiliação possa trazer. Esta análise é fundamental a fim de ir ao encontro da melhor solução para uma unidade hoteleira específica dentro do seu mercado. Uma opção eficaz para apoiar esta decisão é a aplicação de um modelo de quantificação de "*brand equity*" ou valor de marca.

Este relatório de projeto apresenta um resumo teórico para contextualizar o papel de "*brand equity*" na hotelaria aplicada à atualidade, baseada numa visão sobre estudos

académicos que se focam na sua gestão. Posteriormente, com o intuito de exemplificar a pesquisa apresentada, juntamente com a quantificação do valor da marca resultante da afiliação da marca, este relatório apresenta um estudo de caso. O estudo avalia um hotel que inicialmente operava de forma independente e que, mais tarde, transitou para uma "*soft brand*". A pesquisa inicial inclui a recolha de dados quantitativos e qualitativos pertencentes ao mercado, bem como da unidade hoteleira em questão.

Recolhidos os dados, o modelo de melhoramento da receita ("*revenue enhancement model*") é aplicado através do cálculo do índice RevPAR (receita por cada quarto disponível) para o ano em que a propriedade operou de forma independente e, posteriormente, o ano de afiliação da mesma unidade hoteleira. Estes valores são comparados, para avaliar o valor da marca resultante da afiliação.

Através da aplicação deste modelo de quantificação de "*brand equity* ", verificou-se que o hotel estudado adquiriu um valor de marca negativo após afiliação. Este resultado é interessante porque ao comparar indicadores que são geralmente aceites na indústria da hotelaria, como a receita por quarto disponível e receita global por quarto, o hotel teve resultados mais positivos após a sua afiliação. Com este resultado, somos levados a questionar o modelo aplicado pela sua incapacidade de identificar e incorporar variáveis pertinentes enquanto propondo uma melhor aplicação em estudos futuros.

Palavras-chave: Valor da Marca Hoteleira, Quantificação do Valor da Marca, Afiliação da Marca

ABSTRACT

Throughout history brands have assumed a multitude of roles. At times to solemnly promote an existing manufacturer beyond its geographical scope; in other instances to prevent substitution of inferior products between production and distribution. More recently, branding has served to differentiate a product from its competitors.

While some authors define a brand as a name, term, sign, symbol, or design which is intended to identify goods and services of one seller or a group of sellers, its importance to a company goes far beyond identification. It is the targeted client´s overall awareness of the brand and its ability to influence purchasing decisions that add value to a business.

Brand management has long been recognized and nurtured across a broad number of industries. Companies who recognized this asset and made efforts to build their brand equity while developing their products were able to stand the test of time and outlive generations of their competitors. Similarly, the hospitality industry recognized that strong branding had the potential for attracting new customers along with a steady flow of revenue. This realization led to the development and proliferation of hotel brands.

While hotel owners and developers have many management and affiliation brands to select from in order to successfully position their properties within a desired market segment, it is also interesting to note that some emblematic properties are more successful operating independently. Consequently, decision makers must evaluate the brand equity or added value each potential affiliation may bring while weighing the contractual cost associated with those memberships. This analysis is fundamental in order to find the best solution for a particular property within its market. An efficient option to support this decision is the application of a brand equity quantification model.

This report presents a literature review to contextualize the role of brand equity in hospitality today, while offering insight into academic studies that focused on its management. Later, with the intent to exemplify the research collected, the project report presents a case study. The study focuses on the quantification of the brand equity acquired by a hotel that previously operated independently and later transitioned to a soft brand affiliation. Research for the case study includes the collection of both

quantitative and qualitative data pertaining to the market as well as the subject property. Once the data was presented, the revenue enhancement quantification model is applied by calculating the RevPAR (revenue per available room) index for the independently operated year and later for the affiliated year of the same property. These amounts are then compared in order to isolating the brand equity resulting from the affiliation.

The findings of this brand equity model application were that the case study obtained negative brand equity from its soft brand affiliation. This outcome is interesting because when comparing indicators that are generally accepted within the hospitality industry, such as revenue per available room and overall room revenue, the hotel outperformed its independently managed year while affiliated. As a result, we are led to question the model applied for its inability to identify and incorporate pertinent variables while proposing a better application in future studies.

Keywords: Hospitality Brand Equity, Brand Equity Quantification, Brand Affiliation

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Chapter 1 – Introduction

1.1 Thematic of Study

In hospitality, affiliation with a brand of any type versus operating independently is a crucial strategic decision. Freed (2013) described the decision between operating independent or within a contractual brand as a difficult yet fundamental one that incorporates several variables.

When weighing the options available, Freed (2013) defends that we must take an in-depth look at the property. One must consider its location, the key attributes of available brands in its particular segment and ultimately determine whether one would complement the hotel. Furthermore the owner of the property should identify the hotel´s target customer and how involved they wish to be in the project (Freed, 2013).

In general, brand affiliation is associated with promotional efforts and advertising for hotels. However, a brand´s role has evolved far beyond that, incorporating sales strategies, operation standards, financing and the overall theme of the project.

Countless studies throughout recent decades have not only defended the existence of brand equity but also presented the great influx in worldwide hotel brands from which owners may choose from, when deciding if they wish to affiliate with a brand (Dev, 2012).

The purpose of this study is to quantify brand equity resulting from a brand affiliation of a luxury hotel through an in-depth analysis of available brand equity quantification models, updated market data and consolidation through a case study of a subject hotel. Ultimately, this analysis serves to exemplify the process that can help hoteliers decide whether an affiliation would bring an added value to their particular property.

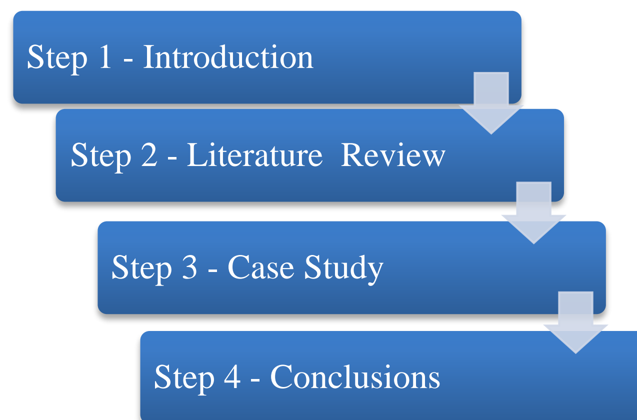
In this manor, this project report looks to accomplish the following statement:

> Quantifying the brand equity of a luxury hotel resulting from a soft brand affiliation: "Zaffre Resort" a five star hotel in Quintana Roo, Mexico

1.2 Project Report's Structure

In order to quantify the brand equity of a luxury hotel resulting from a soft brand affiliation in an efficient and academically accepted manner this study is presented in four sections. These four sections, or steps, allow the presentation of the topic, its pertinent research, the application of a quantification model and culminate in conclusions and discussions for further studies. The illustration below was elaborated to visualize the overall structure of the report.

Illustration 1.1 – Report Structure



The first step, the introduction, begins by establishing the need for this subject to be studied. The same chapter later identifies the objective of the study itself or the statement it wishes to analyze along with the overall structure of the document.

The subsequent step of the illustration above is identified as the literature review. Within this particular chapter findings of accredited authors on pertinent topics such as the definition of brand equity, its evolution and application to the hospitality industry are summarized. Still within the second chapter, the report presents multiple brand equity quantification models and the process of applying each.

The third step of the illustration above is the case study. Within this chapter, the objectives of the project report are re-iterated along with the presentation of the methodology applied to achieve these goals. Finally, in this same chapter, one may find an in depth analysis of the data which resulted from the collection of quantitative and

qualitative data along with the application of the revenue enhancement quantification model to a subject hotel.

The last step described in the illustration above is the conclusion. Within this chapter the report presents the findings resulting from the model application of the previous chapter along with the discussion of identified limitations and recommendations for future studies of the thematic.

Chapter 2 - Literature Review

2.1 Brand

2.1.1 Historical Evolution of Brand Management

According to Hollis (2013) long before the majority of the academic principles by which we currently base our branding studies were published, companies understood the importance of brand management. As an example, Hollis (2013) shares his experience in 1979 when he joined the company then known as Cadbury Schweppes and in which the importance of brand building was the core focus of their marketing team. He further establishes that in retrospect, the company's efforts were fruitful as looking through their portfolio of brands we can identify that while the company no longer exists, the brands are still globally recognized today over 40 years later (Cadbury´s Dairy Milk chocolate, Schweppes Tonic, Sunkist and Canada Dry) and have since been sold to other companies as assets.

Hollis (2013) defends that to understand how the Cadbury Schwepps Company was successful we must first trace the evolution and role brand building played in our economic history before exploring its modern day complexities.

There is evidence that even in ancient history names or symbols were put on such goods as bricks or pottery in order to identify their maker and in early sixteenth century whisky distilleries shipped their products in wooden barrels with their name burned on them to prevent substitution of cheaper products (Aaker, 1991). While the evolution of modern brand recognition can be outlined differently by diverse scholars, one viewpoint is that of Fisher (2014), which when asked to trace the evolution of modern day brand recognition, identified the 1890s' advent of railroads and long-distance production distribution as the beginning of an open market in which, for the first time consumers were able to choose from a wider selection of goods from companies outside of their local economy.

Fisher (2014) defends that the use of brands helped people cope with the increase in options, identifying the manufactures and establishing their quality. Fisher (2014) also references the industrialization as a catalyst for branding, at which point it was generally believed that good products sold themselves and that advertising served to ensure everyone knew the product existed. Furthermore, the later proliferation of consumer goods and choice with limited innovation in the post-World War II (WWII) era is identified by Fisher (2014) as the reason it became necessary to differentiate products by focusing on the communication of superior features, unique ingredients and functional benefits. Untimely, as the differentiating features became minimal, the shift in companies' focus was that of what emotional benefits a product could bring to the customer. It is this attempt to build emotional bonds with clients primarily through advertising that sparked a creative revolution in advertising which itself became synonymous with branding (Fisher, 2014).

2.1.2 Brand Definition

Throughout the above mentioned historical development of brand and product identity Fisher (2014) points out that the definition of a brand naturally evolved. When looking to establish the definition of a brand that incorporates its modern day outlining factors, one comes across various angles and perspectives depending on the intended market application or source. As presented by Kotler (1997, p. 443) a brand is "a name, term, sign, symbol, or design, or combination of them, which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors". Scholars such as Keller (1993) and Aaker (1991) noted that while the definition above leads us to believe that any logo for a new product or company can be classified technically as a brand it is important to further quantify the awareness surrounding a brand.

