

Cobranding's Competitive Advantage

As design and marketing hooks continue to be embedded in developments, branded buildings may change the way luxury buildings are marketed and developed.

HISTORICALLY, BUILDINGS AND developments have distinguished themselves through desirable locations (“a Greenwich Village townhouse”), prominent architects or designers who designed them (“a Frank Gehry building”), or historic provenance (“George Washington slept here”). Real estate purchases inherently involve lifestyle questions: How do consumers want to be perceived? Do they identify with other “users” of a “place brand”?

“Comparable’ properties are compared solely on factors, such as the number of bedrooms or the price per square foot,” notes Virginia Postrel, author of *The Substance of Style*. “Two apartments might look

location. And they are willing to pay more to have it,” says Michael Shvo, principal of the Shvo Group in New York City. For example, hotelier Ritz-Carlton estimates that its combined name and amenities can command a 20 to 25 percent premium for affiliated condominiums. Shvo estimates that premiums can range from 20 to 50 percent, depending on the combination of brand and location.

The bland and repetitive design of many condo developments and planned communities lends itself to generic marketing and commodity pricing. Even the term typically used to describe new construction—“housing units”—is neutral and connotes no sense of uniqueness. Brand strategies address two of the fundamental risks that residential developers face: vulnerability to shifting markets and cyclical overbuilding during the long lead times of most projects. While commodity residential developments are easy to sell in hot markets, they are forced to compete on price when markets fall.

Branded buildings, on the other hand, differentiated themselves from the competition and are better able to withstand pricing pressures. They can be immersive experiences. Their exteriors, lobbies, and individual apartments should all be related to the lifestyle brand and overall theme of the development. It must be integral to the project. “When there isn’t much to differentiate one new development from another, they are forced to compete on price,” maintains Shvo.

This immersive environment does not lend itself to traditional real estate sales methods. As a result, the marketing strategy for branded buildings should be tailored to the brand and the experience. There needs to be continuity among the concept, the development, the campaign (sales

pitch, press, and events), and the finished product. “Real estate has been marketed the same boring way for the past 30 years,” Shvo emphasizes. “That doesn’t resonate with younger buyers.”

From the first point of contact with consumers, marketing should reflect the building’s identity. Once prospective buyers are in a branded building, marketing techniques should be immersive. They should have more in common with fashion shows, film premieres, and record releases than with the standard broker open house approach. For example, eye-catching videos, touch-screen presentations, and wall projections can reinforce the message that the project is no ordinary development. “Sales offices should provide the same sense of wonder as Disneyland,” says Shvo.

Although the fundamental forces that drove other sectors to adopt brands also existed in real estate, branding strategies traditionally have not played a major role in residential development. “Homebuyers typically don’t think of the developer’s brand as much as they think of a specific development,” notes Postrel. The most notable exception occurred from 1980 to 1940, when Sears Roebuck dominated the mail-order home kit market and its trusted brand gave consumers the confidence to experiment with a novel form of housing.

Owing to economies of scale, the most familiar brands in real estate are those of the brokerage houses. Brands such as Corcoran and Sotheby’s confer quality by association to the properties they represent. However, brokerage brands reinforce the service aspect of the purchase process and do not typically direct the development of the product.

Branded buildings build reputations on their innovations, such as corporate naming rights and celebrity licensing deals that emerged from



SHVO (20 PINED)

The pool pavilion and terrace lounge transform roof space to provide amenities that not only can function as marketing hooks, but also contribute to the immersive experience of the lifestyle brand.

similar on paper, but very different lifestyle aspirations drive the decision to purchase a mill in the urban center to convert rather than buy property at the city edge to develop as a new project. Branded buildings provide a way for consumers to express themselves.”

Effective branding transforms housing from a commodity product to a lifestyle choice. The right match of brand and developer can create premium pricing and speed sales. “Branded buildings offer something that buyers cannot get in another

the intersection of real estate with sports/recreation. In 1926, chewing gum entrepreneur William Wrigley pioneered corporate naming rights when Chicago's Cubs Park became Wrigley Field. More recently, pro golfers such as Jack Nicklaus and Greg Norman have licensed their names and designed signature golf courses for a number of residential developments. While naming rights are sold to underwrite development costs, cobranding alliances are intended to increase the real and perceived value of a real estate development.

