HOW TO MANAGE CO-BRANDING IN HOTELS AND RESTAURANTS: STRATEGIC BRAND MANAGEMENT IN HOSPITALITY SECTOR

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Abstract: Companies in the hospitality sector (hotels, restaurants etc.) aim to distinguish their brand image and differentiate their product or service among the competitors by adopting brand strategies since identifying a target customer base and understanding their needs and preferences are of primary significance for hospitality firms. The achievement of a distinguished designation necessitates utilizing research based and strategic branding techniques and suggestions. One major branding strategy particularly for international firms is co-branding. Nevertheless, there are scarce studies which examine the role of strategic co-brand management in the hospitality sector. This review paper aims to critically discuss the current position of strategic co-branding in the hospitality sector and possible problems involved in this issue. Recommendations for future research on co-branding of hospitality firms within the strategic management paradigm are provided. Furthermore, managers in the hospitality sector are given suggestions for enhancing strategic management of co-branding in hospitality and particularly in destination firms.

Keywords: Co-branding, brand management; hospitality; hotels and restaurants; strategic applications.

I. INTRODUCTION

In recent years, many hospitality, hotel and restaurant firms have realized the strategic importance of co-branding (Lee & Reinhold, 2008). Particularly, some hotels face with diminished marginal profit from F & B. International hotels have started to utilize co-branding applications and strategies, such as making alliance with a prominent restaurant chain, to decrease these problems. Strategic management of branding in the hospitality sector is very critical, given that firms in the hospitality sector are involved in a competitive tourism market and hence deal with strong rivals (Walsh, 2002).

Companies in the hospitality sector (hotels, restaurants, etc.) prioritize research-based branding to a specific customer target group in order to consolidate an outstanding corporate identity and service quality (Morgan, Pritchard & Pride, 2004). They aim to distinguish their brand image and differentiate their product or service among the competitors by adopting particular brand strategies since identifying a target customer base and understanding their needs and preferences are of primary significance for hospitality firms.

Customers of hospitality firms usually give importance to image, quality and prestige of the services or products in their decision making processes. The achievement of a distinguished designation necessitates utilizing research based and strategic branding techniques and suggestions. One major branding strategy particularly for international firms is co-branding (Knowles, Diamantis & El-Mourhabi, 2004). Nevertheless, there are scarce studies which examine the role of strategic co-brand management in the hospitality sector. This review paper aims to critically discuss the current position of strategic co-branding in the hospitality sector and possible problems involved in this issue. Recommendations for future research on co-branding of hospitality firms within the strategic management paradigm are provided. Furthermore, managers in the hospitality sector are given suggestions for enhancing strategic management of co-branding in hospitality and particularly in destination firms.
II. BRANDING AND CO-BRANDING IN THE HOSPITALITY SECTOR

WHAT IS BRANDING AND CO-BRANDING?

The conceptualization of the term “brand” is not uniform and several definitions of brand have been suggested in the literature. According to Mellerowicz (1998), brand is “a landmark of a given product which symbolizes its consistent quality, size and amount” (Kotler & Keller, 2006). In marketplace, a product or service is usually identified by one of its properties or qualities. Customers choose to buy a service or product depending on a distinctive quality or property of it (Panda, 2006). Brands can be regarded as functional tools to create and consolidate an image, to diminish risks in a competitive market environment and to make efficient use of information dissemination in the hospitality industry (Riesenbeck & Perrey, 2009). Thus, firms in the hospitality sector can realize their current position in the marketplace and generate new potentials by identifying their customers’ view of and impression about their firms, and by analyzing the branding process in which they become identified with an image.

Branding can provide security to the hospitality firms. Hospitality firms can enhance decision making processes in favour of their brands by eliminating the risk of adverse decisions. Besides, in tourism and hospitality industry, how information and image conveyed to potential customers and how customers perceive the tourism and hospitality firms’ services can be directly affected by brand images (Riesenbeck & Perrey, 2009). With branding, hospitality firms can inform customers about their services and products in an efficient way.

Branding, as the symbol of a firm’s image and quality, has an informational function in that through branding, a firm introduces its services and promotes its quality in the eyes of the customers. This informational role facilitates customers’ sense of security for a company since a brand familiarizes customers with the characteristics of a service/product, assures a predictable pattern of service and level of quality and provides plain information about the brand. Therefore, branding functions as a reference point which ensures security of a familiar brand image and comforts customers through reducing feelings of uncertainty and ambiguity in the contemporary world of business and travel.

