

# BRANDING AND BRAND EQUITY IN THE HOSPITALITY INDUSTRY IN ROMANIA

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## Abstract

*In the faced-paced world of the 21st century, with unique new inventions around every corner in the hospitality industry, something always must stand out, be different, be an eye-catcher. Words like branding and brand equity are important - what makes something the way it truly is, what draws customers to a particular place or product, especially after the pandemic that has changed the entire industry. To explore these concepts in depth, a quantitative study was conducted, a survey to be precise, and the results that emerged are quite captivating. With just one name in mind (the brand name), potential customers were able to visualize what a hotel looks like, what the atmosphere is like and how they would feel if they stayed at that particular hotel. Branding and brand equity are very important in the hospitality industry as they influence staff opinion, brand loyalty and willingness to pay more for a particular hotel brand, thus increasing sales and therefore profits. A strong brand can set a hotel apart from its competitors, encourage customer loyalty and create a sense of trust among customers. To gain a competitive advantage, hotels in the Romanian market need to use branding and brand equity to their advantage.*

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## 1. Introduction

The value of branding and brand equity has significantly risen in the hospitality industry during the current highly competitive and dynamic business environment. Effective branding has become a critical strategic tool as the industry strives to create memorable experiences and establish long- lasting bonds with its customers, known as guests. People are drawn to uniqueness, to something special, to something that stands out from the rest. People generally like to experiment with things that excite them and ultimately make them realize what really matters and what makes them loyal. And that something is two concepts - branding and brand equity.

The hospitality sector includes a variety of businesses that host, food, transportation, and entertaining. Each sector offers a unique range of products and services while including a wide range of industries. It is vital to remember that although they are distinct from one another, they frequently overlap and cooperate to produce a single, all-encompassing hospitality experience. The hospitality industry is a great source of employment globally. It offers a great variety of jobs and opportunities, including teachers in the domain, consultants, travel agents, hotel managers, front desk staff, concierge, chefs, waitstaff, housekeeping, and even event planners, for people with zero experience, and the highly qualified ones (Kurtz, 2022). With the help of good communication, their values, promises made, and experiences, hospitality brands can rapidly increase customer retention, enhance market positioning, and moreover, drive business growth, which ultimately increases profit.

Although branding and brand equity have been extensively studied in the literature, there is a lack of research that focuses on how customers react to branding elements, especially the hotel name, and how these perceptions influence their decision-making process. This study aims to address this specific gap by investigating how the brand name of La Castel Hotel in Iasi, Romania, shapes consumers' perceptions and influences their booking decisions. Therefore, the aim of this work is to analyze the intricacies of branding and how they can influence brand equity in the context of the hospitality industry

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in the Romanian market, especially after the Covid-19 pandemic, which is spreading rapidly from the beginning of 2020.

In addition to the introduction, this paper is divided into four sections: introduction, literature review, methodology, results and conclusions, limitations and future directions. The section labeled literature review discusses key concepts such as branding, brand equity, and the role of branding in the hospitality industry. The next section describes the research methodology, including the design and implementation of the survey conducted for this study, and the survey results section analyzes how the name "La Castel Hotel" influences customer perceptions. Finally, the conclusion summarizes the findings, discusses their implications, and suggests directions for future research.

## **2. Literature review**

This section is about understanding the concepts of branding and brand equity and hospitality, which cannot be simply defined in one word as they have many definitions and meanings. They can be considered subjective and related to the perception of tourists. The main objective of the industry is to provide services to customers or guests; in this context, service is the "product" of the hospitality industry. The way in which these two concepts, so similar but also different, are linked and form a whole in the hospitality industry is a perspective that needs to be understood.

### *2.1 The Concept of Branding*

Elon Musk, the CEO of Tesla and SpaceX, defined the brand as a perception that becomes a reality over time (Air, 2017). Branding is a powerful tool that companies can use to distinguish their goods and services in the minds of customers (Liu et al., 2017). Furthermore, attitudes are not innate but acquired through the process of social learning; they cannot be observed but only inferred. They are formed over years or months, not quite instantly, but when they are recognized, they become permanent. A brand that already has well-established branding cannot be forgotten over time, so customers become more attached to the product and see the brand and the product as a unit.

