Co-branding: The State of the Art

Abstract

The use of co-branded products as a form of brand management has gained increasing attention from managers and scientists, as evidenced by the practitioner-oriented articles and empirical studies published since the mid-1990s. However, there is no description that contrasts co-branding with other branding strategies, nor is there a structured overview of the main findings of co-branding studies. We classify different branding strategies, discuss branding literature, and develop a theoretical model for co-branding based on research findings. In addition to managerial implications, we provide a critical assessment of research, identify research questions, and offer a research agenda for co-branding.

JEL-Classification: M10, M31, M37.

Keywords: Co-branding; Spill-Over Effects; Success Factors of Co-brands.

1 Introduction

Because of the fierce competition among manufacturers and retailers in saturated markets, especially for fast-moving consumer goods, the use of co-branded products, has become increasingly important for brand managers in recent years (e.g., Vaidyanathan and Aggarwal (2000); Desai and Keller (2002); Washburn et al. (2004)). Although co-branded products mainly appear among consumer goods (for example, Betty Crocker® cake mix with Hershey’s® chocolate sauce; Kellogg’s® Pop Tarts® with Smucker’s® fruit filling), they are also relevant for durables (IBM® personal computers with Intel® processors) and services (AT&T® and MasterCard® financial...
Along with classical brand extensions and other brand alliance strategies, such as advertising alliances and dual branding, co-branded products offer a means of differentiating products in competitive environments. Through physical product integration, by which one product is branded, i.e., identified, simultaneously with two other brands, companies can realize positive effects for both products. Thus, compared to other forms of brand alliances, physical product integration is an essential constituent and differentiation criterion for co-branded products.

According to the signalling perspective (e.g., Wernerfelt (1988); Erdem and Swait (1998)), the combination of two brands provides greater assurance about product quality than does a single branded product, and should lead to higher product evaluations and premium prices (Rao et al. (1999)).

Although co-branded products have been in use for some time, there is surprisingly little quantitative empirical research on the subject (e.g., Park et al. (1996); Simonin and Ruth (1998); Rao et al. (1999); Desai and Keller (2002)). Therefore, in this paper we distinguish co-branding from brand extensions and other brand alliance strategies and provide a structured, comprehensive overview of the outcomes of empirical research on co-branded products.

The article is structured as follows: In Section 2, we define co-branding and compare it with other branding strategies. In Section 3 we discuss and evaluate the literature on co-branded products and summarize its main findings. In Section 4 we develop a theoretical model of co-branded products. In Section 5 we offer managerial implications, including a decision matrix to evaluate alternative branding strategies. In Section 6 we evaluate literature. In Section 7 we conclude by providing a research agenda for co-branding.

2 Delineation of Co-branding Against Other Branding Strategies

Co-branding represents a long-term brand alliance strategy in which one product is branded and identified simultaneously by two brands. According to this definition, the following characteristics constitute co-branded products: First, the participating brands should be independent before, during, and after the offering of the co-branded product (Ohlwein and Schiele (1994)). Second, the companies that own the brands should implement a co-branding strategy on purpose (Blackett and Russell (1999)). Third, the cooperation between the two brands must be visible to potential buyers (Rao (1997)), and fourth, one product must be combined with the two other brands at the same time (Hillyer and Tikoo (1995); Levin et al. (1996)).

Practical experience shows that there are different co-branding variations. Vertical co-branding, often defined as ingredient branding (Desai and Keller (2002)), pertains to the vertical integration of products within one product by producers of different value chain steps (e.g., Coca-Cola® and NutraSweet®; IBM® and Intel®). In contrast, horizontal co-branding is characterized by the production and distribution of
a multibranched product by producers at the same step in the value chain. Furthermore, a co-branded product may appear in a product category in which both producers are already established (e.g., Sony® and Ericsson® mobile phones), only one producer is established (e.g., hypothetical chocolate bar co-branded by Hershey’s® and Coca-Cola®), or a category in which none of the producers currently offers products (e.g., a hypothetical yoghurt drink of Coca-Cola® and Evian®).

For the latter two scenarios, the co-branding strategy would become a brand extension strategy, one which introduces new products with the same brand name in existing or new product categories (line extensions (e.g., Beck’s® extension from Beck’s® to Beck’s Gold®); e.g., Desai and Hoyer (1993, 599)) or new products in new product categories (franchise/brand extensions (e.g., Unilever’s extension of the Dove® brand from soap and body lotion into hair shampoo products); e.g., Tauber (1981, 36)). Figure 1 displays the differences and overlaps between co-branding and brand extension strategies.

