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*Magdalena Grębosz, Jacek Otto*

*Lodz University of Technology*

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**INTERNATIONAL EXPANSION  
OF BRANDS BY REALIZATION  
OF CO-BRANDING STRATEGY**

## Abstract

The process of internationalization implies a number of questions connected with brand management. The companies seek innovative methods of international brand expansion. These methods include – i.a. – brand extension, brand licensing, acquisition of patent rights and co-branding. The purpose of this article is to discuss and analyse the possibility of international expansion by realization of co-branding strategy. In the paper the results of existing and own research concerning the impact of co-branding on the international expansion of brands are analyzed. From a theoretical and practical standpoint, this paper contributes to brand alliances research and has provided a better understanding of application of co-branding strategy on international market.

**Keywords:** *brand, international market, co-branding, brand alliance*

## Introduction

The globalization is about linking world economies with new markets, but also concerns a new kind of competitive environment. Today's and tomorrow's customers are a great deal different from the consumers the world has been used to. Globalization and the advance of technology, the Internet in particular, are changing environment. Globalisation is changing how companies compete, how they approach the global market place. The effect that this intensified globalization has had on brands has been spectacular. New brands are seemingly born global, or at the very least experience a quick roll-out from home or lead countries into other markets. Many traditionally local brands are sold, phased out, or face transition to a new regional or global brand name and subsequent harmonization (Gregory, Weichmann, 2001; Van Gelder, 2003).

The process of internationalization implies a number of questions connected with brand management. Choice of the method of brand expansion is an important issue. The companies seek new methods of market expansion and increase of brands value.

The purpose of this article is to discuss and analyse the possibility of international expansion by realisation of co-branding strategy. The paper presents the possibilities of international brands expansion with particular emphasis on the international brands alliances. In the paper the results of research – conducted between the brand managers of 50 companies from European market – concerning the impact of co-branding on the international expansion of brands are also presented and analysed with general conclusions and recommendations for brands managers.

## 1. Brand Expansion on international market

Companies can use the same brands on all markets, modify them slightly, or create new brands in order to meet the needs of local markets. In the literature, there are two contrasting opinions on the subject. According to one, the adoption of a uniform strategy all over the world enables a company to profit from the effect of synergy arising from multinational operations, which in consequence leads to obtaining a competitive advantage on a global scale. The other theory stipulates that only the adaptation of strategies to local circumstances guarantees a company's success. The middle way between these views is a strategy based on the principle "think globally, act locally", which allows for taking advantage of international attributes and adjusting the brand to the expectations, habits and attitudes of local consumers at the same time (Levitt, 1986; Murphy, 1990; Kapferer, 1992; Randall, 2000; Keller, 1998).

In the case of launching a brand in a foreign market the following methods are identified:

- launching an existing corporate brand,
- creating and launching a new local brand by the company itself,
- purchasing a local brand or acquiring a company owning a strong brand,
- licensing a brand (Grębosz, 2008).

The effectiveness of launching a brand depends first of all on its material and non-material features. A company that owns a brand which differs from its competition both in the functional and symbolic dimension should encourage the consumer to purchase it through facilitating the decision-making process and showing the purchase to be almost risk-free. Furthermore, brand support consists of brand registration and securing a certain level of standardization of the company's products or services (Chernatony, McDonald, 1994). The companies start also to seek new methods of brand expansion as co-branding.

## 2. Co-branding concept

According to Kotler and Armstrong (2009), co-branding is a technique of combining two or more well-known brands in one product. Co-branding occurs when two or more brands are combined into a joint product or are marketed together in some fashion (Keller et al., 2008). Broadly defined, co-branding occurs when two or more brand names are presented jointly to the consumer (Rao et al., 1999). In the paper co-branding is defined as a brand strategy which can include cooperation between two partners with a view to creating new pro-

duct with new brand (co-brand), as well as cooperation with a view to introducing product signed by two brands (Grębosz, 2012).

Michel (2004) distinguished two types of co-branding: functional co-branding and symbolic co-branding. Functional co-branding – ingredient branding – consists in indicating the brand of one or more components of the end product. The symbolic co-branding – co-naming – consists in the application of another brand in order to stress some symbolic values and create an image.

Successful co-branding may result in transferring the three virtues of brands: communicate clearly and consistently the co-brand promise, differentiate the co-brand from its competitors and enhance the esteem and loyalty of its customers and stakeholders groups and networks (Balmer, 2001). Co-branding allows to stress the high quality of co-branded product brands (Rao, Ruekert, 1994) and transfer the associations connected with partners brands (Washburn et al., 2004). This strategy may reinforce the partners brands equity and refresh their brands images (Grębosz, 2012). Co-branding may consequently contribute to the development of favorable attitudes of customers toward the new brand and partners brands (Simonin, Ruth, 1998).

