# Co-branding curtin university miri

## Executive Summary

The followings aim to allow the reader to have an understanding of co-branding. Certain real life business example is used to illustrate of the relevant theories that has been extract from research journal. Many other relevant articles are also being used for discussion to make the subject matters as current as possible with the objective to stay valid as in point of reading. Inside this paper, co-branding was explained as to why it has been applied as a strategy to explore new market and growth by businesses. Types of example in co-branding that exist and practise in the market. In addition, all the marketing-mix tools are discussed as to how it can impacts the co-branding process. The benefits and disadvantages are also being put forward for discussion with a recommendation to use co-branding as a business strategy.

## Introduction

In today complex business world, whereby competitions are fierce especially for the fast moving consumer goods industry (Helmig, Huber and Leeflang 2008, 359), marketers tried to use any tools they has in order to open a path for additional opportunities for new customers and trade channel to generate greater sales from their existing target market. Co-branding is one of the marketing strategies that used by marketers to create opportunities in achieving business growth in the market. Some may have wonder, what is co-branding? Co-branding is either two or more renowned brands that combined to form an alliance to work together and creating marketing synergy (Kotler, Keller and Burton 2009, 361). In simple term, it means that two brands comes together to create a single, unique product.

This pairing can be in a marketing context such as in advertisements, products, product placements and distribution outlets (Grossman 1997, 191). Such marketing synergy can potentially expands the customer base, to increases profitability, responds to the expressed and latent needs of customers through production lines, strengthens competitive position through a bigger market share, enhances product introductions through enhancing the brand image, creates new customer-perceived value and yields operational benefits through reduced cost as stated by Chang (2009, 77) of a notes identified by Gaurav Doshi 2007 article.

## Co-branding

An example of successful co-branding is the McDonald ice cream with M&M’s candies and also Kraft Oreo cookies which resulted to the creation of M&M’s Mcflurry and Oreo Mcflurry ice cream products. The success of both M&M’s and Oreo Mcflurry ice cream is an example of utilizing two or more brand names to introduce a new product with competitive advantages. Chang (2008, 220) state that the purpose is to capitalize on the reputation of the partner brands in an attempt to achieve immediate recognition by the consumers.

Airasia, the low budget airline of Malaysia has done very well in the online booking for air travelling, had form an alliance with Citibank to introduce their unique Airasia Citibank credit card (Citibank and Airasia tie the knot! 2007). In this example of joint-venture of co-branding, both Airasia and Citibank have their own separate brand equity, and both also earned brand awareness and positive brand image. Their alliance for success comes from a logical fit between two brands, thus their marketing activity maximises the advantages of each other while minimising their disadvantages as mentioned by Kotler, Keller and Burton (2009, 361). The research done by Park, Jun and Shocker (1996, 464) shows that consumers are more likely to accept the co-branding product when two brands are complementary rather than similar. Their alliance is a perfect match as both Airasia and Citibank which can tap on each other customer base to increase their business activity and on top with increase in profits.

Further to another type of co-branding is known as same company co-branding. This is an example of Nestle Company in Malaysia when they develop Nestle ice cream using their well known chocolate brand like Kit Kat and Smarties to penetrate into the ice cream market (Nestle in your life: ice cream n. d.). Thus, with immediate brand awareness among their loyalty customers, Nestle are optimising their chances of success of a new launch product.

The list does not stop here as there are other types of co-branding, which is multiple-sponsor co-branding, such as Taligent, a one-time technological alliance of Apple, IBM and Motorola (Kotler, Keller and Burton 2009, 361). There is also retail co-branding, example like Pizza Hut and KFC in Malaysia, where two retail businesses use the same location as a method to maximise both space and profits. Moreover, ingredient co-branding is another type of co-branding; a successful example of this is Intel whereby the ingredient branding was so strong that the consumers insist of buying Personal Computer with ‘ Intel Inside’. Thus, it gives great impacts towards major manufacturer such as Dell and Compaq to adopt Intel chips for their finishing products (Kotler, Keller and Burton 2009, 362).

