HOTEL CO-BRANDING: IS 2 BETTER THAN 1?

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Abstract: *This study aims to examine the effectiveness of co-branding strategy in improving the hotel's perceived service tangibility. The existing literature on improving service tangibility was found little and there are relatively little effort has been made to explore co-branding effect in tangibilizing services. Methodologically, the development of hypotheses was constructed base on the concept of service tangibilization dimensions by Laroche et al (2003). Primary Data has been collected through the use of a questionnaire. In analysis, the gaps between co-branded and standalone hotel's brand were measured. Empirical findings showed that co-branding is positively related to the perceived tangibility of the hotel service. Interestingly, the perception of service tangibility is hardly seen as a result of the brands synergy but mainly the interpretation of the dominant brand in the partnership. These findings suggest that the act of pairing with a product brand may lend credibility to a service brand, even when one or both of those constituent brands are perceived as having low brand equity. Hence, brand partnership should be considered by hotel branding managers in pursue of better market recognition in relation to product and services positioning.*

Key words: Co-branding, Service tangibility, Branding, Hotel Branding, Malaysia

Suggested Citation: Chong, K. L. (2017). Hotel co-branding: Is 2 better than 1? *TEAM Journal of Hospitality and Tourism, 14*(1), 19 – 28.

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Introduction

It has been widely argued that intangibility is the most important cause of brand positioning difficulties in hotel industry. Researchers conclude that intangibility is the most cited and critical topic (Mcdougall & Snetsinger, 1990; Murray & Schlacter, 1990; Zeithaml et al., 1993; Katarina & Johanna, 2013) of services in the literature. Some studies propose that intangibility makes consumers feel risky, decreases trust to providers, and force each consumer to form his/her own psychological condition, thus producing unmet consumer satisfaction (Bebco, 2001). These evidences represent the critical role that intangibility plays in hotel management.

On the other hand, the marketplace has increasingly witnessed co-branding activities in hotel sectors (e.g., Novotel and Century hotels; Marriott hotels and Bvlgari; Doubletree by Hilton, Marriott and Ikea, Al Hamra by Pullman etc). Co-branding strategy is widely proposed as a tool in facilitating new product introduction, entering into new markets, decreasing risk, reducing cost, and enhancing their positions in current markets (Desai and Keller 2002; Norris 1993; Park et al. 1996; Rao and Reukert 1994; Voss and Tansuhaj 1999). Despite the importance and potential of co-branding strategy in enhancing host brand's images, there is little empirical testing on the effectiveness of co-branding strategy in enhancing perceived service tangibility in the context of hotel services. Most of the past researches on service marketing mainly focus on operation-based tangibilization such as measuring the effect of physical appearance, uniforms, and materials in the hotel industry. As for marketing-based tangibilization, it mainly refers to service quality management, advertising, and brand equity development. As such, it seems to suggest that there was no clear evidence of study examining the effectiveness of co-branding strategy in enhancing consumers' perception and understanding towards a particular hotel product and services.

Hence, the main purpose of this research is to provide an alternative strategy in tangibilizing services by testing the effectiveness of co-branding in increasing the perceived tangibility of the hotel services. According to Lovelock and Gummesson (2004), service tangibility can be further categorized into mental and physical tangibility; subsequently Laroche et al (2003) have added generality into the tangibility dimension. In respect to that, perceived physical tangibility, perceived mental tangibility and generality will be the three important measures of effectiveness in this study.

Defining of Co-branding

Defined broadly, co-branding has been described as any pairing of two brands in a marketing context such as advertisements, products, product placements and distribution outlets (Grossman, 1997). Other than that, Boad and Blackett (1999) suggested a definition that refers to a more generic form of partnerships yet specific in collaboration principles. They suggested that co-branding is a form of cooperation between two or more brands with significant customer recognition, in which all the participants' brand names are retained. More narrowly defined, co-branding means the combination of two brands to create a single, unique product (Levin, 1996; Part et al, 1996; Washburn et al., 2000). When co-branding results in the creation of a new product, it usually signals to customers that the partners are committed to a long-term relationship. Even though that the definitions of co-branding are infinite, but for the purpose of this study the narrower definition is adopted of co-branding as the combining and retaining of two or more brands to create a single product, service or identity.

