A Typology of Co-branding Strategy: Position and Classification
Wei-Lun Chang
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Wei-Lun Chang, Tamkang University, Taiwan

ABSTRACT

As many companies seek growth through the development of new products, co-branding strategy provides a way to develop new products. However, combining two brands may cause brand meaning to transfer in ways that were never intended. The present paper advances research on co-branding strategies by proposing a conceptual framework of co-branding through a typology with three concepts: co-branding aim, category, and effect. The typology framework not only provides a roadmap of co-branding strategies but also illuminates issues related to co-branding for related research.

INTRODUCTION

As many companies seek growth through the development of new products, co-branding strategy provides a way to develop new products as successful brands provide signals of quality and image. Co-branding involves combining two or more well known brands into a single product. A successful co-brand has the potential to achieve excellent synergy that capitalizes on the unique strengths of each contributing brand. In the last decade, co-branding and other cooperative brand activities have seen a 40% annual growth (Spethmann and Benezra, 1994).

Companies form co-branding alliances to fulfill several goals, including: (1) Expanding their customer base, (2) achieving financial benefits, (3) responding to the expressed and latent needs of customers, (4) strengthening competitive position, (5) introducing a new product with a strong image, (6) creating new customer-perceived value, and (7) gaining operational benefits. One industry in which co-branding is frequently practised is the fashion and apparel industry (Doshi, 2007).

The basic principle behind co-branding strategies is that the constituent brands assist each other to achieve their objectives. Utilizing two or more brand names in the process of introducing new products offers competitive advantages. The purpose of the double appeal 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 on a product reinforces the reception of high product quality, leading to higher product evaluations and greater market share.

Co-branding may also affect the partner brands negatively. James (2005) showed that combining two brands may cause brand meaning to transfer in ways that were never intended. Thus, the potential benefits and risks associates with co-branding strategies must be explored and carefully examined. However, little research has addressed co-branding strategies, examined the factors to determine a successful strategy, or assessed the impact of two or more merged brands. Currently, a conceptual framework of co-branding is still lacking. This framework may offer researchers the freedom to study co-branding phenomena from various perspectives and provide guidelines that will help highlight similarities and differences among various co-branding strategies. The present paper advances research by proposing a typology using co-branding aim, category, and effect to research co-branding strategies. The typology indicates the importance of co-branding strategy and furnishes a starting point for future research.

Following this introduction, Section 2 surveys the literature for co-branding research, Section 3 provides a typology for co-branding strategies in terms of three sub-sections, Section 4 analyzes and evaluates existing co-branding cases, Section 5 discusses the managerial implications for future co-branding, and Section 6 furnishes a conclusion.

LITERATURE REVIEW

Co-branding

Co-branding is a strategy of brand alliance. In the marketing literature,co-branding has been used interchangeably with labels such as brand alliance and composite branding. Grossman (1997) broadly defined co-branding as “any pairing of two brands in a marketing context, such as advertisements, products, product placements, and distribution outlets”. More narrowly defined, co-branding stands for the combination of two brands to create a single, unique product (Levin et al. 1996, Park et al. 1996, Washburn et al. 2000).

Co-branding is a special case of brand extension in which two brands are extended to a new product. In a co-branding alliance, the participating companies should have a relationship that has potential to be commercially beneficial to both parties.

Various theories have been used to explain how consumers reconcile their attitudes towards co-branded products. For example, cognitive consistency suggests that consumers will seek to maintain consistency and internal harmony among their attitudes (Anderson 1981, Simonin et al. 1998). Similarly, the theory of information integration suggests that, as new information is received, it is processed and integrated into existing beliefs and attitudes (Schewe 1973).

Table 1 Benefits and problems for co-branding strategy

Benifits of co-branding	**Problems with co-branding**
Increased sales revenue	Once a co-brand takes a position in market, it becomes difficult to dismantle the co-brand and even more difficult to re-establish the brand alone.
Exploring new markets with minimum expenditure	Companies having different visions and cultures are incompatible for co-branding.
Sharing of risk	Repositioning of a brand by one party may adversely influence the other party's brand or campaign.
Improved product image and credibility with another brand association	Mergers and takeovers of one party may prove detrimental to other party.
Increased customer confidence with the product	Future environmental changes—like political, legal, social, or technological changes—or changes in consumer preferences may give unexpected outcomes.

