Research in Hospitality Management 2015, 5(2): 123–133
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RHM
ISSN 2224-3534
http://dx.doi.org/10.2989/RHM.2015.5.2.3.1276

Brand performance of Chinese domestic vs. international hotels: Perceptions of operators as well as domestic and foreign guests

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The significant differences in financial performance between internationally branded hotels and domestically branded hotels in China inspired this study. As part of the research, we surveyed hotel operators and guests on their perception of brand performance of the hotel they managed and stayed at, respectively. Results showed that managers of internationally branded hotels were more positive about their brand performance than the guests were, whereas managers of domestically branded hotels had a similar, or sometimes lower, assessment of their brand performance. Surprisingly, from the guests' perspective, domestic hotels received higher ratings on brand choice intention and brand loyalty, while receiving similar ratings on all other brand-related measurements, as compared to international hotels. Significant differences were also found in brand quality, trust in management, and reliability among the sub-samples. Chinese guests rated these components lower for both internationally and domestically branded hotels, while foreign guests showed stronger intentions of choosing the same domestic brand in the future. We discuss the implications for both international and domestic hotel operators.

Keywords: brand performance, brand equity, China hotel, international hotel brand, domestic hotel brand

Introduction

In the twenty-first century, economists expect China and India to be the new emerging economies (Weidenbaum, 2004). Since the beginning of the 1980s, major hotel chains have been shifting their interest from the mature markets of the USA and Western Europe to the rapidly developing countries of Asia, particularly China (Wu, Costa, & Teare, 1998). The improvement in the economic outlook of China has been the most important deciding factor when multinational hotel chains entered this market. The rising social prosperity as a result of the rapid economic growth facilitated the continuing expansion and confidence of multinational hotel chains in China's hotel market. Driven by the country's economic performance, its political stability, and its desire to benefit from an increasingly affluent domestic population as well as from the influx of foreign corporate travellers, hotel investors and operators alike have been competing for a market presence in China. China's entry into the World Trade Organization, Beijing's hosting of the 2008 Olympic Games, Shanghai's hosting of the 2010 World Expo, and Guangzhou's hosting of the East Asian Games in 2010 provided additional impetus for entering into China's hotel market.

Due to its rapid economic growth and tourism development, hotel investors and operators regard China as a fertile land for the hotel industry. Beijing Jianguo Hotel opened in 1982 under a management contract with the Hong Kong Peninsula Group, which marked the debut of international hotels in China. In 1984, Holiday Inns opened its first hotel in China, and major international hotel chains began making their presence felt. Two decades later, about 10% of the world's top 300 corporate chains, as ranked by the *Hotels* magazine in 1999, had entered China (Pine, Qiu Zhang, & Qi, 2000). When Comfort Inn Beijing, a member of the Choice Hotels International, opened in March 2003, all of the top ten hotel brands in the world had their presence in China.

China's hotel industry has a relatively short history. When China announced its economic reform policy (also known as the open-door policy) in 1978, there were only 137 tourist hotels with 15 539 rooms nationwide (China National Tourism Administration, 2003). The shortage of hotels became the major urgent issue concerning the successful development of the international tourism industry. Thus, many indigenous hotel chains were formed on the basis of administrative convenience rather than of market-driven strategic considerations; for example, the telecommunications, utilities, aviation, petroleum, railway, finance, postal service, human resource, and education sectors all operated their own hotels. In spite of the great rate of expansion, all sorts of protectionism, barriers, and government control have bottlenecked the development of the hotel industry. This has become the greatest disadvantage for domestic hotel chains.

Today, all major international hotel chains have entered the Chinese market with ambitious expansion plans; for example, as of July 2014, Marriott International had 74 member hotels in China, the InterContinental Hotels Group had 213, and Accor had 128. According to the China Tourist Hotel Association and Horwath Asia Pacific (2014), China had 444 five-star and 179 four-star hotels in 2013, with 151 477 and 48 330 rooms respectively. This represents a significant increase from 2005, when it had 142 five-star and 193 four-star hotels and 53 027 and 52 099 rooms respectively; the increase is especially large in the five-star category. International hotel companies managed over half (299 or 67.3%) of the five-star hotels, whereas Chinese hotel companies and independent owners managed the remaining hotels (108 or 24.3%, and 37 or 8.3%, respectively). Thus, it is apparent that international hotel companies have a strong foothold in the Chinese market.

With the rapid growth in both the number of hotels and the number of hotel rooms, the competition became intense. In some Chinese cities, the hotel market is actually quite saturated. In 2013, the average occupancy rate for all five-star hotels was 55.7% and that of four-star hotels was 63.2% (China Tourist Hotel Association and Horwath Asia Pacific, 2014). Regardless of management type, a low occupancy rate prevails; for example, the occupancy rate for internationally managed five-star hotels was 55.7%, for domestic chain managed hotels it was 54.7%, and for independently managed hotels it was 58.4%. However, internationally managed hotels commanded a much higher average daily rate (ADR) at RMB875 (approximately US$143) in 2013; 50% higher than the rate of domestically managed hotels (RMB584 or US$95) and 41% higher than the rate of independently managed hotels (RMB621 or US$101). Internationally managed properties also achieved better performance in terms of income before fixed charges and management fees (IBFCMF), as well as in terms of earnings before interest, tax, depreciation, and amortisation (EBITDA). Table 1 shows the hotel industry's development and performance from 2005 to 2013. Figure 1 illustrates the differences of ADR among three categories of hotels from 2005 to 2013.

One possible reason for the differential performance between domestic and international hotels could be the branding effect of internationally managed properties that carry well-known international hotel brands. Past research has indicated that brand equity is positively related to a hotel company's financial performance (e.g., Kim, Gon Kim, & An, 2003) and that consumers are willing to pay a price premium for brands they view as being high in quality (O'Neill & Mattila, 2006). Brands and branding strategy have played a significant role in the hospitality industry in the past thirty years in the Western world; however, it is a relatively new concept for Chinese domestic hotel companies.