## The benefits of Co-branding

It is common for all businesses face towards the challenges of financial risks when introducing new brand to consumer market (Aaker and Keller 1990, 27). In addition, a product or services life cycle is getting shorter each day as the advancement in technology has makes it easier to copy among brand in the same industry. It is because of these, the risks inherent in establishing new brands are high, with a failure rate ranging from 80 to 90 percent as mentioned by Leuthesser, Kohli and Suri (2002, 35). So, in this instant co-branding make sense as it can increase brand distinctiveness by capitalizing on the values embedded in cooperating brands. Through the arrangement of co-branding, businesses are able to do brand-leveraging which capitalize on existing brand equity rather than building new brand equity as noted by Dickinson and Heath (2008, 22). Take Airasia Citibank credits card for example, the benefits of being the card owner automatically becomes an elite traveller to enjoy special fares and holiday packages not available elsewhere. By merging values and identities of brands originally engaged in different industries, now both are able to gain consumer choices, loyalty and consequently lead the brand to uniqueness and distinctive as compare to their competitors. From this example it has deliver the aim to increase the distinctiveness of the co-branding product and also gain customer loyalty by providing them with the alliance benefits. Thus, it also achieves its set objective of co-branding that is to expanding customer base, creating a new customer perceived value and most importantly to strengthen its competitive position in the market.

As market condition change rapidly, it is not easy for a product to have a safe sailing to success as there is full of choices and is keep on increasing for the consumers to choose. Brands research also found that a single brand may not be able to meet the demands of variable individual needs such as custom design with added value (Djurovic 2009). By using extension co-branding to enhance the products will able to meet those individual needs. For example Bacardi and Coca Cola or Bacardi and Sprite, to have co-branded Bacardi Mixers range to show and suggest alternative ways to consume the two brands. By this arrangement, both brands will gain financial benefits, to have introduced a new product range with a strong image and also respond to the expressed and latent needs of the customers.

The other benefits of co-branding is that the product has it uniqueness and distinctive characteristic, thereby induce more sales and also reducing cost of product introduction as noted by Desai and Keller (2002). Interestingly, co-branding is able to work more efficient and effectively communicating through to the consumers as the two brands awareness is high (Aaker 2003, 84).

## Marketing tools for Co-branding

Indeed co-branding activity has increase over the past decade as Spethmann and Benezra (1994) noted that the number of corporate alliances worldwide, including co-branding ventures is continuing to grow at 40% rate each year, involving billions of dollars in assets. Such an increase in co-branding activity may project itself to be a popular strategy as mentioned by Hilton (2007). In addition he asked ‘ is it also a smart one?’ and he answered it with a qualified ‘ yes’ if it is executed well.

In order to execute well, we need to discuss any of the relevant seven P's in marketing mix tools. The seven P's mentioned which is Product, Price, Promotion, Placement, Physical evidence, Process and People. Marketers use these tools to make marketing-mix decisions for influencing their trade channels right to their end users.

In practise, companies seek growth through innovation of new products by their research and development team and co-branding strategy can develop this new product to success by provide perception of quality and image as it capitalizes on the unique strengths of each contributing brand (Chang 2008, 498). For easy focusing onto one industry, we use the fast moving consumer goods as our point of discussions

Generally for a co-branding to success, the potential partner has to be large and have strong distribution channel or customer base with positive market image. As mentioned, the market environment change rapidly and the speed to market is one of the key success factor to a co-brand product or services. The aim is to establish a strong foothold before the onslaught by competitors. With wide distribution coverage or customer base will enable this task to be accomplish on the set target.

In order for the execution of the co-branding to have a speedy reach out to the market, marketer must look into trade promotion and advertising campaign to assist in numerous ways. The joint sales promotion and advertising campaign is to stimulate interest and inquiries in the market among their loyalty customer and the trade promotion activity should focus on communicating the benefits and value-added the co-branding can provide to the consumer.

When these two brands form an alliance for joint promotion on their co-branding product or services, the objectives is for those two brands to provides greater assurance about the quality standard than those of a single branded product from the perspective point of view as noted by Rao, Lu and Ruekert (1999, 259). Thus, from this positive point of view by the consumers it lead to higher product evaluations and this will allow the co-branding product or services to command a premium prices (Helmig, Huber and Leeflang 2008, 360).

