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The perception of co-branding products by customers

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Summary

Co-branding as the strategy of double branding of products when two distinct partners brand names are used on one product, can be good way of exploiting a brand, broadening its exposure and enhancing its message. In the paper the concept of co-branding with its types and objectives as well the perception of co-branding products by customers will be presented. The results of international and own research concerning the customers behaviours will be also analysed.

The definition of co-branding

In academic literature as well in practice, the definition of co-branding is not evident. There are different definitions of co-branding:

1. According T. Blackett and B. Boad co-branding is a form of co-operation between two or more brands with significant customer recognition, in which all participants' brand names are retained. It is usually of medium to long-term duration and its net value creation potential is too small to justify setting up a new brand and/or legal joint venture.[1]
2. A.M. Levin, J.C. Davis and I.P. Levin consider that co-branding is the use of two distinct brand names on one product.[2]
3. According to Ph. Kotler and G. Amstrong, co-branding is a technique of combining two or more well-known brands in one product.[3]

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[1] *Co-branding – the science of alliance*, eds. T. Blackett, B. Boad, MacMillan Press Ltd, London 1999, p. 7.

[2] A.M. Levin, J.C. Davis, I.P. Levin, *Theoretical and empirical linkages between consumers responses to different branding strategies*, "Advances in Consumer Research" 1996, Vol. 23/1, p. 296.

[3] Ph. Kotler, G. Armstrong, *Marketing. An Introduction*, Pearson International Edition, London 2009, p. 248.

4. C. Hillyer and S. Tikoo define co-branding as the practice of double-branding products, in which a product features more than one brand name.[4]

Taking into consideration these definitions, in the paper the co-branding is defined as the strategy of double branding of products when two distinct partners brand names are used on one product. According this definition, we distinguish a co-branding from the brand alliances and other forms of co-operation, like co-advertising and co-promotion (joint promotion). In co-branding we can distinguish inviting and invited brand.

The purpose of co-branding

The purpose of co-branding is to capitalize on the reputation of the partner brands in an attempt to achieve immediate recognition and a positive evaluation from potential buyers. The presence of a second brand reinforces the reception of high product quality, leading to higher product evaluations and greater market share.[5] According K.L. Keller, T. Apéria and M. Georgson, co-branding is a way to increase the scope and influence of brand, enter new markets, embrace new technologies, reduce costs and refresh brand image.[6] Co-branding is also common in business-to-business settings, where companies discover that their capability might not always be in line with their credibility.

Two partner brands used in co-branding may provide additional information to the customer and can make the co-branding product more attractive. Consequently co-branding may contribute to the development of favourable attitudes toward the co-branding product and partners brands.

The types of co-branding

In literature of marketing and brand management, we can find different classifications of co-branding strategy, according the level of involvement, nature of commitment or character of co-operation.

T. Blackett and N. Russell classify four types of co-branding in term of shared value creation: reach-awareness co-branding, values endorsement co-branding, ingredient co-branding and complementary competence co-branding

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[4] C. Hillyer, S. Tikoo, *Effects of co-branding on consumer product evaluations*, "Advances in Consumer Research" 1995, Vol. 22/1, p. 123.

[5] A.R., Rao, L. Qu, R.W. Rueckert, *Signaling unobservable product quality through a brand ally*, "Journal of Marketing Research" 1999, Vol. 36/2, p. 258–260; W.-L. Chang, *OnCob: An ontology-based knowledge system for supporting position and classification of co-branding strategy*, "Knowledge-Based System" 2008, Vol. 21, p. 498.

[6] K.L. Keller, T. Aperia., M. Georgson, *Strategic Brand Management. A European Perspective*, Pearson Education, Harlow 2008, p. 310–311.

(fig. 1).[7] The principle of reach-awareness co-branding is creation awareness quickly by targeting the partner's customers. As an example the co-operation between credit cards suppliers and other parties can be mentioned. The values endorsement co-branding intends to mutually endorsement of the brand values and positioning of both brands. The co-operation between Le Cordon Bleu (leader in gastronomy) and Tefal (producer of domestic appliances) can exemplify this type of co-branding. According T. Blackett and N. Russell, ingredient co-branding is the third type with bigger involvement. In this case, ingredients brand is components brand of the final product, like in case of co-operation of IBM and Intel. The type of co-branding with the highest shared value creation is – according authors – complementary competence co-branding, when two brands combine a product that is "more than the sum of the parts and relies on each partner committing a selection of core skills and competencies to that product on an ongoing basis."

