

## **DEVELOPMENT STRATEGY: CO-BRANDING**

Co-branding refers to several different marketing arrangements:

Co-branding, also called brand partnership, is when two companies form an alliance to work together, creating marketing synergy. As described in Co-Branding: The Science of Alliance:

"the term 'co-branding' is relatively new to the business vocabulary and is used to encompass a wide range of marketing activity involving the use of two (and sometimes more) brands. Thus co-branding could be considered to include sponsorships, where Marlboro lends its name to Ferrari or accountants Ernst and Young support the Monet exhibition."

And Kotler defines co-branding as, "two or more well-known brands combined in an offer" and each brand sponsors expect that the other brand name will strengthen the brand preference or purchase intention and hope to reach a new audience.

Co-branding is an arrangement that associates a single product or service with more than one brand name, or otherwise associates a product with someone other than the principal producer. The typical co-branding agreement involves two or more companies acting in cooperation to associate any of various logos, color schemes, or brand identifiers to a specific product that is contractually designated for this purpose. The object for this is to combine the strength of two brands, in order to increase the premium consumers are willing to pay, make the product or service more resistant to copying by private label manufacturers, or to combine the different perceived properties associated with these brands with a single product.

Most companies have explored co-branding at one time or another. But few have realized its full potential. While there are many forms of co-branding; before a company can decide which option makes the most sense for its situation, it must fully explore four main types of co-branding.

Each is differentiated by its level of customer value creation, by its expected duration, and perhaps most important, by the risks it poses to the company. These

risks include the loss of investment, the diminution of brand equity and the value lost by failing to focus on a more rewarding strategy.

According to Chang, from the Journal of American Academy of Business, Cambridge, states there are three levels of co-branding: market share, brand extension, and global branding.

Level 1 includes joining with another company to penetrate the market;

Level 2 is working to extend the brand based on the company's current market share;

Level 3 tries to achieve a global strategy by combining the two brands.

There are many different sub-sections of co-branding. Companies can work with other companies to combine resources and leverage individual core competencies, or they can use current resources within one company to promote multiple products at once. The forms of co-branding include: ingredient co-branding, same-company co-branding, joint venture co-branding, and multiple sponsor co-branding. No matter which form a company chooses to use, the purpose is to respond to the changing marketplace, build one's own core competencies, and work to increase product revenues.

One form of co-branding is ingredient co-branding. This involves creating brand equity for materials, components or parts that are contained within other products (examples: Betty Crocker's brownie mix includes Hershey's chocolate syrup; Pillsbury Brownies with Nestle Chocolate).

Another form of co-branding is same-company co-branding. This is when a company with more than one product promotes their own brands together simultaneously (examples: Kraft Lunchables and Oscar Mayer meats).

Joint venture co-branding is another form of co-branding defined as two or more companies going for a strategic alliance to present a product to the target audience (example: British Airways and Citibank formed a partnership offering a credit card where the card owner will automatically become a member of the British Airways Executive club).

Finally, there is multiple sponsor co-branding. This form of co-branding involves two or more companies working together to form a strategic alliance in technology, promotions, sales, etc (example: Citibank/American Airlines/Visa credit card partnership).

So co-branding is the utilization of two or more brands to name a new product. The ingredient brands help each other to achieve their aims.

Finally, I must point out the advantages and disadvantages of co-branding. Co-branding has various advantages, such as - risk-sharing, generation of royalty income, more sales income, greater customer trust on the product, wide scope due to joint advertising, technological benefits, better product image by association with another renowned brand, and greater access to new sources of finance. But co-branding is not free from limitations. Co-branding may fail when the two products have different market and are entirely different. If there is difference in visions and missions of the two companies, then also composite branding may fail. Co-branding may affect partner brands in adverse manner. If the customers associate any adverse experience with a constituent brand, then it may damage the total brand equity.