Branding has been demonstrated to be directly related to customer loyalty (Olsen, West & Ching-Ying Tse, 1998). The symbol of a product or service quality and the representation of its standards and value are conveyed through brands. Hence, brands provide information to customers on the properties of a product or service, which are designed to match with the customers’ demands. It also aids customers to become less ambivalent about selecting a given product type or service since brands facilitate differentiation of specific products/services in the marketplace.

One study investigated competitive methods of multinational hotel firms in the tourism industry between 1985 and 1994 (Olsen & Zhao, 1997). This was comprehensive research that utilized content analysis of articles and reports published in the hospitality industry. Results indicated that one of the major competitive methods was branding. The branding method was found to be utilized by the association of a hotel firm’s product with a special offer, service, or product. By branding, hotel firms aim to provide new services to the tourist and hotel customers. An updated version of this study demonstrated that between 1994 and 1996 hotel firms utilized brand positioning methods for gaining competitive advantage (Olsen & Zhao, 1997). Hotel firms seemed to clarify brand identity of products or services and differentiate one product or service of a given brand both from competing alternatives and from firms’ other products or services.

According to classical brand theory, one strategy for gaining competitive advantage is forming a sole grand brand that has large customer recognition and market share (Muller, 2005). Pizza Hut and Kentucky Fried Chicken utilize this strategy – they stand on their own by their brand image and provide products and services in the competitive market environment. Nevertheless, the strategic shift in the hospitality sector especially in the last 20 years paves the way for brand alliances – that is co-branding - among hospitality firms.

Hospitality firms can utilize several branding strategies for establishing powerful brand equity (Knowles, Diamantis & El-Mourhabi, 2004). Brand equity involves assumption and beliefs of consumers about a given hotel or restaurant brand (brand image) as well as their emotional bond and preference of a given brand (brand loyalty). A well-known branding strategy for enhancing brand equity is co-branding.
Co-branding involves strategic alliance of at least two firms (Knowles, Diamantis & El-Mourhabi, 2004). It is differentiation of a product or service image by using at least two different brand images. Co-branding is usually defined as “a form of cooperation between two or more brands with significant customer recognition, in which all the participants’ brand names are retained” (Blackett & Bodd, 2000), (see, Table 1). Joint venture co-branding involves such definition (Kotler & Keller, 2006). One example of joint venture co-branding is Sony-Ericsson mobile phones. In some conditions, co-branding might involve a combination of two or more brands to form a new product or service with a new brand identity (Park, June & Shocker, 1996). or one brand utilizes a branded ingredient as a marketing strategy (Norris, 1992). Intel-inside is one example of such ingredient co-branding.

**COMMON EXAMPLES OF CO-BRANDING**

The early examples of co-branding are observed in the USA in the early 1930’s, such as Bergen’s restaurants and hotels. The hotel and restaurant industry consulted co-branding when faced with unprofitable sales and poor management of sales (Boone, 1997). Today many chain hotels and restaurants strategically utilize co-branding with the aim of enhancing distribution of products or services to customers as well as increasing the scope of customers to achieve profitability (Boone, 1997).

Marriott Hotels is one of the examples which form a highly recognized restaurant chain after co-branding with Pizza Hut. Another widely known example is that Sheraton co-brands with Starbucks’ coffee, France baked goods and Robert Mondavi Wines. Similarly, Carlson Country Inn co-brands with Country Kitchen, Italiani’s, TGI Friday’s; Choice Hotel co-brands with Pizza Hut, The Garden Place, Nestle Toll House Café, Coca Cola; Hilton, with Benihana. Related brand alliances are formed between Holiday Inn and Little Cessar’s Pizza, Red Lobster, Elephant and Castle, Good Eats’ Grill. In co-branding, usually two firms collaborate on the public image of their brands. For instance, in order to handle decreasing profit margins from hospitality services, Marriott and Hyatt collaborated by co-branding in the hotel industry (Oh & Pizzam, 2008).

**THE MECHANISM OF CO-BRANDING**

Branding and co-branding involve the basic learning principles of human beings, such as classical conditioning (Panda, 2006). In classical conditioning, one associates a neutral stimulus (that does not induce a biological response in the person) with a stimulus that stimulates a natural response in the person. After successive associations of the latter stimulus with a neutral one, the person starts to give a similar natural response to the neutral stimulus in the absence of the natural stimulus. For instance, during child development, the word “lemon” is successively associated with the image, taste and smell of lemon. We tasted lemon and heard the word lemon many times. For many people, the word lemon starts to induce the source taste of lemon – a natural response to lemon – even though they do not actually taste it. Hence, the image and word lemon acquire the power of inducing a similar natural response to an actual stimulus (lemon’s taste itself).

