Best practices in food and beverage marketing essay

The Food Beverage department at hotels has evolved significantly over the past decades. Various studies and marketing techniques were employed to the department in order to improve the operations such as developing menu items or creating unique offers (Miller). A PKF consulting analysis of 214 hotels during the time-frame of 1994 to 2004, displayed an percentage growth in F&B profit which increased almost twice as fast as the total net operating income growth (Miller). It has been proven that while hotels had improved their F&B outlets and increased their emphasis to the quality of dining, they quickly became unprofitable considering the time and expertise needed for their management (Shoemaker, Lewis and Yesawich).

In order to cut-down costs and gain significant revenue, companies in the hospitality industry prioritized research-based branding strategies, to their specific target group in order to acquire corporate identity and quality service (Morgan, Pritchard and Pride). Distinguishing their brand image and differentiation of their product became of primary importance for all hospitality firms (hotels, restaurants etc). In the recent years, many international hotel firms have turned to a major branding strategy called co-branding. In this concept an existing restaurant is incorporated within a hotel, a practice considered to have been started by Victor Bergen during the 1930’s, establishing fast food outlets in hotels on the highway which had a customer base of American families travelling away from home.

The incorporation of this model to the modern hotel industry has been observed to change dramatically both consumer attitude and hotel management (Rutherford). This review plans to analyze the current position of strategic co-branding in the hospitality sector and how the tourism industry could be benefited. Furthermore, possible problems are discussed and recommendations to potential managers wanting to employ strategic co-branding techniques are given.

2. Co-branding definition

While co-branding doesn’t have a single definition, it generally involves the strategic alliance of at least two firms (Knowles, Diamantis and El-Mourhabi). It has also been described as “ a form of cooperation between two or more brands with significant customer recognition, in which all the participants’ brand names are retained” (Blackett, Boad and Interbrand). Furthermore, Hilyer (Hillyer and Tikoo) explains the definition of co-brading when a product features more than one brand name.

Among all these definitions, some common characteristics can be identified. The fundamental part in co-branding is the requirement of two or more brands that are widely recognised while the brand name is kept intact and the duration of the whole project varies between medium to long (Kippenberger). Therefore, co-branding can be interpreted into reality in two manners: either joining two brand names together in forming a new or unique product or having two recognised brands under the same space, such as T. G. I Fridays within Holiday Inn hotel (Hahm and Khan).

3. Notable examples of Co-branding

Based on the model used in the early 1930’s, with Bergen’s restaurants and hotels, the hotel industry began to employ co-branding strategies when it was faced with unprofitable sales. Today a large variety of hotels and restaurants use co-branding as a means of enhancing distribution of products or services together with increasing the range of their customer base, helping them to reach maximum profitability (Boone). Marriot Hotels is considered on of the pioneers of the chain hotels to be the first to implement an internationally recognised brand such as Pizza Hut in 1989 (Boone; Kippenberger). Following their example, the co-branding of TGI Fridays within Holiday Inn hotels turned out to be a financial success. After the conversion of the Pennsylvania Holiday Inn restaurant to TGI Friday’s, the increase from $450, 000 to $4 million within the first year only marked a rapid improvement in revenue which persisted for consecutive years (Hahm and Khan). After reviewing the benefits, the company expanded its co operations with other franchise such as Red Lobster, Pizzeria Uno, Good Eats Grill and many more (Boone). Other examples include the co-branding of Sheraton hotels with Starbucks coffee and Vie de France baked goods, Hilton with Benihana, Calrson Country Inn with Pizza Hut, The Garden Place and Nestle Toll House Café among others.

4. The Co-branding mechanism

The concepts of branding and co-branding involve basic principles associated with stimuli and responses, called classical conditioning. Combining the signal from a stimulus with a neutral effect (such as the word ‘ lemon’) with a stimulus that elicits a natural response from a person (such as the image and taste of the lemon), the person gives a similar response when the neutral stimulus is presented without the need of the natural one.