Source: Doshi (2007)

Empirical research on co-branding is limited to relatively few studies that have usually examined product concepts or fictitious products rather than real instances of co-branding. Park et al. (1996) examined the effects of product complementarily to evaluate co-branded product. The results revealed that product complementarily is the key appeal in co-branding because it allows the co-brand to inherit the desirable qualities of each brand. The pairing of high-quality or high-image brands is another area that has received attention in co-branding literature (Washburn et al. 2000, McCarthy et al. 1999, Rao et al. 1999).

Brand Alliance

Brand alliance is a branding strategy used in a business alliance. Brand alliance, which has become increasingly prevalent, is defined as a partnership or long-term relationship that permits partners to meet their goals (Cravens, 1994). Rao and Ruekert (1994) treated co-branding as a strategic alliance and proposed a managerial decision template to analyze the cost and benefits of joint branding. Moreover, they discussed the implications for different types of alliances and determined the value of each brand to the partners.

Desai and Keller (2002) argued that the main advantage of a brand alliance is that a product may be more uniquely and convincingly positioned by virtue of the multiple brands involved, thereby generating more sales and reducing the cost of product introduction. However, an unsatisfactory brand alliance could have negative repercussions for the brands involved.

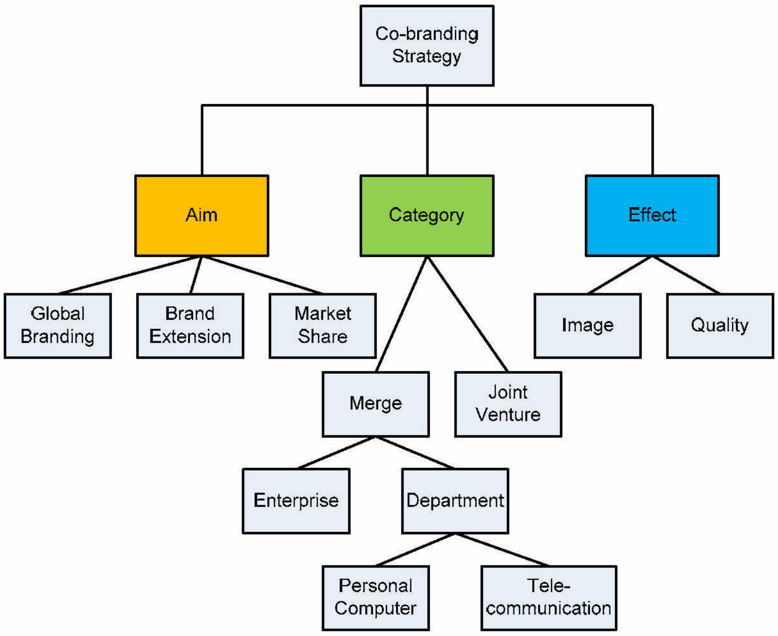
Most of the extant research focuses on how consumers' attitudes toward the brand alliance and the images of the allied brands interact with each other. Park et al. (1996) compared co-brands to the concept of conceptual combinations in psychology and revealed how carefully selected brands could overcome the problems of negatively correlated attributes. Argawal and Rao (1996) argued that a brand alliance could signal product quality when the loss of reputation (future profit) or sunk investments were significant enough for the branded allies. Simonin and Ruth (1998) found that consumers' attitudes toward a brand alliance could influence subsequent impressions of each partner's brands, although these effects also depended on other factors, such as product fit or image congruity.

Summary

The available literature addresses the significance of co-branding; however, a conceptual framework that unifies research in the area is still lacking. The current study creates a unifying framework from well known co-branding cases in terms of several dimensions. Consequently, a conceptual framework will be needed to provide guidelines for studying co-branding phenomena which (1) organize existing knowledge, (2) unify alternative streams of research, and (3) examine similarities and differences among co-branding strategies.