Defining of Service Intangibility

Prior research has tended to view intangibility as a single dimension related to the lack of physical evidence (Bebko 2000) or a two-dimensional construct related to the lack of physical evidence and generality which how general or specific a consumer perceives a particular good or service (Breivik, Troye, and Olsson 1998). Recent research suggests the intangibility construct encompasses three dimensions: physical intangibility, generality, and mental intangibility (Laroche, Bergeron, and Goutaland 2001). In this study, Laroche et al's (2001) definition of intangibility is used. This adoption is due to its preciseness and effective coverage of concepts. The physical dimension represents the extent to which a good cannot be touched or seen; it is inaccessible to the senses and lacks a physical presence. The generality dimension refers to the customer's difficulty in precisely defining or describing a particular good. Mental intangibility reflects the fact that a good can be physically tangible, but difficult to grasp mentally.

Literature Review

Some cases of successful co-branding in the hospitality industry include Starbucks coffee being served on United Airlines flights and in various nationally branded hotels, as well as Denny's restaurants operating in some Holiday Inn properties. Co-branding in the hospitality industry can also be challenging and complicated. The idea of introducing new variables that can complicate day-to-day operations is one of the major drawbacks. Hotel management teams have to be sure that partnering with a branded food and beverage outlet, for example, will not result in direct competition with the hotel's existing in-house food and beverage services; rather, the alliance should complement the hotel's established amenities.

It is considered that co-branding has a potential in tangibilizing the hotel service are due to two reasons: first, literature evidence shows that branding is significant in strengthening the characteristic of service. Simoes and Dibb (2001), argue that branding plays a special role in service companies because strong brands increase customers' trust of the invisible, enabling them to better visualize and understand the intangible and reduce customers' perceived financial, social or safety risk. Strong brands reduces customer's perceived monetary, social, or safety risk in buying services, and can help to optimize their cognitive processing abilities (Berry, 2000; Bharadwaj et al., 1993). Research in marketing and economics has suggested that consumers use brand names as a means of pre-determining the quality of a good (Bharadwaj et al., 1993; Rao and Ruekert, 1994). Rao and Ruekert(1994) notices, "When product qualities are difficult to notice prior to purchase, customers might conceivably use the quality of products manufactured by the firm in the past as an indicator of present or future quality". Further, if product traits were perfectly observable prior to purchase, past production of high quality items would not become part of the consumers' evaluation of the firm's current product quality.

Given the nature of services, where service encounters may vary significantly even when purchased from the same provider, a brand name and its equity may increase the efficiency with which the consumer makes a services purchase decision by acting as a heuristic for pre-assessing service quality prior to purchase and consumption; brand-level associations facilitate the use of brand names as a heuristic for service quality. For services, brands' function as a risk reducer may be even more important since quality may be difficult to determine prior to purchase, or even post-purchase (Bello and Holbrook, 1995; Bharadwaj et al., 1993; Herbig and Milewicz, 1995; Murray, 1991). Due to their experiential and credence properties, service encounters may be more influenced by extrinsic cues, such as brands (Bharadwaj et al., 1993; Turley and Kelley, 1995). The use of brand names as information and risk reducers is widely noted in the goods-oriented brand equity literature (Murray, 1991; Rao and Ruekert, 1994). Some authors do include services in their discussion of brand names and brand equity as information and risk reducers, but without explicit testing in a services context (Kapferer, 1992; Keller, 1993).

Second, co-branding has a strong impact on the brand equity and thus it is believed to increase the tangilibility of the service. As several studies show there are spill-over effects from brand alliances to the parent brands increasing overall brand equity (e.g. Simonin & Ruth, 1998; Baumgarth, 2004). 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, 1993). One study examined the customers' post-purchase behaviours (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 particularly customer loyalty is significantly higher in co-branded family restaurants, compared to non-co-branded ones.

