Special Topics Session “When Brands Join Hands: Examining the Reciprocal Effects of Brand Alliance Strategies on Partner Brand Equity”

The Reciprocal Effect of Co-branding: a Counter-Extensions Perspective
Piyush Kumar, Vanderbilt University

A brand that successfully extends from its parent category into a new extension category often faces a counter-extension by a brand from the extension category back into its own parent category. However, there is little guidance available regarding how brand extension strategies need to be adjusted in order to mitigate the risk to the parent brand from counter-extensions. This research examines the differential impact of co-branded versus solo-branded extensions on customer evaluation of brand counter-extensions. It demonstrates that customers evaluate a counter-extension less favorably if the preceding extension by the focal brand is co-branded than if it is solo-branded. The findings suggest that co-branding may not only improve the attribute profile of a brand’s own extension, it may also help protect the brand against counter-extensions.

Image Reinforcement or Impairment: The Effects of Co-Branding on Attribute Uncertainty
Tansev Geylani, University of Pittsburgh
Frenkel Ter Hofstede, University of Texas at Austin
Jeffrey Inman, University of Pittsburgh

We investigate when a brand’s image is reinforced or impaired as a result of co-branding, and which partner is right for a firm that considers co-branding for image reinforcement. We address these issues by conceptualizing attribute beliefs as two-dimensional constructs: the attribute’s expected value and its uncertainty. We argue that these beliefs are updated after consumers are exposed to a co-branding activity and present a model that describes the updating mechanism. We generate several propositions and test them via an experiment. Our findings indicate that expected values of the attributes may improve as a result of co-branding. Further, our results show that under certain conditions, uncertainty associated with the partner brands increases through the alliance.

The Impact of Ingredient Branding Strategies on Brand Dilution
Vanitha Swaminathan, University of Pittsburgh
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While much research has focused on positive reciprocal effects, this paper examines the negative spillover effects of ingredient branding strategies on the host and the ingredient brands. We demonstrate that successful and unsuccessful ingredient branded products can result in brand dilution. The first study examines how unsuccessful ingredient branded products can impact the host and ingredient attitude. The results suggest that negative information regarding the ingredient branded product weakened host and ingredient attitudes. The second study examines the spillover effects of successful ingredient branded products. Our results demonstrate that even successful ingredient branded products can weaken the equity of the partner brands under certain conditions.

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SESSION OVERVIEW

Consumer behavior researchers have long been interested in understanding factors that influence consumers’ evaluations of brands and brand equity. Previous research has demonstrated that strategic actions such as brand extensions and co-branding influence consumers’ perceptions of the parent brands. Such ‘reciprocal effects’ are often critical to enhancing or diluting brand equity. Brand alliances or co-branded strategies, where two brand names are jointly presented to the consumer are increasingly common. Co-branding can result in enhanced brand recognition, increased product differentiation and greater market share for the focal product. A successful co-branded product therefore, can improve perceptions of the partner brands and enhance their brand equity. However, negative information surrounding the co-branded product is also likely to backfire and dilute the brand equity of the partner brands. Aside from the early work on co-branded strategies (Park, Youl Jun and Shocker 1996, Simonin and Ruth 1998), there is little systematic examination of how consumers react to such co-branded strategies and how consumers use information regarding such co-branded products to modify their perceptions of the parent brands. The objective of this session is to examine the positive and negative reciprocal effects of brand alliance strategies. We present multiple theoretical perspectives on the phenomenon of co-branded strategies and their reciprocal effects on the parent brands. The proposed session builds on the early work by Park et al. (1996) and more recent research that has examined ingredient branded strategies (Desai and Keller 2003). Specifically, the papers in this session demonstrate that there are unexpected benefits and risks of brand alliance strategies that can impact brand equity of the partner brands. The first paper by Piyush Kumar demonstrates how a brand can mitigate the risk of brand counter-extensions by using a co-branded brand extension strategy. The second paper by Geylani, Hofstede and Inman how co-branded strategies may improve the expected values of the attributes of the partner brands, but also increase the uncertainty associated with the partner brands. The third paper by Swaminathan demonstrates how spillover effects may vary as a function of type of concept combination and attribute fit.

