

A Burst of Beds: Why Consumers Purchase Brand Extended Beds in the Upscale Hotel Industry?

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Building and managing strong brands is considered to be one of the key drivers of success in the hospitality industry. A brand extension strategy is followed when a company uses an established brand name to introduce a new product. While brand extension strategies are widely used, relatively few studies have focused on how consumers evaluate brand extensions in the hospitality industry. The initial study provided insight into the scholarly support available to academic professionals by conducting a comprehensive contents analysis of brand extension literature. This study views the brand extension from consumer perspective and contributes to research and theory on brand extensions by developing a model in the upscale hotel industry.

INTRODUCTION

Building and managing strong brands is considered to be one of the key drivers of success in the hospitality industry. This trend towards strong brands is also developing at the local as well as global level for better market recognition (Hemmington & King, 2000). A brand extension strategy is defined as ‘the use of established brand names to enter new product categories or classes’ (Keller & Aaker, 1992). A brand extension is when a firm uses an established brand name to introduce a new product. An existing brand that gives birth to a brand extension is referred to as the parent brand (Keller, 2000). This strategy has become popular these days. Thus, over 80 percent of marketing directors in a recent *Brandgym* survey said that brand extensions would be the main method used to launch new innovations in the next two to three years (Taylor, 2004). Brand extension strategies are advantageous because they reduce the costs of brand name introduction and enhance the probability of success in a new category. The use of brand extensions across multiple product categories is also common. The Virgin brand, for example, is one that has been extended across a range of products. Originally associated with record label ownership, the brand has been extended into areas such as music publishing and airline ownership. Another example is McDonald’s, worldwide fast-food restaurant brand which extended its brand name into a gourmet coffee shop ‘McCafe’, and later to an ice cream and dessert shop ‘McTreat.’

A hospitality company can use an endorsed brand extension strategy to extend the power of a well-accepted brand identity to a number of diverse concepts differentiated by market segment (Jiang, Dev, & Rao, 2002). The endorsed brand strategy puts a well-established name on a cluster of products or services. By endorsing a range of products, the lead brand can lend its good name and image to the entire brand

family (Muller, 1998). In services marketing, the company brand is the primary brand, whereas in packaged goods marketing the product brand is referred to as the primary brand (Preble, Reichel, & Hoffman, 2000). In the hospitality industry, customers often base their purchase decisions on their perceptions of a company's brand (e.g., Marriott, Hilton, Hyatt, McDonald's, Burger King, Wendy's, Chili's, Applebee's, and T.G.I. Friday's). That is, customers develop company brand associations rather than the brand association of product items. The examples of brand extension are easily found in hospitality industry. Marriott Hotels & Resorts is a good example of brand extension. It has extended its brand to various categories; J.W. Marriott, Marriott Hotels & Resorts, Courtyard, Fairfield Inn, Renaissance Hotels, SpringHill Suites, and TownePlace Suites. However, very little research has been conducted about brand extensions in the hospitality industry. The purpose of this study was to examine the trends and applications of brand extensions in the hospitality industry, explore how consumers evaluate brand extensions and provide a conceptual model of brand extensions from the consumers' perspectives. The broad aim of this study was to investigate how brand extensions can contribute to brand strategy. Of primary interest is whether brand extension strategies are a significant issue in the hotel industry.