To illustrate our point we take the Nestle and L'Oreal as example. Nestle and L'Oreal recently announced their pairing. One may have asked what common value does these two have. Nestle is the world leading nutrition food producer and the company mission is to produce healthy food to feed the world but not restricted to inside but also our outer body, which is our skin. Indeed, L'Oreal comes in as a perfect match as the brand is the global leader in skin care. Their pairing is seen to be an unorthodox brand alliance as noted by Lindstorm (2003) but it has those values that the customers can relied and be convincing of their brand alliance commitment. In this instance, the uniqueness and distinctive of the co-branding product has a high evaluation by the customer as indicating of higher chance of success sales and also better command of price point.

Although physical evidence is most commonly being used to evaluate for the service industry such as restaurant and hotel (Physical Evidence" the lifeline for service companies 2006), we can also make it to be a relevant point to discuss for fast moving consumer goods as in its packaging as physical evidence. The packaging has to be attractive and user friendly. An example of user friendly packing is the pull up cap for canned foods as it allows the buyer to easily open and consume it. As nowadays consumer are also concern of environmental issues, they are also choosing for product packaging that can be recycle after consuming their contents. This physical evidence can also take form as in a warranty or guarantee. Take Duracell for example that has guarantee against defects in materials and workmanship due to a battery defect (Duracell Guarantee n. d). Here the physical evidence is clear and has communicate to the user that Duracell will repair or replace it. These are deems to be an important physical evidence a co-branding product can emulate to makes it unique and distinctive.

The other P's of the marketing mix is the process. In marketing mix, the process is an element of service that sees the customer experiencing an organization's offering as mostly in the service industry. As for fast moving consumer goods, the process that the co-brand product wishes the customer to experience is hassle free to access to the product. In short, the availability of the product is sufficient in every retails store and in arm reach location. One such example is the Wrigley Company in which their sales strategy is to focus on the process of the potential consumers reach for their chewing gums product. The result, Wrigley chewing gums was distributed to any corner of the world and to display it at arm reach location in order for the customer to have pleasant experience when reaching for their products. Wrigley understand it well that it continue to focus on recognizes the uniqueness of each one of their consumers and efforts are made to reaching them and in return of hopes their potential customer will get to know more of their products and purchase them.

The last P's is the people. Peoples are very important in co-branding. What makes co-branding products a success besides its uniqueness, distinctive and value added to attract the consumers is its people that work behind and in front. A consumer who comes into contact with the co-brand product will make an impression, and they can have a profound effect, either positive or negative and that is on customer satisfaction. The reputation of co-brand product rests in the people's hands so they must be therefore trained, well motivated and have the right attitude. They must have high level of commitment, competence and complete understanding of their products. The attitude to believe that their co-brand product is unique and will bring them more sales and profits thus, it cans moves them to self motivate to service their customer to satisfaction.

**The disadvantages for Co-branding**

By now, the above presented, should be able to give the philosophy behind co-branding and that is to increase both market share and revenue as well as gaining competitive advantages through customer awareness by providing them with a co-branding product that is distinctive and unique. Although co-branding looks rewarding and it does sounds like a perfect strategy to seek growth and by understanding the benefits of co-branding and reviewing the marketing tools to assist it to success alone is not enough. Co-branding does not come without risks, as one have to aware that only one in five attempts of a brand mergers succeed as mentioned by an article by

Knudsen et al. (1997, 189). In many ways, brands can be explained like people, they their own values and direction. In real world is difficult for married couples to reconcile their differences and commit to stay to each other forever as noted by Lindstorm (2002) and that half of the world’s marriages ending with a divorce so as co-branding partnership.

The risk of co-branding is pairing with a partner that can tarnish the existing product’s strong brand equity, as the two alliance brands has become connected together in the consumer’s mind as mentioned by Ueltschy and Laroche (2004, 93). The pitfall here is that when consumers attribute any negative experience due to the fault or negligence of any one party of the alliance, the overall brand equity could be damage and poses threat to co-branding and resulting the other brand being perceive as weak (Kocherp 2009). Thus, when it lead to a negative evaluation by the consumers and is likely also to cause damaging to the co-branding privilege of price command in the market as it used to enjoy over their competitors.