“The Reciprocal Effect of Co-Branding: A Counter-Extensions Perspective”

Piyush Kumar, University of Georgia

Brand extension activity between product categories is becoming increasingly bi-directional. As a result, a brand that successfully extends from its parent category into a new extension category often faces a counter-extension by a brand from the extension category back into its own parent category. However, while we increasingly see counter-extensions in many product-markets, there is little guidance available regarding how brand extension strategies need to be adjusted in order to mitigate the risk to the parent brand from counter-extensions. It is important to manage this risk to ensure that the gains to the brand from its own extension are not nullified by the losses it might suffer to future counter-extensions into its own parent category.

In this paper, we investigate whether co-branding an extension with a partner brand instead of launching it solo-branded has an effect on customers’ response towards a counter-extension into a brand’s parent category. Drawing upon categorization theory, we argue that a successful launch of a solo-branded extension improves customer perceptions of the similarity between the parent and extension product categories. The improvement in similarity enhances perceptions of inter-category fit and, as a consequence, improves customer evaluation of a counter-extension. We further posit that, because a co-branded extension merely inherits select attributes from each partner brand, it leaves the perceptions of similarity between a parent category and the extension category relatively unchanged. Therefore, we hypothesize that a counter-extension will be evaluated less favorably if the previous extension by the focal brand was co-branded with a partner brand than if it was solo-branded.

We use a series of experimental investigations to examine the differential impact of co-branded versus solo-branded extensions on customer evaluation of brand counter-extensions. In each experiment we describe a scenario regarding the past extension activity of the focal brand and a set of unrelated brands. We then measure the subjects’ response towards a future counter-extension. The results from the first study show that a counter-extension is evaluated more favorably if the previous extension by the focal brand was solo-branded than if it was co-branded. The evaluation of the counter-extension is especially weaker if the focal brand that launched the previous co-branded extension was a modifier brand than when it was the header brand. The results of the second study show that the differential impact of solo-versus co-branded extensions on the evaluation of the counter-extension persists even when we don’t use real brand names in the construction of the stimuli. In both cases, we find that changes in perceptions of inter-category similarity mediate the impact of solo-branded versus co-branded extensions on the evaluation of a counter-extension.

The results of a third study suggest that co-branding results in a lower evaluation of a counter-extension relative to a successful solo-branded extension but not relative to a failed solo-branded extension. They show that a failed solo-branded extension does improve customer evaluation of a counter-extension because it is less likely to change perceptions of similarity between the parent and extension categories. Finally, a fourth study shows that a positioning and communication strategy that explicitly partitions the key attributes of a co-branded extension and relates them to the respective partner brands lowers the evaluation of a counter-extension. Further, under an attribute partitioning-based positioning strategy, the evaluation of the counter-extension does not depend on whether the focal brand serves as the header or the modifier brand in the previous co-branded extension.

Taken together, the results from the four studies show that customers evaluate a counter-extension less favorably if the preceding extension by the focal brand is co-branded than if it is solo-branded. The studies also show that the discrepancy between the evaluations of counter-extensions following the two alternative branding strategies results from the differences in the levels of post-extension perceptual similarity between a brand’s parent and extension categories. Specifically, a successful solo-branded extension results in a greater improvement in the perceptions of inter-category similarity than does a co-branded extension. A brand in the exten-
sion category benefits from the relatively greater increase in the psychological proximity between the two categories following a solo-branded extension because its counter-extension is evaluated more favorably than what it would be if the previous extension was co-branded.

