

Study on Customer-based Brand Equity in the Luxury Hospitality Industry

-- Taking Rosewood London as an Example

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Abstract: This paper examines the customer-based brand equity of Rosewood London, a luxury hotel brand. To understand the brand associations that are favorable, strong, and unique in the consumer's mind, the associative network memory model is utilized, and the Brand Concept Maps technique is employed to illustrate the core associations and how they are linked in consumer memory. The two pillars of Rosewood London's brand knowledge, brand awareness and brand image, are explored, and their impact on consumers' purchase decisions is discussed. The paper evaluates Rosewood London's brand equity from two dimensions: brand feelings and brand performance. Additionally, the paper discusses the advantages and disadvantages of brand extensions in the hospitality industry, and how Rosewood London can leverage its parent brand to extend its brand portfolio. Overall, the paper provides insights into the strength of Rosewood London's brand equity and offers recommendations for how the brand can further enhance its position in the luxury hospitality market.

Keywords: Customer-based brand equity, Luxury hotel, Brand knowledge, Brand extension, Logo, Rosewood London.

1. Customer-based Brand Equity

To understand Rosewood London's customer-based brand equity, brand associations, that are favorable, strong, and unique inside the consumer mind, should be identified (Keller, 1993). These associations are stored in networks in consumer memory, according to the associative network memory model (Anderson, 1983; Teichert and Schöntag, 2010). In mapping the network of brand associations, the BCM (Brand Concept Maps) is a superior technique which can illustrate what the core associations are and how they link to each other in consumer memory. Unlike some exploratory design methodologies which require statistical training or interview skills, the BCM is less time-consuming, more cost-efficient and easier to be conducted. The limitation, however, is that the nature of relationships between Rosewood London's brand associations cannot be identified with this methodology (John et al., 2006).

This association network constitutes brand knowledge. There are arguably two pillars of Rosewood London's brand knowledge: brand awareness and brand image. Brand awareness plays a vital role in Rosewood London's brand knowledge for three main reasons. First, it can remind consumers of this specific hotel when they think about the product category – luxury hospitality. Second, it could affect consumers' purchase decisions. Finally, it influences the way how the hotel's brand associations are formed and linked (Keller, 1993). Favorable brand image might help Rosewood London become 'prototypical' as an 'exemplar' that represents the product category among luxury hotels in the UK or even worldwide. With strong brand image, the ideal scenario is that when consumers think of luxury hospitality, Rosewood London is the first one that comes to the consumer's mind (Rosch and Mervis 1975; Nedungadi and Hutchinson 1985; Ward and Loken 1986; Cohen and Basu 1987).

However, in most cases, the associations of luxury hospitality are not linked to one specific hotel but also other

brands, for example Four Seasons, the Ritz Carlton and Mandarin Oriental (Nedungadi and Hutchinson 1985; Ward and Loken 1986). Apart from that, a drawback for Rosewood London sharing associations with other luxury hotel brands is that it could cause confusion among consumers. For instance, when they recall the marketing effects of Rosewood London, there might be an 'interference' in their memory, possibly leading to a lower brand evaluation (Keller, 1987; Burke and Srull, 1988). In summary, with positive brand associations in mind, customers and prospects of Rosewood London are likely to respond positively and differentially to the marketing effects of this hotel. But it might be impossible for a specific industry to become the only giant in the luxury hospitality industry to an extent.

1.1. Brand feelings

The strength of Rosewood London's customer-based brand equity can be evaluated from two main dimensions including brand feelings and brand performance.

There are six key types of brand feelings, which could be defined as customers' emotional responses and reactions, including warmth, fun, excitement, security, social approval, and self-respect (Lynn et al., 1988; Keller et al., 2012). Rosewood London mainly conveys four feelings: warmth, security, social approval, and self-respect. Some intimate service concerning wellness, for example Sense Spa features 'a sense of tranquility' and a soothing ambience with 'bamboo walls', 'soft lighting', and 'wooden walkways' described on its official website. 262 rooms and 45 luxury suites are provided for customers enhanced with personalized butler service and room amenities such as a safe box to ensure their privacy and safety. Consumers feel a sense of pride and think that others speak highly of their behaviors, which can be seen from some authentic comments on social media.

