Revisiting the Issues of Co-Branding

Nur Syuhaada Kharil Anuar¹, Izhar Hafifi Zainal Abidin², Azlina Samsudin³, Azahar Adzmy⁴, Luqmanul Hakim Zulkornain⁵

¹,²,³,⁴Faculty of Hotel and Tourism Management, Universiti Teknologi MARA Cawangan Terengganu, Malaysia
⁵Academy of Language Studies, Universiti Teknologi MARA Cawangan Terengganu, Malaysia

Authors’ Email Address: ¹syuhaadaanuar@gmail.com, *²izharhafifi@uitm.edu.my, ³azlin6458@uitm.edu.my, ⁴azadz@uitm.edu.my, ⁵luqman562@uitm.edu.my

*Corresponding Author

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ABSTRACT

In the maturing Malaysian market environment, co-branding is becoming a more common type of growth strategy. Despite being a scheme that could drive companies dedicated to it, some problems emerged tainting the scheme's original goals. Via searches in online databases such as ScienceDirect, Scopus, SpringerLink, and ProQuest ABI/INFORM Collection, this paper identified related studies published between 1994 and 2019. This search strategy yielded 22 works of literature that met the conclusion requirements. Four patterns of co-branding issues in the hospitality industry which are management, marketing, product and service, and customer were found using content analysis.

Keywords: Co-Branding, Consumer, Hospitality, Issues, Management

INTRODUCTION

The food service industry is becoming more competitive as more players enter the market. Since then, several tactics have arisen as companies sought to gain advantages over their competitors. Co-branding is one of them. A joint effort by two or more brands may have more clout in attracting customer attention than a single brand-name operation (Boone, 1997). Co-branding has enormous opportunities for worldwide marketing. Global co-branding has become a well-known point as it is confirmed by numerous monologues, conferences, and research papers devoted to investigating this topic every year. Reliable with domestic and international co-branding, the advancement of co-branding gives chances to exploit economies of scale, create global markets, and pursue multiple market segments. When considering the potential benefits of co-branding, many business owners would see it as a way to accelerate their company’s growth. However, since co-branding entails significant risks, it must be approached from all angles within the company. If the company chooses an unsuitable accomplice brand, its brand's image would be jeopardized. As a result, it pays to ensure that companies have thoroughly investigated their expertise and qualities to reduce risk in certain business environments. If the venture fails in the marketplace, it’s a good idea to include a termination clause in the co-branding agreement. Nevertheless, this paper is aiming to highlight the specific problems that could emerge from co-branding briefly.
Co-Branding and Hospitality

The idea of co-branding has been broadly practiced in marketing since the mid-1990s (Khan, 1999). Co-branding is also known as a brand coalition (Rao & Ruckert, 1994), brand expansion (Aaker & Keller, 1990), promoting partnership, and vital union (Preble et al., 2000). As one would imagine, there is still some uncertainty regarding the best sense of co-branding. It can be described as a group of brands cooperating in innovation, marketing, and production while maintaining their autonomy as separate business entities (Stewart, 1995). Park et al. (1996) define co-branding as using various branded items, also known as constituent brands, to frame a single item or composite brand. According to the developers, it is a feasible method for introducing new goods. Furthermore, co-branding uses multiple brand names on a single product or service to provide consumers with better service and value. (Carpenter, 1994).

These principles were also extended to the field of retailing, where co-branding was also applied to the availability of at least two retail concepts at the same retail venue (Boone, 1997; Dahlstrom & Dato-on, 2004; Young et al., 2001). In any case, the problems around co-branding have received little attention. As a result, we define retail co-branding as collaborating at least two retail brands in a single region to provide a diverse retail offering. Along these lines, each brand has enormous appeal, attracting specific target audiences. Traditionally, it was assumed that supermarket labels would be managed separately (Boone, 1997; Young et al., 2001), but some franchised retail organizations are presently making their co-brands internally (Wright & Frazer, 2007).

