Effect of co branding on consumer attitude

ABSTRACT

Consumer behaviour researchers have long been interested in understanding factors that influence consumers' evaluations of brands and brand equity. Previous research has demonstrated that strategic actions such as brand extensions and co-branding influence consumers' perceptions of the parent brands. Such ' reciprocal effects' are often critical to enhancing or diluting brand equity.

Co-branding is an increasingly popular technique marketers use in attempting to transfer the positive associations of the partner (constituent) brands to a newly formed co-brand (composite brand). This research examines the co-branding strategy, an emerging and popular branding strategy for consumer products, and its effects on the brand equity of both the co-branded product and the constituent brands that comprise it.

It appears that co-branding is a win/win strategy for both co-branding partners regardless of whether the original brands are perceived by consumers as having high or low brand equity. Although low equity brands may benefit most from co-branding, high equity brands are not denigrated even when paired with a low equity partner. Also, co-branding strategies may be effective in exploiting a product performance advantage or in introducing a new product with an unfamiliar brand name. Thus, linking with a well-known brand through co-branding can be a particularly effective strategy for an unknown brand in increasing assimilation in the eyes of consumers.

INTRODUCTION

What is co-branding?

Co-branding, defined here as pairing two or more branded products (constituent brands) to form a separate and unique product (composite brand) (Park et al., 1996), is a strategy currently popular for introducing new consumer products.

Also referred by the term brand alliance, it is a practice that entails the use of two or more established brand names on a single product.

Once believed to be an unthinkably complex approach for the consumer, this has become increasingly prevalent branding strategy (Spethmann & Benezra, 1994). To cite just one example, as of 2001, there were over 20, 000 co-branded credit card programs offered worldwide by the Visa and MasterCard franchises.

TYPES OF CO-BRANDING:

Vertical and Horizontal Co-Branding:

Vertical co-branding pertains to the vertical integration of products within one product by producers of different value chain steps. E. g. Ingredient co-branding.

Horizontal co-branding is characterised by the production and distribution of a multi-branded product by producers at the same step in the value chain. So, retail co-branding, joint venture co-branding, same company and multi-sponsor co-branding all fall in this category.

Reach and Awareness Co-Branding:

This is the lowest level of shared value creation with the largest pool of possible participants. Its objective is to rapidly increase the awareness of the sharing brands through each other's strength in the respective domains. E. g. Products like credit cards have found the maximum utility of co-branding. Manufacturers and retailers used to introduce their credit cards. The ICICI Bank-Big Bazaar Silver Credit Card or the ICICI Bank-Gitanjali Credit Card collaboration enables the retailer to build awareness of its brand using ICICI Bankís database, and ICICI Bank has the chance to offer increased customer service and gain additional transaction volumes from customers saving reward points towards a product purchase. This is a sort of affiliate marketing between three brands, viz., a payment service franchiser (MasterCard, VISA), a bank and a product or service. While quite common in the credit card businesses, co-branding has lately made its appearance in other product categories as well.

Value Endorsement Co-branding:

Here the shared value creation and the strength of relationship are such that the brand values of one brand are transferred to the other. This is achieved by endorsement of either brand value or positioning or both, and is aimed at the alignment of brand values in customers' minds. Ariel and Whirlpool recently launched a co-branded advertising campaign, " The art of washing", illustrated by a famous 1914 Renoir painting. By these means, Ariel seeks to reinforce its market leader status and gain a more effective image. As for Whirlpool, the campaign creates a caring image. Another commercial endorsement is of Ariel by Vimal Suitings. Often, the licensing agreements

are one-shot deals. They generally extend for specific promotions over a period of time, e. g. Coca-Cola's agreement with Mukta Arts to promote Coke in the movie " Taal". Another aspect of this is celebrities who are brands themselves endorsing other brands. For e. g. Amitabh Bachchan a brand in himself, promotes brands like Cadbury's, Dabur Chyavanprash, etc.

Ingredient Co-branding:

Ingredient branding occurs when a component part or service of the end product is promoted to the final user. Higher value creation again is achieved when a market-leading brand supplies its product as a component of another branded product, for example, Intel microprocessors used in IBM Computers. The assembler or the manufacturer benefits by confirming the quality of its product while sharing marketing costs, and the ingredient/component provider benefits by guaranteed sales volumes while also reinforcing the attributes of its product brand.

