Retailers perceive co-branding as effective

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16 Jan 2008

The concept of co-branding as a branding instrument has been around for many a year. In the past decade we saw extensive growth in the use of co-branding as a brand leverage instrument.

A study I recently conducted investigates the perceptions of brand practitioners towards co-branding within the retail industry of South Africa, finding that retail brand managers perceive co-branding as an effective and viable brand strategy. Academic authors suggest that co-branding occurs when two or more existing brands are combined into a new joint product or are marketed together in the same fashions. Co-branding also involve two or more firms that associate their brands together to create superior market offerings, or to engage in effective strategic or tactical brand-building program.

The long lasting brand relationship between Wimpy and Engen is a classical example of joint ventures co-branding. Other examples of brands connections and the creation of a unique (and or new) products or service include: McDonalds and Coke, McDonalds and Disney, Shoprite and Computicket, KFC and Cadburys, and House of Coffees and Russell Hobbs.

At the forefront

In the past few years the use of co-branding as a brand strategy has excelled. National retailers and financial institutions were at the forefront of the expanding this brand leverage strategy. Pick n Pay and Nedbank's Go banking were one of the first well-communicated co-branding ventures. Other retailers and financial institutions followed suit and a vast array of cross sector co-branding products were created. Examples of this inter-sectorial co-branding include, but are diffidently limited to, the following: Tiger Wheel & Tire and Hollard Insurance (tire insurance), Shoprite and Capitech Bank (money transfers), Edcon and FNB (home loans), Pep Stores and Nedbank (Pep Bank), Woolworths and Auto & General (car and home insurance).

In this research 112 retail brand practitioners were contacted and their perceptions towards co-branding strategies were measured though a structured survey (questionnaire).

The result indicates that that retail brand managers perceive co-branding to be an important and effective brand leverage strategy. Brand managers indicate that in order for a co-branding venture to be effective, the venture must be a mutual beneficial venture and synergy must be created between the brands. The possibility of brand and sales improvement, as well as the financial viability of the venture, are also taken into account when proposed co-branding ventures are evaluated.

The study firstly investigates the reasons that brand managers pursue co-branding strategies. Secondly the study investigates the preferred forms of co-branding. The study also examines brand managers' main considerations when choosing a co-branding partner. Lastly, the study investigates the sectors which retail brand managers prefer to co-brand with.

Improvement of sales

Firstly the research finds that the improvement of sales is the main reason for retail brand practitioners to pursue co-branding strategies. Secondly the research finds that the improvement of brand image are deemed to be a lesser important reason for pursuing co-branding strategies.

The research also finds that reaching out to new segments of the market is another appropriate reason for brand practitioners to pursue co-branding. Extending the brand through a shared new product or service offering is deemed to be another appropriate reason to co-brand.

The brand managers indicate that joint marketing co-branding is perceived to be the preferred co-branding form. Value endorsement and reach awareness co-branding are deemed to be the second and third most preferred co-branding.

The research indicates that the possibility of sales improvement is the most important consideration when evaluating a potential a co-branding partner. The study also finds that retailers consider the fit between the two brands as an important consideration when evaluating potential co-branding partners/ventures.

FMCG the preferred sector

The research results also find that companies in the FMCG sector are the preferred sector to co-brand with. The results suggest that the brand managers are not in total agreement and it implies that the when it comes to co-branding, retailers do not have particular preference towards sectors. When evaluating potential co-branding ventures, it seems that retail brand managers put more emphasis on the possibility of sales and brand improvement than on the sector they which to co-brand with.

It seems evident that SA retail brand managers consider co-branding to be an effective and viable brand leverage instrument. Certain conditions and considerations were identified in this study. The perceived fit between the brands are deemed to be an important consideration when marketing managers evaluate potential co-branding strategies (and partners).

Secondly, managers aim to improve their sales and to reach out to a wider or new market segment when pursuing co-branding strategies.

Thirdly, the study finds that joint-marketing co-branding is deemed to be the preferred co-branding form and retailers also indicate that FMCG companies are deemed to be the favourite sector to co-brand with.

ABOUT THE AUTHOR

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