The concept and implementation of co-branding have been discussed in-depth, focusing on the possibilities, advantages, entanglements, legitimate considerations, and retailing applications. In the franchising industry, co-branding is marketed as a cutting-edge improvement. Service sectors, such as restaurants and hotels, have recently recognized the effectiveness of co-branding strategies. This technique has been used by various foodservice companies and other industries such as discount stores and lodgings (Young et al., 2001). The business space, clientele, marketing, or promotion are shared among the co-branding partners (Boone, 1997). Co-branding has resulted in a considerable boost for both organizations (Casper, 1995). McDonald’s, for example, is continuing its collaboration with Disney to promote Happy Meals which include movie characters by incorporating Disney’s product. McDonald’s has also partnered with Secret Recipe in Malaysia to promote its McCafe Cakes line. Co-branding is seen as an enticing benefit by some hotel and restaurant owners, not only to reduce issues related to conventional hotel food and beverage operations but also for chain-restaurant companies looking to increase distribution and customer traffic points.

Numerous parties trade their aptitudes and ability, which prompts a successful win circumstance for the parties involved. Although more and more hospitality industry has wandered into co-branding strategies, numerous issues occurred in the firms. In recent years, multiple methods for improving co-branding in the hospitality industry turned out to be progressively gainful by developing proprietary concepts or buying the rights from different companies to supplant or overhaul better products and services.

CO-BRANDING ISSUES

Management

Co-branding provides an organization with wider recognition (Krantz, 1998); confronted with the growing expenses of making brands, organizations believe co-branding is a minimal effort approach to get quick attention. Previous studies have also shown that co-branding increases revenue. On the other hand, organizations also wonder if having two brands in the same storefront weakens their brand
names. This behavior can compel people to enter a fad and risk losing money, muddying their brand names, misleading customers, or making unimportant deals. In some instances, businesses attach their brands to structures or businesses dealing with problems outside their control. Any brand may have a crisis, but its chance of being a crapshoot is doubled when co-branding.

The issue emerges when organizations need to identify ownership or origin (Blackett & Russell, 1999); with the advancement of exchange, the producers of goods rushed to understand the advantage that their brand could provide. Boad (1999b) indicates three issues related to co-branding. In the first place, financial greed. The most severe danger, focuses too much on the quick monetary incentives that the deal can appear to bring. The co-branding activity must be viewed as something that contributes to the long-term growth of brand equity, not as a way to make a ‘quick buck’ by exposing the brand to risks that are the signs of a flawed venture. Second, there are incompatible organizational personalities. The mindset and expectations of a potential co-branding partner may be vastly different from the other party. The capacity for such disparities to cause conflict should not be underestimated. Conflicts over daily problems, such as dealing with consumer complaints, can cause just as much annoyance as disagreements over more significant policy issues such as environmental concerns. Third, a brand chain that has gone too far. There are many unsuccessful attempts to extend the use of established labels to new product or service categories. These are due to overly optimistic brand owners who attempted to grow their brand image to segments outside their scope. The formal written agreement between co-branding venture partners plays an essential role in maintaining a cooperative partnership and can also aid in achieving success (Boad, 1999a). However, no matter how well-drafted the agreement is, it will not be able to compensate for the decision of a suitable accomplice. The parties should decide who will be in charge of selling the co-branded product first. It may be a joint-venture or alliance organization. The owner of each brand must have faith in its partner's marketing skills while also appreciating the value of sharing in the profits without being involved in the day-to-day management of the co-branded company.

In the year 2000, according to Young et al. (2000) and Lackert and Goodwill (2019), the parties involved in co-branding must choose a suitable approach and decide on the granting clause for the rights to be whether exclusive or non-exclusive. Although exclusive licenses usually allow for higher royalty payments, any increase in a party's bottom line can eventually level out due to shifts in customer behavior or market positions. If not paired with flexible negotiating or extension terms, an exclusivity clause may lock a brand out of a specific market and cause the brand owner to lose out on more lucrative partnership opportunities. The licensed territory should mirror the parties' trademark rights (Young et al., 2000). As a result, it is not uncommon for parties to work with various brands in different markets. On a global scale, co-branding can encounter unanticipated language or interpretation problems, differing interpretations of meaning, and a lack of approval or sufficient trademark rights to facilitate the use of one brand over another. This situation will help discourage the import or export of counterfeit products.

