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An exploratory study on a co-branding between a luxury hotel and premium wine brands

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Introduction

Co-branding practices have been increasingly adopted by practitioners in several areas, including advertising, luxury market, products, and retail stores (e.g., Abratt & Motlana, 2002; Dahlstrom & Dato-on, 2004; Moon & Sprott, 2016), and also in the hospitality sector, namely restaurant chains (Boone, 1997), chefs, retail, local wine, designers, and other celebrity brands (Guillet & Tasci, 2012). These partnerships support both differentiation and positioning, thus being essential to select strong and well-known partner brands, and simultaneously to consider image, quality, brand equity and loyalty (Guillet & Tasci, 2012). Existing literature in the field shows that co-branding strategy is gaining popularity due to its ability to reinforce brand image (Lee, 2014; Park, Jaworski, & MacInnis, 1986) and to improve brand differentiation and positioning (Singh, Kalafatis, & Ledden, 2014). In the retail sector, co-branding partnerships usually give access to different marketing segments, increase sales, and foster relationships with customers (Wang, Soesilo, & Zhang, 2015). Co-branding implies sharing brand value, business competencies and risks (Erevelles, Stevenson, Srinivasan, & Fukawa, 2008; Helmig, Huber, & Leeflang, 2008; Keller & Richey, 2006), and enables the maximization of distribution channels and customer relationship programs (Motion, Leitch, & Brodie, 2003; Wang et al., 2015).

At the same time, luxury brands are getting increasing attention from academics and practitioners, as the luxury market shows a clear resilience regarding the economic crisis, keeping growing profits in the last decades (Díaz-Bustamante, Carcelén, & Puelles, 2016; Okonkwo, 2009). Hence, strategies that help to improve luxury brands' value and positioning are particularly relevant to business success and marketing effectiveness. In addition to an expensive price, luxury brands share some characteristics such as consistent quality and product excellence, exclusivity and uniqueness, tradition and inheritance, recognition, consistency with the personality and values of the brand (Nueno & Quelch, 1998). Moreover, the concept of luxury is also related to culture and lifestyle (Vigneron & Johnson, 2004). Hence, luxury is usually associated with symbolic consumption (Belk, 1998) and a source of psychological, emotional, and experiential benefits (Nobre & Simões, 2019).

This article argues that one particularly interesting setting for co-branding is the luxury hospitality sector. Regarding the attractiveness and complexity of the luxury market, especially in the hospitality sector, a co-branding strategy may stand out for the advantages it provides to their adopters. Although literature in the field presents evidence on co-branding being used for hotel differentiation and positioning (Guillet & Tasci, 2012), it disregards luxury co-branding, particularly in what concerns to a product particularly relevant for the hotel positioning concept. This article aims to fill this gap, by exploring how a co-branding strategy between a wine-concept luxury hotel and premium wine brands benefit both partners. The objectives of this exploratory study include identifying the determinants of partner choice, and the impact of co-branding strategy on brand image of both the hotel and the associated wine brand.

The impact of a co-branding strategy on brand equity

In the past decades, there has been an increasing popularity of brand partnerships, particularly in regard to co-branding strategies (Riley, Charlton, & Wason, 2015; Wason & Charlton, 2015). Chiambaretto and Gurău (2017) define co-branding as a strategy that combines two or more independent brands in one offer. Brennan, Canning, and McDowell (2014) a result of cooperation between two or more companies, comprising some defining aspect of the brand. Co-branding is often used interchangeably with other concepts such as *brand alliances*, *comarketing*, *joint branding*, *branding* and symbolic branding. The main objectives of co-branding are to create mutual benefits for the involved brands (Egan, 2011), namely to improve their brand equity (Abratt & Motlana, 2002; Genc, 2010; Guillet & Tasci, 2012). This cooperation often involves several marketing domains such as advertising, product development and positioning, and distribution channel strategies (Grossman, 1997). Partner companies are expected to develop their individual competencies and share resources (Shen, Choi, & Chow, 2017) to mutually reinforcement.

