

**An Exploratory Study into the Luxury Services SME Sector-  
the impact of brand equity on performance during an  
economic uncertainty**

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## DECLARATION

### TO WHOM IT MAY CONCERN

The work of this dissertation ‘a study into the luxury services sme sector- the impact of brand equity on performance during an economic uncertainty’ represents the research carried out by Susan Berrigan under the supervision of Suzanne Ryan and does not include work by any other party, with acknowledged exception

Signed

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Susan Berrigan

**DEDICATION**

**TO MY FAMILY AND FRIENDS**

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## ABSTRACT

Branding has evolved over recent decades from being just a name to differentiate products and services to taking on new roles such as a relationship builder and a strategic asset used in planning and budgets (Aaker, 1991, 1996, 2002, Berry, 2000, De Chernatony & McDonald, 2003, Duffy, 2003, Keller, 2000, Keller et al, 2002) Brand equity is so imperative that it has now become a financial asset of a company, often reflected in an annual balance sheet (Aaker, 2002, De Chernatony & Mc Donald, 2003, Faullant, Matzler & Fuller, 2008)

The following research is an exploratory study into service brand equity in luxury service SME's to determine the impact the level of brand equity has on their performance during an economic downturn Both SME's and luxury services are of topical debate at the moment as they are both vulnerable in this current economic downturn Despite this, both are under researched in the literature Therefore, this research aims to examine the importance of brand equity to these sectors and determine ways in which they can build it

A mixed methodology approach was used for the research in order to gain a thorough insight into these complex issues For the quantitative research 177 questionnaires were completed by consumers in health spas and local shopping centers The study was carried out in the North West of Ireland For the qualitative research, two local spa managers were interviewed, one with a strong brand equity and one without, to determine the differential effect their brand equity had on their performance

The research concluded that a luxury service SME can leverage brand equity to survive or even thrive in economic uncertainty The service experience, internal branding and brand image were the most important contributors However, constant investment in a brand and the people it influences is essential in order to build consumer loyalty

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## **LIST OF ABBREVIATIONS**

CBBE	Customer Based Brand Equity
CEO	Chief Executive Officer
CMA	Canadian Marketing Association
CSO	Central Statistics Office
DETE	Department of Enterprise, Trade & Employment
EBBE	Employer Based Brand Equity
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
HR	Human Resources Department
MNC	Multi-National Company
NI	Northern Ireland
SME	Small to Medium Enterprise
SPSS	Statistical Package for Social Sciences

# **Chapter One**

## **Introduction**

## 1.1 Introduction

This chapter aims to give a background of the research topics that are being studied, namely service branding, branding in small to medium enterprises (SME's), luxury services and branding in an economic downturn. It will begin by discussing the rationale and justification as to why this area requires further research. Subsequently, the research problem and objectives of the study will be outlined in this chapter. Finally, a brief outline of the plan and structure of the project, along with a proposed time scale will be provided.

## 1.2 Rationale

For the following research project, an exploratory study was conducted into the importance of service brand equity to SME's in the luxury health spa market. For decades, theorists such as Aaker and DeChernatony have discussed the importance of branding and building strong brands to the success of any organisation (Aaker, 1991, 1996, 2002, De Chernatony & Mc Donald, 2003, Keller, 1993, 2000). Brands have evolved to much more than just a name that distinguishes a product/service. This has led to an abundance of literature about the importance of a company's brand equity and of developing branding strategies to build a competitive advantage (Aaker, 1991, 1996, 2002, De Chernatony & Mc Donald, 2003, Haig, 2008, Keller, 1993, 2000).

Brand equity is so imperative that it has now become a financial asset of a company, often reflected in an annual balance sheet (Aaker, 2002, De Chernatony & Mc Donald, 2003, Faillant, Matzler & Fuller, 2008). Furthermore, research has proven a positive link between a strong brand equity and customer loyalty (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Dibb, S & Simkin, L, 1992, Faillant,

Matzler & Fuller, 2008, Keller, 2000, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004) Therefore, it is reasonable to assume that a strong brand will act as a source of competitive advantage during economic uncertainty. Loyal customers tend to remain loyal despite price increases, competitor prices or a drop in their standard of living (Aaker, 2002, Anselmsson, 2007, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004) The relationship between strong brands and consumer loyalty has been debated strongly throughout the literature and is still of popular debate today

More recently, the emergence of services as a dominant role in the economy (Dept of Enterprise, Trade & Employment, 2008) has led to the discussion of new and more complex branding strategies. Due to their intangible nature, the strength of a service brand is even more vital, as it is often their brand image or reputation that distinguishes a service brand from their competitors. However, service branding is unique and very complex and, therefore, we cannot simply apply the same branding strategies as those developed for the product market (Dibb, S & Simkin, L, 1992, Mc Donald, M, De Chernatony, L & Harris, F, 2001) Considering the huge contribution services make to the Irish economy, it is obvious that this is where an economy needs to excel and build a competitive advantage. However, in a study of the Interbrand 2008 list of Top Luxury Brands there appears to be a lack of service brands, which identifies the need for brand building in the luxury services sector. In these tough times, companies are expected to provide more value for the money and a better service as the power shifts back to the consumer (Duffy, 2003, Interbrand, 2008a, Keller, 2000)

The rationale for researching service branding stems from the huge contribution that services make to an economy. The Irish economy, in particular, has evolved over recent decades from an agri-based economy to manufacturing and now to services. The Irish services sector today accounts for 2/3 of employment (1.4 million), 43% of exports and makes a significant contribution to the country's GDP (Dept of Enterprise, Trade & Employment, 2008)

One sector which is of topical debate is the luxury services sector. The Irish Times predict this sector will suffer, as when consumers have less disposable income, they will cut out the non-

essentials. However, many of these ‘non-essentials’ are seen as ‘essentials’ to loyal customers. For example, how many people would consider an annual holiday as a necessity? In a recent article in *The Irish Times* discuss how there is an increase in short breaks away due to people wanting to escape the “doom and gloom” (*The Irish Times*, 2009). However, other luxuries such as spa treatments are suffering huge losses. Therefore, the question is will they survive or thrive in these economic pressures. Moreover, how can a luxury service survive? The aim of this research is to demonstrate how branding building strategies can benefit an SME providing a luxury service and help them thrive in an economic downturn.

The rationale behind studying the SME sector stems from the demographics of the Irish economy. The majority of businesses in Ireland are home-grown indigenous SME’s with limited resources and few employees (DETE, 2008). Devins (2008) describes SME’s as the ‘backbone’ of the Irish economy. Carson (1990) defines an SME as a small local company with a relatively small share of the market, a small number of employees (less than 200 according to ABS 1997-98, cited in Berthon et al, 2008) and a small management structure, usually the owners are the managers. These differences mean that strategies developed for their larger counterparts would not work for an SME in the same sector (Berthon et al, 2008, Carson, 1990).

SME’s have been noted as vital assets to a country’s employment, GDP and export performance (Culkin & Smith, 2000, DETE, 2008, Graham, 1999, ABS 1997-98, cited in Berthon et al). Therefore, small businesses are crucial to the economy and it is vital to ensure their survival in order to rebuild and shape it. Minister Jimmy Devins discussed this at a recent talk of his at the Institute of Technology, Sligo. Minister Devins stated that the Government took their ‘eye off the ball’ with SME’s in the past and this cannot happen in the future. Devins (2008) stated that SME’s account for a huge proportion of the Irish economy and its output and they provide an opportunity for growth, innovation and competitive advantage. In the past, the Irish economy over-relied on Foreign Direct Investment (FDI) from large multi-national companies and they neglected the SME sector. An indicator of this is the recent figures from the CSO regarding the level of GDP in Ireland.

Berthon et al (2008) suggest that because of their small size, it is easier for an SME to get close to the customer and, therefore, be more flexible, innovative and entrepreneurial, and get better quality feedback. By doing this, the opportunities to build their brand and market share are enormous. There is also an opportunity to increase market share due to MNC's pulling out of the market, e.g. Dell moved operations to Poland, and due to the inflexibility and myopic views of larger competitors giving them a competitive advantage.

At present in Ireland, unemployment is at 12.6%, a figure which has more than doubled from that in September 2008 (RTE, 2009). Companies like Dell and Ulster Bank are cutting operations and consumer confidence and spending is low. Retail spending was down 5.6% last year (The Irish Times, 2008a), as consumers are now 'watching their pennies'. Also, more consumers are 'crossing the border' and doing their shopping in Northern Ireland (NI) as recent figures show a massive increase in retail spending in Northern Ireland (The Irish Times, 2008a). This is due to both the favourable exchange rate against the sterling and the reduction in VAT by the UK Government. Republic of Ireland retailers are feeling huge pressures in both the products and services sector. The proximity to Northern Ireland serves as a disadvantage for retailers in the North West, as more consumers are drawn to easily accessible lower prices.

In these current economic pressures, it is now crucial for a company to know how to retain its customers and its share of the market. Old practices are no longer acceptable and there is a clear need for innovation and competitive advantage. This is even more imperative for a small to medium enterprise (SME) of a luxury service with limited resources and expertise (Berthon et al, 2008).

However, a strong brand equity can act as a defence to lower prices and economic uncertainties, as consumers become loyal to that brand and price sensitivity reduces (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & McDonald, 2003, Dibb, S & Simkin, L., 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthi & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004). Literature suggests a positive link between brand equity and customer loyalty. Consequently, customer loyalty has a



negative impact on price sensitivity and consumers become more willing to pay a higher price (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Dibb, S & Simkin, L , 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004)

### 1.3 Justification for research

In an increasingly competitive and turbulent environment, the area of brand strategy is constantly becoming a popular topic for debate. This has led to it becoming more complex and the emergence of new extensions on brand theory such as service branding, branding for SME's and the branding of premium (luxury) products and services. These new paradigms require different strategies as they each have their own unique attributes.

The branding of services is a relatively new addition to the area of branding. Due to the clear differences between services and products, a new set of strategies need to be designed for services as those for the product market are inadequate (Dibb, S & Simkin, L , 1992, Mc Donald, M , De Chernatony, L & Harris, F , 2001). Literature is cluttered with studies on the branding of products and how to build their equity, however, there is a clear gap when it comes to studying branding in services, with acknowledged exception (Dibb, S & Simkin, L , 1992, Mc Donald, M , De Chernatony, L & Harris, F , 2001)

The survival of luxury services in an economic downturn is very topical at present. It has been debated that luxury brands will be the most affected by this downturn (Irish Times, 2008). However, there are those that suggest that luxury products and services can thrive in this environment if they adopt an effective brand strategy (Haigh, 2008, Ritson, 2008, Varley, 2008). There is also an evident link in the literature between strong brand equity and the ability to charge premium prices (Aaker, 2002, Anselmsson, 2007, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004)

Luxury services need to be careful not to engage in price wars (CMA, 2008), which could damage their reputation and image. They need to keep true to their core values and proposition by retaining the position as a premium brand, but adding more value for money and higher quality service.

Literature is now recognising the importance of SME's and the need for tailored marketing strategies for smaller companies due to differences in resources and expertise (Abimbola & Kocak, 2007; Carson, 2000; Berthon et al, 2008; Culkin & Smith, 2000). Considering SME's account for a substantial proportion of a country's GDP and employment (ABS 1997-98; Berthon et al 2008; Culkin & Smith, 2000), this is now becoming a growing area of research.

The justification for this research stems from the lack of literature on the topics being studied. The importance to an economy of the survival of their small service companies in an economic downturn has already been established. In addition, literature has commonly noted brand loyalty and a strong/leader brand as being a stimulator of sales and as reducing price sensitivity. Therefore, it is reasonable to assume that a strong brand is important to an SME providing a luxury service in an economic downturn

The lack of research into the area of service branding is expressed in the literature (Dibb & Simkin, 1992; De Chernatony, McDonald & Harris, 2001). There is an abundance of information on brand equity and the strategies required to build brand equity, however, this is widely focused towards the product market (Aaker, 1991; Keller, 1993). Due to the inherent differences in services, these strategies cannot simply be transferred over to them (Bamert & Wehrli, 2005; Berry, 2000; De Chernatony & McDonald, 2003; Jones et al, 2002; Krishnan & Hartline, 2001; McDonald et al, 2001; Zeithaml et al, 1985), and this makes it difficult for the owners of a service business to find direction on building their brand. It is, therefore, necessary to research this area further and develop conclusions specifically for the service sector.

Luxury services and their brand equity are even less researched. The majority of research in this area is, again, product dominated, and neglects to research differences in the luxury services market (Aaker, 1996; Braun, 2004; Clayton, 2002; De Chernatony, 1996; De Chernatony &

McDonald, 2003, Dibb & Simkin, 1992, Duffy, 2003, Faullant, Matzler & Fuller, 2008, Kapferer et al, 2009, Kayaman & Arasli, 2007, Keller, 1993, Mielniczak & Sinaga, 2005, Miller, 2008, Netemeyer et al, 2004, Nueno & Quelch, 1998, Rose, 2007, Vigneron & Johnson, 2004) The need for research into this area has become critical, due to the recent emergence of health spas as a regular expenditure across a broad target market

Despite the challenges that face the economy at present, and the significance of SME's to the Irish economy, there is still limited research focusing on how small companies can survive the turmoil that lies ahead and on the impact a strong brand strategy has on their survival. The majority of research in the academic field focuses on large organisations and neglects the humble SME, which are the backbone of the Irish economy. Due to the resource and expertise gap between SME's and their larger counterparts, it is necessary to tailor research to these differences and adopt strategies specifically for them.

Furthermore, there is a gap in the literature with reference to an economic downturn and how branding strategies are important to the survival of an SME during economic uncertainty. Considering the cyclical nature of the economy, it is crucial for companies to have strategies in place for times of economic unrest and research into this area is currently lacking.

Finally, due to the differentiating characteristics of services branding, SME branding and luxury services, the following research is refined to identify the specific characteristics peculiar to these specific markets. This aims to give the study a specific context in the marketing literature. The significant differences between products and services, SME's and larger enterprises, and luxuries and non-luxuries justify the need for research into these areas and for tailored strategies towards building their brand equity.

## 1.4 Research Problem

To assess if a strong service brand equity can limit the impact of an economic downturn to an SME in the luxury spa market

## 1.5 Research Objectives

- 1 To identify strong service brand equity in the luxury spa market
- 2 To determine the affect of service brand equity on an SME during economic uncertainty
- 3 To examine the effectiveness of brand leverage in an economic downturn on the luxury spa market

## 1.6 Outline Plan and Structure

The aim of this chapter is to define the author's research problem and the objectives of this study. Secondly, the author outlines the rationale behind completing the study and the justification of its need for research. This provides a solid understanding and background into the topic under research. A time scale is also given with the proposed plan of action and progress for the dissertation.

The literature review will then build on this knowledge by providing an in depth synopsis of the foundation and core literature and the key issues surrounding them. The foundation literature of this research project is based on branding and service branding theory. The study also looks at branding in SME's and how this differs from branding activity in larger organisations. Brand equity and Consumer-Based Brand Equity (CBBE) are discussed in the core literature. In particular, service brand equity is of relevance and the study is applied to the luxury service

market. Finally, the impact of a cyclical environment and the usefulness of brand equity during economic unrest will be studied in further detail.

Following on from this, an in-depth discussion of the methodology and sampling technique to be used will be given in the Methodology chapter. The researcher plans to use a mixed methodology of both qualitative (personal interview with luxury service companies) and quantitative (consumer questionnaires) primary research. Considering that both approaches have advantages and limitations, using a mixed approach aims to lessen sampling error and combine the benefits of both to develop results that are more conclusive (Bloomberg & Volpe, 2008, Bryman, 2004, Carson et al 2001, Carson et al 2002, Chisnall, 2005, Domegan & Fleming 2003, Easterby-Smith et al 2007, Gill & Johnson, 2002, Ghauri, 2005, Mc Daniel & Gates, 2007). The research will be completed in the North West of Ireland (Donegal, Sligo and Leitrim). The researcher aims to complete 200 questionnaires in total. A proportion of these questionnaires will be carried out in busy shopping centres in the region's three main towns, Letterkenny, Sligo Town and Carrick-on-Shannon. The remainder will be distributed to local health spas in the areas for their customers to complete, to ensure the questionnaires reach the desired target audience. The personal interviews will involve two SME health spas in the North West, one with a successful brand and one without, in order to identify the factors that influence the level of brand equity in a real-life scenario.

All research findings will then be analysed and compiled in the findings & analyses chapter. This chapter will provide an in-depth analysis of the research findings in relation to the outlined objectives of the study. Key trends and issues will emerge and these will be used to develop conclusions on each objective. Visual charts are used in this chapter to illustrate findings of the questionnaires and to simplify interpretation of the data.

Finally, conclusions and recommendations will be provided to the objectives outlined in this Introduction chapter. The final Chapter aims to add meaningful and relevant conclusions to the research already available and suggest any further areas that need to be researched. The aim of these conclusions and recommendations will be to identify the importance of brand equity and to provide useful information for an SME aspiring to build their luxury service brand.

## 1.7 Time Scale

The table below summarises the estimated timeline for completion of the research project

### January 2009

Develop and write up research proposal for dissertation

### February 2009

Begin research analysis for literature review

### March 2009

Contact prospect companies regarding personal interviews

Determine methodology structure and format and choose a sampling technique

### April 2009

Complete first draft of literature review

Develop questionnaires and personal interviews

Pre-test questionnaires and interviews on a small sample of respondents

### May 2009

Complete methodology chapter

### June 2009

Begin qualitative research in the form of personal interviews

Carry out quantitative questionnaire research

Begin writing up interview analysis results

### July 2009

Compile, analyze and conclude all research findings

### August 2009

Finish writing up of dissertation chapters

### September 2009

Submit first draft of dissertation on 1<sup>st</sup> September

## 1.8 Conclusion

The aim of this chapter was to provide a background understanding of the research topic and act as an introduction to the literature review, which will analyse in depth the foundation and core literature surrounding it. It began by providing the rationale behind choosing luxury service branding, SME's and the economic downturn as areas for further study. A justification as to why luxury service branding and SME's should be researched was then discussed, providing a clear argument for the importance of both sectors. From this, the research problem and objectives of the study were outlined, which will be satisfied in the final two chapters of the study. The primary aim of the research was stated as 'To assess if strong service brand equity can limit the impact of an economic downturn to an SME in the luxury spa market'. Finally, a brief outline of the structure of this dissertation and of the methodology to be used, along with a timeline for completion was provided. The next chapter will provide a review of the foundation and core literature, along with a discussion of the key issues in order to provide a solid understanding of the area of service brand equity and SME's.

## **Chapter Two**

### **Literature Review**



## **2.1 Introduction**

The following chapter provides an in-depth review of the foundation and immediate literature that surround the research problem. The proposed study is an exploratory study into service brand equity in SME health spas in the North West and how strong brand equity can help an SME to survive economic turbulence. The elements of the foundation literature discussed are branding, service branding and SME branding. For the immediate literature, both Aaker's (1991) brand equity and Keller's (1993) customer based brand equity (CBBE) are examined due to the nature of services as a customer focused organisation. Branding of luxury and branding in economic uncertainty are also discussed. The gaps/issues in literature, along with the needs for empirical research are then addressed, justifying further the reason for the proposed study. Finally, a brief overview is given of the proposed research methodology for solving the research objectives outlined in the introduction chapter.

## **2.2 Review of the Foundation Literature**

### **2.2.1 Branding**

The history of company branding dates back as far as the Greek and Roman times, when shopkeepers hung pictures of what they sold above their doors to distinguish their offering, hence the emergence of the brand logo as a differentiating device (De Chernatony & McDonald, 2003, Duffy, 2003). Nowadays, the branding process is much more sophisticated and it requires regular investment and nurturing in anticipation of earning tangible and intangible rewards (Aaker, 1991, 1996, 2002, De Chernatony & McDonald, 2003, Duffy, 2003, Keller, 2000, Keller et al, 2002). Brands have become top priority and the centre focus in firms who wish to differentiate their offerings (Duffy, 2003).

In today's rapidly growing economy a brand has become more than just a name that differentiates a product or service from its competitors. It is now taking on new roles such as, a symbolic/self expressive device used by consumers to communicate status/personality, e.g. Hilton Hotels, a functional device- used to represent unique capabilities, e.g. Starbucks- high quality coffee and a relaxing atmosphere (Rose, 2005), and even a strategic device used in market analysis and brand planning (Aaker, 2002, De Chernatony & McDonald, 2003, Rooney, 1995). Therefore, it would be myopic of any organisation to underestimate the power of their brand in gaining competitive advantage (Aaker, 2002, De Chernatony & McDonald, 2003, Duffy, 2003, Kapferer & Volpe, 2009, Rooney, 1995).

The definition of a brand is something that has both puzzled and split academics in the field for many years. The American Marketing Association (AMA) describes a brand as,

“A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers”

(American Marketing Association, 2003)

This definition is a very vague and it does not take into consideration the many other roles a brand plays aside from differentiation. De Chernatony (1996) suggested that brand management is re-structuring and has become focused on the customer and their experience. Interbrand (2008a) suggests that a brand takes on many new roles and must excite the consumer and add value for them. Berry (2000) states how the brand is used as a relationship builder, connecting the company with the consumer. There are many different perceptions of the brand that exist but the following definition encapsulates the unique essence of the brand and the roles it adopts,

“A product is something that is made in a factory, a brand is something that is bought by a customer. A product can be copied by a competitor, a brand is unique. A product can easily be quickly outdated, a successful brand is timeless.”