Because consumers have neither infinite time allotted, nor motivation/ability, to thoroughly compare products prior to purchase, they are likely to employ heuristics to measure product quality among competing brands. Consequently, consumers assume varying degrees of risk when they buy products (Dawar and Parker, 1994). They propose that when consumers buy a brand with which they are familiar, they believe the risk to be less than for purchases involving a new brand or new product category. Products with relatively high levels of brand equity are thought to be preferred by consumers to mitigate the risk of making a poor selection, wherein brands act as a cue for predetermining quality (Kapferer, 1992). Other than that Washburn et al. (2000) also suggested that, low equity brand would be mostly benefited by partnering with high equity brand due to the spillover effect of recognition and trust. Bouten et al (2011) on the other hand suggested that the overall evaluation of the co-brand may not always refers to the equity level of each brand partner but the perceived dominance of the brand partners. These perceived dominance can be related to the overall packaging, features, and characteristics results of the involvement of the both brand partners.

According to these perspectives, it is considered that the co-branding has a potential in increasing the perceived tangibility of any services. Thus, the research can hypothesize that,

H1: The perceived tangibility of co-branded hotel is higher than a non-co-branded hotel.

H1a: The perceived physical tangibility of co-branded hotel is higher than a non-co-branded hotel.

H1b: The perceived mental tangibility of co-branded hotel is higher than a non-co-branded hotel.

H1c: The perceived generality of co-branded hotel is lower than a non-co-branded hotel.

Research Methods

Research design

A comparative study is conducted to compare if there is any difference between the perceived tangibility scores of a non-co-branded hotel and co-branded hotel. Two types of stimulus were used in this study: 1) product-service co-brand; 2) service-service co-brand. In case of product-service co-brand, a fictitious co-brand between Mutiara hotels, a local mid-scale hotel chain and Ikea, a renowned furniture giant was conceptualized. On the other hand, the same local hotel brand (Mutiara hotel) and an up-scale full service hotel (Ritz Carlton) were conceptualized as a stimulus for service-service co-brand. Mutiara Hotel was chosen as representation of low equity brand due to its weak market recognition while Ritz Carlton and Ikea was chosen to display high equity brand for its international recognition. A 9-item perceived tangibility scale measured the perceived tangibility of a hotel brand before co-brand and after co-brand.

Questionnaire was used to collect the data. In specific, researcher-administered survey was used whereby the respondents were guided in the process of filling up the survey questionnaire. This approach was chosen to minimize error and to maximize validity and reliability in every piece of the survey. A researcher-administered survey also standardizes the order in which questions are asked of survey respondents, so the questions are always answered within the same context. Though context effects can never be avoided, it is often desirable to hold them constant across all respondents (Kvale & Brinkman. 2008). Other than that, this approach also helps to avoid problem with lack of control and incomplete responses which most likely happen when self-administered survey is used.

Measures

In measuring the service tangibility constructs, the study employed combination sets of scale developed using the tangibles sub-scales of the SERVQUAL questionnaire in measuring perceived physical tangibility, and Laroche et al (2003) model items in measuring perceived generality and perceived mental tangibility (refer to table 1). However, the study only adapts 3 items per construct which sum up to be 9 items in total. All these items are measured using 7 Likert's scale (completely disagree - completely agree). The scale showed high internal consistency (coefficient alpha = 0.91).

(Insert Table 1 here)

Procedure

Invitation to participate in the survey were sent out to a pool of 864 hotel guest contact list provided by Mutiara Hotel and Resorts. A total of 200 respondents (61% Female, 39% male; 73% leisure travellers, 27% business travellers; 67% young adults (below 35 years old), 27% generation X (35-46) and 6% baby boomers (47 & above) responded to the invitation and were assigned to the three experimental conditions: Mutiara (n = 200), Mutiara/Ikea (n = 200) and Mutiara/Ritz Carlton (n = 200). The questionnaire was administered remotely to avoid response biasness related to hotel location. In each condition, subjects evaluate the perceived tangibility of the host brand (Mutiara hotel), and then subsequently they were asked to evaluate the same host brand again with the present of a partner brand (Mutiara/ Ikea for perceived physical tangibility) and (Muiara/Ritz Carlton for perceived mental and generality). Under the data entry phase, total of 600 entries (Mutiara hotel n = 200; Mutiara/Ikea n = 200; Mutiara/ Ritz Carlton n

