Biz and Bytes (Vol. 8. Issue: 1, 2017) E-ISSN: 0976 0458, Print ISSN: 2320 897X

Co-branding: An ideal marriage or a recipe for disaster!!

Manisha Aujla
Assistant Professor,
Chandigarh Business School

Jasminal Kaur
Assistant Professor,
Chandigarh Business School
of Administration, Landran

Abstract

Co-branding, in the past few decades, has been found to be a bridging strategy to meet competition and to enhance brand image. It has shown an extensive way to exploit brand equities, and thereby increase profitability. Companies are using co-branding strategy to gain edge over their rivals in fast paced and evolving business scenarios. New entrants, obsolete technologies, newer business models, evolving consumer behaviour and other such factors have driven companies to innovative models of brand perception and enhancement. The strategy holds strong as evident from the empirical studies conducted by various researchers, who based their studies on value of corporate co-branding and its differential impact, including market appeal, in various industries. Co-branding, on the contrary, has been found to have negative repercussions by various researchers. It has been found that multiple factors need to be considered for such a strategy to be successful. In this research paper, we discuss on co-branding models along with its effect on brand equity. Our review of literature on co-branding indicates that co-branding does not always support the interest of partner entities. Co-branding improves the brand equity under certain conditions only. The various conditions necessary for the strategy to yield positive results has been explained along with suitable examples.

Introduction

Companies are working hard and researching to find the ways to meet the tough competition in saturated markets. The lifecycle of products is shrinking day by day and manufacturers and retailers are finding it difficult to match customer's needs and expectations. The customer's fast changing needs, preferences and society transformations are pushing companies to find ways to bring innovative and high quality products to develop brand. The latter has given new directions to head towards cooperation strategy. Some companies have cooperated with other companies irrespective of their size and industry. According to Clifton, 2003, companies can look for co-branding, licensing, and franchising to exploit the brand equity.

Co-branding is a strategic alliance of two or more brands to create an excellent synergy based on unique strengths of contributing brands (Chang 2009).

Defining a popular type of strategy now-a-days, Chang has rightly described the essence of co-branding i.e. a synergy based on unique values of two brands. The brands in question may have different values and the combinations of such values may lead to hidden consequences. So co-branding can be classified into many ways depending upon the aspect being considered.

Hadjicharalambous (2006) classified co-branding into two categories: Ingredient and Horizontal co-branding.

Ingredient co-branding deals in building brand equity based on ingredient material. For example, Dell uses only Intel processors in its devices for computing requirements. Dell is a major player in the laptop market with high quality serviceability and Intel is considered one of the pioneers in providing processing power. The product of Dell and Intel combined is best of two worlds and beneficial for both companies as we see in current times. Another example of such category is Shell and Ferrari. Shell is a leading oil company and Ferrari is a major car brand renowned around the globe. Understandable the combination is a match. Such combinations can lead to better quality/promotion/distribution/profits or all.

Horizontal co-branding is a strategic alliance of two popular brand names to offer a unique product that was difficult to create/manufacture/produce individually. For example, Sony and Ericsson used their credentials on entertainment and wire communication technology skills respectively to offer innovative mobile products. Similarly, Taco Bell launched Doritos Locos Tacos with Frito Lays that was widely appreciated and liked by consumers, resulting in huge sales.

Although substantial profits had been made by companies and co-branding may seem to be an obvious choice, co-branding is a highly complex process as it is difficult to understand the consumer perception of combined brand, that may even lead to repercussions. It is risky and difficult exercise, so there are less examples of such strategic alliances than one would imagine.

This research is limited to the review of selected research material on co-branding. The major area of focus is to evaluate whether the strategy was a success or a failure.

Objectives

The objective of the paper is to highlight some of the considerations of co-branding. Our study elaborates both the positive and negative aspects in co-branding.

Research Methodolgy

Only secondary data is used in research. This research is limited to the review of 25 researchmaterial on co-branding that spanned last two decades.

Review of literature

Although there are successful examples of Sony-Ericsson and Doritos Locos Tacos, there are unsuccessful cases of co-branding such as BenQ-Siemens mobile and NextCard-Amazon credit cards.

