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Abstract
This paper presents current theoretical and empirical findings on consumers’ preference change in co-branding. We develop a conceptual model to illustrate consumers’ attitudinal changes in co-branding based on the findings of Park et al. (1996) and Simonin and Ruth (1998), among others. We argue that the attitude change is influenced by three important effects, namely the extension effect, the mutual effect, and the reciprocal effect. It is shown how the interaction of these effects can be used to systematically explain the rationale behind preference change in co-branding. So, our study takes an initial step toward the understanding of the connection between consumer evaluation and the success of alliance formation for adapting the Venkatesh et al. (2000) model. Finally, we provide suggestions for marketing managers and motivate the need for further research in the field of strategic marketing.

Keywords: Co-branding, attitude change, preference change, consumer behavior

1. Introduction
Most firms nearly always search for potential growth opportunities in the market they serve. One effective way is co-branding. Co-branding can avoid the possible failures derived from over-leveraging the equities of existing brands (Swaminathan et al., 2001; James et al., 2006) and can reduce the introduction cost of new products (Kotler and Keller, 2006). Examples of co-branding include the Oral-B Rembrandt whitening pen, the Sony-Ericsson mobile phone, and the NutraSweet sweetener in Diet-Coke. In the optimal case, co-branding strategies make use of the salient attributes of the allying brands and offer opportunities for both players to reach a new market. However, the existence of a co-branding alliance can also cause an endogenous competition on consumer preferences (i.e., some consumers may change their preferences from one of the partnering brands to the other).

Venkatesh et al. (2000) argue that the occurrence of preference change is crucial because it influences the success of forming a co-branding alliance. However, their analysis totally ignores an important issue behind preference change, namely the consumers’ evaluation of co-branding, which is a major topic in co-branding research (see Park et al., 1996 and Simonin and Ruth, 1998). Therefore, the aim of this paper is to analyze preference change by relating it to the overall evaluation process (i.e., to perceptions and attitudes). To our knowledge, this study is the first one to provide a systematic analysis of preference change in the context of co-branding.

The remainder of this paper is organized as follows. Section 2 provides some definitions and a brief review of the co-branding literature. Section 3 summarizes previous findings on consumers’ attitude change by means of a conceptual model. Section 4 offers a systematic
analysis of consumers’ preference change and applies the results in a three-brand scenario. Section 5 concludes the paper with some discussions and a short outlook on future research directions.

2. Definitions and Literature

The most common definition of “co-branding” (or “composite brand extension”, “brand alliance”) refers to the combination of two brand names to launch a single and unique product for a short to long term cooperation (Park et al., 1996; Boo and Mattila, 2002; Kumar, 2005). In particular, we exclude the terms “product bundling” and “joint sales promotion” because they involve creating two or more products with the same or different brands (Leuthesser et al., 2003; Hadjicharalambous, 2006).

There are mainly two types of co-branding. Joint venture co-branding refers to two companies financially cooperating to offer a co-branded product (Kotler and Keller, 2006). The respective products are often from the same product category such as Sony-Ericsson mobile phones. Ingredient co-branding refers to the fact that a branded ingredient is part of a product introduced or promoted by another brand (Norris, 1992). Maybe the most famous example is the personal computers featuring “Intel-inside”. The present study focuses on co-branded consumer durables such as co-branded mobile phones.

Successful co-branding may appeal to the consumers because it reinforces the attribute profiles of the product (Park et al., 1996) and differentiates the product by offering quality assurance to the consumers (Rao and Ruekert, 1994). However, there are at least three possible problems when a firm wants to initiate a co-branding alliance. First, co-branding may give one of the allying brands the opportunity to penetrate the other’s market (Leuthesser et al., 2003). Secondly, the composite brand name may also dilute the brand equities of the partnering brands (Leuthesser et al., 2003). Finally, a free-rider problem in sharing the profit may exist when two brands have asymmetric contributions to the partnership (Simonin and Ruth, 1998).

Co-branding is regarded as one type of brand extension (Park et al., 1996; Hadjicharalambous, 2006) and it is also considered as one type of new product strategy (Park et al., 1996; Bouten, 2006; Hadjicharalambous, 2006). Therefore, marketing managers are not only involved in the introduction process of the new co-branded product but are also interested in the diffusion patterns. Figure 1 depicts the co-branding’s nature as mentioned above. If there exists a co-branding alliance formed by two specific brands, say A and B, the co-branded product AB is therefore regarded as a new and extended product launched by these two brands.

