Strategic Advantage Through Successful Co- Branding

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ABSTRACT

Today's market is suffering from a syndrome of sameness where all the products offered to the customers look very similar. This similarity is not only from the sameness in the physical brand element but also in the symbolic value proposition offered to the market. In this situation marketers are searching for alternative method of branding for creating sustainable competitive advantage. Co-branding as an alternative branding proposition is fast making grounds due to various factors. The opening of Indian economy with spate of entries by multinationals makes it evident that the Indian consumer is going to face lot of products with co branding options. This paper looks in to the psychological principles of co-branding strategy and highlights the potential benefits and dangers of co-branding strategy as a brand building alternative in Indian Market.

Key Words: *Co-Branding, Classical conditioning, Conditioned stimulus, branding strategy, brand association, ingredient co-branding, joint venture co-branding, multiple sponsor co-branding.*

Introduction

There are various strategic options available to a marketer for building a strong brand in the market place. Brand image building is a long term process and three key issues need attention to make a brand distinct from other products or brands in the same product categories. It is difficult to develop a long term one way strategy for a brand and make it a success in the market place today due to sameness in the market. The market is flooded with products or brands with similar physical features and value promises and to make the condition worse for the modern marketer, there is a very high level of media clutter and advertising is fast loosing its effect over the customers. The high cost of media and complexity of consumer response to interactive media makes the marketer to look for new alternatives for brand management. The three distinct propositions have remained same for building brands but the approach to build a successful brand is undergoing a change in the current context. The three macro strategic issues relates to building a strong brand include a distinct value offer with a high level of sustainable competitive advantage, a differentiated positioning statement and a consistent positioning strategy.

In the attempt to build up a strong brand image marketers are using co-branding as a strategic option. Co-branding, co-partnering or dual branding is the act of using two established brand names of different companies on the same product. It has made inroads into nearly every industry, from automotive and high-tech Internet companies to banking and fast food. 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 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. This research paper outlines the most commonly used market phenomena called co-branding and then look in to issues related to strategies and prerequisites for a successful co-branding strategy.

A product is identified with a company by its brand, and usually consists of some type of identifier. The concept of co-branding consists of taking a product developed for one company, and changing the look and feel to match that of another company. The detailed co-branding process results in a product that is fully customized to meet the particular needs of a specific company with minimal change to the underlying technology, processes and modular functionality. Co-branding customization requires the work of both designers and developers.

Designers modify the look and feel in order match the new company's value offer. Developers add and remove product functionality modules in order to meet specific needs of the customer segments.

The very base of co-branding marketing strategy is related with brand association phenomenon. To understand the process of co-branding fully, the principles of classical conditioning may be used. Although classical conditioning is only one method for creating associations and advertisers do not follow strictly all the aspects of this theory, many classical conditioning principles can be applied to co-branding in advertising. Therefore it makes sense to examine co-branding from a classical conditioning perspective.

Originally classical conditioning was discovered as a method for creating physiological responses on animals. Pavlov’s classical experiment, in which a metronome is paired with the presence of meat paste on a dog’s tongue to elicit the salivation responses and where in the absence of the meat paste the dog salivates to the sound of the metronome, proved the theory of association.

Research suggests that humans develop physiological responses to such stimuli as well. Humans can even be conditioned to develop favorable or unfavorable attitudes towards brands/images (stimuli) or to develop understandings of the meanings of various stimuli, including products and brands. Similarly one goal in co-branding is to create favorable attitudes toward a new product by creating an alliance with a favorable existing product. Further, the advertiser may intend to associate a certain meaning with a new product by pairing it with an existing brand. Understanding the mechanism behind association formulation is very helpful in developing successful co-branding strategies.

One can explain the process of creating positive stimuli by co-branding strategy through classical conditioning. It can be described as follows: a stimuli that does not naturally produce a response, a conditioned stimulus (CS) is paired with a favorable stimulus, an unconditioned stimulus (US). With repetition (though it is possible to condition responses with only one pairing) the conditioned stimulus can elicit favorable responses that are similar to those elicited by the unconditioned stimulus.

The most important aim of co-branding is through combination of two brands in order to attract more customers and to maximize the power and prestige that each brand has to offer. The partnership helps in opening up new markets and marketing opportunities. Co-branding is a good way to influence customers in a psychological sense and give them the impression that their favorite brand has a lot more to offer. Co-branding provides two distinctive benefits. Both companies benefit from the partnership and so also the customers. The Domino's pizza buyer would receive a two-for-one movie coupon with the pizza or the movie goers would get a Rs.20.00 off on the Domino's pizza order.