Hotel branding studies

Branding has emerged as a top hotel management priority in the past two or three decades as a result of the increasing realisation that brands are one of the most valuable intangible assets of a firm. As with other assets, hotel operators should carefully and continuously manage their brand to optimise its value (Aaker, 1991). Punj and Hillyer (2004) defined brand equity as the overall value created by a brand. Aaker, who conceptualised brand equity from a managerial and corporate strategy perspective but relied on consumer psychology principles (Keller, 2002), defined brand equity as: "A set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers" (Aaker, 1991, p. 15). Keller (2003, p. 42) also offered a similar view on the basic principles of brand equity in that brand equity (1) was the added value resulting in different marketing outcomes, (2) provided a common denominator for interpreting marketing strategies and assessing the value of a brand, and (3) reflected the value of a brand that could be

Exhibit 1: Hotel performance in China by category

	5-star									4-star								
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2005	2006	2007	2008	2009	2010	2011	2012	2013
Internationally managed or branded hotels																		
No. of hotels	88	97	92	152	186	228	270	263	299	51	46	49	68	68	65	69	75	78
No. of available rooms/day	32 817	37 028	34 865	59 799	74 321	87 264	98 935	94 258	105 638	16 341	15 517	14 922	20 757	21 367	18 420	20 566	22 993	23 846
Occupancy rate (%)	69.6	66.9	63.4	52.9	51.5	58.6	58.5	56.3	55.7	73.1	71.4	70.6	57.0	57.7	66.4	65.8	63.9	63.5
Average daily rate	946	940	1,014	1,063	819	899	905	908	875	539	578	584	623	474	517	523	549	546
Income before fixed cost and management fees, % total revenue	46.4	45.5	43.5	40.4	33.4	39.9	37.8	34.8	32.7	35.1	36.6	36.0	32.0	25.4	34.6	29.6	31.8	30.9
Domestically managed or branded hotels																		
No. of hotels	24	45	55	76	61	79	98	78	108	53	66	66	88	64	92	88	65	62
No. of available rooms/day	10 129	13 835	17 057	24 114	18 320	24 318	31 463	26 029	34 061	14 634	17 512	15 775	26 463	16 228	22 031	21 664	16 634	15 511
Occupancy rate (%)	69.3	66.9	64.5	54.3	55.5	61.6	62.6	60.0	54.7	68.9	68.6	66.7	61.5	57.2	63.8	63.9	60.4	61.6
Average daily rate	657	563	618	624	538	552	609	638	584	417	400	448	468	396	423	432	423	454
Income before fixed cost and management fees, % total revenue	35.2	36.8	37.2	36.1	34.2	32.4	32.7	33.4	27.0	32.8	32.2	31.7	31.4	26.7	26.7	25.2	25.2	26.3
Owner (or owner's management team) managed																		
No. of hotels	30	30	39	48	71	58	63	39	37	89	93	101	94	103	86	87	68	39
No. of available rooms/day	10 081	10 793	12 239	16 304	23 533	20 149	19 330	14 015	11 778	21 124	21 415	23 488	21 616	22 783	22 745	19 110	17 797	8 973
Occupancy rate (%)	62.6	63.6	64.4	54.7	51.0	60.1	61.8	58.5	58.4	67.6	68.7	64.6	62.1	61.2	63.7	67.2	63.2	65.3
Average daily rate	482	584	582	647	593	627	635	673	621	359	361	374	414	358	404	410	414	434
Income before fixed cost and management fees, % total revenue	33.2	29.7	33.7	28.1	31.2	30.1	28.6	28.1	23.0	26.1	24.9	28.8	28.5	27.4	28.1	23.2	20.6	23.3

Source: China Tourist Hotel Association and Horwath Asia Pacific (2006–2014)

