

# Hilton hotel corporation essay sample

[Literature](#), [Russian Literature](#)



To achieve competitive advantage in a market, organisations have to value the importance of building, using and maintaining brands. The area of branding attracted enormous academic and practitioners' interest since 1990s (Keller, 1993; Aaker, 1996; Dyson, Farr, & Hollis, 1996). During the last decade, decline in the cyclical nature of the hospitality industry has led managers to adapt the branding approach. Brands are now broadly emphasised by academics as the primary capital for hospitality industry and the notion that a brand has an equity that may exceed its conventional asset value are widely developed within the industry (Kim and Kim, 2005).

Establishing and building strong brands is considered to be one of the key ingredients of an organisation's survival and success (O'Neil and Xiao, 2006). Connell (1992) believe that branding help hotels to achieve higher level of repeat business especially from the regular user segment. Further, Connell (1992) state that branding can facilitate differentiation and positioning in a competitive market. This view is support by Prasad and Dev (2000) who argue that branding is an effective way for organisations especially within the hotel sectors to distinguish themselves from competitors by its customers.

Keller (1993, p. 2) defined brand equity as ' the differential effect of brand knowledge on consumer response to the marketing of the brand.' Aaker (1991, p. 15) stated that brand equity is ' A set of brand assets and liabilities linked to a brand, its name and symbol, that adds to or subtract from the value provided by a product or service to a firm/ or to the firm's customers. Aaker (1996) further states that developing and measuring brand equity

provides a “missing ingredient” for hotel managers who emphasise the importance of building and cultivating brands.

Yet, there is little agreement by academics as what constitutes brand equity thus the purpose of the report aims to understand the meaning of brand equity and what constitutes brand equity; to do this Aaker’s theories of brand equity will be discussed in depth. The report will also aim to examine the relationship between brand equity and an organisation’s performance. A case study of Hilton Hotels will be presented to analysis the different dimensions of brand equity and it’s the relationship between its brand equity and its performance. The report will be followed by recommendations for Hilton Hotels.

#### Background study of Hilton

Hilton hotel is one of the most well-known brand names in the hospitality industry with more than 540 hotels worldwide. In 2008, Hilton Hotels Corp. shifted from 11th to 3rd in the list of top 300 Hotel Corporation since 2005. The corporation have 92 years of experience within the industry and strive for innovation approach to product services. It aims to make travelling easier with smart design, innovative restaurant concepts, authentic hospitality and commitment to the global community (Hilton 2012). Through brand acquisitions and aggressive organic growth Hilton strives to maximize productivity and improve their sales, stock price and its overall effectiveness. Hilton has proved to be one of the fastest growing companies in the hospitality industry by outperforming their main competitors.

## Literature Review

### Brands

A brand can be defined as “ a name, symbol, logo, or mark that enhances the value of a product beyond its functional value” (Farquhar1989, p. 24). Thomas (2008, p325) posits that a brand “ is that intangible bundle of images and feeling held within people’s mind”. The brand is a combination of these elements that is intended to identify the goods or services of the seller and differentiation from its competitors. Further a brand is a seller’s guarantee to provide consistent services, benefits and features to the customers (Kotler et al 2005, p. 315). Jaffe Associates ( 2006) state that brand is important for consumer decision-making, as it provides a road map to identifying services with high value. The more differentiated the brand, the less likely that the customer will switch to a substitute.

### Brand equity

Brand equity has been considered in different context by academics and the definition of brand equity differs. Although as stated above, Aaker (1991) and Keller (1993) have different definitions of brand equity, however both agree that brand equity symbolises an added value to the product or service that can be achieved (Keller 2002, p. 154). Brand value is the estimated economic profit that the brand generates in the future (Clifton and Maughan 2002). It is the benefits generated from leveraging brand strength to obtain current and future profits. Kotler (2003, p. 422) emphasise the importance to

differentiate between brand value and brand equity, where the former estimates “ the total financial value of the brand.

According to Aaker (1991), brand equity provides value customers by enhancing their interpretation of information and increasing confidence in the purchase decision. This confidence leads customers to choose one brand over another and results in customer loyalty and willingness to pay premium price for a brand. Thus brand equity enhances efficiency and effectiveness of price, profits and competitive advantage.

According to Kim and Kim (2005), there are three different perspectives for considering brand equity, namely the customer based perspective, the financial perspective and the combined perspective. In relation to brand equity, customers are the main players as they are the source of profit and cash flow. For the purpose of this report, the customer based brand equity will be considered.

