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Co-branding hotel owners and operators to increase willingness to pay

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ABSTRACT: Although hotel brands are well established in the industry, customers have not been educated about the different kinds of properties, nor has hotel structure been utilised as a functional marketing tool. Drawing on previous studies, the purpose of this study is to evaluate consumer branding preferences and willingness to pay because of co-branding and informed ownership, operational, or franchise branding. This two-part study looks at consumer awareness and consumer preferences in the first part through semi-structured interviews, and in the second part, an experimental survey. Results reveal that most travellers do not understand the difference between a corporate-owned and -managed hotel and a franchised hotel. Co-branding efforts for management and ownership companies were not significant in both value perceptions and willingness to pay. However, co-branding efforts by ownership companies with parent companies increased their guests' willingness to pay.

KEYWORDS: consumer awareness, differentiation, franchise, hotel structure, value perception

Introduction

Franchised hotels generally do not advertise their relationship to the parent company and brand. Few guests likely realise that they may be staying at a property with several different entities making decisions for the final product that they consume. Therefore, the customer is likely to only interpret the brand equity of the external brand (parent company franchised) as the marker of consistency, quality and familiarity (Kayaman & Arasli, 2007). However, despite the brand promises and the parent company's product creation, franchises often are inconsistent (Hotel News Now, 2012). Some of these inconsistencies include the level of service, refurbishments and renovations, management style, extra amenities, pricing strategy and even policies (Dev et al., 2010; Hotel News Now, 2012).

While parent companies (e.g. Marriott, Hilton, IHG) try to maintain brand integrity in franchised properties through franchise agreements, quality assurance scores and online customer feedback, these strategies are often not enough to maintain the level of consistency seen in corporately owned and managed properties (Ricca, 2012; Eisen, 2016). When companies like Marriott or Hilton franchise more than 4 000 properties (Smith Travel Research, 2022), it is easy for a property to be overlooked. This damages the brand and harms customers who depend on the brand's promise to ensure a level of experience, security and comfort (Kayaman & Arasli, 2007).

Despite the complexity of hotel ownership and management (Guilding, 2003; Deroos, 2010), customers have not been educated about the different kinds of properties, nor has hotel structure been utilised as a functional marketing tool. Non-price information such as firm-generated content (e.g. marketing materials, advertisements, communication) plays an important role in consumer value perceptions and selection behaviours (Noone & Robson, 2014). As customers become more discerning and more capable of cross-customer communication (Deloitte, 2014), differentiating properties by ownership and management may lead to higher location-specific value and willingness to pay (WTP). For example, a large US-based management company like White Lodging may co-brand alongside a franchise like Hampton Inn and Suites to promote a well-run hotel and give peace of mind about the product's consistency and quality outside of the franchise-only branding structure.

There is potential value and brand equity in promoting a management company and/or an ownership group that can help differentiate products and help customers better understand the market. When deciding which hotel to stay in, this kind of information can help influence outcomes and increase value for the individual properties and the parent companies. This research explores not only whether consumers understand hotel franchising and management, but also looks at consumer branding preferences and WTP due to co-branding. Despite the existence of multiple entities in hotel ownership and management structures, co-branding has not been utilised as a differentiation tool to help market and promote individual properties. This study engages with this potential tool and therefore provides potential strategies for hoteliers across the board.

Furthermore, there is little existing research evaluating co-branding in a single entity or product in hospitality. Rather, most research focuses on dual product cross-branding (e.g. hotel and restaurant, destination and attraction) (e.g. Tasci

& Guillet, 2011; 2016; Dioko & So, 2012), or partnerships (e.g. coupons, joint advertising) (e.g. Lee et al., 2006) than a single product that has multiple associated brands. Research that looks at multiple brands for the same product tends to focus on consumable goods such as handbags ('purses') (e.g. Disney and Coach), or food (e.g., Walls and Oreo) (e.g. Zuhdi et al., 2020; Paydas Turan, 2021), and little to no research exists about hotel co-branding (with the notable exception of Dev et al., 2010).