TYPOLOGY OF CO-BRANDING STRATEGIES

This section surveys the existing co-branding companies and proposes a co-branding typology for a co-branding strategy, including aim, category, and effect.



Co-branding Strategy
Aim
Category
Effect
Global Branding
Brand Extension
Market Share
Image
Quality
Merge
Joint Venture
Enterprise
Department
Personal Computer
Tele-communication

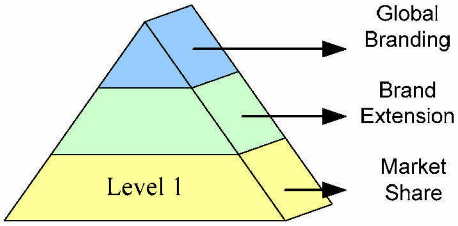
Figure 1 Three concepts of co-branding strategy

Co-branding Aim

The three-level framework shown in Figure 1 classifies co-branding aims according to current co-branding cases. Level 1 aims to penetrate the market in order to increase market share, which is the fundamental purpose for existing co-branding strategy. Level 1 aim occurs when, for example, HP merged with Compaq and extended its laptop/desktop market share in order to compete with IBM.

Level 1: Market Share (HP/Compaq)
Level 2: Brand Extension (BMW/MINI)
Level 3: Global Branding (Sony/Ericsson; IBM/Lanovo; BenQ/Siemens; Daimler/Chrysler)

Level 2 attempts to broaden and extend the brand based on current market share. For example, BMW merged with MINI to extend its brand image in the compact car market (e.g., MINI Cooper). Level 3 intends to achieve a global branding strategy by means of combining two brands. For instance, Sony and Ericsson's engaged in a joint venture for a co-branded name in the telecommunication industry to compete with Nokia and Motorola; Lanovo purchased IBM's PC department to penetrate the global PC market; BenQ obtained Siemens' telecommunication department to broaden its brand image and global market share; Daimler merged with Chrysler to extend its European market.



Global Branding
Brand Extension
Market Share
Level 1

Figure 2 Co-branding aim framework

The Co-branding aim framework furnishes a preliminary classification for co-branding strategy in terms of market share, brand extension, and global branding. Corporation can position their co-branding aims from a macro perspective based on this framework.

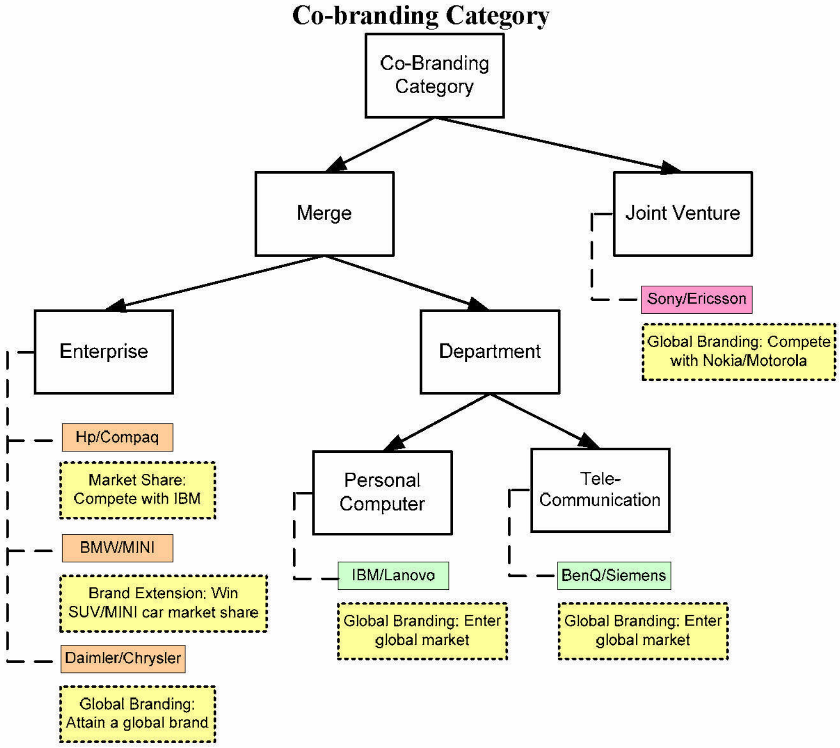

Co-branding Category
Co-Branding Category
Merge
Joint Venture
Sony/Ericsson
Global Branding: Compete with Nokia/Motorola
Enterprise
Department
Hp/Compaq
Market Share: Compete with IBM
BMW/MINI
Brand Extension: Win SUV/MINI car market share
Daimler/Chrysler
Global Branding: Attain a global brand
Personal Computer
Tele-Communication
IBM/Lanovo
Global Branding: Enter global market
BenQ/Siemens
Global Branding: Enter global market