3. A Conceptual Model of Consumers’ Attitude Change in Co-branding

Consumer evaluation of co-branding is an essential topic in marketing and the corresponding cognitive process is a complex issue built on relevant psychological theories. In this section, we therefore review previous research results on attitude change in co-branding and offer
four statements for introducing three main effects that influence the attitude change.3

Figure 1: The nature of co-branding

3.1 The Mutual Effect

The influence resulting from the “product fit” and the “brand fit” is called the “mutual effect” in this paper. The product fit (Simonin and Ruth, 1998; Bouten, 2006) between the partnering brands has a direct impact on consumers’ attitudes toward the co-brand. Previous research results show that if there exists a high product fit (e.g., because of complementing product attributes (Park et al., 1996) or a high relatedness between the product categories of the partnering brands (Simonin and Ruth, 1998)), consumers will have a favorable attitude toward the co-brand. Many studies have used the product fit to construct a theoretical model or to conduct an empirical analysis in the field of co-branding (Boo and Mattila, 2002; Bouten, 2006).

Another important factor is the brand fit. A high fit of brand image (e.g., Mercedes Benz with Louis Vuitton) is proved to positively influence consumers’ attitudes toward the co-brand (Simonin and Ruth, 1998; Bouten, 2006). That is, if the consumers perceive a distinct consistency between the images of the allying brands, they will have a favorable attitude toward the co-brand. This consistency can be reflected in the positioning strategy (e.g., both brands produce luxury products) and the overall performance (e.g., both brands are compatible in terms of market shares or sales volumes in their respective markets). Based on the findings of previous studies, we can formulate the following statement(s) about the mutual effect:

S1: A good (poor) product and brand fit results in a positive (negative) mutual effect and yields a favorable (unfavorable) attitude toward the co-brand.

3.2 The Extension Effect

The prior attitude toward the parent brand is associated with the attitude toward the extended product in the brand extension context (Aaker and Keller, 1990). It can be measured in terms of the perceived quality (Aaker and Keller, 1990; Zeithaml, 1998) and the prior purchase experience (Swaminathan, 2003). A high perceived quality or significant prior purchase experience regarding the parent brands implies a favorable attitude toward them (Aaker and Keller, 1990; Swaminathan, 2003). Hence, “high perceived quality” and “significant prior purchase experience” can be utilized as indicators representing favorable prior attitudes to-
ward a brand. In addition, a significant prior experience can be used as a measure to represent a higher level of brand loyalty (Swaminathan et al., 2001).

Several scholars have also argued that the prior attitude plays an important role in the evaluation process of co-branding (Simonin and Ruth, 1998; Boo and Mattila, 2002; Lafferty et al., 2004). Among these studies, Simonin and Ruth (1998) claim that the prior attitude toward one of the partnering brands is positively related to the consumer’s attitude toward the co-brand and the post-exposure attitude toward that brand. Since co-branding is one type of brand extension, we term the influence resulting from the prior attitude the “extension effect”. Thus, the following two statements can be written down:

\[ S_2: \text{A favorable (unfavorable) prior attitude toward one of the partnering brands results in a positive (negative) extension effect and yields a relatively favorable (unfavorable) post-exposure attitude toward that brand.} \]

\[ S_3: \text{A favorable (unfavorable) prior attitude toward one of the partnering brands results in a positive (negative) extension effect and yields a relatively favorable (unfavorable) attitude toward the co-brand.} \]

3.3 The Reciprocal Effect

The reciprocal effect first appeared in the brand extension context (Aaker and Keller, 1990; Lane and Jacobson, 1997; Swaminathan, 2003) but has been applied to co-branding as well (Park et al., 1996; Swaminathan, 1999). Different studies use different names to term this effect, such as the feedback effect (Park et al., 1996), the spillover effect (Simonin and Ruth, 1998), and the post-effect (Leuthesser et al., 2003). In this paper, the reciprocal effect is defined as an influence resulting from the attitudes toward the co-brand on each of the allying brands. According to Simonin and Ruth (1998)’s study, the reciprocal effect yields a relatively favorable (unfavorable) post-exposure attitude toward each of the partners. Therefore, we conclude the following statement:

\[ S_4: \text{A favorable (unfavorable) attitude toward the co-brand results in a positive (negative) reciprocal effect and yields a relatively favorable (unfavorable) post-exposure attitude toward each of the partnering brands.} \]