**Figure 1: Co-branding and brand extension**

Classical brand extensions involve only one single brand (mono-branding); co-branding includes multiple brands. Because of this distinction, no insights on how consumers use their brand attitudes and associations to respond to combinations of two or more brands can be derived from the studies on and practice of “classical brand extensions” (Simonin...
and Ruth (1998)). Nevertheless, brand extensions appear far more often in practice, and
the corresponding scientific literature is much more comprehensive and sophisticated
(Aaker (1990); John et al. (1998); Balachander and Ghose (2003); Völckner and Sattler
(2006)). Both brand extension and co-branding strategies attempt to strengthen the parent
brand and extend customer value perceptions to a new product. However, a co-branding
strategy might be more beneficial than a brand extension strategy, because a second brand
can contribute a perception of additional value to both the co-branded product and
the primary brand itself that the primary brand cannot achieve on its own. In addition
to this potential advantage, negative effects might occur if the combination of the two
brands either does not fit or prompts negative value perceptions (e.g., negative publicity)
about one brand that spill over to the partner brand. Furthermore, managing co-branded
products results in greater complexity from an operational point of view, because it
requires aligning the interests of at least two different stakeholders. Any decision about
which of multiple strategies is preferable requires a detailed analysis of the associated costs
and benefits, based on specific management objectives and the environmental situation.
In addition to co-branding, there are a variety of other brand alliance strategies,
including:

- Joint sales promotions (e.g., Campbell’s® soup and Nabisco® saltine crackers/
  Premium® crackers; Varadarajan (1986)),
- Advertising alliances (e.g., Kellogg’s® cereals and Tropicana® fruit juice; Samu et al.
  (1999)),
- Dual branding (e.g., Shell™ and Burger King® gas stations (shop in shop concept);
  Levin and Levin (2000)), and
- Bundling (e.g., variety packs of branded soft drinks; Stremersch and Tellis (2002)).

Advertising alliance strategies relate closely to co-branding strategies. Similar to a co-
branding strategy, the main reasons to use other brand alliance strategies include the inter-
dependent image improvements that accompany a collaboration with a complementary
partner, and signalling benefits (Wernerfelt (1988); Erdem and Swait (1998)). According
to signalling theory, the combination of two brands provides consumers with greater
assurance about product quality, which then results in higher product evaluations and
premium prices (Rao et al. (1999)). However, a co-branding strategy is the only approach
in which a single product simultaneously comprises two or more brands. Although other
brand alliance strategies might prevent the potential severity of negative spill-over effects
and reduce complexity, the benefits of such strategies might not be as strong as those for
col-branded products.

In Table 1 we show the differences between co-branding and other brand alliance strate-
gies and brand extensions, but demonstrate that while a brand extension strategy might
also be a co-branding strategy, the other strategies are completely different.
Table 1: Branding strategies and their distinction from co-branding

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Example</th>
<th>Characteristics</th>
<th>Difference from Co-branding</th>
<th>Relevant Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product bundling</td>
<td>Vobis Hardware, software and services for PCs</td>
<td>Combined offer of two or more goods in a package with one total price</td>
<td>No simultaneous branding of a single physical product by two brands</td>
<td>Gaeth et al. (1990) Yadv (1994) Priemer (1999) Stremersch and Tellis (2002)</td>
</tr>
<tr>
<td>Brand extension</td>
<td>Boss brand transfer from clothes to perfumes</td>
<td>Extension of a brand to a new product in either a new or an existing product category</td>
<td>Equals co-branding, if new product is branded by two brands simultaneously</td>
<td>Aaker and Keller (1990) Balachander and Ghose (2003) Vöckner and Sattler (2006)</td>
</tr>
</tbody>
</table>

3 Literature Review

Norris (1992) was the first to formulate the potential benefits of co-branded products. His study was followed by two conceptual articles, one by Rao and Rueckert (1994), who analyze co-branded products from a signalling perspective, and the second by Hillyer and Tikoo (1995), who use process models of attitude formation and change (e.g., Petty et al. (1983); Eagly and Chaiken (1993)) to understand the influence of co-branded products.