(Stephen King, WPP Group)

A brand is often measured by its functional and emotional attributes (Aaker, 2002, De Chernatony & McDonald, 2003, Duffy, 2003). The functional (tangible) attributes are the core product or service themselves and their reliability and functional use to the consumer. However, these are easy to imitate and therefore the emotional attributes are important to provide an organisation with a distinctive competitive advantage. Emotional (intangible) attributes are the added values which “personify” the brand to its consumers, e.g. symbolic, positive feelings (i.e. excitement, security). Brands need to be distinctive with their emotional attributes to create customer loyalty (Aaker, 2002, Berry, 2000, De Chernatony & McDonald, 2003, Duffy, 2003, Keller, 2002).

A strong brand is one that is able to connect emotionally with its customers and grasp onto their emotions (Berry, 2000, Duffy, 2003, Webber, 1997). Schultz (1997) believes that the most powerful brands are built from the heart. Duffy (2003) states that strong brands ‘embrace the hearts, minds and souls’ and it is now about ‘share of person’ as opposed to share of wallet. Golder (2000) states that strong brands can lead markets for 76 years or more. Consequently, strong brands are immune to price competition, as greater customer loyalty means they are the less sensitive to price changes (Bucklin et al, 1995, Krishnamurthi & Raj, 1991, Laroche et al, 1996).

However, O’Loughlin & Szmigin (2004) argue that functional benefits are the main differentiators in the financial service brand and it is the functional benefits that differentiate these brands. Moorthi (2002) suggests that the differentiating factors depend on the type of service provided. He suggests there are 3 types of service, search credence, experiential and

professional and each requires a different branding strategy. This diversity of the services sector makes service branding much more complex than the branding of goods.

### **2.2.2 Service Branding**

Over the past decade, there has been a massive evolution in the role of services in an economy. The Irish services sector today accounts for 2/3 of employment (1.4 million), 43% of exports and also makes a significant contribution to the country's GDP (Dept of Enterprise, Trade & Employment, 2008). This phenomenon is not unique to Ireland, but is proving a trend throughout Europe (DETE, 2008, Dibb & Simkin, 1992). McDonald, De Chernatony and Harris (2001) suggest that there is a movement beyond the "Fast Moving Consumer Goods (FMCG) model" and a new focus on high quality service as a differentiator and determinant of competitive advantage.

Yet despite the significant contribution services make to an economy, only limited research has been made into the field of service branding (Dibb & Simkin, 1992, De Chernatony, McDonald & Harris, 2001). The current economic downturn highlights the importance of an efficient brand management process, as consumers are price conscious and will want added value and high quality service for their money. A cyclical environment will always face peaks and troughs and therefore it is important for a service provider to have a strong service brand that will survive the troughs and thrive during the peaks.

Due to the complex nature and distinctive characteristics of services, a business cannot simply transfer a brand strategy used for goods directly to a strategy for services. Instead, the approach needs to be tailored to reflect these differences in nature (Bamert & Wehrli, 2005, Berry, 2000, De Chernatony & McDonald, 2003, De Chernatony et al, 2003, Jones et al, 2002, Krishnan & Hartline, 2001, McDonald, 2001, Zeithaml et al, 1985). The complexity of service branding

justifies in itself the importance of building strong service brands. Krishnan & Hartline (2001) argue with this as their studies revealed that the strength of a brand (brand equity) is more important in products than in services. However, Howard Schultz (CEO of Starbucks) believes that there huge success would not have been possible without investing time and money in building their brand (Duffy, 2003, Rose, 2005)

De Chernatony et al (2003) discovered that brand building in services is more flexible and not confined to steps or process. This opens up an opportunity for the service provider to differentiate their service and make their brand stand out. Innovation can flourish in this flexible environment (De Chernatony et al, 2003). In addition, services have the advantage of being close to their customers and, therefore, have a better idea of what their customers' value

However, a common challenge in services is their huge reliance on people (employees and customers) because often it is the people that will determine the service outcome. Therefore, a service cannot be standardized like a good, as each service encounter differs depending on moods, personalities and situational factors (Hamburg & Giening, 2007, Matzler et al 2007, Fauller, Matzler & Fuller, 2008). De Chernatony et al, 2003 state that "Service brands die because of staff, not because of consumers". This makes a service more risky and increases the difficulty of building a consistent brand image. Therefore, the management of people is a vital element of brand management in a service industry. De Chernatony and McDonald (2003) state that a business needs to constantly train staff to provide a consistent and holistic approach to service quality. This strategy needs to be embedded into an organisation's culture and communicated company-wide and needs to be considered when recruiting new employees.

For this reason, HR and internal branding play a significant role in the delivery of services (Gronroos, 1978, Berry, 1981, Berry, 2000, De Chernatony & Harris, 2000, De Chernatony et al, 2003, Punjaisri et al, 2009, Supornpraditchai et al, 2003, Wong & Merrilees, 2005). When designing a service brand, the company must ensure a balanced internal and external focus,

satisfying both their customers and their staff (internal customer) (De Chernatony et al, 2003, Mahnert & Torres, 2007) A company's employees are often "advocates" for the brand and represent its values It is important for these values to be shared across the organisation (DeChernatony & Segal-Horn, 2003, Yoo & Park, 2007) Internal branding ensures staff commitment and loyalty to the brand as they are able to identify with the brand (Punjaisri et al, 2009, Supornpraditchai et al, 2003)

Due to this reliance on people, the best approach to marketing is by using cross functional teams that are supported, encouraged and guided by senior management (De Chernatony et al, 2003, Veloutsou & Panigyrakis, 2007) Veloutsou & Panigyrakis, 2007 state that external agents such as marketing agencies, specialists and the consumer should be involved in the service design Toffler (1990) supports this with his theory of the 'prosumer' as a way of building brand equity De Chernatony et al (2003), however, suggest a "Brand Champion", to build excitement and support internally for the brand before building loyalty externally Another important aspect of internal branding is empowerment DeChernatony & Segal-Horn (2003) state that when it comes to services there needs to be a reversal of hierarchies as it is the front line staff who are closest to the customers and who know their needs and determine the quality of their service experience Systems need to be utilized to aid employees in these new, empowered roles (DeChernatony & Segal-Horn, 2003, Mahnert & Torres, 2007) Mahnert & Torres (2007) believe a firm needs to operate a flat structure and promote shared brand values throughout the organisation

Research has shown a strong link between the corporate brand and the service brand, as the service brand is often built under the corporate brand To build a strong service brand equity a company must, therefore, ensure a positive image of their corporate brand (Aaker, 2004, Berry, 2000, DeChernatony & Dall-Olmo'Riley, 2000, De Chernatony et al, 2003, De Chernatony & Segal-Horn, 2003, Gregory & Sellers, 2002, Moorthi, 2002, Wong & Merrilees, 2005) Aaker (2004) believes the corporate brand gives energy to the service brand and drives the service brand's sales Ind (2001) states that to create a strong brand the whole business needs to be brand

driven. However, there is a challenge for the firm to match the desired corporate image with the actual image in consumers minds (Bamer, 2001)

The most important and powerful aspect of a service is the service experience (Alexandris et al, 2008, Berry, 2000, De Chernatony & Segal-Horn, 2003, Dibb & Simkin, 1992, Moorthi, 2002) DeChernatony & Segal-Horn (2003) state that the service experience needs to be central to all branding activity. A bad service experience is difficult for a company to overcome but a good service experience is difficult for competitors to imitate (Berry, 2000). The experience is important as it is all that the customer has to base their judgment on due to the absence of a tangible offering (Dibb & Simkin, 1992). Moorthi (2002) states that the experience in a health spa environment should be relaxing, fun and exciting. Service quality plays a key role in the service experience and research shows a positive link between good service quality and positive brand associations and customer loyalty (Alexandris et al, 2008). Therefore, the quality of the service experience has a direct impact on the equity of a service brand.

In addition to internal branding, the corporate brand and managing the service experience, other certain characteristics have been outlined as important to service brand equity. One key determinant, mentioned in numerous studies, is the distinctiveness of the brand (Berry et al, 1998, Berry, 2000, DeChernatony & Dall Olmo'Riley, 2000, Interbrand, 2008a, Keller, 2000, Moorthi, 2002). A brand's 'points of difference' must be compelling and unique and create added value for the customer (Berry, 2000, Keller et al, 2002). This is vital in services as the intangibility of services makes it more difficult for a customer to differentiate between them. Berry et al (2000) states that differentiating a service creates a personality for the brand, which "breaks free from competitive clutter". Moorthi (2002) states that every element of a service company's branding activity must reflect the values of that service type.

Another key determinant was the importance of a clear and consistent communication and positioning strategy (Berry, 2000, DeChernatony & Dall Olmo'Riley, 2000, Keller, 2002,

Moorthi, 2002) This is important both internally to employees (brand vision, values and strategy) and externally to consumers (values, quality, and expectations) Every element in the marketing communications needs to be used effectively and deliver a clear and consistent message Keller (2000) states that a leader brand is one that is positioned properly and whose communication is clear and consistent

Finally, it is important for any service branding activity to be customer focused, as customers are involved heavily in the service experience (Bamert & Wehrli, 2005, Berry, 2000, De Chernatony & McDonald, 2003, De Chernatony et al, 2003, Dibb & Simkin, 1992, Jones et al, 2002, Krishnan & Hartline, 2001, McDonald, 2001, Zeithaml et al, 1985) Keller (1993) states that the equity of a brand is determined by it's perceptions in the customers' minds based on the awareness and image of the brand In a service brand, the customer has a direct impact on the service received and, therefore, the branding process needs to be centred on them

Service branding and SME branding are similar in that both are more flexible and both are closer to the consumer Furthermore, a service SME has the extra challenges of resources, knowledge and expertise in addition to the challenges associated with providing a service The majority of service literature focuses on large service organisations and neglects the SME, despite their huge contribution to an economy (Carson, 2000, Culkın & Smith, 2000, DETE, 2008, Devins, 2008, Graham, 1999, ABS 1997-98, Berthon et al)



### 2.2.3 SME Branding

Small to Medium Enterprises (SME's) are increasingly emerging as a popular organisational structure choice among businesses in today's global economy ABS 1997-98 describe an SME as

“A company with less than 200 employees”

(Berthon et al, 2008)

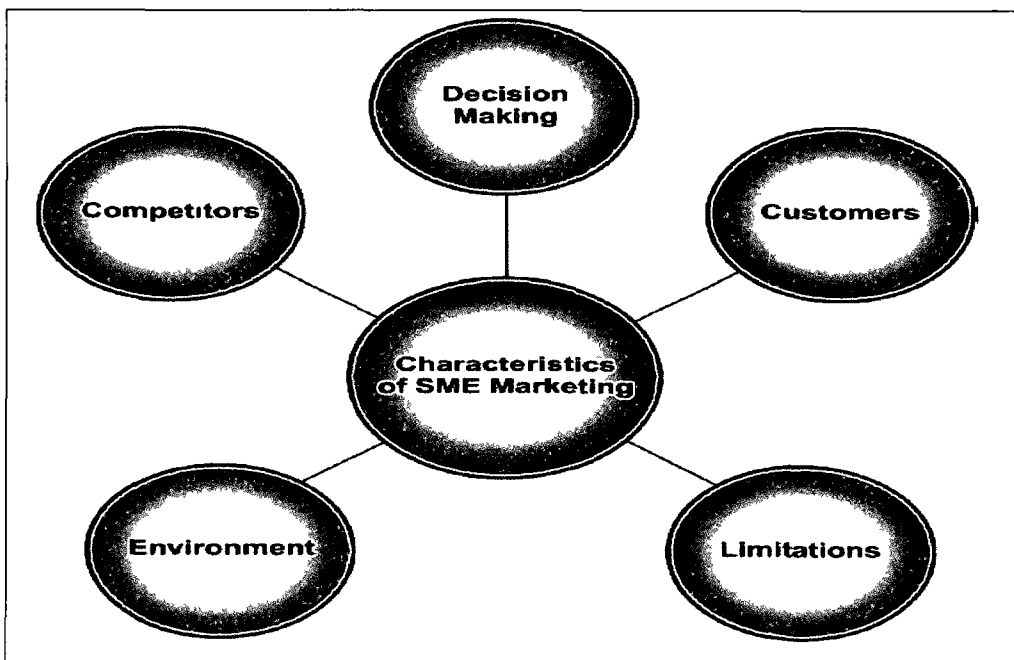
The Committee for Economic Development state that a typical SME is usually a small company with a local area of operations, independent management and capital supplied by one individual or a small group A company is small when compared to “the biggest units in the field” on sales, number of employees etc (Carson et al, 2000) The majority of businesses in Ireland are SME's (DETE, 2008) Furthermore, it has been proven that SME's are a vital asset to a country's employment, GDP and export performance (Culkin & Smith, 2000, Graham, 1999, ABS 1997-98, Berthon et al) SME's are the backbone of the Irish economy, yet they are the most neglected sector (Devins, 2008) Unfortunately, due to their small size and scope of operations they are also the most vulnerable to economic shocks (Berthon et al, 2008, Carson et al, 2000, Gilmore et al, 2001, Johnston et al, 2008, O'Dwyer et al, 2009)

There has been extensive research into the area of branding, however the majority of this research is based on large organisations, which have both the expertise and the resources readily available to put branding strategies into practice (Berthon et al, 2008) The branding of services from an SME context is very different The common practices and policies of an SME vary significantly from their larger counterparts, therefore, brand strategies need to be adapted to suit the needs of smaller companies (Carson, 2000, Berthon et al, 2008, Culkin & Smith, 2000) Furthermore, constraints, such as resources, expertise and market presence, mean that an SME sometimes adopts a “survival mentality”, afraid to invest in something that might not yield short term results (Berthon et al 2008 Carson et al 2000 Gilmore et al 2001 Johnston et al 2008

O'Dwyer et al, 2009) Carson et al (1998) stated that pricing is one of the SME's "biggest difficulties" as they lack knowledge of the market and they usually set cost-plus prices and industry norms. In luxury services, an efficient pricing strategy is paramount as the price reflects the brand's quality and image, both antecedents of service brand equity (CMA, 2008, Curry, 1999, Danet et al, 2008, Kapferer & Volpe, 2008, Keller, 1993, Pierce & Almquist, 2001, Tyrell, 2008, Varley, 2008, Wolfe, 2009)

Daltas & Mc Donald (1987) found that, in an SME, market planning is typically "haphazard or non-existent". Marketing is based on experience and the firm's characteristics, and networking plays a crucial role as a marketing tool (Gilmore et al, 2001, O'Donnell, 2004). Carson (2000) states that this lack of organisational framework is due to the lack of literature available to SME's on branding and management's reluctance to adopt branding methods of its larger counterparts. Figure 2.0 illustrates an SME's typical marketing approach,

**Figure 2.0: Characteristics of SME Marketing**



*(Source: O'Dwyer et al, 2009)*

It is evident from this diagram that the SME is customer focused. Despite this, there is still an absence of any branding activity or measurement which shows that SME's do not realize the potential of their brand as a financial asset and relationship builder (O'Dwyer et al, 2009). This marketing structure is a very reactive approach to the market and there is no evidence of any long term strategy.

Abimbola & Kocak (2007) state that although they differ, SME's and large companies share common challenges such as global competition, rapid innovation and obsolescence. Therefore, SME's can learn a lot from these strategies. Berthon et al (2008) suggest that there are also benefits of being an SME when it comes to brand strategy. Because of their small size, it is easier for an SME to get close to the customer and, therefore, be more flexible, proactive, innovative and entrepreneurial (Berthon et al, 2008, Flood, 2001, O'Dwyer et al, 2009). Furthermore, they will get better quality feedback. O'Dwyer et al (2009) discusses how an SME's marketing concept, which is perceived as "haphazard" and "unstructured", is actually an innovative alteration of the marketing mix. Innovation and creativity will flourish in this organisation structure, even under financial resource constraints, i.e. economic downturn (O'Dwyer et al, 2009).

Wong & Merrilees (2005) argue that branding for SME's is not about the fancy logos and expensive advertising and suggest that the branding concept needs to be repositioned for smaller companies. Internal branding, which is an important part of brand equity in services, is crucial to SME branding. Consistent communication and uniqueness were also found to be of significant importance. An SME needs to invest in the brand and its employees. Wong & Merrilees suggest SME's take a more euphemistic approach to branding by focusing on aspects on which they previously related to selling, i.e. reputation, quality, image, customer attitudes and customer associations.

Therefore, it is evident from research that an SME needs to build their brand equity in order to gain market share. The strength of an SME's service brand can differentiate their offering and help them compete against their larger rivals.

## 2.3 Review of the Immediate Literature

### 2.3.1 Brand Equity

Brand equity is a widely studied concept that focuses on the relationship between a company's brand and their customers (Wood, 2000). Aaker (1991) describes brand equity as;

“A set of 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”

This definition views the brand equity as a financial asset and it is company-focused (Wood, 2000). It does not recognize a firm's customers as direct influencers to a brand's equity. Keller (1993), on the other hand, is more consumer focused and describes brand equity as

“The differential effect that brand knowledge has on consumer response to the marketing of that brand.”

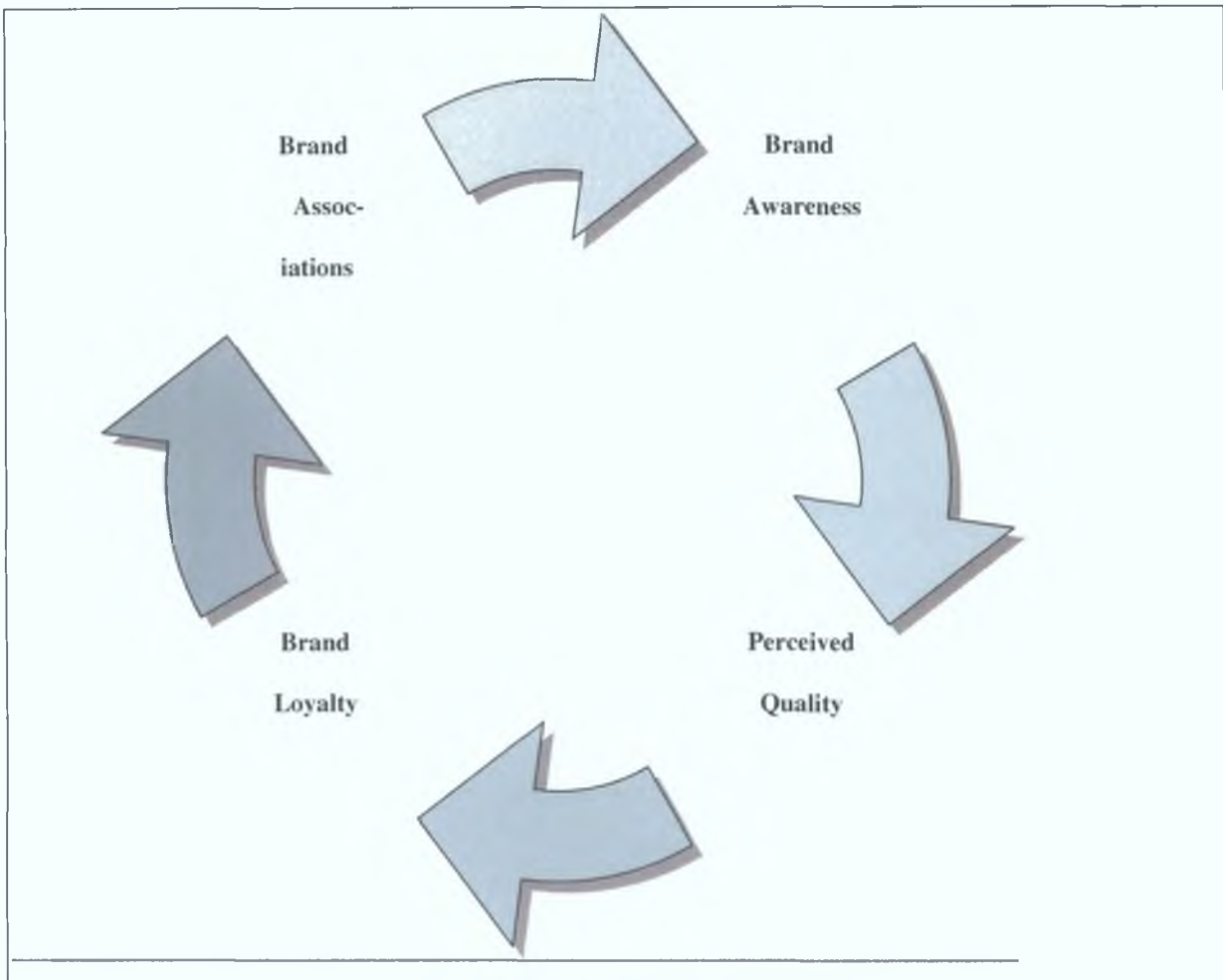
Keller argues that the strength of a brand is determined by the actions and reactions of its customers and, therefore, branding efforts should be customer focused. Keller (2000) suggests that brand equity acts as a strategic bridge, linking investments in brands to future success through awareness and customer loyalty.