1.2. Brand Performance

Brand performance refers to how customers' needs are satisfied. Rosewood London creates superior brand

performance for its product reliability and serviceability, service effectiveness and efficiency, style and design, as well as price (Garvin, 2000; Keller et al., 2012). Product reliability means the consistency of performance over time, while product serviceability is considered as the ease of service particularly when concerns are raised. These are achieved well by handling some complaints regarding the service or amenities with prompt actions and consistent courtesy, known from the feedback on Tripadvisor. Service effectiveness is defined as the extent to which customers' need are met and service efficiency means how fast the service is delivered (Keller et al., 2012). Rosewood London has received awards and accolades from travel magazines and organizations, for example it was named Condé Nast Traveler's #1 Hotel in London in 2019 in part because of high customer satisfaction of its service (Rosewood London, 2020). Apart from that, there are 2,130 excellent ratings out of 2,573 reviews (83% excellent rate) on Tripadvisor, and every single one was responded professionally with personalized answers to either address customers' concerns or express gratitude from the management team. Usually, the respond time does not exceed 24 hours. Elegance, classic and heritage are the key elements of Rosewood London's style. Many designs in this hotel 'reflect its location's history, culture and sensibilities' and are favored by massive followers on its Twitter. Rosewood London's pricing strategy is high since it targets high-end customers. Additionally, this strategy is likely to be maintained steadily since Rosewood London can be used as a symbol for consumers to build and sustain social identity and gain social approval, as mentioned earlier (Solomon et al., 2016).

2. Brand Extensions

Brand extensions are widely adopted in the hospitality industry because they are said to have two main advantages. First, they can leverage the established parent brand, including its brand awareness and brand image (Aaker and Keller, 1990; Batra et al., 2010). Second, compared with launching a new brand, brand extensions are more cost-efficient, for example they can reduce the distribution and advertising cost (Morein 1975). Given these advantages, Rosewood London did two brand extensions apart from accommodations - Matthew Curtis hair salon and Face Place skincare service, with the aim of entering a different product class (Kapferer, 2004). Matthew Curtis is a boutique hair salon at Rosewood London Sense Spa, featuring an award-winning celebrity stylist Matthew Curtis and providing all kinds of hairdressing service. Face Place, also within Rosewood London Sense Spa, specializes in skincare service.

However, the harm of an inappropriate brand extension cannot be ignored, which could lead to brand cannibalism in Rosewood portfolio (Pitta and Katsanis, 1995) or an unchanging dilution of Rosewood brand's meaning and associations (Ries and Trout 1981). The worst is that the brand extension fails itself and damages the prestige reputation of Rosewood brand, which has been established since 1979 from a muted and unmentioned one with decades of effort (Keller et al., 2012; Dev and Stroock, 2007). Therefore, it is crucial and essential to justify the two brand extensions Matthew Curtis and Face Place, to see if they can achieve success in the long term.

These two brand extensions are favorably evaluated for several reasons. First, the parent brand Rosewood is perceived to have a good reputation (Hem et al., 2012). When it comes

to brand extensions, this reputation means the perceived quality in association with the parent brand in consumers' mind (Aaker and Keller 1990; Barone et al., 2000). Rosewood London derives a perception of high quality from its positive customer-based brand equity, for instance a superior brand performance as a 'quality leader in the industry' (Rosewood, 2020). Moreover, the positive customer-based brand equity has a lasting effect on consumers' mind, therefore supporting brand extensions (Keller, 1993). In this case, consumers mainly rely on the reputation of Rosewood London because the two extensions are both pour services, intangible and perishable (Wemerfelt 1988; Zeitham et al., 1996). As a result, the positive brand attitude and brand associations derived from the reputation of Rosewood London are supposed to transfer to the new extensions (Viot, 2011). It is worth mentioning that establishing a favorable perception is crucial when the extension initiates in the very beginning. If the evaluations are already perceived to be unfavorable, it is ineffective then to remind consumers of the parent brand's reputation, though this parent brand has a halo effect (Aaker and Keller, 1990).

Second, the two brand extensions follow a perceived risk of an outcome entering new categories (Hem et al., 2012). The first Rosewood hotel was established in Dallas, Texas in 1979 and Rosewood London opened in October 2013. Before these extensions, Rosewood brand focuses mainly on service sectors including accommodation and catering, while the two extensions belong to the skincare and hairdressing category. Given that, the perceived difficulty of making extensions also increases, which is likely to lead to a more favorable evaluation of these extensions (Aaker and Keller, 1990).

Finally, the extensions fit with Rosewood brand (Hem et al., 2012). This fit is more about a symbolic dimension rather than skincare or hairdressing products themselves (Kapferer, 1997). Luxury, exclusiveness and intimacy can be considered as the symbolic fit between the two extensions and Rosewood London. Face Place is exclusive since it is the first one outside the US that draws on heritage from flagship West Hollywood clinic and New York for more than 45 years. The price ranges from £50/15 mins to £250/90 mins, which fits with the positioning of Rosewood London's pricing strategy. While Matthew Curtis, inspired by the Orient Express, features an award-winning and celebrity team who are 'some of the best in the industry'. The price starts from £75 for a tint regrowth served by a protégé stylist to £180+ for a Balayage color with a creative director. Therefore, both of these extensions could unfold a journey of luxurious and rare experiences, creating symbolic congruency with Rosewood London.