STUDY BACKGROUND

Brand extensions were introduced as a branding strategy in the consumer products industry. Marketers have long recognized that strong brand names that deliver higher sales and profits have the potential to pass their qualities on to other products. The value of a brand is not only determined by its current status, but also by its potential in the future and in new currently untapped markets (Eusebio et al., 2006; Srivastava & Shocker, 1991). This potential can be realized by making use of brand extensions as a growth strategy (Broniarczyk & Alba, 1994). The two most common approaches to leveraging brand equity are line extensions and category extensions. Line extension is the use of an established brand for a new offering in the same product category. Category extension is the stretching of the established brand to a different product category (Aaker & Keller, 1990). One of the earliest examples of line extension in the hospitality industry occurred in the 1970s, when Radisson diversified its brand into product tiers, including Radisson Inns, Resorts, and Plaza Hotels. Later Holiday Inn introduced Holiday Inn Express and Holiday Inn SunSpree Resorts in 1991. The upscale Holiday Inn Crowne Plaza was introduced in 1983; and Holiday Inn Select followed in 1994. Holiday Inn Express is targeted at the in-and-out business person or traveler who is willing to forgo some amenities for a lower price. Holiday Inn Select is similar to the Express but is aimed at the business traveler staying for a longer period of time who desires a few more amenities, such as data port connections and conference rooms. The traditional Holiday Inn is targeted at the middle-class market and provides higher-cost features such as a restaurant, lounge, conference rooms, and a swimming pool. The Holiday Inn Crowne Plaza is targeted at the more upscale or serious business traveler and features luxurious furnishings and restaurants, health spas, business services, conference rooms, and other amenities. Many hotels followed this strategy and these are just some examples of brand extension strategies in the hospitality industry. Today, most major hotel companies have at least one brand extension, and this implies that hotels consider brand extension strategies to be effective.

Another example of brand extensions, category extension, in the hospitality industry is that some upscale hotels have extended across a range of products. Westin was the first hotel company to use category extension for its products. They developed their unique *Heavenly Bed* with its own brand name under the slogan 'its layer after layer of cozy down bedding. It's an oasis for a weary traveler. It's heaven on earth. And it's at Westin.' Now, Westin's *Heavenly Bed* is being sold not only through a room catalogue on the Internet but also in the At Home departments of 48 Nordstrom stores nationwide, and is available by special order at others. Each component and a bed frame also can be purchased separately at stores. The bed has a distinctive brand standard, and is a good brand to build upon. The *Heavenly Bed* was a trailblazer in hotel marketing and prompted other chains to follow similar approaches. It was the first big success in the growing hotel retailing business. After Westin's success, other upscale hotels started to

imitate that brand extension. Other Starwood brands launched branded pillows and beds. Sheraton Hotels introduced a mattress and bed under the brand name, *Sweet Sleeper* mattress, bed; W Hotels started to sell W brand pillows, sheets, and bedding products as well. After the huge success of the *Heavenly Bed*, Westin Hotels developed another product named the *Heavenly Shower*. Westin's *Heavenly Bath* came just two years after the introduction of the *Heavenly Bed*. This new bathroom improvement was the result of a survey by Westin, which was conducted by Guideline Research and Consulting Corporation of New York City. One thousand men and women were interviewed on their bathing habits and bathroom likes and dislikes. After a year of research and development, which included testing more than 150 showerheads, Westin decided on the Speakman shower with a dual showerhead. The custom-designed showerhead features several spray options, from a light mist to massaging needles. Westin has already begun installing *Heavenly Baths* around the country.

The literature on brand extensions suggests some advantages of this strategy; the facilitation of the adoption process and acceptance of new products, since users assume new products have the same quality level as existing ones; a minimal cost of branding to the manufacturer, since name research will not be needed, nor will extensive advertising for brand name awareness and preference be necessary; and user response will tend to be faster, thereby reducing the introduction stage in the product life cycle where profits are negative. In addition, another advantage often obtained is the greater ease in gaining distribution (particularly shelf space) due to the familiar brand name. More effectively reaching target market can be another advantage. Jiang et al. (2002) stated that a brand extension strategy allows the firm to penetrate a variety of market segments with differentiated products that carry a single, well-established brand name. This strategy also lowers the risk associated with the introduction of new products (Kapferer, 1997). When introducing an extension, the risk associated with a new product launch is greatly reduced. Additionally, brand extensions allow companies to save expenses and share space, and provide variety and convenience for customers. Figure 1 provides examples of extension products within and outside of the hospitality industry.