Feldwick (1996) believes there are 3 different perceptions of brand equity, the financial brand value on a balance sheet, the strength of customer loyalty/attachment and the brand image/description from associations and consumer beliefs (Wood, 2000) Wood (2000) states that the financial value of the brand is a result of both the customer loyalty and the brand description, as a strong brand image builds customer loyalty, which in turn creates higher financial gain for the company Previous research has proven that loyal customers will pay a higher price and are less price sensitive (De Chernatony & McDonald, 2003, Laroche et al, 1996, Netemeyer et al, 2004) This supports Keller's argument that the strength of a brand's equity is determined by the perceptions and motivations of its customers

Young & Rubicam (1994) support Keller's argument that brand equity is consumer based and suggest that brand equity stems from 2 factors, esteem and familiarity Consumers value a brand they know and trust (awareness) and a brand that makes them feel important (image and perceived quality) The strength of a brand's equity, therefore, depends on the consumer's perception of these two factors

Aaker's (1991) brand equity model is based on the human associative memory theory that states that a set of associations are activated in response to a brand name (Supornpraditchai et al, 2003) The model illustrates 4 main components of a brand's equity, namely, brand awareness, perceived quality, brand loyalty and brand associations Figure 2.1 represents the key components of Aaker's (1991) brand equity model,

**Figure 2.1: Aaker (1991) Brand Equity Model**



Brand awareness is the strength of a brand's presence in a customer's mind through recognition and recall. In a study on the role gender plays on brand equity, Chen et al (2008) discovered that females have a higher degree of brand awareness than males. Aaker (1991) states that research shows people will respond better to brands they are familiar with when making a purchase decision. Therefore, the challenge facing a business is to build enough awareness of their product or service so it is at the forefront of consumers' minds (Aaker, 1991; 2002; McKee, 2008; Young & Rubicam, 1994). Aaker (1991) proposes a company needs to expand its target market and

'think outside the box' when choosing media channels, i.e. sponsorship, event promotions  
Keller (2000) suggests that leading brands are strategic in their use of advertising media

Perceived quality is the financial driver of a brand, as investments in brand quality lead to a higher sales figure and return on investment (Aaker, 1991, 2002, De Chernatony & McDonald, 2003) Furthermore it has an impact on customers' perceptions of the brand as a whole This is the consumers' image of the brand regarding the quality of the offering provided The perceived quality often determines the purchase decision Perceived service quality, therefore, has a positive impact on customer loyalty and the service brand equity (Alexandris et al, 2008) This is especially important in luxury services, where prices are higher to portray a 'premium' image A reputation for bad quality is difficult to recover from (Berry, 2000), therefore, Aaker (1991) portrays the importance of a stringent quality management process Perceived quality can also act as a firm's key positioning point that differentiates it from competition In a service organisation the perceived service quality is very dependent on the employees' competence and attitudes This makes internal branding an important part of service brand equity (Gronroos, 1978, Berry, 1981, Berry, 2000, De Chernatony & Harris, 2000, De Chernatony et al, 2003, Punjaisri et al, 2009, Supornpraditchai et al, 2003, Wong & Merrilees, 2005) Chen et al (2008) found that perceived quality is higher in females than in males

Brand loyalty is the extent to which consumers stay loyal to one brand and re-purchase the product or service, even in times of price increases or economic crisis (Aaker, 1991, 2002, De Chernatony & McDonald, 2003) Brand loyalty is crucial, as it has been proven that it costs less to retain existing customers than to attract new ones, due to the costs associated with advertising, promotions etc Chen et al (2008) suggest that males tend to be more brand loyal than females De Chernatony & McDonald (2003) conclude that the longer a customer stays loyal to a company, the more they will spend There are a number of factors that can impact a customer's brand loyalty Faullant, Matzler & Fuller (2008) studied the effect of customer satisfaction, image and word of mouth and concluded that although customer satisfaction is necessary for repeat purchases it is, in isolation, not enough to sustain long term loyalty Image had an important role to play (Faullant, Matzler & Fuller, 2008, Kent & Stone, 2007) and took dominance over satisfaction as repeat visits were made Word of Mouth was found especially

important in services, as they cannot be sampled before consumption, and therefore, rely on positive story telling by satisfied customers (Faullant, Matzler & Fuller, 2008, Solnet & Kandampully, 2008)

Finally, brand associations are the associations consumers make with a brand. These perceptions are influenced by the brand's attributes, celebrity endorsements and symbols surrounding the brand (Aaker, 1991). It is what customers perceive as the brand's identity or essence and what the company stands for. Therefore, a company needs to ensure these associations are in line with what they want to be known for and their vision. This is why brand positioning plays a key role in the management of a brand (Aaker, 1991, Keller, 1996, 2000). Brand positioning is what the business communicates about their brand through the use of media, symbols, quality etc. Keller et al (2002) state that a brand's associations need to be unique, favourable and compelling enough to differentiate their brand from competitors.

Brand equity is especially important in services, where there is no tangible offering to sample or base their judgment on. Berry (2000) states that,

'Strong brands are the surrogates when the company offers no fabric to touch, no trousers to try on, no watermelons or apples to scrutinize, no automobile to test-drive

Aaker's (1991) brand equity model provides a solid foundation for Keller's (1993) Consumer Based Brand Equity model, which suggests that the power of a brand lies in the actions and reactions of its' consumers. This model is useful in a services context, where the consumer is an integral part of the service experience nature (Bamert & Wehrli, 2005, Berry, 2000, De Chernatony & McDonald, 2003, De Chernatony et al, 2003, Jones et al, 2002, Krishnan & Hartline, 2001, McDonald, 2001, Zeithaml et al, 1985). The CBBE model will now be discussed in detail.



### 2.3.2 Customer-Based Brand Equity

Keller (2008) established the Customer-Based Brand Equity (CBBE) model to examine further the influencers of consumer behaviours towards a brand. Keller believes that the strength of a brand is determined by its customers and the power to build or break brand equity lies with them. The two elements of this model are brand awareness and brand image.

Brand Awareness, as stated by Aaker (1996) previously, is the consumer's ability to identify the brand under recognition and recall. This has been identified by both Aaker (1996) and Keller (2000) as important to brand equity. Brand awareness is triggered by the reaction of customers to brand associations and the brand name. Therefore, the strength of brand awareness is determined by its customers and their recall and recognition.

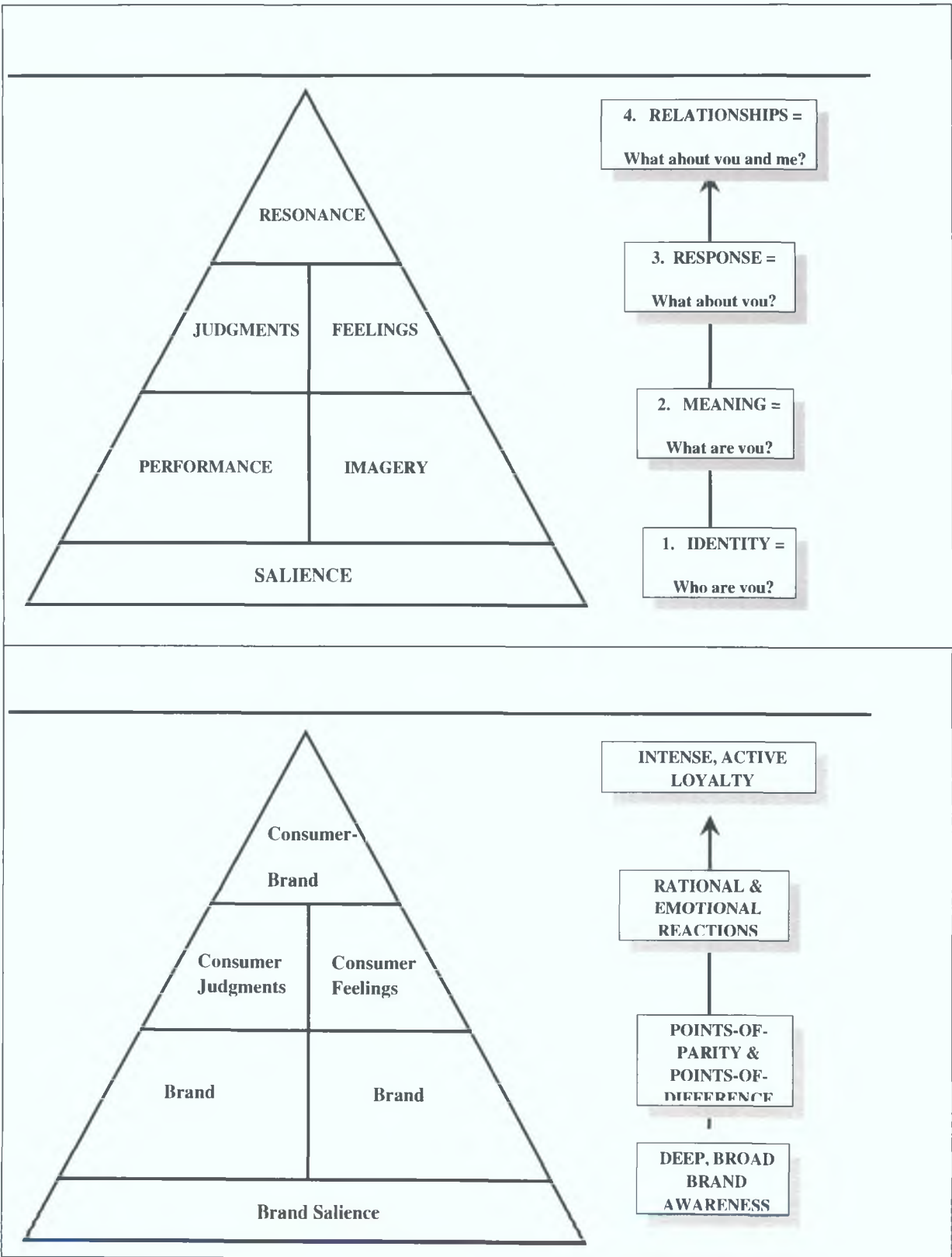
Brand image is described as a consumer's perception of the brand. This perception is influenced by brand associations that remain in the consumers' minds and are viewed as important creators of positive brand image (Alexandris et al, 2008, Keller, 2008). Associations must be unique, strong and favourable in order to build a positive brand image and loyalty (Keller et al 2002).

Netemeyer et al (2004) describe the core facets of CBBE as perceived quality, perceived value for money, uniqueness and willingness to pay a premium price. Superior performance in all four facets leads to a strong brand equity and customer loyalty. Perceived quality and value for money tie into Keller's brand image. These are especially important during periods of economic uncertainty when consumers have less money to spend. Recent research has stressed the need for a brand's associations to be unique or distinctive (Berry, 2000, Keller et al, 2002). These 'points of difference' (POD's) need to be compelling and add value for the customer (Berry, 2000, Keller et al, 2002). Aaker (1996) states that a customer's willingness to pay a premium price is

the most powerful indicator of brand loyalty and a reasonable measure of brand equity on its own. Therefore, brand equity is crucial in luxury services as their very nature is to charge premium prices for better quality experiences.

The CBBE model is an extension of Aaker's model (1996) and is seen as being more suitable for today's environment, as it is more customer focused (Jung & Sung, 2005). Keller focuses on what he believes to be the two key determinants of brand equity from the customers' perspective- awareness and image. Keller (1993) believes that customers go through four different stages of CBBE- who are you? (Brand awareness), what are you? (Brand identity), what do I feel about you? (Perceptions) and what about you and me? (Brand salience/relationships). From this, Keller developed the CBBE Pyramid, illustrating the four levels and how they are influenced, and this model is shown in Figure 2.2 below. These four stages all depend on the strength of a brand's awareness and image. Keller (1993) states that companies at stage four have an optimal level of brand equity and customer loyalty. They have built a relationship with their consumers and consumers have an emotional attachment to the brand.

**Figure 2.2: Keller (1993) CBBE Pyramid**



Source Ryan, 2008 [lecture]

More recently, a new model has emerged by Supornpraditchai et al (2003), stressing the importance of internal branding and its impact on brand equity. It is evident that if a company's employees believe and trust in a brand they will improve the brand image by promoting it to the customers (Gronroos, 1978, Berry, 1981, Berry, 2000, De Chernatony & Harris, 2000, De Chernatony et al, 2003, Punjaisri et al, 2009, Supornpraditchai et al, 2003, Wong & Merrilees, 2005). Supornpraditchai et al (2003) state that in order to build brand equity among customers, it must first be built internally among employees.

From this the Employee Based Brand Equity (EBBE) model was developed, selling the brand to employees and building loyalty internally. This model links Aaker's human associative memory theory with Redem & Swait's (1998) signalling theory. Redem & Swait (1998) state that there will always be a unequal distribution of information held between the company and its customers and, therefore, the brand is used to communicate its quality and credibility to customers. A strong EBBE is built using favourable brand associations, brand consistency, brand credibility and brand clarity. Training and communication are important to equip staff with the adequate knowledge for their role and a consistent message must be given to avoid confusion and frustration. The result of this is a lower staff turnover, as employees build a relationship and loyalty to the company and a higher perceived value of the brand. This perceived value is then communicated to the customers (Supornpraditchai et al, 2003).

Punjaisri et al (2009) support the argument that internal branding has a positive influence on employee behaviours and attitudes whilst delivering a service. Strong internal branding leads to a brand identity, commitment and loyalty among employees (Punjaisri et al, 2009, Supornpraditchai et al, 2003). In service organisations, internal branding has a significant affect on brand equity as the employees are the customers touch points with the brand (De Chernatony et al, 2003, Mahnert & Torres, 2007, Toffler, 1990, Veloutsou & Panigyrakis, 2007).

Wong & Merrilees (2005) discuss ways in which an SME, specifically, can build their brand equity Wong & Merrilees (2005) suggest taking the ‘euphemistic approach’ and using measures that SME’s already examine in relation to sales, such as reputation, image, quality, customer association and customer attitudes This, once more, indicates a customer focused CBBE approach to branding SME’s SME’s tend to be more customer-focused than their larger counterparts and it is therefore easier for them to build, manage and monitor customer relationships and CBBE (Abimbola & Kocak, 2007, Berthon et al, 2008, Flood, 2001, O’Dwyer et al, 2009)

Both Aaker and Keller’s models are valid and both have added significant depth to branding theory, however, Keller’s model is more appropriate in a customer focused organisation such an SME of a luxury service, where the key determinant of brand equity is the customer experience (Alexandris et al, 2008, Berry, 2000, DeChernatony & Segal-Horn, 2003, Moorthi, 2002) Internal branding also plays a key role in the service organisation and, therefore, the EBBE model is useful to luxury service SME’s

### **2.3.3 Branding luxury goods/services**

The concept of a luxury product/service is one which its definition is still unclear among many Hader (2008) provides the most holistic and accurate definition of luxury, stating it is

‘Something inessential but conducive to pleasure and comfort, something expensive or hard to obtain, sumptuous living or surroundings, lives in luxury ’

Kapferer & Volpe (2008) argue that a premium price alone does not mean a product or service is a luxury A luxury product/service must possess unique characteristics that make consumers willing to pay that premium price Branding of luxury is, therefore, crucial to any luxury service organisation as strong brand equity enables them to charge a higher price (Aaker, 1996, Braun,

2004, Clayton, 2002, De Chernatony, 1996, De Chernatony & McDonald, 2003, Dibb & Simkin, 1992, Duffy, 2003, Faullant, Matzler & Fuller, 2008, Kapferer et al, 2009, Kayaman & Arashi, 2007, Keller, 1993, Mielniczak & Sinaga, 2005, Miller, 2008, Netemeyer et al, 2004, Nueno & Quelch, 1998, Rose, 2007, Vigneron & Johnson, 2004) Kapferer & Volpe (2008) support this argument, stating that ‘there is no luxury without brands’

Over the past decades, luxury products/services have emerged as a dominant sector in the field, with a \$220 billion market worldwide and it is still growing (Hader, 2008) Kapferer & Volpe (2008) suggest that around 39% of these luxury product/service users are non-affluent consumers or ‘Day-Trippers’ In other words, the luxury market is no longer restricted to the ‘rich’ This market has become fiercely competitive, with new consumer segments and needs (Danziger, 2007, Gotsis, 2004, Hader, 2008, Kapferer & Volpe, 2008, Danet et al, 2008, Shilling, 2007, Silverstein & Fiske, 2003, Unity Marketing, 2006) The luxury market traditionally was all about status and prestige and was aimed at the affluent market, pre-dominantly the ‘Baby Boomers’ generation However, it is now a ‘luxury for the masses’, accessible to everyone but mainly targeted to the GenX or young and affluent consumers and the customer experience takes precedence over the product/service itself (Danet et al, 2008, Danziger, 2007, Gotsis, 2004, Hader, 2008, Kapferer & Volpe, 2009, Shilling, 2007, Silverstein & Fiske, 2003, Unity Marketing, 2006) Hader (2008) describes the experience as a luxury product or services key differentiator and states the need for it to be “positive, memorable and emotion-evoking” This ‘new luxury’ has presented luxury retailers with many considerations and challenges in the current market place (Danziger, 2007, Danet et al, 2008, Silverstein & Fiske, 2003, Unity Marketing, 2006)

Marketers need to understand this new generation of consumers and the differences in their needs Silverstein & Fiske (2003) suggest there are four emotional pools that guide this new luxury consumer’s purchase decision, “Taking care of me, questing for adventure and new personal limits, connecting with friends and family or individual style” These customers are motivated by value for money, high quality, personal attention, convenience, uniqueness and

products/services that go beyond expectations (Danziger, 2007, Gotsis, 2004, Hader, 2008, Danet et al, 2008, Silverstein & Fiske, 2003, Unity Marketing, 2006) Luxury has become a moving target and many luxuries are fast becoming necessities (Danziger, 2007) The challenge for luxury providers is to keep up with the market trends and continue to surprise and delight their customers in order to charge premium prices and retain brand equity Luxury brands need to be careful of extending their brand too far or changing prices, as these could potentially dilute or even erode their brand equity (Reddy & Terblanche, 2005, Silverstein & Fiske, 2003, Varley, 2008, Wetlaufer, 2007)

Luxury brands take years to build and possess a unique and distinctive brand personality (Berchon 2009, Kapferer & Volpe, 2008, Wetlaufer 2007) Kapferer & Volpe (2008) believe that luxury companies need to understand who their brand ‘talks to’ There are two types of brand building techniques common to luxuries- history and story-telling Luxury brands rely heavily on word of mouth, reputation and brand image to differentiate their service (Kapferer & Volpe, 2008)

The branding of health spas has equally transformed in recent years Clayton (2002) states that the UK spa market grew by 145% from 1996 to 2001, which demonstrates the shift in perceptions of it from an unattainable to an affordable luxury in such a short space of time The health spa has gone from a luxury experience for an affluent and predominately female market to an affordable luxury for everybody and a more equal distribution of gender (cited in Mielniczak & Sinaga, 2005) This has led to health spas offering a wider variety of treatments and, therefore, becoming a lifestyle as opposed to a luxury (Mielniczak & Sinaga, 2005) Brand image and the service experience are suggested as being the most important determinants of brand equity in health spas (Clayton, 2002, Mielniczak & Sinaga, 2005) This is a market which has grown very rapidly and is said to continue to expand, with new innovations such as acupuncture, sports massages and eco-friendly spa resorts

Despite this emergence as a regular consumer purchase, there still remains very limited research on health spas and how they can build their brand equity. The literature is even more lacking with regards to Small to Medium (SME) health spas, despite this being a popular type of spa in the Irish economy.

Similar to all luxury services, the service experience is vitally important in a health spa. Consumers expect a relaxing and energizing experience by experienced personnel. Moorthi (2002) states that a health spa is an experiential service and requires the experience to be fun, relaxing and sensual. Employees play a key role in the quality of this service (Clayton, 2002, Mielniczak & Sinaga, 2005, Moorthi, 2002).

The debate at the moment is whether or not luxury services can survive the economic downturn. The economic downturn poses challenges for all companies, as consumers have less discretionary income. However, it is believed that luxury services will suffer the most, as consumers cut back on the non-essentials (Irish Times, 2008).

