Co-Branding : Euphoria of Brand Alliance

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Abstract

The Branding has emerged as the top management priority in the last decade due to the growing realization that brands are one of the most valuable intangible assets that firms have. Co-branding strategies involve collaboration between two or more brands in order to launch a new product co-named by these two brands. With this type of agreement, brands enter markets sharing loyal customers that they would be unlikely to reach individually. The main advantages associated with implementation of this form of strategic co-operation are the possibility of jointly communicating brand image, reputation and credibility in a global market where consumers tend to have homogeneous preferences and convergent lifestyles. While co-branding does entail a degree of risk, such risk can be minimized through development of understanding among consumers toward co-branded products. Successful co-branding relationships can be developed by determining the key factors that influence the consumer evaluation of co-branded products. The aim of this research paper is to identify emerging co-branding opportunities and challenges to enhance the success of products.

Keywords: *Brand names, Co-Branding, branding strategy, brand association, consumer behavior.*

Introduction

The Branding is a very powerful component in business. The brand must have a logo to make branding easier and more possible. Consumers decide if they will buy a product or use a service based on how they view the brand. The brand itself tells us or let us imagine how good or bad the product is even if we never tasted it before! All the brand promotion and advertising tell us how great a brand really (like Nike) is. Once a customer likes a particular brand, he/she will definitely come back for repeated services or products. The qualities of products or services are ensured through the brand image. The brand is not only convenient for the business for repeated customer purchases but also easier for customers to filter out the countless generic items. The Brand gives consumers the reason to buy it and wastes less time for the the consumer to choose. There is no denying that the branding is important especially for the small business. Consumers are always willing to buy products they know and trust. A strong, well defined brand, gives a competitive advantage in the market. It allows the firm to charge more for the product knowing that consumers will remain loyal and buy it at the higher cost. That is the result of consistent reinforcing of the brand which enables positive responses from the consumer. Branding is one way to attract new customers. When a customer comes to buy the product because of all they have heard about the product and business, then it is certain that they are serious about buying. When a firm runs

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marketing campaigns, it is simply throwing out a wide net to attract a large number of customers.

The co-branding is a marketing arrangement to utilize multiple brand names for a single product or service. Also, the co-branding can be seen as a type of strategic alliance between two parties. Basically, the constituent brands can assist each other to achieve their objectives. Obviously, creating strategic alliances by engaging in the co-branding has become increasingly popular across many industries. A successful co-branding strategy has the potential to achieve excellent synergy that capitalizes on the unique strengths of each contributing brand. The co-branding is an increasingly popular technique for transferring the positive associations of one company's product or brand to another. In other words, creating synergy with existing brands creates substantial potential benefits of various kinds. Many well-known firms chose this marketing strategy in order to draw new customers, to increase the brand awareness, to support the customer loyalty or to win some other individual advantages offered by the partnership. The companies are very often following the co-branding strategy only after realizing that the traditional marketing practices are exhausted and are no more capable of delivering a distinct brand benefit that they should have. In the optimal case, the co-branding strategy makes use of the salient attributes of allying brands and offer opportunities for both players to reach a new market. However, the existence of a co-branding alliance can also cause an endogenous competition on consumer preferences (i.e., some consumers may change their preferences from one of the partnering brands to the other).

Branding Association

The brand alliance is a business strategy that combines two or more individual brands, products or other assets in either long-run or short-run to reinforce the market position. The brand alliance can be divided into several forms such as the co-branding, ingredient branding, composite branding as well as advertising alliance. However, the study of this paper only focuses on the co-branding strategy.

The brand creating is a long-term process but various studies have shown that brands can gain the high brand equity in a relatively short time through the co-branding strategy and even found that the level of the brand equity of each co-brand is even higher than the sum of both brands before their association. For example, in the case of Sony Ericsson mobile phones, Sony contributes the superior design competences while Ericsson brings the core telecommunication functioning in the collaboration. In few years, SonyEricsson acquired a leading position in telecommunication industry and ranked within top 3 in 2009 in the global cellular industry but neither Sony nor Ericsson company made it to the top 5 in this mobile category before the co-branding.

Perspective of firms

The co-branding appears to be a win-win situation for product categories that are compatible with each other and the co-brand that benefits the most is the one with the lower brand equity between the two. The co-branding is particularly advantageous for relatively unknown brands that pair with brands having higher brand equity. In this case, the strong brand gives competitive advantage to the weak brand that is seeking to build the brand awareness and the positive brand image. The brand with high brand awareness do not get any extra enhancement from co-branding because in a way they are already on the top and the strong brand has nothing to lose when the partner brand is weaker.

In the brand alliance context, the driver category is defined as a leader brand or a primary brand that has control over the market and distribution. The leader brand has the status of a modified brand by owning the customer base. For example, in the range of credit cards provided by Citibank such as Citibank Indian Oil International Credit Card etc., Citibank is the primary brand.

