David by Goliath: what is co-branding and what is in it for SMEs

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Abstract: Creating alliances among firms that link two or more brands has become a pervasive practice. Unfortunately, the co-branding strategy is not known and applied by many SMEs. To provide an overview of this strategy and of its specific interest for SMEs, this article offers a systematic review of the extant literature on co-branding. Because the literature is scattered and the boundaries of the concept are not always clear, we begin by defining the concept and delimiting various types of co-branding strategies before identifying a set of potential benefits and risks associated with co-branding strategies. In the following sections, we review issues related to partner selection in alliances and present recent research themes on co-branding. Finally, we identify key questions and issues that require further research, in the area of SMEs’ co-branding strategies.

Keywords: co-branding; literature review; benefits and risks; entrepreneurial marketing; SMEs.


Biographical notes: Paul Chiambaretto is an Assistant Professor of Strategy and Marketing, joined the Montpellier Business School in September 2013. He holds a PhD in Management from Ecole Polytechnique, Paris and a Research Fellow of this institution. His main research topics are inter-organisational relationships (such as alliances, alliance portfolios and co-opetition) and branding strategies. His research has been published in ranked journals such as
1 Introduction

The strong interest in co-branding is based on two elements. First, co-branding strategies are paradoxical (Smith and Lewis, 2011): if the brand represents one of the most valuable assets (Keller, 1993; Kornberger, 2010), the firm should have no incentive to share it. Linking its own brand with that of another firm may result in relinquishing a competitive advantage that has been acquired at significant cost. This paradox leads to several questions. Why is this solution so attractive to firms? Does it reduce risk? Is it applicable by any type of firm – even by the small ones? Second, the growing number of research articles on this topic is also related to the pervasiveness of co-branding strategies, as the average annual growth of co-branding is estimated at 40% in the USA (Simonin and Ruth, 1998; Hadjicharalambous, 2006). Moreover, as an increasing number of firms rely on alliances (Kale and Singh, 2009), it is important to understand how these are deployed at marketing level, and which are the consequences of co-branding arrangements for the participating firms.

The literature on co-branding is scattered and the boundaries of the concept are not always clearly defined. Although there have been previous attempts to review the literature (Helmig et al., 2008; Gammoh and Voss, 2011; Besharat and Langan, 2014), these studies have essentially focused on some specific aspects of co-branding such as the determinants (Gammoh and Voss, 2011), the value generated for customers (Besharat and Langan, 2014) or the comparison with other branding strategies (Helmig et al., 2008). Our synthesis aims to review the previous research on co-branding by contextualising various contributions. In addition, although some researchers have considered the relevance of co-branding strategies in entrepreneurial marketing, and specifically in small and medium-sized enterprises (SMEs), these studies are scarce and often conclude that for SMEs “co-branding […] presents no interest at all” [Krake, (2005), p.231]. Our ambition is to present co-branding as a possible strategic option for SMEs, by outlining its specific advantages and challenges from the perspective of a small firm.

The paper starts with explaining the applied methodology to justify the relevance of our approach. Our review method led us to identify different themes around which we structured the remainder of the article. In the third section, we present an overview of the current definitions, forms and typologies of co-branding strategies. In the fourth section, we discuss various benefits and risks associated with co-branding strategies, stressing, in
the fifth section, the importance of choosing the right brand ally. Then, in the sixth section, we present the specific organisational and managerial characteristics of SMEs and entrepreneurial marketing, which provides a interpretative framework regarding the specific advantages and challenges of co-branding strategies for small firms. We conclude our synthesis making a strong case for the necessity of developing further the academic literature on SMEs’ co-branding strategies.

2 Review method

To achieve a comprehensive review of the existing literature on co-branding strategies, we undertook a systematic approach (Tranfield et al., 2003). The method provides a clear picture of how the articles have been collected, selected, grouped and summarised, in order to minimise potential biases (Birnik and Bowman, 2007). This approach generally requires a three-step procedure: planning, execution and reporting (Crossan and Apaydin, 2010).

During the planning phase, we set the main goals for the review and identified key data sources regarding co-branding. Because the peer-review process represents a credible quality procedure (Miller et al., 2014), we decided to limit our search and data collection to peer-reviewed journals. An extensive search was thus conducted that employed various search engines of academic databases, including ABI/INFORM, Business Source, EBSCO, Factiva, and JSTOR, among others.

During the execution phase, we followed the method suggested by Wassmer (2010):

1. selecting key words and search terms
2. browsing titles and abstracts to select relevant articles
3. coding articles
4. identifying emerging themes in the literature.