Complementary Competence Co-Branding:

This is the highest level of value creation with consequently the smallest potential pool of participants. Here, two powerful and complementary brands combine to produce a product that is more than the sum of the parts. Both gain a competitive advantage over their rivals in their own markets. The examples for this type would be Coke at McDonalds or a tie-up of retail brands like Ebony and Crosswords, or Planet M and Shoppers Stop. Here Shoppers Stop is able to offer its customers increased service levels, while Planet M can rapidly expand into a new market in prime locations at little cost.

Retail Co-Branding:

Retail is poised to be the next big thing in India. Apart from the growth prospects, it gives retailers a lot of opportunities to create alliances to strengthen their marketing offers. With a lot of companies entering the retail scenario, it becomes imperative they resort to co-branding in order to strengthen their consumer base. Retail co-branding refers to situations in which two or more retail concepts are made available at the same retail location as a way to optimise both space and profits. For example, Tata Motors and Fiat sell their cars under one roof. Wal-Mart is tied up with Bharti through a franchise agreement.

Same Company Co-Branding:

This co-branding occurs when a company with more than one product jointly promotes several of its own brands together simultaneously. For example, Gillette India promotes its Gillette Mach 3 Turbo Shaving System and Gillette Shaving Gel together. Another example is Eureka Forbes jointly promoting its water purifier Aqua-guard and vacuum cleaner Euroclean.

Joint Venture Co-Branding:

This happens when then two or more companies opt for a strategic alliance in technology, promotions, sales, etc. Here the companies mostly create a new entity. E. g. Godrej and Procter & Gamble or Maruti and Suzuki. Sony Ericsson is yet another example of a joint venture type, since it stands for two companies invested in one single company. In this case, the joint venture company aims to implement a global branding strategy in order to compete with Nokia and Motorola.

BENEFITS OF CO-BRANDING:

Co-branding strategies attempt to strengthen the parent brand and extend customer value perceptions to a new product. Consumers can better evaluate the quality of a brand with unobservable attributes when that brand is allied with a second brand that is perceived as vulnerable to consumer sanctions. Co-branding can bring considerable competitive advantages to the partners involved. These include:

Increased sales revenue: Due to either expansion in current markets or access to new geographical or sector markets, companies see a significant rise in the sales volumes after co-branding.

Minimum expenditure: Exploring new markets with a partner gives cost advantage especially when they have a brand fit among themselves. For e. g., if one partner has expertise in promotions and other has expertise in distribution.

Sharing risk: The risk attached with the launch of new product is almost halved when the companies go for Co-branding. The expertise from both brands reduces the chances of error.

Premium prices: As a result of their double-branding feature, co-branded products now provide an enhanced quality compared with a mono-branded product. This leads to higher quality assurance, improved product image and credibility and increased customer confidence with the product i. e. customer reassurance. This helps the companies charge a premium. Other benefits include access to cutting-edge technology and enhanced benefits for customers.

DISNEY AND MC DONALDS

Disney worldwide has an agreement with McDonalds whereby the characters from its new films are distributed as toys with McDonalds " Happy Meals". This is a win -win situation for both parties as it ensures publicity for Disney within its relevant target audience and an increase in sales for McDonalds. With the McDonald's partnership, Disney also uses the extraordinary reach of the chain to promote and advertise new movies both in stores and through ads the fast-food company funds. That's especially valuable to a studio at a time when the costs to make and sell films are soaring.

NEGATIVE EFFECTS OF CO-BRANDING

Co-branding may also affect the partner brands negatively. Combining two brands may cause brand meaning to transfer in ways that were never intended. Negative effects might occur if the combination of the two brands does not fit or prompts negative value perceptions (e. g. negative publicity) about one brand that spill over to the partner brand.

Co-branding can place the differential advantage in the hands of another partner. It can spawn a potential competitor. Co-branding places control of important product characteristics, including image, in the hands of the other partner to some extent. Some other negative effects are:

1) Once a brand takes a position in the market, it becomes difficult to dismantle the co-brand and very difficult to re-establish the brand alone.