Within the past twenty five years, the hotel industry has embraced the value of branding as an essential component of its marketing strategy (Dev, 2009). Furthermore, Prasad and Dev (2000) encouraged hoteliers to look past the tradition definition in order to arrive at one that would best fit a brand's role in hospitality by representing a brand as the essence of the customers' perceptions of the hospitality organizations. Therefore,

while acknowledging that a brand constitutes the traditional elements of a name, logo, symbol and identity or trademark as mentioned above, they further identified a hospitality brand as all tangible and intangible attributes that the business stands for (Prasad and Dev, 2000).

Farquhar (1989, p. 24) has a different perspective, he defines a brand as "a name, symbol, logo, or mark that enhances the value of a product beyond its functional value".

This evolution of the role and significance a brand plays in the purchasing process is consolidated in Hollis´ (2013, p.11) definition of a brand "a set of enduring and shared perceptions in the minds of consumers. The stronger, more coherent and motivating those perceptions are, the more likely they will be to influence purchase decisions and add value to a business".

While their definition may vary slightly, all of the aforementioned authors agree that the more differentiated hotel brands, the less likely the customer will switch to a substitute which consequently leads to loyal customers and ultimately to a sustainable stream of revenue.

2.1.3 Evolution of Hotel Brand Focus

In order to fully comprehend the role brands play in hospitality today, Dev (2012) recommends we first review their evolution throughout the past 50 years. He further identifies the following trends per decade, highlighting that with each passing decade the responsibility of a brand mutated in order to continuously correspond to the market's necessities.

1. 1960s – Dev (2012) identifies this decade as that of increased competition and new standards of service resulting from the establishment and development of several national hotel chains. According to Dev (2012), to deal with the increase of competition, hotel marketing professionals focused on promotion, packaging planned vacations and incorporating technology to benefit multiple properties. Furthermore Dev (2012) argues that the creation of Holiday Inn's Holidex, the first

automated hotel reservation system in 1965, is one of the most prominent examples of brand wide technological focus that benefited multiple properties as a result.

2. 1970s – This decade is characterized by Dev (2012) as one of continued growth in brand volume and innovative hotel designs, resulting in rapidly changing customer expectations and consequently adapting brands. Dev (2012) identifies product development, market research and an innovative program Michael Leven introduced at Days Inn, which rewarded employees for taking initiative to help a customer, as the predominant brand themes of this decade.

3. 1980s – Through his investigation of industry journals published within this decade Dev (2012) found evidence that while the concept was widely used by airlines, it was in 1980 that Revenue Management significantly altered the hospitality industry's sales practices. Dev (2012) further highlights that the sophisticated calculation and analytical approach to detailed market data introduced by revenue management become a staple in each property's strategy during this decade and can still be considered true today. Within the same study of publications Dev (2012) concluded that as established brands grew in volume, brand development and brand management become a focus for big hotel chains, resulting in the introduction of different tiers within the same brand.

4. 1990s – Dev (2012) characterizes this period with that of increased marketing costs and a shift in brand focus towards research that would facilitate a better understanding of customers while developing closer relationships with them, as to retain them as loyal customers and secure a lifetime stream of income. To accomplish this, Dev (2012) identifies Customer Relationship Management (CRM) along with software that enabled it as the breakthrough of the decade.

5. 2000s – After carefully analyzing the industry's publications of this period Dev (2012) identified that customer satisfaction and repeated stays through loyalty programs were a strong focus for brands, however it was the strength in web marketing and its potential as a predominant distribution channel that caught brand manager's attention in the later portion of the decade.

6. 2010s – Most recently, Dev (2012) saw internet, social media and the importance of targeted marketing rise, causing chain brands to realize that research to discover and refine effective marketing techniques for clients entering their thirties and generations to follow are in high demand. Dev further established that while the number of hotel chain brands available are still on the rise, internet distribution has become easier, therefore enabling some hotels to distribute their product with no brand affiliation.

2.1.4 Importance of Strong Brands Today

Once the historical role of a brand in general terms and specifically for hospitality has been both defined and dissected, we must move on to its role in service industries' current landscape with particular focus on hospitality.

O'Neill and Xiao (2006) defend that strong brands provide such benefits as greater customer loyalty, higher resiliency to endure crisis situations, higher profit margins and higher market value to service firms. Keller (2001) further identifies a more favorable customer response to price change and licensing along with brand extension opportunities amongst those benefits.

The findings of Kwortnik Jr. (2011, p.4) further defend the role of brands within hospitality companies by affirming the following:

> *"strong brands also possess top-of-the-mind awareness, so that when customers recall brands in a particular category the brand automatically comes to mind. Such brand awareness is especially important for decisions where consumers may not have ready access to complete information about their available choices. In that case, consumers are likely to choose familiar brands. These are some of the reasons why owners of hospitality services looked to established brands as partners."*

These affirmations can be supported by a study which found that four out of five leisure travelers prefer a brand-affiliated hotel according to Ypartnership/Yankelovich organization in 2010 (Kwortnik Jr., 2011) and Smith Travel Report (STR) have shown that in the United States of America (USA) and Asia-Pacific regions, brand affiliated hotels have outperformed independent properties for the past 15 years on occupancy,

Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) (Church, 2010).

Looking to the future role of strong brands Dev (2012) identified practices to strengthen existing brands of the upmost importance to counteract the "Sea of Sameness" that afflicts many brands and the need to extend the life cycle of a brand. He further suggests the importance to identify and strengthen the pillars on which brand stature stand upon.

2.1.5 Hotel Brand Contractual Types

Dev (2009) identified that within the previous 25 years; the hotel industry had seen the proliferation of new brands and embraced the value of branding as an essential component of its marketing strategy which resulted in the exponential growth in options worldwide.

When looking to categorize and distinguish amongst the available options of brands, chains and affiliations we must first establish the characteristics of each type. According to the STR reports (STR and STR Global track supply and demand data for the hotel industry and provide market share analysis for international, regional hotel chains and independent hotels through daily, monthly and annual reports (strglobal.com, 2015) the hotel brand contractual types can be distinguished as management companies, franchise companies and membership companies. Whereas a management company is defined as one that manages hotels for owners typically in return for fees and/or a share of revenues.

The STR reports further identify that a management company may or may not have any of its own funds invested in a hotel that it manages. A franchise company on the other spectrum is identified as a group of independently-owned operations which have been issued a contract to use a specific name and logo, purchased for an annual fee plus "royalties" usually based on a percentage of sales. Members share such benefits as brand-name identity, corporate image advertising, centralized reservation systems, corporate training programs and volume purchasing (strglobal.com, 2015).

The final category identified are membership companies (also called soft-brands and affiliation companies), which encompasses independently owned and operated lodging properties operate under a single membership affiliation while taking advantage of a global reservations system, marketing, advertising, purchasing, training and quality standards. STR reports highlights that there are usually fewer constraints than a traditional franchise company associated with this affiliation option and each member has a voice in the operation of the company (strglobal.com, 2015).

Collins (2014) offers another perspective into the types of hotel brand contracts, he simply defines brands as "hard" or "soft", where a hard brand entails minimum standards in brick and mortar, signage, décor, footprint, etc. and service (as in staffing levels, client touch-points, etc.). Collins (2014) also identifies that hard brand contracts are typically for up to 20 years, quite onerous and commercially challenging. Soft brands are described as a platform that affords owners greater flexibility, are usually for shorter terms, tending to be performance based and allowing the property to retain its own brand identity (Collins, 2014).

2.1.6 Independent Hotels and the Determining factors

Despite all the benefits of an affiliation with an established brand, for many hotel owners or directors of sales throughout the world, an independent operation works well (Kwortnik Jr, 2011). The STR lodging census reveals that approximately 70 percent of hotels and 60 percent of rooms in Europe and Asia are not brand-chain affiliated. Also STR´s metrics covering Europe reveal (as of June 2010) that brand-affiliated hotels achieve 4.7% higher occupancy rates, however independent hotels earn 21.4% higher ADRs and 17.5% higher RevPAR. This reality is true for some parts of the United States as well, where independent properties outperform brand-affiliated hotels (Church, 2010).

A significant factor taken into consideration when hoteliers decide to operate independently is the expense of brand affiliation (Kwortnik Jr., 2011). HVS, the international hospitality consulting firm, reported in 2009 that lodging franchise fees are often the second-largest operating expense after payroll), typically averaging around 9

to 10% of total room revenue (Rushmore, Fitzpatrick and Lam, 2009). Not to mention there are additional royalties, system expenses along with the costs associated with complying to brand standards (room amenities, bedding and technology) (Kwortnik Jr., 2011).

A study showed that branded hotels in the United States accounted for more than 70% of the total room supply in 2000, compared to approximately 61% in 1990. That same report revealed that branded hotels in the United States led by American chains has spread to all over the world and dominate the total room supply, more than 70% of the hotels in the United States have a brand name relative to 40% in Canada, 25% in Europe and approximately 10% in the rest of the world. It is widely accepted that this significant increase in recent years can be attributed to the benefits associated with branding (Forgacs, 2003).

Freed (2013) published his analysis of the 2013 STR Analytics reports which presented that branded hotels generally report a higher occupancy, while independent hotels garner a higher average daily rate and revenue per available room. In that same report for 2012, he noted that chain hotels (also known as franchised properties) spent 7.8% of their operating expense budget on marketing and an additional 3.4% on franchise fees. Independent hotels, according to Freed (2013) on average spent 7.1% of their operating expense budget on marketing fees and were able to avoid franchisee fees.

In the 2013 annual Hotel Data Conference hosted by STR and Hotel News Now, hospitality leaders identified the largest risk in operating completely independent is distribution, or the lack thereof. "There is no Brand ID. People locally – even more difficult-around the country or world…don't know who you are" (Mayock, 2013, Paragraph 7).

When asked to identify pros and cons of independent hotel operation compared to the leverage of hard brands and chains, Rob Cornell from Preferred Hotels, a leading soft brand, offered the following perspective of modern day soft brand management (Swig, 2000, Paragraph 10):

> "global distribution brands (affiliate brands) have evolved today to provide the independent hotel owner/manager access to the latest in reservation distribution and marketing technology, partner relationships, quality standards, volume purchasing and sales infrastructure. This type of

> arrangement is advantageous as it gives the owner a high degree of control with low distribution cost. Further advantages include low upfront costs, a shorter term contract, and substantial control of the operation; while focusing maximum resources on the generation of measurable revenue."

