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Effect of Co-Branding on Brand Equity

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Abstract. Co-branding is one of the growing techniques used by marketers and strategists to reinforce positive image of one brand on to another brand. This research study seeks to explore the association of individual brands and composite brand before and after trial. For this purpose, data from 200 respondents was collected at purchase points at key shopping malls in Karachi. Convenient sampling was used to reach the target respondents. Questionnaire for the research was utilized from early existing researches and responses were measured on 26 items brand equity scale developed by Ref. [13] on five point Likert scale. Brands have been classified into high and low equity categories making four permutations of High/High, High/Low, Low/High and Low/Low. Findings of the study suggest that co-branding is a win-win strategy for the firm as both brands benefit from this association. As a result of positive product trial, improvement in brand equity is evident. It is also evident that when High equity brand is combined with low equity brand it upgrades the image of combined brand. However pairing of low equity brands may and may not better the positive image of the brand. As a result positive product trial combined equity increases however degree of increase fluctuates with pair of combinations.

Keywords: Brand Management, Brand Equity, Co-Branding, Product Testing.

1. Introduction

A relatively new development in the field of marketing that has gained wide attention of academicians and practitioners is Co-branding commonly known as fusion and synergy between two or more brands. In Co-branding two or more individual brands integrate their activities and operations in order to attain mutual objectives. This happens when these individual brands, known as constituent brands form one identity and sell as composite brand. Consumers have known more and more of such brands as co-created products; *Granola bars* uses pieces of the *Snickers chocolate Bar* or when *Eddie Bauer* decorates the interior of the new *Ford Explorer*, and when *Hershey's* chocolate flavors are included in *Betty Crocker's Brownie mix.* A study conducted in Cambridge by Ref. [1] categorizes Co-branding in three types: market share, brand extension, and global branding. The First level is where one company joins with another in form of a merger or acquisition or otherwise to penetrate the market. The Second level is to grow the brand and its product line at times using vertical or horizontal integration considering the company's current standing in the market. The Third level helps brand become a global identity by the unity of two individual brands. Other forms of co-branding include joint promotion as McDonald's and Disney integrated to improve their market positioning. In joint advertisement, Apple Macintosh PowerBook was promoted in the film Mission Impossible [2]. Products that have a complimentary usage like Coca-Cola and Bacardi Rum also collaborate their Promotions. Firms in today's world are increasingly engaging in strategies to enter new markets and gain more and more customers. Strategies are also designed to combat local brands and to share promotional costs [3].

1.1. Brand equity

The total number of assets and liabilities that are associated with a brand constitute its brand equity [4].This includes total intangible value and associations of a respected brand. Brand equity is measured through five key dimensions: Brand Loyalty, Brand Awareness, Perceived Quality, Brand Association & other proprietary brand assets. The brand equity not only signals marketers design coherent brand strategies but navigates shoppers in making purchase decision [5].

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1.2. Association between cobranding and brand equity

Brand elements such as name of product, logo, color and slogan are key stimuli in creating brand image and positioning. A Brand name conveys information about the product [5]. Brand name is so important that it imprints a lasting image in the mind of a customer hence brand equity is also dubbed as "collection of experiences with different brand names" [5].

Co-branding has multiple aspects that are linked to individual brand names. Since the newly formed product is unknown to the consumers mind the individual Brand name has a deep memory embedded in their memory. Consumers form their perceptions about the co-brand from the brand names they have previously known. Though, results can turn out to be bad for the co-branded product if the experience with the constituent brand has been negative. Co-branding does associate some risks such as one of the two or more brands can have a negative reputation. Brand Associations are memories connected to the brand. These associations help shape perceptions of consumers. Therefore, whether a brand is positioned individually or partnered previous experiences give meaning to a brand's equity. When a product is tried or tested, it is the consumer's first experience when he/she uses a brand. It helps determine thinking, reaction and willingness to purchase the brand [6]. It is really important to understand consumer's experience when they tried a particular brand. Researchers have also seen the effects of advertising in shaping the perceptions about a brand [7].This paper will be a major contribution to the existing work done in this particular field of marketing. It will act as a major source or reference for organizations while designing and implementing their strategies and maintaining their brand equity. Careful investigation of these problems and development of strategies will help firms promote their brands and gain valuable insights about the consumer. Ref. [8] describes the corporate world facing fierce competition and all organizations focus on the consumers and how to bring their products in the focal point of their respective markets. Meeting the consumer at the right time and right place key to company success.

2. Literature Review

The word brand engenders brand equity; which include all positive and negative experiences about the brand. Brand elements inscribe an image in the mind of customers. They stimulate perception and image of product and the firm [4]. Brand equity is the term used to quantify and express a Brand [4]. Brand equity is an impetus that defines why customers chose to buy a product, in other words it accentuates brand allegiance. Brand equity is reinforced when a consumer passes through an experience of making product choice [4].

The brand equity shows worthy and unworthy characteristics of a specific product [9]. The main components of brand equity are the power of the brand, knowledge about the brand, the awareness about the brand and the image of the brand in the mind of customers [10].

The consumers hold a favorable, unique and powerful understanding of the brand known as brand experiences. These experiences help consumers shape their behavior as well as the beliefs that endorse benefits of the product [11]. It has been established that brand loyalty and brand equity have strong correlation. Brand loyalty augments brand equity in proportionate terms [12]. Brand equity can be gauged through brand awareness. Like brand loyalty, brand awareness is positively correlated with brand equity [9]. Brand awareness in association with overall experience determines brand allegiance and well as purchasing patterns. The perceived quality is also one of the key elements used to measure brand equity [11]. Ref. [12] focuses on two dimensions of loyalty; loyalty which entails purchase intentions and loyalty that shapes attitudes and patronage behavior. These factors determine the performance of the brand. Ref. [13] investigated if loyalty is affected by repetitive purchase of a brand. Firstly loyalty is evident through customer's repeat purchases secondly by announcing positive word of mouth.