2) The repositioning of a brand by one party may adversely influence the other party's brand or campaign.

3) Mergers and acquisitions of one party may prove detrimental to the other party.

4) Future environmental changes like political, legal, social, and technological or changes in consumer preferences may give unexpected outcomes.

EFFECTS OF CO-BRANDING ON CONSUMERS' ATTITUDE TOWARDS CO-BRANDED PRODUCT AND THE CONSTITUENT PRODUCTS

DIRECT EFFECTS

Following the conceptual work of Rao and Rueckert (1994) and Rao (1997), Rao et al.

(1999) published a deeper analysis of co-branded products from a signalling perspective,

in which they show that consumers can better evaluate the quality of a brand with

unobservable attributes when that brand is allied with a second brand that is perceived

as vulnerable to consumer sanctions. As a result of their double-branding feature, cobranded products now provide an enhanced quality signal compared with a mono branded product.

Levin et al. (1996) find that adding a well-known-ingredient brand improves consumer

product evaluations of unknown or well-known host brands more than does adding

an unknown brand. Therefore, consumers' brand awareness of the partner brands has

a positive direct effect. This claim is supported by Fang and Mishra (2002), who show

that perceptions of an unknown brand paired with a well-known, high-quality partners

are enhanced; and Voss and Tansuhaj (1999), who prove that consumer evaluations of a

co-branded product improve if an unknown foreign brand partners with a well-known

domestic brand.

Park et al. (1996) find that consumers' positive attitude toward one brand leads to positive

direct effects, and that a co-branded product consisting of two complementary brands maintains a better attribute profile in consumers' minds than does a direct brand

extension of the dominant brand or a co-branded product consisting of two highly

favorable but not complementary brands. Walchli (1996), in analyzing evaluations of

co-branded products according to the congruity of the partner brands, shows that in

high-involvement conditions, moderately incongruent partner brands can lead to more

positive evaluations than can congruent or highly incongruent partner brands. This

surprising result likely is a function of the increased elaboration consumers undertake

to seek resolutions, which are biased toward positive explanations for the incongruity

(Mandler (1982)).

According to the signalling perspective (e. g., Wernerfelt (1988); Erdem and Swait

(1998)), the combination of two brands provides greater assurance about product quality

than does a single branded product, and should lead to higher product evaluations and

premium prices (Rao et al. (1999)).

Simonin and Ruth (1998) show that positive direct effects emerge from positive prior

attitudes toward each partner brand, as well as positive perceptions of the brand and

product fit of the partner brands . The term “ fit” refers to customers’ perceptions of

the compatibility or similarity of the two product categories of the partner brands

and their brand concepts. Hadjicharalambous (2001) modifies Simonin and Ruth’s

(1998) comprehensive model to provide evidence that overall fit (i. e., the conceptual

coherence of the combination of brands A and B as the new co-branded product or

service) positively affects evaluations of a co-branded product, but overall fit is positively

influenced by the transfer fit, or the fit of the partner brand with the product category of

the co-branded product, and brand fit. That is, high transfer fit is synergistic, generating

positive direct effects. Washburn (1999) and Washburn et al. (2000, 2004) also establish

a direct link between brand equity and co-branded products, showing that the high

brand equity of the partner brands improves the perceived brand equity of the cobranded

product and thereby generates positive direct effects.

In addition to brand and product fit, advertising relevant to the co-branded product has great importance in terms of evaluations of the co-branded product, according to his structural equation model. Huber (2005) provides evidence that product involvement and consumers' brand orientation influence the success of the co-branded product.

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SPILL-OVER E FFECTS:

Studies on prerequisites that generate spill-over effects are scarce. Simonin and Ruth (1998)

develop a structural equation model that shows that consumers' attitudes toward co-branded products positively influence their subsequent attitudes toward each partner's brand. These authors also prove an inverse relation: brands that are less familiar have a weaker impact on the attitude formed by consumers toward the co-branded product, but receive stronger spill-over effects from a brand alliance than do familiar brands (see Lafferty et al.

(2004)). Baumgarth (2003) demonstrates that greater brand stability, which prevents potential image erosions due to unfavorable extensions, leads to weaker spill-over effects. Voss and Tansuhaj (1999) show that co-branded products can increase subsequent evaluations of a previously unknown brand if the unknown partners with a well-known brand.