Ultimately the owners should make their decision based on a cost-benefit analysis while weighing how involved they wish to be in the project. If a proprietor looks at the hotel as a real estate investment without being involved in the day-to-day operation, than a structured franchise might be a good fit, while hoteliers who wish to maintain the brand affiliation costs low, benefit from sales & marketing support, while managing the day to day operations would appreciate a soft-brand affiliation or full independent option (Freed, 2013).

2.1.7 Hotel Classification Contextualized within its Market

Jiang, Dev and Rao (2002) identified that further to the contractual nature of a hotel's brand type, be it affiliated or not, the analysis of its brand role must take into consideration its hotel classification within its market. Early on, Quality International (now Choice Hotels International) recognized that the classification of a property along with its market placement was important to the brand management process (Dev, 2012). It is because of this understanding that in 1981 they developed multiple brands to serve multiple market segments, a concept that was later followed by most lodging companies (Dev, 2012).

According to the announcement n.º 327/2008 as published the 28th of April 2008 in the Portuguese law number 39/2008, the legal obligations for each band of hotel classification is very specific and the overall assessment encompasses structural, service and environmental requirements. In the specific category of hotels, the law foresees a total of 139 points to classify the property from which to define its star rating.

According to the 2014 STR Global Chain Reports, hotel chains can be distinguished by their actual or estimated average room rate when compared to their market into the category of Luxury, Upscale, Mid-Priced, Economy and Budget. The breakdown is as follows: (2014 STR Global Chain Scales, 2015)

- Luxury - top 15% average room rates
- Upscale - next 15% average room rates
- Mid-Price - middle 30% average room rates
- Economy - next 20% average room rates
- Budget - lowest 20% average room rates

2.2 Brand Equity

2.2.1 Definition

Prasad and Dev (2000) defended that once we accept that building strong brands is at the forefront of a business success, it then becomes indispensable to examine what constitutes a band's equity while monitoring the effects of continuous brand management. Aaker (1991) established that brand equity provides value to customers by enhancing their interpretation and processing of information, increasing confidence in the purchase decision, and raising the level of satisfaction. He also defended that brand equity provides value to the firm by enhancing efficiency and effectiveness of marketing programs, prices and profits, brand extensions, trade leverage, and competitive advantage (Aaker, 1991).

Blackston (1995) defined brand equity as a brand value and brand meaning, where brand meaning implies brand saliency, brand associations, and where brand personality and brand value is the outcome of managing the brand meaning. Keller (1993, p. 2) described brand equity as the "differential effect of brand knowledge on consumer response to the marketing of the brand".

When focusing on a financial perspective of brand equity´s relevance, we can take into consideration Investopedia.com´s (2015) definition; it states that brand equity is the value premium that a company realizes from a product with a recognizable name as compared to its generic equivalent. Companies can create brand equity for their products by making them memorable, easily recognizable and superior in quality and reliability. Mass marketing campaigns can also help to create brand equity. If consumers are willing to pay more for a generic product than for a branded one, however, the brand

is said to have negative brand equity. This might happen if a company had a major product recall or caused a widely publicized environmental disaster (Madhuri, 2015).

2.2.2 Relevance

The importance of monitoring brand equity was described by Dev (2012), who identified hotel chains as a classic application of brand strategy. Brands allow hotels and hotel chains to identify and differentiate themselves quickly in the mind of customers. He further identifies a brand as the essence of customer perceptions of a hotel, its products and its services. Consequently Dev (2012) found that the brand equity of a hotel brand resides upon the favorable or unfavorable attitudes and perceptions that are formed by and influence customers.

Furthermore justifying the calculation of brand equity for hotels Dev (2012) argued that if growing brand equity drives future business success; there is a clear incentive to quantify and measure such equity. Moreover, tracked over time, a brand equity measure would reveal the impact of a brand's own marketing mix on customers, delineating the evolution of the brand's equity (Dev, 2012).

2.2.3 Positive vs Negative Brand Equity

Aaker (1991) identified that positive brand equity assets such as a name awareness, perceived quality, associations and loyalty all have the potential to provide a brand with a price premium.

While the importance of building strong brands and monitoring brand equity over time is widely accepted, it is also important to mention that the brand equity can become negative and drives the company to rebrand or fall forever into oblivion (Hollis, 2013). Negative brand equity can occur when a company´s brand actually has a negative impact on its business- ultimately meaning that the company would be better off with no name at all. Within history, we come across examples of companies whose misfortune led to negative brand equity and consequently the end of its era (Aaker, 1991).

Some companies with negative brand equity can identify the determining factors, situations such as a company with a reputation for horrible customer service, automobiles with dangerous design defects or a major recall, or a widely-used pharmaceutical that is discovered later to cause heart problems. Unless quickly corrected, negative brand equity can soon mean oblivion (Berry, 2000; Ritson, 2010).

In hospitality, we can identify the fall of the emblematic Bellevue-Stratford Hotel in Philadelphia, USA. The hotel gained worldwide notoriety in July 1976, when it hosted a statewide convention of the American Legion. Soon after, a pneumonia-like disease killed 29 people and sickened 182 more who had been in the hotel. The vast majority were members of the convention. The negative publicity associated with what became known in the media as "Legionnaire's Disease" caused the hotel to close in November 1976 and only reopen after extensive rebranding (Altman, 2006).

Alternatively to the case of a disaster or situations that cause harm on a company's brand value; negative brand equity can also result from the brand having a negligible effect on a product level when compared to other brands or the results attainable without its existence (Ritson, 2010).

2.3 Brand Equity Models

As presented above (Aaker, 1991; Prasad and Dev, 2000; Keller, 2001; O'Neill and Xiao, 2006; Dev, 2012), the importance of successfully building of a strong chain or single hotel brand to the overall revenue potential of a property is generally recognized and defended by the past 30 years of academics. However, in order to maximize the branding efforts, marketing managers must first understand how to apply models that build equity and later models that quantify the results of those efforts (Aaker, 1991).

To achieve this we first review the Aaker (1991) model that establishes the fundamental variables of brand equity, followed by Keller's (2001) model which defends the growth of brand equity through the customer's perspective. The quantification of that brand equity can later be achieved through an index model which focuses on top-of-mind brand recall, brand awareness, satisfaction, return intent, private-value relationship and preference (Prasad and Dev, 2000). Alternatively, the brand equity can be measured

through the revenue enhancement model proposed by Love, Walker and Sutton's (2012) or through the hotel sale valuation model presented by O'Neill and Xiao (2006) which focuses on the intangible assets attributed to brand equity within the overall value of a property.

2.3.1 Brand Equity Development Models

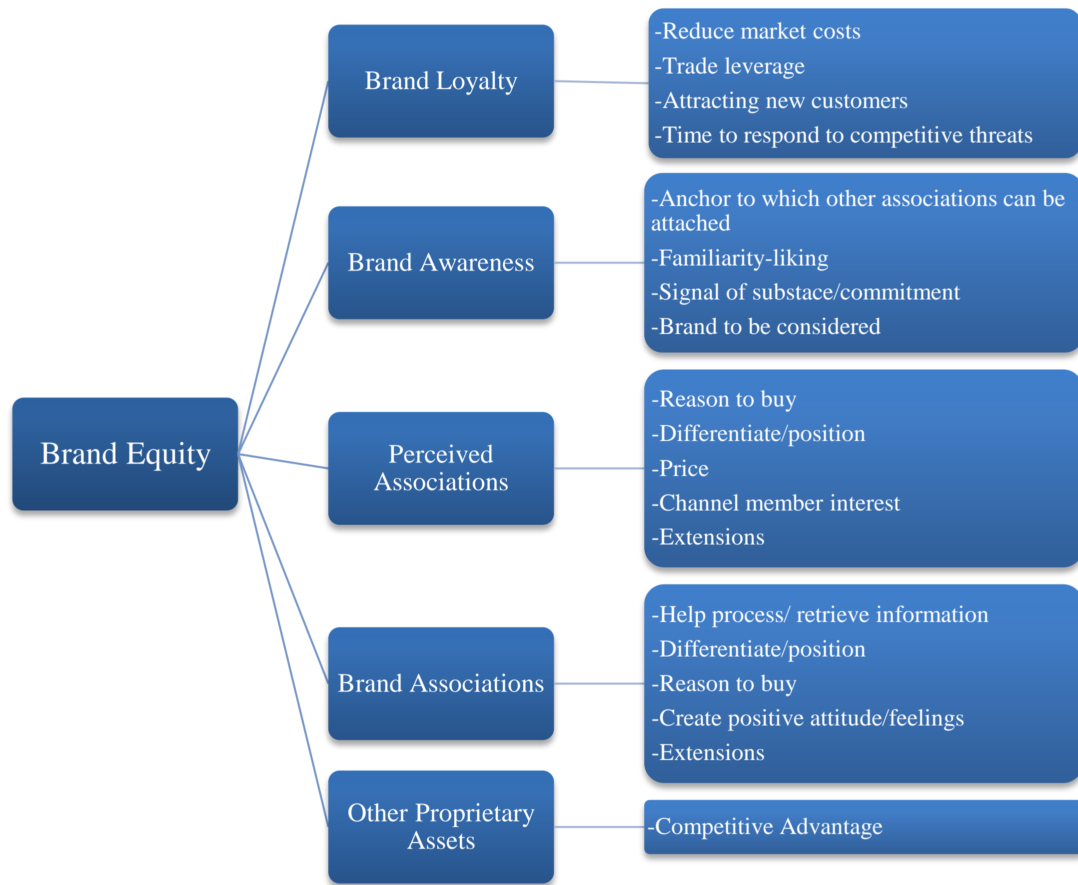
2.3.1.1 Aaker's Brand Building Model

First proposed in 1991 by David A. Aaker the following are major assets and liabilities on which brand equity is based upon (Aaker, 1991):

1. Brand Loyalty;
2. Brand Awareness;
3. Perceived Associations;
4. Brand Image (association);
5. Other proprietary brand assets.

In the illustration 2.2 Aaker (1991) identifies five brand equity components: brand loyalty, brand awareness, perceived associations, brand associations and other proprietary assets. Within the illustration, Aaker (1991) further describes the product's benefit from each component.

Illustration 2.2-Brand Equity Contributing Factors According to Aaker



Source: Aaker, 1991: p. Inside Cover

Brand Loyalty

Aaker (1991, p. 39) described brand loyalty as:

> "the core of a brand´s equity. If customers are indifferent to the brand and, in fact, buy with respect to features, price, and convenience with little concern to the brand name, there is likely little equity. If, on the other hand, they continue to purchase the brand even in the face of competitors with superior features, price, and convenience, substantial value exists in the brand and perhaps in its symbol and slogans".