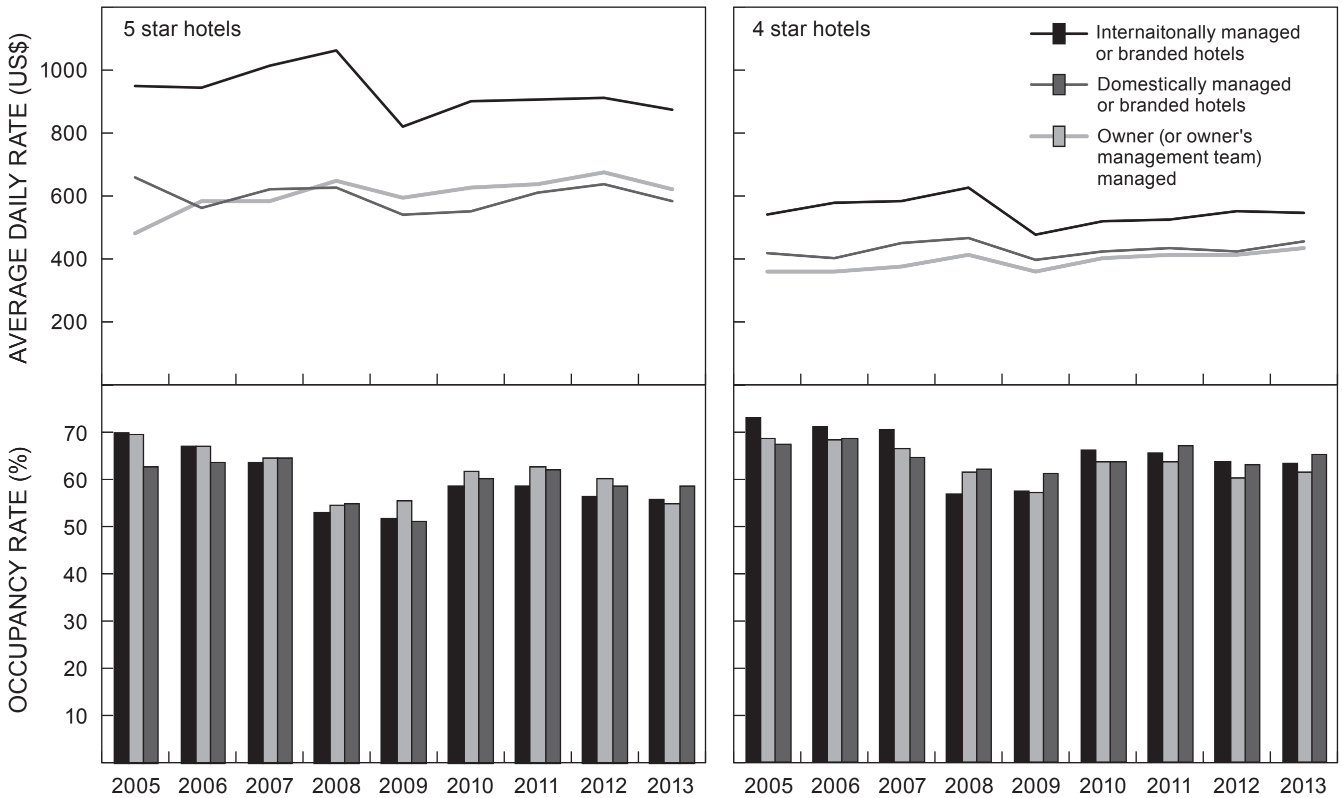

Figure 1: Hotel ADR and occupancy rate by category

created in many different ways. Based on a review of literature and a survey of hotel consultants, Bailey and Ball (2006, p. 34) proposed that: "Hotel brand equity represents the value that consumers and hotel property owners associate with a hotel brand, and the impact of these associations on their behaviour and the subsequent financial performance of the brand."

From the customer's perspective, brands can simplify choice, promise a particular level of service or quality, reduce risk, and engender trust (Keller & Lehmann, 2006). Bailey and Ball (2006) stated that lodging is a brand equity business, primarily due to the intangibility and heterogeneity of services and parity of products. The intangible nature of hospitality service presents challenges for operators to communicate and for guests to evaluate the value of offerings. Strong brands enable guests to better visualise and understand the intangible services (Kayaman & Arasli, 2007, Berry, 2000). The heterogeneity of services makes it difficult for guests to predict the exact service that they will receive and creates, therefore, a higher level of perceived risk. Buying from familiar and trusted brands can effectively reduce perceived risks (Kayaman & Arasli, 2007, O'Neill & Xiao, 2006). Product parity makes branding a particularly important differentiation strategy. In the various service industries, brand equity has been shown to influence consumer preferences (Chang & Liu, 2009), satisfaction (Grace & Cass, 2005, Nam, Ekinci, & Whyatt, 2011), loyalty (Nam, Ekinci, & Whyatt, 2011, Wang, Hsu, Hsu, & Hsieh, 2011), and behavioural intentions (Chang & Liu, 2009, Grace & Cass, 2005).

Aaker (1991) suggested that the nature of brand equity varies from context to context. Thus, hospitality researchers have engaged in brand equity inquiries with hotels as the specific context. O'Neill and Xiao (2006) examined the role of brand affiliation in hotel market value from an owner-investor perspective. Results showed that the effects of branding were most noticeable in midmarket and upscale hotels. Kim and Kim (2005) connected brand equity with the financial performance of hotels. They defined brand equity as a four-dimensional construct, including brand loyalty, brand awareness, perceived quality, and brand image. Their empirical study found that all but brand image were positively related to the selected hotels' revenue per available room (RevPAR).

Because building and managing brand equity is considered as a key determinant of success within the hotel industry, and before we can effectively manage the brand or increase the value of a brand, we have to be able to measure the brand value or brand equity. Prasad and Dev (2000) proposed a framework for assessing hotel brand equity. The aim of the framework was to offer hotel executives a diagnostic tool to help them maximise their brand value. Although no specific rationale was given as to the selection of brand equity measurement elements, Prasad and Dev operationalised the brand equity index to include measurements of customer satisfaction, return intention, price-value relationship, preference, and brand awareness. They demonstrated the calculation of the index with hypothetical findings from a consumer survey using hypothetical brands. This represents one of the earliest attempts to quantify lodging brand equity.

So and King (2010) empirically validated Berry's (2000) service-branding model in a hotel context. They used the "company's presented brand", "external brand communications", and "customer experience with company" as antecedents of brand awareness and brand meaning to lead to the final outcome variable of brand equity. Hsu, Oh, and Assaf (2012) proposed and empirically tested a customer-based brand equity model for upscale hotels, with new dimensions of brand equity specifically derived from the hotel industry. The model showed brand equity to be composed of six dimensions, with the first five dimensions (perceived quality, brand awareness, brand image, management trust, and brand reliability) as determinants of the final dimension, brand loyalty.

Cross-cultural studies

Reisinger and Turner (2002a, 2002b) opined that consumers' perception, impressions, and interpretations of objects are highly dependent on their cultural background. Schiffman and Kanuk (1994) and Triandis (1982) also argued that most behavioural theories are rooted in psychology, which is heavily bound by cultural values. Therefore, consumers from different cultures are likely to perceive marketing related messages, including brand projections, differently. For example, Yoo and Donthu (2002) found differences between American and Korean samples in their brand equity formation process. Specifically, store image, perceived quality and brand loyalty played different roles between these two cultural groups in their overall brand equity perception. In a hospitality context, Guillet and Tasci (2010) provided evidence, from a study of Disney-McDonald's alliance by surveying Western, Asia-Pacific, and Chinese consumers, that individuals from different countries or cultures may have different brand associations.

Due to the limited number of cross-cultural studies on branding, research in related fields may shed some light on the impact of culture. One such area is service encounters and service failure. Furrer, Liu, and Sudharshan (2000), analysing a sample consisting of Western and Asian nationalities, showed that the importance of SERVQUAL dimensions is correlated with Hofstede's cultural dimensions. Matos, Fernandes, Leis, and Trez's (2011) survey of consumers from Brazil, France, Italy, and the Netherlands showed that the effect of perceived justice on satisfaction with service recovery, and the effect of satisfaction with service recovery on behavioural intention, was moderated by different cultural orientations.

