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Lessons drawn from co-branding with a lovemark. Results of an experimental research

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Abstract

The purpose of this study is to discover the impact of lovemarks on consumers' product assessment related to co-branding. As exploratory research, it describes the characteristics of lovebrands, which factors are necessary to be a lovebrand and further on what the consumer's first reaction is to a co-branded product, which is new in the market. The main research question is whether lovebrands have any influence on product evaluation regarding a co-branded product. An online simulation was conducted, which was completed by 250 participants from which 235 valid responses have been collected. The questionnaire was evaluated within the SPSS program. The empirical results support the idea that co-branding is beneficial for the now-to-the market product during the product launch phase.

Keywords: lovebrand[1], lovemark, co-branding, marketing strategy, experimental research design

INTRODUCTION

In recent years, brands and brand policy have gained considerable value for companies. According to Fournier (2007, 18) "We have entered what may be called the Golden Age of Brands." Brands are everywhere and always present in our lives, in the morning when one is eating branded yogurt. The significance and also the number of brands are constantly increasing (Albert et al., 2008) – so as the competition on the market. A prior aim of the brand policy is to build a strong brand with high brand awareness and a unique brand image. (Papp-Váry, 2014), which ensures a sustainably stable position for the company in the consumers' mind, as well as on the market. Beyond this general statement, there are several cases, where the success of brand management is crucial for survival. For example, the introduction of a new product or entering into new markets is expensive and quite risky because of the intense competition which leads to a situation where the companies are trying to find other alternatives to decrease the risk. Co-branding is a perfect strategy to decrease the possibility of failure.

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[1] The terms lovemark and lovebrand can be used interchangeably.

In the case of brand partnership, both parties automatically have the opportunity to gain the interest of each other's market. According to Chia-Lin (2014), it means co-branding is able to generate a higher number of sales for both sides. Another huge practical benefit of co-branding is that the costs are divided between the participants. This study is modelling a situation via an experiment, where an existing manufacturer brand and a familiar lovebrand launch a new, co-branded product.

The theoretical problem statement of this study is that, originally, the expression "lovebrand" is not an academic term but comes from the business sphere. For this reason this paper is going to focus on the relation between lovebrands and co-branding on a higher academic level. The aim of economic sciences would be to predict the firms' prospects in the future; however the success of cooperation in the business area is not predictable. In the case of two weak brands cooperating no outstanding success can be guaranteed. Given two strong brands, especially if one of them is a lovebrand, the likelihood of success rises significantly (Giudice, 2011). Hence, besides the experimental research, the theoretical purpose of this study is to revise the recent literature in the research areas of lovebrands and co-branding.

The author expects from the empirical research to test whether there is a positive influence of lovebrands on consumer brand perception in case of co-branding of a manufacturer brand and a lovebrand.

1. MANUFACTURER BRAND PLUS LOVEBRAND EQUALS CO-BRANDING. A LITERATURE OVERVIEW

1.1. VARIETY OF CO-BRANDING TERMS

The previous literature identified numerous different forms of cooperative activity, such as co-marketing, ingredient branding, joint-sale promotion, advertising alliance, and product bundling. Co-marketing is a short-to-long term tactic, working horizontally. The aim of co-branding is to offer a complementary product to improve their market position. An example is when two pizza makers contribute to producing several co-branded pizzas.

The term ingredient branding can also be called vertical branding in the sense that this partnership is formed on the different level of the value chain (Hemig, 2008). Among personal computers "Intel Inside" is a famous example of ingredient branding where a component of the product is branded as a separate entity. One of the biggest advantages of using this marketing strategy is that the branded ingredient adds more value to the parent company. Joint – sales promotion represents a cooperation when two or more companies join together for sales growth bringing competitive advantages by sharing markets,

values and sales revenue. In this kind of partnership, the firms mostly create a new entity (e.g. Bacardi Rum with Coca-Cola). Advertising alliance is a strategic marketing partnership between two or more brands which are simultaneously mentioned in one promotional campaign, but there is no collaboration in terms of production. (e.g., Kellogg's cereals and Tropicana fruit juice etc. [Samu et al., 1999]). Product bundling represents a single package consisting of two or more products with one total price (Guiltinan, 1987). This partnership is based on the idea that the grouped package offers more value to consumers than the individual items, for example, when a travel agency offers a holiday package including a flight ticket and a city tour guide.