Our search covered 25 years, spanning from the early 1990s to the present day. We searched the selected academic databases using the following terms: co-branding, co-branding, cobranded offer, cobranded product, brand alliance, joint branding, dual branding, co-marketing alliance, ingredient branding, and multiple branding. To take into account the most recent articles (which are generally relegated to the final pages of search results), we created a special date filter (Crossan and Apaydin, 2010). The title and abstract of each article returned in the search was analysed to decide whether it was relevant to our study. When the title or the abstract was inconclusive, the paper was examined further to ensure that relevant papers were not rejected (Wassmer, 2010). During this phase, special attention was given to the reference sections to identify and examine studies that have not been selected. The process yielded 69 articles that we considered relevant to our review. Next, we read and coded each relevant article along several dimensions: type, research question, research design, theoretical lens, variables, findings, industry and limitations.
Based on this coding process, we identified a set of themes and issues. First, it appeared that contributions on co-branding use various definitions and do not always analyse the same objects. We thus decided to dedicate the first part of this review to the presentation of various definitions and co-branding typologies. Second, many studies focus on the relevance and use of co-branding to improve competitive advantage. However, the literature is scattered and less attention has been paid to the associated risks. We thus study the benefits and risks of co-branding in another section. Third, considering the central role of partner selection in the co-branding literature, we contextualise different contributions and underline the concept of fit. Finally, because we aim to provide an interpretative framework of co-branding from the point of view of small firms, we also attempted to identify and discuss the relevance of the identified themes for SMEs’ managers.

| Table 1 | Breakdown of articles by journal |
|--------------------------|-----------------|--------------------------|
| Journal                  | Number of articles |
| Journal of Product and Brand Management | 9 |
| The Journal of Brand Management | 7 |
| Psychology and Marketing | 6 |
| European Journal of Marketing | 3 |
| Industrial Marketing and Management | 3 |
| Journal of Business Research | 3 |
| Journal of Marketing | 3 |
| Journal of Marketing Research | 3 |
| Journal of Advertising | 2 |
| Journal of Consumer Marketing | 2 |
| Journal of Consumer Psychology | 2 |
| Journal of Marketing Communications | 2 |
| Journal of the Academy of Marketing Science | 2 |
| Marketing Letters | 2 |
| Marketing Science | 2 |

The reporting phase consisted of writing the review and contextualising references. Before beginning the review, we provide the descriptive statistics concerning the literature on co-branding (Crossan and Apaydin, 2010), beginning with information on the main journals in which the identified articles were published (Table 1). Journals that focus on brand management have contributed the most to the development of this topic; however, other top journals, such as the Journal of Marketing or Marketing Science, have also published relevant articles. Next, we present the main methodologies used by the scholars producing articles in this field (Table 2). It is striking that most articles focusing on co-branding strategies have used experimental methods, and we note that other approaches such as case studies or panel data remain underdeveloped. In fact, the extensive use of experimental methodologies shows that co-branding research is mainly rooted in the analysis of customers’ reactions.
Table 2  Breakdown of articles by methodology

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage of articles reviewed</th>
</tr>
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<tbody>
<tr>
<td>Experiment</td>
<td>79.7%</td>
</tr>
<tr>
<td>Case study</td>
<td>7.3%</td>
</tr>
<tr>
<td>Econometrics using panel data</td>
<td>4.4%</td>
</tr>
<tr>
<td>Formal modelling</td>
<td>4.3%</td>
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<tr>
<td>Review</td>
<td>4.3%</td>
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3 Definitions and typologies of co-branding strategies

In this section, we aim to define the concept of co-branding. We first present different designations for co-branding strategies and review the main definitions published in the literature. We then provide an overview of the various forms of co-branding strategies that have been studied, and present several typologies.

3.1 Designations and definitions of co-branding

Although they address the same phenomenon – the simultaneous presence of several brands on a given product, the number of different names used to designate co-branding in academic research is puzzling. We do not claim to present an exhaustive list, but we show a selection of the terms that are most frequently used in relation to co-branding strategies.

Historically, the first contributions focusing on co-branding strategies used the expression ingredient branding (Norris, 1992; Desai and Keller, 2002), which refers to branded elements that are used as an ingredient in another product. For instance, the Gore-Tex fabric is used as an ingredient in Adidas jackets. In this case, the Gore-Tex logo is stamped on the Adidas jacket. This designation reflects the idea that one of the brands serves as a component of the other, leading to the concept of composite branding (Park et al., 1996). Later, as an echo of the alliance literature that skyrocketed in the 1990s, a new set of contributions began to use the term brand alliance (Simonin and Ruth, 1998; Rao et al., 1999). Inspired by the literature on alliances, these contributions assessed the impact of co-branding arrangements on participating firms. Because most studies focused on cases linking only two brands, the designation dual branding also appeared (Levin and Levin, 2000; Abratt and Motlana, 2002). In recent years, however, as products started to feature more than two brands, new expressions have emerged, such as multi-branding (Di Pietro, 2005) or multiple brand alliances (Gammoh et al., 2010).