### **3. Co-branding as a method of international brand expansion**

In the international arena co-branding is an interesting strategy that can be used during introduction of a new brand. The co-branding of two brands can be applied in situation where brand A is perceived as having high brand equity in market X, but not in market Y, and cooperates with local brand B, well-known in market Y. In this case, the co-branding has been greatly beneficial for both companies in their efforts to penetrate a new market (Ueltschy, Lacroche, 2004; Voss, Tansuhaj, 1999; Abratt, Motlana, 2002). Co-branding can be good way of exploiting a brand, broadening its exposure and enhancing its message. It is however important to choose a good and suitable partner.

The objective of the study of Ueltschy and Laroche (2004) was to investigate the effects of co-branding strategies on the brand equity of the partner brands as well as on the co-branding product's brand in one important international market, the Philippines. The study investigated the impact of international co-branding in case of cooperation of local brand with international brand. The Authors confirmed that:

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- the product evaluation of the new co-branding brand, when a high equity brand is paired with a low equity brand, is significantly higher than the product evaluation of the low equity brand,
  - the product evaluation of the new co-branding brand, when a high equity brand is paired with a low equity brand, is significantly lower than the product evaluation of the high equity brand,
  - the product evaluation of the new co-branding brand, when a high equity brand is paired with another high equity brand, is significantly higher than the product evaluation of either of the high equity brands.

The findings demonstrated that high-equity brands tend to act as augmenting cues in the perception of brand equity of a new international brand or co-brand between high and low equity brands. However, the analysis of the results showed also that the co-branding of high-equity and low-equity brands can be potentially dangerous for the high-equity partner.

The results of research of co-branding between brands from different countries, conducted by Voss and Tansuhaj (1999) showed that consumers are more favorable to the cooperation of well-known local brand with unknown foreign brand, rather than with well-known local brand. They showed that consumer evaluations of an unknown brand from another country were positive when a co-branding strategy was used. The similar results concerning the South African market were presented by Abratt and Motlana (2002). According them, co-branding is an effective strategy in terms of brand transition by building on the inherent equity of the existing brands. Authors stressed that realization of co-branding strategy with locally well-known brands increases the perceived value of partners brands and that this strategy could be a win-win strategy for both partners if implemented correctly. For multinational companies with global brands, it raises the chances of success in local markets. For local companies with strong brands, it gives access to foreign investment and to the new technologies.

We can assume that co-branding is an alternative strategy in the brand management that can bring many benefits to partners, including easier access to new markets and minimization of costs associated with the investment. In the case of the co-branding strategy in the international market, partner brand equity should be analyzed for both parts: local and global partner brand image. The potential long-term effects of this strategy should be also taken into consideration.

## 4. Impact of co-branding on international brands expansion – results of own research\*

### 4.1. Objective of the study

The objective of this study was to investigate the impact of co-branding strategy on the possibilities of international expansion of brands in the assessment of the brand managers of studied companies on European market. In this paper, the following research questions are identified: Does co-branding strategy determine effective foreign market entry? Which are the effects and expectations of the realization of co-branding strategy? Thus, the following hypothesis is set forth:

***H: Co-branding strategy is helpful in foreign market expansion.***

### 4.2. Research approach

Recent primary research (2009-2011) was looking at fifty large international companies operating in Europe engaged in co-branding projects. A survey was conducted in 50 companies which are present in minimum 3 countries of Europe and have realized co-branding strategy for 3 years. The sample is not representative. In 2009, 11 companies were pretested to prepare the complex questionnaire survey. The final research was conducted in 2011 between the brand managers with the application of the techniques of personal survey, electronic survey and paper survey. The Statistica and Windows Excel, computer software programs were used to collect data and make the analysis.

The choice of companies to be studied was a deliberate one. A full list of companies was prepared in the first half of 2009. On its basis, 120 companies operating in Europe engaged in co-branding projects were identified. Questionnaire surveys were carried out throughout all identified companies. As a result, data from 50 companies was obtained, which amounted to 41,7% of all the companies polled\*\*.

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\*\* 50 companies took part in the questionnaire survey. 35 of the studied companies direct their offer to individual customers, 6 operate on B2B basis offering products and services to business clients, 9 operate in both sectors. The studied companies carry out various kinds of activity. 40 companies deal in manufacturing, 6 deal in trade and 4 provide services. The surveyed companies are characterized by a varied structure of employment and belong to various sectors. Among the studied companies, quite a few represent industry (both automobile and food), as well as other sectors. Several companies represent each of the following: pharmaceutical, cosmetic as well as retail chains and the banking sector. Some of the studied companies also belong to the telecommunication, energy, textile, insurance, furniture and electronic sectors. The diversity of types of activity, the size of the companies, as well as sector segments in which they operate enable one to carry out an in-depth analysis of the co-branding strategy.

The results of the study (Table 1) show that the co-branding strategy most often used by companies is a ingredient branding (functional co-branding). It is used by 39 of the companies studied, and 11 applied the strategy of symbolic co-branding. 30 companies represented inviting brand and 20 of them invited brand. All the companies declared that they had previous experience in the implementation of co-branding strategy.