A company gets preliminary benefit of instant brand recognition in markets where there may not be any consumer awareness (at the launching stage) or a lesser degree of consumer awareness a company desires. Other benefit is the financial advantage provided by the alliance. It results from the sharing space, which lowers operating costs, maximizes marketing dollars through joint promotions and increases marked exposure with one product carrying both brand names.

Despite the growing use of co-branding in practice, little empirical research has been conducted on the topic. Most of the literature on co-branding simply describes the strategy or discusses the advantages and disadvantages of co-branding arrangements. There are however two empirical studies dealing with this topic. In the first study by Simonin and Ruth (1998) consumer attitudes towards brand alliances are examined. The focus in this work is on spillover effects of brand alliance evaluations on the later evaluation of partners and on the role of brand familiarity in these relationships. The result of this study is that consumers´ attitudes toward a particular brand alliance influenced their subsequent attitudes toward the individual brands that comprise that alliance.

The second study by Park et al. (1996) deals with a Composite Brand Extension (CBE), combination of existing brand names, analogous to co-brand. It examines how consumers form the concept of the CBE based on their concept of their constituent brands, the roles of each constituent brand in forming this concept and the effective of the CBE strategy. According to the study a composite brand name can favorably influence subjects´ perception of the CBE and those complementarities between the primary and secondary constituent brands is a more important factor in the success of the CBE strategy than a positive evaluation of the secondary brand.

There are several approaches in trying to define different forms of co-branding. The first of its kind is by the process of differentiation in co-branding forms. There are four different forms of co-branding. The first form is *ingredient co-branding.* A representative example could be recognized when Maruti advertises that it uses MRF tires. Another form of co-branding is *same-company co-branding*. A Titan watch from the house of TATAs is an example of the second kind. *Joint venture co-branding* is yet another form of dual branding. The case of Godrej and Procter and Gamble is example of this kind. We are going to experience more number of joint venture branding in near future. Finally, there is *multiple-sponsor* form of co-brands as in the case of HCL computers with hardware alliance of HP, processor alliance of Intel and software alliance of Microsoft.

The second approach to co-branding forms defines approach of mixed markets, the umbrella approach and the cyber branding. The approach of mixed markets allows two firms to benefit from joint marketing and broaden customer base. The penetration of the market increases for both the organizations creating a classical win-win situation. The *umbrella approach* takes co-branding to its outer limits. As an example the organization HDFC can be used. It operates as the umbrella company for separate firms focusing on forcing effective marketing operations to serve the financial industry. The individual companies focus on securities, banking operations and housing loans and other needs of financial-services firms. According to leading marketers, co-branding helps the partnering companies to differentiate themselves in the financial industry, which experiences competition from nontraditional sources. *Cyber branding* is very well represented by the high-tech world of Internet banking. An example of the ICICI Bank can be presented. It co-brands with other high-tech companies in order to establish special products and services for those firms´ employees.

As natural with every marketing strategy, even with co-branding it is difficult to expect only positive results. There are far too many factors, which can influence either success or dismal failures. Co-branding has been successful in the credit card industry and is believed to have helped Citibank to improve its position by co-partnering with Indian Oil in India to offer specialized cards. On the contrary, however, though the Sony Mini Disk CD player held a prominent role in the film Last Action Hero, sales did not improved.

Though many firms try to co-brand in expectation of benefit, caution is recommended when using this strategies and common sense suggests that *theoretical research on association formulation* may help marketers gain the maximum amount of benefit from such arrangements. Co-branding should be beneficial to both parties and the products or services offered must provide a worthwhile benefit to both participants. The partner chosen for the co-branding strategy should be reliable and responsible. Both companies should represent the partnering company without any possible scandals and public relations problem. The acting of each single partner influences the customer bases very easily. Every business needs capital and also in creating partnership of two companies, the financial strength is very important. This is especially important for the future possibility of problems or slow sales periods.

To be more precise, before choosing a branding partner, it is necessary to consider that the existing brand usually awoke some association in the past. In some cases a problem can occur, and hence that a prior brand association may limit co-branding possibilities.