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on brand evaluation. Quantitative empirical research on co-branded products did not begin until 1995 (Shocker (1995)) or 1996 (e.g., Levin et al. (1996); Park et al. (1996)).

3.1 Direct Effects

Following the conceptual work of Rao and Rueckert (1994) and Rao (1997), Rao et al. (1999) published a deeper analysis of co-branded products from a signalling perspective, in which they show that consumers can better evaluate the quality of a brand with unobservable attributes when that brand is allied with a second brand that is perceived as vulnerable to consumer sanctions. As a result of their double-branding feature, co-branded products now provide an enhanced quality signal compared with a mono-branded product.

In differentiating between host brands with moderate and high quality, McCarthy and Norris (1999) demonstrate that branded ingredients consistently and positively affect moderate-quality host brands, but only occasionally have positive effects on higher-quality host brands. That is, there is an enhanced quality signal only for moderate quality brands, whose positive product quality characteristics can be transferred to the host brand. In addition, the high product quality of the brand partner improves the positive evaluation of the co-branded product. Therefore, partner brands should be perceived as having high quality.

Levin et al. (1996) find that adding a well-known-ingredient brand improves consumer product evaluations of unknown or well-known host brands more than does adding an unknown brand. Therefore, consumers’ brand awareness of the partner brands has a positive direct effect. This claim is supported by Fang and Mishra (2002), who show that perceptions of an unknown brand paired with a well-known, high-quality partners are enhanced; and Voss and Tansuhaj (1999), who prove that consumer evaluations of a co-branded product improve if an unknown foreign brand partners with a well-known domestic brand.

Vaidyanathan and Aggarwal (2000) also analyze co-branded products formed by a well-known national brand and an unknown private brand, and find that a co-branded product receives a more positive evaluation if it incorporates a well-known national ingredient brand. By differentiating co-branded products as containing either a self-branded (unknown) component or an established (well-known) ingredient, Desai and Keller (2002) clarify the extended effects of the host brand. Through extensions that change the level of an existing product attribute, an established ingredient facilitates initial expansion acceptance, but a self-branded ingredient leads to more favorable subsequent category extension evaluations. Extensions that add an entirely new attribute or characteristic to the product should incorporate an established ingredient, because doing so leads to higher evaluations of the initial product and the subsequent extension.

Park et al. (1996) find that consumers’ positive attitude toward one brand leads to positive direct effects, and that a co-branded product consisting of two complementary brands
maintains a better attribute profile in consumers’ minds than does a direct brand extension of the dominant brand or a co-branded product consisting of two highly favorable but not complementary brands. Walchli (1996), in analyzing evaluations of co-branded products according to the congruity of the partner brands, shows that in high-involvement conditions, moderately incongruent partner brands can lead to more positive evaluations than can congruent or highly incongruent partner brands. This surprising result likely is a function of the increased elaboration consumers undertake to seek resolutions, which are biased toward positive explanations for the incongruity (Mandler (1982)).

Simonin and Ruth (1998) show that positive direct effects emerge from positive prior attitudes toward each partner brand, as well as positive perceptions of the brand and product fit of the partner brands. The term “fit” refers to customers’ perceptions of the compatibility or similarity of the two product categories of the partner brands and their brand concepts. Hadjicharalambous (2001) modifies Simonin and Ruth’s (1998) comprehensive model to provide evidence that overall fit (i.e., the conceptual coherence of the combination of brands A and B as the new co-branded product or service) positively affects evaluations of a co-branded product, but overall fit is positively influenced by the transfer fit, or the fit of the partner brand with the product category of the co-branded product, and brand fit. That is, high transfer fit is synergistic, generating positive direct effects. Washburn (1999) and Washburn et al. (2000, 2004) also establish a direct link between brand equity and co-branded products, showing that the high brand equity of the partner brands improves the perceived brand equity of the co-branded product and thereby generates positive direct effects.

Janiszewski and van Osselaer (2000) and van Osselaer and Janiszewski (2001) consider how consumers use brand names and product features to predict product performance through various learning models. As Park et al. (1996) and Simonin and Ruth (1998) demonstrate, combining two well-known brands enhances the anticipated value of the co-branded product because well-known ingredient brands provide positive direct effects.

