

## Consumer Evaluation of Cobrands: The Role of Brand Positioning Strategies

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**Abstract:** *Cobrands (or brand alliances) are increasingly popular as a viable strategic option for commercial success. Yet the impact of perceptions towards the parent brands' positioning strategies on consumer evaluation of the cobrands has not been investigated so far. Our study examines the role of positioning strategies in consumer evaluation of cobrands. Employing an experimental design, we create three cobranding scenarios in different product categories (tablets, cosmetics and smart phones). The data are collected via structured questionnaires resulting in 160 valid responses. In line with the conceptual model and research objectives, consumer evaluation of cobrands is tested in relationship to the prior positioning of the parent brands, product fit and brand fit. The results confirm brand positioning as a robust indicator of consumer evaluation of cobrands. Our finding suggests that post-positioning strategies of parent brands are influenced by positioning of the cobrand, which in turn is influenced by the positioning of the parent brands in the alliance. Parent brands were found to 'adopt' the positioning perception of its partner. The findings have managerial implications for designing appropriate positioning strategies for cobrands. The study identifies a number of further research areas.*

**Keywords:** *brand positioning, brand alliances, quasi-experimental design, brand fit, product fit*

### 1. INTRODUCTION

A relatively recent trend in brand management is *brand alliance* or *cobranding*, when a firm enters into complementary partnerships with other firms, or offers innovative new products that benefit from the relative strength of each partner. Cobranding combines competencies and reputations of two brands to innovate and create new products (e.g., Park, Jun and Shocker, 1996; Prince and Davies, 2002; Faems, Van Looy and Debackere, 2005). The strategy has gained much popularity and has led to different types of cobranded products, for example, consumer durables (e.g., Senseo, a coffee machine by Philips and Douwe Egberts), automobiles (a pick-up truck by Ford and Harley-Davidson), and consumer packaged goods (e.g., Tide Buzz, an ultrasonic stain remover by Black & Decker and Tide).

The proliferation of cobranded products in practice is accompanied by a growing number of research studies. Over the last decade a number of studies published in leading marketing journals have examined how cobranded products are evaluated by consumers (e.g., Simonin and Ruth, 1998; Desai and Keller, 2002; Baumgarth, 2004; Lafferty, Goldsmith and Hult, 2004; Helmig, Huber and Leeftang, 2008). The abovementioned examples are evidence of considerable advancement in our knowledge on factors determining consumer attitudes towards cobranding. These studies have focused on determining the impact of consumer attitudes of the partner brands, brand and product fit on perceptions towards cobranded products. However the issue whether perceptions related to 'positioning' of the partner brands have an impact on consumer attitudes to cobranding has till date been ignored. The gap is surprising given evidence that positioning strategies impact brand associations and consequently brand attitude evaluation (e.g., Keller and Lehmann, 2006). Our study aims to address this gap by examining the impact of positioning strategies in cobrand evaluation. The findings have managerial implications for designing appropriate positioning strategies for cobrands.

### 2. THE LITERATURE

Early studies in the field of cobranding sought to explain the effects of cobranding by using signalling theory (Rao and Ruekert, 1994) or models of attitude formation (Hillyer and Tikoo, 1995). A number of empirical investigations on attitude formation towards cobranded products were conducted in the nineties. For instance, based on the signalling theory Shocker (1995) found that if one of the partner brands is perceived to perform well on an attribute, then the cobrand brand would also be perceived as having a high performance level of the same attribute. On the other hand, attitude formation was investigated by Levin, Davis and Levin (1996) who showed that brand partnership enhances perceptions towards a

cobranded product, and Park *et al.* (1996) who demonstrated that the degree of attributes complementarity between partner brands has a positive effect on cobrand evaluation.

The attributes complementary effects termed ‘fit’ were postulated by Rao and Ruekert (1994) who suggested that, ‘the fit between two brands is probably an important consideration when contemplating a brand alliance’ (p 94). The fit effect was empirically investigated by Simonin and Ruth (1998) as a twofold concept, namely product and brand fit, both having simultaneous impact on consumer evaluation of cobrands. The authors define product fit as the extent to which consumers perceive two product categories as well-matched, and brand fit as the consistency of consumer perceptions of the partner brands. Product fit in the cobranding context relates to categories’ compatibility rather than the features and qualities of the constituent products (Simonin and Ruth, 1998). For instance, a partnership between a grocery retailer and an electronics products manufacturer could be perceived by consumers as comparatively less well-matched, than a partnership between a credit card and a restaurant. Higher category compatibility in terms of product fit is also corroborated in the branding literature (e.g., Aaker and Keller, 1990; Jap, 1993). Further empirical evidence shows that product fit has a significant relationship with consumer attitudes towards the cobranded product (e.g., Simonin and Ruth, 1998; Washburn, Till and Priluck, 2000; Helmig *et al.*, 2007; Bouten *et al.*, 2011).