However, overextensions could dilute the focus of Rosewood London, so it is essential to approach brand extensions with caution (Trout, 2009). As an example, Tango outsold Fanta by almost two to one in the 1990s but has been no longer popular now. The history of Tango's extensions is viewed as evidence of its failure to evoke a clear association in the mind of consumers (Clark, 2008).

3. Logo

Consumers become increasingly critical of logos today when they rely on mobile devices frequently, as logos are their immediate acknowledgement of a business. In the luxury hospitality industry, the logo serves as a symbol of quality, identification, and reputation. A well-designed logo, which links the color, shape, or typology to the hotel it represents, may serve to increase its competitive advantage and make

corporate communications simpler to understand (Baker and Balmer, 1997).

Among the three types of logos, Rosewood London adopts a mixed one combined with iconic and textual elements (Adir et al., 2012). Its logo consists of two parts: the first part is purely made up by text ‘Rosewood London’, with a form of the corporate name and location. This pattern is uniform, consistently applied by all subordinate hotels within the Rosewood hotel group. The second part is a one-of-a-kind seal for each hotel, which perfectly portrays their distinctive individuality. The Rosewood London logo can be explored from some key design aspects, as outlined below.

3.1. Color

Logo color plays an essential role in customer-based brand equity, for instance brand recognition and recall, due to its mnemonic function. It can convey information, create imagery and symbolic value, and solidify a corporate identity. Therefore, for luxury hotels, the color has to be carefully selected as a ‘silent salesperson’ to convey desirable brand feelings (Henderson and Cote, 1998).

The logo Rosewood London consists of two cool colors: black and white. There are said to have some emotional and neurophysiological differences among colors. Unlike some warm colors, for example red, which could stimulate excitement or even anger known as ‘chromodynamics’, these cool colors are thought to be associated with peace, restfulness, and nurturing, and have a calming effect, with a view to communicating its brand feelings including warmth and security (Fraser and Banks, 2004). Besides, cool colors, including black and white, can increase visual weight due to their relatively low excitation level, thus reflecting its general tone of being luxury and exclusive (Affinity, 2015).

3.2. Shape and Imagery

In addition to colors, shapes and imageries can also contribute to a logo’s interpretation and communicate the identity of the hotel through graphics. The first part of Rosewood London’s logo is only text-based and has the advantages of simplicity and immediate recognition (Canny Creative, 2020). Compared to other forms, text-based ‘Rosewood London’ is likely to be recognized and remembered easily without hidden messages and confusion. The second part of its logo includes a circle and two doorknobs. Without edges or points, the circle is said to portray a sense of security and protection, one of Rosewood London’s brand feelings. It is also associated with perfection, which implies that customers’ needs in Rosewood London are likely to be completely satisfied (Adir et al., 2012).

Table 1. Suggestive induction of the shape in a logo design

Geometric shape	Suggestive induction
circle	perfection, balance
square	stability, power
rectangle	duration, progress
ellipse	continue searching
triangle	harmony, urge towards
spiral	advancement, detaching
sphere	perfection, finality
pyramid	integration, convergence
cube	stability, integrity

(Adir et al., 2012)

Inside the circle, doorknobs are shaped in D - a letter from the abbreviation of London, which can reflect the location’s culture, history, and geography. This imagery is one-of-a-kind for each hotel, for instance the doorknobs of Rosewood Beijing are shaped in letter B while Rosewood Castiglione del Bosco in letter C and B. The style of this imagery creates a modern yet classic look and feel and fits the vibe and atmosphere of a Grade II listed building in the Convent Garden neighborhood of the West End.

4. Conclusion

With positive customer-based brand equity, customers and prospects of Rosewood London are likely to respond positively and differentially to the marketing effects of this hotel. When it comes to brand feelings, Rosewood London mainly conveys warmth, security, social approval and self-respect (Lynn et al., 1988; Keller et al., 2012). It also creates superior brand performance for its product reliability and serviceability, service effectiveness and efficiency, style and design, as well as price (Garvin, 2000; Keller et al., 2012).

Two brand extensions of Rosewood London, Matthew Curtis and Face Place, are favorably evaluated for three reasons. First, the parent brand Rosewood is perceived to have a good reputation. Second, these two brand extensions follow a perceived risk of entering new categories. Finally, the extensions fit symbolically with Rosewood brand (Hem et al., 2012). However, overextensions could dilute the focus of Rosewood London, thus it is essential to approach brand extensions with caution (Trout, 1997).

The colors of Rosewood London’s logo are black and white, conveying its brand feelings including warmth and security (Fraser and Banks, 2004), and reflecting its general tone of being luxury and exclusive (Affinity, 2015). As for the shape and imagery, the first part of its logo has advantages of simplicity and immediate recognition (Canny, 2020). The second part portrays a sense of security, implies its superior brand performance (Adir et al., 2012), and reflect the location’s unique culture, history, and geography.

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