A study of a country park in Hong Kong showed that culture exhibited significant effects on perceived service quality, satisfaction, and behavioural intention (Li, Lai, Chick, Zinn, & Craefe, 2007). Matilla and colleagues conducted a series of studies on the impact of culture on service evaluations. Matilla (1999) demonstrated that Western and Asian luxury hotel users relied on different attributes in evaluating the value of service. Matilla (2000) further suggested that customer evaluations of service encounters may be culture bound. In particular, Asian travellers gave significantly lower ratings to the service provider in both the hotel and fine dining settings. From a later study in the restaurant setting, Mattila and Patterson (2004) reported differential sensitivity of East Asian and American consumers to situational constraints, which influenced their attributions for service failures and moderate their satisfaction with the service recovery process.

Service provider vs. customer perceptions

De Chernatony and colleagues published a series of conceptual papers arguing for the importance of examining both the internal and external stakeholders' views of a brand. de Chernatony and Riley (1998) conducted content analysis of more than 100 research articles and interviews with 20 leading brand consultants and proposed a balanced interpretation of brands drawing on both firms' and consumers' perceptions. De Chernatony and Harris (2000) and de Chernatony (1999) further proposed a model that stresses the importance of congruency between the internal and external stakeholders' views. Nandan (2005) and Burmann, Jost-Benz and Wiley (2009) echoed the necessity to use an integrated approach to examine brand equity, including both internal (i.e., brand identity) and external (i.e., brand image) views.

Albeit the calls for comprehensive research covering both firms' and customers' views on brand equity, empirical studies are limited and practically non-existent in the hospitality field. Davies and Chun (2002) found differences in brand perceptions between employees and customers of two department stores. Yaniv and Farkas (2005) identified relationships between employees' and customers' brand perceptions in a toy and game retail store. In the hospitality context, empirical studies involving both firms' and customers' perspectives are limited to service quality issues. Tsang and Qu (2000) found that managers overestimated the service delivery compared to guests' perceptions of the service quality in the hotel industry in China. Santos (2002) showed that service providers perceived the tangible dimension of service quality to be less important than did consumers in the restaurant sector. Ingram and Daskalakis (1999) found a divergence between the perceptions of service quality of hotel guests and managers, and that the greatest gaps existed in hotels of the highest quality classification.

The literature review above clearly demonstrates two research gaps in branding research. One relates to cross-cultural investigation, the other involves service provider and receiver comparison. The current study contributes to both areas in need of attention.

Purpose of the study

O'Neill and Mattila (2010) conducted a comprehensive review of the hotel branding literature and development in the past 25 years. They concluded that researchers have examined how brands influence top- and bottom-line revenues as well as overall asset value, and that existing research on hotel branding is heavily focused on US brands. They suggested further investigations of the phenomenon in Asia and the examination of branding issues from more cross-cultural perspectives. A comparison of lodging brand equity ratings between Asian and Western guests would make a contribution in answering this call. Although Hsu, Oh, and Assaf (2012) reported the testing of a brand equity model that performed well across cultures, a close examination of the ratings by respondents of varied cultural background was not conducted.

Looking at the figures presented in Exhibit 1, one might raise several propositions; for example, if consumers perceive domestic Chinese hotel (CH) brands as less competent in providing a good lodging experience, they would be less willing to pay a high rate for their stay. On the other hand, if operators of CH brands are less confident in their ability to manage properties and provide a good lodging experience, they would be hesitant to charge a rate similar to that of internationally managed hotels (IH). Thus, it is important to understand brand perceptions from both operators' and guests' perspectives.

Based on the research gaps identified in the literature, we surveyed both hotel operators and guests to investigate brand performance of Chinese domestic and international hotels based on perceptions of operators as well as domestic and foreign guests. A comparison was made between operators and guests, and between guests of different cultural backgrounds. Specifically, the objectives of the study were to identify (1) hotel operators' perceptions of their own property's brand-related performance, (2) hotel guests' evaluations of brand-related performance of the hotel they stayed at, and (3) differences in hotel operators', domestic guests', and foreign guests' perceptions of the respective hotels they evaluated.

Methodology

Most established IH in China are upscale properties, either formally rated by the China National Tourism Administration as four- or five-star hotels or non-rated by choice but having equivalent qualities of four- or five-star properties. The economy segment of the hotel industry only emerged recently in the Chinese market and so has very few IH brands; thus, the focus of this study was on upscale hotel brands at the four- or five-star level.

We conducted two focus group interviews – one with domestic travellers and one with foreign travellers – as part of the guest questionnaire development process. Based on the results of the focus group interviews, and a review of the branding literature, we developed a questionnaire containing multiple items for each of the following constructs: brand choice intention, brand loyalty, brand quality, brand awareness, brand image, management trust, and brand reliability. We customised the guest questionnaire for each hotel to include its name so that the evaluation was specifically about that property. We developed the questionnaire in English and translated it into simplified Chinese using the translation-back-translation procedure. A previous study tested the reliability and validity of the brand-equity measurement used in the guest survey (Hsu, Oh, & Assaf, 2012) and concluded its validity across gender, country of origin, and past brand experience. The operator questionnaire was shorter and included 18 selected brand performance measurement items used in the guest questionnaire. We asked the operator of each hotel to evaluate their own brand.

A convenience sampling approach was used for the study with some safeguards to alleviate sampling bias installed. Efforts were made to include properties from both well-developed, first-tier coastal cities as well as less developed second- and third-tier inland cities. Corporate and regional offices were asked to nominate up to two properties under each brand to participate in the study so that as many different brands could be represented as possible. We contacted five major CH corporate offices, two regional offices of large IH corporations, ten hotel property-level senior managers, and the International Branded Hotels Shanghai for their support of the project. The effort resulted in the agreement of participation from thirty-two properties. We sent a set of questionnaires (one Chinese and one English operator questionnaires, and thirty English and thirty Chinese guest questionnaires), a survey instruction, a cover letter, and forty-five small gifts to those thirty-two properties. We instructed the operators to complete the operator questionnaire using the language version of their choice, to pre-identify twenty domestic and twenty foreign guests based on check-in records, and to hand the appropriate language version of the questionnaire to those guests the night before their departure. The front office staff distributed the questionnaire in an envelope and we asked the guests to seal the completed questionnaire in the return envelope and to hand it to the front desk. We asked the operators to continue distributing the questionnaires in the same manner until at least twenty domestic and twenty foreign guests had completed the survey. The operators returned the completed guest and operator questionnaires by mail.