Figure 3 Co-branding category

The co-branding category provides a classification model for existing co-branding cases. First, we separate co-branding companies into two sub-classes: the "merge" and "joint venture" types. Sony/Ericsson is an example of joint venture type, since it stands for two companies invested in one single company. In this case, the joint venture company aims to implement a global branding strategy in order to compete with Nokia and Motorola.

The merge type can be separated into enterprise and department levels. The enterprise level is when two companies merge into a single company. Similarly, the department level occurs when only departments combine into a single department. The enterprise level has three particularly well known examples, Hp/Compaq, BMW/MINI, and Daimler/Chrysler). The Hp/Compaq enterprise-level merge type of co-branding was a significant event in the IT industry, wherein Hp/Compaq aimed to gain the majority share of the PC/laptop market in order to compete with IBM. Unfortunately, the market share didn't increase much after two companies merged. BMW/MINI is another well known example of an enterprise-level merge type of co-branding; this merger aimed to attain brand extension in order to win a larger share of both the SUV and mini car market. To this end, BMW/MINI launched MINI Cooper and the X5 and successfully entered the SUV and mini-car markets. Daimler/Chrysler is also a well-known example of global branding in order to attain a global market, especially in Europe.

The department-level merge type of co-branding can be divided into personal computer and telecommunication departments. IBM/Lanovo was a significant merging event in the IT industry; that IBM sold its PC department to Lanovo and the right to use its brand name for 5 years so that Lanovo could pursue a global branding strategy in order to enter the global PC/laptop market. BrenQ/Siemens is a well known failed example. BenQ wanted to pursue a global branding strategy in the telecommunication industry by joining with Siemens' telecommunication department; unfortunately, they gave up financial support to Siemens' telecommunication department in the third quarter of year 2006. The co-branding category includes merging or joint venture and enterprise-level and department-level for current co-branding cases. The classification model not only specifies the features of co-branding examples in terms of category but designates the roadmap for future co-branding companies.