Abratt and Motlana (2002) admit that co-branding main advantage is to position brands in a convincing way, generating more sales in both existent and new market segments and increased brand value. Co-branding strategies are also expected to reduce the costs of introducing a new product (Helmig et al., 2008), and provide competitive advantage and increased attractivity namely due to spill-over effects (Erevelles et al., 2008). Despite its advantages, co-branding can also generate negative impacts. There is the need for adjustments from each partner, as a well-succeeded co-branding strategy will depend on the commitment of all partners involved. Co-branding is a complex (Helmig et al., 2008) and inflexible (Lee, 2014) strategy.

Considering that brand positioning consists of consumers' perceptions regarding subjective attributes of the brand (Kapferer, 2012; Lewis, 1981), it provides companies with important competitive advantages (Malik, Naeem, & Munawar, 2012) by assuring consumers' purchases. Regarding co-branding strategies, Singh et al. (2014) suggest that consumers' perceptions of brand positioning are transferable to partner brands, as co-branding strategies act as endorsers of other brands' quality. Consequently, Wason and Charlton (2015) recommend brand positioning as a fundamental criterion for partner selection, noting that brands with hedonic attributes are more able to gain partnership benefits than functional attribute brands. Hence, one can infer that both luxury products and services such as hospitality are particularly suitable for co-branding.

Brand identity expresses the tangible and intangible characteristics of the brand that makes it unique (Kapferer, 2012). Motion et al. (2003) demonstrate that managers tend to establish relationships in order to redefine brand identity. Indeed, alliances with other brands contribute to the development of new identities (Balmer & Greyser, 2002), and brand partnerships may have a great impact on the companies' brand images (Öberg, 2016).

According to Riley et al. (2015), consumers' perceptions about the offer of a brand alliance depend on the adequacy of the alliance, that is, the consistency of the brands in the partnership. The brands with less awareness tend to converge to the strong brands (Abratt & Motlana, 2002), as result of the transference of the positive associations of the stronger brand to the other brand in the partnership

(Geylani, Inman, and Hofstede, 2008). However, it is preferable to choose partners with similar performance, in order to avoid consumer perceived discrepancies. Hence, establishing a positive brand image can be a goal of co-branding strategies by reinforcing the image of partner brands (Geylani et al., 2008), allowing the brand to position itself against the competition. In the hospitality sector, namely luxury hotels, value maximization, needs' fulfillment, and guests satisfaction are essential to developing a strong brand image (e.g., Dev, Morgan, & Shoemaker, 1995; Li, Yen, & Uysal, 2014; Su & Reynolds, 2017). Clearly, co-branding strategies require a rigorous evaluation of partner involved (e.g., Guillet & Tasci, 2012; Helmig et al., 2008), as shown by the wine sector, where the establishment of associations increases the possibility of more effective promotion and the creation of strong differentiation points (Vrontis, Thrassou, & Czinkota, 2011).

Method

Based on the contributions from the literature, three main research questions guided the exploratory study:

RQ1: How do luxury hotel and local wine brands benefit from co-branding partnerships?

RQ2: How does a co-branding strategy impact on partners' brand image management?

RQ3: How do partnerships with prestige products influence luxury service brand positioning?

In order to tackle these research questions, a qualitative exploratory study was conducted. The study focused on a co-branding partnership between premium and luxury wine brands and a vinous-concept luxury hotel well-known in the Portuguese market. A total of 14 semi-structured interviews were conducted with managers of the luxury hotel (see Table 1) and of the wine brand partners (see Table 2). Participants were informed about the study and had the opportunity to give their informed consent prior to participating in the study. Other ethical principles for social sciences research were also followed, including voluntarily, confidentiality and anonymity of the study.

Table 1: Participants in the study: Luxury hotel brand managers.

