Chapter 17
When Luxury Vinous-Concept Hotel Meets Premium Wine Brands:
An Exploratory Study on Co-Branding

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ABSTRACT

Co-branding in the hospitality luxury sector is still understudied in the literature. This study aims at tackling this gap through the analysis of a case of a co-branding strategy between a vinous-concept luxury hotel in Portugal and premium wine brands of domestic producers. Fourteen in-depth interviews with managers of the luxury hotel and wine brand partners supported the exploratory research. This chapter represents a case of qualitative data application to an underestimated topic in the literature from the managers' point of view. The study offers evidence on the benefits for both parties, reasons for adopting co-branding, and partners' selection attributes. The improvement of brand image emerges as one of the main advantages of co-branding with a luxury hotel. Based on the literature review and the interviews with managers, the study proposes a set of hypotheses to be tested in future research. This chapter provides interesting cues for academics and practitioners.

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INTRODUCTION

Co-branding practices have been increasingly adopted by practitioners in several fields, 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 industry, namely restaurant chains (Boone, 1997), chefs, retail, local wine, designers, and other celebrity brands (Guillet & Tasci, 2012). Co-branding strategy gained popularity in the academic literature due to its ability to reinforce brand image (Lee, 2014; Park, Jaworski, & MacInnis, 1986) and improve brand perceptions and positioning (Singh, P. Kalafatis, & Ledden, 2014). Thus, it is essential to identify strong and reputable partner brands, based on criteria such as image, quality, brand equity and loyalty (Guillet & Tasci, 2012). In the retail sector, co-branding partnerships enable the access to wider and different marketing segments, to increase sales, and foster relationships with customers (Wang, Soesilo, & Zhang, 2015). Co-branding implies sharing brand value, business competences 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 economic crisis, being one that consistently grew in the last years (Nobre & Simões, 2019). It is expected that it keeps growing in the next decades, namely because of the Millennial generation who will reach their thirties and forties, becoming one of the most important drivers of the global economy. Moreover, globalization and economic downturns increased competition pressure and made harder for companies to ensure that luxury brands' perceived value correspond to their price level (Díaz-Bustamante, Carcelén, & Puelles, 2016; Tynan, McKechnie, & Chhuon, 2010). Strategies that help improving luxury brands' value and positioning are particularly relevant for business success and marketing effectiveness. Nueno and Quelch (1998) define luxury brands as "those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high" (p. 62). Besides expensiveness associations, luxury brands share some characteristics such as consistent quality and product excellence, exclusivity and uniqueness, tradition and heritage, hand-crafted, rare, and elitist (Kapferer, 1998; Vigneron & Johnson, 1999). Moreover, the concept of luxury is also understood in a socio-psychological context, embedded in culture and lifestyle (Okonkwo, 2009). Thus, luxury items and brands transmit strong and solid identities, associated with symbolic and emotional consumption.

We argue that one particularly interesting setting for co-branding is the luxury hotel brand. Both the attractiveness and the complexity of the luxury markets, especially in hospitality services, claim for sophisticated business strategies like co-branding. Surprisingly, extant literature has so far missed the focus on co-branding strategies in the luxury market. Although some studies in the literature present evidence on co-branding being used for hotel differentiation and positioning (Guillet & Tasci, 2012), most of them disregard co-branding under the light of luxury market and brands. This article aims to fill this gap by exploring how a co-branding strategy between a luxury hotel brand and product brands benefits each other, especially in the case of a product particularly relevant for the hotel brand concept.

The study analyses the case of a local luxury brand Hotel in Portugal, with a vinous-concept positioning, and its partnership with premium wine brands of domestic producers. Based on the perceptions of the hotel and wine brands' managers, the study aimed to identify the determinants for partner choice, and the impact of the co-branding strategy in brand image of both the hotel and the associated wine brands.

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