This principle applies to the formation of branding and co-branding: we learn to associate a quality of a product with its brand name. After successive associations, the personal experience or observed experience with that product or service (through advertising or observation of others’ behaviors) is associated with the brand name or image (which is a neutral stimulus). If the personal experience of the product or service is positive, people develop a favourable attitude toward the brand name or image, or vice versa.

In the case of co-branding, another neutral stimulus (a brand image of a company) is associated with another brand image, on which people have already formed a certain attitude. Through this mechanism, a new meaning or quality can be attributable to the product or service by the advertiser or image maker. In other words, through co-branding, the psychological impact of a service of product in the eyes of customers is managed and enhanced.
III. STRATEGIC USE OF CO-BRANDING IN BRAND MANAGEMENT FOR INTERNATIONAL HOTELS AND RESTAURANTS

Strategic management is defined as the “art and science of formulating, implementing, and evaluating, cross-functional decisions that enable an organization to achieve its objectives” (Oh & Pizzam, 2008). In general, strategic management involves several steps: at the initial step, the goals and aims of the company are defined (Interbrand, 2008). At the second stage, managers should analyze the strengths and weaknesses of the firm, and possible threats from the marketplace. At the third stage, the company is localized in accordance with its internal and external conditions. Then, organization-wide, department-based and worker-based strategies are respectively developed. Sources of the company are distributed in accordance to these developed strategies. At later stages, company should revise its vision, aim and scope as well as leadership style in line with recent organizational strategies. Even the organizational culture might be changed in congruence with these strategies. Continuous monitoring and regular improvement of these strategies provide dynamic management at a company (Park, June & Shocker, 1996).

According to British brand consulting group (Interbrand, 2008), the ranking of top 100 global hotel and restaurant brands in 2008 is as following: McDonald’s with 31,049-dollar brand value (8th), KFC with 5,582 dollars (64th), Pizza Hut with 4,097 dollar (81th), Starbucks 3,879 dollar (85th) and Marriott 3,502 (96th). Former three restaurant brands were still in the ranking in 2005, Marriott hotel entered the list in 2008. These ranks are very surprising in the sense that despite many hotel firms known to be prominent across countries, none of them have brand value larger than 2.7 billion dollars (Oh & Pizzam, 2008). This data indicated that although hotel firms and many restaurant firms utilize different branding strategies, they need to adopt different strategies for branding, such as co-branding.

IV. BENEFITS OF CO-BRANDING MANAGEMENT

There are several managerial, economical, and marketing advantages of co-branding in the hospitality sector. One of them is the creation of a powerful brand image for customers (Panda, 2006), which enhances the competitive advantage of the firm via maintenance of the brand image and distinguishes quality of the product or service from others in the marketplace. Hence, consumers can easily recognize a brand through co-branding strategies.

Co-branding is achieved through collaboration of two firms and alliances. Alliance provides an opportunity to share costs of operations, branding, and marketing (Muller, 2005). Production costs, marketing-based costs, investment costs along with risk of competition in the marketplace can be diminished. Besides, with the help of co-branding, hospitality firms can launch business in new markets without any cost of the new brand (Kippenberger, 2000). One study reported that a 10 % increase in the profit of Best Western is attributable to co-branding with Country Kitchen restaurant (Walkup, 1995). Similarly, another study showed that co-branding has provided substantial short term financial advantage to the hotel and restaurant firms (Boone, 1997) (see, Table 1).

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<tr>
<th>Table- 1. Financial Advantage of Co-branding to Hotel and Restaurants</th>
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<td>Financial variables (on average)</td>
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<td>Investment on branding</td>
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<tr>
<td>Hotel average daily rate increase</td>
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<tr>
<td>Hotel occupancy increase</td>
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<td>Hotel net income increase</td>
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<td>Restaurant revenue increase</td>
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<td>Difference in annual revenue between branded concept in hotel and system unit average</td>
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<td>Increase in restaurant net profit after replacement with branded concept</td>
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Source (adapted from)
In co-branding, firms aim to increase their brand value in the eyes of customers. Customers’ attitudes toward each brand, their reaction to co-branding of two firms and their attitudinal change after co-branding are critical for the competitive success of the firm (Simonin & Ruth, 1998). It was found that consumers usually give importance to co-brands and become loyal to specific firms due to their perception of co-branded products or services as having high quality (Norris, 1992).