In what follows, the literature review describes the structure of hotel ownership and management and reviews brand awareness, differentiation, perceived value, co-branding and willingness to pay. Next, we explain parts 1 and 2 of the study in the methodology section, followed by the data analysis and results. Finally, we present practical and theoretical implications in the discussion section, followed by conclusions, limitations and options for future research.

Literature review

Hotel structure

Few customers likely understand the lodging industry's basic structure, where the focus on growing consumer education relates to brand differentiation (Cadwalader, 2017) rather than understanding how hotels are owned and operated. While there are independently owned, operated and branded properties, most hotels in the United States are part of the chain and franchise system (Smith Travel Research, 2022). In this system, a parent company (e.g. Marriott, Hilton, IHG) creates the product and commercialises the brand. They design the distribution system, SOPs, trade dress (design of the building, logos, architecture, colour scheme, etc.), standard training guidelines and everything else. They may own and manage some of their own properties, but the rest are franchised out (Smith Travel Research, 2018; Deroos, 2010). These franchises are entered into by ownership groups, who may contract management groups to operate the properties on their behalf (Deroos, 2010).

Ownership groups often work from the real estate perspective (Deroos, 2010). These groups buy and sell hotels and conduct feasibility plans to build new properties and invest in franchises (Guilding, 2003). Many ownership groups do not specialise in operating hotels and often have varied portfolios, including non-hotel-related entities (ibid.). In some cases, brand extension occurs where non-hotel-related brands enter the lodging business, such as Bulgari brand hotels (Dev et al., 2010). These kinds of ownership groups typically employ management companies to run operations, such as Bulgari's partnership with Ritz Carlton/Marriott (ibid.).

Where parent companies are focused on brand development, and ownership groups are focused on real estate, management companies specialise in hotel operations (Deroos, 2010). They will manage properties across a variety of brands and classes. These groups may have to answer to three different types of organisation. First, they must comply with brand standards through the franchise agreement. They must pass the quality assurance inspections and maintain certain customer satisfaction scores as part of the franchise agreements (Coleman, 2016). They will need to follow through with the brand's rules, including communication with global distribution networks and implementing revenue management practices (e.g. Hyatt Place Franchise Agreement filed with the Security and Exchange Commission, an agency of the US federal goverment to help prevent market manipulation).

They will also have to answer to the ownership group, which determines the budgeting, financial resources and capital and approved projects for the company (Guilding, 2003). This becomes challenging when a franchise insists on a refurbishment or renovation and the ownership group is reluctant to fund the project (Dev et al., 2010). The ownership group may also determine pay for staffing and other operating expenses depending on the management agreement due to the legal obligations associated with employment (ibid.). Due to the potential conflicts between ownership and operator groups (Younes & Kett, 2007), management companies rely heavily on contracts to help align business decisions with both parties' interests (Deroos, 2010).

Third, management companies' employees must also answer to the standards of the management company, which may have their own rules and regulations, quality assurance teams and brand standards to maintain (Detlefsen & Glodz, 2013). As the first step in utilising co-branding as a differentiation strategy, customers must first understand basic hotel ownership and operator structure. Based on the complexity of hotel structure, the number of involved parties and the wide variation in hotel types from corporate-owned and managed to individual owner utilising a management company and franchising from a mega hotel company, consumers are unlikely to know the details about the industry, let alone individual properties they stay in. However, if these entities can establish a strong brand presence to co-brand with the well-known franchise name, the potential for differentiation can help individual properties excel in their market segments.

Brand awareness, differentiation and perceived value

Developed by Rossiter and Percy (1987), the theory of brand awareness is defined as a consumer's ability to identify or recognise a brand. With heightened customer recollection, the perceived brand value increases (Aaker, 1996). As an organisation builds strong brand awareness, consumer perceptions of quality also increase and the brand has a higher degree of brand equity (Buzzell et al., 1987). Heightened brand awareness leads to intentions to purchase and positive word of mouth (Boonsiritomachai & Sud-On, 2020).