Further elaborating on the subject, he added the following (Aaker, 1991, p. 39):

> "brand loyalty, long a central construct in marketing, is a measure of attachment that a customer has to a brand. It reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or in product features. As brand loyalty increases, the vulnerability of the customer base to competitive action is reduced. It is one

> indicator of brand equity which is demonstrably linked to future profits, since brand loyalty directly translates into future sales".

Aaker (1991) also identifies the following as some of the strategic benefits of customer brand loyalty to a product:

1. Reduced marketing costs;
2. Trade leverage;
3. Attracting new customers;
4. Time to respond to competitive threats.

Brand Awareness

Another fundamental contributor to brand equity is brand awareness, described as "the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category. A link between product class and brand is involved" (Aaker, 1991, p. 62).

He further explained that the role of brand awareness in brand equity will depend upon both the context and which level of awareness is achieved. If brand awareness campaigns are effective the brand can become the top of mind brand that is the only brand recognized for the product. He also provided some examples, as the case of Jell-O for gelatin or Band-aid for adhesive bandages, brands which in the United States are used to refer to the item instead of its actual name (Aaker, 1991).

Aaker (1991) also warned that while brand awareness does not necessarily represent profits, if the status of Top of mind is achieved then recognition will be possible for a long period of time without a high advertising budget resulting lower marketing costs and higher profit margins.

Perceived Associations

Within the luxury market segment one of the most important assets for company´s brand equity is its perceived quality, also defined as the customers perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives (Zeithaml, 1988; Kim and Kim, 2005).

Multiple authors (Keller, 1993; Prasad and Dev, 2000) have identified this particular asset as unique in the sense that once lost, perceived quality is nearly impossible to regain. A company with a superior product, who lowers its product standard, applies high price cuts or showcased in the media for a defect or recall will quickly see their perceived quality drop. An asset they might never regain or need to invest in costly campaigns to convince the consumer otherwise (Garvin, 1984).

When in high regard, academics (Tuominen, 1999; Aaker, 1991, p. 86–88) identify the following benefits from perceived quality:

1. Reason – to- buy;
2. Differentiate/position in the market;
3. Price premium (justify the high price);
4. Channel member interest (distributors will look to carry high perceived quality products);

Brand extensions (co-brand other products to capitalize on perceived quality of the core product).

Brand Associations

Aaker (1991, p. 109) defined brand Associations as “anything linked in memory to a brand”, he further describes brand image as “a set of associations, usually organized in some meaningful way, while positioning is closely related to the association and image concepts except that it implies a frame of reference, the reference point usually being competition” (Aaker, 1991, p. 110).

The underlying value of a brand name often is its set of associations, and can ultimately represent bases for purchase decisions along with brand loyalty (Aaker, 1991).

2.3.1.2 Consumer Based Brand Equity Building Model (CBBE)

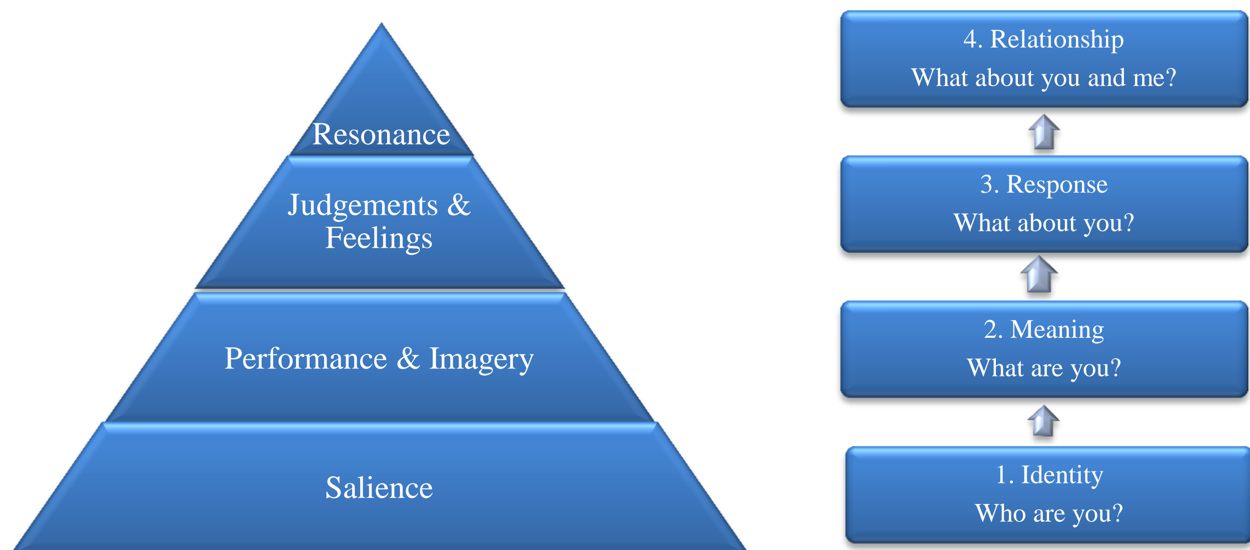
While many hospitality branding studies have applied the Aaker (1991) model to build hotel brand equity, De Chernatony and Riley (1999) identified that the intrinsic features of services can pose challenges for the brand manager within a service industry when having to modify techniques usually applied to merchandise within the Aaker model. In

the pursuit of a model that best suited the characteristics of the service industry Keller (2008) highlighted a different perspective as a solution for building brand equity within the service industry, the Customer-Based Brand Equity model (CBBE).

Keller (2013) presents this model upon the theory that to build strong brands you must shape how customers think and feel about the product. He further identifies experiences, positive thoughts, feelings, beliefs and perceptions surrounding the brand as equally important.

The illustration below as per Keller's (2001) CBBE model identifies the steps to developing a successful brand. The six steps that compose the pyramid in strategic order are: salience, performance & imagery, judgment & feelings any finally resonance. To transition between steps the author encourages the brand manager to answer the questions their clients would ask about the brand (Keller, 2001).

Illustration 3.2 - Customer-Based Equity According to Keller



Source: Keller, 2001, p. 7.

Brand Identity

The first step to building a strong brand is to create brand salience or awareness by ensuring it has unique characteristics and that your targeted customers recognize its existence. While creating this awareness, it is equally important that their perceptions throughout the buying process are consistent and accurate (Keller and Davey, 2001).

Manktelow (2015) highlights that to build this saliency you must first know who your targeted customers are by researching the market and thoroughly understanding the different market segments along with their respective needs. Manktelow (2015) further explains that once you have identified your desired clients and what they prioritize in the buying process you can begin to develop a unique selling proposition that will appeal to them and aide them in differentiating a product from that of competitors.

It is at this point of the brand building model that Keller (2001) suggests a brand manager should focus on any perceptual problems they come across by adjusting the product, service or communication to the client.

Brand Meaning

Once the targeted clients are aware of the brand's existence, Keller (2013) encourages a focus on performance or how well the product meets the customers' needs especially on a physiological level.

Below are the different types of needs that influence the brands meaning as per Keller (2013):

1. Performance
    a. Primary characteristics and features;
    b. Product reliability, durability and serviceability;
    c. Service effectiveness, efficiency and empathy;
    d. Style and design;
    e. Price.
2. Imagery
    a. Customers own experience;
    b. Targeted marketing.

Fundamentally this step of the model focuses on the foundation of strong brands: the product or service must exceed expectations through its performance (Manktelow (2015).

Brand Response

Once the performance and imagery of the brand is established Keller (2013) suggests the brand manager must focus on the clients' judgments and feelings". In order to address the emotional attachment with a particular brand, Keller 2013) highlights four judgment categories and six positive feelings that must be triggered by the brand, as listed below.

1. Judgements
   a. Quality(actual and perceived);
   b. Credibility (expertise, trustworthiness and likability);
   c. Consideration (relevance to needs);
   d. Superiority (compared to other brands).

2. Feelings
   a. Warmth;
   b. Fun;
   c. Excitement;
   d. Security;
   e. Approval;
   f. Self-respect.

Once the brand manager is aware of the target client's emotional attachment to the brand, Keller suggests actions that redirect those emotions in the preferred direction (Keller, 2001).

Brand Resonance

Brand resonance is the last, most difficult to attain and desirable level of a brands relationship with targeted customers. Keller identifies that this strong relationship can only be established when the customer feels a deep bond with the brand and what it represents for them (Keller, 2001).

Keller (2013) dissects this state of brand relationship into four categories of factors, as listed below.

1. Behavioral Loyalty
    a. Purchase;
    b. Repeated purchase.

2. Attitudinal
    a. Client see purchase as a special occasion;
    b. Customers love product;

3. Sense of Community - Clients feel a sense of community with other customers and company representatives.

4. Active Engagement
    a. Clients are actively engaged, even between purchases;
    b. Customers join a group or club related to the brand;
    c. Some customers actively participate in brand social media.

2.3.2 Brand Equity Quantification Models

Once we have reviewed the brand building models and the authors input above (Zeithaml, 1988; Aaker, 1991; Keller, 1993; Keller, 2001; Kim and Kim, 2005Manketlow, 2015) we can move on to the analysis of brand equity quantifications models. Dev (2012) justifies the need to quantify brand equity when highlighting that growing brand equity drives future business success, therefore providing an incentive to quantify and measure such equity.

Dev (2012) further defends that measuring the brand equity of a property would provide a single, critical gauge of customer feedback. Dev (2012) also clarifies that if the hotel calculates brand recognition or awareness, brand perception and overall customer satisfaction with its performance, it could determine whether the brand's equity was growing, declining or stagnating. Tracking brand equity over time would offer insight

into brand strength against that of its competitors and reveal the impact of a brand's own marketing efforts on customers, showing the evolution of its equity (Dev, 2012).

2.3.2.1 Brand Index Model for Brand Equity Quantification

Once the importance of quantifying and tracking brand equity has been stablished it is imperative to find a thorough model that effectively considers the specific characteristics of hotels and can easily be applied to multiple properties (Dev, 2012). The Brand Index Model is presented as a solution which focuses on multifaceted customer ratings, using customer research data to calculate the equity displayed on a "BrandTracker" (Dev, 2012, p.85). The BrandTracker enables the display and comparison of satisfaction ratings of key brand equity attributes (Dev, 2012).