The other scenario that a co-branding may fail is when the two products have different market and are entirely different such as no complimentary effects. If there is difference in visions and missions of the two alliance companies, then the co-branding may also fail costly. To take an example of a failure co-branding is the case of American Airlines and America Online. They ambitiously launched a joint consumer-loyalty program in 1999 in search of brand synergy. As the program never met any of the co-branding expectations, they separate their alliance and some analysts say that “ their failure was due to the co-brand product and never really did anything interesting with it and didn’t seem to commit to it” as noted by Buss

(Brandchannel n. d.). Perhaps their co-branding failure is due to the absence of a clearly defined strategy. When this physical evidence happens, the people as mentioned in the marketing-mix, also has an impact onto them. Failure of alliance means the loss of their credibility and capabilities to be able to create a market synergy branding product. The process the customer experience is unpleasant as we used American Airlines as example, to illustrate our point. Imagine all the loyalty program as promise to their loyal customers has either end up empty handed or being compensated by other means in which may not be up to the expectation of their customers. This will surely cost the image of the parent company.

Co-branding may result into creation of new ideas for products or services, which leads to the entrance of new competitors who combine the features of both brands into one (Kocherp 2009). Such case was the example of IBM and Microsoft partnership to develop DOS operating system for its personal computers in which it lead to a series of sequence events that eventually creates Microsoft as dominance as we know it today (Leuthesser, Kohli and Suri 2002, 42). So, the potential partner for co-branding arrangement should be place under screening and be analyse to what extent it can be spawn to be the next competitor.

As always we have to bear in mind that, every coins has two side and after being able to present the above disadvantages, we also must not forget the benefits of a co-branding has to offer as mentioned earlier for marketers to adopt as a strategy to seek growth for businesses. It is always practical to apply a S. W. O. T analysis as in Strengths, Weakness, Opportunity and Threat to review the co-branding proposal. The S. W. O. T analysis is a useful tool to provide an insight to the potential co-branding proposal of their strength versus their weaknesses within the brand and company of alliance. It also provides to review of what was the opportunities can be created through the partnership versus the threat and challenges facing towards.

### Co-branding as marketing strategy

Before drawing any decision to adopt co-branding strategy to gain market advancement, let's review some important co-branding points that have been mentioned earlier. The alliances can provide an equal benefit for both entities, the values of both brands can complement each other and the brand relationship can creates value added to the customers.

According to Leuthesser, Kohli and Suri (2002, 41), which defines four co-branding strategies which is, reaching in, reaching out, reaching up and reaching beyond. By reaching in, the strategy is to achieve greater market penetration by alliance itself to other brands that can complement what the existing brand shortfall when introducing over line extension. Such arrangement was the example of McDonald M&M's Mcflurry ice-cream in which McDonald capitalize on M&M's strong brand awareness to reach in for greater market penetration. Mcdonald by focus on products has actually utilised one of the marketing-mix tools to reach in for greater market penetration.

In reaching out, the strategy is to tap onto new market horizon and to achieve this objective is to co-branding with an alliance that give complementary effects and such example was shown in the arrangement of Airasia and Citibank credit card. Their alliance has enabled each of the partner company to reach out to tap into different industries. Thus, it increases the distribution channel of its business as what marketing-mix tools call it ‘ placement’, which is product or services reach out to customer through difference networks.