In order to mange the co-branding strategy successfully, it is important to identify the original associations tight to the brands, which are to create an alliance. There is a wide range of associations, which may be awoken among customers. Most common are the attributes of the product or benefits from it, but quite often are brands also associated with the celebrities, events that have been linked to it or even geographical location. The best example of a brand with a wide network of associations is Pepsi in Indian market. The brand is already associated with the celebrities that have endorsed it (both Amitabh and Sachin), the Cricket series, which Pepsi sponsors, the concept of refreshment, certain music that has been used in the advertisements, the color blue and even some Catch line *(yeh dil maange more*). Because of the high number of associations, difficulties could occur in trying to tie another brand to Pepsi in Indian market. It is also very important to remember that positive and also negative associations can be created. An example could be the Wills sponsorship for Indian cricket team where the brand is associated with cigarettes. There is no guaranty that the audience watching cricket belongs to the smoking part of population and in today's world full of "healthy ways of life" some people may connect negative associations with cigarettes.

The basic proposition of co-branding strategy implies that at least one of the stimuli is a familiar brand with which people have developed favorable associations. Marketing practitioners use popular stimuli that are well known to consumers. This strategy may however have its negative sides, when people are familiar with stimuli, it is more difficult to attach new associations to the product that awoke this associations. One way to avoid this problem is to try to show the familiar brand in a different context. Using this technique the stagiest can present a familiar brand in a different context and people will be more likely to pay attention. It is advisable to choose a brand that has a reasonable number of associations and that will also well connect with the target brand.

The ability to pair images such as two brands in co-branding is likely to be more effective when brands have something in common and relate to each other in the mind of the customer. When the target groups of customers of both companies to some extend match together and stimuli are similar, individuals are more likely to make the connection between them and it may be easier to formulate associations between them. Aside from simply choosing appropriate stimuli, research shows that it is useful to point out the similarities between these two brands.

Finally, research on the bundling of products suggests that products that have similar buying situations and bundled together are more favorable to consumers and consumers will pay more for them than products that do not belong together. To combine two completely different partners could cause into failure. For instance, if a banking industry tries to associate itself with a cartoon character might not be successful at all. The explanation of these results could be the fact that financial products are just not funny and humor is not an appropriate fit. For instance, the Daewoo Matiz, introduced in 1999, is positioned in the marketplace as a technologically advanced automobile. To introduce the image of a family car, Matiz made a very clearing advertising that the product was for families, had interior room and had a nice ride, and customers began to perceive the Matiz as a family car.

The quality of service to which the customers of each company are accustomed should be relatively the same and the ability to supply needed services equally also is to be considered. An example of importance of compatible quality could be the partnership of S.O.T.C. in India with Citibank credit card.

Once an association is formulated between two entities, it is difficult to attach the same association to a different brand. This could confuse the customers. For instance, it would be very difficult for a competitor to make the claim that his brand provides more dealer stations than Maruti, because the association between Maruti and service dealers is very strong. It is also not advisable to develop associations with more than one target brand at a time.

There are also other potential benefits connected to co-branding. Once a response is conditioned to a particular stimulus, individuals may respond in a similar manner to similar additional stimuli. It is possible that when you create an association between a target brand and a familiar positive brand, other brands, either your own similar brand or competitors´ brand, will also be associated with the stimuli. As an example we could use the Nike trade mark, which produces high quality sporting gears. This brand has become very popular among sportsmen across the world. The association which Nike awakes among the customers is “high performance through the – *Just Do It* caption”. When another brand of such similar sportswear tries to introduce this image, the association of Nike is reinforced.

In order to increase the effect it is recommended to repeat the co-branding connection several times by using co-branding in advertising. Advertisers using co-branding should be aware also of special aspects of this strategy like timing of the co-branding presentation and ordering of the images in order to achieve maximum association formulation. The optimal ordering of the images is supposed to be the presentation of the target product before familiar positive brand rather than after the familiar positive brand. This is known as forwarding conditioning. Although it is wise to consider the length of the relationship between the two branding partners, advertisers should also be aware that associations are fairly resistant to extinction**.** The fact that an association has not been reinforced does not mean that it automatically disappears over time. Once favorable stimuli were created, they last. Only if a target brand is presented repeatedly without pairing with the favorable familiar brand, extinction may occur, because the customers will no longer associate these two. Another risky situation may occur when co-branding, when additional association weakens the associations that had previously been created for that brand. Especially when the target brand is not a quality product or is not marketed adequately.

Co-branding is a dynamic branding strategy and its significance is growing especially with the increasing importance of Internet as a medium. Although the benefits of co-branding are immense especially in a complex market like that of India but there are also some risks which are inherent in the concept.

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