The two predominant factors that are calculated and compared in the BrandTracker are brand performance and awareness. Brand performance is identified as the measurement of overall satisfaction with a product and service, return intent, price-value perception and brand preference. By comparison brand awareness is measured by brand recall. Upon calculating these customer ratings for a brand and its principal competitors, the resulting performance and awareness indices can be combined to form a brand equity index (Dev, 2012)

Dev (2012) defends that the index calculated through the brand tracking model allows us to compare competitive hotels' brand equity or simply track equity values over time for one property.

Brand Index Model Steps

Within the model, brand equity is shown as a percentage of customers' quantitative satisfaction ratings, these ratings are later grouped into two indices (brand performance and brand awareness) by grouping the contributing factors within those two categories. The steps involved to process the data are listed below as per Dev's (2012) sept by step presentation:

1. The collection of customer satisfaction, return intent and price performance ratings for each brand to be compared or year over year of the same brand (Dev, 2012).

2. Add the percentages pertaining to the four performance indicating ratings mentioned above to achieve a total performance points (Dev, 2012).

3. Calculate the mean performance points of each brand by dividing the total points by 4 (the number of variables identified as performance indicators). The result is the Mean Performance Indicator and the brand performance index results from the indexing of the Brand Performance Indicator across multiple brands or years of operation. The average index should be 100 and the remaining brand performance indexes should be compared to the 100 to establish its index value and placement (Dev, 2012).

4. For the awareness index there is only one contributing attribute, so we must simply average all the brand's awareness scores and indexed to 100. Afterwards, each brand's specific awareness index is compared with this index-100 value to determine its index value and placement within the typology or compared year over year (Dev, 2012).

5. Once both the awareness and performance indexes are calculated, the brand equity index is obtained by combining the awareness and performance indexes and producing a single index number. When combining, the awareness index is weighed 120 percent and the performance index 80 percent because of the amount of variables taken into account to calculate the awareness versus the performance index (Dev, 2012).

6. The final step is to compare the index for each brand and its competitor or year over year for the same property and categorize them accordingly. The brands can be classified as Brand Champions, Rising Brands, Troubled Brands or Weak Brands (Dev, 2012).

Classifying Results of the Brand Index Model

The model´s final step is the classification of the property´s brand equity index compared to others based on performance and awareness. The model identifies the brand categories as Champions, Rising, Troubled and Weak. Each category is further characterized below as per Dev (2012, p. 85-86):

Illustration 2.4 - Brand Classification using Brand Index Model according to Dev

Brand Champions	Rising Brands	Troubled Brand	Weak Brands
• High Performance • High Awareness	• High Performance • Low Awareness	• Low Performance • High Awareness	• Low Performance • Low Awareness

Source: Dev, 2012, p. 86-87.

Brand champions are identified as the industry leaders; they not only benefit from a high performance rating but also have a high awareness with targeted clients. These hotel brands or properties are predicted to have high occupancy rates and room rates that lead to strong profits (Dev, 2012; Prasad and Dev 2000).

Rising brands lack widespread awareness but benefit from a strong customer following. Dev adds that their lack of awareness can usually be attributed to a short life in the market or lack of exposure to a larger market (Dev, 2012).

Troubled brands benefit from a top of mind status and well established with their target market but no longer provide the quality and consistency the customers expect. This state can also be caused by the evolutions of competing brands (Dev, 2012).

Weak brands can be old or new in their market, but offer disappointing service and little differentiation in customers' minds (Dev, 2012).

2.3.2.2 Revenue Enhancement Value Model for Brand Equity Quantification

Love, Walker and Sutton (2012) presented a study that measured a brand's equity and contribution to a hotel's performance by quantifying the change in revenue that occurs upon adding or removing a brand affiliation from the same property. This study calculated the change in revenue on an index basis compared to the local market in

which the hotel was integrated. The authors (Love et al., 2012) suggested that an effective way to quantify brand equity of an individual hotel is by calculating the change in revenue per available room (RevPAR) per day in an index measurement and compare it to the local market to eliminate influence on the results impacting the market. RevPAR is a widely used performance metric in the hotel industry that is calculated by dividing a hotel's total guestroom revenue by the room count and the number of days in the period being measured (Mauri, 2012).

In order to isolate the revenue enhancement resulting from the brand affiliation, the authors Love et al. (2012) suggest a model that calculates the RevPAR of one hotel prior to and subsequently after the implementation of a brand while considering other contributing performance variables such as market average RevPAR, subject location, average age of brand's hotel stock, property size, property age amongst other factors.

The particular study compared figures from a broad database which contained revenue data of all lodging properties in the state of Texas, United States of America, from 1980 to 2012. The authors identified three circumstances in which they wished to focus their efforts of dissecting brand equity; the dropping of an existing chain brand and becoming unaffiliated, the addition of a chain brand to an unaffiliated property and substitution of one chain brand with another (Love et al., 2012).

Filtering the Database

In order to identify properties within the database whose brand equity could be isolated as the predominant contributor to an increase in revenue performance a set criteria was applied to the database consequently eliminating properties that did not at some point find themselves in one of the circumstances mentioned above. Love et al. (2012) criteria are also important to the integrity of their results and later interpretation. Below were the requirements in order to be included within the study (Love et al., 2012, p. 229):

1. Brand change occurred since 1990;
2. Independent (or marginal brand) for at least one year;
3. Subject brand for at least 2 years (to allow the transition period);
4. No periods of closure upon brand change;
5. No extensive remodeling or renovations (normal, routine renovations only);
6. No lateral conversions to similar/parallel brands;

7. No conversions to more prominent budget brands;
8. No major change in room counts or splitting of properties;
9. Absence of long-term contracts that would impact the conversion data;
10. No estimated data within studied periods, only definite amounts.

Calculating RevPAR Index

Once the database of hotels is limited to a controlled sample, the authors Love et al., (2012) extract the RevPAR per property for a set time period, monthly or quarterly, along with its local market's RevPAR for the same interval. Geographical location was used to define the property's local market, without separation by classification. The ratio between the subject hotels' RevPAR and the corresponding local market RevPAR is the RevPAR index. Necessary formulas for the calculation are as follows (Love et al., 2012):

Illustration 2.5 - Revenue per Available Room Index Formulas according to Love, Walker and Sutton

RevPAR = Rooms Revenue/Available Rooms

RevPAR Index = Subject Hotel RevPAR/ Local Market RevPAR

Source: Love et al. 2012, p. 228.

Comparable Time Periods

Throughout their study, the authors Love, Walker and Sutton (2012) reiterate the importance of tracking RevPAR and RevPAR indexes over time to objectively compare the hotel's performance rather than data from only one static moment, simply because a hotel's revenue varies greatly on a daily basis due to economic and market conditions (Love et al., 2012).

Also, the study defends that comparing the revenue data to the local hospitality market, irrelevant of its classification, provides an accurate insight into the RevPAR index positioning while providing an equal ground of comparison that eliminates the effects of local or regional events that equally affect the hotels within the location. Therefore, tracking the RevPAR Index over time for a selected hotel effectively isolates and quantifies the brand equity (Love et al., 2012).

Interpreting Results

Once the RevPAR Index for comparable time periods is calculated, a year to year percentage change can be produced. This percentage is the positive or negative revenue variation resulting from the hotel's removal, addition or shift in hotel chain brand. The percentage value therefore reflects the positive or negative brand equity (Love et al., 2012).

2.3.2.3 Hotel Sale Valuation Model for Brand Equity Quantification

In a published study O'Neill and Xiao (2006) defend another purpose for brand equity calculation, that of measuring a brand's contribution to a property's sale value, within that study the authors established that traditionally there are many financial indicators used to determine a hotel's market value, such as the Net Operating Income (NOI) which equals all revenue from the property minus all reasonably necessary operating expenses, Average Daily Rate (ADR) which represents rooms revenue earned divided by number of rooms sold, occupancy rate which is the number of occupied rooms divided by the total inventory, however none of these indicators isolate the brand's contribution to the value (O'Neill and Xiao, 2006; O'Neill, 2001).

The Hotel Sale Valuation Model, as presented by O'Neill and Xiao's (2006) study examines the brand effect on hotel market value from an owner or investor's perspective by applying the BEV model to over one thousand actual hotel – sale transactions. The Association for Appraisal of Real Estate presents the Business Enterprise Value (BEV) formula as a one that incorporates the value enhancement that results from intangible personal property, such as market and management skill, an assembled workforce, working capital, trade names, franchises, patents, trademarks, nonreality-related contracts or leases and some operating agreements (Ellison and Haggerty, 2012; O'Neill and Xiao, 2006; deRoos, 2006).

Calculating BEV

Using the Penn State Index, a database that logged more than 2500 hotel sales from 1990 to 2005 along with the operating and descriptive information necessary to calculate the BEV, the study looked to extract the brand equity from the values of those

transactions. The database also listed the operating results for each property of the full year prior to selling allowing them to calculate a mean for each contributing operation indicator such as ADR, NOI and occupancy rate. The researchers O'Neill and Xiao (2006) also extracted the sale price per room, civilization rate and room revenue multiplier from the database.

Within the study the STR classification (2014 STR Global Chain Scales, 2015) mentioned above was applied, justified by the organization's reputation within the hospitality industry (O'Neill and Xiao, 2006). Once classified the authors (O'Neill and Xiao, 2006) then applied the BEV formula exemplified below to isolate the brand equity value from over 1,000 hotel sales (deRoos, 2005).

Illustration 2.6 - Business Enterprise Value Formula according to Investopedia.com

BEV = Net Working Capital + Fixed Assets +Intangible Assets

Net Working Capital = Current Assets - Current Liabilities

Source: Investopedia, 2015, "EV"

Interpreting Results

Upon comparing the variation of BEV and per room sale price of over 1,000 hotels within the same classification over the period of 30 years, the study finds that specific hotel chain brands significantly added to the hotel sale value, therefore identifying the brand equity of those particular brands (O'Neill and Xiao, 2006).

Chapter 3 – Case Study

3.1 Relevance

The title of this project report and overall study was presented as follows:

> Quantifying the brand equity of a luxury hotel resulting from a soft brand affiliation: "Zaffre Resort", a 5 star hotel in Quintana Roo, Mexico

This topic along with the overall study of brand equity quantification has an important role in hospitality due greatly to the general acceptance that strong brands provide such benefits as greater customer loyalty, higher resiliency to endure crisis situations, higher profit margins and higher market value to service firms (O'Neill and Xiao, 2006) Ultimately, to challenge this perceived benefit, brand managers must find brand equity building models and later models that quantify the results of those efforts so that they may objectively select the best affiliation option for their particular property (Aaker, 1991).

3.2 Objective

The purpose of this project is to quantify the brand equity for a luxury boutique hotel by applying a model that measures a case study's acquired brand equity from brand affiliation.