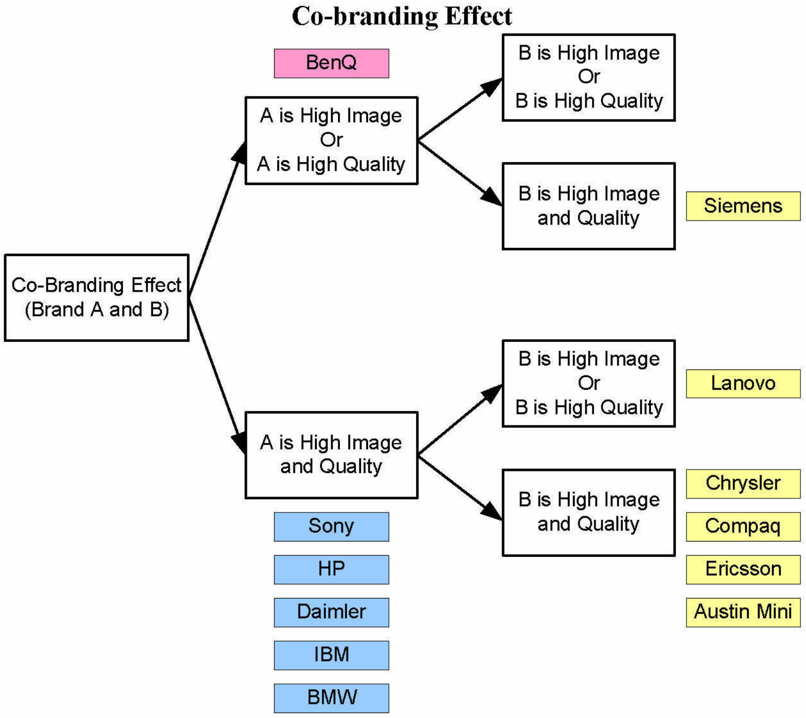

Co-branding Effect
BenQ
A is High Image Or A is High Quality
B is High Image Or B is High Quality
B is High Image and Quality
Siemens
Co-Branding Effect (Brand A and B)
B is High Image Or B is High Quality
Lanovo
A is High Image and Quality
B is High Image and Quality
Chrysler
Compaq
Ericsson
Austin Mini
Sony
HP
Daimler
IBM
BMW

Figure 4 Co-branding effect

In this section, we classify co-branding cases based on *effects* in terms of image and quality. Two companies may have their own effects before they merge: for example, high image or high quality. In the existing cases, BenQ had high image in the global market but lacked an impression of high quality. Therefore, BenQ improved its product quality by combining with Siemens' high image/quality impressions.

IBM, on the other hand, had high image and high quality, so Lanovo improved its low image impression in the global market by combining with IBM. In other cases, the companies had both high image and high quality in their co-branding strategy (e.g., Sony/Ericsson, Hp/Compaq, BMW/MINI, and Daimler/Chrysler).

The co-branding effect classifies existing cases into two dimensions in terms of image and quality. Image indicates the brand impression in the global market and quality specifies the company's quality impression. The co-branding effect classification model not only categorizes the co-branding effect but provides clues for the combinaiton of image and quality.

EVALUATION

In this section, we evaluate the co-branding strategies from existing cases in terms of global brand ranking by tracking the rank of each co-brand from 2001 to 2006 in a top-100 global brands ranking list provided by *Business Week*, as shown in Table 2. IBM's 2004 rank had not changed by 2006, even after IBM sold its PC department to Lenovo with its brand name for in 2004. IBM's brand rank is powerful and stable, maintaining its brand at #3 for 6 years (2001 to 2006). Hence, the co-branding strategy for Lenovo to merge with IBM's PC department was successful which didn't hurt IBM's reputation.

In the case of DaimlerChrysler, the two companies, located in Europe and U.S., respectively, merged in 1998. The brand rank changed slightly, dropping from #10 to #12 over the 6 years from 2001-2006. The co-branding strategy for DaimlerChrysler aimed to extend its global market and stabilize its brand rank. While, as of 2006, it appeared that the strategy was working, events in 2007 have shown the strategy to be a failure.

HP raised its brand rank from #14 in 2002 to #12 in 2003 after it merged with Compaq in 2002. Before 2002, Compaq held a huge share of the PC/laptop market, and HP attempted to extend that market share against IBM by merging with Compaq. The increase in brand rank revealed that the co-branding strategy for HP-Compaq was successful.

BMW improved its brand rank from #22 to #15 when it merged MINI and Rover in 1994. Despite the fact that the merger year is earlier than 2001, the significant increase in brand rank shows that BMW won mini-car and SUV market share against competitor Mercedes-Benz. BMW's brand rank continued to rise during 2001-2006 as well. Thus, the co-branding strategy for BMW was successful.

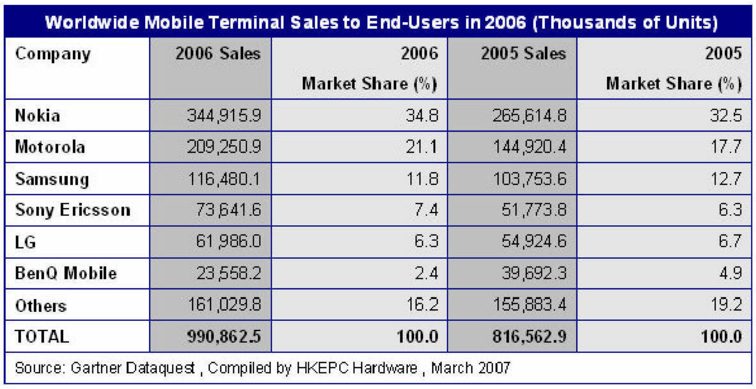
In the telecommunications industry, Sony was not in the leading group of Nokia, Motorola, and Samsung before merging with Ericsson in 2001. In the first merged year, Sony-Ericsson had losses and remained out of the leading group. However, they began to earn profits in the second year and Sony-Ericsson is currently in the top 4 in terms of market share. Although its brand rank stayed at the same level from 2001 to 2003, Sony-Ericsson's 7.4% growth in the market share was dramatic. Thus, the co-branding strategy for Sony and Ericsson was successful.