FIGURE 1
EXPANDING BRANDS THROUGH BRAND EXTENSION STRATEGIES

Parent Brand Name	Original Product	Extension Products	
		Line Extension	Category Extension
Omni W	Omni Hotels W Hotels		Omni Ideal Bed W Pillow W Bed
Holiday Inn Marriott	Holiday Inn Marriott Hotels & Resorts	Holiday Inn Select J.W. Marriott Hotel	
Virgin	Virgin Records		Virgin Atlantic Virgin Holidays
Sunkist	Oranges		Vitamins Juices
Weight Watchers	Fitness centers		Low-calorie foods

As brand extensions have become a widely accepted product development strategy, marketing researchers have attempted to explain the reasons behind consumers' acceptance. There is significant literature on the subject exploring how consumers behave as a result of different brand extensions. Specifically, attention has focused on how different variables related to the parent brand and the extension influence consumers (Aaker & Keller, 1990; Park et al., 1991; Bottomley & Holden, 2001). Many studies have considered those aspects that increase the success of brand extension. Evidence exists suggesting

that a broad range of factors contribute to the use of brand extensions. This study focused on consumer perceptual factors that influence brand extensions and developed three following hypotheses:

H1: The fit between the two involved product classes has a direct positive association with the attitude toward the extension;

H2: Higher quality perceptions toward the original hotel brand are associated with more favorable attitude toward the extension;

H3: Higher attitudes toward extension are associated with more favorable behavior toward the extension;

METHODOLOGY

To analyze hypotheses, electronic version of a structured questionnaire was developed an extensive review of the brand extension literature. We found several upscale hotels that are providing their branded products as their brand extension strategy. We chose a bed and pillow as the extension product of the hotel even though there are a few possible competing products. Our rationale is that those products are the main application of brand extension in the Hotel Industry. Further, those products were the first product extended by upscale hotel in category extension by Westin Hotel & Resorts. Westin's first attempt was a big success in the booming hotel retailing business and after the Westin's success, other upscale hotels started to imitate that brand extension. The products have high-equity brands, as well as high functionality.

For the online survey, the data were purchased through E-reward. The sample was screened to identify consumers who already know about brand extension strategy in the hospitality industry. An e-mail message was distributed to the E-reward.com members along with a cover letter and the Website questionnaire's address. The respondents were assured that all responses would be kept strictly confidential and no unsolicited marketing material would follow as a result of the survey. Consequently then, respondents were not allowed to submit more than one entry, due to blocking IP number. The survey was conducted over a month period from March 1 to March 31, 2010. In total, 414 members of the E-reward.com Panel completed the survey.

RESULTS

The demographic profile of the sample is presented in Table 1. The gender distribution of respondents was skewed as more than half of respondents were female (67.6%) compared to only 32.4% male respondents. The dominant age group was ages 19-34 (39.6%), followed by the 45-54 age group (21.3%), and the 35-44 age group (19.1%), and 55-64 age group (15.9%). Senior citizens made up only 4.1% of the sample. In terms of educational levels, this sample was well educated as over 60% of respondents had at least a Bachelor's degree (67.6%). A small percentage of the sample completed high school (7%) and 25.4% had some college but had not completed their Bachelor's degree. Correspondingly, household income levels were very high, over 30% of respondents grossed more than \$80,000 per year, 33.6% grossed between \$60,000 and \$79,999; and 25.1% grossed between \$40,000 and \$59,999. Almost half of the respondents (47.3%) have professional or executive jobs. This is consistent with the previous findings that online respondents are more likely to be professionals, and report higher incomes and education (McDonald & Adam, 2003). Table 1 provides a summary of the demographic statistics for this study.

TABLE 1
PROFILE OF RESPONDENTS

Characteristic	Frequency	Percentage
Gender		
Female	280	67.60
Male	134	32.40
Age		
19 to 34	164	39.60
35 to 44	79	19.10
45 to 54	88	21.30
55 to 64	66	15.90
Over 65	17	4.10
Education		
High school	29	7.00
Some college	105	25.40
College graduate	169	40.80
Post graduate	111	26.80
Occupation		
Owner/ self-employed	47	11.40
Manager/ executive	66	15.90
Professional/ technical	130	31.40
Clerical/Sales	50	12.10
Military	5	1.20
Homemaker	19	4.60
Retired	41	9.90
Students	16	3.90
Others	40	9.70
Annual household income		
Less than 20,000	9	2.20
20,000 to 39,999	36	8.60
40,000 to 59,999	104	25.10
60,000 to 79,999	139	33.6
80,000 to 99,999	106	25.60
Over 100,000	20	4.80