High shared
value creation   Complementary Competence Co-branding

                         Ingredient Co-branding

                         Values Endorsement Co-branding

Low shared
value
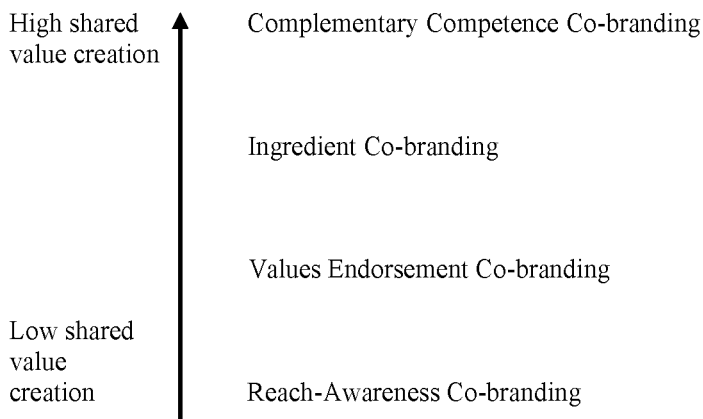creation   Reach-Awareness Co-branding

Fig. 1. Types of co-branding according T. Blackett and N. Russell

Source: T. Blackett, N. Russell, *What is co-branding*, in: *Co-branding – the science of alliance*, ed. T. Blackett, B. Boad, MacMillan Press Ltd, London 1999, p. 9.

We can also classify the co-branding strategy according the nature of commitment. Consequently co-branding may have an open character or co-operation between two companies may be implemented on the basis of exclusivity. In the case of open co-branding, the brand which is invited for cooperation is often also cooperating with other competitive brands like e.g. Intel (cooperation for example with IBM or Compaq). Co-branding based on exclusivity obliges co-

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[7] T. Blackett, N. Russell, *What is Co-branding*, in: *Co-branding – the science of alliance*, ed. T. Blackett, B. Boad, MacMillan Press Ltd, London 1999, p. 9–14.

operating brands to limit their cooperation only to one brand. This form was applied by the brands Philips and Nivea or Häagen Dazs and Baileys.[8]

If we take into account the character of co-operation, we can identify the co-branding relationship which based on the co-operation during the production process and partner's engagement in the final product as well the co-operation on the intangible level. In the paper, the classification of G. Michel which distinguished functional and symbolic of co-branding is applied. According this division[9] functional co-branding – ingredient branding – consists in indicating the brand of one or more components of the end product. Such a form of co-operation between two companies is aimed at underlining the high quality of the product and the manufacturers' competence. Intel, a brand of micro-processors used in computers, is the best-known example. The symbolic co-branding – co-naming – consists in the application of another brand in order to stress some symbolic values and create an image. This form is adopted by car manufacturers which invite fashion or perfume designers for "brand" co-operation.

The perception of brand and co-branding by customers

Today "a brand is a reference point which makes it possible for the consumer to evaluate the quality, material features, and fundamental intangible values represented by it, and thus assess his or her level of identification with it and compare it with other offerings on the market."[10]

K.L. Keller, T. Aperia, M. Georgson define the customer-based equity which is "the differential effect that brand knowledge had on consumer response to the marketing of that brand."[11] The brand has positive customer-based brand equity when customers react more favourably to a product and the way it is marked when the brand is identified than when it is not.

Marketing strategies often lead to so-called verification of the convergence of a brand's symbolism and the customer's personality. If brand X manifests independence and self-assurance in its image, consumers with a corresponding personality are most likely to indicate their preferences towards it. The sought-after benefits of a brand result from the dominant need in the customer's personality structure. Consumers reveal considerable convergence between what they think they are and what they buy. It is generally believed that consumers chose those products which comply with their image of themselves and reject

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[8] M. Grębosz, *Brand Management*, Wyd. Politechniki Łódzkiej, Łódź 2008, p. 86–87.
[9] G. Michel, *Au coeur de la marque*, Dunod, Paris 2004, p. 136–141
[10] M. Grębosz, *Brand Management...*, p. 15.
[11] K.L. Keller, T. Aperia., M. Georgson, *Strategic Brand Management...*, p. 43–45.