Participants	Gender	Age group	Education	Years in the Company	Job
Interviewee 1	F	36-45	Post-graduate	8	Wine Director
Interviewee 2	F	26-35	Post-graduate	8	*Head Sommelier*
Interviewee 3	F	18-25	Graduate	3	Marketing Assistant
Interviewee 4	F	26-35	Post-graduate	2	Brand Assistant
Interviewee 5	M	26-35	Post-graduate	2	Designer
Interviewee 6	M	46-55	Graduate	7	CMO

Table 2: Participants in the study: Partner wine brand managers.

Participants	Company size	Gender	Age group	Education	Years in the Company	Job
Company A	Small	M	36-45	Graduate	7	CEO
Company B	Small	F	46-55	Graduate	7	Sales manager
Company C	Large	F	26-35	Post-graduate	3	Marketing and Sales Manager
Company D	Medium	F	26-35	Post-graduate	3	Key Account Manager
Company E	Small	M	56-65	Graduated	12	CEO
Company F	Medium	F	46-55	Post-graduate	8	Marketing and Sales Manager
Company G	Medium	M	46-55	Post-graduate	3	CEO
Company H	Large	M	36-45	Undergraduate	20	Sales Manager

Based on the literature review, a set of categories guided the content analysis. These categories of analysis comprise the following aspects: co-branding strategy implementation (partner selection criteria and shared benefits), impact on partners' brands (positioning and image), and the importance of co-branding partnerships in distribution agreements.

Results

Co-branding mutual benefits

All the participants referred that the co-branding strategy is a source of mutual benefits. Despite the strong positioning and image of the luxury hotel, and the opportunity for wine partners to reach a luxury market segment, the Hotel's representatives recognize the mutual advantage for all the involved brands, but with different intensity levels along the process. The gains for the Hotel were particularly visible during its launch stage, during the establishment of the vinous concept (the basis of its differentiation). The Hotel benefited from the association with well-known high quality wine brands.

These benefits continue to flow, now that the Hotel's image is established. The success of this co-branding strategy is related to the ability to consistently providing benefits to partners and the congruity of the image of the brands involved. As one of the large wine company partners referred, this is due to the shared values of the partners involved in the partnership. These findings corroborate existing literature that emphasizes that co-branding strategies focus on providing benefits to all involved brands (e.g., Egan, 2011). Overall, this study demonstrates that being acknowledged by all partners as mutual beneficial is a critical success factor for a co-branding strategy.

Partner selection criteria

As the leader of this co-branding partnership, the Hotel has a fundamental role in developing the strategy and ultimately is responsible for choosing its wine partner brands. All the Hotel's representatives identified product quality as the main criteria for partner selection. In an initial phase, it was essential for the Hotel to reinforce its brand positioning by being associated with the most recognized quality wine brands, benefiting from the transfer of their credibility. These findings confirm that the selection of co-branding partners is based on brand positioning and image (Wason & Charlton, 2015) and performance (Geylani et al., 2008). Results also suggest that as the Hotel brand gained its own prestige, these criteria evolved. Partners must provide high-quality products, but the Hotel representatives recognize that nowadays they are able to cooperate with unknown brands – as long as their products have high-quality standards, as further explained in the next sections.

The impact of the co-branding strategy on brand positioning

The fact of being a vinous concept luxury hotel obviously favors the adoption of a co-branding strategy with high-quality wine producers. The Hotel's representatives recognize that the association with wine brands is essential to hotel's brand positioning. Hence, the co-branding strategy that was undertaken by the Hotel was essential for its positioning, consolidating its vinous concept and its role of wine ambassador. Besides the benefits for the Hotel, this stronger positioning provides long-term benefits that are also transferred to wine company partners. Regarding the impact on wine brands' positioning, the advantage of being associated with a luxury hotel was also highlighted.

Overall, wine companies participating in this study noted that the luxury vinous-concept positioning of the Hotel brand favors the wine brands involved in this partnership. Thus, these findings offer empirical support that a co-branding strategy might help to reinforce brand positioning (Singh et al., 2014). The role of the stronger brands as endorsers of the quality of their partners is also evident, corroborating academic literature (e.g., Genc, 2010; Singh et al., 2014).