#### Customer-based brand equality

The operationalization of customer-based brand equity is generally categorized into two dimensions of brand strength and brand value (Srivastava & Shocker, 1991). Brand strength is based on the perceptions (brand awareness, brand associations, perceived quality) and behaviours of customer (brand loyalty, willingness to pay a high price) towards a brand that has differential advantage to them. As discussed above, brand value is the financial value of firm’s ability to leverage brand strength in order to obtain current and future profits.

On the other hand, according to Lassar et al. (1995, p13) customer-based brand equity is “ the differential effect of brand knowledge on consumer response of the marketing of the brand. Further it is the consumer’s familiarity of a brand, where it holds favourable brand image in the mind of the consumers. Therefore Lassar et al (1995, p. 13) believe customer-based brand equity is the “ enhancement in the perceived utility and desirability a brand name confers on a product.” Thus customer-based equity only refers to the perceptual dimensions and excluding the behavioural dimensions.

Lassar et al.’s definition differs from one of Aaker’s (1991), Aaker proposed four dimensions of brand equity, namely perceived quality; brand awareness; brand image (association); and brand loyalty. Aaker’s conceptualization has been widely approved by many academics and scholars (Keller, 1993; Prasad and Dev, 2000; Yoo and Donthu 2001).

It is agreed by most academics that there are two approaches to study brand loyalty: determinist/attitudinal or stochastic/behavioural loyalty (Odin et al., 2001). The occurrence of the former behaviour requires clear statement from customer as to repurchase intention and their importance attached. By contrast the latter repurchasing behaviour is the basic unit of measurement which occurs under conditions of weak brand sensitivity (Sun & Ghiselli, 2010). In this circumstance, there importance of the brand for the purchase of the product or service is irrelevant. In Aaker’s framework of brand loyalty, the determinist/attitudinal approach is regarded as one of the dimensions of brand equity and stochastic/behavioural measure is considered as an outcome of brand equity performance.

Aaker (1991) defines perceived quality as an “ intangible, overall feeling about a brand” It is a subjective evaluation of the quality of a product or service by consumers. It gives consumers a reason to purchase such product or service. Thus on one hand, by differentiating its products or service, consumers are happier to pay a price premium, and this can be used when positioning in a target market. Furthermore, Aaker (1992) suggests that perceived quality is the most important “ asset” and gives a firm sustainable competitive advantage.

Brand association is defined by Aaker as “ anything linked in memory to a brand” (Aaker 1991, p. 109). Similar to Aaker, Keller (1998) developed a brand knowledge model that includes awareness and brand image. In consistent with Aaker’s (1991) research, Keller suggests that the concept includes four different types of brand association, namely; type, favourability, strength and uniqueness (p. 94). When positioning a brand, brand association is an important dimension together with perceived quality to be considered by firms.

Brand awareness is “ the ability for a customer to recognize or recall that a brand is a member of a certain product category” (Aaker 1991, p. 91). If certain brand name is recognised by consumers, such brand will have a higher chance of being chose upon on than an unfamiliar brand. Thus brand awareness is interrelated with brand familiarity. Research on brand awareness and association in hotel marketing is continuous. Yet there are very few researches examining the relationship between brand association/awareness and brand loyalty.

## Hilton Hotel Case Study

Hilton Hotel Corporation is one of the world's leading hospitality groups, with more than 2,800 hotels and 490,000 rooms in more than 80 countries, including 150,000 team members worldwide. For over 80 years, Hilton has offered consumers the finest accommodations, services and values anywhere. Hilton is one of the only hotel companies with leading franchise brands, various from luxurious full service hotels and resorts to extended-stay suites and mid-priced hotels, including Hilton, Hampton by Hilton, Hilton Garden Inn, Doubletree and the Waldorf Astoria Collection.

In the recent years, travellers arriving in an unfamiliar place after a long travel would ask cab drivers to take them to the nearest Hilton. Certainly, this was the result of the well-known name 'Hilton'. For a time, the Hilton name became associated with any good hotels and not just a Hilton (Kay, 1995). Without a question that Hilton hotel has strong brand awareness. Hilton will be embedded in consumer's mind when arriving in an unfamiliar town. The brand name is closely associated with guaranteed, luxury and hospitality.

Hilton has a privileged to be one of the most respected and recognised of all hotel brands. The brand itself has been an innovator as well as a pioneering hotel brand. It was one of the first hotels to introduce the idea of airport hotel; to install direct dial telephone and televisions in individual bedrooms; and to capitalize in a computerised reservation system.