The two most recent studies on the direct effects of co-branding are by Baumgarth (2003) and Huber (2005), both of which support Simonin and Ruth’s (1998) and Hadjicharalambous’s (2001) findings. Baumgarth (2003) offers the most comprehensive study on direct effects. He analyzes the largest sample, the greatest variety of co-branded products, and the most path relationships, which he tests simultaneously. In addition to brand and product fit, advertising relevant to the co-branded product has great importance in terms of evaluations of the co-branded product, according to his structural equation model. Huber (2005) provides evidence that product involvement and consumers’ brand orientation influence the success of the co-branded product. Table 2 summarizes these findings from co-branding research.

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2 For a replication study in the context of cause-brand alliance, see Lafferty et al (2004).
In comparison with research on brand extensions, co-branding studies reveal some interesting commonalities and differences. Key success factors for brand extensions include a high degree of fit between the brand and the extension product, high parent-brand involvement, retailer acceptance, and marketing support (Völckner and Sattler (2006)). Transfer fit and marketing support influence the success of a co-branded product, but the brand and product fit of the partner brands are even more significant, because co-branding, unlike brand extensions, introduces a new evaluation dimension. That is, the pairing of two complementary brands into one product might contribute value and complementary benefits to the co-branded product beyond those that one brand could achieve on its own. Park et al. (1996) support this finding. Their experimental test suggests co-branded products are perceived much more favorably than are direct brand extensions in the parent brands’ product category.

The co-branding literature has not yet analyzed additional success factors of brand extensions, such as retailer acceptance and parent brand involvement. Table 2 integrates the relevant relationships from brand extensions that could serve as potential success factors for co-branded products. Such combinations should be considered in further research.

Table 2: Success factors for direct effects

<table>
<thead>
<tr>
<th>Success Factors for Direct Effects</th>
<th>A co-branded product is more successful if …</th>
<th>Source</th>
<th>Relative importance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics of constituent brands/products</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Characteristics of co-branded product</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>the evaluation of advertising campaigns with regard to the co-branded product is positive.</td>
<td>Baumgarth (2003)</td>
<td>High</td>
</tr>
<tr>
<td>Retailer acceptance</td>
<td>retailer acceptance is high.</td>
<td>Völckner and Sattler (2006)</td>
<td>Not tested yet</td>
</tr>
</tbody>
</table>
### Success Factors for Direct Effects

<table>
<thead>
<tr>
<th>Fit constituent brands/products</th>
<th>A co-branded product is more successful if ...</th>
<th>Source</th>
<th>Relative importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of complementariness</td>
<td>the constituent brands are highly complementary regarding an attribute of the co-branded product.</td>
<td>Park et al. (1996)</td>
<td>Medium</td>
</tr>
<tr>
<td>Brand fit</td>
<td>brand fit of the constituent brands is high.</td>
<td>Simonin and Ruth (1998)</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Baumgarth (2003)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Huber (2005)</td>
<td></td>
</tr>
<tr>
<td>Product fit</td>
<td>product fit of the of the product categories of constituent brands is high.</td>
<td>Simonin and Ruth (1998)</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Baumgarth (2003)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Huber (2005)</td>
<td></td>
</tr>
<tr>
<td>Incongruence</td>
<td>partner brands are moderately incongruent under high involvement conditions.</td>
<td>Walchi (1996)</td>
<td>Medium</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fit constituent brands with co-branded product</th>
<th>Fit of constituent brands and co-branded product</th>
<th>Source</th>
<th>Relative importance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the fit between the brands and the co-branded product is high.</td>
<td>Hadjicharalambous (2001)</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Baumgarth (2003)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Person-specific variables</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Product involvement</td>
<td>involvement with the product category of the co-branded product is high.</td>
<td>Huber (2005)</td>
<td>Medium</td>
</tr>
<tr>
<td>Brand orientation</td>
<td>brand orientation is high.</td>
<td>Huber (2005)</td>
<td>Low</td>
</tr>
<tr>
<td>Constituent brand involvement</td>
<td>constituent brand involvement is high.</td>
<td>Völkner and Sattler (2006)</td>
<td>Not tested yet</td>
</tr>
</tbody>
</table>

Notes: We estimate the relative importance of high, medium, low on the basis of previous findings, because no meta analysis exists.