With a rapid increase in hotel brands in recent years (Hess, 2020), hotel owners and managers work diligently to differentiate their brands from the competition. Research by Kimpakorn and Tocquer (2010) found that brand differentiation can significantly influence customer relationships with the brand, thus enhancing customer value (Ruan et al., 2020). It is not enough for hotels to differentiate based on sheer convenience; instead, they must increase brand equity to drive customer value (So & King, 2010). Extending the theory of brand awareness, if customers positively identify the co-branded entities (e.g. hotel ownership group and/or management company), then there could be a positive impact on the perceived value and a perception of product differentiation in the competitive marketplace.

Co-branding

Co-branding ensues when two brands decide to help enhance the brand equity for both brands (Dev et al., 2010). Based on brand awareness theory, a consumer who values both brands individually will find more value in a co-branded product than either of its individual parts (ibid.). Each brand should bring equity to the table that helps provide value and complementary yet distinct knowledge, skills and abilities. Dev et al. (2010) provide an example of hotel co-branding by describing Bulgari's expertise in design and luxury product marketing partnered with Ritz Carlton's expertise in the development, marketing and management of luxury hotels. These two entities represent the height of luxury for the consumer, which helps differentiate the product from other luxury hotel brands. The use of these two brands, in fact, can help provide legitimacy in newly entered markets (Dev et al., 2010).

Along with the newly differentiated brand, co-branding leads to some challenges in customer expectation management. The impact on reputation, upkeep of brand quality and maintaining a clear image in consumers' minds is of great concern (Tag-Eldeen, 2018). To avoid such confusion and to enhance brand equity, essential communication in marketing is key to avoid consumer confusion (Yip, 2004). If maintenance is upheld in the alliance, co-branding is an effective brand equity strategy, achieving an advantage over competitors while enhancing customer loyalty (Lee et al., 2006). Therefore:

- H1: Co-branding the management company with the parent company will have positive effects on value perceptions; and
- H2: Co-branding the ownership company with the parent company will have positive effects on value perceptions.

Willingness to pay

Due to the rise in co-branding efforts, a value component is associated with the customer's WTP for the brand. Through brand awareness theory, customer valuation is often considered dependent on brand equity (Liu et al., 2017). The perceived value of the brand makes it a primary goal of an organisations' brand equity (Aaker, 2009). Even in instances where the hotel price increases, there is a belief that the benefit of staying with that brand outweighs the additional cost (Tasci & Guillet, 2016).

Past research shows the importance of co-branding to enhance the overall image of a company by maintaining familiar elements within each brand to provide comfort and maintain brand attraction (Besharat & Langan, 2013). Given this information and building upon brand awareness theory of value perceptions based on brand building efforts (Rossiter & Percy, 1987), an effective co-branded property should enhance the guests' assessments of their stay, including willingness to pay. Therefore:

- H3: Co-branding the management company with the parent company will increase willingness to pay; and
- H4: Co-branding the ownership company with the parent company will increase willingness to pay.

Methodology

This is a two-part study, starting with an evaluation of consumer knowledge and followed by an experimental design survey to test the hypotheses. Study 1 is a qualitative study which provides an analysis for participants' understanding of hotel industry structure. Study 2 is a survey that quantitatively assesses perceived value and WTP based on different levels of information provided through statistical analysis.

Study 1

Study 1 examined the depth of knowledge that consumers have about how the hotel industry is structured and managed and their preferences for co-branding efforts based on perceived value and WTP. The questions were developed to capture the participants' basic travel experience and hotel preferences, ask about their knowledge of franchising and examine how their WTP and value considerations changed after receiving simple explanations of hotel structure. The results were analysed using thematic analysis.

A total of 12 participants were invited to participate in the semi-structured interviews. These participants were chosen to represent a demographic cross-section of the US, including sex (male vs female), age (Baby Boomers, Generation X, Millennials), and household income (<USD 100 000 vs >USD 100 000). We acknowledge that the dichotomy for gender is an oversimplification; however, it is utilised in the same fashion as the dichotomy between high and low income at the USD 100 000 mark. These groupings are used to get a generalisation from the population without measuring individuals from the same market segments and not to create a distinction between groups. Participants needed to have stayed in hotels on at least five separate occasions in the United States to ensure familiarity with lodging accommodations in that market.