Reaching up is a strategy to achieve market advancement by alliances with partners that can elevates positive brand image. The Oral-B brand is such a good example to illustrate this strategy. In the Malaysian consumers market before Oral-B, whereby Colgate is the eminent household name among the majority of Malaysian consumers and of cause needless to say, Colgate was dominating in the retail outlets as well and where Oral-B brand was unknown to the local Malaysian. Then Oral-B start to strategy for the past decade by getting the endorsement from the dentist association of Malaysia to raise its brand image among Malaysian dental care user and as a result of the prominent co-branding and today the Oral-B branding has been strong in the mind of the consumer. In order to achieve total cavities free, Oral-B dental care product range is now the Malsysian first choice upon purchasing. As highlighted by Ueltschy and Laroche (2004, 93), when the two alliance has become connected together in the consumer’s mind, the result is a strong brand equity been build. The successful of reaching up, to elevates the brand image has enable Oral-B to have better command onto their product pricing thus it makes more profitable business than the rest of its competitors. This is a case of using the marketing-mix tools of price. When a brand has a better command of price it generates not only handsome profit while also generating a substantial amount of advertising and promotional activity fund to create sales opportunity whenever there is a necessary. It is shown that

Oral-B has demonstrate how to utilise the ‘ price’ tool very well in order to be price competitive and with profit where many others has failed upon utilising it.

In reaching beyond, the strategy involves alliance with a co-branding partner that can elevate strong image and gaining access to new customer. The objective of this strategy is to reach up and reach out. The Airasia and Citibank credit card is also showing an example of this strategy. Airasia by co-branding with Citibank is said to be reaching beyond as it can tap onto the huge customer base of the bank while Citibank is also said to have reaching beyond when co-branding with Airasia by tapping onto the growing customer base as the airline is expanding rapidly to more than 18 countries mainly in Asia. As Airasia continue to grow, so will Citibank as they both are complementary each other in every sense of their business.

## Conclusion

All the above materials is to gives an overall understanding of a co-branding whereby it is one of the marketing strategy often time utilise by marketers to seek growth in a saturated market environment. By accessing to the marketing-mix tools and its function, marketers who intelligently applying it can accelerates their co-branding business to new heights while others that has already in the forefront can also creates new heights as the benefits of co-branding as presented is encouraging for one to consider to venture into it. However, when applying co-branding as the strategy, it is advice to use a S. W. O. T. analyse to screen for the weakness and threat it possess and whether the overall alliances is worthwhile the risk that is at stake that can influence the parent brand.

In general through research as discussed above, co-branding will success when there is a logical fit with the alliances. It is thereby the possibility for a co-brand to build into a successful trademark is high as long as it executed well as noted by Hilton (2007).

**References**


- Aaker, D. The Power of the branded differenciator. MIT Sloan Management Review 45 (1):

  84. http://proquest. umi. com (accessed February 19, 2010).

- Aaker, D. A., and K. L. Keller. 1990. Consumer Evaluations of Brand Extensions. Journal of

  Marketing 54 (1): 27. http://proquest. umi. com (accessed February 18, 2010).

- Chang, W. L. 2008. A Typology of Co-branding Strategy: Position and Classification. The

  Journal of American Academy of Business, Cambridge 12 (2): 220.

  http://proquest. umi. com (accessed February 20, 2010).

- Chang, W. L. 2008. OnCob: An ontology-based knowledge system for supporting position

  and classification of co-branding strategy. Knowledge-Based Systems 21 (6): 498.

  http://www. sciencedirect. com (accessed February 22, 2010).

- Chang, W. L. 2009. Roadmap of Co-branding Positions and Strategies. The Journal of

  American Academy of Business, Cambridge 15 (1): 77-84. http://proquest. umi. com (accessed February 20, 2010).
- Citibank and Airasia tie the knot! 2007. http://74. 125. 153. 132/search? q= cache:

  ww683c27D0IJ: www. airasia. com/site/my/EN/pressRelease. jsp%3Fid %3Db94cffbb-ac1e00ae-1c199190-cf8b2e60+airasia+and+citibank+in+co+branding+in+Malaysia

  &hl= en&gl= my&strip= 1 (accessed March 12, 2010).
- Desai, K. K., and K. L. Keller. 2002. The Effects of Ingredient Branding Strategies on Host

  Brand Extendibility. Journal of Marketing 66 (1): 73. http://proquest. umi. com

  (accessed February 19, 2010).
- Dickinson, S. J., and T. Heath. 2008. Cooperative Brand Alliances: How to Generate Positive

  Evaluations. Australasian Marketing Journal 16 (2): 22. http://proquest. umi. com (accessed February 18, 2010).
- Djurovic, V. 2009. Co-branding, a 1+1> 2 formula. http://www. articlesbase. com/marketing-

  articles/cobranding-a-112-formula-881542. html (accessed March 1, 2010).