Attitudes are responsible for a relatively stable and constant product or brand and communication, such as advertising campaigns, usually try to adapt the product to the existing attitudes rather than the newer ones (Nafees et al., 2021). The actual concept of the word "brand", by itself, as a noun comes from the Germanic language and means "to burn", as stated in the Oxford Dictionary 2019 (Belk, 2021). Branding strategies can help hospitality businesses differentiate themselves from their competitors and establish a unique identity in the minds of consumers. This concept can lead to greater customer loyalty and higher profitability (Rather, 2017).

### *2.2 The Concept of Brand Equity*

The secret recipe that shows customers and the world the greatest brands and sets them apart from the competition is brand equity. The term "brand equity" has been used to refer to the actual "value" of a brand. However, the definition of the term, both generally and specifically in the hotel sector, is not so clear and easy to describe. This ambiguity shows that there is no one-size-fits-all theory for hotel brand equity. In practice, nuances in meaning could complicate the successful application of branding tactics. The meaning of hotel brand equity in the literature and the definitions used by consultants in the hotel industry vary widely. Each can provide a draft meaning for a hotel's brand equity. This is the first step in developing a hypothesis about a hotel's brand equity (Bailey and Ball, 2006). Therefore, people might judge the way brand equity is defined differently, but still they might all end up with a similar meaning, it means the same thing, just in different words.

The brand metrics are consideration, association, and awareness, customer satisfaction, perception, salience, loyalty, net promoter score (Marketing Evolution, 2021). For example, a luxury brand like Louis Vuitton, which has a high brand equity because its customers associate it with quality, luxury and style. There are several factors that contribute to creating and building brand equity, including brand awareness, brand loyalty, perceived quality, brand associations, and the strength of the brand's reputation (Amin, 2023). Even if that brand fluctuates in the quality of its products, changes its style, changes its CEO or designer, the brand remains the same because of the power of brand equity.

### *2.3 Presentation of Branding in the Hospitality Industry*

A brand consists of more than just a name or a logo. It encompasses everything from the character and values of the hotel to the opinions, ideas and experiences of the customers themselves. It embodies who you are, what you stand for and how you want to be perceived by your audience. That is why it is so important to invest in your hotel's branding, because it the most important thing for the hotel. The customer experience goes beyond the walls of the accommodation and plays a crucial role in ongoing communication with staff. While a skillfully built social media presence helps cover all bases, make sure that the main objective of any initiative you take is to satisfy customers and entice them to continue doing business with your company (Dev, 2012).

Consistent, considerate and personalized brand messages will strengthen the relationship with customers. Developing a brand strategy with this goal in mind is critical because in the hospitality industry, increasing brand loyalty can mean the difference between winning or losing guest approval, or in technical terms, good or bad feedback. At the beginning of business strategy was marketing, and branding was one of its most important components. In today's hospitality industry, the brand is the engine of marketing. It is now not only the most widely used strategy to attract customers, but also the most common organizing principle of most hospitality businesses. The unrelenting mission as part of the entire industry pursues numerous directions, all driven by the superiority of the brand itself (Dev, 2012).

### **3. Methodology**

This paper is based on quantitative research, more precisely on a survey. The aim of the study was to find out how customers react to branding and how it influences their decisions when booking a hotel. This survey sheds light on whether people choose the hotels they do because of their name or because of their facilities and whether an unbranded hotel is comparable to a franchised hotel. The questionnaire contained questions on these topics. The last questions also aim to show the researcher how customers see the hotel when they only know the name, the part of the brand which is usually one of the most important, and how their emotions contribute to the brand image. The survey is aimed at people from Romania and other countries, from different age groups and social classes.

The questionnaire was distributed online for about a month in 2023. In the second quarter of the year, the link was posted on several social media platforms and forwarded to numerous WhatsApp groups and private messages. The questionnaire was written and distributed in English, as the main objective is to reach several countries and gather opinions from a wide range of potential customers who come from different backgrounds and are not all Romanians or living in Romania. However, all respondents speak English very well and this was not seen as a problem or limitation of the survey. In addition, the first question asked for the consent of the respondents so that the information they provided could be used to create this research. If a respondent had pressed "No", the survey would have ended immediately and they would not have been able to continue to the next questions. This option was chosen to ensure that all participants agreed to their results being used in this study.