Results

Of the thirty-two hotels that agreed to participate, twenty-nine returned completed questionnaires as instructed. The twenty-nine hotels were from twelve major Chinese cities; eleven of them were CH while the other eighteen were IH. The higher number of IH was due to the participation of an international hotel group that provided eight properties under five different brands. This group uses a multi-brand strategy where the different brands have no clear association with each other. All operator questionnaires returned from IH were in English, whereas all except one of the operator questionnaires returned from CH were in Chinese. The chosen language could be an indication of respondents' culture affiliation as many acculturation measurements (e.g., Suinn, Ahuna, & Khoo, 1992, Lerman, Maldonado, & Luna, 2009) include language choices as a main indicator. Thus, results showed a clear phenomenon that IH are mainly managed by non-Chinese and CH are mainly managed by Chinese. This was supported by Sun's (2011) observation that the majority of IH still assign top management positions in Asia to expatriates.

Table 2 shows the customer sample distribution. While the total numbers of domestic (n = 656) and foreign (n = 690) travellers are similar, Chinese hotels collected more questionnaires from Chinese travellers and foreign hotel brands collected more questionnaires from foreign guests. Feedback from operators indicated that the responses reflect the guest composition of their respective hotels. The majority of

Table 2: Study sample

Brand affiliation	Domestic Chinese traveller	Inbound foreign traveller	Total sample
Domestic brands: 11	318	254	572
Foreign brands: 18	338	436	774
Total sample: 29	656	690	1 346

respondents were male (63.4%), between 26 and 45 years old (68.5%), and well educated (42.2% with graduate degrees). Moreover, 72.0% were travelling on business for the current trip. The majority (72.3%) had stayed with the brand before and 56.3% had stayed in this particular property before.

Operators vs. guests

To compare differences between operators and guests, the 18 common items from the two sets of questionnaires were used. Due to the small sample size of the operator survey, a non-parametric, Kruskal-Wallis test was used to identify differences in perceptions among the operators and two groups of hotel guests (i.e., foreign and Chinese guests). For questionnaires filled out by operators of IH and guests who stayed at IH, out of the eighteen items assessing the various brand-related concepts, fourteen showed significant differences among the groups (Table 3) with 7 highly significant ($p < 0.01$). For questionnaires completed by operators of CH and guests who stayed at CH, only two of the eighteen items showed significant differences at the 0.05 level among the groups (Table 4).

For IH, operators rated all brand-related items more positively than foreign and Chinese guests. In other words, the operators were very positive about their guests' satisfaction, hotel choice intention, quality perception, brand awareness, trust in management, and product reliability. Operators also made the highest estimate – 10% higher than foreign guests and 114% higher than domestic guests – in terms of the maximum room rate that guests would be willing to pay the next time for a room at their hotel.

For CH, operators' and guests' perceptions were similar for almost all items. Operators' views were similar to those of the guests in terms of their satisfaction, hotel choice intention, quality perception, brand awareness, trust in management, and product reliability. For items without significant differences, many of the operators' mean ratings were actually slightly lower than those of the guests, showing that CH managers had been quite conservative in estimating their brand performance and guests' perceptions. Both foreign and Chinese guests rated the hotels' quality higher than the operators did. In terms of price, foreign guests staying in CH reported the highest willingness to pay for a room at the hotel. It is interesting that guests were willing to pay more than the operators' estimate of the guests' willingness to pay, with foreign guests willing to pay 42% more and Chinese guests willing to pay 8% more.

Domestic vs. international brands and guests

The model structure developed by Hsu, Oh, and Assaf (2012) was adopted in this study to investigate differences between domestic and international brands and guests. The means and standard deviations of the brand-related constructs (average of the measurements under each construct) for CH and IH are provided in Table 5, along with *t*-test results. The two groups of hotels only showed significant differences in two constructs: brand choice intention and brand loyalty. In both cases, domestic brands received higher ratings by their guests than did international brands. However, considering

Table 3: Assessment of brand performance for internationally branded hotels

Item: Operator survey (Guest survey)	Operator (n = 18)	Foreign guests (n = 436)	Chinese guests (n = 338)	Chi-square
My guests are (I am) satisfied with my (XX) hotel.	6.28	5.84	5.55	22.544***
My guests (I) will recommend my (XX) hotel to others travelling to this city.	6.00	5.87	5.44	26.704***
Even if another hotel offers the same features as mine (XX), travellers (I) would prefer to stay at my (XX) hotel.	5.89	5.25	5.13	6.424*
Travellers always consider my (XX) hotel a superior choice to other rival hotels.	5.89	4.85	4.99	15.052**
My (XX) hotel is travellers' (my) favourite brand of all competing hotel brands.	5.50	4.73	4.85	7.232*
My (XX) hotel offers an excellent guest experience.	6.00	5.71	5.30	8.688*
My (XX) hotel is regarded as a leader in quality.	6.06	5.27	5.21	26.298***
Travellers (I) know what my (XX) hotel looks like.	5.67	5.37	5.28	n.s.
Travellers (I can) easily recognise my (XX) hotel among other competing hotels.	5.78	5.14	5.30	n.s.
Travellers (I) trust my (the XX) hotel's management.	6.39	5.59	5.40	17.035***
My (XX) hotel implements good management practices other hotels can learn.	6.11	5.39	5.21	11.799**
My guests (I) feel safe and secure when staying at my (XX) hotel.	6.72	5.93	5.48	52.855***
Travellers (I) trust my (XX) employees to have high cultural awareness to help all guests feel comfortable.	6.17	6.71	5.38	21.639***
Travellers (I) trust my (XX) hotel's ability to properly serve guests from different cultures.	6.17	5.64	5.39	16.996***
My (XX) hotel is prepared to serve all guests who speak different languages.	5.89	5.44	5.26	7.450*
Staying at my (XX) hotel is expensive.	3.83	4.51	4.38	n.s.
My (This) hotel is economical.	3.89	3.89	4.05	n.s.
What do you think is the **maximum amount** your typical guests (you) would be willing to pay next time for a room at your (this) hotel before they (you) start evaluating alternative hotels? RMB	$1 422	$1 293	$666	8.552*