**Table 1. Characteristics of the analysed companies**

	Traits	Number of companies
type of co-branding strategy	ingredient branding (functional co-branding)	39
	symbolic co-branding	11
role of brand	inviting brand	30
	invited brand	20

### 4.3. Analysis and results

The analysis of the results of survey helps to determine the evaluation of effects and expectations of the companies concerning the possibilities of the entry on the new markets thanks to the realisation of co-branding strategy. The brand managers have evaluated the indicated factor using the six point scaled from 0 to 5 (where 0 – means lack of effect, 5 – very important effect). The companies poorly evaluated the possibility of international brands expansion through the realization of co-branding strategy (average only 2.14). It is inter alia the consequence of occasional cooperation between brands from different countries. In general in the most of cases, this type of cooperation is limited to the co-branding between foreign brands from portfolios of one international company. The results of research of Ueltschy and Lacroche showed that this form of co-branding can be very effective for the companies and it is why this grade is even more unexpected. The comparison of the assessment of effects of international brand expansion through realisation of co-branding strategy (average 2.14) with expectations of the brand managers (2.36) shows that the difference in evaluation is small (0.22). These results confirm the high awareness of the brand managers, however in case of symbolic co-branding the results are better and can suggest well-defined expectations connected with brand cooperation on international level and foreign partners symbolic involvements.

To characterize the different categories of co-branding, the correlations among the variables were compared. The analysis of results shows that the correlations between effects and category of co-branding are on the high level (Table 2).

**Table 2. The assessment of the possibility of international expansion by realization of co-branding strategy**

Type of co-branding	Medium assessment of effects
ingredient branding	1.79
symbolic co-branding	3.36
both	2.36

The companies which applied functional co-branding strategy, gave lower grade (1.79) during evaluation of the impact of co-branding strategy on the entry on the new foreign markets. Consequently the hypothesis H is rejected in case of ingredient branding strategy. However, the companies which were engaged in the realization of symbolic co-branding evaluated higher – than the companies which applied ingredient branding strategy – the possibility of the entry on the new foreign markets (3.36). These findings confirm the hypothesis H in case of symbolic co-branding. Consequently the hypothesis H is partial supported. The results of research confirm that we should stress the high significance of symbolic issues during international brands expansion. The symbolic co-branding in case of international cooperation can reinforce new (entering) brand equity and brand image.

## Conclusions and discussion

The analysis presented in the literature indicate that in some situations, co-branding strategy determines effective foreign market entry. The application of this strategy is especially helpful in case of implementation of foreign unknown brand on local market by realization of co-branding strategy with well-known local brand. These results were confirmed by Ueltschy and Lacroche (2004), Voss and Tansuhaj (1999), Abratt and Motlana (2002). The authors of this paper wanted to verify if the co-branding strategy is a method of international brand expansion taken into account by brand managers. Hypothesis predicted that co-branding strategy is helpful in foreign market expansion. As suggested by reported results, this hypothesis was partial supported. The evaluation of companies that chose ingredient branding strategy was low in case of effects as well for the expectations. However, the companies which realized symbolic co-branding stressed the impact of co-branding strategy on the possibility of international expansion. Thus cooperation with foreign partner is recommended especially on the level of intangible values of brand and its symbolic dimension.

Taking into account the tendency of international expansion of brands as well as the results of research conducted by Ueltschy and Lacroche (2004), Voss



and Tansuhaj (1999), Abratt and Motlana (2002), co-branding strategy can be very effective for the companies. The presented results can suggest that managers are still afraid of international cooperation between brands, however in case of symbolic co-branding this option is considered.

International co-branding can be a source of competitive advantage for different enterprises regardless of industry, size or degree of innovation. As well as seeking ways to extend the brand on the new markets, companies should look at opportunities to exploit the equity in their brands through co-branding. The challenge of co-branding is to generate clarity about the joint proposition (never easy in partnership), and for the latter, to identify how to generate long-term sustainable value (Clifton, 2003).

According the results of international studies, in the context of companies expansion into international markets, co-branding is an opportunity for both global brands and local brands. Cooperation of global brand with local brand increases the chances of success in the local market and accelerates the process of entry. However, for local brands, this cooperation with a global brand allows access to new management methods and tools as well as new technology. In both cases, the co-branding can help to reduce costs and reduce risk. However, according the authors, this solution is effective especially on symbolic level and the potential of partners brands equity should be analysed. The analysis of the results showed that use of the knowledge and experience of the partner by exchanging know-how is difficult. The companies that chose ingredient branding strategy evaluated on lower level, the possibility of international expansion by realization of co-branding strategy. This confirms the conclusion that the companies clearly protect the technological know-how and co-branding strategy has symbolic dimension based on the equity of partners brands. Brand equity expressed by brand awareness, loyalty, perceived quality and associations can affect consumers' evaluations toward co-branding product and both partners brands also on international market.

### **Limitations and suggestions for future research**

The recommendations in this study are set fourth, of course, with the caveat as to the limitations of the sample. To provide a more comprehensive picture of the possibilities of international expansion by co-branding, similar studies could be done for different product categories. A future study could also examine the customers and their opinions concerning co-branding products and the effects of international co-branding on the partners brands.

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