One study examined the customers’ post-purchase behaviors (i.e. brand loyalty, purchase patterns, frequency of visits, and expenditure per person) in a family restaurant that utilized co-branding (Lee & Reinhold, 2008). Researchers found that customer loyalty is significantly higher in co-branded family restaurants, compared to non-co-branded ones. Moreover, co-branding gives hotels and restaurant managers the opportunity to utilize expertise of the other brands (Muller, 2005) and hence increases the strategic use of branding.

Co-branding influences how a company or a service/product is perceived and evaluated by customers. Through co-branding, hospitality firms can have the chance to appeal to a diversified customer base, enhance their communicative strengths and enlarge their target customer group since brands of the allied firms have already been recognized by a particular group of customers. When two companies co-brand, their target customer groups merge and get acquainted with another and previously unrecognized brand name which is associated with their regular choices. Hence, co-branding facilitates customers’ feelings of security for both brands, facilitates decision making and may secure a broadened customer target group.

One study investigated the strategic benefits of co-branding for hotel and restaurant firms from a managerial perspective (Boone, 1997). According to reports of 12 hotel managers, co-branding with restaurants is beneficial because.

1. Co-branding leads customers to prefer hotels due to perceived low risk, increased recognition of the hotels’ brand with the aid of branded restaurants,
2. Co-branded restaurants have branding and operational expertise, which can be utilized by these managers (such as training, consistency etc.),
3. Co-branding with restaurants provides a flow of customers within the hotel setting
4. The total expenses of the hotel decrease and total profits increase, 40
5. Restaurants’ marketing strategies and outcomes positively influence brand recognition and image of the hotel,
6. Co-branded hotels and restaurants share daily operational problems especially on food and beverages,
7. Co-branded hotels offer wider food and beverage options to their customers (Muller, 2005).

It has been reported that managers of restaurant viewed co-branding as advantageous (Boone, 1997), because.

1. Co-branding provides opportunity to distribute restaurants on strategically good locations,
2. Managers can get benefits from the flow of hotel customers

Despite its advantages, co-branding strategies do not directly lead to success in the market (Panda, 2006). A hospitality firm needs to accompany empirical research findings to obtain successful brand-brand associations. Several authors state that co-branding is related to customers’ motivations and characteristics, characteristics of collaborating partners as well as customers’ perception of the brand collaboration of two firms (Muller, 2005). It has been argued that customers’ view on the brand alliance is important because it has an impact on how they evaluate the value of the brand of products/services (Muller, 2005), their satisfaction and motivation to repurchase the same products/services. It has been mentioned that particularly in hotel and restaurant industry, customers have a direct experience with the brand of a hotel or restaurant and confront with the outcomes of co-branding of hotels and restaurants by frequent exposure to information on brand image and identity (Ashton, 2008).
V. PROBLEMS IN CO-BRANDING MANAGEMENT

There are some problems involved in co-branding management. For hotel managers, these problems are (Boone, 1997):
1. Scantiness of the available space and strictness in image of the setting/offered menus
2. Decline in food and beverage services of the hotel’s itself
3. Long and costly worker training programs,
4. Operational conflicts between hotel managers and restaurant managers.

From restaurant managers’ perspective, problems of co-branding between hotels and restaurants were reported as following:
1. Limited investment of hotels on branding
2. Inadequate/unsatisfactory spaces or sites for restaurants within the hotel environment
3. Hotel managers’ lack of understanding and experience on the hotel restaurant concept and operations.

Co-branding strategies and strategic management of co-branding is essential, because two collaborator firms have their own core values and thus brand values (Motion, Leitch & Brodie, 2003). Collaborator firms might have problems during co-branding due to different corporate core values (Motion, Leitch & Brodie, 2003) or differences in managerial perspectives of hotels and restaurants. Another major problem involved in branding of hospitality firms is effective communication of brand qualities and characteristics to the targeted consumers (Higley, 2001). One hotel or restaurant might determine its brand identity (that is, brands’ derivative meanings and characteristics and what information the brand conveys by its product or service) (Nykiel, 1989). However, it might not communicate the brand identity in an effective way to the customers. Moreover, brand awareness of a hotel or restaurant might not be adequate.

In other words, customers might not be aware of the presence of a brand. Hence, although brand identity is solidly presented, customers may not be aware of the presence of a brand, they may not know much about the hidden message of the brand. These problems could be overcome through aggressive advertising and media. Brand identity and image of a service or product could be conveyed via media, which increases the brand awareness and differentiation of a product or service from others in the hospitality market.