Participants were recruited using a convenience sample by inquiring through social channels. Each participant self-identified based on the three demographic markers (generation, income and gender). They were then interviewed via Zoom for ease of access and transcription purposes. No two participants resided in the same state, which also helped provide some diversity of thought and experience in addition to the demographic variables. Interviews took approximately 25 minutes to complete and the participants were not compensated.

Study 2

Study 2 tested hypotheses 1 to 4 using an experimental design in a survey format. The experimental conditions were taken from the informational statements tested in the first study. Participants were placed in one of three conditions. The first provided participants with information about hotel management companies, the second provided information about hotel ownership groups, and the third provided information not relevant to hotel operational structure as a control. Payment methods were chosen as the control information as it is relevant to staying at the hotel, but does not address different industry structure norms. Each information section was roughly equivalent in length and depth. The use of experimental conditions was included to test whether the added knowledge would change value perceptions.

After viewing the experimental conditions which can be seen in Table 1, participants were given a selection of three hotels to choose from. They were asked to select which hotel was most appealing. Each hotel had the same brand name (Hampton Inn and Suites) to prevent external preferences and bias; however, one hotel option also showed the management company's name, one showed the name of the ownership group and one showed only the brand name. Hampton Inn and Suites was chosen because it has the most properties in the US as of the end of 2016 (Smith Travel Research, 2018) and is therefore most likely to be a known brand to the participants. Aimbridge Hospitality was selected to represente the hotel management company

TABLE 1: Experimental conditions

Experimental group	Conditional statement
Ownership	Most hotel chains in the US are franchised to third parties. That means that the parent company who owns the brand name such as Hampton Inn or Springhill Suites licenses the right to use their hotel brand name to another owner in return for meeting contractual obligations. When you stay in a well-known branded hotel such as Hampton Inn or Springhill Suites, the owner of that hotel is not necessarily Hilton or Marriott (the owner of the brand name or parent company).
Management	Many hotel owners do not specialise in management or hotel operations. Owners or ownership groups often focus on real estate (properties) and diversified portfolios rather than on hotel operations. Many owners hire specialised management groups that are experts in hotel operations to operate their hotels. These management groups manage hotels across a wide spectrum of brand names and segments.
Control	Many hotels accept multiple forms of payment from consumers including cash, credit card, debit card and cheque. Recently, some hotels have started looking into other forms of payment like Apple Pay and Venmo. Some customers prepay for rooms directly through the company, while others prepay for rooms through a third-party website like Travelocity. Third-party websites purchase the room on behalf of their customers.

because it is one of the top 10 largest management companis in the US not affiliated with a major parent company brand. (Smith Travel Research, 2022). Hospitality Properties Trust was selected to represent the hotel ownership group because it is one of the top 10 largest ownership groups in the US by number of rooms not affiliated with a major parent company brand. (Smith Travel Research, 2022). Each hotel was priced the same (USD 175 per night) and had the same amenities (free parking, free breakfast, resort-style pool), but had similar but *slightly* different locations to differentiate the hotels (downtown/city centre/metro centre).

After selecting which hotel they would prefer to stay in for an upcoming trip, the participants were asked questions about value judgements and WTP for that hotel, followed by personal demographics. Willingness to pay was measured by four items adapted from Dodds et al. (1991), with an additional question asking what the participant felt the fair price should be. Three items adapted from Kim et al. (2008) were used to measure perceived value, and included: (1) "this hotel seems like good value for money"; (2) "the price I would pay for the hotel room is very acceptable"; and (3) "the hotel appears to be a bargain". The items were on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). Demographic questions included age, gender, annual household income and time spent travelling.