In conclusion, the process of attitude change can be described as follows: The extension effect and the mutual effect have direct impacts on consumers’ attitudes toward the co-brand (cf. \( S_1 \) and \( S_3 \)). The post-exposure attitude toward each of the allying brands will be affected by both the extension effect and reciprocal effect (cf. \( S_2 \) and \( S_4 \)). Therefore, the possibility that a consumer will change her/his brand attitudes toward each of the partnering brands after the alliance will depend on the strength of the interactions of the considered effects. Figure 2 visualizes this process.
4. Analysis of Preference Change in Co-branding

Preferences are formed by the rank order of attitudes (Bass and Talarzyk, 1972). Hence, the attitude change can also trigger a preference change. To further discuss the latter topic, we assume that several brands (termed \( A, B \) and \( Y, Z \) in the following) exist in the market of interest. Moreover, we consider two points of time as well as the intermediate period between both. At the first point of time \( (t = 1) \), the alliance is formed by brand \( A \) and \( B \) and releases the first co-branded product \( AB(1) \). Brand \( A \) and \( B \) are assumed to stop introducing their own products after having started the partnership. At the second point of time \( (t = 2) \), the alliance releases the second co-branded product \( AB(2) \). We further assume that a preference change will only occur after having purchased the first co-branded product (Simonin and Ruth, 1998) in the intermediate period, and the consumer preferences at time \( t = 1 \) are not affected by co-branding. The sequence of events is summarized in Figure 3.

Figure 3: The sequence of events

Besides, the considered market is assumed to comprise several market segments. The consumers belonging to one segment prefer one specific brand. At the first point of time, we categorize the segments into two groups: One group is composed of those segments preferring the partnering brands (segment \( A \) and \( B \)) and the other includes the segments preferring the competing brands (segment \( Y \) and \( Z \)). Since the rationale of preference change is identical for each of the segments in the same group, we only focus on the process of preference change in...
segment \( A \) and \( Z \) in the next sections.

4.1 The Preference Change in Segment A

At time \( t = 1 \) all consumers belonging to segment \( A \) have a favorable prior attitude toward brand \( A \) and therefore prefer this brand. The preference change in segment \( A \) can be explained by three routes (see Figure 4).

**Figure 4: Routes of preference change regarding segment A**

4.1.1 Route A1

We argue that a certain fraction of the consumers in segment \( A \) have a stable preference at time \( t = 2 \). This stable preference results from their extremely favorable prior attitude toward brand \( A \). In other words, a significant positive extension effect (according to \( S_2 \)) dominates the evaluation process. Two supporting arguments are provided below.

The first argument is related to brand familiarity, which can be defined as “the number of product-related experiences (product usage) that have been accumulated by consumers” (Alba and Hutchinson, 1987). Based on this definition, those consumers with an extremely favorable prior attitude toward brand \( A \) also have a significant prior purchase experience regarding this brand.\(^5\) Since brand familiarity can positively moderate the impact of prior attitude on post-exposure attitude (Simonin and Ruth, 1998), a high level of brand familiarity will lead to stable preferences.

The second argument is related to brand loyalty. A favorable prior attitude implies brand loyalty (Dyson et al., 1996). Those consumers who have an extremely favorable prior attitude toward brand \( A \) can be assumed to be completely loyal to this brand. It is commonly recognized that brand loyalty is highly resistant to change (Blackwell et al., 2005). Therefore, the respective consumers are the most unlikely to change their brand attitudes after experiencing the co-branded product \( AB \), because they will ignore the potential inconsistent information and defend their well-established attitudes (Smith and Mackie, 2007). Therefore, an extremely favorable prior attitude toward brand \( A \) results in a stable preference.

