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Co-branding on industrial markets

Anders Bengtsson [a], Per Servais [b,*]

[a]Department of Marketing, Sawyer School of Management, Suffolk University, 8 Ashburton Place, Boston, MA 02108, USA
[b]Department of Marketing, University of Southern Denmark, Campusvej 55, 5230 Odense M, Denmark

Abstract

During the last decade branding has developed to be one of the main focus areas in consumer marketing. In the industrial marketing area there has only been limited attention to this phenomenon. In this paper we focus on how co-branding can be used on industrial markets to increase value. Through an empirical study of professional purchasers' attitudes towards co-branding activities between two companies, we explore the potential of this strategy.

Keywords: Branding; Co-branding; Networks

1. Introduction

Classical theories of brand management generally focus on how companies can build strong *consumer* brands that differentiate one seller from another (e.g., Aaker, 1996; Kapferer, 1997). Traditionally brands have been considered as the means of establishing a desired position in the minds of the customers that through perceived added values (Brown, Shivashanker, & Brucker, 1989) could attract loyal customers that willingly pay a price premium for the product or service (de Chernatony & McDonald, 2003). The majority of contemporary branding theories have been developed with an eye to consumer markets. While brand management is recognized as a core competence in consumer marketing that can determine the success of a company, its significance in industrial markets is far less explored (Martinez & de Chernatony, 2004; Mudambi, 2002). Although many of the branding principles that apply for consumer markets also can be applied on industrial markets, there are however significant differences, especially with regards to the buying process.

Among brand builders, we have seen an increasing interest for engaging in brand partnerships. Through the use of co-branding, where two or more brands endorse each other in the marketplace, companies seek to build brands more successfully compared to what each of the partner brand could do on their own hand. Co-branding is used extensively in consumer markets, especially on the U.S. market where it is a common strategy among food manufacturers. As the importance of brands has spread to industrial markets, there are also examples of co-branding activities between firms whose customers are industrial buyers. In this article, we will explore the potential effects of co-branding on industrial markets. First, we will provide a review of co-branding research. Thereafter follows a discussion of branding and its relevance for industrial markets. We will then present a case study of two Danish companies and their co-operative branding activities. Implications and future research is discussed.

2. Co-branding — an overview

In markets across the globe, we are now witnessing a managerial interest in pursuing partnerships with other brands and their companies (Bengtsson, 2002). Co-branding, sometimes also referred to as brand alliance, is a

* Corresponding author.
E-mail addresses: anders.bengtsson@suffolk.edu (A. Bengtsson), per@sam.sdu.dk (P. Servais).

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comprehensive term that refers to co-operations between two or more marketable items that in one way or another connect representations of several brands in the marketplace (Simonin & Ruth, 1998; Washburn, Till, & Priluck, 2004). By representations of the brands, we refer to elements such as product brand names, corporate brand names, product designs, and logotypes that over time have established a connection to the brand. The literature on co-branding identifies a number of different strategies such as affinity programs, cause-related marketing, ingredient branding, co-operative advertising, dual branding, and joint sales promotion that can be used to increase the value of a product or a service (Cooke & Ryan, 2000; Rao & Ruekert, 1994; Swaminathan & Reddy, 2000).

In practice, companies often use a combination of the above mentioned strategies. For instance, two companies that bundle their products may support the bundle with co-operative advertising and make use of a celebrity endorser for the communication campaign. As a consequence, it is difficult to examine the effect that each particular strategy has on the total outcome of the co-operative strategy. The effects that co-branding have on consumers have been researched extensively in resent years (McCarthy & Norris, 1999; Park, Jun, & Shocker, 1996; Rao, Qu, & Ruekert, 1999; Simonin & Ruth, 1998; Vaidyanathan & Aggarwal, 2000; Washburn et al., 2004). In this line of research, focus is directed on the potential meaning transfers that *consumers* may undertake because of the co-operation between the brands.

When two brands co-endorse a product, it is usually the brand strategists' intention that meanings from the two host brands should be transferred to the co-brand to generate a more favorable meaning constellation for the brand couple (Prince & Davies, 2002). These potential meaning transfers that may be generated by dual branding strategies have been investigated in past research. When meanings are transferred from two host brands to the co-brand, it may be possible to achieve a better attribute profile, for instance. This potential outcome of a co-branding strategy is reported by Park et al. (1996), who investigated the role of complementary product attributes by testing different co-branding strategies for a cake mix by using the two brands Slim-Fast and Godiva. By combining two brands that are highly complementary in terms of attribute profiles, a better attribute profile may be achieved for the co-brand. Co-branding may also have effects on the perceived quality of the product. In their experimental study, Rao et al. (1999) illustrate that consumers' perceptions of quality may be enhanced when a second brand name is provided for a product that has unobservable attributes — that is, a product which consumers have no prior experience with. In an experimental setting where respondents evaluated a series of hypothetical co-branded products, McCarthy and Norris (1999) found that perceptions of quality are enhanced when a co-branding strategy is used. Results from their experiment indicates that consumers evaluate a low quality host brand more favorably when a high quality branded ingredient is added; on the other hand, a high quality host brand is valued only slightly more favorably when it features a branded ingredient. Further evidence for the efficacy of adding branded ingredients is provided by Desai and Keller (2002), who found that acceptance of a line extension can be increased if it is accompanied by a well-known ingredient brand. In addition to causing meaning transfers from the host brand to the co-brand, the strategy also generates meaning transfers from the co-brand to its host brands, referred to as a spillover effect. Simonin and Ruth (1998) explored this effect in their experimental research and found that the spillover of meanings did not apply to all brands equally but were moderated by the familiarity of the brand, where unfamiliar brands received a greater spillover effect. This finding is in line with Washburn et al. (2004), who found that so-called low equity brands may gain a significantly better evaluation by being paired with a high equity brand. In summary, past research indicates that when consumers evaluate co-branded products, the evaluation of attribute profiles or perception of quality is enhanced because of the brand ally.

The results from existing research illustrate that co-branding can be a viable strategy for brand strategists who seek to build strong brands in consumer markets. However, given the fact that prior research exclusively focuses on *consumers'* perceptions of co-branding we have very little knowledge about how this strategy works in industrial markets. Before discussing how co-branding can influence industrial buyers, we will first examine the importance of branding in general in industrial markets.

3. Industrial branding

Branding on the industrial market is as such not a new phenomenon. Already in the early 1920s and 1930 many well-known brands like DuPont established their trademarks as a tool for differentiating products on the industrial market (Webster & Keller, 2004). In the 1960s, researchers referred to image and reputation as a set for gaining more market share by industrial firms (e.g., Robinson & Farris, 1967). In the 1990s we saw a massive interest both in academia and in practice for brand management, whether it be product brands or corporate brands. This growing interest was partly due to the success of some large and very well known companies whose main asset was their brand name. In a world where more or less all companies have access to the same technologies and by that are less and less capable of competing on product attributes, the brand has came into focus and is designated a strategic role in many companies. It is somewhat surprising that the majority of research in branding has an explicit or implicit focus on firms serving consumers markets when it is evident that brands do play an important role in industrial markets (Martinez & de