The results were analysed using ANOVA to compare hotel preference with value perceptions and WTP based on which hotel the participants selected. Next, regression was used to examine the hypotheses of the entire sample, regardless of experimental condition and preferred hotel choice. 219 participants were recruited for the experimental survey using Amazon Mechanical Turk. Participants were paid USD 0.50 for completing the survey. The requirements for study participants included US-based IP addresses due to the subject matter focusing on US-based hotels, hit rates greater than 95% to ensure that users intend to respond to the survey items honestly and accurately and participants had to be at least 18 years or older since most individuals who are the decision-makers and purchasers of hotels are adults. No other conditions were required. An attention check was utilised to ensure the accuracy and quality of responses.

Results

Study 1

Analysis of the interview responses resulted in three main themes. Table 2 summarises the themes and sub-themes identified based on the frequency of statements mentioned by the participants.

The premise of this study proposed that most travellers do not understand the difference between a corporate-owned and -managed hotel and a franchised hotel. The most knowledgeable participants had a basic idea of the concept of franchising from restaurants, but were unfamiliar with hotel franchising. Even those who had some notion of hotel structure still tried to conceptualise the differences in ownership and management by size or category, rather than property. For example, one participant claimed that "*the bigger hotels are more likely owned by the parent company, smaller hotels like Motel 8 are owned by franchisees*". Those who were least knowledgeable assumed that all parent branded companies were corporate owned, for example, "*usually a corporate-owned hotel will say Hilton or whatever. If it is an independent hotel, I would not be able to tell if it is franchised*". Another participant similarly claimed that:

> *I'd say most hotels are corporate owned because they have the name attached to them. The ones who don't have a major brand, I guess would be a franchised hotel? I would assume that if a hotel does not hold a major brand, that they're independent.*

TABLE 2: Identified themes and sub-themes

Theme	Frequency
Hotel structure	
Never know who owns/runs the hotel	12
Franchisee operations like restaurants	10
Most hotels are corporate owned	8
Hotels that do not have a brand are independent	7
Value	
Reputation and value tie together	6
Stay with a brand I know	4
Willingness to pay	
Knowing ownership does not change the amount to pay	9
Always looking for the best deal	7
Pay more for reputation, security/safety	4

Only two participants were aware of management companies that specialise in operating hotels owned by other entities. When asked about any noticeable differences between corporate-owned and -operated hotels versus franchises, all participants unanimously responded that they noticed no differences and were rarely, if ever, aware whether they stayed in a franchise or not. When pressed further, some participants commented on possible differences if they were to be aware of them. Some participants believed that the differences reflected the idea that "*franchise*" and "*independent*" are synonymous terms. For example, one participant claimed,

> *I think I always know if it's an independent hotel...has a different name, sometimes I expect them to be less nice. It's not always the case because small boutique hotels could be very nice and pleasant.*

However, one of the participants who was aware of management companies commented that "*non-corporate hotels are more forgiving in rules, go the extra mile to take care of guests because they're not managed by corporate. Not getting pressure from terrible corporate rules*", despite commenting that they did not typically notice differences in the hotels that they stayed in.

The semi-structured interviews also allowed us to pre-test sample information that could be used in the subsequent experimental survey. After gaining a basic understanding of consumers' knowledge of hotel structure, we provided basic statements about ownership, management and franchising. Participants were then asked about the clarity of statements and the degree to which this knowledge changed their perceptions of hotel properties. Participants generally stated that the information did not change their perceptions of the hotels; however, this did help explain things that they had not understand before.

Participants in study 1 answered questions about perceived value and WTP after they were introduced to some basics about hotel structure. Responses about WTP and value ultimately resulted in comments such as:

> *The contractual obligations say that they have to be painted a certain way, or have this kind of product. The franchisor exerts a lot of control, and you can't tell the difference and Keeping brand standards is key for me. I want consistency with the brand across the board.*

These interview responses coincide with brand awareness theory in that when the customer becomes aware of the brand, perceived value and quality of the brand typically ensue.

While participants, overall, were not willing to pay more because the hotel was owned or operated by a well-known organisation, many did believe that simply becoming aware of the brand would help them differentiate between properties and select one hotel over another. For example, one participant stated that:

> *It wouldn't hurt to know who owned the hotel, but would not be a game-changer. If I saw online 'owned by hotelier of the year', that would help differentiate, and I would select that hotel over the competitor.*

Another participant claimed that "*I guess if I knew who owned the hotel, I would be more inclined to stay with the brand, rather than a parent company*". Participants similarly valued management companies, for example, "*If they* [management company] *were reputable, I'd want to stay there and try it out*".