There are two fields considered in co-branding success; one is strategic alliance (Venkatesh et al. 2000) and the other is consumer perception (Simonin and Ruth, 1998). E.g. Bank of China and Air China, a Chinese airlines, together brought a new card, Phoenixmiles Card. The consumer could buy airline ticket using that card and avail privileges being member of Air China. (Fan, Chang, Zhang, 2013). Success of cobranding is evaluated in terms of value of co-branded product (Rao and Ruekert, 1994; Cao and Sorescu 2013; Radighieri et al 2014). Much of the attention has been paid consumer attitude towards each contributing brand, co-branded product and its mechanism(James 2005;Dickinson and Heath 2006;Helmig, Huber & Leeflang 2007). There had been incident where the consumer perception changes towards cobranded product after one or more contributing brands undergo an unexpected change. E.g. Phoenixmiles scandal in 2012(Fan, Chang,Zhang, 2013) in which a Phoenixmiles cardholder was refused redemption of his points.

Washburn and Colleagues (2004) found that the perceived quality of unpopular brand will rise after cobranding with popular brand thus both brands are benefitted but this is not the same case always, benefits to contributing brands can be different (Simonin and Ruth 1998) depending upon their nature and position. There can be cases where high-equity contributing brands are benefitted to same extend but this can be adverse in case of high-equity and low–equity co brands.Low-equity brand can be dangerous to High-equity brand(Ueltschy and Laroche, 2011).
There is transfer of signals of co brands and co-branded products towards consumers' perceived quality. (Simonin and Ruth ,1998). There is transfer of cognitive information from co brands to co-branded products.
There are negative effects too. Consumers may develop negative attitude towards unpopular brand , may perceive risk in co-branded product and dilute high-equity brand and co-branded product(Farquhar, 1994). There can be negative spill over effect due to negative information about product. (Helmig, 2007). Fit between co brands is must (Jap ,1993). So, the source of negative information should be tracked.
Simonin and Ruth, 1998 pointed out signal theory so to avoid negative spill over, all signals should be reaching consumer should be providing a certain level of assurance and promise. Co-branding is alliance of two or more brands. (Park, 1996), so consumer's perceived value of co-branded product will be more than individual. According to Affect Transfer Theory (Levin and Levin , 2000) , consumers considers co-branded product qualities consistent with co brands. Consumer Based Brand Equity (CBBE) deals in positive attitude towards brand(Keller, 1993). Brand Equity was first used by Levin et al, 1996) in co-branding. Washburn et al, 2000 used CBBE to evaluate brand equity after co-branding. Besharat 2010; Larceneux, 2012) studied the consumer attitude and his intentions to purchase co-branded product of two asymmetric co-brands.
Success and failure of co-branding also depend upon FIT: Product fit and Brand fit (a psychological view). A good product-fit as existence of Attitude Level Complementarily (ALC); the brand with salient attribute has high ALC (Park et al, 1996).e.g a good taste of Godiva and low calories of Slimfast. Samu et al(1999) validated the point of Park et al(1996) in joint advertising context.
Two high level brands form a good brand fit (Simonin and Ruth, 1998). E.g.Louis Vuitton and Montblanc released a leather pouch.
e.g. After the announcement of ingredient co-branding of Intel x86 processor in Apple devices, some apple users took it as identity threat and expressed their views in blogs and some felt that both make money and create passion (Xiao,; Hwan (Mark) Lee, Seung, 2014). Negative information about one of co-brand even decreases consumer attitude towards the co-brand and towards co-branded products. Negative information of high popularity brand will have more effect on low popularity co-brand.
Incompetence and immorality are two negative attributes that spillover to the host brands.(Nicole L. Votola, , H. Rao Unnava, 2006).

Findings

1) Success of co-branding depends upon Brand fit.
2) Individual brand position plays an important role in fate of co-branding.

3) Consumer perception towards co-branded product is a key factor in co-branding strategy.
4) Customer perceives value of the co-product from the contributing companies.
5) Co-branding of companies having high brand equity can also fail.
6) The consumer perception changes towards co-product if any of the contributing company is involved in negative act.
7) The negative information affects the popularity of contributing companies..
8) The negative information harms the low level brand more than high level brand.

Conclusion

Co-branding is a brand strategic alliance that is very popular now a days. A few researchers have worked on finding the reasons for creating corporate synergy. This study finds the factors that can alter the expected results of co-branding. Moreover, In this paper, we have analysed the factors that have a deep impact on successful feasibility of Co-branding. We have tried to highlight the points to reduce the disastrous effect of co-branding. Consumer Based Brand Equity (CBBE) is one of the major component in building the brand equity of co-branded product. Brand equity of co-branding depends upon individual equity which in turn is related to level of individual brand and its popularity. It's not always recommended to choose high level co-brand only. Failure of co-brand can have far more negative effect on the existence of low level brand. The reinforcement of brand image is largely dependent on brand and product fit in co-branding. CBBE is related to attitude and memory of consumer. Negative information may have a positive or negative spill effect on consumer.