Cobranding alliances can take several forms, including dominant, shared, or endorsed relationships. These include:

- ▷ **Component cobrandings.** The Intel Inside campaign created awareness for branded micro-

processors, an internal component that consumers otherwise would have overlooked. Developers can pursue similar alliances that create an awareness of extra value. For example, damp base-ments are one of the most frequently voiced concerns about new construction. To address this concern, some residential developers are partnering with hydrophobic concrete companies (such as Hycrete, Inc.) to offer an integrally waterproofed foundation as an upgrade option—an effective way for developers to signal product quality and to differentiate their products from those of competitors.

- ▷ **Complementary retail mix.** Consider the symbiotic relationship of a Starbucks café within a Barnes & Noble bookstore. While this strategy

does not embed design and marketing elements into the development, it does increase value through complementary lifestyle services and amenities. This strategy can also be used to maximize site revenue or to make the numbers work for an expensive or difficult location. Many mixed-use lifestyle centers bring together restaurants and retailers that cater to a similar demographic market and that reinforce each other's image by appearing in the same location.

- ▷ **Design partnerships.** Fashion brands make ideal design partners for developers who can build a premium product around the brand's vision, lifestyle, and aesthetic. While most developers license other brands for partnerships, Donald Trump is a bona fide lifestyle brand who licenses his own name to third-

party projects. However, brands with a strong lifestyle association may appeal only to a very specific target audience.

- ▷ **Institutional partnerships.** Universities and institutions with a distinct brand, lifestyle, or service can also be effective partners around which developers can build communities or complementary residential components. The Canyon Ranch Spa, for example, has developed condos and residences in Miami Beach, Chicago, and Tucson centered around its signature spas. These Canyon Ranch Living residences leverage the value of the Canyon Ranch brand to create a distinct community designed to promote health and wellness. Like all successful branded developments, Canyon Ranch's Miami Beach project builds in elements that

not only extend the amenities and the brand, but that also provide marketing hooks.

Similarly, Pulte Homes and the Barron Collier Companies have partnered with Domino's Pizza founder Tom Monaghan for what may be the first modern town developed around a university—the town and university of Ave Maria, Florida, which will comprise 11,000 residences on 5,000 acres. Universities contribute brand names as well as lifestyle and service amenities, while adjacent residential development can provide the university with both traditional and nontraditional (for example, seniors or other adults) students who can provide the institution with additional revenue in off-hours.

Cobranding strategies cannot be applied as an afterthought. To be successful, they should be introduced at the planning phase of a

project in order to embed marketing and design hooks throughout.

Selecting an inappropriate brand partner can send a mixed message that will not deliver benefits to the developer. Effective cobranding begins with an analysis of both the brand and the consumer to determine whether the match will be complementary. “Just because a brand has a high profile doesn't mean that it is a good fit for a specific building and neighborhood,” points out Shvo.

A successful cobranding relationship combines each partner's strengths to create a stronger product than either could have produced individually. The best test of what each partner brings to the partnership is to project what would happen if the roles were reversed.

With the execution of the project,

the brand partner risks dilution of the brand equity. Brand partners should perform due diligence on the reputation and performance record of the developer with whom they are aligning themselves. “Brands are fundamentally indicators of consistency and quality,” says Postrel. “The branded building should fulfill expectations of value so that the partnership enhances the reputation of each partner and the brand.”

A number of arenas have yet to be explored. In the right location, for example, a film-themed development could be designed around Robert Redford and the Sundance brand. Similarly, the International Olympic Committee could partner with developers to create a luxury condominium component for the Olympic Village that could be ready for purchase—or rental at the

upscale summer prices of Long Island's Hamptons—months before the events.

An effective cobranding alliance can benefit developers, lifestyle partners, and consumers. As developers recognize the benefits of partnering with brands, the expenses and benefits of co-branding strategies may appear on more pro-forma statements in the near future. **U**

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