Ref. [14] used a different approach to understand and determine the role of loyalty. He picked segments where the brand was never found to see its potential growth. The findings of the study suggested that loyalty of a brand increases regardless of the fact that the market has existing branded products. The study is by far the closest analysis of brand loyalty and consumer intentions [15]. Ref. [16] discussed how consumers use brand names and product quality to predict the performance of products. Ref. [17] proposes strong association between brand image and brand equity. He further argues that brand image is inculcated through products packaging. Consumers are easily moved by hidden queues promulgated through marketing communications. Successful brands have been developed on their image building equity of the brand. Brand equity has become a financial concept rather than a value amount placed on the brand. It is therefore pertinent to suggest brand image as a key driver of brand equity [18]. Past studies preach building brand awareness and brand image at the same time. Positive brand equity is generated by communicating brand Image and brand awareness. Co-branding has been used by more and more firms today. Ref. [19] proposed that attitude of consumers is shaped in accordance with brand alliances and awareness amongst consumers. Researches argue that the attitudes of consumers towards composite brand are result of attitude towards individual brands. Ref. [20] argued that individual brands reinforces composite brand image.

3. Research Methods

This research is a quantitative in nature as analysis of is based on descriptive and inferential statistics of primary data. This cross sectional data was collected from 200 respondents at actual points of purchase and point of consumption locations in the Defence and Clifton areas of Karachi. After screening, data of 150 respondents was utilized for statistical purposes. Convenient sampling was used to reach the target respondents of the study. Questionnaire for the research was utilized from early existing researches and responses were measured on 26 items brand equity scale developed by Ref. [21] on five point Likert scale. One way ANOVA and Paired t test are used to analyze the data and test all hypothesis.

4. Results

Table I: ANOVA and Turkey Multiple Mean

Total Brand Equity Rating					
Co-Brand	Before Trial	After Trial	Diff	t-ratio	p value
A/B	4.75^{a}	5.12^{ab}	0.37	5.70	0.01
A/C	$4.62^{a,b}$	4.82^{abc}	0.20	2.296	0.021
D/B	$4.32^{a,b}$	4.96^{abc}	0.64	7.716	0.000
D/C	3.86^{a}	4.61^{a}	0.75	5.523	0.000
ANOVA (F(3,127)=6.95,P_0.001)					

Notes: Within a single product trial condition, different superscripts indicate significant differences and the same superscripts indicate no significant differences. For example, A/B (4.75) is not significantly different from A/C (4.62) since both have a superscript of ``a'', but is significantly different from D/C (3.86) since the two co-brands have different superscripts (``a'' versus ``c'')

Table II: Brand Equity = Equity Constituent Brands: before V. after Trial

	Paired with HE brand					Paired with LE brand				
High Equity Brands	Before Trial	After Trial	Diff	t-Ratio	p value	Before Trial	After Trial	Diff	t-Ratio	p val
A	4.89	4.97	0.08	0.997	0.326	4.76	4.76	0	0.039	0.969
B	4.76	4.92	0.16	3.25	0.003	5.21	5.3	0.09	1.16	0.256

Hypothesis one proposed that brand equity will be in following order from high to low: High-High, High-Low and Low-Low. This hypothesis was confirmed as results are statistically significant hence brand equities are rated from highest to lowest brand equities. Before trial A (High brand) & B (High brand) suggested highest brand equity and D (Low) & C (Low) suggested lowest brand equity. This is indicated by Tukey multiple mean as brand equity rating of D/C (3.86) is low than A/B (4.75). Scores are given in table 01. Hypothesis two postulated that after trial HE/HE combination of brands will generate highest ratings and Brand equities of HE/LE or LE/HE will increase due to positive trial; as a result of positive product trial brand equities of LE/LE will also increase. Brand equity of A/B (High-High) increased after trial hence Ho2

(i) is supported. Brand equities of A/C increased after product trial from 4.62 to 4.82 , D/B increased from 4.32 to 4.96 and D/C from 3.86 to 4.61 hence all these hypotheses are supported therefore we conclude that there product trial moderates brand equity ratings.

5. Discussion and Conclusion

A brand has a persona and image in the mind of consumers and it is based on the sum of all information and experiences consumers have with the brand. This association with brands generates another important variable termed as brand equity which is investigated when a brand is paired with another brand. This is reflected in the buying decision of consumers when individual brands are combined and appreciated or depreciated in the mind of consumers. Before and after product trial brand equities were examined with four combinations. High equity brand combined with high equity brand , high equity brand combined with low equity brand , low equity brand combined with high equity brand and low equity brand combined with low equity brand. The brand equity of composite brand is expected to depend on brand equities of individual brands.

This study suggests that combination of high equity brand strengthens the image of combined brand. It is also evident that when High equity brand is combined with low equity brand it augments the image of combined brand. However pairing of low equity brands may and may not support the positive image of the brand. As a result positive product trial combined equity increases however degree of increase fluctuates with pair of combinations. Our study concludes that co-branding augments the brand image regardless of low or high brand equity. High equity brands will not depreciate when paired with low equity brands. High equity brands are more immune to negative perceptions and transfer their immunity to low equity brands. Co-branding therefore is a good solution for brands with low image and equity. This is evident that consumers can distinguish between two partnered brands either low or high therefore brand managers should exploit this co-branding strategy smartly.

6. Future Recommendation

This study focuses on positive product trial strategy, negative experiences as a result of co-branding should be investigated in future studies. Moreover it is imperative to study the co-branding in services business.

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