The main reason to use brand alliance strategies is that the collaboration can strengthen the parent brand and according to Charter, Peattie, and Polosky (2002) the combination with a well-known brand has a positive effect on the product evaluation of the co-branded product.

1.2. THE SOUL OF CO-BRANDING

Co-branding has been used in marketing literature with similar concepts such as brand partnership, brand alliance, joint branding, co-marketing and brand bundling (Woodside et al., 2009) where two or more organizations come together to combine their power to produce a combined unique product to achieve a higher level of success and higher brand awareness (Washburn, 2000). Strategic brand alliance as a marketing method helps companies to survive in a consumer market with a significant number of competitors and by using co-branding, firms can also improve their market position. The most used form of strategic brand alliance is co-branding. Co-branding is a specific strategic alliance which provides benefits for both the participating organizations and consumers. Blacket and Boad (1999, 7) define co-branding as the following: "Co-branding is a form of co-operation between two or more brands with significant customer recognition, in which the participants' brand-names are retained. It is usually of medium to long-term duration and the net value creation potential is too low to justify setting up a new brand and/or legal joint venture."

Recent marketplace examples include Milka´s chocolate bar with Oreo cookie pieces, Jacobs latte macchiato with Oreo cookie flavouring or Ritter Sport with Smarties pieces. The success of any brand alliance depends on the selected partner and association that the consumer has with the involved brand. A brand itself represents a set of promises which means brands own a unique positioning in the mind of the consumer and define a set of expectations. Selecting the right partner, product and market are necessary parts of successful cooperation. This art of collaboration is to establish "distinctive products with distinctive differentiation".

According to Keller´s (2008) theory, co-branding is able to increase the awareness of the lesser known brands. Having a better-known brand appear on the package of the product can serve as an endorsement from the created name.

Therefore, based on previous research, it can be stated that brand alliance has an impact on consumer buying behaviour because the consumer transfers their confidence and assurance of the original brand onto the newly created product. Elyas and Yacoub's (2013) theory says that the success of co-branding may be evaluated by measuring a co-branded product´s value. For this evaluation two effects of co-brand can be used: synergy effect, and positive spill-over effect. In this case synergy effect means that "the alliance´s aggregated brand value is greater than the value of each partner´s individual brand value. The other effect is the positive spill-over effect: the value of the alliance is greater for each partner than without the alliance. In this research, in the case of a no-name brand pudding co-allied with a lovebrand, the presence of the lovebrand's logo on the pudding package obtain a positive effect on sales. It can be expected that building a brand alliance with a well-known brand will create a higher number of sales.

1.3 OVERVIEW OF THE LOVEMARK CONCEPT

A brand is more than just a name, logo or package; it is much more present in the head and in the heart of the consumer. Lovebrands always represent and provide something special which renders the product in the eyes of the customers much more valuable against the competitors. Brands include features which show the characteristic of the company. Thanks to the brands, consumers can easily find the product they need. Customers know that by choosing a lovebrand the expected quality and value will be guaranteed. A well-known brand can help to a company to acquire new consumers and keep them loyal. Marc Gobé, chairman and chief executive of Desgrippes Gobe, New York and author of Emotional Branding, writes that connecting a brand to a consumer on an emotional level is one of the most powerful strategic assets of a firm. He believes that companies have to "make an effort to ensure the values communicated to the consumers are consistent with their internal values." (Foster, 2006). In the past, it was enough to produce a brand which is irreplaceable from the consumer point of view but today in this saturated market, firms are trying to create irresistible goods which will emotionally connect their consumers to the brand.