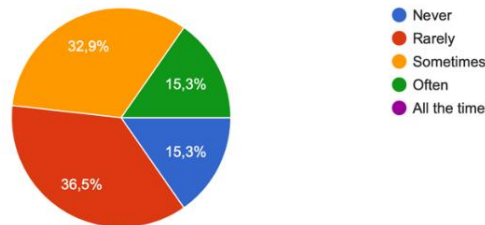
### **4. Results**

Out of the 85 respondents, 29.4% were male and 70.6% female. Although they had the option of not indicating their gender, all preferred to indicate their gender. The female gender is more than twice as willing to participate in this survey as the male gender. The majority of the sample comes from the Gen Z group (1997 to 2012) and is between 18 and 25 years old, which is 70.6% of the 85 participants. Millennials (1981-1996) make up the second category at 10.6%. The remaining age groups together make up around 18%. The main segment of this survey is the younger generation, with people between the ages of 18 and 30, although people over 30 are also willing to participate in this survey, and a few under 18.

Additionally, 83.5% of respondents live in the urban area and only 16.5% living in the rural area. These two categories are important for this survey as they are able to travel and book hotels. The majority are employed (56.5%), the second category are still studying (35.3%), the third category are unemployed (7.1%) and the lowest category are pensioners. Most of the respondents therefore have a salary and can afford to book hotels and other accommodation. Those who are students most likely either have a

scholarship, a part-time job or have an allowance from their parents. The majority of respondents have an income of less than 3,500 lei and about 33% of the 85 participants have no income, although it is clear from the previous questions that they are students. About 30% of the participants have an income between 3,501 and even over 6,500 lei, so they can afford to travel and book a hotel.

How often do you book hotels?  
85 de răspunsuri

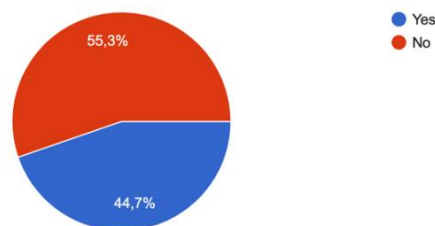


**Figure 1. The frequency of booking hotels**

*Source: Author's survey*

Figure 1 shows that around 15% of respondents do not book hotels at all, 35% rarely, almost 33% sometimes and around 15% frequently book hotels. These percentages may be explained by the fact that the survey was conducted shortly after the end of the pandemic and a large proportion of respondents had a rather low income. It is also possible that some of them go to hotels but do not book them themselves because they are still students or traveling with other family members who could take care of the booking.

Have you ever chosen to book a hotel JUST because it was a known brand/franchise (e.g., Sheraton, Hilton, Holiday Inn)?  
85 de răspunsuri

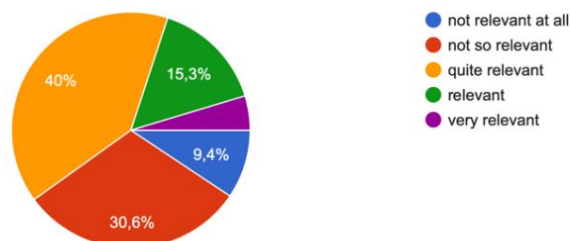


**Figure 2. Willingness to book a hotel with a known brand**

*Source: Author's survey*

Figure 2 depicts the willingness to book a hotel simply because it is a hotel of a well-known brand. The sample is split almost in half, with the golden proportion being “no”. This shows that people are willing to try something new, something local, and not just go to a hotel or accommodation from a major industry.

How relevant is a hotel's brand to you?  
85 de răspunsuri



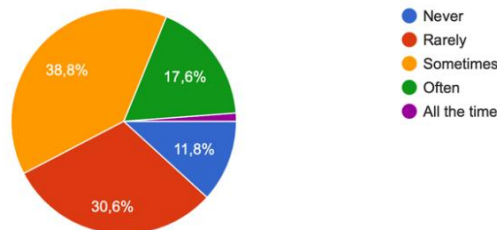
**Figure 3. The relevancy of a brand for a hotel**

*Source: Author's survey*

Figure 3 shows that most people consider the hotel brand to be “quite relevant”. The smallest percentage of respondents indicated that they do not care and answered “not so relevant”; this shows the change in mentality; tourists are starting to want to experience the local ambience. A very small percentage said it was “very relevant” and around 15% said it was “important”. Around 60% of respondents therefore consider the brand of a hotel to be an important element in their decision to book or visit a hotel.