Study 2

Two hundred and nineteen surveys were collected in total. Eight participant responses were removed because they failed the attention check. The data was then cleaned by examining outliers, skewness and kurtosis. Using the outlier labelling rule (Hoaglin & Iglewicz, 1987), three data points were removed when examining WTP, and five data points were removed when examining perceived value (PV). The outlier labelling rule removed values below 1.3 for WTP and below 1.13 for PV based on a 2.2 multiplier. While some negative skewing (z-values of −5.06 and -6.10 respectively), the data still fell predominantly within the normal distribution. This was also true for kurtosis (z-values of 2.21 and 4.39 respectively). This is likely a result of the ceiling effect from the 5-point scale (Cramer & Howitt, 2004). However, to ensure the proper use of parametric analysis, we transformed the reflected data using Log10 to control the negative skewing and slight kurtosis. The transformed data showed no skewness or kurtosis with z-values of 0.07 and 0.50 for skewness and −0.10 and 0.21 for kurtosis respectively, well below the 1.96 threshold (Cramer & Howitt, 2004). The final sample included 203 data points used for the ANOVA and regression analyses.

Respondents were predominantly male (64.5%), from the millennial generation (66.5%), with an annual income of USD 50 000 to USD 100 000 (44.8%). The distribution of hotel visit frequency was relatively even, with over 95% of participants staying in hotels at least once a year or several times a month. Table 3 shows how many participants selected each hotel based on their experimental group.

Inter-item reliability was examined for WTP (0.730) and perceived value (0.708) using Cronbach's alpha ($N = 203$). Both scales met the basic threshold of 0.7 (Hair et al., 2012), and the summated scales did not improve with the exclusion of any measurements (Table 4).

The next step in the data analysis was to use a one-way between-groups ANOVA to compare hotel selection with both WTP and PV. When comparing hotel selection to WTP (Log10 transformed data), the mean difference was insignificant with $F = 0.100$, $p = 0.905$. However, the test for homogeneity of variance was significantly different with $p = 0.002$, which means that at least two variables' variance is significantly different from the others. This may also result from the different sample sizes

TABLE 3: Hotel selection frequencies by experimental group

Experimental group: control	Number	Per cent
Hampton Inn & Suites, City Centre	33	45.8
Hampton Inn & Suites, Downtown, managed by Aimbridge Hospitality	30	41.7
Hampton Inn & Suites, Metro-centre, owned by Hospitality Properties Trust	9	12.5
Experimental group: Management		
Hampton Inn & Suites, City Centre	26	40.6
Hampton Inn & Suites, Downtown, managed by Aimbridge Hospitality	32	50.0
Hampton Inn & Suites, Metro-centre, owned by Hospitality Properties Trust	6	9.4
Experimental group: Ownership		
Hampton Inn & Suites, City Centre	32	47.8
Hampton Inn & Suites, Downtown, managed by Aimbridge Hospitality	27	40.3
Hampton Inn & Suites, Metro-centre, owned by Hospitality Properties Trust	8	11.9

TABLE 4: Scale measurement items on 5-point Likert scale

Measurement	Adapted from	Item
Willingness to pay	Dodds et al. (1991)	1. The likelihood that you would pay to stay at this hotel is: ... 2. If I were going to pay to stay at this hotel, I would consider paying the offered price. 3. At the price shown, I would consider paying to stay at this hotel. 4. The probability that I would consider staying at this hotel is: ...
Perceived value	Kim et al. (2008)	1. This hotel seems like a good value for the money. 2. The price I would pay for the hotel room is very acceptable. 3. The hotel appears to be a bargain.

since the *ownership* selection is significantly smaller than the *control* and *management* selections. The acceptance of the null hypothesis indicates no difference in WTP or PV based on hotel choice as confirmed by an ANOVA using the data collected from the question asking, "How much would you be willing to pay for this hotel?"; $F = 0.70$, $p = 0.97$ and $F = 0.94$, $p = 0.64$ respectively (Table 5).