Overall, the paper provides a novel perspective on the defensive role of co-branding and suggests that launching an extension in partnership with a complementary brand may not only improve the attribute profile of a brand’s own extension, it may also help protect the brand against counter-extensions. It also shows that the partner brands that launch a co-branded extension can further protect themselves against counter-extensions by using a positioning and communication strategy that explicitly outlines their respective contributions to the co-branded product. The findings suggest that the strategic choice between solo-branding versus co-branding an extension may influence the evaluation of not only a brand’s own extension, but also of counter-extensions into its parent category. It provides some new directions regarding the criteria used to select partner brands as well as the configuration of a co-branded extension.

“Image Reinforcement or Impairment: The Effects of Co-Branding on Attribute Uncertainty”
Tanveer Geylani, University of Pittsburgh
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Jeff Inman, University of Pittsburgh

Co-branding is a brand alliance strategy in which two or more brands are simultaneously presented to consumers. There is a wide range of brand alliance activities in the marketplace, ranging from advertising several brands in a single ad (e.g., Shell and Ferrari ads featuring both brands simultaneously, or ads showing the complementary consumption of McDonald’s Fries and Coca-Cola) to jointly branded products (e.g., Lexus Coach Edition or Kellogg’s Healthy Choice Cereal). In recent years, co-branding has become a strategic tool for many companies to attain higher market shares. There are a variety of reasons driving the surge in co-branding ranging from the desire to gain access to new markets to the attempt to signal unobservable quality. A key motivation for co-branding is image reinforcement, and this is the aspect on which we focus in this research. Previous research has also examined the effects of co-branding on brands’ images. These studies investigated attribute or attribute transferal that occurs as a result of co-branding. In our paper, we not only analyze attribute transferal but also how co-branding affects attribute uncertainty of the partner brands and that of the co-branded product.

This study addresses a number of issues important for managers considering co-branding as an image reinforcement strategy. More specifically, we study when a brand’s image is reinforced or impaired as a result of co-branding, and which partner is right for a firm that considers co-branding for image reinforcement. We address these issues by investigating the effects of co-branding on attribute uncertainty of partner brands, when these brands are complementary in terms of their attribute performances and saliences. We conceptualize a specific attribute belief as a two-dimensional construct with location reflecting the average performance of the attribute and reliability reflecting the degree of certainty consumers have about the performance of the brand on the attribute. We argue that these parameters are updated after consumers are exposed to the co-branding activity. We incorporate theories of consumer behavior in mathematical formulation for updating the location and degree of certainty in a multi-attribute co-branding model. Our model formalizes the formation of co-branded product beliefs using the notion that the greater the saliency of an association, the greater its accessibility from memory. In our formulation, the updating of brand beliefs as a result of a co-branding activity relies on the occurrence of subtypes. Several propositions follow from our model, which we test in an experiment.

Our model predicts that partner brands attract each other through an alliance. That is, the difference between the locations of the brands decreases through an alliance. This was supported by the experiment which showed significant attraction of brands through co-branding. However, an important implication of our study is that it is not necessarily in a brand’s interest to choose the best performing partner on the attribute of interest. Rather, it is optimal to collaborate with a brand that is perceived to be of only moderately higher performance. We find that inconsistent images of the partner brands may result in confusion about the co-branded product and cause high uncertainty about the joint venture. Moreover, when the brands are far apart, our analysis and experiment show that the co-branded product is regarded as an exception, and thus, does not substantially affect the formation of posterior partner beliefs. Considering that partner brands attract each other through an alliance, it is best to collaborate with a brand that is perceived to have a moderately higher performance. With a partner performing moderately higher, expected attribute belief of the brand will be enhanced with a less likelihood of subtyping and without an increase in uncertainty about this attribute.