The consumer brand extension evaluation scale includes 23 items. Both the Kaiser–Meyer–Olkin measure of sampling adequacy and the Bartlett’s test of sphericity tests indicated that it was appropriate to perform a factor analysis. The result of the principle component factor analysis indicated that there are four underlying dimensions (factors). To detect scale dimensionality, an exploratory factor analysis (EFA) with a principal component method was conducted for brand extension scale. A value of .60 or above from the Kaiser–Meyer–Olkin measure of sampling adequacy test indicates that the data is adequate for exploratory factor analysis. In order to make sure that each factor identified by EFA had only one dimension and each attribute loaded only on one factor, attributes that had factor loadings of lower than .40 were eliminated from the analysis. Table 2 shows the items and the factors that remained after the elimination. As presented in this table, the EFA generated four unidimensional factors. The results were somewhat consistent with the previous involvement research in consumers’ brand extension study. Table 3 shows the correlation among the remaining variables in this study.

TABLE 2
REMAINING FACTORS AND ITEMS LOADINGS (N = 414)

Variable	Component			
	attitude	quality	intention	fit
importanthotel	0.758405	-0.00451	0.279062	0.03366
importantproduct	0.842546	0.142933	0.064493	0.233436
desirehotel	0.805436	0.212517	0.184833	0.054852
desireproduct	0.834421	0.22969	0.019593	0.203355
pleasinghotel	0.170493	0.694212	0.392037	0.016321
overallquality	0.055065	0.745725	0.33419	0.037815
highqualityimage	0.249147	0.684247	0.125299	0.366721
consistentimage	0.215971	0.659651	0.184907	0.442812
substitute	0.120398	0.078264	0.184066	0.722679
offeringusedtogether	0.093649	0.177059	0.144308	0.731539
perceivedquality	0.20581	0.244382	0.214899	0.730725
select	0.182419	0.146695	0.825265	0.078423
recommend	0.058352	0.463552	0.719754	0.178489
reasontostay	0.135779	0.252654	0.779024	0.100501

The Bartlett's test of sphericity (significance level) .724
The Kaiser-Meyer-Olkin measure of sampling adequacy .000

Extraction Method: Principal Component Analysis.

TABLE 3
MEANS, STANDARD DEVIATIONS, AND COEFFICIENT ALPHAS OF SCALES

Latent variables	Observed variables of items	Mean	Std. D.	Reliability
Perceived quality of parent's brand				0.72
	What is the overall quality of the original hotel brand to you	5.65	1.16	
	How appropriate is it to use the hotel brand product for your privilege	4.36	1.71	
	How well does the hotel brand product go with the hotel's goal of wanting a high-quality image	5.29	1.36	
	How well does the hotel brand give you prestige	5.67	1.16	
Perceived Fit				0.74
	How similar are the original hotel brand and hotel's product brand in terms of how/ when they are used	4.84	1.33	
	How consistent is the hotel's product brand with the hotel's goal of wanting a high-quality image	5.22	1.31	
	The hotel product offerings (such as beds & pillows, linens, etc.) would likely be used together	5.12	1.30	
Attitude toward the extension				0.73
	How important are the hotel brands to you	4.04	1.91	
	How important are hotels' product brands like beds or pillow to you?	3.47	1.92	
	How desireable are the hotel brands to you	4.44	1.80	
	How desirable are the hotels' product brand like beds or pillows to you	3.84	1.88	
Behavior toward the extension				0.83
	I predict that I will stay the hotel and try to use hotels' product like beds or pillows in near future	5.54		
	I intend to purchase the hotels' product like beds or pillows	5.52		
	I intend to use hotels' product at hotels for my "future travels"	5.30		

A separate set of structural equation model (SEMs) was run to assess the associations between the dimensions. AMOS 7.0 was used to test the measurement and structural models. AMOS 7.0 produces several fit indices to help determine the degree of goodness of fit of the conceptual model with the available data. Some commonly used fit indices generated by AMOS 7 include the Chi-square test (χ^2), the ratio of chi-square to degree of freedom (χ^2/df). In assessing the model, the following goodness-of-fit statistics: chi-square, the degrees of freedom, and the p value are reported. The index of fit for our model is shown in the Table 4.