### **2.3.5 Branding in an economic downturn**

In today's uncertain environment, companies are finding it tough not to cut prices and marketing costs to prevent short term financial difficulty. With the unemployment rate at 12.6% (RTE, 2009), consumers have less disposable income to spend on the 'non-necessities' such as health spas, which are deemed a luxury service. However, a study by Yankelovich Partners (1993) showed that consumers tend to "splurge" on small necessities when money is tight to treat themselves, which is advantageous for the SME health spa sector (Curry, 1999). Curry (1999) states that companies that do not cut their spending or prices during a recession will "fair better" in sales and image afterwards. Williamson & Zeng (2009) describe how 15% of today's leading



brands rose to the top during the previous economic downturn and, therefore, there are opportunities available if companies focus on value for money

The nature of a cyclical environment is that it will always go through peaks and troughs and, therefore, companies need to have some defence mechanism in place to make them less vulnerable to shocks. Despite this, there is still a gap in the literature with regards to surviving an economic downturn, especially for the SME and service sectors

SME's are particularly vulnerable to economic unrest due to their small size and scarcity of expertise and resources (Culkin & Smith, 2000, Dibb & Simkin, 1992, Graham, 1999, ABS 1997-98, Berthon et al). Johnston et al (2008) discuss how the SME sector can deal with this environmental uncertainty through the use of "scenario planning". These are a set of contingency plans put in place to help a company deal with unforeseen circumstances. These simple 'what-if' strategies can prepare a small company for economic downturns and they can therefore avoid rushed and haphazard decisions such as price cutting (Johnston et al, 2008). It brings more structure and planning to the normally unstructured SME processes and this will make them less vulnerable to economic shocks

Research shows that marketing is the first area in the budget to get cut during an economic downturn (Pierce & Almquist, 2001, Tyrell, 2008). Curry (1999) discusses how it is a "knee-jerk reaction" to cut prices and costs, but those that do risk destroying their brand identity and equity. Wolfe (2009) states that cutting prices and not adding value to products/services will lead to companies going bankrupt. It is, of course, obvious to assume that luxury brands will be the most affected by this downturn (Irish Times, 2008). Danet et al (2008) discussed how the luxury markets' recent reliance on their extended market opens them up to risks created by the economy. In addition, Danet et al (2008) believe that the new "socially conscious luxury consumer" will be reluctant to flaunt their wealth whilst others struggle

Bain & Company believed that luxury services would still rise by 2% (Varley, 2008) However, the service industry will still have to significantly improve their service brand equity to compete and attract the newly price sensitive customers. It is a thought that only the companies most committed to their brands will survive, as those uncommitted will be the first to cut prices (Pierce & Almquist, 2001, Tyrell, 2008) Therefore, now is the optimum time for a luxury service brand to build their brand equity through added value and improved service. This will provide them with an increased competitive advantage, against those who kept their old strategies, when the economy stabilizes again (Curry, 1999, Williamson & Zeng, 2009)

Luxury services need to be careful not to engage in price wars (CMA, 2008), which could damage their reputation and image. They need to keep true to their core values and proposition by retaining the position as a premium brand, but adding more value for money and higher quality service, focusing on the long term (Danet et al, 2008) Shilling (2008) states that small luxuries will flourish in the current economy as they cost less but still provide that ‘feel good factor’, which is an advantage for SME luxury service providers like health spas, restaurants etc. Furthermore, Hader (2008) suggests that people will “splurge” on experiences rather than items, especially when money is tight, as they feel less guilt. However, Hader (2008) states that it must be worth the price paid and therefore a high quality service must be received to evoke a customer’s perception of value for money.

## **2.4 Identification of Key Issues/Gaps**

One of the key issues/gaps among literature would be the overall lack of research on service branding and service brand equity. Despite the fact that the service sector is a dominant employer and creator of GDP, there is few brand equity models tailored to the service organisation (De Chernatony et al, 2003, Jones et al, 2002, Krishnan & Hartline, 2001) There has been significant research into the area of brand equity (Aaker, 1991, 1996, Keller, 1993), however, the focus of this research is mainly on the physical products (De Chernatony et al, 2003, Jones et al, 2002, Krishnan & Hartline, 2001) Consequently, a list of the 2008 leading global brands are

predominately product orientated (De Chernatony et al 2003; Interbrand, 2008a), as service managers are expected to use strategies designed for the product market.

Secondly, there is a scarcity of research into the luxury services market and, in particular, luxury service brand equity. There is extensive research on the luxury market and its characteristics, however, this research is also products dominated (Danziger, 2007; Gotsis, 2004; Hader, 2008; Danet et al, 2008; Shilling, 2007; Silverstein & Fiske, 2003; Unity Marketing, 2006). The luxury market is an emerging market that has broadened its target market over recent years. However, similar to its parent services market, the most successful luxury brands are product orientated and branding in luxury services is generally inadequate (Interbrand, 2008b). There is now a new market for luxury services that involves the ordinary 'Joe Soap' and this new market have different needs and wants, which are important to address.

Furthermore, a gap exists in research with regards to SME branding and brand equity. The majority of research into the brand equity field is tailored towards the larger organisations and neglects to account for the differences in an SME's resources and structure. Small companies often do not have the resources and expertise nor the market power to adopt branding strategies of their larger competitors (Carson, 2000; Culkin & Smith, 2000; DETE, 2008; Devins, 2008; Graham, 1999, ABS 1997-98; Berthon et al). Therefore, a vast majority of SME's do not see their brands full potential as a strategic asset to their company. A more tailored approach into the brand equity for the SME market is needed, that does not require huge resources or expertise.

Finally, there is limited research available on branding during economic uncertainty and more specifically, the impact of brand equity. In a cyclical environment that is always experiencing peaks and troughs, it is necessary for companies to make contingency plans for when the economy becomes unstable. Despite this, there still exists a gap in literature on how an organisation can leverage their brand equity to survive, or even thrive, during these unsettling periods, with the exception of few (Curry, 1999; Danet et al, 2008; Johnston et al, 2008; Pierce

& Almquist, 2001; The Irish Times, 2008; 2009; Tyrell, 2008; Varley, 2008; Williamson & Zeng, 2009; Wolfe, 2009)

## 2.5 Identification of the need for Empirical Research

Simoes & Dibb (2001) state that brand equity in services is important for three reasons; it increases consumers' trust in the invisible, it reduces a consumer's perceived risk and it visualizes the service and helps them understand the intangible. In an economy that is predominately service orientated it is important for a company to know how to compete and research has proved that strong brand equity is a source of competitive advantage and growth (Aaker, 2002; Anselmsson, 2007; Alexandris et al, 2008; Bucklin et al, 1995; De Chernatony & Mc Donald, 2003; Dibb, S. & Simkin, L., 1992; Faullant, Matzler & Fuller, 2008; Keller, 2000; Krishnamurthai & Raj, 1991; Laroche et al, 1996; Netemeyer et al, 2004). The lack of research tailored to services branding and service brand equity, along with the obvious differences in service characteristics, justifies the need for this area to be further researched. Services account for 2/3 of employment in Ireland, 43% of exports and also make a considerable contribution to GDP (DETE, 2008; Dibb & Simkin, 1992). Despite this, the majority of the research on brand equity is product orientated and neglects the service organisation.

Secondly, luxury services are becoming a growing phenomenon and have experienced substantial growth over the past decade (Danziger, 2007; Gotsis, 2004; Hader, 2008; Kapferer & Volpe, 2008; Danet et al, 2008; Shilling, 2007; Silverstein & Fiske, 2003; Unity Marketing, 2006). Therefore, they are now more reliant on a wider target market of non-affluent consumers and this opens them up to economic shocks. Currently, it is of topical debate if luxury services can survive this economic downturn and still charge the same premiums prices. The Irish Times (2008) suggest that luxury services will be the worst hit by this recession. However, it is argued that luxury services will thrive in these times if they stick to their core values but offer more value for money (Reddy & Terblanche, 2005; Silverstein & Fiske, 2003; Varley, 2008; Wetlaufer, 2007). Therefore, research is necessary to determine whether or not a luxury service

brand (health spa) can survive economic uncertainty and what impact their brand equity can have on this survival. Brand equity is crucial in luxury services, as to charge a premium price they need to be perceived as superior to competition.

The lack of research tailored to SME's is alarming, considering they also account for the majority of the country's employment, GDP and export performance (Culkin & Smith, 2000, Graham, 1999, ABS 1997-98, Berthon et al). Research has proven that SME's are very different to their larger counterparts and, therefore, cannot simply apply the same branding measures to their strategies as large companies (Carson, 2000, Berthon et al, 2008, Culkin & Smith, 2000). Therefore, it is necessary to research this sector and develop brand building strategies for them. Jimmy Devins (TD) states that SME's are the backbone of our economy and, therefore, strategies to aid their survival of this economic downturn are crucial to the Irish economy. There is a clear lack of research available in this area and, therefore, there is a need for it to be studied further.

Finally, the current economical state of the environment is not an isolated occurrence. Due to the cyclical nature of the economy, it will always experience peaks and troughs. Therefore, it is imperative for businesses to learn from their predecessors of the last downturn and create strategies and scenario plans that will prepare them for the uncertain times (De Chernatony et al, 2003, Johnston et al, 2008). These strategies can also possibly enable a business to then become superior during times of economic wealth, when the economy stabilizes itself again. Despite this knowledge, research on this area is limited and there is a lack of literature that focuses on ways in which a company can survive economic turmoil.

## 2.6 How the Specific Research will be Addressed

Both quantitative and qualitative research will be used to address the research problem and objectives outlined in the introduction chapter of the study. The reason for this mixed methodology is to ensure for an in-depth insight into the specific topic and for the best quality research to be gathered (Bloomberg & Volpe, 2008; Bryman, 2004; Carson et al 2001; Carson et al 2002; Chisnall, 2005; Domegan & Fleming 2003; Easterby-Smith et al 2007; Gill & Johnson, 2002; Ghauri, 2005; McDaniel & Gates, 2007). The results founded in the qualitative research will act as foundation knowledge for the constructing and distribution of the quantitative questionnaires (Carson et al 2001; Ghauri, 2005).

In support of all three objectives, the proposed research is a qualitative interview analysis of two health spas - one with strong brand equity (Company A) and one without (Company B). The marketing manager for each company will be interviewed on a one-to-one basis, along with observation of the company and informal chats with employees. The interviews will aim to prove the assumption that strong service brand equity leads to higher sales, customer loyalty and price insensitivity, even in an economic downturn (Aaker, 2002; Anselmsson, 2007; Alexandris et al, 2008; Bucklin et al, 1995; De Chernatony & Mc Donald, 2003; Dibb, S. & Simkin, L., 1992; Faullant, Matzler & Fuller, 2008; Keller, 2000; Krishnamurthai & Raj, 1991; Laroche et al, 1996; Netemeyer et al, 2004). The interviews will be semi-structured to allow for a relaxed atmosphere and flexibility of answering. The results will then be compared and contrasted to determine the differentials of brand equity and the link between brand equity and SME performance.

Following this, quantitative consumer questionnaires will be carried out to help determine all objectives one and three of the research. These questionnaires will be completed in busy shopping centres and health spas across the North West of Ireland (Donegal, Sligo and Leitrim). The researcher aims to complete a total of 200 questionnaires in order to have a representative sample of the luxury population. Respondents will be chosen at random, with the only specific

criteria being that they have used a health spa before. These questionnaires will then be compiled and analyzed using a statistical computer package, known as SPSS, to determine a consumer's perspective on brand equity and its importance. Results will then be displayed using visual charts to simplify interpretation for the reader.

## 2.7 Conclusion

This chapter provided a review of the foundation literature- Branding, Service branding and SME branding. The immediate literature associated with the research problem was then reviewed- namely Brand Equity, Customer-Based Brand Equity, Branding of luxury and Branding in an economic downturn. It was discovered that CBBE was most appropriate to services due to their intangible and flexible nature and it is also more relevant today. In addition, it was concluded that the important factors in service brand equity are, internal branding, the corporate brand, the service experience, communication, distinctive brand image and brand awareness, and these, therefore, will be used during the research process. As the luxury services market is vast and complex, the research will focus on the area of health spas, as these are an affordable luxury (Mielniczak & Sinaga, 2005). It was established that health spas are now seen as an affordable luxury and part of a lifestyle and a predominately female service has become more accessible to male users. Following this, the gaps/issues in literature were discussed and the need for further research was addressed. It was found that there is a significant lack of research on service brand equity, luxury service branding, SME branding and the economic downturn. Finally, a brief outline of how this research will be undergone was provided, stating the proposed use of both quantitative and qualitative research to gain a thorough insight on the area. The following Chapter (the methodology chapter) will discuss this proposed methodology in more detail.

## **Chapter Three**

### **Methodology**



### **3.1 Introduction**

This Chapter provides an in depth analysis of the proposed research methods to be used, following on from a brief outline in the first two chapters. It will also justify the use of a mixed methodology approach, using both quantitative and qualitative research. For quantitative research, questionnaires will be distributed among a sample of consumers and both an outline and justification for this method will be discussed in detail. In-depth interviews will be conducted with 2 managers of health spas (luxury service) for the qualitative research and this also will be discussed and justified. Following this, an understanding of how the research methods proposed will solve each objective will be given. Lastly, any ethical concerns and limitations of methodology will be explained, before concluding the chapter.

### **3.2 Justification for the Paradigm and Methods**

In support of this research, it was decided to focus on the SME luxury services market, as it is of topical debate whether or not this market can survive economic turmoil (Danet et al, 2008; Hader, 2008; Pierce & Almquist, 2001; Shilling, 2008; The Irish Times, 2008; Tyrell, 2008; Varley, 2008). Furthermore, both the services sector and the SME sector have a significant contribution to the employment, GDP and economic wealth of a country (ABS 1997-98; Berthon et al; Culkin & Smith, 2000; DETE, 2008; Graham, 1999). Due to this being a broad and often undefined market, the research focuses solely on the SME health spa industry, as this is an affordable luxury that has a broad range of consumers. The research was conducted in the North West of Ireland (Sligo, Leitrim and Donegal). This decision was based on the observation of this region as the most underdeveloped, with significant increases in unemployment and company closures (DETE, 2008; CSO, 2006; IDA, 2009). The population of this region is over 236,656

people (CSO, 2006) and the main towns include Sligo Town, Carrick-on-Shannon and Letterkenny (IDA, 2009)

### 3.2.1 Mixed Methodology

The research problem is both specific and exploratory, therefore, the author has chosen to use a mixed methodology approach to gather the relevant results. Using a mixed methodology, the researcher aims to blend both positivism methodology, which tests existing theory, and interpretism methodology, which focuses on theory building to solve the proposed research problem (Carson et al, 2002)

Quantitative research is based on statistical results of a large sample of appropriate respondents (Bryman, 2004, Carson et al, 2001, Carson et al, 2002, Chisnall, 2005, Domegan & Fleming, 2003, Mc Burney, 2001, McDaniel & Gates, 2007, Shiu et al, 2009). Qualitative research is based on in-depth discussions that uncover attitudes, perceptions and motivations (Carson et al, 2002, Domegan & Fleming, 2003, Ghauri, 2005, McDaniel & Gates, 2007, Mc Guinn, 2008, Shiu et al, 2009). Both methods have their own benefits and limitations. The quantitative research (questionnaires) will enable the researcher to reach a large sample representative of the population at a relatively low cost (Bryman, 2004, Carson et al, 2001, Carson et al, 2002, Chisnall, 2005, Domegan & Fleming, 2003, Mc Burney, 2001, Shiu et al, 2009). On the other hand, the qualitative research (interviews) has the ability to probe deeper and gathers more in-depth and conclusive findings (Carson et al, 2002, Ghauri, 2005, McDaniel & Gates, 2007, Mc Guinn, 2008, Shiu et al, 2009)

A mixed approach is thought to be more appropriate when doing exploratory research and when the research problem is complex and requires deep understanding (Bloomberg & Volpe, 2008,

Bryman, 2004; Carson et al 2001; Carson et al 2002; Chisnall, 2005; Domegan & Fleming 2003; Easterby-Smith et al 2007; Gill & Johnson, 2002; Ghauri, 2005; McDaniel & Gates, 2007). Gill & Johnson (2002) argue that there is no single method that can meet all research objectives and they suggest a 'methodological pluralism' approach. Carson et al (2001) support this argument by stating the necessity of a mixed approach in order to achieve objectives and reduce limitations of research methods. Easterby-Smith et al 2007 state that a mixed approach gains more perspectives and hence more accurate results. This is useful to the current research problem, as it requires both the consumer and the service company's perspectives on brand equity.

McDaniel & Gates (2007) state that the mixed approach is becoming a favourable choice among researchers. This is possibly because a mixed methodology is believed to lead to more confident and accurate findings (Bryman, 2004; Carson et al 2002) as quantitative results support and compliment qualitative research and vice versa (Bryman, 2004; Carson et al, 2002; Chisnall, 2005; Domegan & Fleming 2003; Easterby-Smith et al 2007; Ghauri, 2005). Quantitative findings are commonly used as a basis for further, qualitative research (Carson et al, 2002; Domegan & Fleming 2003; Easterby-Smith et al 2007; Ghauri, 2005). Ghauri (2005) believes that quantitative and qualitative research are not mutually exclusive and need to be used together to acquire meaningful results. Chisnall (2005) supports this and suggests that qualitative research is the 'partner' of quantitative research. Carson et al (2002) note that qualitative research has gained increased regard among practitioners as providing practical solutions to real-life business issues. The flexibility of qualitative research also allows for the researcher to be creative and innovative in their research (Bloomberg & Volpe, 2008).

### 3.2.2 In-depth Interviews

The qualitative method of research used was the in-depth interview. Two informal interviews were conducted with marketing managers of small health spas in the North West to uncover the trends, motivations and consumer behaviours in this sector. The feelings and opinions of the

marketing managers on service brand equity and its importance were also questioned. The results from both interviews were then compared and contrasted to identify the factors that contributed to the level of brand equity in these companies. By using qualitative research at the beginning, the researcher gained a clearer understanding of the problem and it acted as a basis for further, quantitative research (Carson et al 2001, Ghauri, 2005)

In-depth interviews are useful as they allow the researcher to probe deeper and gain better quality answers (Domegan & Fleming, 2003, Carson et al, 2002, Chisnall, 2005, Ghauri, 2005, Mc Burney, 2001, McDaniel & Gates, 2007, Shiu et al, 2009). Carson et al (2002) state that in-depth interviews allow for the researcher to 'get inside the head' of the interviewee and uncover their true feelings and motivations. There is also the ability to ask more complex questions and provide visual clues and explanations to questions (Brace, 2004)

Ghauri (2005) believes that interview research is necessary under 3 circumstances, where there is a lack of existing research available, when the research is a current phenomenon and when there are many variables under research that require how and why questions that make it difficult to use quantitative research (Bonoma, 1985, Eisenhardt, 1989, Ghauri, 2005, Yin, 1994). Therefore, it is useful to the current research problem as luxury service brand equity is both under researched and complex in nature, whereas, strategies for surviving an economic downturn are a current phenomenon under topical debate.

Conducting a personal interview helps reduce the risk of response and non-response sampling error, as the respondent feels obliged to provide complete answers. McDaniel & Gates (2007) suggest that there are many reasons why interview research can benefit the researcher further than a focus group. In an interview setting there is no group pressure and the interviewee has constant, individual attention, allowing for probing questions and uninfluenced answers. Unfortunately, the absence of a group also means there is no group dynamic, where ideas are

bounced off other members of the group and reactions can be measured. However, the flexibility and closeness of the personal interview makes it a more rationale choice of methodology for this study (Carson et al, 2002, Chisnall, 2005, McDaniel & Gates, 2007, Shiu et al, 2009)

### 3.2.3 Questionnaire Research

Domegan & Fleming (2003) describe questionnaire research as

“The systematic collection of data from a sample of respondents”

Questionnaires are the most commonly used method of quantitative research (Baker, 1994, Domegan & Fleming, 2003, Mc Burney, 2001). This is due to their inexpensive nature, broad reach and the ease and speed of collecting and analyzing findings (Brace, 2004, Domegan & Fleming, 2003, Mc Burney, 2001). Their ability to reach a large sample leads to more accurate results that are representative of the population (Brace, 2004, Bryman, 2004, Ghauri, 2005). Questionnaires, if designed properly, can uncover consumer behaviours, attitudes, awareness, trends and characteristics (Baker, 1994). Another advantage is the ability to have a standardized approach, asking the same questions to a large group of people (Brace, 2004). This allows for effortless trend analysis and assumptions from results that are descriptive and analytical in nature (Ghauri, 2005). Finally, Easterby-Smith et al (2007) state that questionnaires are important for gathering the raw primary data essential to solving the research problem.

There are 3 types of questionnaires that can be used, face-to-face, telephone and mail/e-mail. For this research, the face-to-face questionnaire will be used as it reduces non-response error and it is also more flexible, allowing more complex questions and the use of visual clues (Brace, 2004, Domegan & Fleming, 2003, Mc Burney, 2001). The questionnaire consisted of mostly multiple choice or dichotomous questions as these are easier for the respondent to understand and are useful when interviewing a large sample (Mc Burney, 2001, Domegan & Fleming, 2003).

Questionnaires are also a more objective type of research and, therefore, do not allow for the same amount of researcher bias in research compared to what can occur in the personal interview (Baker, 1994, Domegan & Fleming, 2003, Ghauri, 2005, Mc Burney, 2001, Mc Daniel & Gates, 2007)

1

### **3.3 Research Procedures**

Initially, the qualitative research was collected in the form of two personal interviews. These were conducted during the month of June 2009 with the marketing managers of two local competing health spas. Results of these interviews were then compared and conclusions drawn. In addition, the employees of both health spas were spoken to and observed to gain their opinions and observations of the company brand and its importance. This also established the brand culture, which is vital in a service organisation.

Secondly, separate consumer questionnaires were prepared and conducted. These were distributed in the regions 3 main towns at peak shopping times during the last two weeks of June 2009. A proportion of the questionnaires were then distributed among health spas in these 3 locations, which were then left there for 2 weeks for customers to complete. The questionnaires were aided by the qualitative information gathered by the qualitative research, in-depth interviews.