While the advertised rate for all three hotels was USD 175 per night, the mean rate of how much participants would be willing to pay is displayed in Table 6. Like the scaled WTP, the one-way between-groups ANOVA was insignificant with $F = 2.794$, $p = 0.064$; however, the rates are significantly higher than the proposed advertised rate for all three hotel choices. Additionally, when only examining the top two selection options (control versus management), the difference in price is significant with $F = 4.803$, $p = 0.030$; however, the partial eta squared is only 0.026, meaning the difference is not a powerful indicator in the variation between values. Like WTP, the PV was not significantly different using ANOVA, $F = 0.501$, $p = 0.607$. On average, respondents in Study 2 were willing to pay USD 81.18 more than the advertised rate of USD 175.

The direct relationship between PV and WTP was analysed using linear regression, with WTP as the dependent variable and PV as the independent variable. The results were significant with $F = 145.67$, $p = 0.000$, and $R^2 = 0.420$, meaning PV explains 42% of the variance in WTP. This is shown in Table 7.

Discussion and implications

Based on previous research, franchised properties tend to fall short in consistency of service compared to their parent or ownership counterparts (Ricca, 2012; Eisen, 2016). This not only fails the brand image, but fails the customer who seeks consistency in that brand. The assumption for the failed hypotheses could be that the participants remained unclear about hotel structure and co-branding despite experimental conditions that gave an overview of part of how the hotel industry is structured. However, strategic brand identity is critical to increasing customer attractiveness to the brand, thus increasing brand equity (Tourky et al., 2020).

In co-branding efforts, each individual brand must bring a strong brand identity to the partnership to increase overall brand equity above everyone's equity on their own. Despite the size of the management company and ownership group in this study, it is probably still likely that participants were not familiar with the brands. Without testing for brand awareness of all three entities, this study can only provide a first view into co-branding efforts. Future research should control for brand awareness and the possible benefits of co-branding with management companies and/or ownership groups.

Theoretical implications

Despite the assumption that participants remained unclear

TABLE 5: Analysis of variance for willingness to pay and value perception

Construct		Sum of squares	Degrees of freedom	Mean square	*F*	Significance
Willingness to pay	Between groups	50.69	125	0.41	0.70	0.97
	Within groups	54.06	93	0.58		
	Total	104.75	218			
Value perception	Between groups	50.36	125	0.40	0.94	0.64
	Within groups	40.02	93	0.43		
	Total	90.38	218			

TABLE 6: How much were participants willing to pay for the advertised hotel?

Hotel selection	Mean price (USD)	Standard deviation
Control	USD 245.80	105.62
Management	USD 278.87	96.47
Ownership	USD 243.87	90.76

TABLE 7: Multiple regression analyses for willingness to pay and perceived value

Independent variable	Willingness to pay (dependent variable)	
	β	*t*-test
Value perception	0.59***	9.71
Constant		32.68
Multiple *R*	0.55	
R^2	0.42	
F-test statistic, significance	(1,218) = 145.67 $p < 0.001$	

***$p < 0.001$

about hotel structure and co-branding in the experiment, the results of the study should not be ignored. Backed by brand awareness theory, consumers most often choose a brand that they recognise over an unfamiliar brand (Rossiter & Percy, 1987). With heightened awareness of the brand, a customer's ability to identify or recognise a brand also increases (Aaker, 1996). Therefore, the findings of this study align well with previous research from Kapferer (2012) and Tourky et al. (2020) and the brand awareness theory (Rossiter & Percy, 1987), which states that proper brand alignment will positively enhance the overall brand image and reputation for the customer. Hotel owners and managers must work diligently to differentiate their brand from the competition for the customer to consistently recognise the brand.