The same principle applies to branding and co-branding: the product is associated with a brand name and after successive associations either from personal experience or advertising, a favourable reaction towards the brand name or image is created. Specifically in co-branding, the combination of a neutral stimulus (like a brand image of one company) is coupled to another brand image which people have developed a liking towards it, the new product or service created by the combination of the previous ones is made equally amiable to the consumer. This manages to enhance the psychological impact of a newly formed product without the need of further branding.

5. Impact of Co-branding

The implementation of co-branding techniques has been acknowledged to have positive and negative impacts on the company's process.

Studies have shown that several advantages that can be categorized in financial, managerial, marketing and customer royalty. Creating a powerful head image for customers is critical in enhancing the competitive advantage of a firm and distinguishes its quality from others in the marketplace, making it easier to recognise through co-branding strategies (Panda and Kumar). Also, the costs of operations, production and investment can be shared and the risk of competition in the market can be diminished, creating an short term financial advantage to other firms (Boone). Also, when two well-established brands co-brand, a sense of security and loyalty is created to the customer, such as in the example of a hotel co-branded with Pizza Hut will expect that loyal customers will stay in hotels with known brands when travelling. Lastly, the co-branding of restaurants to hotels provides a constant flow of loyal customers from the hotel setting, which can also work vice-versa (Boone).

Despite the advantages, co-branding strategies are not the solution to all problems and cannot guarantee market success (Panda and Kumar; Joseph Arthur; Hillyer and Tikoo). Incorrect use and lack of conductive research is able to affect business negatively. For example, if a clear image is not created by the alliance of brands, it can create confusion to the consumers (Joseph Arthur) while a loss of control of a brands' identity can reduce their affinity to the original brand (Keller). Possible problems for restaurant managers can be either limited investment by their hotels or lack of expertise and experience on the hotel restaurant concept.

6. Strategic Applications of Co-branding in International hotels and restaurants

The main four applications of co-branding are called reaching in, reaching out, reaching up and reaching beyond. The selection of the strategy is based on the nature of the target market (if it's newly formed or existing) and if both brands are absolutely necessary for product functioning. Reaching out is more commonly used if the co-brand has benefits for the product itself by entering a new market while if the co-brand can also contribute to the company's brand image then reaching beyond is implemented. Lastly, reaching in is implemented if the company wants to enhance the product's core benefits.

However, the brand image of a product in the long term can become very similar to others (panda) therefore maintenance of the brand is necessary. Strategic brand management is able to aim long term value and brand image maintenance in three different ways:

Differentiating the brand’s nature from other’s in the marketplace

Evaluating continuously the brand’s strategic position in the marketplace

Branding based on the emphasis in the distinct qualities of the product/service

Implementing information technology as well as internet marketing can also be helpful in managing co-branding. Via searching in internet databases, the target groups of each product or service can be directly targeted and informed about novel opportunities or offers, without the need of time-consuming and expensive research. Additionally, targeted promotions can monitor the needs of customers and adjust the products promoted accordingly (Oliva).

7. Suggestions

In order to efficiently use co-branding, the respected hotels and restaurants must employ several different strategies to handle the emerging challenges. Hotel managers should firstly invest on the brand image and identity, while joining restaurant co-branding partners in strategic decision making processes about important issues and training programs. On the other hand, restaurant managers (Boone) must synchronize their operations and branding with the hotel’s standards, carefully choose a hotel that could potentially match the brand concept of the restaurant and offer various benefits and discounts to hotel residents in order to support customer loyalty to the brand (Lee and Decker).

8. Conclusion

In retrospect, co-branding is a practise that can be successfully implemented for effective marketing in F&B establishments of the hotel and result in elevated profit and diminished costs. However, due to the competitiveness in the current market and the continuous emergence of new strategies, the effectiveness of co-branding has greatly been challenged. Implementing novel technologies and adjusting the products or services on offers based on consumer needs, may be deemed sufficient to bypass any emerging challenges. Additionally, more empirical research in the hotel – restaurant management is required. Future studies could analyse the attitude of international customers to co-branding as well as measuring brand equity between hotels and restaurants in need of co-branding.