### 3.2 Spill-over Effects

Studies on prerequisites that generate spill-over effects are scarce. Simonin and Ruth (1998) develop a structural equation model that shows that consumers’ attitudes toward co-branded products positively influence their subsequent attitudes toward each partner’s brand. These authors also prove an inverse relation: brands that are less familiar have a weaker impact on the attitude formed by consumers toward the co-branded product, but receive stronger spill-over effects from a brand alliance than do familiar brands (see Lafferty et al. (2004)). Baumgarth (2003) demonstrates that greater brand stability, which prevents potential image erosions due to unfavorable extensions, leads to weaker spill-over effects. Voss and Tansuhaj (1999) show that co-branded products can increase subsequent evaluations of a previously unknown brand if the unknown partners with a well-known brand.

Similarly, Washburn (1999) and Washburn et al. (2000; 2004) find that co-branded products can bring a win-win potential to two high-equity partner brands, which leads to
greater spill-over effects. Although brands with lower brand equity benefit most from co-branding, those with high brand equity do not suffer a reputational downgrading, even when paired with a low equity partner. In line with these findings, Vaidyanathan and Aggarwal (2000) demonstrate that the brand equity of a national brand is not diminished as a result of a collaboration with an unknown private brand. Musante (2000) even finds that co-branded products can improve the perceived “personality” and attitude of a partner brand if that brand cooperates with a second brand that is perceived to be superior on those dimensions.

Andres (2003) shows that the quality of the co-branded product has a significant impact on evaluations of the partner brands. Swaminathan et al. (2001) argue that the similarity of a brand extension to the existing product categories of the parent brand leads to spill-over effects. Although this issue has not been analyzed specifically in the context of co-branding, Huber (2005) indicates that negative information about a co-branded product can lead to negative spill-over effects. Jap (1993) points out that the fit between partner brands is a success factor for spill-over effects as long as the brand concepts of the partner brands are consistent with the co-brand. This finding remains must also be tested in the context of co-branding. Table 3 summarizes the current findings pertaining to co-branding research as it relates to spill-over effects.

Again, comparing the research on co-branded products with the far more sophisticated research on brand extension reveals some interesting similarities and differences. Positive spill-over effects from brand extensions to the parent brand are generated by the success of the extension product; how close the extension is to the original product category of the parent brand; and how consistent the brand concept is with the extension product. For a detailed analysis, see Kaufmann and Kurt (2005).

Table 3: Success factors for spill-over effects

<table>
<thead>
<tr>
<th>Success Factors for Spill-over Effects</th>
<th>Spill-over effects on one/both brand(s) are stronger/more positive if…</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics of constituent brand(s)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand awareness</td>
<td>brand awareness of one of the constituent brands is high.</td>
<td>Voss and Tansuhaj (1999)</td>
</tr>
<tr>
<td>Brand personality/attitude</td>
<td>the brand personality of one of the constituent brands is positive.</td>
<td>Musante (2000)</td>
</tr>
<tr>
<td>Brand familiarity</td>
<td>the brand familiarity of the constituent brands is low.</td>
<td>Simonin and Ruth (1998)</td>
</tr>
<tr>
<td>Brand stability</td>
<td>the brand stability of the constituent brands is low.</td>
<td>Baumgarth (2003)</td>
</tr>
</tbody>
</table>
Co-branding research has analyzed only the first success factor, product success. The other two success factors appear in Table 3 as potential success factors related to spill-over effects, but as far as we know, there are no empirical analyses in co-branding research to confirm their effects.

Further elaboration on the differences of spill-over effects for co-branding and brand extensions suggests complementary but asymmetrical effects. Park et al. (1996) show that there may be complementary co-branding effects, because their subjects’ reactions to the header brand of a co-branded product improve significantly after their exposure to the co-branded product. In contrast, Park et al. find no positive feedback effect for the header brand in a brand extension condition.

Asymmetry also emerges in co-branding, but not in the case of brand extensions, because with brand extensions, no second brand can reinforce spill-over effects for the extension brand. As already noted, Simonin and Ruth (1998) provide evidence of the asymmetry effects of co-branding, because a weak brand adds little value to the co-branded product, but benefits strongly from spill-over effects.
4 Theoretical Model of Co-branded Products

Studies of co-branded products and research findings pertaining to brand extensions suggest a possible theoretical model of co-branded products, which we provide in Figure 2. The dependent variables, shown in the dotted box, reflect the two key objectives of co-branding we discuss in Section 3, i.e., the economic success of the co-branded product and positive effects on the partner brands. Our model involves five overarching clusters (see Table 2) with multiple factors that influence the economic success of the co-branded product, and three clusters (see Table 3) that generate positive spill-over effects. We urge that there be further research on co-branded products to validate this model, ideally with a meta-analysis.