Another important result of our study is that co-branding for image reinforcement may not be a viable strategy for reliable brands (brands for which consumers have low degree of uncertainty about their performance). This is because both our theory and experiment show that uncertainty associated with the reliable brand increases through co-branding. According to our results, although, location of a reliable brand improves when it co-brands with a better performing brand, no matter what partner the reliable brand chooses, its reliability always decreases (uncertainty associated with it increases). Thus, managers of reliable brands should carefully consider the trade-off between this risk of image impairment and advantages of collaboration.

Finally, according to our results, total location (total expected performance) of the partner brands improve as a result of co-branding suggesting brands reinforce their images. This is due to the pull of the highly performing brand. However, under certain conditions, uncertainty associated with the brands increases through co-branding. This is due to uncertainty transfer between the brands and to possible consumer confusion that can arise from a co-branded product that is inconsistent with the partner brand’s prior image.

“Spillover Effects of Co-Branded Strategies: The Role of Attribute Fit and Type of Concept Combination”
Vanitha Swaminathan, University of Pittsburgh

This research focuses on spillover effects of co-branded strategies or the extent to which information regarding the co-branded product modifies perceptions of the constituent brand names. Specifically, this research examines the differential impact of attribute fit on spillover effects based on the type of concept combination. Previous research by Park et al. (1996) suggests that attribute-level complementarity will enhance the perception of the co-branded product leading to greater spillover effects when attribute complementarity is high and lower spillover effects when attribute complementarity is low. Indeed, Park et al. find evidence that attribute complementarity moderates the extent of spillover effects. We suggest that the impact of attribute-level fit between co-branded partners on parent brand attitudes is moderated by the type of concept combination.
Recent research on concept combinations has shown that people process noun-noun combinations in two different ways (property-based interpretation or relational interpretation). Property interpretations involved one or more properties of the modifier concept being applied to the head concept. Relational interpretations involve focusing on relationships among objects where each of the entities may play different functional roles. The type of concept combination (property-based or relational) may have an impact on the manner by which concepts are combined. For instance, in the case of Godiva cakemix by Slimfast, when property interpretations take place, consumers may map onto Godiva chocolate the properties of Slimfast (e.g., low calorie) and the tendency may be to think of this combination as a type of Godiva chocolate but with some health benefits.

In contrast, when thematic relationships are the focus, a combination of Godiva and Slimfast may evoke the possible ways in which these two may be consumed together, e.g., perhaps by people who are on a diet. These differences in concept combination may result in differential spillover effects on the constituent brand names.

In order to investigate the potential role of property-based and relational concept combinations on co-brand spillover effects, we prime a subject to process either relationally or in a property-based fashion first using the procedure suggested by Wisniewski and Love (1990). Following the administering of this prime, we examine reactions to co-branded partnerships that have either high or low levels of attribute complementarity. We expect that a high level of attribute complementarity will only matter when property priming takes place. A high level of attribute complementarity will not matter when relational priming takes place. Further, we suggest that this differential impact of attribute complementarity in the relational versus property conceptual combination will hold only under high levels of motivation. In addition, we suggest that the impact of attribute fit on co-brand spillover effects will vary across cultures, with East Asians exhibiting a thinking style that utilizes relational concept combinations and Westerners exhibiting a thinking style that utilizes property-based interpretations.

We test these ideas in a series of three studies. The first study examines the impact of relational versus property-based concept combinations by priming these conditions. The second study examines whether the level of motivation interacts with thinking style to impact co-brand evaluations and subsequently influences the host brand equity. The third study examines whether differences in dominant thinking style across cultures and the impact of such differences on spillover effects of co-branded strategies. Results of this research demonstrate that the impact of attribute fit varies based on the type of concept combination and level of motivation. In other words, a highly complementary combination such as Godiva cakemix by Slimfast resulted in significantly higher spillover effects than a less complementary combination such as Godiva cakemix by Haagen Dazs only when property-based interpretations took place. In the case of relational combinations, both types of co-branded products resulted in similar spillover effects. Further, these differences were only seen in the case of high motivation. Implications of these results for research on spillover effects are discussed.

REFERENCES