References :

[1] Aaker, D. (1991). Managing Brand Equity. New York, The Free Press.
[2] Aaker, D. (1996). "Measuring Brand Equity Across Products and Markets." California Management Review 38(3): 102-120.
[3] Aaker, D. and Keller, K. L. (1990). "Consumer Evaluations of Brand Extensions." Journal of Marketing 54(January): 27-41.
[4] Babbie, E. (2004). The Practice of Social Research. Belmont, CA: Wadsworth Publishing Company.
[5] Blackett, T., & Boad, B. (1999). Co-branding: The science of alliance. New York, N.Y.: St. Martin's Press.
[6] Cao, Z., Sorescu, A. (2013), 'Wedded Bliss or Tainted Love? Stock Market Reactions to the Introduction of Co-Branded Products', Marketing Science 32(6): 939-959.
[7] Chang, W. L. (2009). Roadmap of co-branding positions and strategies. The Journal of American Academy of Business, 15, 77-84.
[8] Clifton, R. (2003). The future of brand. In R. Clifton & J. Simmons (Eds.), Brands and branding. London: The Economist.
[9] Desai, K. K., & Keller, K. L. (2002). The effects of ingredient branding on strategies on host brand extendibility. Journal of Marketing, 66(1), 73-93.
[10] Erdem, T., & Swait, J. (1998). Brand equity as a signalling phenomenon. Journal of Consumer Psychology, 7, 131-157.
[11] Fan,Chang, Zhang & Zhang, (2013), The Influence of Negative Information from a Co-brand: The Moderating Roles of Involvement and Brand Popularity

[12] Farquhar, P. H. (1994). Strategic challenges for branding. Marketing Management, 3, 8-15.

[13] Hadjicharalambous, C., (2006), A Typology of Brand Extensions: Positioning Cobranding As a Sub-Case of Brand Extensions, in: Journal of American Academy of Business, 10(1), pp. 372 – 377.

[14] Helmig, B., Huber, J-A., & Leeflang, P. S. H. (2008). Co-branding: The state of the art. Schmalenbach Business Review (SBR), 60(10), 359-377.

[15] James, D. (2005) 'Guilty through Association: Brand Association Transfer to Brand Alliances', Journal of Consumer Marketing 22(1): 14-24.

[16] Keller, K. L., Apéria, T., & Georgson, M. (2008). Strategic brand management: A European perspective. Harlow: Pearson Education.

[17] Kotler, P., & Armstrong, G. (2009). Marketing: An introduction. London: Pearson Prentice-Hall.

[18] Kotler, P., & Keller, K. L. (2006). Marketing management. New Jersey: Pearson International Edition.

[19] Levin, A., Davis, J., & Levin, I. (1996). Theoretical and empirical linkages between consumers' responses to different branding strategies. Advances in Consumer Research, 23, 296-300.

[20] McCarthy, M. S., & Norris, D. G. (1999). Improving competitive position using branded ingredients. Journal of Product and Brand Management, 8(4), 267-285.

[21] Michel, G. (2004). Au coeur de la marque. Paris: Dunod. Park, C. W., Jun, S. Y., & Shocker, A. D. (1996). Composite branding alliances: An investigation of extension and feedback effects. Journal of Marketing Research, 33(11), 453-466.

[22] Nicole L. Votola and Rao Unnava.(2006), Spillover of Negative Information on Brand Alliances

[23] Rao, A. R., & Ruekert, R. W. (1994). Brand alliances as signals of product quality. Sloan Management Review, 36(1), 87-97.

[24] Rao, A. R., Qu, L., & Rueckert, R. W. (1999). Signalling unobservable product quality through a brand ally. Journal of Marketing Research, 36, 258-268.

[25] Simonin, B. L., & Ruth, J. A. (1998). Is a company known by the company it keeps? Assessing the spillover effects of brand alliances on consumer brand attitudes. Journal of Marketing Research, 35(1), 30-42.

[26] Venkatesh, R., Mahajan, V. and Muller, E., (2000), Dynamic Co-Marketing Alliances: When and Why Do They Succeed or Fail?, in: International Journal of Research in Marketing, 17, pp. 3 – 31.

[27] Vaidyanathan, R., & Aggarwal, P. (2000). Strategic brand alliances. Journal of Product and Brand Management, 9(4), 214-226.

[28] Washburn, J. H., Till, B. D., & Priluck, R. (2004). Brand alliance and customer-based brand-equity effects. Psychology and Marketing, 21(7), 487-508.

[29] Wernerfelt, B. (1988). Umbrella branding as a signal of new product quality: An example of signalling by posting a bond. RAND Journal of Economics, 19, 458-466.