VI. STRATEGIC APPLICATIONS FOR CO-BRANDING IN INTERNATIONAL HOTELS AND RESTAURANTS

There are mainly four strategic applications of co-branding, reaching in, reaching out, reaching up and reaching beyond (Leuthesser, Kohli & Suri, 2003). Based on whether target market is newly developed or existing market, and whether two brands are necessary for product functioning or not co-branding companies can utilize one of these strategies. A hotel or restaurant company can use reaching up strategy when partner’s brand image (not product quality) adds to the co-brand image. Reaching out strategy is implemented if co-brand has benefits for product itself, such as entering new market and not for brand qualities. Hence once the target market is new, reaching out strategy for co-branding can be utilized. When co-brand can contribute to the company’s brand image as well as entering new market, reaching beyond strategy can be implemented (Leuthesser, Kohli & Suri, 2003). The last co-branding strategy is reaching in. Ingredient co-branding is one example of this strategy. This strategy is used when a company wants to enhance the core benefits of its product.

Despite aggressive advertising and media, brand image of a service or product can become like other brands in the long term (Panda, 2006). Hence, long-term maintenance of a brand is required. This can be achieved through strategic brand management. With respect to strategic brand management, three strategies should be aimed at long term brand value and brand image maintenance. These are
-Branding for a product/service by emphasizing its distinct qualities.
-Differentiation of the brand’s position from other brands in the marketplace.
-Continuous evaluation of the strategic position of the brand in the marketplace.

Moreover, hospitality firms can utilize information technologies to strategically manage co-branding (Kotler & Keller, 2006). For example, with the help of the internet, hotels or restaurants can reach customers that match with the targeted ideal customers. The characteristics and profiling of customers can be searched via the internet and specific databases. These target groups can be informed about new offers or opportunities. Another example is monitoring the changing needs of customers through targeted promotions (Olive, 2001).
Moreover, frequent visitors can also be contacted via internet and databases. They can be reached on special dates or given special offers in accordance with their previous preferences. In this way, hospitality firms can enhance customer loyalty and branding at the same time. Besides, via internet and online services, hospitality firms can advertise their services and products and enhance their brand image for a longer duration of time, compared to advertisements appearing in newspapers, TV or radio. By online advertisement, the brand image and brand identity can be clearly and correctly conveyed to customers (McCasland, 2003).

VII. SUGGESTIONS AND CONCLUSION

Co-branding is a good strategy for effective marketing and particularly establishment of customer loyalty in hotel and restaurant sector (Lee & Reinhold, 2008). However, co-branding gives way to diminishing returns per customer, which results in marginal profit reductions. Hence, co-branding should not be utilized for long term quality maintenance. In order to handle these challenges, managers of hospitality firms need to adopt strategies for successful co-branding. Strategic thinking in co-branding also allows the transfer of co-brand image and message from firms to customers (Balmer, 2001). In this way, the co-brand can be more easily differentiated from other brands. Moreover, with strategic management of co-branding, customers’ commitment and loyalty to the brands are enhanced.

For strategic co-branding management, hotel managers should (Boone, 1997):

- Perceive restaurant co-branding as a partner, rather than a guest in the hotel
- Join hotel managers to strategic decision-making processes about hotel’s important issues, such as spatial settings of restaurant, common training programs, operational synchronistic,
- Invest on the brand image, co-branded identity, and brand quality (such as, quality product, efficient procurement, and delivery system)
- Hotel managers can also utilize the help of consultants for co-branding with a restaurant.

Restaurant managers can accomplish following strategies for successful co-branding management (Boone, 1997):

- Flexible operations and branding of a restaurant should go hand in hand with hotel’s operations and standards, such as spatial arrangements, training, timing of operations,
- Co-branding with hotels which overlap with the brand concept of the restaurants should be emphasized for enhanced recognition and a clear message to customers about the brand identity of the restaurant.
- Benefits of co-branding, such as free benefits (e.g., complementary food or drinks with co-brand), discount benefit (e.g. discount on prices), intangible benefits (e.g. online newsletters), gifts, samples etc. should be enhanced, which could further support the customer loyalty to the restaurant’s brand (Lee & Reinhold, 2008)
- Thoughts and evaluations of customers on co-branding activities in restaurants should be recognized and considered (Lee & Reinhold, 2008)

Further empirical investigation of branding in hotel and restaurant management is needed. There are several research questions that can be targeted in future studies (Oh & Piza, 2008).

- Strategies for how and at what frequency to measure brand equity of hotel and restaurant firms,
- Perceptions and beliefs of brand managers about strategic brand alliances,
- The attitudes of international customers on co-branding of hotel and restaurant firms and how they affect their purchase behavior, satisfaction, and brand loyalty,
- The saturation level of customers to the hotel and restaurant brands and the measurement of this level.
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