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All under one roof

Trend of co-branding grows as businesses share sites, cut costs

By Susan Stock
Lansing State Journal

The gasoline station under construction at the corner of Creyts Road and St. Joseph Highway is much more than just another Sunoco.

It's a convenience store, McDonald's and touchless car wash, all in one. Customers can fill up, get lunch and wash their car at the same time.

It's an example of co-branding - a growing trend where two or more businesses share a product or site.

Business owners have turned to co-branding as a way to increase profits, lower overhead costs and purchase prime real estate.

"I wouldn't build a station without at least a McDonald's and a car wash," said Randy Markham, president of Markham Enterprises, which runs co-branded Sunoco stations in Okemos and Howell. "You need at least two profit centers on a site."

Co-branding works because tenants share the costs of land and utilities, local gas station owners say - like roommates

CHRIS HOLMES/Lansing State Journal

So many choices: Sisters Katie Watson (left) and Kristie Watson of Jackson eat lunch together last week at the Sunoco Super Store at 3000 Dunckel Road, which includes a Dunkin' Donuts, Taco Bell and TCBY.Fill 'er up: Martha Porter leaves the Sunoco Super Store on Dunckel Road after getting gas last week. Co-branding lets tenants share the costs of land and utilities.

Food sales

2001 sales at quick-serve restaurants in convenience stores:

- Burgers: $1.62 billion
- Sandwich: $735 million
- Pizza: $518 million

sharing an apartment.

"It's a required business decision," said Ross Blodgett, who owns eight Lansing-area gas stations. "Anything (I've built) in the past 15 years has been co-branded."

- Chicken: $375 million
- Snack: $282 million
- Mexican: $227 million
- Seafood: $8 million

Source: Technomic Inc.

Bringing another business into a gas station site typically results in a 15 percent boost in business and appeals to consumers' one-stop-shopping mentality, Markham said.

"People like to be able to come in and get their Pepsi and their gas and dinner all at once," he said.

That's what attracted Tiffany Hanks of Grand Ledge, who stopped to fill up at the Sunoco/McDonald's on Saginaw Highway in Delta Township.

"You can buy things all at once," she said. "And if you have kids, you don't have to drag your kids in to pay and then into another place for something else."

Louisville, Ky.-based Yum! Brands Inc. has found co-branding so successful that it's opening sites that mix its own brands. Yum! owns KFC, Pizza Hut, Taco Bell, Long John Silvers and A&W.

Home Depot has added Dunkin' Donuts for contractors who hit their stores for supplies in the morning.

And about 300 of the 1,200 Target stores nationwide have a Pizza Hut, Taco Bell or Starbucks inside, although none are in the Lansing area.

"Those are recognizable names that our guests would enjoy even outside of a Target," company spokeswoman Brie Heath said. "We're trying to provide everything we can for our guests."

Co-branding also is growing in other industries.

Movie-related merchandise sold at fast food places and university-affiliated credit cards are other examples of co-branding.

For those companies, the benefit of co-branding is primarily name recognition, although it does help cut costs, said Tom Holliday, president of the Retail Advertising and Marketing Association in Washington, D.C.

"Everywhere we go, we see co-branding. It's all part of that churn of trying to get people to spend their money," he said. "It reaches out and makes the marketing dollars work harder."

Gas station owners are among the most frequent co-branders because it's become increasingly tough to make money selling gasoline.

"There's much more profit on a bottle of Aquafina than on a gallon of gas," Markham said.

Most gas retailers are lucky if they make a profit of 5 cents on each gallon they sell, according to the Alexandria, Va.-based National Association of Convenience Stores.

So far, co-branding is paying off.

Sales at restaurants in convenience stores climbed 16 percent from 2000 to 2001, according to the most recent data available from Technomic Inc., a Chicago company that tracks the food industry. Total sales at those stores hit $3.6 billion.

There are drawbacks, however. Too many businesses in one spot can cause congestion and confusion, Markham said.

What's more, you have to find the right partners.

"Unfortunately, when you're in the same building, you have to deal with their customer service, too," Markham said.

Future innovations may include DVD rental kiosks in restaurants and huge vending machines that hold hundreds of products typically found in a convenience store.

"Everybody's trying to serve the one-stop shopper," said Jeff Lenard, a spokesman for the National Association of Convenience Stores. "We'll continue to see people co-locating brands to feed the consumer need for convenience."

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