In order to accomplish this, we have first established the current paradigm of hotel brands, presented the finding of reputable authors' studies on brand equity and move now towards the consolidation of those findings through the analysis of a case study.

3.3 Research Method

The initial stage of the research was that of secondary data collection using textbooks, articles, published studies and extraction of information from journal articles; along with the statistics provided by the property. The second stage was the firsthand study of a particular case leading to an in-depth understanding of the brand equity quantification

through the calculation and comparison of the "Zaffre Resort's" RevPAR index for both 2012 and 2013 (Love et al., 2012). The case study method was selected because it is am empirical inquiry that investigates a contemporary phenomenon within its real-life context (Yin, 1984).

When selecting which brand quantification model to apply to the case study it was taken into consideration the data necessary to apply each of the aforementioned models (Hotel Sale Valuation, Brand Index or Revenue Enhancement Value). The Hotel Sale Valuation model was not selected as it is generally useful to assess the real estate value of hotels being purchased or sold but is less valuable to on-property decision makers looking to build their property's brand and consequently its revenue potential without selling.

The Brand Index model was not applied as the data pertaining to the guest satisfaction and price performance for the subject hotel would require extensive confidentiality agreements and on property cooperation that management teams did not grant in order to protect the privacy of their clients. Ultimately, the Brand Index model would ideally be applied by an in-house team collecting multiple years of their subject hotel's client satisfaction ratings alongside the property's price performance.

Ultimately, the Revenue Enhancement model was applied to the case study due to the ease of access to the data necessary and the insight it provides the brand managers on property. The variation of the revenue produced through affiliation to a brand is a simple indicator to convey to management teams and owners while efficiently isolating most factors that would influence the brand equity variation (Love et al., 2012).

3.4 Delineation of the Subject

Database Used

The first step to delineating the subject for a study is to carefully search an extensive database and identify properties within that list to which the brand equity quantification model can be applied (Love, Walker, Sutton, 2012). The database used for selection in this project report is that of the 520 hotel members located in 80 countries of a

particular luxury brand, as of 2013 ("LUX.com", 2013) due to its accessibility to the author and global span.

The "Lux" Brand

This particular brand, which we will refer to as "Lux" (factual name protected for privacy and confidentiality, to avoid improper use of proprietary information) is a Soft-brand, which as clarified above, allows owners greater flexibility to retain the property's own identity with independent ownership while focusing on performance through affiliation (Collins, 2014). The brand ("Lux.com", 2015) identifies that its member hotels range from cutting-edge design hotels to palatial 17th century mansions, city center sanctuaries to remote private islands. The unifying characteristics of those members are their property size (average room number per hotel is 50 across the brand) and their classification contextualized within its market (Luxury, top 15% average room rates for the location) (STR Global, 2015; "Lux.com", 2015).

The services provided by the "Lux" brand are listed as follows on their internal membership website ("lux.com", 2015):

1. Global marketing channels including digital newsletters, bi-annual printed magazines, collaterals, gift certificates, marketing opportunities with key partners and targeted brand building to both primary and secondary clients ("lux.com", 2015).
2. Distribution Channels that enable members to extend their reach by applying brand recommended practices to a centralized reservation system that publishes their rates across multiple Global Distribution Systems (GDS), third party websites (including booking.com, Expedia.com, etc), booking engines (online booking engines on the hotel's website), the "Lux" brand's website and call centers around the world ("lux.com", 2015).
3. Public Relations (PR) networks with representation in key source markets around the world that promote the brand along with individual properties therefore increasing awareness and consequently production from those markets.
4. Brand Partnership with distinguished global products that enable a larger reach to targeted customers while consolidating the brand's positioning ("lux.com", 2015).

5. Training to improve the property´s team knowledge of useful tools and the systems necessary to successfully implement the sales and marketing efforts ("lux.com", 2015).
6. Quality Assurance inspections that maintain the quality control of member properties by way of regular inspection to preserve the brand´s integrity therefore protecting the brand´s strength for all members ("lux.com", 2015).
7. A sales team with established relationships and an annual global calendar that targets the world´s top producing travel agencies ("lux.com", 2015).
8. Reporting tools that enable forecasting and strategy building for increased sales ("lux.com", 2015).

Criteria for Case Study Selection

In order to successfully identify hotels whose brand equity can be quantified through the revenue performance variation resulting from a shift between independent to affiliation; the following selection criteria similar to that of Love et al. (2012) study, was applied to the available database.

1. Brand change (from independent to affiliated) since 2010;
2. No period of closure upon brand change;
3. No extensive remodeling or renovations (normal, routine renovations only);
4. No major change in room counts or splitting of properties;
5. Absence of long-term contracts that would impact the conversion data (wholesalers, tour operators, etc...);
6. No estimated data within studied periods, only definite amounts.

Once these filters were applied and the relevant properties were isolated, the directors of sales of those properties were contacted in the attempt to request data and permission for case study application. The hotel that satisfied the abovementioned characteristics and from which the director of sales responded with the necessary data will be referred to as the "Zaffre Resort" from this point forward, to protect its identity and confidential information.

3.5 Subject - The “Zaffre Resort”

The “Zaffre Resort” is an adult only five star hotel located on 36 acres of tropical mangroves on a beachfront property. The hotel features a total of 128 rooms in one and two-story villas with views of a lagoon, a waterway or the Caribbean Sea. The room typology varies in size from 60 square meters in their entry level category to 355 square meters in their presidential suite (“Zaffreresort.com”, 2015).

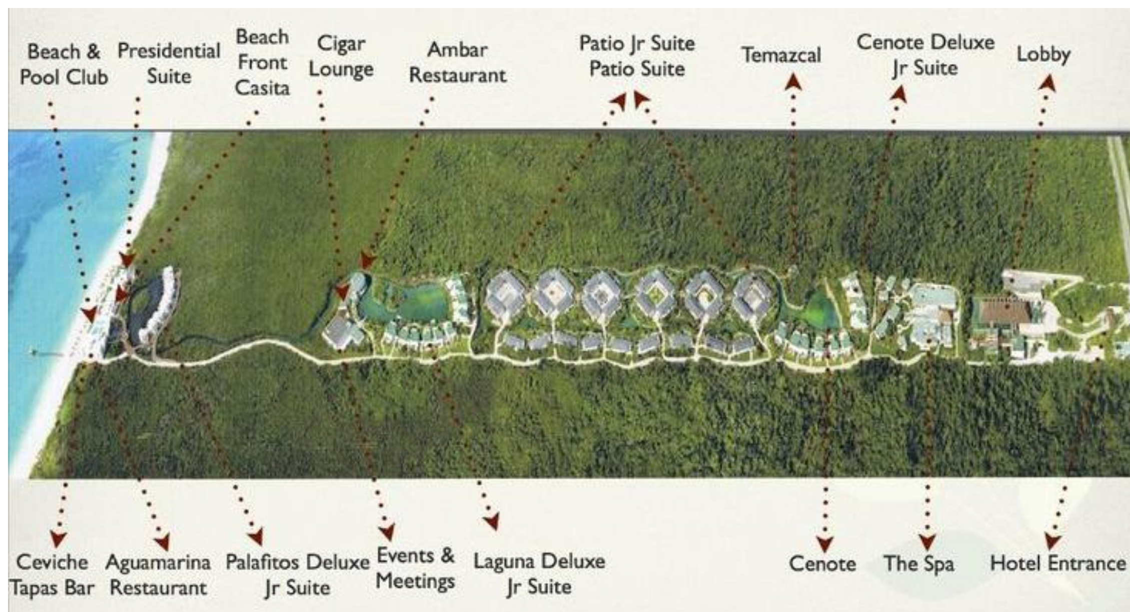
The Resort’s amenities are as follows:

- Boat marina located on site;
- 23,000 Square meter Spa facility;
- Complimentary worldwide long distance calls;
- Unlimited meals without prior reservation (all-inclusive);
- Unlimited premium beverages;
- 18 hole award winning golf course within 2 km of the hotel;
- Beach concierge service;
- Complimentary wireless internet;
- Complimentary non-motorized water sports;
- Premium king-sized beds;
- Plasma flat screen televisions;
- Turn down service;
- Three resort pools and private plunge pool in the beach front casitas;
- Laundry and dry cleaning services;
- Ocean dives;
- Snorkeling tours;
- Mayan Temazcal sessions(Mayan Sauna);
- 24 Hours in-suite dining service;
- Three restaurants, with ocean views;
- Two bars, including a cigar lounge;
- Banquet & convention facilities;
- Library;
- Wedding facilities & services;

- Beauty salon;
- Boutique;
- Rent-a-Car desk;
- Airport transportation;
- Water sports activities center.

The illustration 3.1 below shows us the general layout of the resort in relation to the vegetation surrounding the property and the beachfront ("Zaffreresort.com", 2015).

Illustration 3.1 -"Zaffre Resort" Map



Source: "Zaffreresort.com", 2015.

The "Zaffre Resort" was owned and managed by an international hotel chain until the end of 2011, afterwards it was purchase by a hotel management company based in Spain in January of 2012; who later signed an affiliation contract with the "Lux" brand in July 2012. Upon signing its affiliation contract the director of sales identified their business mix as 45% leisure (vacation) guests, 35% groups (weddings and family events) and 20% conferences ("lux.com", 2012).

The table 3.2 below provides the RevPAR and percentage of occupancy (OCC %) for both 2012 and 2013, provided by the director of sales of the "Zaffre Resort" via email, upon request. While the January 2012 production statistics were unavailable to the director of sales, he was able to provide the RevPAR and OCC% for the remainder of

2012 and all of 2013. When reviewing the table we can identify that for 2012, the resort achieved a RevPAR of $154.67 and occupancy of 41.76%; meanwhile for 2013 the same resort benefited from an increase in RevPAR to $171.31 and occupancy to 43.95%.

Table 3.2– "Zaffre Resort" RevPAR & Occupancy for 2012 and 2013

	2012		2013	
	RevPAR	OCC%	RevPAR	OCC%
January	NA	NA	$148.00	34.85%
February	$102.73	25.00%	$168.77	39.06%
March	$131.02	31.25%	$201.06	45.31%
April	$140.08	34.38%	$159.13	39.84%
May	$156.48	41.41%	$175.23	47.66%
June	$156.48	41.41%	$178.35	48.44%
July	$154.67	45.31%	$166.92	45.31%
August	$151.99	42.19%	$170.63	46.09%
September	$123.36	39.06%	$137.08	39.06%
October	$139.14	49.22%	$149.55	42.19%
November	$173.67	60.16%	$190.82	50.00%
December	$195.39	50.00%	$209.45	50.00%
Total Yearly	$154.67	41.76%	$171.31	43.95%

Source: "Zaffre Resort", Production statistics 2012 and 2013

3.6 Local Market Characterization

The "Zaffre Resort" is located in the Riviera Maya region near Playa del Carmen within the Quintana Roo state of Mexico; 45 kilometers from the Cancun International Airport ("Zaffreresort.com", 2015).