Rowley and Moldoveanu (2003) expressed an issue related to stakeholder groups participating in group actions. Collaboration can raise competition. In the end, the ideal license would depict ownership of co-branded properties that could arise as a result of the parties' collaborative efforts. Furthermore, the permit should specify the royalty shares that will result from the co-branding company and acceptable renegotiation terms to reflect any changes in conditions resulting from possible achievements or shortcomings. Since each party will be using the other's mark in the structure, the co-branding agreement must also provide mutual repayment and risk cover. For example, suppose a product contains two components from two entities, one of which is faulty. In that case, the other party may find themselves in a legal action based on a specific case and legal law since both parties are jointly producing the product.
A state of disagreement between at least two parties that involve varying perspectives might be to embark on issues management strategies (Leitch & Davenport, 2008). Organizations are worried about this type of problem because it includes opposing views that have reached the open area and include organizations. When the interests, goals, or values of different individuals or groups are incompatible, organizational conflict may arise. As a result of this incident, they may become frustrated with each other when attempting to achieve their objectives. Due to a lack of rights, status, and properties, disagreement arises in groups. Individuals who respect individuality may reject interdependence, and to a lesser extent, community similarity. Disagreement encompasses the entire spectrum of behaviors and mentalities in which administrators and workers oppose. It is a state of dispute about the content or emotional problems resulting from anger, distrust, or personality conflicts. Regardless of the factors resulting in conflict, it will produce considerable consequences on organizations and requires deliberate solutions as much as possible.

Marketing

In the year 1998, co-branding deals will, in general, be short-lived, enduring somewhere in the range of 18 and 36 months (Krantz, 1998). Occasionally, companies will attach their brands to companies or businesses dealing with problems outside their control. If circumstances alter, the brand affiliation provision may be dropped, and the co-attachments brand may be severed. In this way, co-branding can allow businesses to quickly adapt to changes in their social and political environments without changing their main corporate brands.

There were hardly any brands known to the mass in the mid-1900s before newspapers and magazines began to have a significant provincial and national distribution. The producer’s name, such as Campbell, was usually stamped on the products. Modern branding is based on mass advertisement and a quick entry into the market (Blackett, 1999). Promoters and various distributions created brand images to place relevant brand relationships in the minds of consumers. As communication evolved from print to radio to television, the primary goal remained: to communicate messages that develop top-of-mind associations for brands within consumers’ relevant groups. Brand recognition entails navigating the market to find customers, building the brand through strong positive relationships which aid product trial, and then repurchase. The goal is to keep the brand's core relationships with the target consumers at the forefront of their minds. As a result, advertisers in 'overcrowded' markets must devise a new strategy and narrowly concentrate on their goods (Linnell, 1999). Consumers are watching and requesting that their needs be fulfilled at all times as well at reasonable prices as they live in a world that operates 24 hours a day, seven days a week. Both brands’ stores must be carefully chosen for their variety of products and services. This is also crucial in building intriguing and exciting deals to entice loyal customers.

In 2001, numerous inquiries remained about co-branding ventures’ long-term viability (Young et al., 2001). As a result, studies of co-branding activities were published in various trade journal papers. It was discovered that companies formed co-branding partnerships in multiple ways. A company must decide if it has the mastery and creativity skills to create a second brand and the financial and human capital to devote to its growth. If the business felt that it can answer yes to both questions and does not want to cooperate with another business, at that point, it can either create a new brand internally or combine existing brands. According to the new branding theory, brand revitalization is critical to the co-branded initiative. What persuades companies to co-brand at that point? (Wright & Frazer, 2007). Co-branding adds to the overall co-brand portfolio by adding a new retail concept, such as unit sales, without requiring a significant overhaul of the existing operations structure. The debate could be managed without new personnel, and it could be conducted using current lists. When making improvements to the retail format, it was seen as a limiting tension within the established structure. The use of the stronger brand, on the other hand, was a strategy for bolstering the weaker brand.
On the other hand, the emergence of the robust brand network and dynamic business conditions have put the assumption that brand identity is a static managerial creation to the test (Essamri et al., 2019). Instead, it was developed across a web of complex structured relationships between the firm, the brand, and various stakeholders. All of them are working separately to create brand identity while enacting their own. It is the product of collaboration between multiple sources. Stakeholders simultaneously attribute several consequences to the intended brand identity which resonates with them and many other stakeholders during this phase. Brand strategists seek to build and sustain brand identity through concrete and tangible assets and a unique collection of brand associations. This conversation about identity is related to the other subject, which is brand positioning. The importance of brand positioning and the effect of co-branding on consumer perceptions have been given little attention (Wason & Charlton, 2015). After an alliance, post-alliance brand positioning values are strongly linked to realistic positioning techniques focused on value or service attributes rather than brand assets. This conviction has influenced its hedonic positioning. According to studies, co-branding poses a danger to luxury brands. Any brand extension that makes the brand look less exclusive and ordinary is less appealing to the brand's followers.