2

### 3.3.1 Interview procedure

As mentioned previously, the in-depth interviews were conducted on two health spas in the North West, one a well-known and popular brand, the other a small, less known brand. Interviews were conducted with a representative from each company to study the differences in brand equity, loyalty and price sensitivity. Conducting these interviews gained a clear understanding of the research problem and acted as a basis for further research (Carson et al, 2001, Chisnall, 2005, Ghauri, 2005, McDaniel & Gates, 2007)

Firstly, an email was sent to both companies on the 8<sup>th</sup> March 2009, requesting a short interview with a CEO or marketing manager. The respondents then took part in informal, in-depth personal interviews during the month of June 2009. The first interview was conducted on the 10<sup>th</sup> June 2009 with the marketing manager of a small, well-branded health spa, which hereafter will be referred to as Company A. Company A has a strong brand awareness and equity in the health spa market due to their extensive brand positioning and management. The second interview was conducted on 18<sup>th</sup> June 2009 with the general manager of a small health spa with very little branding activity, which will be referred to as Company B. Company B has a very weak brand awareness and does a modest amount of brand building. Both respondents were asked the same list of 10 flexible questions, designed to evaluate their level of branding activity, their brand equity and the impact of their brand during economic uncertainty.

The interviews that took place were informal, semi-structured conversations around a set of general topics. Probing questions were then used to delve deeper into the motivations and feelings of respondents (Carson et al, 2002, Chisnall, 2005). This created a relaxed atmosphere with the flexibility for respondents to speak freely about their feelings and opinions. The questions discussed (Appendix B) covered the areas of service branding, brand equity, luxury branding, SME branding and the impact of the economic environment. They also aimed to answer objective 1, 'To identify strong service brand equity in the luxury spa market', objective

2, 'To determine the affect of service brand equity on an SME during economic uncertainty' and objective 3, 'To examine the effectiveness of brand leverage in an economic downturn on the luxury spa market' of the research. Each interview lasted 40 minutes and, due to the anonymity of the study, both respondents did not wish to be recorded.

In order to achieve the research objectives, a non-probability sampling technique was used when choosing interview respondents that were representative of the levels of branding activity in the SME population. Respondents were chosen via a purposive sample, because they fit certain important criteria for the study, i.e. brand awareness and image, sales performance, market position. Both companies possess different levels of brand equity and performance and are, therefore, representative of the luxury service SME population. Ghauri (2005) suggests that non-probability sampling is more useful in qualitative research. Company A is a well branded health spa with a strong brand equity and awareness. Company B is a health spa with very little branding activity and one that is not well known. The rationale for this method was to determine the relationship between brand equity and performance and to identify the importance to service SME's of building their brand.

The interviews risk containing response errors, both from the bias/judgment of the researcher and their interpretation of answers and from the personality and quality of answers given by the respondent. To minimize this, interview questions were pre-tested to ensure they were clear, covered all necessary areas and were free from bias that would sway the respondents' answers. The research overcame non-response error by using strategic questioning and probing deeper for answers. In order to reduce sampling error, the researcher followed guidelines from Carson et al (2002) on how to conduct an in-depth interview. The researcher was careful not to offer opinions or sway the interviewee and eye contact was maintained throughout the interview. An informal semi-structured interview was used to make the respondent feel at ease and willing to offer opinions.



### 3.3.2 Questionnaire procedure

The second and quantitative research method carried out was the consumer questionnaire. The design of a questionnaire is vital as it will dictate the quality of results. According to Domegan & Fleming (2003), a questionnaire should be designed according to the objectives the research aims to solve. If it is designed correctly, a questionnaire can uncover patterns of 'cause and effect' (Mc Burney, 2001).

The structure of the questionnaire was clear and easy to follow. In total, there were 10 questions, which are referred to in Appendix E. Similar questions were grouped together and the majority of the questions asked were either multiple choice or dichotomous, as these are easiest to understand and answer and are the most appropriate for a large sample (Mc Burney, 2001, Domegan & Fleming, 2003). However, some open ended questions were needed to allow consumers to express their opinions and provide further information (Mc Burney, 2001). Attitude rating scales were also used in some questions to uncover consumer feelings and perceptions on brand equity.

The questionnaires were conducted in the North West of Ireland, inside three busy shopping centres during peak shopping times on a Saturday. The three chosen locations were Letterkenny, Sligo Town and Carrick-on-Shannon, as these are the most heavily populated towns in the region. The researcher used a convenience sampling method to determine the sample for the consumer questionnaire. This is also a non-probability sampling technique, where respondents are chosen randomly in a pre-determined location without using any specific criteria, i.e. picking people at random on the street (Emorly & Cooper, 1991). However, efforts were made to gain a representative sample by only having respondents who have used health spas at least once complete the questionnaires. According to Bryman (2004), this sampling is the most effective as respondents of this nature tend to be more co-operative and more willing to respond. As health

spas are becoming a luxury that are accessible to everyone and have a broad target market, the sample aimed for respondents of equal distribution of age, gender, income levels and location. The questionnaires were conducted at the following times and locations,

<u>Date</u>	<u>Times</u>	<u>Location</u>	<u>No. of Respondents</u>
20 <sup>th</sup> June 2009	11am-4pm	Quayside Shopping Centre, Sligo Town, Co Sligo	40
27 <sup>th</sup> June 2009	11am-4pm	The Courtyard Shopping Centre, Letterkenny, Co Donegal	50
27 <sup>th</sup> June 2009	11am-4pm	Tesco Retail Park, Carrick on Shannon, Co Leitrim	30

*Table 3.0 Itinerary of Questionnaire Delivery*

The questionnaires were conducted on a Saturday, as it was felt that this is the busiest day for shopping centres and health spas. Also, respondents are more likely to co-operate as they are more relaxed and are not rushing for work, college etc. Questionnaires were conducted between 11am and 4pm, as these are peak shopping times. The researcher received assistance from acquaintances in distributing the questionnaires, hence the duplication of dates. The locations for the questionnaires were split between busy shopping centres and inside health spas in order to get a representative sample of the targeted population. Of the 200 proposed questionnaires, 177 received a full response, with 10 not completed and 13 deemed void/incomplete. A total of 57 of these questionnaires were completed in health spas across Donegal (28 questionnaires), Sligo (16 questionnaires) and Leitrim (13 questionnaires) over two weeks, where clients were asked by the

employees to fill them out as they waited for their appointments. In total, there were 120 questionnaires completed at the shopping centre locations, and the breakdown of these per county is shown in Table 3.0 above.

McDaniel & Gates (2007) describes many types of sample error that can occur whilst completing questionnaires. The researcher took the necessary steps to minimize this error from the current study. Random sampling error was reduced by choosing a large sample of respondents, representative of the North West population. It is believed that due to the broad range of luxury services available, i.e. restaurants, holidays, gymnasiums, beauty salons, they appeal equally to both male/female consumers. Therefore, the sample aimed to be as close as possible to an equal distribution of males and females. The amount of questionnaires per county was calculated according to population size and density. Both age and income level were not considered a specific variable when carrying out the questionnaires and a variation was included in the sample.

Systematic error occurs from bias from the researcher, non-response error of the population who weren't chosen and response error from respondents giving false/misleading information (McDaniel & Gates, 2007). The interviewees chosen to assist in carrying out the questionnaires were not from a marketing background and, therefore, this reduced the risk of them swaying respondents. In addition to this, the questionnaire was pre-tested on 8 people on the 14<sup>th</sup> June 2009 to ensure it was comprehensible and was capable of gathering the required and relevant results. This also reduced the risk of response error from interviewees. Non-response error was reduced by interviewing a large, representative sample without specific criteria on age, gender and income levels in order to reach the luxury service sectors broad target audience.

### **3.4 Research Analysis**

Both quantitative and qualitative research was used in the study and therefore different analysis methods were required. The results from the manager interviews were combined and analyzed and differences and similarities were noted. The next step was to compare and contrast the results of both interviews in order to demonstrate the impact of strong brand equity versus weak brand equity.

Secondly, the results from the questionnaires were compiled and summarized. These results were inputted into a statistical computer software package (SPSS) and the results were demonstrated by visual charts for simpler interpretation of the data. These results are discussed in detail in the findings and analyses chapter.

The aims of the research methods used were to solve the following three objectives from a company and a consumer's perspective,

**Objective 1-** 'To identify strong service brand equity in the luxury spa market '

**Objective 2-** 'To determine the affect of service brand equity on an SME during economic uncertainty '

**Objective 3-** 'To examine the effectiveness of brand leverage in an economic downturn on the luxury spa market '

Objective 1 was solved using both the questionnaires and the interview analysis. The questionnaires contained specific questions to uncover a consumer's perception of brand equity and what factors they found important (Appendix E). The interviews aimed to solve objective 1 by asking the spa managers for their opinions on what brand equity is, how it is built and how they build their brand.

Objective 2 was solved by gaining information, from the interviews, observation and from secondary research, on both companies' sales figures, customer loyalty and market performance.

The interview analysis aimed to establish trends that appeared as a result of the differential levels of brand equity between Company A and Company B and to determine the importance of strong brand equity to an SME's performance

Objective 3 was also researched by using both methods of research. Firstly, the interviews contained tailored questions to determine what impact the economic downturn has had on both companies and whether the brand equity has had an affect on these figures. Secondly, the questionnaires asked consumers what effect the economic downturn had on their spending and if the health spa brand had any impact on this decision

### **3.5 Ethical Issues**

Since the research is conducted on people and the researcher will be handling personal information there are ethical considerations to the research that cannot be ignored. Therefore, the respondents of both the interviews and questionnaires have been kept anonymous and personal information was treated with a duty of care. The two health spas are referred to as Company A and Company B to protect their reputations and confidentiality. Baker (1994) states that respondents must know what the study is, know their level of confidentiality and give their consent to participate in the research. Both marketing managers were informed by email and telephone conversation of the details of the study, what was expected of them and their confidentiality prior to interview. Interview questions were also sent via email one week prior to the scheduled meeting. As regards the consumer questionnaires, all respondents were given an explanation of the study as being part of a Masters Dissertation in IT Sligo. This was written in a brief note on the top of each questionnaire. All respondents consented to being questioned and a letter of credibility from IT Sligo was presented to the shopping centres and health spas prior to the scheduled distribution.

### **3.6 Limitations**

Due to the time, scope and cost of the project, it is impossible to survey a large sample representative of Ireland and therefore the research has been narrowed down to the North West region (as this region is suffering high unemployment and business closures and also has a large proportion of SME's) Therefore, further research is needed into the rest of the country to establish any variances

Secondly, the researcher felt it necessary to focus on the luxury services market, as this is of topical debate at the moment and is thought to be the most vulnerable to economic shocks (The Irish Times, 2008) Further research is needed into other areas of the SME services market to establish how they can build their brand equity However, these findings can be used by any small to medium service provider as a basis for research

Due to the wide scope of the luxury services market, the researcher felt the need to focus on one area-health spas Further research is needed into other luxury services, i.e restaurants, gymnasiums, to establish if any differences in strategy and consumer behaviour exist

Finally, due to the timescale of the dissertation, it was decided to include two companies in the interview analysis, with varying levels of brand equity Further research is necessary to include all SME's in the North West region to establish issues and trends

### **3.7 Conclusion**

This chapter provided a detailed discussion of the research methods used in the study. A mixed methodology approach was used to strengthen research results and to reduce sampling error. Qualitative research was done by means of in depth personal interviews with two marketing managers of competing SME health spas and these results were then used to identify key trends and factors. Questionnaires were conducted on a large sample of consumers for a more quantitative approach. The use of both these methods in conjunction was explained and justified in this chapter. The procedures taken and how they meet the objectives of the study were then explained along with the analysis procedures. Finally, ethical considerations and limitations of this study were outlined. The findings and analyses chapter discusses the findings of this research in detail and answers the question- Is strong service brand equity important to an SME during an economic downturn?

## **Chapter Four**

### **Findings and Analyses**



## 4.1 Introduction

This chapter aims to present and analyze the findings that were gathered from the completion of the two forms of primary research carried out- interview analysis and consumer questionnaires. Firstly, a profile of the respondents for both research methods will be discussed, with a clarification of the sampling techniques that were used. Non-probability sampling techniques were used in the research, namely convenience sampling and purposive sampling. Charts are then used to illustrate the demographics of the respondents according to age, gender, location and income level. This chapter will then discuss and examine the findings in accordance to the research objectives. Finally, a summary of these findings will be given before concluding the chapter.

## 4.2 Profile of Respondents

Both the quantitative and qualitative research methods were carried out in the North West of Ireland (Donegal, Sligo, and Leitrim). Whilst completing the consumer questionnaires, the researcher used a convenience sampling method. Respondents chosen for the questionnaires were of no specific criteria in relation to age, gender or income. Convenience sampling is a probability method of sampling where a respondent's chance of being selected is unknown. Respondents were approached at random during peak hours at 3 busy shopping centres and throughout health spas in the region. The only criteria for completing a questionnaire was the respondent must have used a health spa at least once in their lifetime.

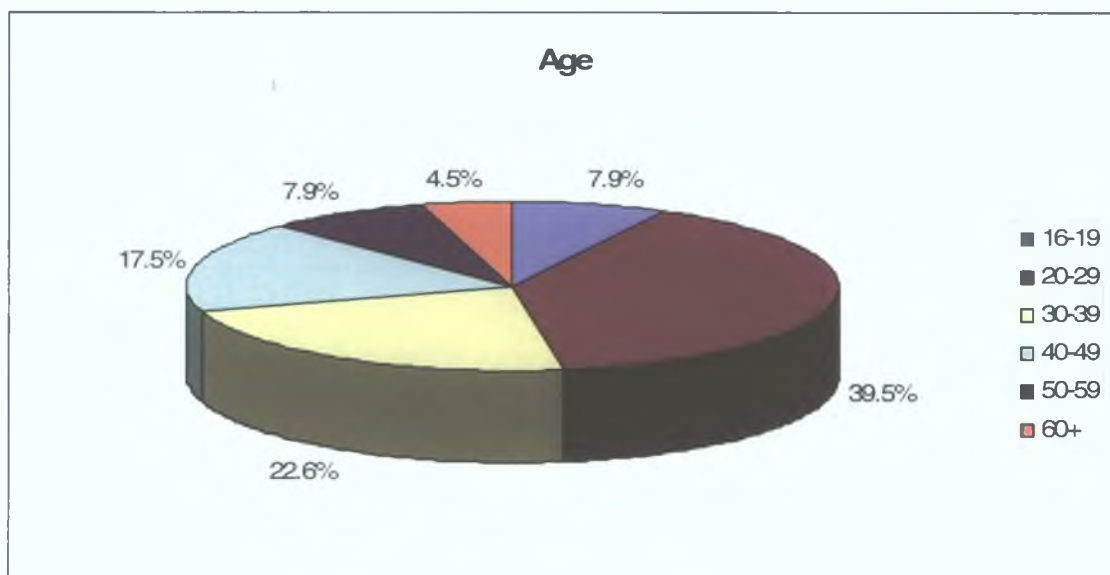
The sampling procedure used for the interview analysis was a purposive sample. The researcher used their judgment to choose two companies which they believed met the criteria for the study. Company A has strong brand equity and a high level of brand awareness. Company B has a

weaker brand equity, low brand awareness and recently went into administration before being rescued and bought out by the then General Manager. Purposive sampling also represents a non-probability sampling technique. Selection of respondents is based on the judgement of the researcher.

The response rate for the questionnaires was quite high at 93%, representing 177 completed surveys. The remaining 7% (13 surveys) represent questionnaires that were returned void or incomplete. As regards the interviews, there was a 100% response rate from both respondents as all questions were answered thoroughly and in-depth.

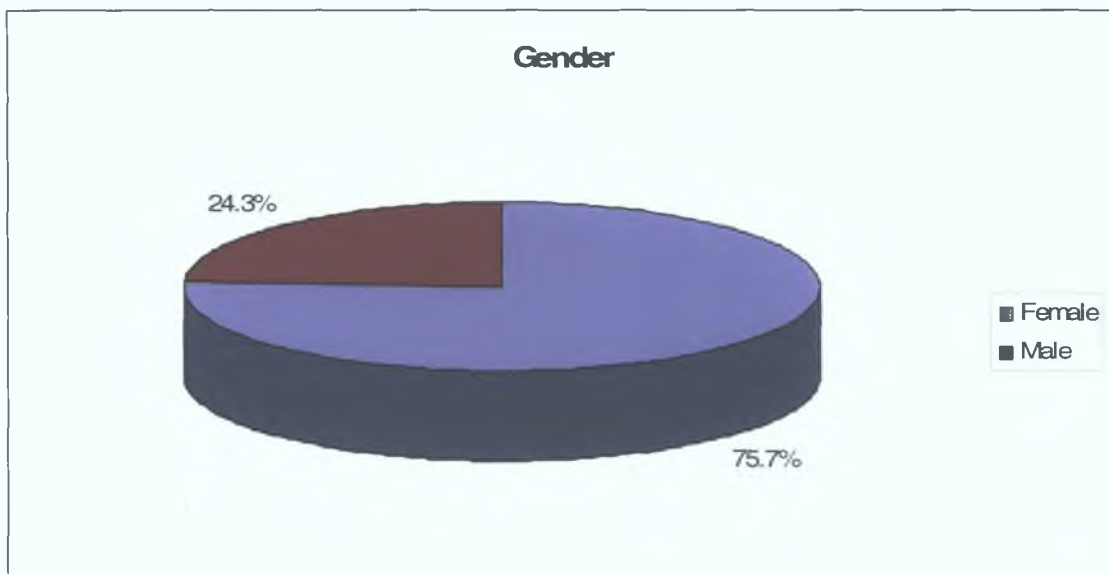
The following charts represent the demographic statistics of the sample chosen, at random, to complete the questionnaires;

**Figure 4.0: Age Profile of Respondents**



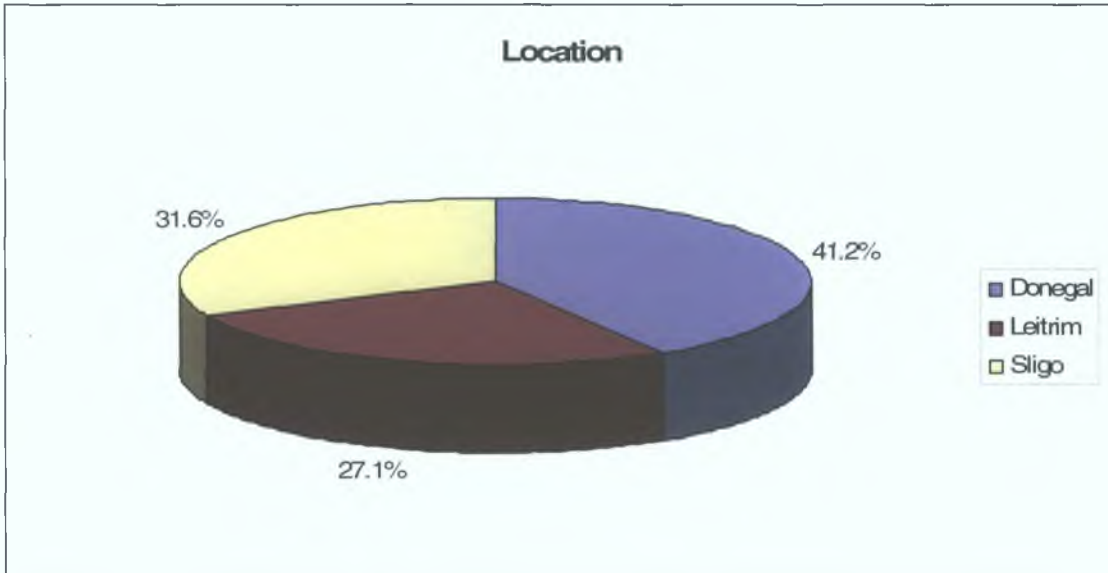
The largest response group was the 20-29 years age group representing 39.5%. Secondly, 22.6% of respondents were aged between 30-39; 17.5% were aged between 40-49; an equal percentage of 16-19 years and 50-59 years were next at 7.9%; finally 4.5% of the sample represented 60+ year olds (See Figure 4.0). Therefore, the main target group for health spas in the North West would be those aged between 20-40 as they appear to use this service the most.