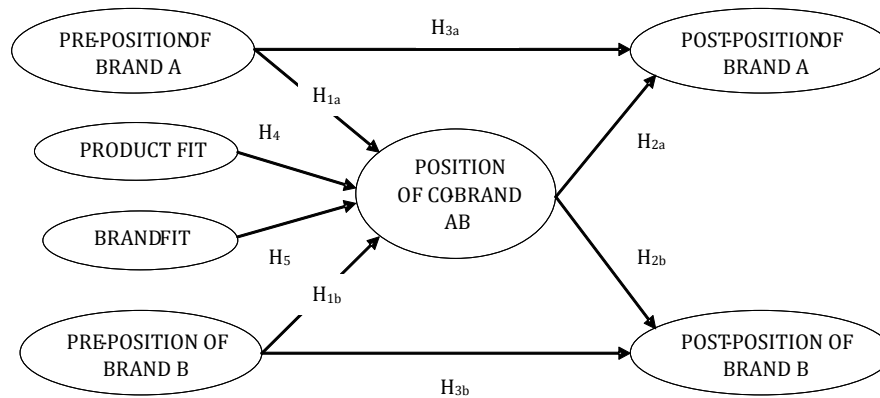
Along with product fit, empirical studies report an affirmative relationship between brand fit and perceptions towards the alliance (e.g., Simonin and Ruth, 1998; Baumgarth, 2004; Lafferty *et al.*, 2004). The brand fit refers to the associations that the consumer draws about the partnering brands. Consumers determine the level of brand fit by comparing the similarities or dissimilarities of these associations for the two brands. For instance, a partnership between BMW and Hermes is likely to elicit high brand fit, since both are associated with high quality and good taste. The theoretical explanation to the brand fit effect is provided by Lafferty *et al.* (2004). Based on congruity theory, the authors suggest that brand fit has an impact on cobrand evaluation because people seek to sustain and re-establish consistent attitudes towards the cognitive components of allied brands. Evidence on significant impact of brand fit on cobrand evaluation is also supported by Baumgarth (2004) and Helmig *et al.* (2007).

In addition to complementary effects resulting from product and brand fit, it is logical to argue that the positioning strategies are likely to have an impact on cobrand evaluation. However the extant cobranding studies do not address whether consumer perceptions to the partners’ positioning strategies influence perceptions to positioning of cobrands. This is despite the fact that positioning strategies are known to have an impact on the attitudes towards a single brand (e.g., Keller and Lehmann, 2006; Blankson and Kalafatis, 2007; Fuchs and Diamantopoulos, 2010). Extending the above argument, we posit that respective positioning strategies of the two brands have impact on overall positioning perceptions of the cobrand. We term the complementary effect of positioning strategies on cobrands as ‘positioning fit’, and investigate its impact on cobrand evaluation.

### **3. CONCEPTUAL MODEL AND HYPOTHESES**

The theoretical underpinning of our study is the conceptual model given by Simonin and Ruth (1998). The departure point in our study is that instead of the attitudes we measure the impact of existing positioning strategies of each brand on the positioning perception of the cobrand, along with the resulting ‘post-alliance positioning perceptions’ for each brand. We posit that consumer perceptions towards the positioning strategies of each partner brand will impact the evaluation of the cobranded product. Further, the positioning perception of the cobrand may in turn impact the respective positioning strategies of the partner brands, i.e. the post-positioning or the ‘spill over’ effects. The relationships posited above are presented in the conceptual model for our study as below.

### CONCEPTUAL MODEL



**Source:** Adapted from Simonin, B., L., and Ruth, J., A. (1998), "Is a Company Known by The Company it Keeps? Assessing The Spillover Effects of Brand Alliances on Consumer Brand Attitudes" *Journal of Marketing Research*, vol. 35, pp.31

We developed the hypotheses based on the above model, as discussed below. Previous studies report that the attitudes (Simonin and Ruth, 1998) and positive brand equity (Washburn, Till and Priluck, 2004) of the parent brands transfer toward the cobrand. Hence, it is expected that positioning perceptions of the parent brands should similarly transfer to the cobrand, leading to the first set of hypotheses:

H<sub>1a</sub> and H<sub>1b</sub>: There is a causal relationship between pre-alliance perceptions of the parent brands' positioning and positioning of the cobrand.

Furthermore, the newly formed perception of the cobrand should impact the post-alliance positioning perception of the partner brands (Simonin and Ruth, 1998), leading to the second set of hypotheses:

H<sub>2a</sub> and H<sub>2b</sub>: There is a causal relationship between perception of positioning of the cobrand AB and post-perceptions of positioning of the partner brands A and B.