This suggests that the easiest way to get in touch with people is to act on their emotions. The essence of the lovebrand argument is based on the fact that human beings are powered by emotions rather than reason and also the decision making process is influenced by emotions. The brand should appeal to the consumers' emotions by giving them love.

Before researching lovemark, it is necessary to understand what the definition of a lovemark is. Lovemark occurs when a brand becomes not irreplaceable, but irresistible. The concept of lovemark is relatively new to the business vocabulary. Kevin Roberts states that the fundamental difference between them is that brands fulfil consumer needs, whereas lovemarks fulfill their desire. Lovemarks attract the consumer on emotional reasons "infused with

mystery, sensuality, and intimacy, and that you recognize immediately as having some kind of iconic place in your heart" (Roberts, 2004, 148). He believes, that the main goal of a competitive company should be to become a lovemark – which means "to be loved and to be respected." If a company can achieve a strong bond between the consumer and the brand it can lead to a long-term relationship with consumers.

Roberts in his book focuses on lovemarks which he defines as the following: "super-evolved brands that make a deep connection with consumers, great brands that inspire loyalty beyond reason." "Lovemarks are brands, events, and experiences that people passionately love." "Lovemarks reach your heart as well as your mind, creating an intimate, emotional connection that you just can't live without." (Roberts, 2006, 15) All the other brands are chosen based on price, features, and benefits. There are several examples of lovebrands around us: Coca-Cola, Apple, Lego, Nutella – just to mention a few of them. A Lovebrand is not owned by the producer, manufacturer or the distributor, it is owned by the people who love it. Kevin Roberts and his team have established a website to collect all the brands which could be a lovemark. Milka was also chosen as a lovemark. According to Roberts view, lovemarks are the combination of high brand love and high respect. The "Love/Respect Axis" is developed by Kevin Roberts to help companies figure out how much consumers love and how much they respect their brand. A more detailed review of Kevin Roberts' lovemark concept is written and published by Platz (2016). There are several products and brands on the market which have only "low love and low respect". These products like sugar, eggs or even butter have reached no emotional connection between consumers and brands, but they are needed in everyday life. Such products are easily replaceable. On the other hand, there are products which are popular only for a short period of time. Trends are good examples; one day everybody talks about a certain product but a few days later it has already been forgotten. This occurs mostly in the world of fashion and technology. If your brand is high loved and high respected by the consumer, it means you are a Lovemark. As was mentioned before Lovemarks create an emotional bond between the consumer and the brand and make the consumer feel passionate about them. Milka and Mc Donald's are some examples. Even though these companies provide different products and have a different target group, they could reach their consumers' hearts by using the most important aspects of lovemarks: mystery, sensuality, and intimacy. Consumers are emotional people which is why emotional branding is a more durable marketing strategy. On the other hand, we are living in a world where you have to surprise your consumer by bringing them innovative ideas and products.

2. RESEARCH QUESTION, DESIGN AND SAMPLE

The goal of the empirical research was to support the idea that co-branding with a lovebrand has a positive effect on the non-lovebrand participant, and, at the same time, it does not have any negative effects on the evaluation of the lovebrand itself. The core of the survey was to make the respondents choose and evaluate a hypothetic co-branded pudding: chocolate flavoured Milka-Bakoma pudding. Milka represents the lovebrand. Bakoma represents a non-lovebrand. Within this choice experiment, respondents were asked 12 questions related to the research objectives of the study and also 4 demographic questions to be able to characterize the population. The data collection happened in the autumn of 2017. The respondents were pudding consumers, who knew both involved brands. The author considered Milka as lovebrand, as the official lovamarks.com website lists Milka as a lovebrand and as a manufacturer brand Bakoma was chosen for the same reason: it is not registered as a lovebrand on the official site of lovemarks.com. The author supposes that becoming a lovebrand depends on a company's strategy – or intentions –, which requires efforts and certain internal arrangements and actions; if a company defines itself as a lovebrand, acts as a lovebrand, then they should be considered as a lovebrand, from the researcher's aspect. Measuring "lovebrandness" from the consumer side would be methodologically problematic as well, because no valid scale, nor proper tool for such measurement has been developed yet. Consequently, based on the secondary data, the research has been done in the sense that Milka is a lovebrand and Bakoma is not.