**Figure 4.1: Gender Profile of Respondents**



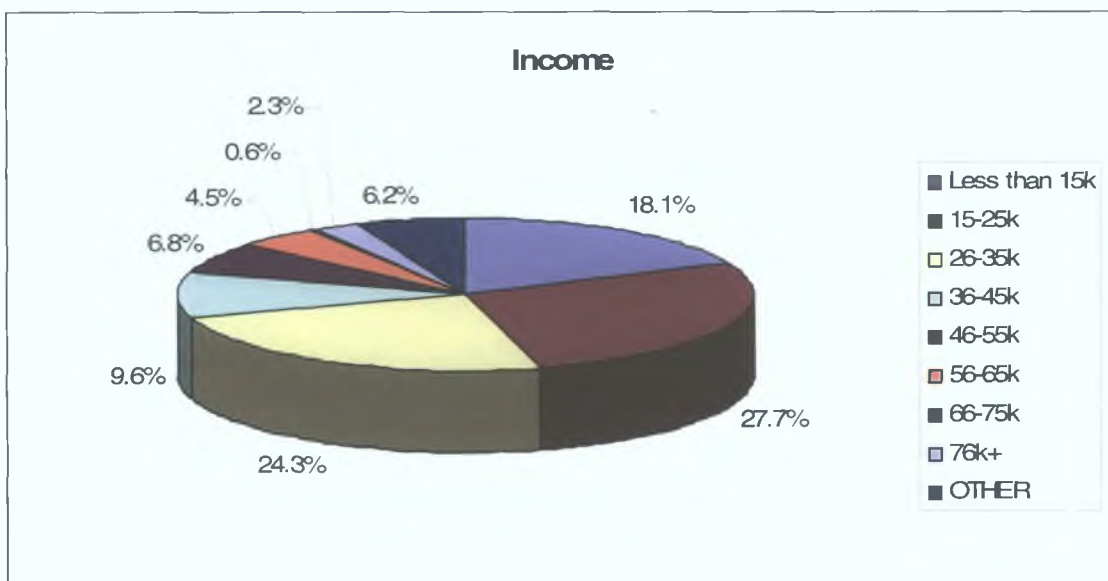
Despite the documented increase in the use of health spas by males (Mielniczak & Sinaga, 2005), this research has shown a marginal 24.3% of respondents were male; compared to 75.7% females in the North West region. (See Figure 4.1) It was noted that the majority of males confronted did not use health spas or have much knowledge about them. Therefore, this is still a predominately female orientated service in the North West of Ireland.

**Figure 4.2: County Profile of Respondents**



The distribution of questionnaires across the three counties was based on county size and population (CSO, 2008). Therefore, Donegal had the largest respondent group and accounts for 41.2% of responses. Sligo was next with 31.6% of responses. Lastly, Leitrim accounts for 27.1% of questionnaire responses. (See Figure 4.2)

**Figure 4.3: Income Profile of Respondents**



As it was assumed that health spas are an affordable luxury for all income levels, income was not a specific sampling criterion. However, the income level who were found to use spas the most were those earning between €15,000-25,000 and €26,000-35,000; with 27.7% and 24.3% share respectively. Respondents earning less than €15,000 contributed a steady 18.1% share, whereas, those earning €76,000+ only contributed to 2.3% of respondents (See Figure 4.3). It was also noted during analysis of the results that the respondents who spent the most on average per year were those at the smaller income levels. This supports previous research that this type of luxury is not predominately for the affluent population and it has become a “luxury for the masses”. (Danet et al, 2008; Danziger, 2007; Gotsis, 2004; Hader, 2008; Kapferer & Volpe, 2009 ; Shilling, 2007; Silverstein & Fiske, 2003; Unity Marketing, 2006).

### 4.3 Key Issue 1- Findings and Analysis

**Objective One- To identify strong service brand equity in the luxury spa market.**

In order to identify what elements support and build strong service brand equity, both interview analysis and questionnaires were used. This allowed the researcher to gain insight from both a company and external a consumer perspective.

Firstly, both companies in the interview analysis were asked to discuss their understanding of what brand equity is, how it is built and describe how they support and build their brand.

Both companies agreed that brand equity is from the consumer's perspective and branding activity should focus on the consumer, thus proving that Keller's CBBE model is more relevant and common to the SME spa market today (Keller, 1993). Company A was more familiar with brand management and valued their brand as a financial asset to the company. On the contrary, Company B had very little branding activity and did not recognize the brand as a strategic asset to the spa. Company B had depended on their location (seaside hotel) and their parent brand (the hotel) to generate sales and attract new business. Unlike Company B, the marketing manager of Company A states their brand is

'Core to everything we do'.

Ignoring your brand and its capabilities is myopic in today's environment and it means Company B is missing out on potential opportunities to grow their business. This is reflected in their sales and customer loyalty figures and the impact that the current economic downturn has had on their

performance Strong brand equity reduces a company's vulnerability to the cyclical economy and price competition

Secondly, both companies were asked what measures they take to build and support their brand Company A invests a lot of money and time in their brand The brand is a pivotal part of the Sales & Marketing budget In addition to regular advertising and search engine optimization to build awareness, Company A invests in database marketing and Customer Relationship Marketing (CRM), constantly communicating with regular customers on new services, promotions etc They believe that the service experience and the competence and attitudes of service personnel are very important, as word of mouth advertising is huge in services Therefore, the little things such as "10 minutes extra on a treatment" or a "free coffee" are important to Company A to differentiate their brand

Company B, however, do not have any marketing or branding budget in place and, apart from occasional advertising in radio and print media, do not invest in building their brand awareness or image Communication from Company B is inadequate and consumers are confused about the offering The spa manager stated during the interview that,

'Until recently the local people thought the spa was only for hotel guests and some of them still think that '

Therefore, this proves that a brand needs constant investment in order to build strong brand equity A company needs to invest in their brand and the people who influence and are influenced by it, i.e. employees, consumers Company A proved that continuous investment in your brand reaps long term rewards and helps reduce price sensitivity among consumers Company B's communication issues illustrates the importance of a clear and consistent positioning strategy, which is also an observation made by Keller (2000) as a characteristic of a leader brand

When posed the question about what they think their customers value in a health spa both company managers mentioned value for money, a relaxing experience and competent and friendly employees. Both believe that the service experience is most important in a luxury service and determines a company's customer loyalty. Price was believed to be somewhat important, but not the "over-riding factor" (Marketing Manager, Company A). Both managers support research assumptions that consumers are still willing to pay a premium price if the experience is high quality and if they get value for money (Aaker, 2002, Anselmsson, 2007, Bucklin et al, 1995, DeChernatony & McDonald, 2003, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004)

Internal branding also proved to play a key role in the equity of a service brand. Company B, who has weak brand equity, do not invest in their employees or 'sell' the brand to them. There is no empowerment or facility for employees to voice their ideas/opinions. Employee turnover is high at Company B and employee numbers have recently been cut due to the current economic situation. Company A invest a lot of time and money into their employees and appreciate the contribution they make to the brand's success. The marketing manager at Company A states that employees are proud to work for the spa and everyone is aware of the role they play in making the health spa a success. The brand ethos and values are deeply embedded in the spa's culture.

Secondly, questionnaires were carried out to gain consumer perceptions on what they valued in a brand and what influences their purchase decisions. Respondents were asked a series of questions designed to probe into their feelings and motivations in regard to service brands. When asked what they would change about health spas in general, some of the answers included accessibility, more promotions and better communication. A number of respondents also stated that they need to change their image as they are misconceived as being for "the rich" and not accessible to the average "Joe Soap". A number of respondents stated that they need to provide a more 'personal touch' and one respondent stated,



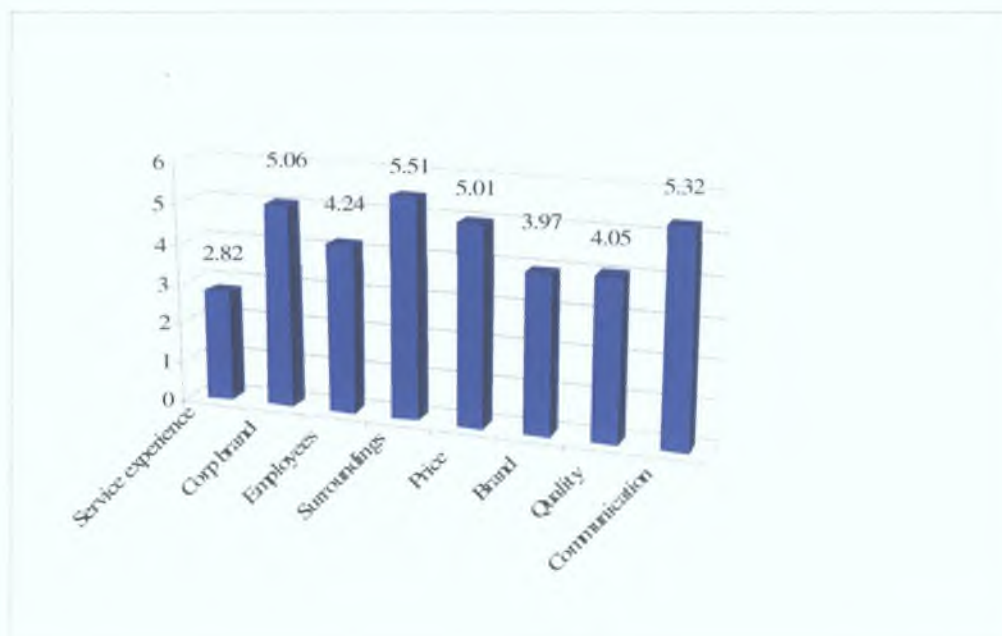
'they need to visit the US to see how things are done. There's a big difference over there-more customer relations. They are very unpleasant here'

This demonstrates the importance of the service experience and the attitudes of the service personnel (internal branding) in a luxury service.

A number of respondents did not feel that the quality of communication from health spas in Ireland was adequate and others believed that the premises were sometimes "grotty" or

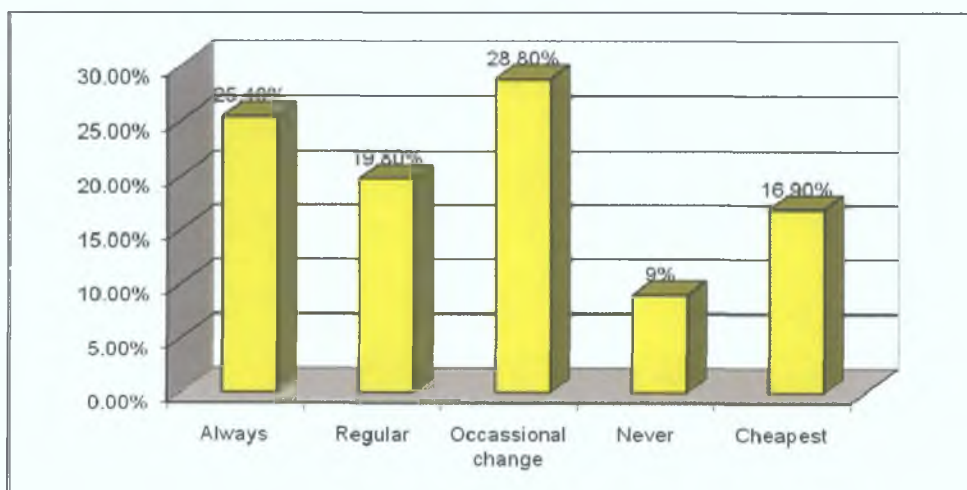
"Not adequate for the level of service expected, i.e. privacy".

**Figure 4.4: Important Factors in Service Brand Equity**



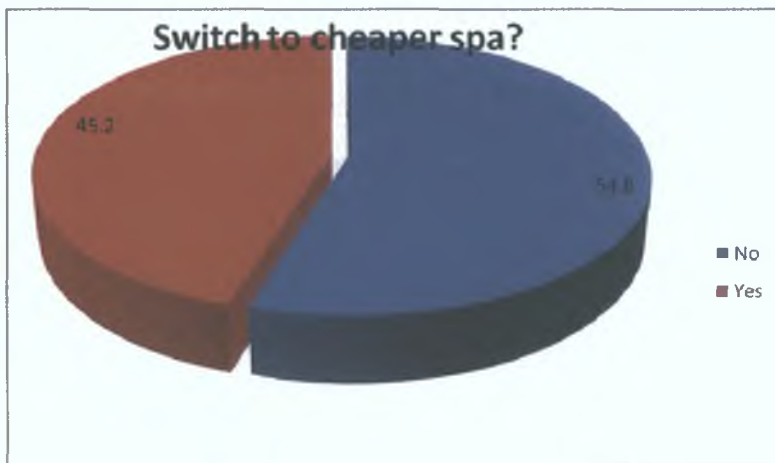
Respondents were then asked what they value most in a spa and what is most important to them when deciding which spa to use. They were given a range of factors (See Figure 4.4 above), believed in previous research to impact on brand equity, and asked to rate them from 1-8, 1 being the most important and 8 being least important. Relaxing experience emerged as the most important factor to the majority of respondents, with an average rating of 2.82. The brand name and image of the health spa was second, with an average rating of 3.97; followed by the quality of the service at 4.05. Employees were the fourth most important with an average rating of 4.24; followed by price at 5.01. Corporate image came next with an average of 5.06. Finally, the two least important to respondents were the communication at 5.32 and physical surroundings at 5.51. This shows the significant impact of strong brand equity and the service experience on consumer behaviour. Figure 4.4 also illustrates that price is not the most important factor and, therefore, loyal luxury service users are less price sensitive. Although communication and physical surroundings ranked least important, references to both of these appeared in some of the open ended questions. Therefore, although not the deciding factors, these elements are still important to a company's brand equity. The service experience, brand image and employees emerged, once more, as the most important determinants of brand equity.

**Figure 4.5: Loyalty in Health Spa Users**



The questionnaire also aimed to establish the levels of customer loyalty in health spa customers and the link between loyalty and price. When asked about their frequency of use, respondents were provided with a selection of statements and asked to state which one of them were true. The aim of this was to identify how brand loyal they were. The majority of respondents had some level of brand loyalty; 25,4% of respondents always use the same health spa, regardless of price; 19,8% said they regularly use the same spa; and 28,8% occasionally try out new spas but generally use the same one. Only 9% of respondents never use the same spa and 16,9% said they use the cheapest spa or the one with promotions on (see Figure 4.5 above). Therefore, the majority of health spa users become loyal to the one spa brand, regardless of price, but because of the service experience. This demonstrates a link between brand equity and customer loyalty.

**Figure 4.6: Loyalty versus Price**



Respondents were also asked would they switch from there current health spa if a cheaper one became available (See Figure 4.6). The majority of respondents said no they would not switch (54.8%) and one respondent stated that

*'the cheapest treatment is not always the best'*

This further supports previous research that customer loyalty reduces price sensitivity and the strength of a brand's equity determines its level of customer loyalty (Aaker, 2002; Anselmsson, 2007; Alexandris et al, 2008; Bucklin et al, 1995; De Chernatony & Mc Donald, 2003; Dibb, S. & Simkin, L., 1992; Faullant, Matzler & Fuller, 2008; Keller, 2000; Krishnamurthi & Raj, 1991; Laroche et al, 1996; Netemeyer et al, 2004).

#### 4.4 Key Issue 2- Findings and Analysis

**Objective Two- To determine the affect of service brand equity on an SME during economic uncertainty.**

The second objective was researched by carrying out personal interviews with two local health spas and also by methods of observation of these two companies. As found previously, Company A has a strong brand equity, whereas, Company B's equity is quite weak. This was found to have a significant affect on the both companies' sales, customer loyalty, image, employee performance and attitudes and performance in general. Both companies were asked how they would rate their brand on awareness, image, associations, customer loyalty and perceived quality.

Company A have strong brand awareness locally and possess brand salience in the consumers mind. They are now focusing on building this awareness nationally. Company B have a poor brand awareness and are not well known in the surrounding areas. Until recently, consumers assumed that the spa was for hotel residents only. The brand image for Company A is very positive and the marketing manager stated that all their marketing leans and builds on that image. Company B also has a positive image but the brand message is unclear. Company A has easily recognizable associations that compliment the brand and its values; whereas, Company B don't promote or leverage their associations enough. Both companies have a strong base of loyal

customers; however, this has changed for Company B with the economic downturn, whereas Company A has noticed very little change in numbers. Finally, Company A is perceived as a high quality prestige luxury that provides value for money and a relaxing experience. Company B, however, charge higher prices but with less luxurious experience and are not perceived as prestige as Company A.

This strong brand equity also reflects in Company A's sales and customer loyalty figures. Despite the current economic downturn, Company A have no significant drop in sales or profits and still retain most of their loyal customers. Company B, on the other hand, have noticed a plummet in sales for the first time in its 5 years of operation and have also lost some of their loyal customer base. In October 2008, Company B went into administration; however, it was bought back from the administrator by the parent hotel brand's general manager. This differential in performance proves that brand equity has a positive impact on customer loyalty and sales. It also supports the theory that strong brand equity can impact on sales and protect a company operating in a cyclical environment from economic shocks.

The level of brand equity in Company A and B also appeared to have a contrasting effect on employee attitudes and behaviours. Company A, who invest continually in their brand, have loyal and satisfied employees and a low employee turnover. Employees at Company A appreciate their roles in building the spa brand and the brand has become part of the culture. Alternatively, employees at Company B are separated from the brand and they are not empowered or loyal to the company. There is a high rate of employee turnover and Company B has reacted to the current economic downturn by cutting employee numbers in half. This demonstrates the importance of internal branding, as when employees are loyal to the brand they act as 'advocates' for it (De Chernatony & Segal-Horn, 2003) and thus consumer loyalty increases.

Finally, overall performance and market competitiveness depend on the strength of a company's brand equity. Strong brand equity has been demonstrated to help a luxury service provider to survive and/or even thrive during economic uncertainty. Loyal customers have been proven to

stay loyal despite competitive price wars and economic dismay. However, loyal customers will now expect value for money and a high quality service experience. Therefore, companies like company B will struggle to survive if they continue to ignore the importance of their brand. Furthermore, as with company A, if a brand is continually invested in and built, it can act as a defence against economic shocks and competitor pricing cuts.

#### 4.5 Key Issue 3- Findings and Analysis

**Objective Three- To examine the effectiveness of brand leverage in an economic downturn on the luxury spa market.**

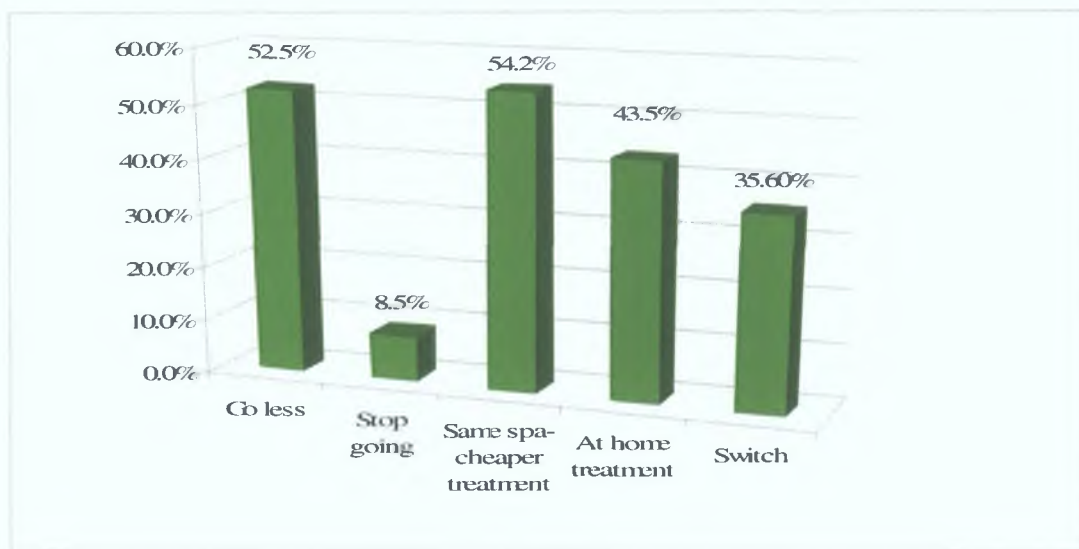
Both interview analysis and questionnaires were used to resolve objective three of the study. Firstly, the two SME managers were asked how the economic downturn has affected them and what measures they have taken to survive it. Company A has not noticed much difference in sales or performance from the current situation. They believe that their brand is strong enough to survive the current downturn as it has been built up over recent years and invested heavily in. Customer retention figures are relatively the same but they are just cutting back on how much they spend. Company A has not cut the marketing budget, rather they are starting to advertise and run promotions more often, but through less expensive and more effective media. Costs are kept low by cutting baseline and unnecessary costs. Aggressive marketing is being done inside the hotel (parent brand), offering more package deals. However, Company A need to justify this spending more now by tracking their effectiveness and scrutinizing the outcomes.

For Company B, the past few months have been very challenging. The economic downturn meant that sales plummeted for the first time in their 5 years of operation and loyal customers have been lost. Company B went into administration in 2008, however, it was rescued and bought back from the administrator by the then General Manager. The health spa manager believes this is not due to the brand, but it is because of the economic downturn and because consumers have less money to spend. However, during the questionnaire research, respondents were asked how the economic climate would affect their purchasing behaviour and only 8.5% of respondents said they would stop using health spas, whereas 54.2% said they would stick with their current health spa but obtain cheaper treatments (See Figure 4.7 below). Company B responded to the economic slowdown by cutting advertising and employee numbers halved.