Despite the increasing number of contributions focusing on co-branding, definitions still vary considerably. Some authors adopted a broad definition of co-branding to study its different features, whereas others prefer a narrow definition. In this section, we offer a synthesis of the main conceptualisations of co-branding strategies. We present these definitions in chronological order (Table 3) to show how the vision of co-branding has evolved over time.
Table 3  Existing definitions of co-branding

<table>
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<tr>
<th>Authors</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Grossman (1997)</td>
<td>Two brands are deliberately paired with one another in a marketing context, such as in advertisements, products, product placements and distribution outlets.</td>
</tr>
<tr>
<td>Simonin and Ruth (1998)</td>
<td>Short or long-term association or combination of two or more individual brands, products, and/or other distinctive proprietary assets.</td>
</tr>
<tr>
<td>Rao et al. (1999)</td>
<td>All circumstances in which two or more brands are presented jointly to the consumer.</td>
</tr>
<tr>
<td>Blackett and Boad (1999)</td>
<td>A form of cooperation between two or more brands with significant customer recognition in which all participants’ brand names are retained.</td>
</tr>
<tr>
<td>Washburn et al. (2000)</td>
<td>The pairing of two or more branded products (constituent brands) to form a separate and unique product (composite brand).</td>
</tr>
<tr>
<td>Leuthesser et al. (2003)</td>
<td>The combination of two brands to create a single, unique product.</td>
</tr>
<tr>
<td>Bengtsson and Servais (2005)</td>
<td>Cooperation between two or more marketable items that in one way or another connect representations of several brands.</td>
</tr>
<tr>
<td>Helmig et al. (2008)</td>
<td>A long-term brand alliance strategy in which one product is branded and identified simultaneously by two brands.</td>
</tr>
<tr>
<td>Erevelles et al. (2008)</td>
<td>The strategy of presenting two or more independent brands jointly in the same product or service.</td>
</tr>
<tr>
<td>Gammoh et al. (2010)</td>
<td>A deliberate decision by the firm/manager to link two or more brands, communicate that linkage to consumers, and in the process achieve important goals that neither brand could achieve as effectively or efficiently independently.</td>
</tr>
<tr>
<td>Voss et al. (2012)</td>
<td>Market place phenomena in which the customer’s evaluation of a brand, called a focal brand, is influenced by the intentional association of one or more additional brands, called ally brand(s).</td>
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Analysing these definitions, two remarks seem warranted. First, as time passes, the definitions of co-branding become narrower. Whereas the first definitions discuss about joint-promotion or advertising alliances, the most recent ones adopt a stricter approach to co-branding, placing a stronger emphasis on co-branded products. Second, the latest definitions are increasingly normative, focusing on the mechanisms leading to positive brand transfers.

Rather than trying to identify the similarities and differences between these definitions, we suggest three conditions highlighted in the literature that define co-branding (Cegarra and Michel, 2001; Helmig et al., 2008; Besharat, 2010):

1. The name of both brands should appear on the product, logo and/or package. If only one of the brands is visible, then it may be a traditional alliance but not co-branding.

2. Both brands should be independent, before, during and after the co-branded product is offered. This condition differentiates co-branding from corporate rebranding or transition branding (Miller et al., 2014). Indeed, when transitioning or rebranding a firm, two brands may appear jointly on products to signal that the two brands are identical or belong to the same universe (e.g., when the brand *Blanco* became *Vanish*), but this cannot be classified as co-branding.
The participating firms must have purposefully decided to implement the co-branding strategy. Thus, when a retailer creates a bundle, joining products from different brands without notifying the parent firms, the package cannot be categorised as a co-branded offer. However, when two firms decide to combine two products in a single package with both brands appearing jointly, it is a co-branded offer. Nonetheless, this position is not completely settled, and certain authors are even stricter in their approach, considering that co-branding necessarily implies a new product, which means that bundles cannot be labelled as co-branding (Leuthesser et al., 2003; Besharat, 2010). Based on these key conditions, we propose to define co-branding “as a voluntary strategy that consists in combining and presenting jointly two or more independent brands on a product or service”.

3.2 Forms and typologies of co-branding

Despite a simple designation, scholars referring to co-branding strategies may actually be studying different phenomena. By scanning the literature, we identified different forms of co-branding strategies and several typologies.

It is generally agreed that co-branding strategies are a subset of co-marketing alliances which imply coordination among different partners regarding research, product development, production and commercialisation (Bucklin and Sengupta, 1993). For such an alliance to be defined as co-branding, however, both brands must appear jointly on the product. There are several configurations that are sometimes labelled co-branding, the classic case being the co-branded product.