Mexico

Mexico is located in the North American continent, bordering the Caribbean Sea and the Gulf of Mexico, between Belize and the United States and bordering the North Pacific Ocean, between Guatemala and the United States (CIA, 2015). The country is distributed across 1,943,945 square kilometers and consists of 9,330 kilometers of coastline (CIA, 2015). Its temperature varies from tropical to desert and the terrain from

high, rugged mountains; low coastal plains; high plateaus; desert. Its land use includes 54.9% for agriculture; 33.3% forest and 11.8% other uses (CIA, 2015). The county is divided into 31 states and 1 federal district, the Distrito Federal (CIA, 2015).

The illustration 3.3 below allows us to visualize the country's location along with its individual states (Burton, 2009).

Illustration 3.3 – Mexico State Map according to Tony Burton

Source: Burton, 2009, "Map of Mexico and Mexico's States"

Historically Mexico was the site of several advanced Amerindian civilizations including the Olmec, Toltec, Teotihuacan, Zapotec, Maya, and Aztec; later conquered and colonized by Spain the early 16th century until its independence in the 19th century (CIA, 2015). The colonization resulted in deep rooted Spanish heritage; evident when reviewing that of the total population in 2015 (121,736,809), 92.7% of the population speaks Spanish, 5.7% speaks Spanish and indigenous languages, 0.8% speak only an indigenous language and a remaining 0.8% is unspecified (CIA, 2015).

Since 2007, Mexico's drug-trafficking organizations have engaged in gory feuding, resulting in tens of thousands of drug-related deaths (CIA, 2015). As a major drug-producing and transit nation; Mexico is the world's second largest opium poppy

cultivator; opium poppy cultivation in 2009 rose 31% over 2008 to 19,500 hectares yielding a potential production of 50 metric tons of pure heroin and marijuana cultivation increased 45% to 17,500 hectares in 2009 (CIA, 2015). The country is also a primary smuggling country for United States bound cocaine from South America, it is estimated that 95% of all cocaine movements toward the United States passes through Mexico (CIA, 2015).

As of 2012, the registered Mexican labor force is listed as 13.4% within agriculture, 24.1% in industry and 61.9% in service positions (CIA, 2015). The country's main production industries are food and beverages, tobacco, chemicals, iron and steel, petroleum, mining, textiles, clothing, motor vehicles, consumer durables and tourism (CIA, 2015). The financial crisis that impacted most countries in 2008 also caused a significant economic downturn in Mexico during 2009, however growth promptly returned in 2010 and subsequently afterwards (CIA, 2015).

Mexico Hospitality

In 2012 the tourism industry represented 8.4% of Mexico's Gross Domestic Product (GDP) and generated over 2 million jobs, for this reason the government entities track its evolution carefully in order to encourage sustainable tourism (Siimt, 2014). When comparing to global statistics, Mexico is 15th place worldwide in number of international arrivals with 24.2 million achieved in 2013 and 23rd place worldwide in terms of expenditure by international tourists, with 13 billion 949 million dollars in revenue for 2013 (Siimt, 2014). The amount of arrivals to Mexico by international tourist has also grown an overall 29.4% from 2003 to 2013 (Siimt, 2014). Jones Lang LaSalle's Hotels & Hospitality consulting Group also known as JLL (Dickinson, Garcia-Chacon, Gortari, Brown, Chan and Gorenstein, 2014, p. 5) identified that since 2010 the country has witnessed growth in average daily rate (ADR), occupancy and RevPAR, summarizing as follows:

> *"Mexico's economic outlook is promising, and investors, both foreign and domestic, are eager to partake in the investment potential across various industries, including tourism and lodging."*

JLL (Dickinson et. al., 2014) justified this affirmation with Mexico´s ADR, total occupancy percentage (OCC) and revenue per available room night (RevPAR) (Dickinson et. al., 2014). They reported that in 2012 Mexico achieved a RevPAR of

60$, an ADR between 100$ and 110$ and an OCC between 55 and 60% (Dickinson et. al., 2014). For the following year, 2013, JLL (Dickinson et. al., 2014) calculated Mexico´s RevPAR between 75$ and 80$, an ADR 120$ and an OCC just over 60%.

The tables 3.4 and 3.5 below showcase the volume of hotels and rooms by classification distributed across the 31 states and the Federal District of Mexico according to the Mexican governments' annual tourism report per regions, "Sistema Integral de Información de Mercados Turísticos" (SIIMT, 2014).

When reviewing this tables we can identify that there are particular regions within the country that have a greater volume of hotels and a large percentage of the country's overall available rooms. In table 3.4 we notice that states with the highest number of hospitality establishments are Jalisco, Veracruz and Oaxaca.

However when we review table 3.5 we notice that in terms of number of rooms per district those states do not represent the majority of the nation's room inventory. When looking at the number of rooms per state the highest volume of rooms available per state are in Quintana Roo, Jalisco and Districto Federal.

This difference in share of hospitality units versus number of rooms within the total national inventory allows us to identify that in certain regions there are more hotels of a smaller size and other states have less properties with more rooms per property. This offers us insight into the dynamic of each region's hospitality market.

Both table 3.4 and 3.5 show the breakdown of the classification of those hospitality properties per state and the room number per hotel classification. These numbers enable us to identify that some states attract investment and development of five star properties, while other districts such as Veracruz have mostly non-categorized establishments.

Table 3.4 Hospitality Establishments by Classification across Mexico States in 2013 according to SIIMT

State	5*	4*	3*	2*	1*	No category	Total
National Total	**1,232**	**2,025**	**3,253**	**2,388**	**2,687**	**6,614**	**18,199**
Aguascalientes	9	16	20	22	11	54	**132**
Baja California	26	54	83	85	56	276	**580**
Baja California Sur	72	36	48	32	28	136	**352**
Campeche	14	26	60	65	79	72	**316**
Coahuila	16	52	98	31	6	70	**273**
Colima	12	32	49	33	41	68	**235**
Chiapas	20	59	142	152	438	52	**863**
Chihuahua	18	68	162	101	374	0	**723**
Districto Federal	93	120	139	105	96	52	**605**
Durango	4	13	39	32	25	129	**242**
Guanajuato	96	102	149	94	64	210	**715**
Guerrero	53	83	132	124	49	119	**560**
Hidalgo	11	42	97	79	46	292	**567**
Jalisco	106	202	262	151	219	665	**1,605**
Mexico	40	53	73	51	114	365	**696**
Michoacan	41	84	143	120	72	219	**679**
Morelos	45	45	58	36	35	183	**402**
Nayarit	40	25	72	67	42	408	**654**
Nuevo Leon	36	49	37	28	37	47	**234**
Oaxaca	32	108	152	135	95	779	**1,301**
Puebla	46	66	135	77	91	167	**582**
Queretaro	44	54	40	55	33	97	**323**
Quintana Roo	186	99	173	89	78	285	**910**
San Luis Potosi	6	49	58	48	44	161	**366**
Sinaloa	33	61	92	49	52	169	**456**
Sonora	21	57	82	87	56	172	**475**
Tabasco	6	20	50	36	43	287	**442**
Tamaulipas	13	94	160	66	42	222	**597**
Tlaxcala	3	7	21	18	31	143	**223**
Veracruz	27	159	290	232	210	481	**1,399**
Yucatan	53	44	79	53	60	141	**430**
Zacatecas	10	46	58	35	20	93	**262**

Source: Siimt.com, 2014, “Oferta de Alojamento por Estado”

Table 3.5 – Number of Rooms by Classification across Mexico States in 2013 according to SIIMT

State	5*	4*	3*	2*	1*	No category	Total
National Total	**179,968**	**135,986**	**113,961**	**62,265**	**53,692**	**126,424**	**672,296**
Aguascalientes	718	1,388	1,137	644	285	923	**5,095**
Baja California	3,020	4,131	4,216	2,901	1,627	4,238	**20,133**
Baja California Sur	13,117	2,611	1,724	716	539	2,489	**21,196**
Campeche	1,056	1,624	1,581	1,439	1,305	752	**7,757**
Coahuila	1,815	4,032	2,815	657	127	1,190	**10,636**
Colima	1,421	2,646	1,500	803	796	865	**8,031**
Chiapas	1,442	2,905	3,484	3,594	6,206	1,127	**18,758**
Chihuahua	2,600	4,295	6,301	2,352	5,975	0	**21,523**
Districto Federal	15,996	11,690	9,489	5,779	4,181	1,709	**48,844**
Durango	311	829	1,265	729	522	1,623	**5,279**
Guanajuato	3,540	6,257	4,653	2,478	1,564	4,099	**22,591**
Guerrero	9,906	7,917	4,654	2,700	851	1,610	**27,638**
Hidalgo	567	1,389	2,879	1,760	860	3,928	**11,383**
Jalisco	11,641	12,343	9,798	3,497	5,411	19,525	**62,215**
Mexico	3,284	4,280	3,135	1,447	2,250	9,274	**23,670**
Michoacan	1,381	4,109	4,354	2,941	1,342	3,345	**17,472**
Morelos	2,232	1,393	1,585	803	1,026	2,456	**9,495**
Nayarit	10,449	1,799	2,130	1,371	898	11,273	**27,920**
Nuevo Leon	5,794	5,171	1,765	886	549	371	**14,536**
Oaxaca	2,653	4,379	3,728	3,438	2,014	9,957	**26,169**
Puebla	2,007	3,951	3,979	1,495	1,752	4,008	**17,244**
Queretaro	3,038	3,583	1,229	1,264	562	1,726	**11,424**
Quintana Roo	63,442	10,098	5,900	2,016	1,170	3,960	**86,588**
San Luis Potosi	681	3,091	2,223	1,210	947	3,201	**11,374**
Sinaloa	5,386	4,664	3,324	1,555	1,078	4,118	**20,135**
Sonora	3,149	4,400	3,378	2,157	978	6,028	**20,128**
Tabasco	1,043	1,626	1,955	1,064	870	4,486	**11,215**
Tamaulipas	1,652	6,355	5,514	2,213	928	4,090	**20,891**
Tlaxcala	242	347	531	391	393	2,024	**3,952**
Veracruz	2,895	8,252	9,966	6,089	4,598	8,256	**40,223**
Yucatan	2,914	2,291	2,208	1,011	978	2,233	**11,675**
Zacatecas	576	2,140	1,561	865	392	1,540	**7,106**

Source: Siimt.com, 2014, "Oferta de Alojamento por Estado"

Quintana Roo

Quintana Roo is one of Mexico's 31 states, located in the southeast of the country within the Yucatan Peninsula (www.britannica.com, 2015). The state is divided in 9 municipalities with Chetumal as its capital (Explorando Mexico, 2015). Boarding states include the Yucatan and Campeche along with the country of Belize to the south (Britannica, 2015). This particular state is located facing the Caribbean Sea to its East and the Gulf of Mexico to the North (Explorando Mexico, 2015).