Secondly, the questionnaire contained questions to probe consumers change in attitudes or behaviour in regards to the current economic downturn and whether the brand has had an influence on it. Question 9 provided respondents with a number of statements which they had either agree or disagree with. The results of this question were as follows,

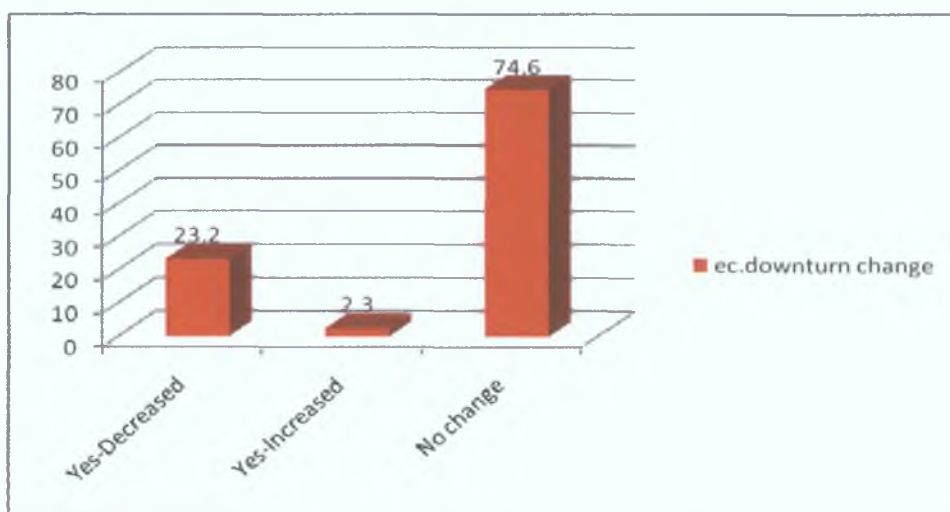
I will stick with my spa but get cheaper treatments	54.2% agree
I will use health spas less often	52.5% agree
I will buy more at-home treatments	43.5% agree
I will switch to a cheaper spa	35.6% agree
I will stop using health spas	8.5% agree (See Figure 4.7)

**Figure 4.7: Effect of Economic Downturn on Spa Usage**



This shows that companies with strong customer loyalty and brand equity are less vulnerable to the economic shocks of a cyclical environment. Strong brands are immune to price competition. Therefore, a strong brand equity can be leveraged to provide a defence against competitor pressures and economic uncertainty.

**Figure 4.8: Recent change in consumer spending**





Respondents were then asked how the current downturn has impacted on the amount they spend each year on treatments. A massive 74.6% have made no change to the amount they spend on luxury health spas, despite the current state of the economy (See Figure 4.8). Respondents were then asked to elaborate on their decision not to change the amount. The majority of respondents described it as a 'treat' or a 'necessity'. A number of respondents stated that it was necessary for their health and well-being. One respondent stated that,

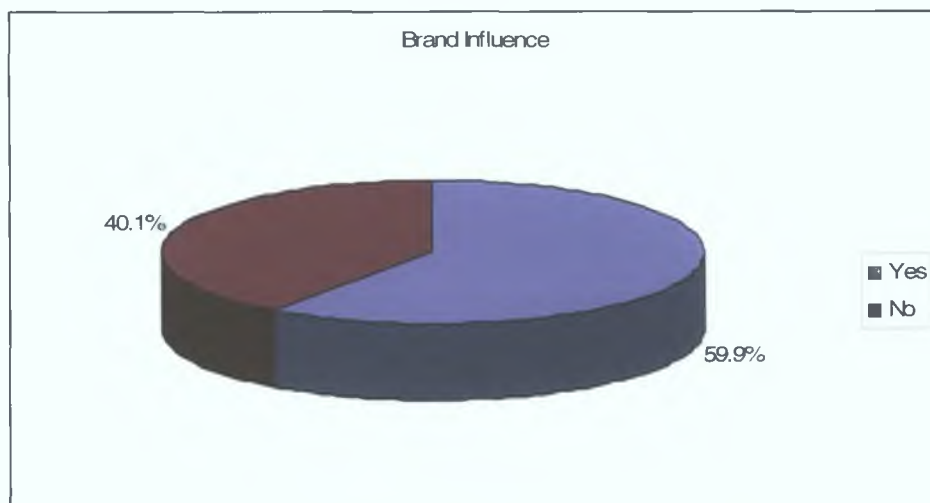
'I believe our health is our wealth. We need to take time out and health spas are a haven away from our busy, stressful lives.'

Another respondent, who spent on average €300-500 on treatments stated that,

Because it is a relatively small amount spent over a year and I need to treat myself.'

Other responses included "My time is important", "I'm worth it" and "I only go on special occasions".

**Figure 4.9: Brand Influence on Purchase**



Finally, respondents were asked if the brand name of the spa now had an influence on their purchase decision. 59.9% answered that the brand did have an impact, proving the significance of having a strong brand equity. One respondent answered

'If I am going to spend that much money I want a brand I can trust'

This represents the high risk a consumer takes when purchasing a luxury/premium service. This was also reflected in the following response;

'If you are paying a high price you want this reflected in the resort'

Other respondents mentioned many reasons that research has already mentioned, such as a guarantee of quality, communicator of what the brand stands for, a name you know and trust and a brand with a good reputation. Another respondent stated,

'I feel better using well known brands

This illustrates the emotional attachment consumers feel with certain brands. Brand equity is more important to luxury service consumers during an economic downturn as they demand value for money in a brand they can trust to deliver.

Thus, it is proven that there is still a market there for the luxury services, despite the drop in consumers' discretionary income. Health spas are perceived as a necessary treat to relieve stress and aid wellbeing. Whilst the frequency of use may have dropped, consumers have not stopped using health spas. However, only the strong brands will survive, as consumers stay loyal to familiar brands that they know and trust and which guarantee high quality service. A strong brand equity will help a luxury service SME gain that loyalty and trust. Company A are proof that a strong brand can thrive in economic uncertainty if it sticks to its core values and investment in the brand is not compromised.

## 4.6 Reiteration

In summary, the research has proven that brand equity is vital for an SME to survive in a cyclical environment. The most important factor in the building of brand equity was found to be the service experience, however, internal branding and the brand image were also found to be crucial. The research proves that brand equity is measured by consumers' perceptions to and reactions to the brand. Having strong brand equity requires a lot of investment in the brand and constant clear and consistent communication with consumers and employees. The interview research shows that brand equity can have an impact on an SME's sales, customer loyalty and

market performance. There is a positive link between brand equity and customer loyalty. The questionnaire supported the literature that loyal customers are less price sensitive, even during an economic downturn (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Dibb, S & Simkin, L, 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004). It also proved that strong brand equity can retain loyal customers during economic uncertainty, providing the service experience is not compromised and value for money is offered. The two main reasons for a brand influencing a purchase decision were 'familiarity' and 'esteem', thus supporting previous research by Young & Rubicam (1994). Finally, it was found that there is still a market for SME health spas in the North West, and, by effectively leveraging their brand equity, a luxury service SME can thrive during economic uncertainty.

## 4.7 Conclusion

Within this chapter the main findings from primary research were presented and discussed. Firstly, a profile of the respondents who participated was given and the sampling procedure discussed. The findings were then explained under the three research objectives with the aid of visual charts from the questionnaire research. Finally, a reiteration of the main findings for each objective was then drawn up.

## **Chapter Five**

### **Conclusions and Recommendations**

## 5.1 Introduction

The aim of this study was to determine the importance of brand equity to an SME in the luxury services sector and whether strong brand equity can help them weather an economic downturn. This study was conducted within the North West of Ireland with a primary focus on SME health spas. In order to solve this problem it was necessary to evaluate the criteria that build a brand's equity, to determine the affect the level of a firm's brand equity had on their performance and to determine if an SME can use their brand equity to survive a downturn in the economy. Therefore, the conclusions and recommendations of this chapter are based upon the analyses and discussion of the research gathered throughout this study, from secondary research in the form of a literature review, primary quantitative research from questionnaires and primary qualitative research through in-depth interviews.

## 5.2 Key Issue 1- Conclusion and Recommendations

**Objective One- To identify strong service brand equity in the luxury spa market.**

It is evident from the research findings that the strength of a company's brand equity is dependent on its consumers and their perceptions of the brand. Therefore, the research supports Keller's CBBE approach that branding activity should focus on the consumer (Keller, 1996). Brand awareness emerged as a key factor in a firm's equity, both from the interviews and questionnaires, especially in the SME health spa sector, where brand awareness is was found to be inadequate. The image of the brand and its associations are also crucial, particularly in the current economic circumstances (Aaker, 1991, Keller, 1996, Wood, 2000). The questionnaires

revealed that the brand image is one of the key factors in the purchase decision as people value a brand name they can rely on and trust

It was established that there are many elements that build a strong brand equity and all are important to an SME's brand image and associations, the service experience and quality, brand name/image, internal branding/ employees, physical surroundings (touch points), the corporate brand image, clear and consistent communication and value for money strategies (see Figure 5.1) The service experience has emerged as the most important determinant of loyalty and this is as a result of the intangible nature of services (Bamert & Wehrli, 2005, Berry, 2000, De Chernatony & McDonald, 2003, De Chernatony et al, 2003, Jones et al, 2002, Krishnan & Hartline, 2001, McDonald, 2001, Zeithaml et al, 1985) Both spa managers believed the experience was most important to consumers Respondents to the questionnaires supported this by ranking the service experience the most important element of their purchase decision

Brand name/image was also of vital importance to consumers, as they needed a brand they know and can trust and that make them feel good about themselves (Young & Rubicam, 1994) Respondents of the questionnaires rated brand image as the second most important element in their purchase decision, illustrating the impact brand equity has on customer loyalty Therefore, previous literature linking brand equity and customer loyalty was evident in this research (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & McDonald, 2003, Dibb, S & Simkin, L, 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthi & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004) Price was rated one of the least important elements and was proved to be important, but not the most distinguishing factor Thus, proving that customer loyalty reduces price sensitivity among consumers, even in recessionary times However, in the current economic climate, consumers stated that they are looking for value for money as opposed to lower prices Therefore, health spas need to provide a superior service experience to continue charging the same premium prices

Another key differentiator among services that emerged in research was the internal branding. Attitudes and competence of employees ranked very high on the consumer's priority list and was also mentioned throughout the questionnaires in response to open ended questions. In a service, employees are the service experience and they have a direct impact on the quality of the service and, therefore, the image of the brand (DeChernatony & Segal-Horn, 2003, Mahnert & Torres, 2007, Punjaisri et al, 2009, Supornpraditchai et al, 2003, Yoo & Park, 2007). Consumers were willing to still pay premium prices, provided the service experience was relaxing and the staff were competent, friendly and tentative. During the in-depth interviews, it was observed that the company with strong brand equity (Company A) invested heavily in internal branding. The marketing manager believed that employees contributed massively to the success and image of the brand. The employees at Company A worked as a team and took pride in their roles and the impact they had on the brand. Therefore, a brand culture had been built over the years, and this brand loyalty is communicated to their customers during the service experience. The research supported literature in observing that internal branding leads to employees becoming loyal to the brand and communicating that to customers by offering a superior service (Mahnert & Torres, 2007, Punjaisri et al, 2009, Supornpraditchai et al, 2003). In a luxury service, where the offering is a non-essential and highly priced, internal branding emerged even more significant. Therefore, it is vital for a luxury service SME to invest in their employees and concentrate on 'selling the brand within' before focusing on the consumer. This supports previous research that have stressed the importance of internal branding (DeChernatony & Segal-Horn, 2003, Mahnert & Torres, 2007, Punjaisri et al, 2009, Supornpraditchai et al, 2003, Veloutsou & Panigyrakis, 2007, Yoo & Park, 2007).

The interview analysis illustrates how investing in your brand and building strong brand equity can improve a company's customer loyalty rates. Company B had not invested in their brand enough and, therefore, did not have strong brand equity and was vulnerable to economic shocks and competitive pressures. Constant investment is necessary for a brand to build their awareness and communicate their brand image. Clear and consistent communication emerged as another important part of the branding strategy, as Company B's conflicting image damaged the equity.

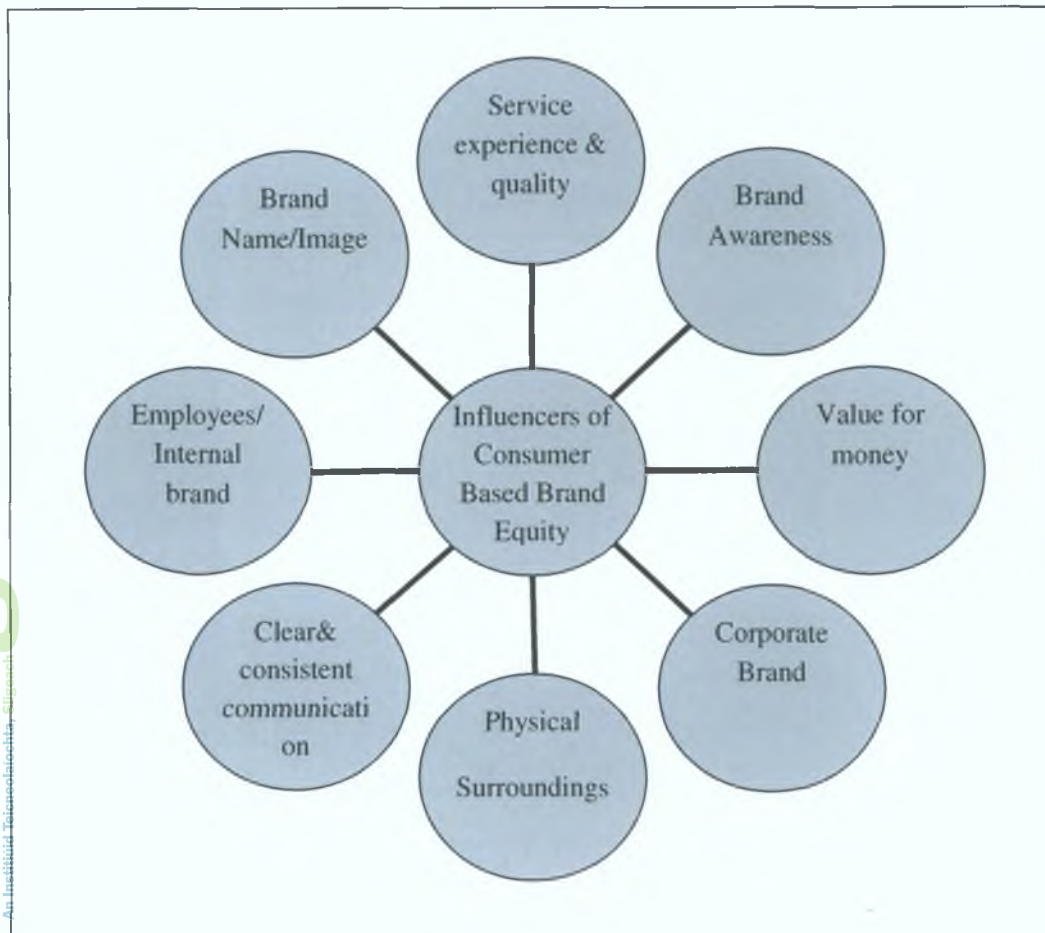


of their brand. Company A constantly invested in their brand and was clear and consistent in their internal and external communication.

Finally, it was determined that SME's can adopt some of the practices of their larger competitors in building their brand equity, but on a smaller and more personal scale. Brand investment does not require mass advertising and expensive promotion (Wong & Merrilees, 2005). SME's have the advantage of being closer to the customer and, therefore, need to take advantage of this. Research proves that the most efficient method of building brand equity for SME health spas is through the service experience. This market relies heavily on word-of-mouth advertising and the spa's image and reputation. Therefore, investment in internal branding is crucial to strong brand equity. Company A of the interview analysis has proved that building brand awareness and image does not require a huge branding budget. Rather, a more strategic approach to advertising media, choosing more efficient but less expensive methods, often can have a more desirable impact. Regular text/email alerts to previous or repeat customers on promotions, new services and appointment reminders are one low cost method of advertising. In addition, if the health spa has a hotel as its parent brand (as with the health spas in this research), the parent brand can support the spa brand at a low cost by promoting aggressively internally to hotel residents.

Figure 5.1 illustrates the important elements of a luxury service SME's brand equity from a consumer perspective. As services are more flexible, without formal structure (De Chernatony et al, 2003), the chart has no particular order and all elements are important in building strong brand equity,

**Figure 5.1: Influencers of CBBE in SME health Spas**



The overall recommendation to this objective is that brand equity is only built by continually investing in a brand and in the people who are influenced by it, i.e. consumers, employees. An SME must invest money into their brand in the short term to yield long term success and, therefore, a strong brand commitment is needed throughout the company. It is important to 'sell the brand' within and build a strong brand culture before trying to build customer loyalty externally. A brand's employees and the service experience play a lead role in the level of brand equity a company has. Communication and networking are also very important in this sector as word of mouth is their main source of advertising media. The research revealed that loyal health spa customers will continue to use health spas during economic uncertainty, providing the service experience is not compromised.

### 5.3 Key Issue 2- Conclusion and Recommendations

**Objective Two- To determine the affect of service brand equity on an SME during economic uncertainty.**

Qualitative research on two SME health spas with differing levels of brand equity revealed that brand equity had a significant impact on their sales, customer loyalty figures, market competitiveness, brand image and economic survival. This supports the positive link in literature between brand equity, customer loyalty and financial performance (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Dibb, S & Simkin, L, 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004)

Company A has a strong brand awareness and positive brand image. They are a leader in the health spa market and are competing against the larger hotel spas in the area. Company A has experienced a steady growth in sales since it began operation and this has not changed with the economic downturn. Employee turnover is low at Company A and there is a strong culture of teamwork and brand loyalty existent in the spa. This is as a result of constant investment in internal branding and employees have become part of the brand values. Company A have a large base of loyal and repeat customers, which they constantly communicate with. This figure has seen no change with the recent economic climate, which proves further the link between customer loyalty and price insensitivity (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Dibb, S & Simkin, L, 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthai & Raj, 1991, Laroche et al, 1996,

Netemeyer et al, 2004) Company A have not needed to cut prices to retain customers and the brand is thriving in this current climate, whilst others are fading into the background

Company B is a prime example of an SME with little brand building activity This lack of strong brand equity has reflected negatively in their sales figures, customer loyalty rates and overall performance Sales have plummeted due to the recent economic situation Company B had a small base of loyal customers, which has now also been affected The hotel and spa went into administration at the end of 2008 due to a massive decrease in sales and profits The lack of strong brand equity has meant the spa have low brand awareness and have nothing to differentiate themselves from the competition

Therefore, the analysis of the interview research proves the importance to a luxury service SME of building their brand equity as a means of differentiating their service from the ‘competitive clutter’ (Berry et al, 2000) and as a defence mechanism to economic and competitive pressures This research has proven that strong brand equity leads to increased customer loyalty, increased sales and increased competitiveness for a luxury service SME in a cyclical environment An SME needs to invest in their brand and build their brand equity to compete and survive in today’s volatile market Furthermore, it is impossible to ignore a brand and its potential in today’s competitive environment Brand equity has emerged as a differentiating factor and even a determinant in the consumer’s decision making process The interview analysis has shown how failing to invest in your brand and realise its potential causes a company to fade into the background and struggle to meet sales requirements when the economy faces turbulence The companies that are exceeding during this downturn are those with a strong and consistent branding process Service brand equity was identified to not only affect consumers and sales, but it also had an impact on employee relation in the two companies Therefore, a strong brand equity leads to a more satisfied and empowered workforce that act as marketers for the brand and provide a better service experience This boosts customer loyalty and also saves cost through a low turnover of staff

Strong service brand equity is paramount in luxury services as they need to create an image of superiority and prestige to enable them to charge premium prices. Both the interview analysis and the questionnaires proved that if this brand equity is weak a company will suffer, as a health spa is not a necessity and consumers look for a familiar brand they can trust when they are paying a premium price. Therefore, an SME needs to realise the effect their brand has on their performance and use their brand to its full potential.

#### 5.4 Key Issue 3- Conclusion and Recommendations

**Objective Three- To examine the effectiveness of brand leverage in an economic downturn on the luxury spa market.**

As already discussed, the qualitative research has proved a link between strong brand equity and SME performance in a cyclical environment. Previous research has found that loyal customers are less price sensitive, even in times of economic uncertainty (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & Mc Donald, 2003, Dibb, S & Simkin, L, 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004). Furthermore, there is a strong link between customer loyalty and brand equity (Aaker, 1991, Keller, 1996). Therefore, strong brand equity can be leveraged during an economic downturn as a sustainer of loyal customers, sales and market position. The interview analysis has proven this as Company A (strong brand equity) has sustained their levels of sales and customer retention, whereas Company B (weak brand equity) have noticed a massive drop in both. Constant investment in their brand has led to Company A maintaining a high level of brand equity, unmoved by periods of economic unrest.

The results of quantitative questionnaire research proved that loyal customers are not affected by economic uncertainty and there is still a market for luxury services. This supports Varley (2008) prediction that luxury services will thrive during this economic unrest if they stay true to their values and build or preserve their brand equity. The majority of health spa customers said they will stay loyal to their current health spa but possibly use them less or avail of cheaper treatments. Only 8.5% of respondents will stop using health spas altogether. An enormous 74.6% have not reduced the amount they spend per annum on health spa treatments with regards to the current economic downturn. Health spas were perceived by respondents as a 'necessity' or 'treat' and believed that they were small and inexpensive luxuries to make them feel better, supporting previous findings by Shilling (2008) that small luxuries will flourish in the current economy as they cost less but still provide that 'feel good factor'.