However, there are other situations in which several brands appear together but are more complex to classify. For instance, several brands may be distributed in the same place (e.g., at a restaurant or a gas station). This strategy — joint sale promotions (Varadarajan, 1986), may actually bring several brands into a single space, but whether it has the same objectives as co-branding is unclear. Similar reasoning can be applied to between-brand bundles (Simonin and Ruth, 1995; Stremersch and Tellis, 2002; Chiambaretto and Dumez, 2012), which link different brands together in a single offer or package, but are not always implemented voluntarily by the parent firms. Advertising alliances, i.e., when two or more brands from different or similar product categories jointly appear in advertising, generate the same questions (Samu et al., 1999; Ruth and Simonin, 2003). If one of the brands appears as a cue or as a quality signal for the other, can we actually consider it as a form of co-branding, even if neither of the products is jointly branded? Finally, questions are also raised by celebrity endorsements (Erdogan, 1999; Seno and Lukas, 2007). Considering that celebrities can be considered as brands (Misra and Beatty, 1990), the value given by a celebrity to a brand or a product could be analysed through the co-branding lens (Goldsmith et al., 2000). In most cases, however, the endorsement is limited to advertisements (e.g., Roger Federer and/or Tiger Woods with Gillette razors). Consequently, unless a photograph of the celebrity or a mention ‘approved by XX’ appears on the packaging, celebrity endorsements should not be qualified as co-branding.

Even focusing only on co-branded products, there are many different co-branding forms.
Physical vs. symbolic co-branding. The most frequent distinction is made between physical/functional co-branding and symbolic co-branding (Cegarra and Michel, 2001; Lanseng and Olsen, 2012). Physical or functional co-branding refers to arrangements in which one of the brands is used as an ingredient or component of the host brand. For instance, Choccy Philly is a special brand of Philadelphia cream cheese (the host brand) that is flavoured with Cadbury chocolate (ingredient brand), and both parent brands appear on the packaging. The ingredient brand frequently serves as a signal of quality for the host brand because of the unique attributes added by the ingredient. This strategy generally requires the firms’ integration at production level and is typically contrasted with symbolic co-branding, which occurs less frequently and does not require the physical integration of products. Symbolic co-branding is essentially limited to the joint labelling of the product to generate an image transfer from one brand to the other. For instance, the co-branding agreement between Coca-Cola and James Bond aims to signal that both brands belong to the same market universe. This reasoning can also be applied to Hyundai by Hermes car, which seeks to introduce the luxury values associated with Hermes into Hyundai’s universe.

Horizontal vs. vertical co-branding. A second way to distinguish co-branding arrangements is based on the value chain levels that are linked (Helmig et al., 2008). The term vertical co-branding is used to designate agreements in which firms are positioned at different levels of the value chain. For instance, when IBM and Intel offer a co-branded product, these two firms do not intervene at the same level of the value chain, because one is the supplier of the other. We contrast these agreements to horizontal co-branding, in which both firms/brands are at the same level of the value chain, and contribute similar or complementary resources (e.g., Sony-Ericsson cellphones).

Exclusive vs. non-exclusive co-branding. It is also possible to classify co-branding arrangements according to their level of exclusivity (Cegarra and Michel, 2001), as sharing a brand with an exclusive partner or with several other brands does not have the same market impact. Consequently, in exclusive co-branding, brand A has more control over its image when it is used by brand B, and both partners can take advantage of this unique partnership. By contrast, in non-exclusive co-branding, brand A cooperates simultaneously with several brands B, C and D (some of which might also be competitors). For instance, Gore-Tex has simultaneous co-branding arrangements with several sportswear brands that are clearly in competition (Adidas, Millet, Salomon, Sun Valley, etc.).

Simple vs. multiple co-branding. Another way to distinguish between co-branding arrangements is to categorise them according to the number of partners (Voss and Gammoh, 2004; Gammoh et al., 2010). When only two brands appear on a product, it represents simple co-branding. For instance, the Nike+Ipod product fits into this category as only two brands are combined. However, when three or more brands are jointly presented to the customer, it is a case of multiple co-branding. Credit cards are frequently co-branded with several other brands (airlines, gas stations, mobile phone operators, etc.). The simultaneous presence of several brands on a given product may generate interactions among them.
4 Benefits and risks of co-branding strategies

Co-branding strategies are so pervasive because they provide many advantages. However, if the strategy is not soundly implemented, it can be risky for the partnering firms. Reviewing and understanding the benefits and risks of co-branding is thus critical for organisational success. Norris (1992) was one of the first authors to discuss the benefits of co-branding strategies, which can be classified along several dimensions.