Figure 2: Theoretical model of co-branded products

5 Managerial Implications

On the basis of our empirical research review, we also develop several managerial implications. Before considering co-branding as a branding strategy, managers should use a decision matrix to assess different branding strategies. This decision matrix must include a fair comparison of associated costs, i.e., the operating expenditures, OPEX, and capital expenditures, CAPEX, as well as benefits (revenues) and the time horizon of the managers’ strategy. In Figure 3 we suggest a managerial decision matrix and display the hypothesized positions of different brand alliance strategies and a brand extension strategy, as described in Figure 1. The size of the revenues inherent to a strategy are represented by the size of the associated circle.
Generally, managers must decide whether they are pursuing a short- or long-term branding strategy. Joint sales promotions, advertising alliances, and product bundling strategies suggest quick wins, because the implementation costs remain relatively low, and the severity of negative spill-over effects is limited by the short time frame of the brand cooperation. In contrast, dual branding, brand extensions, and co-branding strategies realize benefits over the long run. A co-branding strategy, with its required coordination and transaction costs, implies the highest cost for implementation, especially compared with a brand extension strategy, which requires no coordination costs between partners. Furthermore, the negative spill-over effects will be even more severe because of the involvement of two partners instead of only one.

We expect that a co-branding strategy will usually offer the greatest benefits. Compared with a brand extension strategy, co-branding contributes additional value to the co-branded product that a single brand cannot achieve on its own. Findings on complementary and asymmetry effects also indicate a significant upside potential for less-established brands, in that weaker brands can be paired with strong brands to create a co-branded product that does not diminish the strong brand, but instead offers the high probability of strong positive spill-over effects to the weaker brand and the co-branded product itself. Managers who must decide how to improve a weak brand should prefer co-branding over a brand extension because of the potential complementary effects. In contrast, brand extensions require an already-established brand and a strong fit between the parent brand and the new product category to avoid failure and sunk costs. Again, these factors seem to favor co-branding over a brand extension strategy, especially when the extension moves into a product category that is further from the parent brand's existing category. Positive spill-over effects tend to be stronger for co-branding than for brand extensions because of the effect of a consistent level of performance that the second brand offers. Of course, we
caution that these statements on costs and benefits should be analyzed in detail for any specific situation.

However, if a co-branding strategy represents the superior choice, then the resulting co-branded product can achieve success as long as the two brands combine to create a product that triggers positive associations in consumers’ minds. Brand managers of less well-established brands should pick only those brands that have equally strong, positively evaluated brands with high equity as their co-branding partners. On the other hand, even for strong brands, less-established brands may be good candidates for co-branding if they own a specific association in a niche that is not served by the strong partner brand that is looking to enter the category. Decisions about an adequate partner brand thus require detailed analyses of the fit of the integral brand concepts. Comprehensive testing should identify the fit level for multiple-brand concept dimensions. For example, if the partner brands represent different product categories, then managers should also analyze the fit of the two product categories. Brand managers must also test the transferability of the underlying brands to a new product category, analogous to the recommendations of brand extension research. If the partner brands possess perceived competencies from customers’ points of view, the new co-branded product should be successful.

Finally, the different fit dimensions that can determine the success of the co-branded product are important for the initial decision to launch the co-branded product. After the launch, advertising activities should emphasize the functional benefits of the co-branded product and, perhaps even more important, pinpoint the emotional and personal fit of the two partner brands. Positive spill-over effects will result from advertising that highlights the superior quality of the co-branded product, so co-branded products should offer high quality that requires a premium price level. To convince consumers of superior product quality, product launches of co-branded products should be supported by free samples.

6 Critical Evaluation

Unlike closely related areas of brand management research, such as brand extensions (e.g., Aaker and Keller (1990); Keller and Aaker (1992); Milberg et al. (1997); van Osse-laer and Alba (2003)), co-branded products still lack strong empirical research findings. Empirical research did not exist before 1995, and since then, only about 25 empirical studies have emerged. This scarcity implies that research on co-branded products cannot provide empirical generalizations yet; findings about spill-over effects in particular can be generalized only with care.

Furthermore, most studies use student samples, a method that marketing literature has criticized (Peterson (2001)). Future empirical studies on co-branded products should use more representative samples.