The partner brand which is also called secondary brand, can be seen as components (i.e. Intel processor is the component in Dell), products (i.e. Sony Ericsson) or people (i.e. Michael Jordan endorse Nike).

Strategic Implication for Co-Branding

When analyzing the co-branding, it is important to briefly discuss many implications of such a strategy.

The implications of a thorough brand strategy are becoming increasingly important for the companies as brands are acknowledged as an important strategic asset. Not only the value of brands and the brand equity are acknowledged among management but the whole idea of brands has recently been revitalized. Consumers are to a large extent aware of the marketing behind branded products and they are no longer only acting rationally. Rather they are considering the functional benefits of a given product. It is becoming clearer that brands need to provide the consumers with something else rather than just fulfilling a functional needs.

As mentioned above, the focus of branding has turned from a production-oriented strategy to a more holistic strategy including not only the production and advertising issues but also consumption-related issues where consumer analysis and attitudes are considered at all stages of the branding strategy. Views on branding distinguish brands as much more holistic entities that encompass more than just a name. "'What turns a product into a brand is that the physical product is combined with something else - symbols, images, feelings - to produce an idea which is more than the sum of parts. The two - product and symbolism - live and grow with each other in a partnership of mutual exchange".

The imperative strategic implications for the company can be described as:

- Competitive Advantage
- Differentiation Strategy
- Value Creation
- Brand Image Fit
- Product Fit
- Brand Equity Fit
- Country of Origin Fit

Factors for Co-Branding Strategy

To construct the co-branding strategy model, it is necessary not only to consider the important components of the marketing strategy such as marketing communication, channel and brand but also to consider alliance network relationships and the fit between the products and brands of alliance partners. Since developing a co-branding relationship requires relying on the respective resources owned by alliance partners, building an effective platform for information sharing is particularly important. In addition, the fit between the brands owned by each firm is also an important factor. Each critical factor and its role within the co-branding strategy are examined in further details below.

Networking Relationship

There could be some conflicts of interests among partners when alliance partners pool their resources. With the passing of time, the strategic benefits realized through the alliance may start to diminish. Furthermore, as bureaucratic cost increases and as knowledge and capability are exhausted, the alliance can no longer provide strategic value. Hence, building a relationship of trust and effective channels of communication reduces the risk of negative and speculative behaviors as well as helps the partners obtain synergy with their pooled resources.

Strategic alliances based on the co-branding face another dilemma. As the alliance partners learn from each other, they may also worry about the loss of their technical and operational know-how and capabilities. Scholars have made some suggestions to allow the alliance relationship to function effectively. First, in order to construct the foundation of an alliance based on trust, the alliance partners should build a complete safeguard system including patent application as well as protection and exit mechanisms for the contractual relationship of the alliance. Secondly, through the building of information sharing mechanism, the alliance partners can work together on tasks such as sales forecast, joint marketing planning and sales review. Within an environment of information sharing, alliance partners can pursue common goals, reduce the likelihood of conflict and realize the benefits of economies of scale. Lastly, it is necessary to evaluate to what degree consumers accept the new combined brand of the product and the brand fit between the alliance partners. The implication is that when the similarity of product attributes and the consistency of brand concepts between the alliance partners fit well together, consumers will more likely accept the existing brand extension. Otherwise, when there is a lack of fit for the similarity of product attributes and the consistency of brand concepts among the alliance partners, then the co-branding cannot produce beneficial results.

Co-Branding Types

The Co-brand can have different meanings for different groups of stakeholders. Its external value (for consumers and contractors) creates image and expectations. The internal meaning of the co-branding allows adding value for consumers as well as improving overall identity of the two companies which helps to create confidence and loyal customer base. Thus, the degree and type of the interfirm relationships will determine positioning of the new co-brand on the market. There are different positions of a co-brand depending on the type and degree of relationships in the companies: coalition, coordination, cooperation and collaboration.

Coalition refers to the union of two companies at the corporate level. It allows two companies to unite into one with a double name. Normally the name, which stands at the beginning of a co-brand belongs to the dominant company. The coalition brings the resources of companies together, changes the brand image, market share and makes the new brand generally more visible. Resources, in turn, are divided into tangible and intangible. The change in their tangible part - real estate assets, factories, technologies, employees and consumers – can be measured easily. Intangible assets - brand value, know-how, brand image perception – are weakly measurable. Therefore, the integration of intangible resources should be taken as a synergy of two separate brands which can in some cases be unpredictable and uncontrollable. Here the question about the correct partner is crucial.

Coordination assumes the union of two companies merging at the divisional level. It allows two departments of different companies unite together in one department of the company with a double name. Just as in the coalition case, the first brand in the joint name is usually the dominant brand of the company. The complexity of divisions coordination increases if one brand begins to negatively affect both the tangible and intangible resources of the other.

Collaboration implies that two companies work together as a combined company at the corporate level. Collaboration allows companies to share resources (technologies), knowledge and know-how to achieve shared goals. Collaboration not only increases the joint market share but also reduces overall costs of companies. Thus, despite the difficulty of achieving a common goal through coordination of resources, knowledge and managerial personnel, the potential benefit is quite large, if both companies seek collaboration.