= 200) were properly coded and entered into the SPSS data record. After that, a reliability test was conducted on all group measured items using the Conbrach Alpha test. Followed by data transformation phase, all group measure items for dependent variables were computed in a form of summed mean score. Data transformation is significant when several questions have been used to measure a single concept (Sekaran and Bougie, 2010). In such cases, scores on the original questions have to be combined into a single concept. After the data transformation phase, the test of difference was conducted to compare means from the two different samples collected. In this case, a series of independent t-test was used.

Results

Co-branding on perceived physical tangibility

Hypothesis 1a proposed that the co-branded service is likely to be evaluated higher in perceived physical tangibility than non-co-branded service. For the purpose of this study, the effect of co-branding was measured by comparing the mean scores differences of perceived physical tangibility of stand-alone host brand (Mutiara hotel) vs. the co-branded brand (Mutiara designed by Ikea). A series of Independent T-test analysis were conducted to test the hypothesis. The results from the independent sample t-test were presented in Table 2.

(Insert Table 2 here)

The independent sample t-test results showed that the variance between the non-co-branded product (Mutiara hotel: M = 3.43, SD = 1.19) and co-branded service (Mutiara designed by Ikea: M = 4.95, SD = 1.03) was statistically significantly different (t = 13.63, p-value <0.01). Thus, Hypothesis 1a was supported.

The effect of co-branding on perceived mental tangibility

Hypothesis 1b anticipated that the co-branded service is expected to be valued greater in perceived mental tangibility than non-co-branded service. In this case, the influence of co-branding was measured by comparing the rating differences of perceived mental tangibility of a stand-alone service brand (Mutiara hotel) vs. the co-branded service brand (Mutiara by Ritz Carlton). An Independent sample t-test analysis was conducted to test the hypothesis. The outcomes from the independent sample t-test were presented in Table 3.

(Insert Table 3 here)

The independent sample t-test results indicated that the difference between the non-co-branded service (Mutiara hotel: M = 3.85, SD = 1.02) and co-branded service (Mutiara by Ritz Carlton: M = 5.20, SD = 0.89) was statistically significantly different (t = 14.07, p-value < 0.01). Therefore, Hypothesis 1b was optimistically accepted.

The effect of co-branding on perceived generality

Lastly, Hypothesis 1c predicted that the co-branded service is likely to be valued lower in perceived generality than non-co-branded service. In this situation, the impact of co-branding was measured by comparing the mean differences of perceived generality of a single service brand (Mutiara hotel) vs. the co-branded service brand (Mutiara by Ritz Carlton). An Independent sample t-test analysis was used to test the hypothesis. The outcomes from the independent sample t-test were shown in Table 4.

(Insert Table 4 here)

The independent sample t-test results showed that the change between the non-co-branded service (Mutiara hotel: M = 4.33, SD = 0.97) and co-branded service (Mutiara by Ritz Carlton: M = 2.92, SD = 1.02) was statistically significantly different (t = 14.04, p-value < 0.01). Consequently, Hypothesis 1c was positively accepted.

Discussion & Conclusion

These findings suggest that the act of pairing with a product brand may lend credibility to a service brand, even when one or both of those constituent brands are perceived as having low brand equity. The assumption here is that the tangibility of a service brand can be easily enhanced when a product brand is associated in the process of service development. It also means that the tangible nature of a product brand helps to provide tangible information to the consumers' who hardly recall attributes or identity of a service brand. In accordance to Rao and Ruekert's (1994) argument that two brand names in a co-branded product provide supplementary information to the consumer about the presence of attributes that may make the jointly branded product more attractive. Such an occurrence could also grasp factual for service and product brand pairings. This justification was also reinforced by Simonin and Ruth (1998) who revealed that consumer attitudes towards less aware (i.e., intangible) service brands were more significantly influenced by brand partnership than their attitudes toward more acquainted (i.e., tangible) product brands.