**Product and Services**

Farquhar (1994) mentioned, “Who will get the credit for product or service quality?”. This question is critical to the future of brand producers; however, the correct answer is far from certain. When it comes to building a messaging network, customers are often exposed to many producer products unless consumers are aware of the brand and have a strong preference for it. Consumers will come to rely on the expertise of framework integrators or speciality retailers to screen suppliers and provide them with high-quality products and services at low prices. When it comes to buying goods, consumers’ loyalty tends to gravitate toward the manufacturer at the end of the supply chain rather than the supplier at the start. Customers would most likely give them credit for consistency at various points of distinct parts or items that are less important than the overall solution to their dilemma. Since there are so many product classifications, consumers are not able to remember any niche products, even though they may overwhelm product categories. Customers reorganize their purchasing activities by mentally grouping niches together. Customers like these can only be satisfied if appropriate goods are available and the supplier's expertise ensures quality.

Shocker et al. (1994) proposed that market players carry on as they do by looking at the presumable effect of macro-environmental forces, for example, changes in innovation in industry rehearses. Globalization of the world economy will bring with it a slew of problems. The pace and essence of innovative change are affected by the business sector's globalization. Globalization creates a greater demand for creativity and a greater need for executives to coordinate their operations through greater distances and periods. An increasingly diverse group of admirers can also increase the likelihood of creative progress. Computer-assisted design, manufacturing, engineering, programming, and other related approaches have cut the time to design, plan, prototype, and assemble new products in half while lowering costs and improving quality. These advancements reduce the costs of innovation. Innovation can be used to gain a competitive edge. Shorter product development cycles enable companies to surround potential markets quickly. Any product focus enables a fast-cycle company to implement business learning. In this manner, they are conceivably improving the achievement of the following model.

Co-branding can also make products less price-sensitive (Krantz, 1998). When purchasing a particular good or service, price sensitivity refers to the buyers’ perception of the value of the product. Different customers will have different price tolerance levels and cut-off points on what they consider to be within their price range. Customers' perceptions of cost and price responses reveal whether or not a market is price-sensitive. It is one of the most critical factors shaping an organization's decision-making process and its overall profitability. Customers are well informed about product or service
choices, advantages, features, attributes, and costs these days thanks to advertisements, relatives, peer collection, opinion pioneers, interpersonal organizations, open data sources, and newspapers. Customers in the intensive and low-end segments are more susceptible to price increases, while moderate customers are less so. Customers will, in general, buy a product or service after reviewing details about it. They are less vulnerable to price fluctuations because they want to maximize the value of their time and money. They are also very good at determining what they can get in exchange for their money when paying for a product or service.

Shortage of resources is one of the issues of co-branding in products and services (Blackett et al., 1999). For example, transportation limits product availability. Many accounting frameworks for brand valuation do not distinguish product delivery as an essential part of the brand resource. One explanation is that brands are rarely traded without the rights to distribute them. Differences in brand quality or brand equity represent differences in dissemination capacities, but the manufacturer retains control over the distribution channels. As transportation networks improve, producer brands will circulate more freely and compete more effectively with unbranded products sold by retailers. Besides that, having enough products in the proper distribution networks is essential in creating trustworthy brands. Since a product trial is the beginning of a customer's relationship with a brand, availability is crucial. A brand that succeeds in gaining mainstream recognition and testing in the marketplace will earn a long-term pioneering advantage over rivals.

Co-branding has now become less production-centered and more focused on brand consumption (Leitch & Davenport, 2008). The production-centered brand hypothesis is focused on the design process; especially the visual elements of configuration, advertising campaigns, and logos. The consumption-centered brand theory, for example, emphasizes how customers are drawn to a brand to grow and express their personalities. From a production standpoint, brands serve to distinguish products, facilities, and entities from their competitors. In the consumption-centered viewpoint, brands, on the other hand, help to isolate customers from one another and unite them into “brand clans” that are divided into various clans. Consumers proudly display brand marks and can purchase products solely for the image it conveys.