- Duracell guarantee. n. d. http://www. duracell. com. au/pages/company-information-duracell-

  guarantee. asp (accessed March 9, 2010).
- Buss, D. n. d. Happily ever after? http://www. brandchannel. com/features_effect. asp?

  pf_id= 151 (accessed March 8, 2010).
- Grossman, R. P. 1997. Co-branding in advertising: developing effective associations. The

  Journal of Product and Brand Management 6 (3): 191. http://proquest. umi. com (accessed February 18, 2010).
- Helmig, B., J. A. Huber, and P. S. H. Leeflang. 2008. Co-branding: The State of The Art.

  Schmalenbach Business Review 60 (4): 359-377. http://proquest. umi. com (accessed March 3, 2010).
- Hilton, J. 2007. The Marketing Evolution of Ingredient Co-branding.

  http://www. nutrasolutions. com/Articles/Feature_Article/BNP_GUID_9-5-2006_A_

  10000000000000118679 (accessed March 2, 2010).
- Knudsen, T. R., L. Finskud, R. Tornblom and E. Hogna. 1997. Brand consolidation makes a

  lot of economic sense. The McKinsey Quarterly 4: 189. http://www. questia. com/

googleScholar. qst; jsessionid=

LpwDkkZsQj4TM5l6qyJ2Fh11v14JMfHk11MXPnp6dGycyfYFMV7j!

226308462!-2102291406? docId= 5001525308 (accessed March 3, 2010).

- Kocherp. 2009. The Advantages and Disadvantages of Co-Branding. http://www. brighthub.

  com/office/entrepreneurs/articles/46418. aspx? p= 2 (accessed March 3, 2010).

- Kotlet, P., K. L. Keller, and S. Burton. 2009. Marketing Management. Australia: Pearson

  Education Australia.

- Leuthesser, L., C. Kohli, and R. Suri. 2002. 2 + 2 = 5? A framework for using co-branding to

  leverage a brand. Brand Management 11 (1): 35-47. www. marketingritson. com/

  documents/week4cobranding. pdf (accessed March 3, 2010).

- Lindstorm, M. 2002. Brand + Brand = Success, Part 2: Brand Marriage Failure.

  http://www. clickz. com/988901 (accessed March 8, 2010).

- Lindstorm, M. 2003. Unorthodox Brand Alliance. http://www. clickz. com/3099131

  (accessed March 8, 2010).

- Nestle in your life: ice cream. n. d. http://www. nestle. com. my/Nestle+In+Your+Life/Our+

  Brands/Ice+Cream/ (accessed March 3, 2010).
- Park, C. W., S. Y. Jun, and A. D. Shocker. 1996. Composite Branding Alliances: An

  Investigation of Extension and Feedback Effect. Journal of Marketing Research 13 (4): 464. http://proquest. umi. com (accessed February 21, 2010).
- Physical Evidence” the lifeline for service companies. 2006. http://sevenpsofservicemarketing.

  blogspot. com/2006/04/physical-evidence-lifeline_114569507522538712. html

  (accessed March 10, 2010).
- Rao, A. R., Q. Lu, and R. W. Ruekert. 1999. Signaling Unobservable Product Quality

  Through a Brand Ally. Journal of Marketing Research 36 (2): 259. http://www. csom.

  umn. edu (accessed March 5, 2010).
- Spethmann, B., and K. Benezra. 1994. Sometimes one and one add up to more than two. Ask

  ConAgra and Kellogg, Nabisco and Subway, or Ocean Spray and Pepsi.

http://www. brandweek. com/bw/esearch/article_display. jsp?
vnu_content_id= 544878

(accessed March 1, 2010).

- Ueltschy, L. C., and M. Laroche. (2004). Co-brand internationally: Everyone wins? Journal of Applied Business Research 20 (3): 93. www. cluteinstitute-onlinejournals. com (accessed March 10, 2010).