Building Brand Equity Through Bundling: the Effect of Cross-Brand Promotions on Perceptions

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Three studies explored whether an unknown brand can leverage the equity of a strong brand merely by being bundled with it as a promotion. Results show that such bundling hurts the unknown brand, resulting in lowered evaluations compared to when it was bundled with another unknown brand.

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EXTENDED ABSTRACT

Introduction
Most research on brand alliances have assumed a positive effect of such alliances. Whether one brand is an ingredient in the other (Vaidyanathan and Aggarwal 2000) or two brands with complementary associations choose to collaborate on a joint brand (Erdem and Swait 1998), the explanatory mechanism for the benefits of a brand alliance is that the associations consumers have with one brand flow to the other as an outcome of associative network models of memory (Cunha, Forehand, and Angle 2015) or signaling (Erdem and Swait 1998).

Recently several grocery stores in the United States have offered Buy-One-Get-One free (BOGO) deals for complementary product bundles that pair a national brand with a store brand, with the goal of linking the two brands together in a way that communicates a brand alliance. No actual partnership between the manufacturers is necessary and the retailer controls the association between the two brands simply by selling them together in a bundle.

The present research was designed to address the question of whether such retail-level associations – bundling a lesser-known and a well-known brand as part of a retail promotional offer – can result in a transfer of positive associations as with traditional brand alliances. Three studies examined the impact of such offers on consumer perceptions of the brands.

Study 1
Forty students at a Midwestern US University participated for course credit. Subjects saw one of two versions of an advertisement that offered a promotional bundle where subjects could buy a bag of chips for $3.99 and get a bottle of salsa (valued at $3.99) for free. The advertised chips were either a well-known national brand (Tostitos) or an unknown brand (Poco Loco - identified in the ad as a store brand). The salsa advertised was always the unknown brand (Poco Loco).

The attitude towards the unknown salsa brand was significantly different depending on whether it was bundled with the national vs. the unknown store brand (3.96 versus 4.61; p<.05). Unexpectedly, pairing the unknown brand with the national brand resulted in lower brand attitude towards the unknown brand.

An alternate explanation is that evaluations of the unknown brand of salsa were enhanced in the “unknown chips” condition due to a brand matching effect (Rahinel and Redden 2013).

Study 2
The procedure and measures were identical to study 1. The only difference was that the target brand (salsa) was clearly branded with the identity of a well-known grocery store. Secondly, the “store brand” chips used an unknown store brand (“President’s Choice”) that was different from the brand of salsa.

Forty-eight students participated in the study. The deal with the national brand chips and store brand salsa was seen as significantly better value than the unknown brand chips and store brand salsa (5.70 v. 5.06; p=.017). However, there was no statistically significant difference in the attitude towards the store brand salsa across the conditions (4.16 v. 4.02; p=.69). The preference for the national brand chips did not transfer over to the store brand salsa bundled with the chips. Debriefing respondents suggested that this may have been due to strong pre-existing attitudes towards the store brand used for the salsa. To rule out the explanation that preexisting attitudes towards the familiar store brand attenuated any transfer of brand equity from the national brand chips, an additional study was conducted.

Study 3A and 3B
Study 3 used a simple BOGO offer with a single product category – salsa. In study 3A, subjects could buy either a known brand (Tostitos) or an unknown brand (Amigos) for free. In Study 3B, the salsa being purchased was the unknown brand (Amigos) in both versions of the ad. The salsa being offered for free was either the known brand or the unknown brand.

Subjects had a significantly more negative attitude towards the unknown brand of salsa (4.03 vs. 4.67; p<.05) and were less willing to buy the target (unknown) salsa (3.2 vs. 4.2; p<.01) when they saw it bundled with a well-known brand compared to when they saw it bundled with an unknown brand.

In study 3B also, subjects had a lower attitude towards the unknown target brand (Amigos) (4.1 vs. 4.6; p<.05) and lower willingness to buy (3.42 vs. 4.01; p<.05) when it was paired with a well-known brand compared to an unknown brand.

Together, irrespective of the focal (paid for) brand, when an unknown brand is bundled with a well-known brand, consumers perceive it less favorably. Rather than the positive associations of the stronger brand flowing to the weaker brand, the positive associations of the stronger brand lowers attitude towards and willingness to buy the unknown brand.

General Discussion
When brands are bundled together by a retailer, the association between the brands is not an explicit partnership, but an implicit pairing. This study explored whether a weak brand can leverage the equity of a strong brand merely by having both brands bundled together as part of a promotion, a phenomenon which has increasingly been observed among US grocery stores.

Contrary to expectations, linking an unknown brand with a well-known brand (vs. another unknown brand) in a promotional bundle hurts the unknown brand, resulting in lowered attitude and willingness to buy.

REFERENCES