those which stand in contradiction. In this case, a brand image constitutes an extension of the consumer's self. However, there are some groups of consumers who are drawn to an image different from their own, especially if it is an image they would like to identify with. In the case of such consumers, their highly unsatisfied needs constitute the motivating force behind their choice. The mental image of oneself in the real and ideal dimension often explains choices made by consumers and their preferences towards particular brands.[12]

Consumers' positive associations with regard to the country of brand origin favourably affect the image of the product. Consequently, it is easier to sell French wine, Hungarian Tokaji or Italian spaghetti. What is important, usually products are not associated with the country in which they are physically manufactured but with the country of brand origin. Products of such brands as Yves Saint Lauren, Dior or Chanel are associated with France regardless of where they were manufactured. A similar situation is true in the case of car brands. Consequently, it is particularly important to stress brand origin in the case of products whose quality and image are affected by their origin. The perceived image of the country of brand origin is shaped not only in terms of typical associations with products from a given region but also in terms of stereotypes and prejudices associated with the inhabitants of a given country.

Consequently we can suppose that in case of co-branding the positive associations with regard to partner's brand will favourably affect the image of the co-branded product, the image of the new brand (if composite brand is created) and the image of partner's brand.

The analysis of the results of chosen international research concerning customers behaviours towards co-branding products

In the research of co-branding strategy, the scientists concentrate especially on the studies concerning the influence of co-branding on the behaviours of customers towards co-branding products and partners brands. The results of chosen research are presented below to emphasize the importance of co-branding strategy on the brand perception. J.H. Washburn, B.D. Till and R. Priluck explored:[13]

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[12] I. Wyrzykowska, *Zarządzanie marką – psychograficzna segmentacja potrzeb*, „Brief" 2003, No. 2, p. 56–57.

[13] J.H. Washburn, B.D. Till, R. Priluck, *Brand Alliance and Customer-Based Brand-Equity Effects*, "Psychology and Marketing" 2004, Vol. 21(7), p. 487–508.

- how customer-based brand equity[14] of partner brands affects customer evaluations of an "alliance" brand,
- how the brand equity of one partner brand affects the other,
- how customer-based brand equity of partner brands affects customers' evaluations of the search, experience, and credence attribute performance of the "alliance" brand,
- how product trial influences such evaluations.

The authors conclude that co-branding increases consumers' evaluations of the partner brands' customer-based brand equity, and high-equity partners enhance pre-trial evaluation of experience and credence attributes that are relevant to the high-equity partner. According the analysis of the results, they confirmed that:

- two high-equity brands paired together have each higher brand-equity ratings than prior to the co-branding,
- both high-equity brands and low-equity brands, when pairing with each other, have higher brand-equity ratings than prior to the co-branding,
- two low-equity brands paired together will each have higher brand-equity ratings than prior to the co-branding.

In this case a total of 134 students were randomly assigned to one of four experimental conditions.

C.W. Park, S.Y. Jun and A.D. Shocker examined the impact of co-branding on consumers.[15] The results of studies reveal that when the inviting brand is favourably evaluated, the attribute-level complementarily between the inviting and invited brands is more important factor in the success of the co-branding strategy than the attitudinal favourability on the invited brand. By combining two brands that are complementary to each other in attributes, a co-branding strategy appears to have a better attribute profile than a direct extension of the inviting brand. We can conclude that co-branding may improve the image of one or the other partners brands and may signal greater product quality. Ninety business students participated in the main study and they were assigned randomly to one of three conditions (one control and two experimental groups).

K.E. Voss and B.S. Gammoh analysed the influence of the presence of more than one brand on the perception of customers. The analysis of the results of their research shows that the presence of a single brand partner significantly

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[14] Customer-based brand equity is brand equity seen from the customer's perspective.