In order to determine whether the brand perceptions 'spill over' post-alliance, the relationship between pre-alliance and post-alliance positioning perceptions of partner brands A and B need to be investigated (e.g., Rodrigue and Biswas, 2004; Lafferty *et al.*, 2004) leading to the third set of hypotheses:

H<sub>3a</sub> and H<sub>3b</sub>: There is a causal relationship between pre-perceptions of positioning and post-perceptions of positioning of brand A, and similarly for brand B.

In addition, product and brand fit plays vital role for evaluation of the cobrand (e.g., Rao and Ruekert, 1994; Simonin and Ruth, 1998), hence hypotheses 4 and 5:

H<sub>4</sub>: Product fit is related positively to perceptions of positioning of the cobrand AB

H<sub>5</sub>: Brand fit is related positively to perceptions of positioning of the cobrand AB

## 4. METHODOLOGY AND DATA

Following the design employed by a number of previous studies (e.g., Simonin and Ruth, 1998; Washburn *et al.*, 2000; Baumgarth, 2004; Helmig *et al.*, 2007), our study represents a scenario-based experiment consisting of hypothetical cobrands. For purposes of validation and generalisability the following three cobranding scenarios reflecting a diverse set of markets were created: tablet by SONY and Hewlett Packard, skincare product by Nivea and Calvin Klein and smart phone by Casio and Red Bull. The focal construct of brand positioning was operationalised using the typology and related scale developed by Blankson and Kalafatis (2004). The typology comprises the following nine positioning strategies - 'top of the range', 'value for money', 'customer service', 'reliable', 'reasonable price', 'reliable', 'attractive', 'market leader', and 'extra feature'. Each was measured using a five-point likert-type scale anchored at 'very weak' and 'very strong'. The product and brand fit constructs were measured using two-item semantic differential scales suggested by Simonin and Ruth (1998) and Aaker and Keller (1990). Using guidelines by Jarvis, Mackenzie and Podsakoff (2003), positioning perceptions of the partner brands, brand and product fit were conceptualised as reflective constructs whilst cobrand positioning as formative construct.

A questionnaire was developed based on the approach employed by Simonin and Ruth (1998). The respondents first indicated their perceptions of positioning (i.e., pre-alliance) towards the brand partners. Following exposure to unrelated filler material, the respondents were presented with the cobrand in the form of a pictorial representation and associated textual description. They were then requested to answer questions on brand fit and product fit between the partner brands as well as post-perceptions of the positioning for the cobrand and the partners (post-alliance). Using convenient sampling, 51, 48, and 44 usable responses were received correspondingly for Nivea & Calvin Kline, Sony & Hewlett Packard, and Casio & Red Bull and each scenario were obtained.

## 5. RESULTS

Given relatively small samples sizes, predictive rather than theory building nature of the study and presence of both formative and reflective constructs, the data were subjected to partial least squares (Chin and Newsted, 1999; Haenlein and Kaplan, 2004; Tanenhaus *et al.*, 2005) using PLSGraph (Chin, 2003). Before the research hypotheses were tested the measurement model had to be confirmed. For reflective constructs we adopted suggestions by Fornell and Larcker (1981) of composite reliability (CR with benchmark of 0.70) and average variance extracted (AVE with benchmark of 0.50). The results reported in Table 1 confirm the psychometric properties of brand and product fit. Following recommendations by Mathieson, Peacock, and Chin (2001) possible collinearity of the items of the formative scales was assessed through examination of VIF values, conditional indices and the decomposition of the coefficients variance matrix (Hair *et al.*, 1998). Regressing the items of the positioning scale on intention to purchase the brand alliance revealed no problems (results not presented for brevity purposes).

Table 1: Testing the measurement model

	Nivea & Calvin Kline		Sony & HP		Casio & Red Bull	
	CR	AVE	CR	AVE	CR	AVE
Brand fit	.848	.740	.714	.581	.889	.801
Product fit	.722	.596	.742	.582	.879	.785

The information presented in Table 2 provides evidence of considerable explanatory power for both the brand alliance (all  $R^2$  above 0.50) and individual brand partners ( $R^2$  values above 0.60). With the exception of Calvin Klein the functional relationships between pre-alliance perceptions of positioning of brand partners and the cobrand resulting from the alliance are confirmed. The same pattern of results applies to the pathways linking positioning perceptions of the partners pre and post alliance. Of the hypothesised relationships between brand and product fit and perceptions of positioning of the cobrand only one (Casio and Red Bull) is significant. With only one significant pathway (Calvin Kline) the results indicate lack of significant relationship between cobrand and post alliance positioning perceptions of the partners.