4.1 Market benefits

*Entering new markets.* Because brands rely on a customer base, co-branding can be used to gain access to the partner’s customers (Uggla and Asberg, 2010). A co-branded product will thus have a higher likelihood of being purchased by customers who favour both brands and will increase cash flow through the simultaneous penetration of multiple markets (Swaminathan et al., 2012). For this reason, co-branding strategies are particularly important when a firm is seeking access to a foreign market (Voss and Tansuhaj, 1999; Abratt and Motlana, 2002): if a foreign brand lacks brand awareness in a targeted market, it is often effective to implement a co-branding strategy with a local brand to benefit from its reputation (Rodrigue and Biswas, 2004; Bluemelhuber et al., 2007). Abratt and Motlana (2002) cite the example of Danone, which launched co-branded products with Clover, to penetrate the South-African market in the 1990s.

*Positioning the brand in a given market.* Positioning a brand in customers’ minds is central for firm’s success (Kotler and Keller, 2012). This is even more salient when the brand is new and has no established reputation. In this case, co-branding strategies allow customers to mentally perceive and categorise new products by using the allied brand as a reference (Bouten et al., 2011). This strategy is more efficient than brand extensions for launching a new product (Park et al., 1996).

*Defending the brand’s position in a given market.* Several studies put a strong emphasis on market dynamics (Kumar, 2005; Erevelles et al., 2008), raising questions about the stability of the competitive advantages gained through co-branding. Kumar (2005) observes that co-branded products are unlikely to be attacked by competitors through counter-extensions, because co-branding creates unique attributes that are difficult to imitate. In the same vein, Erevelles et al. (2008) find that co-branding can reduce the likelihood of entry of a potential competitor, particularly when an ingredient branding agreement has been signed with a key supplier. Co-branding strategies can thus protect a brand from competitors’ reactions.

*Redefining market boundaries.* Co-branding agreements can also be used to redefine market boundaries. The development of cross-industry co-branding can be understood as a shift of market boundaries (Ahn et al., 2009). By linking several previously disconnected markets, the co-branded product contributes to the creation of a unique offering and changes the competitive structure and rules (Bauer, 2005; Smarandescu et al., 2013).
4.2 Image transfer

The joint appearance of several brands on a single product generates many effects in terms of brand attitudes and purchase intentions. For example, brand X collaborates with brand Y to launch a jointly-branded new product X + Y. Co-branding generates various brand image transfers:

a. between partner brands (X → Y and Y → X)
b. from the partners’ brands to the joint product (X → X + Y and Y → X + Y)
c. from the joint product to the parent firms (X + Y → X and X + Y → Y).

**Brand image transfers between partners.** In a co-branding arrangement, a firm ties its brand image to a partner brand. From that moment on, these brands are related in consumers’ minds and will co-evolve. Co-branding sends an implicit message that both brands share a common set of values and belong to the same universe (Simonin and Ruth, 1998). Obviously, firms with low-equity brands will benefit the most from an association with a more reputable brand (Levin et al., 1996; Park et al., 1996). However, high-equity brands also have an incentive to cooperate (even with low-equity firms), because such arrangements can improve brand awareness and purchase intentions (Vaidyanathan and Aggarwal, 2000; Washburn et al., 2000, 2004).

**Brand image transfers from parent firms to the co-branded product.** In parallel to a direct transfer between partners, there are brand image transfers from parent brands to the joint product, which represent one of the main objectives of co-branding (Prince and Davies, 2002; Baumgarth, 2004). Several mechanisms may explain these brand transfer effects. Earlier, we discussed the categorisation effect generated by a well-known brand onto a newer brand (Bouten et al., 2011). Such transfers can also be generated from the endorsement effect or from the complementary information contributed by one of the partners (Gammoh et al., 2006). This ‘sponsoring effect’ is particularly powerful when launching new firms with a low level of brand awareness (Delgado-Ballester and Hernández-Espallardo, 2008), as co-branding arrangements may improve brand attitudes, and increase purchase intentions (Helmig et al., 2007) and behaviour (Swaminathan et al., 2012).

**Brand image transfers from the co-branded product to parent firms.** While transfers from parent firms to the co-branded product are natural, the existence of feedback or spillover effects is less intuitive. It has been argued, however, that co-branding can generate spillover effects onto the parent brands (Simonin and Ruth, 1998; Lafferty et al., 2004). Considering that low-equity brands are more sensitive to the outcome of the joint product, spillover effects are stronger for low-equity brands than for high-equity brands (Washburn et al., 2004). These effects are not always positive, and a firm must carefully select its partners and co-branded products to avoid negative consequences.