[15] C.W. Park, S.Y. Jun, A.D. Shocker, *Composite Branding Alliances: An Investigation of Extension and Feedback Effects*, "Journal of Marketing Research" 1996, Vol. 33, p. 453–466.

increased perceived quality[16] and hedonic and utilitarian attitudes. While multiple co-brandings improved focal brand evaluations relative to the no partner presence, they stated that the second partner did not increase evaluations relative to the single partner presence. Perceived quality and attitude toward an unknown primary brand when two well-known, reputable partners brands are present are not higher than when one partner brand is present. In this case three independent measures were used and the experiment was conducted in three phases between 103 students of major university located in the south-western U.S.[17]

The objective of the study of L.C. Ueltschy and M. Laroche'awas to investigate the effects of co-branding strategies on the brand equity of the partner brands as well as on the co-branding product's brand (composite brand) in one important international market, the Philippines.[18] The study investigated the impact of co-branding internationally in case of co-operation of local brand with international brand. The authors confirmed that:

- the product evaluation of the new co-branding brand, when a high equity brand is paired with a low equity brand, is significantly higher than the product evaluation of the low equity brand,
- the product evaluation of the new co-branding brand, when a high equity brand is paired with a low equity brand, is significantly lower than the product evaluation of the high equity brand,
- the product evaluation of the new co-branding brand, when a high equity brand is paired with another high equity brand, is significantly higher than the product evaluation of either of the high equity brands.

The findings demonstrated that high-equity brands tend to act as augmenting cues in the perception of brand equity of a new brand or co-brand between high and low equity brands. However, the analysis of the results showed also that the co-branding of high-equity and low-equity brands can be potentially dangerous for the high-equity partner. The study was conducted on group of 1203 Philippine adult respondents in four major metropolitan areas of Philippines.

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[16] Perceived brand quality is the quality level attributed to products marked with a given brand by their buyers.

[17] K.E. Voss, B.S. Gammoh, *Building Brands through Brand Alliances: Does a Second Ally help?*, "Marketing Letters" 2004, Vol. 15/2/3, p. 147–159.

[18] L.C. Ueltschy, M. Lacroche, *Co-Branding Internationally: Everybody Wins?*, "Journal of Applied Business Research" 2004, Vol. 20/ 3, p. 91–102.

The foundations and chosen results of own research

The objective of the study was to investigate the effect of co-branding strategies on the brand equity of the partners brands and the customers behaviours (according the customers perception). A field experiment and survey was conducted on the two groups of 100 students from the region of Lodz in 2011.

Firstly through a series of pre-tests with first group of students from the region of Lodz eight product combinations were examined. The ice-cream combined with a chocolate was selected as the most appropriate combination for this study. Next a number of brand names were pretested to select high and low equity brands for the possible pairing in this study. The high equity brand of chocolate chosen was Wedel and the low equity brand was Terravita. These brands were both paired with the high equity brand Zielona Budka in the chocolate ice-creams.

Secondly the next group evaluated the brand equity of three potential products: Zielona Budka chocolate ice-creams, Zielona Budka-Wedel chocolate ice-creams, Zielona Budka-Terravita chocolate ice-creams according Yoo and Donthu ten-item Multidimensional Brand Equity scale (tab. 1). The brand equity items were evaluated on a seven point Likert-like scale, where 1 = strongly disagree and 7 = strongly agree. Each respondent was investigated only with one product on the base of the picture and consequently 34 students were examined with Zielona Budka chocolate ice-creams, 33 students with Zielona Budka-Wedel chocolate ice-creams and 33 students with Zielona Budka-Terravita chocolate ice-creams.

Table 1

Yoo and Donthu ten-item Multidimensional Brand Equity scale

Brand Equity Questions
(1) The quality of this brand/co-brand is extremely high
(2) The likelihood that this brand/co-brand would be functional is extremely high
(3) I consider myself to be loyal to this brand/co-brand
(4) This brand/co-brand will be my first choice
(5) I will not buy other brands if this brand/co-brand is available at the store
(6) I can recognize this brand/co-brand among other competing brands
(7) I am aware of this brand/co-brand
(8) I can quickly recall the symbol and logo of this brand/co-brand
(9) It makes sense to buy this brand/co-brand instead of any other brand, even if they are the same
(10) Even if another brand has the same features as this brand/co-brand, I would prefer to buy this brand/co-brand

Source: own elaboration on the base of L.C. Ueltschy, M. Lacroche, *Co-branding internationally: everybody wins?*, "Journal of Applied Business Research" 2004, Vol. 20/3, p. 102.