TABLE 4
GOODNESS OF FIT INDICES

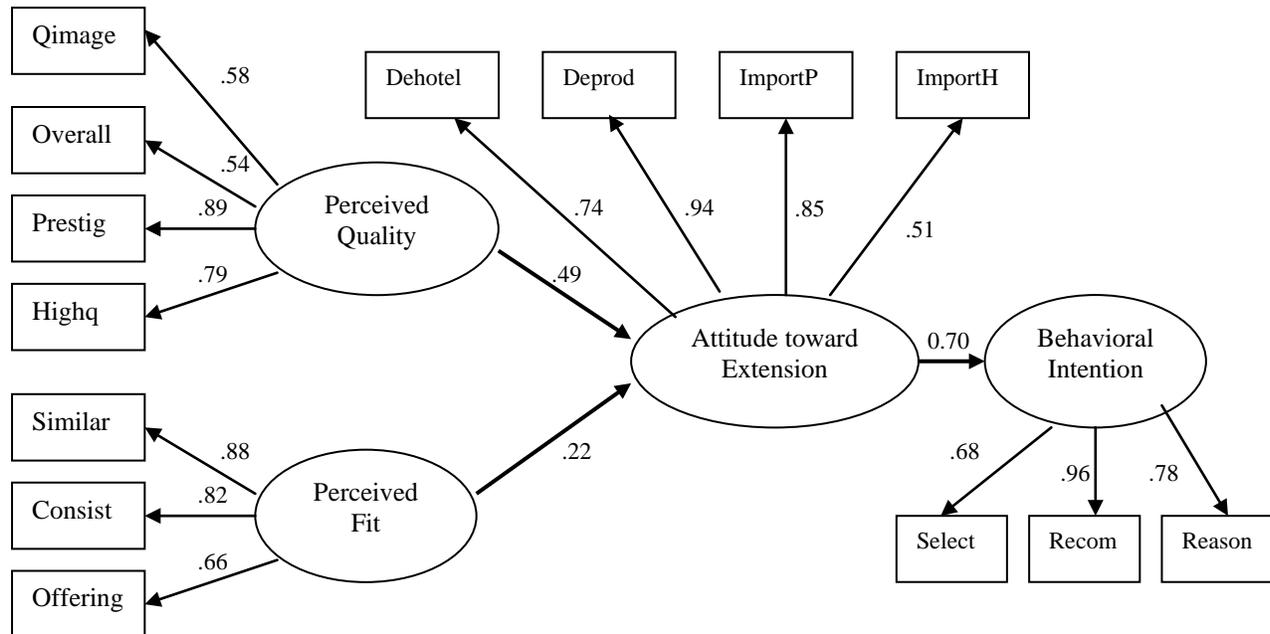
	Values obtained
<i>Absolute fit measures</i>	
χ^2	112.204
p-level	0.000
Non-centrality parameter (NCP)	979.93
Goodness of fit index (GFI)	0.962
Root mean square error of approximation (RMSEA)	0.086
Expected cross validation index (ECVI)	0.849
<i>Incremental fit measures</i>	
Adjusted goodness of fit index (AGFI)	0.937
Tucker Lewis index (TLI)	0.911
Normed fit index (NFI)	0.913
Comparative fit index (CFI)	0.932

The path diagram for the SEM model (Figure 2) presented the direction and magnitude of the direct impact through the positive and negative signs of the path coefficients and the absolute value of the standardized coefficients. The results of the path analysis supported all of the proposed relationships. The results indicated that the direct relationship between perceived fit and perceived quality of parent brand to the attitude toward the brand extension and behavior toward the brand extension which were positive at $p < 0.01$ level. This supports the first and second research hypothesis. Both a perceived fit and a perceived quality were related to the attitude toward the brand extension (H1 & H2). The test of hypotheses 1 and 2 relate to the perception toward the fit and the quality shows that factors creating those perceptions are highly related to the attitude toward the extension. The results indicated that the direct relationship between perceived fit and attitude toward brand extension was positive ($\beta = 0.22$). That is consistent with previous studies that perceived fit positively influences attitude toward extension. The central concept in past research was the concept of fit. That was frequently used for measuring the direct effect on brand extension attitude. Generally, it is proved that the higher the perceived fit, the more positive the consumer's attitude toward the brand extension. However, in the upscale hotel industry, the effect of the perceived fit is not as strong as the one in previous studies even though hypothesis 1 was supported.