Note: 7 = Strongly agree, 1 = Strongly disagree; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; Chi-square values based on mean ranks of three groups.

the large sample sizes of both groups and the significance level at 0.5, the statistically significant differences may not be practically significant. That is, the performances of domestic and international brands are in reality very similar.

As first-time and repeat brand users often have different perceptions of the operations' performance, *t*-tests were conducted using guest status (i.e., first-time vs. repeat) as the grouping variable and brand equity components and choice intention as the dependent variable. Results showed significant differences for all variables. To further test if the findings hold for both domestic and foreign guests, separate *t*-tests were conducted using the same grouping and dependent variables. Table 6 shows the *t*-test results. Repeat brand users, both domestic and international, rated all brand performance measurements significantly higher than first-time users.

To test perception differences among foreign and domestic travellers who stayed in IH and CH, we carried out a MANOVA. Scheffe's tests were used as the post hoc procedure to further investigate group mean differences. The results showed significant differences among the four groups of respondents in three of the seven constructs. Table 7 presents the statistical results of MANOVA and the follow-up Scheffe's tests. Figure 2 illustrates the differences graphically. The three constructs that showed significant differences are brand loyalty, management trust, and brand reliability. The main difference for brand loyalty is between domestic guests staying in IH and foreign guests staying in CH. Foreign guests showed a stronger intention of choosing the same domestic brand in the future.

With regard to management trust and brand reliability, foreign guests staying in IH had the highest ratings compared

Table 4: Assessment of brand performance for domestically branded hotels

Item (Operator survey / Guest survey)	Operator (n = 11)	Foreign guests (n = 318)	Chinese guests (n = 254)	Chi-square
My guests are (I am) satisfied with my (XX) hotel.	5.45	5.44	5.47	n.s.
My guests (I) will recommend my (XX) hotel to others travelling to this city.	5.27	5.58	5.45	n.s.
Even if another hotel offers the same features as mine (XX), travellers (I) would prefer to stay at my (XX) hotel.	4.55	5.21	5.23	n.s.
Travellers always consider my (XX) hotel a superior choice to other rival hotels.	4.91	5.10	5.06	n.s.
My (XX) hotel is travellers' (my) favourite brand of all competing hotel brands.	4.64	4.97	4.96	n.s.
My (XX) hotel offers an excellent guest experience.	4.64	5.54	5.32	n.s.
My (XX) hotel is regarded as a leader in quality.	4.82	5.25	5.21	7.691*
Travellers (I) know what my (XX) hotel looks like.	5.09	5.02	5.14	n.s.
Travellers (I can) easily recognise my (XX) hotel among other competing hotels.	5.45	4.97	5.21	n.s.
Travellers (I) trust my (the XX) hotel's management.	5.27	5.39	5.32	n.s.
My (XX) hotel implements good management practices other hotels can learn.	5.55	5.29	5.21	n.s.
My guests (I) feel safe and secure when staying at my (XX) hotel.	5.91	5.64	5.50	n.s.
Travellers (I) trust my (XX) employees to have high cultural awareness to help all guests feel comfortable.	5.00	5.52	5.3	n.s.
Travellers (I) trust my (XX) hotel's ability to properly serve guests from different cultures.	5.27	5.41	5.33	n.s.
My (XX) hotel is prepared to serve all guests who speak different languages.	4.73	5.33	5.13	n.s.
Staying at my (XX) hotel is expensive.	3.45	4.40	4.07	n.s.
My (This) hotel is economical.	5.64	4.63	4.68	n.s.
What do you think is the **maximum amount** your typical guests (you) would be willing to pay next time for a room at your (this) hotel before they (you) start evaluating alternative hotels? RMB	\$812	\$1 156	\$875	9.532**

Note: 7 = Strongly agree, 1 = Strongly disagree; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; Chi-square values based on mean rank of three groups

Table 5: Relative performance between domestic and international brands

	Domestic brand (n = 572)		International brand (n = 774)		*t*-value
	Mean	SD	Mean	SD	
Brand choice intention	5.06	1.15	4.89	1.19	–2.56*
Brand loyalty	5.09	1.18	4.92	1.26	–2.51*
Brand quality	5.29	1.02	5.34	1.11	0.86
Brand awareness	5.05	1.24	5.11	1.20	0.64
Brand image	5.08	1.09	5.04	1.09	–0.66
Management trust	5.32	1.07	5.41	1.08	1.59
Brand reliability	5.32	1.04	5.37	1.07	0.85

*$p < 0.05$; Scale: 7 = Strongly agree, 1 = Strongly disagree

to Chinese guests, regardless of where they stayed. Domestic travellers perceived both IH and CH as deserving of similar levels of trust in management, whereas foreign travellers rated IH much higher on this measurement. While foreign travellers also rated IHs' reliability higher than CHs', domestic travellers rated the opposite; that is, they perceived CH as more reliable than IH. A look back at the transcripts from the focus group with foreign travellers revealed participants' comments that it is especially important for them to be able to trust the hotel management to solve problems for them and to receive reliable service in an unfamiliar environment. Because they are more familiar with international brands, they tend to trust IH management's ability and evaluate IH's reliability favourably.