Brand awareness and association can be improved, but often lies in the facility's functionality (Chong, 2017). This means properties must maintain quality assurance scores, consistency in franchise agreements and respond to online customer feedback to ensure high security and comfort levels. Coupled with physical appearance, effective marketing, customer word-of-mouth and electronic word-of-mouth interactions could build brand equity (Xu et al., 2020). We know from previous research and extending the brand awareness theory that consumers who value two brands individually will find value in a co-branded product (Dev et al., 2010). Future theoretical testing could position co-branding more clearly and participants could then positively identify proper hotel structures and co-branded entities.

The study found that there was a positive correlation between perceived value and willingness to pay. Backed by brand awareness theory, we understand that brands need to increase value and equity (Rossiter & Percy, 1987; Aaker, 2009) and that customer valuation is built on brand equity. This study extends that theory to include efforts of co-branding. When brand-building efforts are at play, an effective co-branded property enhances the customers' perceived value and WTP (Tasci & Guillet, 2016).

Practical implications

Since the study found that hotel selection was not positively correlated with WTP and PV, hotel owners and managers should consider enhancing brand identity and equity to increase overall customer value with the brand. Effective co-branding can help hotel owners and managers differentiate their brand from competitors. Coinciding with previous research, brand differentiation enhances customer value and influences the staying power of the brand (Kimpakorn & Tocquer, 2010). We posit that participants remained unclear about hotel structure and co-branding, therefore strategic marketing for consumers to easily recognise the brand may prove beneficial to enhance consumer knowledge. The lack of knowledge of hotel structure, even after experimental manipulation, leaves room for further consumer knowledge development to potentially benefit co-branding efforts.

With the increase in co-branding efforts, maintaining brand attraction is key for customers to continue to return (Tasci & Guillet, 2011; 2016; Besharat & Langan, 2013). Coinciding with previous research, customers tend to stick with a brand that they find reputable, even when the price for the stay increases over time (Tasci & Guillet, 2016). By providing two strong brands with high brand equity and awareness, co-branding could lead to substantial differentiation within individual market segments at the property level. Co-branding has its benefits – a consumer who values individual brands will find more value in the co-branded hotel than the individual brands (Dev et al., 2010). To fully commit to maintaining the customer's value perception, hotel management is encouraged to co-brand while investing in brand equity, rather than co-branding out of sheer convenience (So & King, 2010). This research is the first to look into co-branding management and ownership groups with parent brands and is only a starting point to evaluating the long-term benefits of this differentiation tactic in saturated hotel markets.

Conclusion

This study has evaluated consumer branding preferences and WTP in co-branding and informed ownership, operational, or franchise branding. Co-branding the management or ownership company with the chain brand does not have positive effects on value perceptions. Additionally, co-branding the management company with the parent company does not increase WTP. However, further analyses reveal that WTP is positively correlated with co-branding the ownership company with the parent company. With the hotel industry experiencing rapid changes in co-branding efforts (Dev et al., 2010), proper brand identity may be the answer that hotel owners and management companies are looking for to increase brand equity and customer value. The research by Dev et. al (2010) looked at co-branding between a hotel and non-hotel brand rather than two interrelated hotel brands (e.g. ownership group and management company), something that must be further explored. The overall impact of co-branding could prove invaluable to hoteliers and customers alike. As this is exploratory research, the findings are only a starting point to understanding the relationship between hotel property entities and consumer preferences in a competitive marketplace.

Limitations and future research

This study, like all survey-based research, has limitations. Scholars often question the qualifications of online survey respondents who are recruited through online survey companies. To ensure those individuals met the survey's inclusion criteria, participant requirements were established, including a hit rate greater than 95%, a US-based IP address, being at least 18 years old, and attention checks were done.

While data were collected in one country, replicating the study and expanding the number of participants of a more geographically dispersed area would provide more generalisable results. Enlarging the sample could increase the power of the statistical test, while also building more generalisable results about ownership, management, and parent companies. Further, a comparison study of international versus domestic respondents is another option to enhance the current study's scope. This could give a good insight into the level of importance of co-branding at an international level. While branded hotels are more standard in the United States, independent hotels are more common internationally (Smith Travel Research, 2018). Results could change in markets where indepedant hotels are more common.

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