This not only proved that loyal customers are less price sensitive (Aaker, 2002, Anselmsson, 2007, Alexandris et al, 2008, Bucklin et al, 1995, De Chernatony & McDonald, 2003, Dibb, S & Sımkın, L, 1992, Faullant, Matzler & Fuller, 2008, Keller, 2000, Krishnamurthai & Raj, 1991, Laroche et al, 1996, Netemeyer et al, 2004), but also the emotional attachment they have with brands. Health spa customers in the North West still regard a health spa visit as a necessity, regardless of their economic situation. However, the questionnaires revealed that consumers demand value for money and a high quality service for the premium prices. They also require a more personal and intimate service, which is an advantage for SME's as they have this opportunity due to their small size.

Therefore, the importance to a luxury service SME of building their brand equity is significant. Brand equity has been proven as an initiator and sustainer of sales, customer loyalty and market position. A study of the importance of the brand image to respondents' purchase decision revealed that 59.9% agreed the brand influences their decision. This supported research by Young & Rubicam (2008) that a brand impacts a consumer for two reasons, familiarity and esteem. Respondents also described the brand as communicator of quality and of the company's values. Word of mouth communication was perceived as very important among consumers, as

they will often use a health spa with a good reputation or one that is recommended by a peer or family member. Therefore, the opportunity is now available to SME's to leverage their brand equity in order to gain market share against their larger competitors, who are sometimes inflexible and hold myopic and dated views about the marketplace.

The challenge for an SME is to maintain or build this brand equity during economic uncertainty. One noticeable necessity is the long term investment required in a brand. The qualitative research supports the literature stating the importance of constant investment in a luxury brand and how it is vital not to cut this investment during economic unrest (Reddy & Terblanche, 2005, Silverstein & Fiske, 2003, Varley, 2008, Wetlaufer, 2007). Cutting the marketing budget during an economic downturn can dilute or erode a luxury brand. However, increased investment in brand building has been proven by Company A to help a luxury service brand thrive (Varley, 2008, Williamson & Zeng, 2009). Whilst an SME cannot cut prices, research found that they must, however, add value for money. The questionnaires revealed that consumers are willing to still pay premium prices but they expect a high quality service experience. Company A has proven that costs can be cut in other areas. Branding costs must now, however, be closely measured and justified. A more strategic approach to brand building and advertising is required to build awareness and image but keep costs low.

Finally, in support of Wong & Merrilees (2005), a re-structuring of the marketing practices of the SME is crucial to their survival. More branding efforts are needed in the SME health spa sector and, therefore, this needs to become an integral part of their marketing activity. This brand equity needs to be measured and monitored on the balance sheet and through customer retention figures. The service experience and internal branding are the two key determinants of brand equity in the SME health spa market, therefore, investment in these needs to be constant. The current economic downturn has highlighted further the importance of strong brand equity to a luxury service SME. Brand awareness and brand image are crucial to SME survival. This research has proven that with strong brand equity an SME has the opportunity to excel during economic uncertainty, providing consumers are given value for money and the branding investment is not compromised.

## 5.5 Limitations and Further Research

Due to the time and scope of this dissertation, there are some areas that were not covered and that require further investigation,

Firstly, it was not possible to interview the entire population of health spas in Ireland and, therefore, purposive sampling had to be used to choose two health spas representative of the population at different levels of brand equity. Further research could possibly interview all SME health spas in Ireland or the North West and aim to contribute further ways of building brand equity.

Secondly, due to the scope of the project, it was necessary to narrow the focus of the study to the North West of Ireland (Donegal, Sligo and Leitrim). This geographic segment was chosen due to prior information on this region as one with higher unemployment rates and business closures (DETE, 2008). Further research needs to be carried out in the rest of the country to determine any differences.

The complex and volatile nature of services meant the researcher had to focus this study into one area of the SME service market and luxury services. Luxury services were chosen as they are of topical interest in the current economic environment. Different strategies are needed for SME's in other service sectors, i.e. financial services, professional services (O'Loughlin & Szmigin, 2004, Moorthi, 2002). Therefore, further research is needed into building brand equity for SME's in these areas.



Due to the broad scope of the luxury services market today, it is not possible to research the entire luxury services market and, therefore, the researcher focused on one area, health spas, in conducting both types of primary research. Further research could be carried out into other SME luxury services to determine how brand equity can be built, i.e. restaurants, gymnasiums, theatres etc.

One observation from the research carried out was the significant use of word of mouth advertising and the service experience and personnel as contributors to service brand equity. This area could be researched further to determine the effect of these elements on service brand equity in SME's.

Finally, this research was tailored to SME's in Ireland. Further research needs to look at SME's on an international scale and identify how they differ and if Irish SME's can learn anything from them, i.e. the U.S.A.

## 5.6 Conclusion

This chapter provided conclusions and recommendations for each of the three objectives outlined in The Introduction in regards to the research problem 'To assess if a strong service brand equity can limit the impact of an economic downturn to an SME in the luxury spa market'. The areas of service branding, SME branding and luxury services branding were under-researched and these gaps provided justification for the research problem. From the findings gathered, it is clearly demonstrated that brand equity has an impact on an SME in the luxury services market with regards to sales, customer loyalty figures and market performance and competitiveness. The service experience was noted as the most important means in building service brand equity, followed by the brand image and awareness and internal branding. It was noted that constant investment in a brand and employees was crucial to the SME luxury service brand. Finally, it was proven that strong brand equity can help an SME of a luxury service survive and even thrive in economic uncertainty. Furthermore, the chapter concluded by stating the limitations of research and areas where further research was needed.

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# Appendices



## Appendix A

### Letter Seeking Interview Respondents

To who it may concern,

I am a postgraduate student from Donegal, doing a Masters in Marketing at IT Sligo. For my dissertation I have decided to research 'The Importance to an SME of a strong service brand during an economic downturn' and I am applying it to health spas in the North West. An SME is a small company with a small employee base and I believe your company fits this criteria. I am writing to you to request a short interview with your CEO/Marketing Manager. The dissertation will remain totally anonymous and companies will be referred to as company A and company B. It would be extremely helpful for me to get an insight into your business and the impact the current economic climate is having on it and I would be very grateful of any information or time you could give me.

Thank you for your time, I hope to hear from you soon,

Kind Regards,

Susan Berrigan

MSc Marketing

IT Sligo

Email: [susanberrigan@hotmail.com](mailto:susanberrigan@hotmail.com)

## Appendix B- Questions for In-Depth Interview

- 1 How would you describe brand equity? (What is it and how do you build it?)
- 2 How important is your brand to the company? (For example financially-asset on balance sheet, reputation/image, customer retention)
- 3 What measures does your company take to build or support your brand? (For example brand manager, budgets, employee training)
- 4 How would you rate your brand on the following?
  - a) Awareness
  - b) Image
  - c) Associations, E g logo, ads, taglines
  - d) Customer loyalty
  - e) Perceived quality
- 5 (i) Which of these do you feel is most important to an SME (Small to Medium Enterprise) in the service sector?
  - a) Getting as much sales and new customers/leads as possible?
  - b) Building relationships with customers and thus holding onto regular clients?

(ii) Which is your company better at and why?

6 (i) What do you think your customers value most in a health spa? E.g, service experience, price, staff attitudes

(ii) Do you meet these values?

7 How much Internal branding (promoting the brand to employees) does your company do? (For example Empowerment, training, continuous communication )

8 How does your staff feel about the brand? How do they contribute to it?

9 (i) What impact has the current economic climate had on your business? (Sales/profits/customer retention)

(ii) Why do you think that is? Has your brand had an impact on this?

10 What measures are you taking to survive the current downturn? (For example What have you cut back on? What have you increased?)

## Appendix C: Summary of Interview with Company A

**Company A is a hotel spa situated in a rural area in the North West. It is a small to medium enterprise and it is not part of a hotel franchise.**

### **1. How would you describe brand equity? (What is it and how do you build it?)**

Company A are very customer orientated and describe brand equity as being based on customer perceptions and loyalty, similar to Keller's CBBE model (Keller, 1993). However, they believe that it is also measured by the physical value of the brand to the company and it's balance sheet, and this cannot be ignored in an SME. Company A stated that their brand equity is built on reputation, image and a strong marketing strategy, in which they are constantly investing in building their brand. The marketing manager also mentioned employees and the service experience given as playing key roles in a strong brand equity.

### **2. How important is your brand to the company? (For example: financially-asset on balance sheet, reputation/image, customer retention)**

The brand is very important to Company A and was described as "the core to everything we do". Their spa brand is managed as a separate entity, however, it compliments the corporate brand (hotel) and vice versa. Company A state that the spa brand "fits" the overall corporate image as a luxury hotel and therefore attracts clients to both the hotel and spa. The marketing manager believes that the brand equity is crucial for customer retention and the reputation of both the spa and hotel. It is this excellent reputation that drives repeat business for the hotel and makes it so successful. Company A constantly measures their investment in their brand and the value of this intangible asset to their business in both their quarterly and annual accounts and the brand accounts for a significant proportion of their intangible assets.

### **3. What measures does your company take to build or support your brand? (For example: brand manager, budgets, employee training)**

In Company A, the marketing manager is also responsible for brand management. It is the marketing manager who decides what proportion of the budget will go towards building the spa brand. This then has to be measured and controlled on an ongoing basis. Awareness is built through consistent advertising, a user friendly website with regular promotions and search engine optimization. Customer loyalty is built through the use of direct mail and text offerings to existing or previous clients. Also, the hotel

promotes aggressively internally with special offers that are only available to residents. However, the marketing manager of Company A states that the real support for their brand comes from the spa employees and the service they provide. The spa has a very low employee turnover rate and employees are committed to the brand ethos. It was stated that the employees take pride in their roles and they are made aware how important their role is to the brand. As the turnover is low and employees have worked there for years, they are experienced and there is a strong brand culture built up. The employees know that the service experience is crucial to the brand and, therefore, they believe in doing that “little bit extra” to make it memorable, e.g. 10 minutes extra, cup of coffee.

#### 4. How would you rate your brand on the following?

- a) **Awareness** – locally awareness is excellent and they are a leading brand in their area. However, nationally there is need for building awareness and this is part of their plan for the next 18 months.
- b) **Image**- they have both a positive corporate (hotel) and brand (spa) image. Both images compliment each other and messages are consistent. All their marketing focuses on their image as a high quality hotel and spa.
- c) **Associations, E.g. logo, ads, taglines,-** their associations are easily recognizable and fit the image of the spa and hotel. These associations are well known and have brand salience in consumers minds.
- d) **Customer loyalty**- they have a strong base of loyal customers and this has not been affected by the economic climate. Their core business is repeat business and they regard these customers as top priority.
- e) **Perceived quality**- they are perceived as a high quality and luxury hotel and spa. All their treatments and treatment rooms are of high standard and they pride themselves on that. They are regarded as high quality at a reasonable price.

#### 5. (i) Which of these do you feel is most important to an SME (Small to Medium Enterprise) in the service sector?

- a) **Getting as much sales and new customers/leads as possible?**
- b) **Building relationships with customers and thus holding onto regular clients?**

Company A suggest that both are important but building repeat business is of top priority to them. the marketing manager states that it is more expensive to attract new customers and it is easier to sell services to loyal customers. The majority of their sales come from loyal customers. However, they do not “take the eye off the ball” with new business as new clients in the hotel attracts new business for the spa, especially in the quieter months.

**(ii) Which is your company better at and why?**

The spa is better at building relationships as this is where they get the majority of their business. Company A believe that you need to build a strong base of loyal customers to survive, especially in a luxury spa market, where prices are premium and the offering is not a necessity.

**6. (i) What do you think your customers value most in a health spa? E,g, service experience, price, staff attitudes.**

Company A believes that the service experience is most important to their customers and all other elements surround this- employees, physical surroundings. The marketing manager states that in the present economic downturn price has become more important and customers are looking for value for money. This makes the service experience even more important. They believe that price is not the overriding factor, as long as the service is worth the price.

**(ii)Do you meet these values?**

Company A believes that they give their customers what they want through providing a variety of options meaning there is “something for everyone”. They provide a high quality experience and atmosphere at a reasonable price, provided by friendly and experienced employees.

**7. How much Internal branding (promoting the brand to employees) does your company do? (For example: Empowerment, training, continuous communication )**

The marketing manager suggests that Company A take an indirect approach to internal branding. Employees are given rigorous training prior to commencing employment and they are made aware of their roles, responsibilities and the

culture of the spa. All feedback is welcomed and employees work as part of a team. As the employees of the spa have been there a long time, a sense of brand culture and pride has been built among them and everybody respects their contribution to the brand image. There is good communication among all the spa employees and between the spa and its parent brand (hotel).

**8. How does your staff feel about the brand? How do they contribute to it?**

Employees feel very positive about Company A's brand and are proud to work there. Their contribution is valued by the company and the employees know this. Their contributions are recognised in the service they deliver everyday, the way they work as a team, the way they promote the brand externally and the input they give into new ideas.

**9. (i) What impact has the current economic climate had on your business? (Sales/profits/customer retention)**

Company A has not experienced a massive drop in sales/profits from the economic downturn. The marketing manager revealed that there was a slight fluctuation but nothing significant. The number of repeat customers using the spa had not dropped, however the frequency of use has. Therefore, the impact of the economic downturn has been minimal.

**(ii) Why do you think that is? Has your brand had an impact on this?**

Company A state that their survival is due to the strength of their brand and their constant investment in it, even during tougher periods. They believe that the high quality image of the hotel and spa brands has kept attracting sales and has helped retain their existing customers. They also believe that increasing advertising and promotions instead of cutting prices has had a positive impact on their brand.

**10. What measures are you taking to survive the current downturn? (For example: What have you cut back on? What have you increased?)**

Company A has not made any impulsive price cutting moves in response to the economic climate. By becoming more cost efficient in other areas and selecting less expensive but more effective advertising media they have been able to cut costs without damaging their brand or service offering. Company A have introduced more spa packages tied in with the hotel and more mid-week special offers as opposed to cutting prices of their treatments. They are also advertising more aggressively within the hotel and at shopping centers, online etc. however, there is now more pressure on the marketing manager to justify their marketing spends and to track the effectiveness of all advertising and promotions.

## Appendix D: Summary of Interview with Company B

**Company B is a hotel spa situated in a popular beach resort in the North West. It is a small to medium enterprise with less than 200 employees and it is not part of a hotel franchise.**

### 1. How would you describe brand equity? (What is it and how do you build it?)

Company B had very little knowledge of branding and how a brand is built. They also described brand equity as being from a customer perspective and believe that it is built through the service experience and the right location.

### 2. How important is your brand to the company? (For example: financially-asset on balance sheet, reputation/image, customer retention)

The Spa Manager at Company B did not see the brand as being relatively important to the spa and believes their location and the products they use are more important. The brand is not recognised on the company balance sheet and its contribution to sales/customer retention/image is not measured. Although the spa are a separate entity, they rely heavily on the corporate brand (hotel) to attract clients and build awareness.

### 3. What measures does your company take to build or support your brand? (For example: brand manager, budgets, employee training)

No formal measures of brand management are in place in Company B. There is one budget for the spa and it is handled loosely without being measured or justified. This company is a typical example of an SME structure, with a haphazard and informal marketing function. Promotion of the brand is done through radio and print media but the effectiveness of this is not monitored either.

### 4. How would you rate your brand on the following?

- a) **Awareness** – the awareness of the spa brand is poor, until recently locals thought the spa was only for hotel residents, not known of in local surrounding areas
- b) **Image**- the spa has a positive image with existing customers but has conflicting messages with locals, who thought it was not open to the public
- c) **Associations. E.g. logo, ads, taglines**- the logo and tagline fit the brand and its location by the sea but the awareness of these associations is very poor.



- d) **Customer loyalty**- they have a good base of loyal customers from the local and surrounding areas
- e) **Perceived quality**- they are perceived as good quality and receive positive feedback about their service through word of mouth  
However, they are quite expensive and the value for money is not as good as with Company A

5. (i) **Which of these do you feel is most important to an SME (Small to Medium Enterprise) in the service sector?**
- a) **Getting as much sales and new customers/leads as possible?**
  - b) **Building relationships with customers and thus holding onto regular clients?**

Company B also believe that building relationships is more important because it is the small and often purchases that keep the spa “ticking along” Also, being a seaside resort, it is quieter in the winter and the spa depends on regular customers

- (ii) **Which is your company better at and why?**

The Spa Manager believes they are successful at building relationships because they open all year round at times that suit their regular clients

6. (i) **What do you think your customers value most in a health spa? E,g, service experience, price, staff attitudes.**

Company B suggests that attitudes and competence of employees is most important as they are such an intimate part of the service They also believe that value for money is important to customers at times of economic unrest

- (ii) **Do you meet these values?**

Yes

- 7 **How much Internal branding (promoting the brand to employees) does your company do? (For example: Empowerment, training, continuous communication )**

The communication between employees is good and everyone works as a team. However, there is no empowerment and employees don't have any facility for feedback. There is a strict hierarchical structure in place and employee turnover is high. The brand is not promoted internally to employees and they are not recognised as contributors to the brand, despite the Spa Managers belief that employee attitudes are most important.

**8. How does your staff feel about the brand? How do they contribute to it?**

The Spa Manager suggests that employees feel positive about the spa and they all work as a team. However, they state that the brand itself is not a part of the spa culture.

**9. (i) What impact has the current economic climate had on your business? (Sales/profits/customer retention)**

Sales have plummeted for the first time and employee numbers were halved. Also, regular customers are using the spa less often and some have stopped using the spa. The economic downturn had a huge impact, as the hotel and spa went into administration in October 2008. However, the then General Manager bought back the hotel to save it from bankruptcy.

**(ii) Why do you think that is? Has your brand had an impact on this?**

The Spa Manager believes that the brand has nothing to do with their failure. Their reasons for the drop in sales were that being a luxury service meant people didn't have the money to spend on it.

**10. What measures are you taking to survive the current downturn? (For example: What have you cut back on? What have you increased?)**

The spa has cut the amount of employees from 5 to 2 employees in order to cut costs. Advertising and promotion has also been cut as well as offering more discounted services.

## Appendix E: Consumer Questionnaire

Dear sir/madam,

I am a postgraduate marketing student and as part of my research I am looking at small health spa providers in the North West. To aid that research, I would be very grateful if you could give me a few minutes of your time to complete this short questionnaire. The questionnaire is completely anonymous and your answers will only be used for the purpose stated. When you have completed the survey, please fold this sheet and place it in the box provided.

Thank you for your time,

Susan Berrigan

### 1. How often do you use health spas (E.g. massage/facial/seaweed bath etc.)?

- Daily
- Few times a week
- Weekly
- Monthly
- Few times a year
- Once a year
- Never

### 2. How much on average would you spend a year on treatments?

- Less than €100
- €100-300
- €301-500
- €501-700
- €701+

### 3. Has the current economic climate changed that amount?

- Yes
- No

If not, why \_\_\_\_\_  
\_\_\_\_\_

**4. How satisfied are you with each of the attributes below from small health spas in Ireland?**

	<u>Extremely Unsatisfied</u>	<u>Unsatisfied</u>	<u>Neither Satisfied or Unsatisfied</u>	<u>Satisfied</u>	<u>Extremely Satisfied</u>
Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Choice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Promotions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of Treatments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on Services, promotions etc	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**5. What would you change about your health spa/Irish health spas in general?**

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**6. Would you switch health spa if a cheaper one became available?**

- Yes
- No

**7. Please rank the following characteristics of a health spa in order of importance (from 1 to 8), starting with what is most important to your buying decision (1 being the most important, 8 being the least important);**

- Relaxing experience \_\_\_\_\_
- Clear and consistent communication \_\_\_\_\_
- Reputation/image of company \_\_\_\_\_
- Attitudes of staff \_\_\_\_\_
- Physical surroundings \_\_\_\_\_
- Price \_\_\_\_\_
- Brand name/image of health spa \_\_\_\_\_
- (E.g. Clarion Hotel Spa vs. your local spa)
- Quality of treatments \_\_\_\_\_

**8. Which of the following statements is true?**

- I always use the same health spa; regardless of price, availability or proximity to where I live.
- I regularly use the same health spa.
- I try out new health spas occasionally but I generally go back to the same one
- I never use the same health spa
- I use the cheapest health spa or the one with the latest offers.

**9. With regards to the current economic downturn, do you agree or disagree with each of the following?**

	<u>Agree</u>	<u>Disagree</u>
I will use health spas less often	<input type="checkbox"/>	<input type="checkbox"/>
I will switch to a cheaper spa	<input type="checkbox"/>	<input type="checkbox"/>
I will stop using health spas	<input type="checkbox"/>	<input type="checkbox"/>
I will stick with my spa but get cheaper treatments	<input type="checkbox"/>	<input type="checkbox"/>
I will buy more at-home treatments	<input type="checkbox"/>	<input type="checkbox"/>

**Further comments on question 9**

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**10. Does the brand name of the health spa influence your purchase decision?**  
(E.g. Clarion Hotel Spa vs. your local spa)

- Yes
- No

- Why/why not? \_\_\_\_\_  
\_\_\_\_\_

## Personal Details

### Age

- 16-19
- 20-29
- 30-39
- 40-49
- 50-59
- 60+

### Gender

- Male  Female

### Location \_\_\_\_\_

### Annual Income (€)

- Less than 15,000
- 15,000-25,000
- 26,000-35,000
- 36,000-45,000
- 46,000-55,000
- 56,000-65,000
- 66,000-75,000
- 76,000+

Other, please explain

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**Thank you for your time**