The test of hypotheses 2, which shows that factors of the perceived quality positively affect the attitude toward brand extension ($\beta = .49$), revealed that the perceived quality is significant. Hypothesis 2 was supported. The direct effects of perceived quality transfer and attitude transfer have been examined in past research. Consumers' attitude formation model depicts the concepts and relations referring to the formation of brand extension attitude that have already been investigated in past research. As previous researches show, cognitive processing affects the formation in attitude about brand extension. These findings were first identified by Aaker and Keller (1990) and also proved in many replicated studies later. That shows that there is a direct cognitive effect from the parent brand to the brand extension. Within the consumer attitude toward brand extension construct, consumer attitude toward brand extension was highly correlated with the content of perceived quality (0.49) and behavioral intention (0.70) at the $p < 0.001$ level, indicating that the two constructs were strongly related to consumer attitude toward brand extension. The perceived fit was also slightly correlated alongside the consumer attitude toward brand extension (0.22) at the $p < 0.01$ level. The test of hypotheses 3, which shows that factors of the consumers' attitude positively affect the behavioral intention toward the extension ($\beta = 0.70$), revealed that the attitude is significant. This reinforces the fact that the consumers' attitude is an important issue

that directly influences the behavioral intention variables toward the brand extension. This finding is consistent with previous studies. Thus hypothesis 3 was supported.

FIGURE 2
MODEL OF CONSUMER BRAND EXTENSION EVALUATION IN UPSCALE HOTEL INDUSTRY



CONCLUSIONS

Brand extension strategy has become the popular phenomenon to launch new products in different product categories in the Hospitality Industry. Gaining a better understanding of the brand extension evaluation will help hotel managers improve the effectiveness and efficiency of extension launches. This study was an initial step in this direction. The purpose of the study was to apply the new brand extension model for the Hospitality Industry. This study examined how quality and fit affect consumer attitude toward the brand extension. What is more, this examination of the constructs is suggested to be an important performance indicator for the brand extension in the Hospitality Industry. The study further demonstrates that the hospitality brand extension model adequately describes the relationship between perceived quality and perceived fit regarding consumer behavior. Particularly, the study suggests that the degree of perceived quality, and perceived fit are key factors affecting the consumer's attitude toward the brand extension for the hotel brand. The result shows that the majority of the hypotheses were in fact supported. First of all, parent brand quality plays an important role in consumers' brand extension evaluation in the hospitality industry. Upscale hotel products are normally regarded as high-quality brands. High-quality brands are often seen as more credible, expert, and trustworthy at what they do. As a result, even though consumers may still believe a relatively distant brand extension does not really fit within brand parameters, they may be more willing to give a high-quality brand the benefit. The finding of this research further suggests that developing positive consumers' perception toward the brand quality is crucial to their attitude. Attitude, consumer attitude, influences the extent of behavior toward the brand extension. It can be concluded that the quality is important when managers are considering a brand extension strategy and that quality can reverse the initial brand name preference. Successful hospitality product brand extensions also occur when the parent brand is seen as having favorable associations and

there is a perception of fit between the parent brand and the extension product. The consumer may transfer the associations that are positive in the original product class. Because of similar consumer expectation or motivation in the extension category, a brand association may be as highly valued as it was in the original product context. The fit has always been a significant consideration in brand extension strategies. Consumers want to feel comfortable with the brand and therefore expect the brand extension to link in some way to the parent brand like Westin Hotel & Resort to Westin's Heavenly Bed or Heavenly Shower. According to the analysis of the study, consumers' evaluations of hotel brand extensions would be a two-step process. First, consumers determine consciously or subconsciously if there exists a match between what they know about the parent brand and what they perceive to be true about the brand extension. Second, if the match is good, then consumers might be expected to transfer their existing parent brand attributes toward the brand extension. Thus, a lack of fit may doom a potentially successful brand extension.

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