The Quintana Roo state of Mexico represents 2.3% of the Mexican territory which spans 44,705 square kilometers (Siimt, 2014). Its total population is 1,325,578; which represents 1.2% of the national total and its inhabitants' median age is 25 (Siimt,2014).

The illustration 3.6 below demonstrates the geographical location of the state along with its notable cities (Explorando Mexico, 2015).

Illustration 3.6 – Quintana Roo Map according to "Explorando Mexico"

Source: Explorando Mexico, 2015, "Map of Quintana Roo"

Quintana Roo Hospitality

The Quintana Roo location is widely known for its Mayan heritage (Explorando Mexico, 2015). Guests travel to this region to visit the sandy beaches, the Mayan Ruins of Chichén Itzá (184 km from the hotel), the Tulum ruins (72km from the hotel), the Playa del Carmen nightlife (10km from the hotel) and scuba diving off of the Cozumel Island (19km from the hotel's beach) ("Zaffresresort.com", 2015).

The Quintana Roo tourism proliferation began in the 1970s, resulting from the development of coastal resorts and hotels (Anderson and Tzuc, 2005). In 2013 there were a total of 910 hotels in the region and 86,588 rooms; these represent 5% of Mexico's total hotel offering and 13% of the total Mexican hotel rooms (Siimt, 2014). The total arrivals of tourists to the state in 2013 was 10,869,666 of which 3,321,616 were Mexican citizens and 7,548,050 where international tourists (Siimt, 2014). Of the total 910 hotels registered in the region, the reported average occupancy for the year 2013 was 71.17% with an average length of stay of 4.28 (Simmt, 2013).

JLL reported that in 2012 Quintana Roo achieved a RevPAR between 80$ and 90$, an ADR between 130$ and 140$ and an OCC between 60 and 65% (Dickinson et. al., 2014). For the following year, 2013, JLL calculated Quintana Roos' RevPAR between 90$ and 100$, an ADR close 140$ and an OCC just under 70% (Dickinson et. al., 2014).

The table below is derived from the data presented within the Siimt 2013 report and enables us to see the percentage of Mexico´s total hotels and rooms that are located within the Quintana Roo state (Siimt, 2014).

Table 3.7 – Quintana Roo Hospitality compared to Mexico Totals in 2013 according to SIIMT

	5*	4*	3*	2*	1*	No category	Total
National Total Hotels	1,232	2,025	3,253	2,388	2,687	6,614	**18,199**
National Total Rooms	179,968	135,986	113,961	62,265	53,692	126,424	**672,296**
Quintana Roo Hotels	186	99	173	89	78	285	**910**
Quintana Roo Rooms	63,442	10,098	5,900	2,016	1,170	3,960	**86,588**
Quintana Roo % of Total Mexico Hotels	15%	5%	5%	4%	3%	4%	**5%**
Quintana Roo % of Total Mexico Hotel Rooms	35%	7%	5%	3%	2%	3%	**13%**

Source: Siimt.com, 2014, "Oferta de Alojamento por Estado"

3.7 Application of the Revenue Enhancement Value Model to Case Study

The table 3.8 below results from the application of the Revenue Value Model to the Zeffre Resort case study. The market RevPAR and Market OCC% columns are data collected from the JLL report on Quintana Roo for 2012 and 2013 (Dickinson et. al., 2014). The "Zaffre Resort's" RevPAR and "Zaffre Resort" OCC% are those provided by the property's director of sales at that time, for the operating years 2012 and 2013.

Table 3.8 –Application of the Revenue Enhancement Value Model to Zaffre Resort

	Quintana Roo RevPAR	"Zaffre Resort" RevPAR	"Zaffre Resort" RevPAR Index	Quintana Roo OCC %	"Zaffre Resort" OCC%
2012	$85.00	$154.67	182	65.00%	41.76%
2013	$95.00	$171.31	180	69.00%	43.95%
Variance	$10.00	$16.64	-2	4.00%	2.19%

Source: JLL, 2014; Zaffre Resort director of sales

We can identify that in 2012 the Market RevPAR was 85$ (the average between 80$ and 90$), the "Zaffre Resort's" RevPAR was 154.67$, which results in a 182 RevPAR Index for that particular year. The RevPAR index is the ratio between the subject hotels' RevPAR and the corresponding local market RevPAR. In this case we devided the Zaffre Resorts RevPAR by Quintana Roo's and multiplied it by 100 for a percentage value. For the same year, Quintana Roo's OCC % was 65% while the "Zaffre Resort's" OCC % was 41.76%.

In 2013 the Market RevPAR was 95$ (between 90$ and 100$), but the "Zaffre Resort's" RevPAR was 171.31$, resulting in a 180 RevPAR Index for the property that particular year. In terms of OCC%, JLL reported 69% for Quintana Roo and the Director of Sales reported 43.95% for the "Zaffre Resort" (Dickinson et. al., 2014).

3.8 Findings and Interpretations

When comparing the RevPAR index variation from 2012 to 2013 for the "Zaffre Resort" we notice the number is negative. This indicates the hotel lost a 2 point RevPAR index from 2012 to that of the year it was affiliated to the "Lux" brand, 2013. This result is of interest since all of the performance indicators provided increased year

over year and a quick comparison without the application of the revenue enhancement model would have lead us to infer positive brand equity.

The region itself, Quintana Roo, increased its RevPAR from 2012 to 2013 by 10$ while the “Zaffre Resort” increased its RevPAR, for the sale period, by 16.64$. Quintana Roo’s OCC% increased 4% from 2012 to 2013 while the “Zaffre Resort’s” increased 2.19% for the same period.

When analyzing these numbers and the factors that can contribute to the RevPAR Index, we can interpret that the technical lack of acquired brand equity or negative brand equity from 2012 to 2013 for the “Zaffre Resort” to be in part due to other contributing factors the model does not contemplate.

The model applied to the case study does not factor the market´s growth or the increase in room inventory, which might influence the RevPAR index. Furthermore, the revenue enhancement model lacks an in-depth analysis of the brand equity the property would have retained if it were to remain independently operated.

Chapter 4 – Conclusion

The purpose of this project report was to better understand brand equity, its role in hospitality and apply a brand equity quantification model to a case study in order to efficiently isolate brand equity from the annual results of a hotel. We accomplished this goal through the in-depth review of brand equity´s role within the hospitality industry followed by a case study.

Upon reviewing and synthesizing accredited authors who have extensively studied the importance of brand equity management, the report is able to identify various quantification models. Aforementioned models have all been used in previous studies to identify the brand equity potential of affiliation for hotels. Ultimately, the application of these models can prove useful for decision makers who wish to analyze the benefits of brand affiliation when positioning their properties.

This particular report selects a case study hotel, the “Zaffre Resort” and applies the revenue enhancement quantification model as proposed by Love et al (2012). This model application serves to quantify the brand equity acquired by the property upon affiliation with a soft brand. The model was selected due to the information available about the property and the desired analysis.

Upon that application, the result of the case study revealed negative brand equity acquired from affiliation. This negative brand equity is an interesting outcome since the majority of the traditional production indicators (RevPAR and revenue) increased with the brand affiliation. With these findings, we can conclude that while the revenue enhancement value model is, in conceptual perspective, an efficient approach to isolate the brand equity value, it can prove to be insufficient at times.

The result of our case study leads us to identify variables that were not incorporated the revenue enhancement value model and that might have contributed to the lack of brand equity growth for our subject. According to the JLL annual Mexico report (Dickinson et. al., 2014), the Quintana Roo area has seen a compound annual RevPAR growth of 8.9% since 2009. In 2013, the market’s 10.5% RevPAR growth was driven by a 6.6 percentage point increase in occupancy, resulting in record occupancy levels.

In the case of the Quintana Roo region, which has benefited from record breaking growth year over year, the subject´s revenue increase resulting from affiliation was insufficient to increase its market share when compared to the market´s overall growth. The model, in this case, does not factor in the organic growth the property would have experienced while operating independently in a region with record breaking occupancy and arrivals. For this reason it is recommended that the market's growth be showcased in future studies.

This result of negative brand equity within a growing market further corroborates the findings of Kwortnik Jr (2011) and the STR reports which defended that independent properties in particular markets outperform brand-affiliated hotels (Church, 2010).

Furthermore, the model applied did not take into account the market´s increase in available rooms resulting from new builds. With this in mind, it is recommended that future studies take into consideration the shift in available rooms within the market year over year.

Another recommendation is the application of the same model, the revenue enhancement value model, to the second year under the operation on the soft brand. The longer lapse of time between operating independently and under the umbrella of a brand would enable the brand awareness campaigns to further impact the revenue of the subject along with a better calculation of the acquired brand equity. This is evident in the results of Love et al.'s (2012) application of the revenue enhancement model. The authors in this study purposely omitted the year during the conversion from independent to affiliation from their index calculation to eliminate any performance fluctuations due to the transition. When applying the same model to a larger number of properties and omitting the transition year, Love et al. were able to measure the brand contribution to a hotel's performance and identify positive brand equity through affiliation.

It is generally accepted and defended that strong brand equity can produce high sustainable returns for the hospitality industry. When looking to achieve this strong brand equity, a hotel can be independently managed and build its own over time or choose to affiliate itself to capitalize on the infrastructure a contractual brand provides. This choice is a pivotal moment in a hotel´s entire strategy and the importance of this

decision to the success of the project have led academics, brand managers and international chains to focus on brand equity building along with its quantification. This focus will evolve and grow as the proliferation of brands continues.

Ultimately, between independent or affiliated, there is no right answer applicable to every hotel. What we do have are quantification models, brand building models, market analysis and general classifications that can help decision makers. The excepted metric to monitor once the decision is made is the continuous calculation of brand equity to observe and predict future earnings.

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