4.1.2 Route A2 and A3
Although the remaining consumers of segment A also have a favorable prior attitude toward brand A, their attitudes are more amenable to change compared to those of the completely loyal consumers (Swaminathan et al., 2001). Hence, at time \( t = 2 \), their preferences may stay with brand A or switch to another brand depending on the different levels of perceived product and brand fits.

If the respective consumers perceive a better fit from the alliance, a positive mutual effect will exist and, subsequently, the consumers will have a favorable attitude toward the co-brand \( AB \) (\( S_1 \)) as well as a positive reciprocal effect toward brand A (\( S_4 \)). The resulting favorable post-exposure attitude implicates that the consumers still prefer brand A (route A2).

However, if the consumers perceive a poorer fit, their post-exposure attitudes toward brand A will be unclear. The negative mutual effect (originated from a poorer fit), together with the positive extension effect (\( S_3 \)), will influence their attitude toward co-brand \( AB \) (\( S_1 \)). The interplay may generate a favorable or an unfavorable attitude toward the co-brand and yield a positive or negative reciprocal effect (\( S_4 \)) on brand A.

Hence, consumers may still prefer brand A (route A2) because the rank order of their attitudes at time 2 is the same as that at time 1. On the other hand, it is also possible that their attitude toward brand A is adversely affected and thus the rank order of their attitudes changes.\(^6\) In this case, the preference is likely to shift to any other competing brand (say, brand Z) or to stay with brand B (route A3). The latter is called the “shift-in preference” (Venkatesh et al., 2000) which means that some consumers shift their preferences from one brand to its partner.

Table 1 summarizes the interaction of the three effects and the preference change in segment A.

<table>
<thead>
<tr>
<th>Route</th>
<th>Extension effect</th>
<th>Mutual effect</th>
<th>Reciprocal effect</th>
<th>Final segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Highly positive</td>
<td>-</td>
<td>-</td>
<td>Segment A</td>
</tr>
<tr>
<td>A2</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Segment A</td>
</tr>
<tr>
<td></td>
<td>Positive</td>
<td>Negative</td>
<td>Positive</td>
<td>Segment A</td>
</tr>
<tr>
<td></td>
<td>Positive</td>
<td>Negative</td>
<td>Negative</td>
<td>Segment A</td>
</tr>
<tr>
<td>A3</td>
<td>Positive</td>
<td>Negative</td>
<td>Negative</td>
<td>Segment B (the partner) or Segment Z (the competing brand)</td>
</tr>
</tbody>
</table>

4.2 The Preference Change in Segment Z

At time \( t = 1 \), all consumers belonging to segment Z have a favorable prior attitude toward brand Z and therefore prefer this brand. Their preferences may also change at time \( t = 2 \). According to Figure 5, we can use five routes to explain the phenomenon of preference change.

4.2.1 Route Z1 and Z2

We argue that one group of consumers has a habitual buying behavior due to the
well-established attitude toward brand Z. Hence, these consumers’ preferences are stable (route Z1). Besides, some members of segment Z are not aware of co-brand AB and may shift their preferences to one of the remaining (but not explicitly considered) brands named Y in our example due to variety seeking (route Z2).

Figure 5: Routes of preference change in segment Z

4.2.2 Route Z3, Z4 and Z5

The rest of the consumers in segment Z are assumed to purchase the first co-branded product AB(1) in the intermediate period. In this case, the possibility of staying with brand Z depends on the interaction of the strength of the three main effects. If these consumers have a favorable attitude toward co-brand AB, a positive reciprocal effect on one of the allying brands A or B will exist (S₄). Besides, if these consumers have a favorable prior attitude toward brand A, they will have a favorable post-exposure attitude toward this brand (S₂). Accordingly, their attitude toward brand A will be enhanced and the rank order of the brand attitudes may change. Their preference is likely to stay with brand A (route Z3).

On the contrary, if the consumers have an unfavorable attitude toward co-brand AB, a negative reciprocal effect will exist and dilute their attitude toward brand A and B. Thus, their preferences will not stay with brand A or B at time $t = 2$. Depending on the rank order of their attitudes, the preferences may stay with brand Z (route Z4) or shift to a different competing brand Y (route Z5).