Siemens sold its telecommunication department to BenQ in 2005, and BenQ's market share decreased from 4.9% in 2005 to 2.4% in 2006. Thus, BenQ terminated the scheduled merger in the third quarter of 2006. Meanwhile, the brand rank for Siemens increased only by one. Thus, the co-branding strategy for BenQ-Siemens failed.

Table 2 Comparison of 6 Co-branding cases in the global brand ranking list

Company	2006 Brand Rank	2005 Brand Rank	2004 Brand Rank	2003 Brand Rank	2002 Brand Rank	2001 Brand Rank
IBM	3	3	**3**	3	3	3
DaimlerChrysler	10	11	11	10	10	12
HP	13	13	12	12	**14**	15
BMW	15	16	17	19	20	22
Sony	26	28	20	20	21	**20**
Siemens	44	**45**	39	NR	NR	98

Source: *Business Week*, 2006



Worldwide Mobile Terminal Sales to End-Users in 2006 (Thousands of Units)

Company	2006 Sales	2006 Market Share (%)	2005 Sales	2005 Market Share (%)
Nokia	344,915.9	34.8	265,614.8	32.5
Motorola	209,250.9	21.1	144,920.4	17.7
Samsung	116,480.1	11.8	103,753.6	12.7
Sony Ericsson	73,641.6	7.4	51,773.8	6.3
LG	61,986.0	6.3	54,924.6	6.7
BenQ Mobile	23,558.2	2.4	39,692.3	4.9
Others	161,029.8	16.2	155,883.4	19.2
TOTAL	**990,862.5**	**100.0**	**816,562.9**	**100.0**

Source: Gartner Dataquest , Compiled by HKEPC Hardware , March 2007

Figure 5 The Market Share for Worldwide Mobile Terminal Sales in 2006

While research on a single-brand strategy is voluminous, theory development and empirical verification of co-brand strategies is lacking, so even a preliminary and incomplete co-branding typology, such as the one in this study, is useful. The purpose of developing the typology is to position various co-branding cases in terms of aim, category, and effect. The most important element of the typology is the distinction between single-brand and co-branding strategies. Positioning co-branding strategies from aim, category, and effect will allow researchers to draw and accumulate knowledge about co-branding strategies.

The rationale behind co-branding strategies is the synergy of two brands. Most researchers have studied brand extensions but have ignored the mixed effect of two brands. The proposed typology provides a starting point and framework that uses certain criteria to classify not only existing co-branding cases but future examples.

CONCLUDING REMARKS AND FUTURE WORK

This research synthesizes existing co-branding cases and proposes a typology for co-branding strategies in terms of co-branding aim, category, and effect. The co-branding aim can be elaborated to consist of market share, brand extension and global branding at three different levels. This typology may help managers to understand and apply appropriate aims to co-branding cases.

The co-branding category classifies the essences of two brands, so different co-branding categories may generate different co-branding strategies. For example, if two enterprises merge, the co-branding strategy will be more extended than if two brands' departments merge. The managers can follow the logic behind the provided co-branding strategy for two companies.

Finally, the co-branding effect distinguishes the effects between single-brand and co-branding in terms of brand quality and image. The manager can verify the effects of original brands and predict the possible synthesized effect for a co-brand. Future cases may broaden the effects of combination on existing shortcomings.

Additional empirical research can be conducted to extend and add detail to the proposed typology from either a consumer or a company perspective. This work is the first attempt to provide a typology for co-branding strategies from existing cases, providing a roadmap to co-branding strategies and illuminating co-branding issues for related research.

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