When you search up a hotel, and you check the names, do you often choose the hotel names that you have already tried before, hence a franchise?

85 de răspunsuri



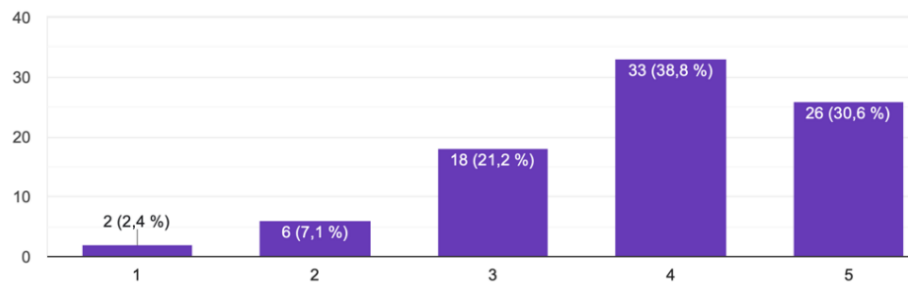
**Figure 4. Choosing a hotel based on its franchise brand**

*Source: Author's survey*

Figure 4 shows that 38.8% of respondents selected “sometimes” and 30.6% “rarely”. This shows that most people don't care or don't care much whether the hotel is a franchise or not. To prove our theory, the lowest percentage is to be found among those who “all the time” chose, i.e. people are no longer so strongly influenced by the brand name.

How would you rate your willingness to try hotels that are local? (1-being the lowest, 5-highest)

85 de răspunsuri



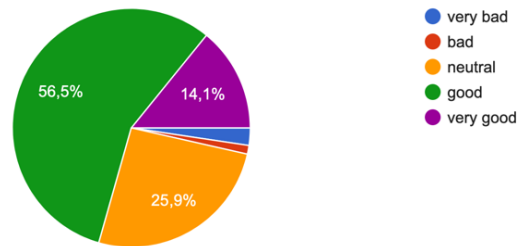
**Figure 5. Willingness to try local hotels**

*Source: Author's survey*

Figure 5 presents the willingness to try out local hotels. To confirm what was already found out in the previous questions, most respondents were willing to try local hotels. Twenty-six out of 85 people answered with the highest willingness and thirty-three with the second highest willingness to try hotels that are considered local. On the other hand, only two people were not willing to try local hotels, eighteen were in the middle and six gave a second to lowest rating. This high willingness to try out local hotels can be explained by the fact that these hotels could offer a more authentic and even more sustainable experience compared to large hotels with well-known brands.

Figure 6 shows that more than 55% of respondents had a good experience and about 14% had a very good experience with a local hotel. On the other hand, only 25.9% had a neutral experience and the percentage of people who had a bad or very bad experience was very low. Respondents were also asked if they could name the hotels where they had a particular experience. The names for the good experiences were Star Hotel, Belvedere Predeal, Hotel International Sinaia, Hotel Boulevard Predeal and others not located in Romania. One respondent chose to stay in a sustainable facility, although the name was not mentioned. One respondent replied that he had had an unpleasant experience in a hotel abroad as his room was changed an hour after arrival.

What experiences (if any) have you had with a local hotel?  
85 de răspunsuri

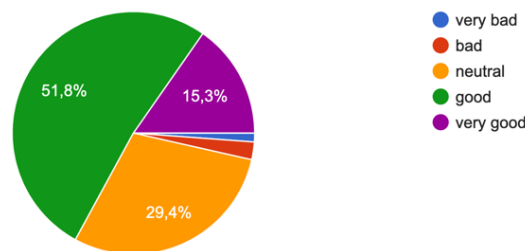


**Figure 6. Experiences with a local hotel**

*Source: Author's survey*

People answered whether their experience with a big brand was good or bad, as shown in Figure 7. The majority said it was 'good', 29.4% that it was 'neutral', and 15.3% 'very good'. It was also asked if they could name some of these hotels, and the Hilton had the most respondents with a good experience. Others chose Grand Hotel, Holiday Inn, Phoenicia, Sheraton and others. However, some said they had never experienced the luxury of the big brand hotels.