4.3 An Application: Preference Change in a Three-brand Scenario

Let us now assume that the market of interest consists of exactly three brands: A, B, and Z. Brand A and B are supposed to form a co-branding partnership while brand Z is the competing brand. Each brand is assumed to be preferred by one segment (e.g., segment A prefers brand A), and each consumer prefers only one brand at a certain point of time. Besides, $M_A(1)$, $M_B(1)$ and $M_Z(1)$ denote the sizes of segment A, B and Z at time $t = 1$; $M_A(2)$, $M_B(2)$ and $M_Z(2)$ represent the counterparts at time $t = 2$. 


The relationship between preference change and segment size can then be explained as follows: Co-brand AB is formed at time $t = 1$ and the consumers belonging to the three segments may change their preferences at time $t = 2$. If so, segment size $M_A(2)$ of brand $A$ will be composed of three parts, namely $F_{AA}$, $F_{BA}$, and $F_{ZA}$. Here, $F_{AA}$ refers to the proportion of consumers who stay with segment $A$, whereas $F_{BA}$ and $F_{ZA}$ denote the proportions of consumers who shift their preferences from brand $B$ or $Z$ to $A$. The same explanations can be applied to the notations of segment $B$ and $Z$. Figure 6 concludes this evolution and provides a simplified basis for deepening behavioral studies in co-branding (e.g., in a quantitative respect as suggested by Venkatesh et al. (2000)).

Figure 6: Preference change and evolution of segments

5. Conclusion
5.1 Discussions

The incentive for a company to form a co-branding alliance is to gain an “added value” from the partnership. This “added value”, among others, can consist of the opportunity for one of the partnering brands to build up its brand awareness at the other’s customer base (Kippenberger, 2000; Leuthesser et al., 2003). For instance, the co-branded credit card Citibusiness / AAdvantage not only enables American Airlines (AA) to build up its brand awareness in Citibank’s customer base but also provides an opportunity for Citibank to gain more transactions from flight tickets purchased by AA’s customers who want to save the extra miles. However, if the above example is presented in the same product category, Venkatesh et al. (2000) argue that the added value could cause consumers’ preference change (shift-in preference) and the subsequent endogenous competition on consumer preferences. Finally, the alliance may end up because of one brand’s loss in preference share. Hence, the preference change plays an essential role in analyzing the success of alliance formation. This analysis provides the grounds of preference change and takes an initial step toward the understanding of the connection between consumer evaluation and alliance success (e.g., for adapting the
Venkatesh et al. (2000) model).

5.2 Future Research Directions

Several questions are left for future research. First, we did not include the influence of a brand’s positions into our analysis (e.g., Sony-Ericsson or Ericsson-Sony), although the order of the brand names can be assumed to influence consumers’ attitudes toward the co-brand and the allocation of the reciprocal effect (Park et al., 1996). Future research could address this issue. Secondly, we did not discuss the role that brand familiarity plays in consumers’ evaluation of co-branding. Simonin and Ruth (1998) conclude that brands with different levels of familiarity have unequal contributions to the formation of the composite concept which involves an asymmetric reciprocal effect. One can then use the level of brand familiarity as a weight to moderate the contributions to the alliance and the reciprocal effects on each partner.

Thirdly, we did not fully address the fit between the current and the co-branded products because we simply assumed that a better fit exists within our definition of co-branding. Finally, when adapting the Venkatesh et al. (2000) model, one can utilize our analysis and add attributes for each brand to explore the relationship between consumers’ evaluation and alliance success.

Endnotes

1. We use allying brands and partnering brands interchangeably.
2. Information integration (Anderson, 1981), attitude accessibility (Fazio, 1989), and context effect (Lynch et al., 1991) provide a meaningful foundation to illustrate consumers’ attitude change in co-branding.
3. Here, the term “attitude change” refers to the changes of existing attitudes toward the parent (partnering) brands.
4. Lafferty et al. (2004) examine the prior attitude in a cause-brand alliance.
5. As already mentioned, the prior attitude can be measured by prior purchase experience (see Swaminathan, 2003).
6. This implies that the degree of favorability of brand A is lower than other brands and thus the rank order is changing.
7. This result is a logical consequence of the preceding reasoning. Since the consumers’ initial preference is brand Z and their attitude toward brand A (B) is diluted at time t = 2, they will definitely not stay with brand A (B).

References