The analysis of the results of research proved that the application of co-branding strategy increases the customer-based equity level. The results showed that the use of both low and high equity partner's brand increased the level of perceived quality (Yoo and Donthu ten-item Multidimensional Brand Equity scale – (1)) and loyalty (Yoo and Donthu ten-item Multidimensional Brand Equity scale – (3)). The level of perceived quality was the highest in case of co-brand Zielona Budka-Wedel (6,55) and even if Terravita was evaluated as low equity brand in pre-test, the level of perceived quality of the co-brand Zielona Budka-Terravita (6,09) was higher than for the brand Zielona Budka (5,85). However, the influence of high-equity partners brand on the level of perceived quality is definitely more important (fig. 2).
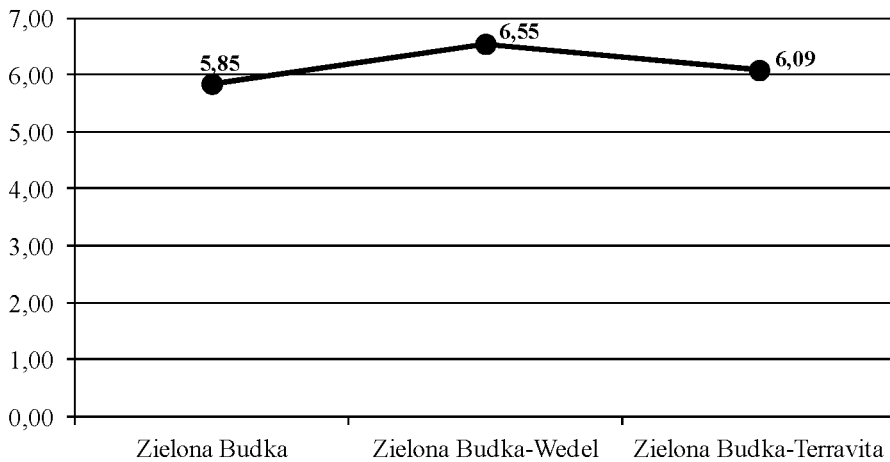

Fig. 2. The evaluation of perceived brand quality by customers

Source: own elaboration.

The similar results were received for the evaluation of the loyalty (fig. 3) with the best result for co-brand Zielona Budka-Wedel (5,82). The differences between evaluation of co-brand paired with high equity brand and evaluation of co-brand paired with low equity brand are more important in case of loyalty than in case of assessment of the perceived quality (0,46 – perceived quality, 0,66 – loyalty). While the differences between basic brand and co-brand paired with low equity brand are similar in case of the evaluation of loyalty and in case of assessment of the perceived quality (0,24 – perceived quality, 0,24 – loyalty).

Fig. 3. The evaluation of brand loyalty by customers

Source: own elaboration.

The results proved that the perceived quality of co-branded product is higher than perceived quality of single brand even if this brand is paired with low brand equity partner brand as well as that the level of brand loyalty is higher for co-branded product in case of co-operation of two high-equity brands and high and low equity brands than in case of single high equity brand. The results of this research confirmed the conclusions of the research realised by J.H. Washburn, B.D. Till and R. Priluck, and L.C. Ueltschy and M. Laroche'a.

Conclusions

Even the creation of strong brand requires today the continues development and research of the new possibilities of growth. Co-branding gives this opportunities. The analysis of the results of different international research as well as the own experiences show that co-branding products are better perceived by the customers.

The analysis of the results of presented research proved that co-branding increases consumers' evaluations of the partner brands' customer-based brand equity. Consequently thanks to the application of co-branding strategy, the companies can improve the image of one or the other partners brands and signal greater quality perceived by customers as well as increase the level of the brand loyalty.

POSTRZEGANIE PRODUKTÓW CO-BRANDINGOWYCH PRZEZ KONSUMENTÓW

Streszczenie

Co-branding jako strategia wprowadzenia na rynek produktu sygnowanego przez dwie marki partnerskie może być dobrym sposobem na poszerzenie zasięgu marki i wykorzystanie przez partnerów elementów kapitału marki partnerskiej. W artykule przedstawiono koncepcję co--brandingu, jego rodzaje i cele, jak również omówiono wpływ co-brandingu na zachowania konsumentów. W artykule dokonano także analizy wyników międzynarodowych i własnych badań dotyczących zachowań i postaw konsumentów wobec produktów co-brandingowych.

Tłumaczenie – Magdalena Grębosz