What experiences (if any) have you had with a big brand hotel?  
85 de răspunsuri



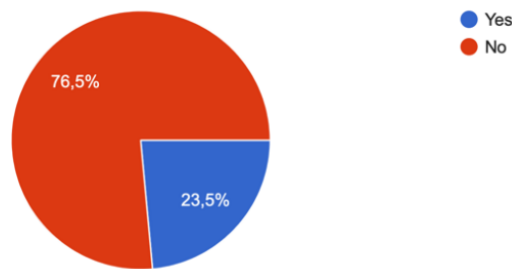
**Figure 7. Experiences with a big brand hotel**

*Source: Author's survey*

In the next questions, the questionnaire moves on to more specific questions that provide the researcher with more data about the respondents' view of "La Castel" (The Castle, translated from Romanian), a local hotel in Iasi, which was chosen as a case study for further analysis in this study. The first question of this type is an open question and it is: "If you search up hotels on the internet and see the name "La Castel", what do you expect it to look like? Would you choose to book a room there?". 53 out of 85 people responded. The answers were all pretty similar. They said that it should look medieval, like a castle, a big villa, old, luxurious and fancy. This shows that the name of the hotel plays an important role in the perception of the establishment. People pay attention to the branding and imagine what the establishment would look like even before they see it in reality. The hospitality experience is not something that can be experienced in reality, but with the right branding, people can imagine what vacationing in a particular establishment might look like, how they would feel, even before they set foot in the establishment.

Figure 8 shows the level of awareness of the hotel. Even if the vast majority do not know it, 23.5% have heard of it, i.e. almost a quarter. That is almost a quarter. It is good that a local hotel has such a low level of awareness even among our respondents from different regions of Romania and even from other countries.

Have you ever heard of the hotel “La Castel”, that is situated in Iasi?  
85 de răspunsuri



**Figure 8. The Awareness of “La Castel” hotel**

*Source: Author's survey*

Respondents were also asked if they would be willing to book a room at this hotel if they had this name in mind. Twenty-two were very willing and a large proportion were also willing, albeit to a lesser extent, and very few were not willing to book a room. The last question was about their feelings and how they would feel in such a hotel. Almost all agreed that they would enjoy their stay and that the “bohemian style” would be a big plus. Some stated that it depends on the factors and whether their opinion of the hotel without even seeing it, i.e. the branding, is true and their expectations are met.

## 5. Conclusions, limitations and future directions

This paper is defining the branding and the brand equity in the hospitality industry in Romania. Though, there has been much debate on the subject, currently branding and brand equity are the one of the best futuristic forms for marketing in the hospitality industry.

The results prove what the theory describes, namely that branding and brand equity play an important role in the development of a company, especially an accommodation business. With just the name in mind, potential customers can imagine what the hotel looks like, what the atmosphere is like and how they will feel when staying at this hotel. The hotel studied is “La Castel”, a local hotel in Iasi, one of the largest cities in the Moldavian part of Romania. This hotel was chosen because of its unique trademark, the name. The hotel looks like a castle, has an old bohemian esthetic and has green gardens and various event spaces. This study was conducted to investigate whether people are willing to try local hotels compared to big brand hotels. The participants in the questionnaire, the vast majority of whom had never heard of this hotel, were able to correctly match almost all of the characteristics when asked to associate the experience with the name. It was also found that people are gradually willing to try more local hotels, to the detriment of the big brand hotels.

Due to a lack of time and resources, only 85 respondents took part in the survey. The target market was people from all over the world, with a stronger focus on closer countries, e.g. European countries, and even locals to make them eligible as potential customers, although countries from other world regions such as Asia, the Middle East and the United States also took part in the survey with a small number of participants. All age groups and all types of people from different backgrounds, incomes and living areas (urban or rural) were included. Therefore, although surveys are an excellent way to capture people's opinions, there may be some limitations in terms of sample size, people's subjectivity and even their willingness to answer all questions sincerely for various reasons.

To conclude, this research has once again demonstrated the significance of branding and brand equity in the Romanian hotel industry. By understanding the principles of effective branding and brand equity and implementing appropriate strategies, hospitality businesses can create a strong brand identity, gain a competitive advantage and drive the success of their business in the fast-paced Romanian hotel industry.

Due to the wide range of expertise, a larger number of people could take part in the survey. Also, a comparison could be made between the hotel used in the study and a similar hotel in another city to see if respondents' experiences and responses vary by geographic region. A study focusing on this will

reveal the true understanding of branding and brand equity in the hospitality industry in the geographical region of Romania.

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