4.3 Quality signal

Early studies sought to understand how firms could signal the quality of their products when quality is not easily observable – and co-branding strategies represent a solution to this problem (Rao and Ruekert, 1994; McCarthy and Norris, 1999; Levin and Levin, 2000). From customers’ perspective, choosing a co-branded product can significantly
reduce the perceived risk associated with a new product (Montgomery and Wernerfelt, 1992; Rao et al., 1999).

Several mechanisms may explain this behaviour. First, low quality products are less likely to have the support of two brands, since this would be particularly harmful for partners’ brand equity (Keller, 2013; Levin and Levin, 2000; Voss et al., 2012). Second, in the case of ingredient branding, the ingredient brand acts as a private label for the joint product representing a guarantee of quality (Cegarra and Michel, 2001; Gammoh et al., 2006). Third, the co-branding agreement sends a strong signal regarding the complementarity and the compatibility of the original brands integrated into the new product (Park et al., 1996), increasing the perception of safety through an endorsement effect (Uggla and Åsberg, 2010).

The signalling effect generated by co-branding arrangements is stronger when the new product is difficult to manufacture and requires the specific skills of one of the partners (Dickinson and Heath, 2006). In this case, the goal of co-branding is to show that the product could not have been made without that partnership (Gammoh et al., 2010).

4.4 Cost reduction

Co-branding strategies impact both revenues and costs in several ways. First, co-branding agreements can lower development and production costs by bringing together two partners with high expertise levels (Blackett and Boad, 1999), reducing the likelihood of failure. Second, in terms of promotion and distribution, the use of both partners’ reputations and jointly carrying expenses may lead to reduced advertising costs (Samu et al., 1999; Besharat, 2010). Third, in the specific case of ingredient branding, mitigating the double marginalisation in co-branding can lead to lower total costs (Erevelles et al., 2008). Fourth, co-branding strategies can efficiently reduce the cost of maintaining customer loyalty. Several studies have shown that co-branding can improve brand loyalty, particularly when associated with price discounts (Lee et al., 2006; Kim et al., 2007). Furthermore, co-branding strategies allow the firm to manage variety-seeking customers by offering a diversified product portfolio (through brand alliances) without losing these customers since they remain within the firm scope (Helmig et al., 2007; Swaminathan et al., 2012).

4.5 Risk pooling

Because a co-branding arrangement involves the pooling of partner brands, if problems arise, the brand equity of all partners may suffer (Ruth and Simonin, 2003; Gammoh et al., 2010).

External risks. Co-branding arrangements generate spillover effects for parent brands that can be either positive or negative (Simonin and Ruth, 1998; Janiszewski and Osselaer, 2000). If the joint product is a failure or if one of the partners faces negative issues, it may impact the focal firm. For instance, the Nutrasweet-Diet Coke arrangement was harmful for Coca-Cola when Nutrasweet became associated with brain cancer (Helmig et al., 2007). However, a closer look at co-branding failures shows that the spillover effect will be negative only if the focal firm is aware of its allied brand’s inappropriate behaviour (Votola and Unnava, 2006).
Internal risks. Without pretending to control the external environment, a firm can at least try to reduce the potential risks related to the allied brand. Positioning is essential, as co-branding arrangements can fail if there is a mismatch between participating firms (e.g., the case of Burger King and Häagen-Dasz, because their values were incompatible) (Uggla and Åsberg, 2010). Coherence in terms of positioning is clearly related to the risk of brand dilution; when the level of coherence is low, the agreement may become harmful to both brands because customers will no longer understand their true values (Park et al., 1991; Simonin and Ruth, 1998).

4.6 Control

As in any alliance, co-branding arrangements generate control and flexibility issues. When collaborating with a partner, the focal firm’s brand will be affected not only by its own behaviour but also by its partner’s behaviour and image (Gammoh et al., 2006).

Opportunism issues. When implementing a brand alliance, it is crucial to ensure that the partner will not try to take advantage of the agreement or behave improperly. To address these issues it is essential to select carefully the partner(s) and implement contractual safeguards. It is also important to consider the whole range of available alternatives: for instance, if the new product entails a low level of innovation, self-branding or brand extensions are less risky options than co-branding (Desai and Keller, 2002). Another impact is in terms of flexibility, because every decision regarding the co-branded product will have to be jointly made by all partners.

Ownership issues. In an ingredient branding arrangement, it is frequently the host brand that owns the joint product, while the ingredient brand acts as a supplier. However, when both partners contribute equally, or at the same level of the value chain, it may be difficult to define who actually owns the product (Leuthesser et al., 2003). Developing such products requires writing clear contracts and financial arrangements which are crucial if tensions arise between partners (Magid, 2006).

Learning issues. From a dynamic perspective, co-branding strategies may generate learning and appropriation issues. Considering the learning possibilities of these agreements (Khanna et al., 1998), an opportunistic firm may absorb knowledge from its partner and then end the alliance, once its reputation or knowledge has improved enough to work alone (Norris, 1992).