When they are developing measurement criteria, some studies use only one item to specify a construct; batteries of items could improve these studies’ specifications of the underlying constructs. Moreover, the existing construct reliability and validity assessments
rely mainly on traditional criteria. For example, only two studies analyze moderating variables for causal relationships (e.g., Simonin and Ruth (1998); Baumgarth (2003)) through structural equation modeling. Therefore, a critical discussion of the pros and cons of multigroup analysis within structural equation modeling and moderated regression analysis applied to co-branded products is still missing. Finally, the majority of these studies use only hypothetical co-branded products for evaluation, but the direct and spill-over effects of real co-branded products that have been introduced to markets have been studied only rarely.

7 Future Co-branding Research

To begin our examination of potential areas for further research on co-branding and the direct effects of co-branding, we believe it is essential to determine the causes of fit between two brand concepts. Such a detailed understanding of fit dimensions can lead to a comprehensive selection tool that would help determine successful co-branded products.

Other than brand orientation and product involvement, a consumer characteristic that can affect co-branded product evaluations is that of variety seeking. In switching brands, variety seekers derive utilities from the change itself, regardless of the brands involved (McAlister (1982); Givon (1984)). To keep customers brand-loyal but also accommodate their variety-seeking behavior, manufacturers of consumer goods might use co-branded products to establish new alternatives in existing and new product categories. The introduction of a co-brand offers variety seekers the opportunity to switch to the co-brand (produced by the original manufacturer and a new partner) instead of choosing a competitive brand from a different manufacturer. This strategy generates at least some revenue and profit for the firm, although the amount depends on the co-branding agreement. Brand switching leads only to losses. In researching variety-seeking, it is also very important to analyze how co-branding offers could offer a better or more profitable solution than a line extension strategy. Answering the overarching question on the economics is key: should the manager try for significantly more customer attraction through a co-brand rather than a line extension, or should he opt for the potentially smaller contribution margin that could be due to the co-branding's underlying profit sharing agreements?

Additional factors that may affect co-branded product evaluations also remain to be explored, such as the effects of promotional activities by both the co-branded product and competitive brands (e.g., price discounts), as well as the influence of a new competitive but mono-branded product in the same product category. Further, co-branding research should also investigate the success factors identified in brand extension research, such as retailer acceptance and parent-brand involvement.

Because empirical research findings on spill-over effects remain scarce, future studies should determine which characteristics of the co-branded product generate positive spill-over effects. Current studies analyze only short-term spill-over effects; long-term surveys...
with continuous measurements could provide much more information. Moreover, negative spill-over effects have yet to be analyzed in detail. Marketers require evidence about which factor, other than negative information (e.g., negative experience with the co-branded product, poor fit of partners) leads to negative spill-over effects. To prevent these negative spill-over effects and generate positive effects, researchers should also analyze customer characteristics and their moderating impact. For example, spill-over effects for customers with high and low enduring and situational involvement probably differ.

The current research on brand extensions could inspire further research on co-branding. For example, a fruitful research direction might examine the closeness of the co-branded product and how consistent the brand concept of the parent brands might be.

Decision making on co-branding and other branding strategies might also benefit from the outcomes of meta-analyses that assess the factors of our theoretical model simultaneously. Appropriate performance measures, such as discounted profits and brand equity, might determine co-branding’s success. Further, it would be advantageous to have a detailed analysis of the antecedents of co-branding success factors to gain insights into the magnitude of their impact. Here, we merely provide hypotheses about the indicative relative importance of the success factors of a co-branding strategy (see Tables 2 and 3). Finally, we suggest that models to determine the ROI of various branding strategies would be very useful for academics and practitioners alike.

Most of the current empirical studies use observations from fast-moving consumer goods categories, so broader insights into the requirements for successful co-branding from durable and service industries would be welcome.

Finally, additional topics that deserve research priority include the implications of brand overexposure, the effects that result from multiple engagements with different co-branded products. Empirical studies of testimonials suggest that consumer attitudes decline if the product advertising represents multiple brands in different advertisements (Tripp et al. (1994)). The implications of negative external incidents (Milberg et al. (1997); Ahluwalia et al. (2000)) associated with one partner on the collaborating partner of the co-branded product are also worth considering.

References


Keller, Kevin Lane and David A. Aaker (1992), The Effects of Sequential Introduction of Brand Extensions, *Journal of Marketing Research* 29, 35-50.