Organizations in the food industry have recently presented products marketed by their “ingredients” including new materials, processes, production methods, and plans. These are the characteristics of ingredient branding (I.B.), a modern type of branding strategy. However, in the food industry, ingredient branding techniques are less well known and given less consideration (Kanama & Nakazawa, 2017). Most food companies have not taken the risk of developing new products to expand into the global market. Instead, they focus their efforts on the domestic market. However, as a branded part is found in the end product, ingredient branding attracts consumers’ attention. Even if it only works through at the end product, ingredient branding positively impacts the host brand. On the other hand, they are rare since the idea is still new, and its implementation is somewhat premature. Furthermore, events involving I.B. techniques are distinct, and their outcomes are varied.

**Consumer**

According to Farquhar (1994), co-branding will expand in consumer negativity. Two emerging marketing trends will influence the next decade of co-branding. The implications of these trends are popular on well-known brand names as a safe decision when there is a significant vulnerability in the buying process. When features can't be quickly assessed before purchase, highly reputable brands can reduce the perceived risk of purchasing goods or services. This shifts towards safe decisions will fuel competition among brands for consumers’ confidence. Brands that have developed a reputation for quality and consumer images will thrive. Another emerging market trend is the need to simplify the decision-making process. Brand blindness occurs when customers are so perplexed by many brand roles that they fail to notice any distinctions. Consumers will rely more on well-known brands to reflect
necessary and safe decisions as goods become more complicated and quality becomes more difficult to determine before purchasing.

Co-branding offers increment points in distribution and customer traffic (Boone, 1997). Co-branding organization owners are responsible for their investment in the co-branding concept for it will have an impact on working efficiency as all properties have seen double-digit revenue growth. It does, however, pose the question of who owns the consumer (Krantz, 1998). Both parties need to regard one party or the other as the owner of the customer. Customer records are a valid subject for competitive secret assurance, and the parties should arrange this aspect of the relationship as a trade secret licence in this situation. A co-branding campaign is likely to cause some underlying uncertainty and provide opportunities for rivalry. As a result, the agreement should separate the campaign from each party’s normal branding activities by appointing a subsidiary or similar entity solely responsible for co-branding activities or ensuring that a separate division of the current organization is exclusively responsible for the co-branding adventure. If one party regularly wears a blue trade dress while the other wears red, and the co-branded product is red, questions about whether the product has been mutually evolved will arise. Both marketing and customer relations should be tailored to the co-branding strategy to ensure that obligations are fulfilled so the consumers are not confused or misled about the origins of the products or services. Each brand owner should address any misunderstanding, shortcomings, or reputational damage that can arise as a result of the relationship.

Co-branding is inherently risky. The observation emphasizes that the integration should be as consistent as expected under different circumstances (Diaz, 2004). The ease of use and other issues such as Customer Relationship Management (CRM) incorporation, privacy policy harmonization, and audit and tracing concerns should be given a careful review. Here, organizations are exposing one of their most valuable tools and reputations to a partner’s whims. Should there be errors/breakdowns in the partner’s or customer information is leaked, their brand will have a bad image. This situation necessitates Service-Level Agreement (SLA) frameworks, enabling co-branding partners to establish a specific Quality of Service (QoS) standard, which is now the norm.

CONCLUSION

In co-branding, businesses are keen on how consumers accommodate their perspectives towards a single unit product formed by virtually inseparable two brand names. In general, consumers will differentiate or assimilate attitudes towards two separate brands when they are joined in a marketing strategy (Levin, et al., 1996). Co-branding is becoming more common, but there are some problems with management, marketing, product, service, and customer aspects. In conclusion, the speculative theories provide insights into the business sector’s co-branding phenomenon. It also bridges some of the contradictions between current thought and the application of that thinking to this phenomenon. The co-branding process notably collaborates with every course of action and requires further analysis for increasingly vigorous clarifications.

These themes would need to be developed and refined further. The co-branding literature does not adequately clarify co-branding problems or procedures in the food industry. Organizations, on the other hand, may benefit from this research. This study found that large companies with assets would instead create a new brand than promoting an external co-branding mechanism to avoid the problems that come with it. As a result, if some of the issues related to co-branding can be better defined and articulated, smaller franchised businesses can use them to expand. Further research should concentrate on a more profound comprehension of co-branding issues from 2000 to 2020 and examine those trends.
REFERENCES