When looking at all ratings, another interesting observation emerged; namely, Chinese respondents consistently rated all items lower than foreign respondents. This could be a result of Chinese culture's modesty and conservative orientation, which caused respondents to shy away from the extremely high or low ratings. As a result, positive evaluation appears to be less positive and negative evaluation appears to be less negative. Matilla (2000) reported a similar phenomenon that Asian travellers gave significantly lower ratings to the service provider in both the hotel and finding settings. One can also argue that Chinese

Table 6: Relative performance between first-time and repeat guests

	Domestic guests (n = 665)					Foreign guests (n = 695)				
	First-time		Repeat		t-value	First-time		Repeat		t-value
	Mean	SD	Mean	SD		Mean	SD	Mean	SD	
Brand choice intention	4.57	1.22	5.14	1.11	5.60***	4.71	1.13	5.10	1.16	4.04***
Brand loyalty	4.65	1.26	5.14	1.18	4.56***	4.82	1.22	5.30	1.16	4.91***
Brand quality	4.97	1.06	5.36	1.01	4.30***	5.19	1.14	5.51	1.02	3.70***
Brand awareness	4.69	1.30	5.42	1.16	6.85***	4.60	1.44	5.38	1.28	6.67***
Brand image	4.74	1.06	5.20	1.02	5.00***	4.74	1.19	5.16	1.06	4.64***
Management trust	4.96	1.07	5.40	1.10	4.46***	5.22	1.01	5.57	1.04	4.01***
Brand reliability	4.75	1.07	5.28	1.09	5.39***	5.08	1.05	5.46	1.07	4.29***

*$p < 0.05$; Scale: 7 = Strongly agree, 1 = Strongly disagree

Table 7: Brand performance perceived by various groups of guests

Brand equity measurement	International brand		Domestic brand		F value	P value
	Foreign guests (n = 436)	Chinese guests (n = 338)	Foreign guests (n = 254)	Chinese guests (n = 318)		
Brand choice intention	4.87	4.92	5.10	5.02	2.563	0.053
Brand loyalty	4.98	4.85[a]	5.18[a]	5.02	3.637	0.012
Brand quality	5.41	5.25	5.33	5.25	1.859	0.135
Brand awareness	5.12	5.11	5.00	5.10	0.543	0.653
Brand image	5.00	5.08	5.09	5.07	0.483	0.694
Management trust	5.52[a,b]	5.26[a]	5.37	5.27[b]	4.888	0.002
Brand reliability	5.52[a,b]	5.19[a]	5.39	5.27[b]	7.338	0.000

Note: Means in the same row followed by the same subscript are significantly different at the $p < 0.05$ level
Scale: 7 = Strongly agree, 1 = Strongly disagree; Wilks' lambda = 0.986, F = 2.775, p = 0.000

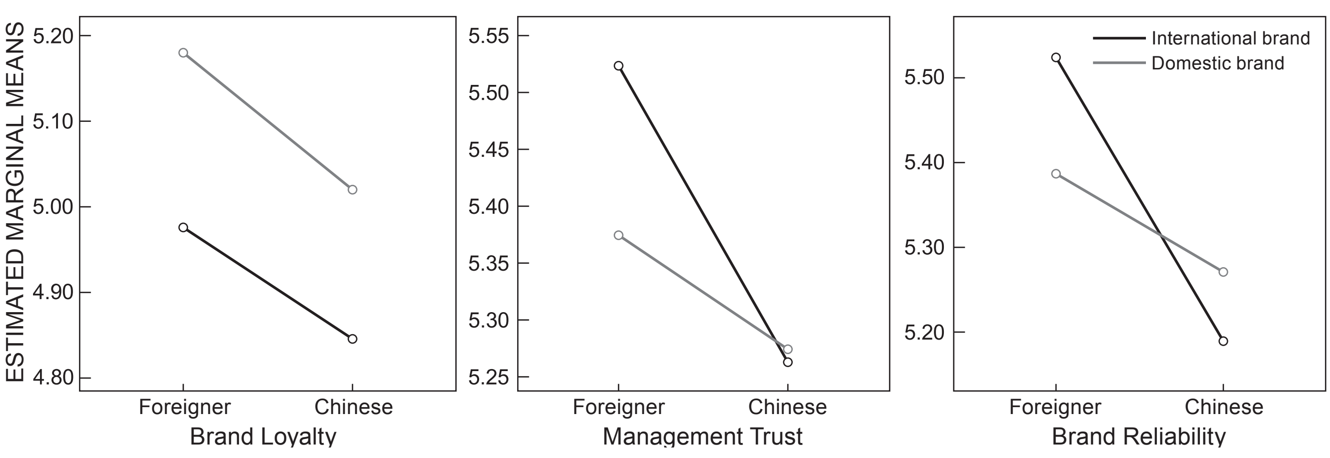

Figure 2: Brand performance differences between domestic and international hotels as rated by foreign and Chinese travellers

consumers are more demanding and have higher expectations; thus, their ratings of the performance were generally lower.

Discussion and conclusions

This study was designed to identify hotel operators' and guests' evaluations of the hotels' brand performance. The uniqueness and contribution of this study lie in its research design, where both operators and guests completed the questionnaires, thus we gained perspectives from both the service providers and customers. Although the sample size of operators was small due to logistical reasons, a direct comparison of these two populations based on the same measurement items has rarely been reported. Guests completed the survey in the hotels prior to their departure, and we customised the questions for guests to evaluate the particular property where they were staying. The results should be more reliable and precise than a generic questionnaire assessing the overall impression of a class of brands or using a fictitious brand. The sample also included both domestic and foreign guests staying in both IH and CH properties. The cross-cultural comparison responded to the call for further investigation of hotel branding from cross-cultural perspectives. Results showed that consumers of different cultural backgrounds do perceive brand projections differently, which echoed claims by most behavioural theories that consumers' perceptions are dependent on their cultural background.