Table 2: Testing the structural model

Functional relationships	Standardised path coefficients (t values)		
	Nivea <sub>A</sub> and Calvin Kline <sub>B</sub>	Sony <sub>A</sub> and HP <sub>B</sub>	Casio <sub>A</sub> and Red Bull <sub>B</sub>
Pre-alliance positioning <sub>A</sub> → cobrand positioning	.307 (2.41)**	.499 (1.72)*	.583 (3.61)***
Pre-alliance positioning <sub>B</sub> → cobrand positioning	.224 (0.92)	.526 (3.04)**	.346 (1.91)*
Brand fit → cobrand positioning	-.141 (0.77)	.055 (0.59)	.127 (1.69)*
Product fit → cobrand positioning	.174 (1.15)	.034 (0.44)	.011 (0.13)
Cobrand positioning → Post-alliance positioning <sub>A</sub>	.224 (0.57)	.090 (0.23)	.175 (0.85)
Cobrand positioning → Post-alliance positioning <sub>B</sub>	.809 (1.98)*	.034 (0.19)	.217 (0.65)
Pre-alliance positioning <sub>A</sub> → Post-alliance positioning <sub>A</sub>	.733 (2.32)*	.781 (2.18)*	.825 (4.15)***
Pre-alliance positioning <sub>B</sub> → Post-alliance positioning <sub>B</sub>	-.080 (0.41)	.938 (4.51)***	.741 (2.11)*
		R <sup>2</sup>	
Positioning of cobrand	.552	.784	.834
Post-alliance positioning <sub>A</sub>	.813	.724	.962
Post-alliance positioning <sub>B</sub>	.614	.933	.848

Notes: \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

A and B denote the partner brands, while subscripts indicate the specific pathway or relationship; for example Pre-alliance positioning<sub>A</sub> → cobrand positioning refer to the relationship between partner brand A with cobrand AB, while for column three denotes the functional relationship between the partner brand B with the cobrand AB, etc.

## 6. CONCLUSIONS, IMPLICATIONS AND FURTHER RESEARCH

The purpose of our study is to investigate the impact of the two parent brands' positioning perceptions along with product and brand fit on cobrand evaluation, and the post-alliance positioning perceptions of the parent brands. We tested the above by employing a scenario-based experimental design, in which three fictitious cobranding scenarios were devised between well known brands from the personal care, technology and energy drinks sectors. The impact of positioning perceptions of the collaborating brands is a key element of this research. The following conclusions and discussion are derived from the application of the well-established Simonin and Ruth (1998) conceptual model, based on an experimental design. Before we report our conclusions, we corroborate that the adopted conceptual model exhibited satisfactory explanatory powers throughout, therefore offers confidence regarding the stability of the results.

The results confirm our claim that positioning strategies of the parent brands (with the exception of Calvin Kline) are significant determinants of consumer perceptions of cobrands' positioning. In addition to the above, we confirm the generalisability of the significant relationship between the pre and post-alliance positioning perceptions of the parent brands (with the exception of Calvin Kline), i.e. the 'spillover' effect (e.g., Simonin and Ruth, 1998; Lafferty *et al.*, 2004; Rodrigue and Biswas, 2004).

We further report that the product and brand fit did not have an impact of consumer evaluation of cobrands, in contrast to the findings by Simonin and Ruth (1998), Lafferty *et al.* (2004), Bluemelhuber *et al.* (2007) and Helmig *et al.* (2007). The cobrand positioning perceptions did not have an impact on post-alliance positioning perceptions of the partner brands. Our results thus raise questions as to the stability of these findings and consequently support the differential patterns reported by Baumgarth (2004).

Our findings reveal the crucial role of positioning perceptions in cobranding and therefore have managerial implications for designing appropriate positioning strategies for cobrands. A well-informed positioning strategy could be central to marketing of the new cobrand. Our study also contributes to knowledge in the field and provides sound background for future research. We identify the following areas for further research:

- Test the results in the context of brand alliances different from co-branding. Research could elaborate on cobrands between one high-equity brand and other low/moderate-equity brand. The results could be tested in mixed brand alliances – product/service; service/service, and different levels of brand familiarity.
- Post-positioning strategies of the parent brands could be examined under different conditions i.e. different levels of brand/product fit, different levels of brand familiarity. Our research found that in some cases the post-positioning strategies of the partner brands are likely to be influenced by the positioning of the cobrand, which was influenced predominantly by the positioning of one of brands in the cobrand alliance. We therefore concluded that as a result

of the cobrand the partner brands “adopt” the positioning perception of its partner. The factors that influence this result could be examined.

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