Reading between the lines, it is clear that most of these risks can be moderated by selecting the right partner. The following section is thus dedicated to partner selection issues in co-branding arrangements.

5 Finding the right brand ally: the concept of ‘fit’

Selecting the right partner is crucial for the success of an alliance (Gulati, 1998; Kale and Singh, 2009), because it will increase the alliance performance, while a mismatch can be harmful for both brands (Blackett and Boad, 1999).

Considering the advantages of co-branding, the best option may seem to find a high-equity partner that will generate positive brand image transfers (Washburn et al., 2000), but this reasoning can be tricky. Recent studies indicate that selecting a partner that is too different from the focal firm can generate uncertainty among customers and reduce the credibility of the joint offer (Geylani et al., 2008; Yang et al., 2009). The
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challenge in co-branding is thus to find a partner that is different enough to create something new, but not so different that the co-branded product generates dissonance and uncertainty (Newmeyer et al., 2014).

The concept of ‘fit’ has been developed to describe a good match between two brands. Different terminologies are used to describe the concept of fit, including congruence (Sénéchal et al., 2014) and match-up (Ahn et al., 2009), among others. Whatever the terminology used, the concept of fit is related to customers’ associative networks (Keller, 1993), through which they evaluate the credibility of a link between two brands. A good level of fit is an important condition for the success of the co-branded product (James et al., 2006; Simonin and Ruth, 1998).

Focusing on brand alliances and extensions, Park et al. (1991) introduce the concept of brand fit, which can be defined as the conceptual consistency that reflects the similarities in image, abstract meanings and benefits between two brands. Indeed, it is important to move beyond the simple product fit that is necessary in an ingredient co-branding strategy.

Depending on the type of co-branding arrangement, the nature of the fit will be different. Lanseng and Olsen (2012) observed that product fit is important only for functional co-branding and plays no role in symbolic brand alliances. In alliances that link brands from different countries, the countries of origin also generate images and associations; consequently, in international co-branding arrangements, the country of origin fit should also be taken into account (Bluemelhuber et al., 2007; Lee et al., 2013).

Until recently, most results confirmed that – whatever the criteria that is used to study fit issues – consumers’ perceptions of fit between brand allies is positively related to the evaluation of the co-branded product (Gammoh and Voss, 2011). A recent study by Sénéchal et al. (2014) challenges this conclusion, investigating the monotonicity of this relationship. Defining fit through two dimensions, relevancy and expectancy, the study shows an inverted-U shaped relationship between the level of fit and customers’ evaluation – when the joint product is too predictable, customers are insufficiently surprised and stimulated to buy it.

Most studies on co-branding offer a static view and do not measure the dynamic impact of the joint product – a problem already indicated by Simonin and Ruth (1998). We must, therefore, tend to go beyond a simple evaluation of co-branded products and test their impact on long-term customer behaviour concerning future product introductions. Although some pioneering work has been performed by Desai and Keller (2002) on the trial and repeat purchase behaviour of co-branded products, additional research is required to address these issues more systematically.

Recent articles by Hariharan et al. (2012) and Swaminathan et al. (2012) build on panel data to dynamically link customer behaviour and co-branding strategies. Hariharan et al. (2012) show that, in ingredient branding arrangements, loyal customers of the host brand are more likely to try the co-branded product than non-loyal customers. Using the same logic, Swaminathan et al. (2012) show that consumer attributes (e.g., user vs. non-user and loyal vs. non-loyal) can moderate the spillover and brand transfer effects between brands. In addition, the spillover effect expressed in the trial of parent brands is stronger among non-loyal customers who discovered the parent brand through the co-branded product.
The relevance of co-branding for SMEs and entrepreneurial marketing

6.1 SMEs’ characteristics and entrepreneurial marketing

It is widely accepted that SMEs – firms with less than 500 employees – are different from larger companies (Krake, 2005; Jennings and Beaver, 1997), as they have limited resources, are managed in an entrepreneurial style and have a small influence on the market environment (Levy and Powell, 1998).

Internally, SMEs are restricted by a general lack of financial and human resources. They often rely on generalist knowledge to coordinate their day-to-day activity – usually embodied in the person of the owner-manager. Externally, most SME cannot control the market, and are extremely vulnerable to adverse environmental change or competitive threats. In SMEs, the efforts are usually concentrated not on predicting and controlling the operating environment, but on adapting as quickly as possible to the changing demands of that environment and devising suitable tactics for mitigating the consequences of any threatening changes that occur (Jennings and Beaver, 1997).