There is no doubt that Hilton's success originated from managers that have successfully developed differentiated brands. During the early 1980s, the mid-priced hotel segment was occupied by regional brands that were unfamiliar to consumers. Hilton saw an opportunity to introduce a unique mid-priced hotel named 'CrestHill Hilton' now known as Hilton Garden Inn. This allowed Hilton to leverage on its already established brand name without creating expectations of the same service (Lewis and Chamber, 2000). Although this concept was a good example of branding in the late 1980s, Cai and Hobson (2004) also report that with more new brands entering the mid-priced hotel segment, it has become more difficult for Hilton Garden Inn to differentiate itself from competitive brands.

Hilton Brands has also been associated with many other hospitality brands varying from catering to hotel suppliers. As Hilton's loyalty scheme enables the corporation to be associated with different known airlines. Most famously the controversial association linked with Paris Hilton. Although controversial, this can be seen as a positive association since bad publicity and press is better than no publicity. On one side, this roots the brand "Hilton" into consumers' memory. On the other hand this rise the questions of corporate ethics and stakeholder responsibility, the media's publication of Paris Hilton behaviours and the issue of how the money has been used after it passes onto Hilton's hand.

Hilton offers a guest loyalty programme to their members called the Hilton Honors card, operate on a point system. Members holding such card can have privileges of late check outs and complimentary access to various parts

of the hotel. When enough points are earned, members can have access to exclusive offers only available to H Honours holders, for example, free flights, free stays. This award system is an attracting incentive and increase brand loyalty as customers with H Honour card will consider Hilton hotels as their first priority regardless of a business incentive or of a leisure incentive. The innovative of the H Honour card enables Hilton upsurge its brand loyalty and achieve a substantial competitive advantage worldwide. The H Honour card operates on a by tier scheme, ranging from blue to gold, as Hilton is known by its luxury and high class, this encourages customers to aim for the diamond card to feel more superior, this then becomes the determinist/attitudinal loyalty proposed by Odin et al (2001), where the occurrence of the repurchase has its importance attach to it.

Hilton is known for its promised top quality customer service and of such Hilton's perceived quality is highly rated. The brand has given promises to its consumer about what service can be offered and its effort of satisfying its consumers (Campbell, 2002). Further its name places certain perception or feelings on the consumers and this are what differentiate them from its competitors. Hilton has been positioned and closely associated with luxury, affluent and high class, as of such, it enables the company to enjoy a price premium. Further, for hotel industry, the importance of brand bonding cannot be undermined.

Brand bonding or brand attachment will only occur if consumers have experienced a direct benefit which has been promised by the hotel. This cannot be built by an advertisement by experience with the hotel. One

reason for Hilton's success is that it has delivered what was promised through both the affluent hotel itself and the training the employee to understand what has been promised and what to be delivered (Kotler, 2003). Likewise if all the individuals in the organisation have the enthusiasm and the market believes that the company is the best in giving those benefits, a firm is highly likely to succeed.

### Recommendation and Conclusion

The Hilton case study implies that hospitality firms like luxury hotels should consider the importance of perceived quality, brand loyalty and brand association when attempting to establish brand equity. Furthermore, to increase brand awareness through heavy campaign and reliance on promotion and mass media does not necessarily create the branding bond. Advanced methods of strong branding do not simply rely on mass media, with the popularity of Paris Hilton as a public figure and someone closely associated with Hilton Hotel Corporation, Hilton can take on this advantage to be involved in public events, such as charity, social and cultural involvement which can help to further improve its brand awareness.

Further, perceived quality proposed by Aaker (1991) can significantly affect firms' performance in the hotel industry. This can be traced back to the rationale that luxury hotels expect to deliver better service to customers. Thus it is important to understand that brand awareness alone is not enough to generate satisfactory performance and perceived quality should also be managed to obtain a substantial competitive advantage within the market.

Moreover, brand loyalty placed an importance role for Hilton hotel. As discussed above, it is the repeat purchase behaviour under conditions of strong sensitivity. For example, a repeated luxury hotel guest tend to stay at the same brand hotel is said to be brand loyal (Odin, Odin, Valette Florence, 2001). The H Honour Card at Hilton is a good innovative to create loyalty and customers are less likely to switch to competitors and tend to be more frequent customer compared to the non-card holders. The importance of brand loyalty in relation to a hotel's overall performance cannot be undermined.

According to Aaker (1991) Brand loyalty determines whether the consumer is committed to the brand, this can make a controversial contribution in improving the operational performance of hotel companies (Kim & Kim, 2005). It is crucial for hotel management to remember that single purchase of service by each customer is unlikely to be sufficient for the attainment of long term profitability, therefore repeat purchase is vital. Thus it can be argued that brand loyalty plays the main dimension in brand equity theory developed by Aaker (1992). Further simple reaction to promotion or advertisement is not the reason for repurchase. Consumers' satisfactions are built up from personal experience, repeat purchase are results of long term views and experience. This type of business is what Hilton should be aiming at.