And finally, ***Cooperation*** means that two companies work together in a joint enterprise at the divisional level. Cooperation allows two companies to assist each other while managing the new joint company. A good example of cooperation is Sony Ericsson. While excellent design capabilities were available at SONY, Ericsson was distinguished by a strong scientific research base. Thus, cooperation helps to compensate for the weaknesses of one partner by applying to the strengths of another company. The degree of relationship thus depends on whether the relationship involved the departments only or different merged companies as well as what are technologies, knowhow and other resources involved in the interaction between partners. From the side of the small and medium sized companies the main question is what are the resources and know how that the smaller firm can contribute to the partnership.

Rise of Co-branding in India

The co-branding is fundamentally a response to the need for the continual growth. However, whereas yesterday companies would have sought at any prices to acquire the new competences that were missing and restricting their ability to innovate, today they seek to find a partner with which to co-create. This is the era of alliances, partnerships and networked economy where each party retains its specialization, its key competence and then utilizes those others to the fullest extent. In the West, the brand is the name for a specific expertise or the state of mind in Asia, the brand is far less specialized. When trying to grow, the brand can reach the limits of its own identity and its specificity; it therefore has a need of an ally to fill the gaps where it is not competent. When this ally is competent but not legitimate, the partnership does not give rise to the co- branding. We can see therefore several strategic questions arise on the subject of the co-branding:

- Will the visible alliance of two brands create a favorable impression among customers?
- Is there a high degree of complementarities between two brand images that will create value?
- Is there a good 'fit' between these two brands, given the perceived status of each? As with any successful marriage, of course there must be complementarities, but also a common vision and shared values.
- Will the innovation be attributed to both partners or only to one of them?

Taking into account all these constraints, we infer that global co-branding in the present Indian market scenario would be profitable in the following sectors:

Retail Food Sector - Retail food sector is a growing industry in India at present and there are limited national players in this sector as of now. So collaboration of a foreign food retail chain, which has sufficient investment inflow to open a chain of outlets, even if it does not have a brand name in India, can team up with a global packaged food company or a global food brand which has sufficient presence in India. So the packaged foods company gets a good distribution outlet and the retail chain gets a recognized brand association.

Insurance Sector - In India, there are co-branding between a foreign insurance firm with an already existing company in the Indian markets which might not be into the insurance business but is at least identifiable with the banking sector. The new entrant into the insurance sector gets a recognized brand label.

Automobile Sector - In India, the co-branding occurred between tyre-manufacturers or any other reputed global component manufacturers and global car manufacturers. Here, it was advantageous for the component manufacturers who got easy accessibility to sell spare parts and the car manufacturer is also profited as it is very difficult to identify an appropriate car component manufacturers. The car manufacturer could strike a deal with the tyre dealer so that he would avail tyres at subsidized prices.

Media Industry - For foreign media giant to gain a foothold in the Indian markets, it is necessary to enter a co-branding arrangement with an already existing companies in the Indian market although it might be operating in a different field. The co-branding is beneficial for the marginal player in the industry. For example, Discovery Channel Online has gone in for a multi-year co-branding partnership agreement with Mercury, a division of Ford Motor Company. The alliance provides Mercury with exclusive brand sponsorship of Mercury's planet of wonders, a series of quarterly scientific experiments on Discovery.com.

Conclusion

The Co-branding is a emerging area of research for creation of the corporate identity. However, as in any other type of alliance, there are considerable risks to a brand's reputation if the wrong partner is chosen. In selecting a partner brand, one needs to thoroughly investigate the background and the reputation of the brand as well as values of the firm. Both partners should view the co-branding activity as contributing to long-term brand value, not as a way to "make a fast buck." Once the co-brand has been established, both partners must work together and maintain consistency, not only in how the new co-brand is portrayed but also the constituent or partner brands because they will become closely associated in the consumers' minds. The new co-brand's positioning must be supported by the product's characteristics as well as by the advertising message, price points and the choice of distribution outlets. This consistency must extend to the retailer level because inconsistencies in the brand communication may lead to reevaluation of the new co-brand as well as the partner brands. Other than the brand orientation and product involvement, the co-branded product evaluation can be influenced by one more factor i.e. the variety seeking consumer characteristic. In switching brands, variety seekers derive utilities from the change itself, regardless of brands involved. To keep customers brand-loyal as well as to accommodate their variety-seeking behavior, manufacturers of consumer goods might use co-branded products to establish new alternatives in existing and new product categories. The introduction of a co-brand offers variety seekers the opportunity to switch to the co-brand (produced by the original manufacturer and a new partner) instead of choosing a competitive brand from a different manufacturer. This strategy generates at least some revenue and

profit for the firm although the amount depends on the co- branding agreement. The Brand switching leads only to losses. In researching variety-seeking, it is also very important to analyze how the co-branding could offer a better or more profitable solution than a line extension strategy.

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