Similarly, Washburn (1999) and Washburn et al. (2000; 2004) find that co-branded products can bring a win-win potential to two high-equity partner brands, which leads to greater spill-over effects. Although brands with lower brand equity benefit most from cobranding, those with high brand equity do not suffer a reputational downgrading, even when paired with a low equity partner. In line with these findings, Vaidyanathan and Aggarwal (2000) demonstrate that the brand equity of a national brand is not diminished as a result of a collaboration with an unknown private brand. Musante (2000) even finds that co-branded products can improve the perceived " personality" and attitude of a partner brand if that brand cooperates with a second brand that is perceived to be superior on those dimensions.

Andres (2003) shows that the quality of the co-branded product has a significant impact

on evaluations of the partner brands. Swaminathan et al. (2001) argue that the similarity

of a brand extension to the existing product categories of the parent brand leads to spillover

effects. Although this issue has not been analyzed specifically in the context of cobranding,

Huber (2005) indicates that negative information about a co-branded product

can lead to negative spill-over effects. Jap (1993) points out that the fit between partner

brands is a success factor for spill-over effects as long as the brand concepts of the partner

brands are consistent with the co-brand. This finding remains must also be tested in the

context of co-branding. Table 3 summarizes the current findings pertaining to co-branding

research as it relates to spill-over effects.

The Future of Cobranding in India

In future companies planning to engage in co – branding activities will increasingly adopt more systematic processes for identifying ‘ brand’ partners and strategies for mutual brand enhancement. In any situation where two brands are made alongside each other the values embodied by each brand can be expected to cross fertilised the other. if this cross fertilization is successful then the brands will benefit . This, exchange however needs to be managed and objectives need to be established at the outset of any initiative in order to ensure that the exchange is meaningful

and beneficial. In case of the retail sector which will be on a boom in the coming years we may see large retail chains becoming increasingly assertive in requiring special co – branded packs of leading brand name products rather than pursuing the supermarkets tactic of developing look-alikes own label products which mimic the get up of the brand leader.

DELINEATION OF CO-BRANDING A GAINST O THER B RANDING S TRATEGIES

Co-branding represents a long-term brand alliance strategy in which one product is

branded and identified simultaneously by two brands. According to this definition, the

following characteristics constitute co-branded products: First, the participating brands

should be independent before, during, and after the offering of the co-branded product

(Ohlwein and Schiele (1994)). Second, the companies that own the brands should

implement a co-branding strategy on purpose (Blackett and Russell (1999)). Third, the

cooperation between the two brands must be visible to potential buyers (Rao (1997)),

and fourth, one product must be combined with the two other brands at the same time

(Hillyer and Tikoo (1995); Levin et al. (1996)).

According to an article written by Juliette Boone about co-branding, at least five reasons exist for forming an alliance:

1. to create financial benefits;

2. to provide customers with greater value;

3. to improve on a property's overall image;

4. to strengthen an operation's competitive position; and

5. to create operational advantages.

Evaluations of Marketing Alliances and Their Impact on Brand Attitudes:

As is more fully developed subsequently, we propose that when consumers are exposed to a brand alliance, several factors influence the favourableness of their attitudes toward the alliance, including preexisting attitudes toward the brands in the partnership, perceived fit of the products, and perceived fit of the brands.

CO-BRANDING vs BRAND EXTENSION:

Classical brand extensions involve only one single brand (mono-branding); co-branding

includes multiple brands. Because of this distinction, no insights on how consumers use

their brand attitudes and associations to respond to combinations of two or more brands

can be derived from the studies on and practice of “ classical brand extensions” (Simonin and Ruth (1998)). Nevertheless, brand extensions appear far more often in practice, and

the corresponding scientific literature is much more comprehensive and sophisticated

(Aaker (1990); John et al. (1998); Balachander and Ghose (2003); Völckner and Sattler

(2006)). Both brand extension and co-branding strategies attempt to strengthen the parent

brand and extend customer value perceptions to a new product. However, a co-branding

strategy might be more beneficial than a brand extension strategy, because a second brand

can contribute a perception of additional value to both the co-branded product and

the primary brand itself that the primary brand cannot achieve on its own.