Managers at IH were optimistic in their estimate of guests' perception of their brand and management performance. This may have influenced their pricing strategy of charging higher rates for the well-recognised brands and the expectation of having a positive experience at these brands of hotels. On the other hand, domestic operators' perceptions were more in line with or slightly below those of their guests, which may have also influenced their pricing strategy of charging what they conservatively estimated as the brand value and experience.

Surprisingly, CH received higher guest ratings on brand choice intention and brand loyalty, while receiving similar ratings on all other brand-related measurements. This was contrary to the common assumption that hotel owners are willing to pay for the hefty management fees for the use of IH names due to the brands' greater ability to instill trust in customers and the superior brand equity accumulated. Results of the study provided evidence against the traditional assumption that IH brands have advantage over CH brands in the various components of brand equity, thus they are able to charge higher rates and maintain their occupancy. In fact, guests rated IH and CH quite similarly and this supports one of the propositions raised earlier in this paper. That is, if domestic hotel operators were less confident in their ability to manage properties and provide good lodging experience, they would be hesitant to charge a rate similar to that of IH. On the other hand, IH operators rated their brand performance significantly higher than their customers did. This high self assessment may have resulted in higher room rates, which could contribute to better financial performance.

Due to historical reasons and the late start of the hotel industry in China, CH management professionals were less competent and less experienced. However, due to the rapid growth of the industry, Chinese hotel operators have gained management know-how through various means and many of them are now just as competent as, if not more so than, foreign managers (Sun, 2010). However, they still appear to be more conservative about their perception of guests' evaluation of their management and brand quality. Apart from the influence of a culture where conservatism and modesty are valued, this could be a result of Chinese conventional thinking that experts are from afar, based on a Chinese saying "monks from faraway places know how to chant better". Times have changed though. Guests' evaluation of domestic managers' and hotels' brand-related performance indicated that they are, for the most part, on a par with their foreign counterparts. They should gradually remove their self-inflicted "inferiority complex" by gaining more confidence. Because consumers' perceptions of CH brands are actually favourable, the lower ADR could be a result of poor distribution and/or revenue management. Thus, we encourage domestic hotel operators to review their distribution channel and revenue management strategies in order to enhance their financial performance. The increase of rates takes time and a collective effort. That is, if only a small number of CH increases their rates, they are likely to lose their market share to similar CH properties that offer lower rates. Relevant government offices, such as the tourism bureau, or trade associations could take the lead in educating CH operators and developing sector-wide pricing strategies.

For IH, managers should be aware of the guests' perception and satisfaction. Those who stayed at CH were similarly satisfied with their experience and perceived the brand performance just as well as those who stayed at IH. IH managers may argue that the relatively high ratings of the CH were based on guests' price-value perception; that is, domestic brands charged a much lower rate, thus guests were more generous in assigning high marks. However, IH managers should not take their lead in financial performance for granted. As time moves on, the maturity of the industry and domestic management talent will warrant higher room rates at CH. IH should strive to improve their brand performance so that their competitive advantage can be sustained. Specifically, efforts should be made to enhance guests' perception of brand image and awareness, which were the two lowest rated components impacting brand loyalty and choice intention. Based on the brand performance measurement items, activities that would enhance the prestige of the brand, affiliating the brand with sophisticated guests, and endeavours to make guests feel special are ways to enhance brand image. Communicating with guests and potential guests about the uniqueness of the brand as well as prominently showing the images and feels of the properties and logos could build brand awareness.

The higher ratings of all brand equity components and choice intention among repeat customers could be a result of the fact that they were happy with their prior experience and thus the repeat purchase. Those who had poor experience or did not have a high opinion about the brand would not have become repeat customers. It may also take more than one stay to fully develop their comprehension and appreciation of the various brand equity components. The findings reinforce the importance of retaining customers and building relationship with existing customers.

Of the brand performance components, significant differences were found on brand quality, trust in management, and reliability among the sub-samples. Compared to foreign respondents, Chinese guests rated these components lower for both IH and CH. Even though culture may partially explain the rating differences, the lower ratings would have implications for marketing and operational strategies targeting the two different populations. For example, both hotel groups need to more expressively communicate with Chinese guests for them to feel that they can trust the management in offering quality services and solving problems when they arise. Foreign guests also rated these two components lower for CH, which presents room for improvement. The focus group interview transcripts further indicated that the English speaking ability of CH employees influences their assessment of the hotels' ability to solve problems for them. Therefore, having foreign language proficient staff would be important for CH to enhance their brand performance. The high brand loyalty among foreign guests toward CH should be particularly noted by operators. Efforts to maintain the loyalty should be a top priority, which will help further expand the business from this market segment.

Results of this study may have some implications for hoteliers in other emerging countries, based on perception differences between domestic and foreign guests as well as on domestic and international hotel brands. Strategies discussed above could serve as a reference for hotel operators in those countries. However, each country has a different hotel development pattern, especially domestic hotel brands, and the dynamics and market positioning among hotels of various country origins could be different. Thus, care should be taken when adopting the strategies suggested based on data collected in China.

The analysis used in this study was descriptive, rather than predictive, in nature. The financial performance differences between IH and their domestic counterparts could be a result of many factors. However, this study only examined hotel operators' and guests' perceptions of various brand-related performance indicators. The small sample size of hotel operators is also a limitation of this study, which prevented the investigation of any differences in perception between managers of different culture background working for the same brand type (i.e. IH or CH). Due to the concentration of non-Chinese managers in IHs and Chinese managers in CHs, to make meaningful comparisons, the total operator sample size would need to be substantial to have sufficient Chinese managers from IHs and non-Chinese managers from CHs. Future research could further investigate both the market environment and operational characteristics in detail to explain the causes of financial performance gaps between these two groups of hotels in China. Other areas that deserve future research attention include the reasons of rating differences between Chinese and foreign respondents and why non-Chinese guests generally reported a higher brand loyalty level regardless of the hotel type. Future analysis could also control the room rate when examining ratings on various brand-related constructs to remove the possible effect of the price-value judgment.

Acknowledgement — The work described in this paper was supported by a grant from The Hong Kong Polytechnic University (Project No. 8-ZH74).

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