The impact of the co-branding strategy on the luxury / premium brand image

Brand image is one of the most discussed consequences of co-branding strategies. Without surprise, participants in this study referred that this co-branding strategy had an undeniable impact, particularly important for the weaker brands. While being associated with some well-known wine brands was essential for the Hotel's credibility and wine-concept luxury positioning, the Hotel managers agreed that the wine brands benefit more from the strategic alliance with the Hotel brand. Several brand wine partners further confirmed this idea. Hence, in this case, the co-branding strategy clearly contributed to developing a premium image for the wine brands, certifying the quality of their products. This is particularly important for unknown brands and small companies, as confirmed by some of the wine brand managers interviewed. Yet, the gains in terms of brand image were also acknowledged by the medium and large wine companies with stronger brands.

Hence, this study illustrates the co-branding ability to reinforce brand image, which is consistent with the academic literature (Lee, 2014; Park et al., 1986). Although co-branding mutually reinforces the partner brands, as suggested by Geylani et al. (2008), the advantages seem more evident for the brands with small awareness, as pointed by authors such as Abratt and Motlana (2002). Results also suggest that this process has a dynamic nature, as firstly, the Hotel apparently benefited more from the association with prestigious wine brands. As the Hotel's image consolidated over time, it assumed the role of reinforcing the brands of its partners, especially the ones belonging to small producers. Overall, this study corroborates Geylani's et al. (2008) arguments that one of the main goals in co-branding is to reinforce the image of partner brands, and the stronger brands have an important role as quality endorsers of their partners, as suggested by Genc (2010).

The hotel as a channel intermediary

Participants, in general, do not see that the role of the hotel as a distributor (through its restaurants, bars, wine hotel shop and e-store) as essential and relevant, except in the case of very small producers. In one of the cases of a small producer, the hotel is the main distribution channel for its wines, as otherwise, it would be impossible for this small firm to target this kind of consumers. This is according to Helmig et al. (2008) that co-branding helps to reduce costs especially in the case of launching new products.

Conclusion

Considering that literature on co-branding is still scarce, in particular, in the luxury hospitality sector, this article provides interesting contributions on the topic, confirming the current relevance of co-branding strategies between hotels and products that are directly related with its concept and positioning. The impact of a co-branding strategy between a vinous-concept luxury hotel and some premium wine brands were analyzed through the perspective of the Hotel and Wine Companies' managers. Helmig et al. (2008) emphasize that the commitment of all partners is essential in a well-succeed co-branding process. To get partners committed is easier by providing all of them with clear benefits besides profitability, particularly with respect to brand image and positioning. All the participants in this study recognized that this co-branding strategy has a positive and enduring impact on their brand images and reinforces brand positioning. Yet, participants also emphasized that these gains result from the coherence between brands' values and associations. A requirement in the case of the luxury/premium market segment seems to be the high standards of quality for all products and services involved in the partnership. Hence, despite the rule of positioning transferability of the stronger to the unknown brands, co-branding is particularly demanding for the small size partners with no awareness in the market.

This study provides interesting cues for managers from and outside the luxury hotel sector on how to use co-branding to reinforce brand positioning and image. This study supports the idea that co-branding involving companies from different sectors offers interesting opportunities for differentiation and positioning, and for developing a strong and positive brand image, especially in the case of involving firms directly connected with the main brand concept.

Although the exploratory nature, this study has limitations. The first is related to the fact that evidence was gathered solely from one ongoing co-branding initiative, with a limited number of partners. The second concerns the type and dimension of the sample used in this research. Therefore, it is recommended that future research further investigates this subject in order to validate findings. Suggestions for future research include comparing co-branding strategies in luxury hotels with different products and services, using a broader sample, including questionnaires to get information on consumers' perceptions. Studies of unsuccessful co-branding strategies would also be useful to both academics and practitioners.

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