Regarding marketing strategy, SMEs cannot aspire to the sophistication demanded by formal marketing methods. Most SMEs usually focus on a narrow product base, in some cases single products or a core product with a few minor variations. Quality and purpose are likely to be one-dimensional, and pricing decisions are usually simple. Resource limitations restrict promotional expenditures, preventing SMEs to employ a balanced mix of media and direct communication. Distribution and delivery are usually limited to servicing individual customers, lacking a planned, coordinated pattern (Julien et al., 1997).

Since many SMEs are owner-managed, their marketing activities are largely shaped and influenced by the lead entrepreneur. The specific characteristics of entrepreneur’s personality are likely to have a strong and decisive impact on the design and implementation of marketing strategies (Carson et al., 1995). Because of the organisation’s size and the lack of internal resources, the process of decision-making will tend to be structured around simple, short-term objectives. Many studies outlined that the main strategic shortcoming of small organisations lies in their lack of marketing knowledge and strategy (Carson et al., 1995; Krake, 2005; Huang and Brown, 1999). On the other hand, small firms have also a series of advantages in comparison with larger firms, determined by quicker decision-making and implementation, better knowledge of customers, and increased flexibility to meet market requirements (Carson et al., 1995; Krake, 2005).

6.2 The relevance of co-branding strategies for SMEs

Although branding strategies can represent powerful competitive tools for small firms, the academic literature on this topic is scarce (Boyle, 2003; Krake, 2005; Wong and Merrilees, 2005). In what concerns co-branding strategies, although professional articles recognise their importance for SMEs, field surveys indicate that many small firm managers have no interest to consider their advantages or to implement them (Krake, 2005)

This is no surprise considering the limits of marketing expertise specific for small firms. However, there are ways in which co-branding can be used strategically by SMEs, if the owner-manager understands well the associated benefits and risks (Cassia et al.,
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2015). Considering the two joint aspects of co-branding, any small firm desiring to apply this strategy needs to have clear branding and alliance policies, which, on the one hand, will allow the organisation to develop brand awareness and recognition, and, on the other hand, find the best partners to exploit this central organisational asset.

Given the small size and power of SMEs, it may seem that they can bring only limited value into a co-branding agreement, but this is not necessarily true. The excellent reputation built by some small firms in their niche markets (Rode and Vallaster, 2005) – using creativity and good customer service – can be expanded to larger market segments using a co-branding alliance with a larger company. For example, large airline companies often prefer to develop new routes by sub-contracting and co-branding their service with smaller firms that are locally-specialised. This way, both organisations can expand their market offer, taking advantage of their specific expertise and strengths (Dana et al., 2000). Co-branding can also represent a powerful strategy for international expansion, combining the expertise and quality of a small firm, with the reputation and presence of a large manufacturer or distributor (Gabrielsson, 2005). Using the superior marketing knowledge and budget of larger firms, small organisations can significantly expand their brand and corporate reputation with low investments of money, time or energy.

Successful co-branding implies however, a careful selection of partners and a formalised management of alliance agreements (Kalafatis et al., 2012). Since small firms have limited capabilities, it is advisable to focus on a small number of trusted partners, and negotiate clear and balanced alliance agreements. The brand name should be always properly protected through intellectual property legislation, while the alliance agreement must be built on a transparent and consensual division of rights and responsibilities. Small firms should take advantage of their privileged relations with customers and of their entrepreneurial attitude (Gilmore et al., 1999), without attempting to contribute in areas that require a large deployment of resources – such as large-scale manufacturing, advertising or distribution. Finally, SMEs can also benefit of a positive public reputation (Gruber, 2004), due to their small scale, family values, and more traditional production methods. This image can be particularly attractive for large organisations that attempt to be perceived as more consumer- and environmentally-friendly.

7 Concluding remarks

This study presents an integrated overview of the co-branding literature and provides an interpretative framework from the perspective of SMEs. Considering that previous results are scattered and poorly related to one another, we attempted to contextualise the existing research and identify avenues for future studies. Our first contribution stems from our effort to define the boundaries and types of co-branding strategies. By doing so, we were able to identify a set of benefits and risks associated with these strategies. After discussing partner selection and recent research themes, we present the characteristics of SMEs and entrepreneurial marketing, and we identify the main challenges and benefits of co-branding strategies for smaller organisations. Unfortunately, despite the widely recognised importance of small firms in the modern economy, their perspective and practices in co-branding seem neglected in the existing academic and professional literature. Our study is an attempt to address this gap, and to lay down a research platform which needs to be further enriched and validated by future studies. These studies should
either develop a large-scale typology of co-branding strategies and organisational behaviours in SMEs – using statistical analysis of quantitative data, or adopt a case study approach in order to identify the specific managerial challenges and best practice solutions applied by some small organisations in their co-branding agreements.

References