Besides that, results also approved that co-branding with high equity service brand could improve the perceived mental tangibility and reduce perceived generality of a low equity service brand. It appears that high equity service brands act as enhancing cues. In general, pairing with a high equity brand increased the service brand's evaluation on perceived mental tangibility and reduced perceived generality. It is considered that a co-brand that consists of a low familiarity service brand and a high equity brand would be denigrated, however, it seems that the interpretation of and evaluation of the co-brand were based on the understanding of the high equity brand rather than the synergy of both brand partners. The perception towards a co-brand may also influenced by consumers' perceptions of dominance.

Dominance within a co-brand is a reflection of how and under what conditions consumers perceive a co-brand. There are several conditions that could contribute to the perceived dominance of a co-brand: 1) A brand becomes salient as a consequence of a large market share, and/or large promotional expenses (Baker, 2003; Reddy, Holak, & Bhat, 1994); 2) A consumer has more confidence in a new product that is introduced by a brand that has a large and diverse product portfolio with a low variance in quality than a brand with a small product portfolio and/or high variance in quality (Dacin and Smith, 1994); 3) The order of two nouns influences which noun forms the head concept and which one forms the modifying concept (Wisniewski, 1996); and 4) The visual design of a new product can provide cues that may activate different schemas through which the product is processed and interpreted (Rindova & Petkova, 2007).

The results suggested that hotel brand awareness and association can be improved by riding on high equity brands. However, the effectiveness of the co-brand partnership lies on the consumers' perceived dominance over the brand partners. This study also suggested that hotel brand managers should varies their brand partner based on their objectives in brand positioning whether major in services quality or functionality of their facility.

The future research on co-branding in relation to service tangibility should be focused on the level of service and product paradigm. This study only tested the impact of co-branding on hotel services which represents the medium characteristic of service industry measure based on the significant contribution of both product and services. However, the impact of co-branding on purer service paradigm such as medical and education may be varied due to the different level of intangibility and degree of consumers' involvement in decision making.

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Tables and Figures

Table 1 Description of Measures Employed

Variables	Measured Items
Perceived physical tangibility	• I have a clear picture about the interior and facilities of the hotel. • The image of the room design comes to my mind right away. • Is difficult to think about the types of room supplies.
Perceived mental tangibility	• I have a clear picture about this hotel service • The image of this hotel service come to my mind right away • This is a difficult hotel service to think about
Perceived generality	• I feel like this hotel service is very common. • I feel like this hotel service is very specific. • I feel like this hotel service is very special.

Adapted from Laroche et al. (2003) and Parasuraman et al. (1985)

Table 2 Perceived physical tangibility: Co-brand vs. Standalone

	Hotel Brands	Mean (M)	SD
Standalone	Mutiara hotel	3.43	1.19
Co-branded	Mutiara Hotel by Ikea	4.95	1.03
	Mean Variance	1.52**	
	t - ratio	13.63	

Note: N = 200; *p < .05, **p < .01

Table 3 Perceived mental tangibility: Co-brand vs. Standalone

	Hotel Brands	Mean (M)	SD
Standalone	Mutiara hotel	3.85	1.02
Co-branded	Mutiara Hotel by Ritz Carlton	5.20	0.89
	Mean Variance	1.35**	
	t - ratio	14.07	

Note: N = 200; *p < .05, **p < .01

Table 4 Perceived generality: Co-brand vs. Standalone

	Hotel Brands	Mean (M)	SD
Standalone	Mutiara hotel	4.33	0.97
Co-branded	Mutiara Hotel by Ritz Carlton	2.92	1.02
	Mean Variance	1.42**	
	t - ratio	14.04	

Note: N = 200; *p < .05, **p < .01