2.1 DATA COLLECTION AND MEASUREMENT

This study mainly focuses on a positive influence of a Lovebrand on consumers' brand perception; furthermore, to gather information on pudding consumption habits. Therefore, the quantitative approach was the major method applied in this study.

For data collection, an online questionnaire was used. A survey with the desired amount of 250 participants was designed in SoSci Survey (SoSci Survey, 2017) and respondents were searched for on Amazon's Mechanical Turk (MTurk) (Amazon, 2017). The questionnaire was designed in soscisurvey (SoSci Survey, 2017) and the type of questions included multiple choice questions, checkbox questions with more than one answer, Likert scale questions and closed questions. Using an online survey seemed ideal to achieve the goal, as it is the most efficient and most convenient way to reach international respondents. The survey was designed to avoid robot answers with an included captcha available on SoSci Survey, whilst the completion of the survey was supervised with a hidden variable that was to be found at the end of the survey. In cases where participants did not manage to correctly type in the captcha or the given code at the end of the survey, their responses were considered as invalid. The questionnaire was distrib-

uted in English. Before the distribution of the online survey, it was pre-tested by five volunteers to check the time needed to fill out the questionnaire. According to their recommendations, some of the questions were modified for better understanding. The final questionnaire included 12 questions (excluding demographic questions) regarding pudding consumption habits and openness to try new products. After the assessment of the completed surveys, 235 of them proved to be valid, whilst 15 of them were excluded from further analysis, due to incomplete code and/or captcha. The interpretation of the survey results will start with a univariate data analysis, where the participants' demographic characteristics and consumption habits will be discussed.

2.2 DEMOGRAPHIC DESCRIPTION OF THE SAMPLE

Demographic data were reported by the survey participants. From the total number of 235 valid survey respondents, 149 were men, whilst 86 of them were women. This equals a percentage of 63.4% of men and a 36.6% ratio of women among the participants. The standard deviation measured in this variable was 0,483. From the total of 235 valid survey responses, only one participant belonged to the age group of 18-year-olds and younger, whilst 4 of them stated that they were 65 or older. The most dominant age group is between 25 and 34 which represents almost 57% of the responses, whilst 17.4% of them were between 35 and 44. The standard deviation of this variable is 1.047, which is considerably higher than was observed in the case of gender. Looking at the age distribution, it is not a surprise that the majority of the respondents (95 participants) are currently studying at college/ university or have already gained a degree. From the total of 235 valid survey response, only one person has lower qualifications than a secondary school degree, whilst four of them have a doctorate degree. The standard deviation of this variable is 1.421. From the total of 235 valid survey responses, only 14 participants belonged to the income group of "over $100.000, whilst 53 of them have less than $20.000 income.

3. RESULTS

The first part dealt with the distribution of pudding consumption – seen as entrance criteria. More than the half (128 participants, which is 54.4%) of the 235 valid survey responses said, that they "usually buy and also consume pudding". 14.5% of the participants said that they usually buy but don't consume pudding; for example, mothers may belong in this category, because they buy pudding as a dessert for their children, but they themselves are not pudding consumers. 14.9% responded that they don't buy but usually consume pudding. On the other hand, only 16.2% (38 persons) of the respondents neither buy nor consume pudding, so their answers were excluded.

The second part focused on the willingness of the trial of the co-branded product. From the total of 235 valid survey responses, 80.9% of the respondents said that they are open to new products, whilst 46.4% (109 participants) of the participants always keep tabs on product offers. Investigating the willingness of trial, the majority of the survey responses 69.8% (164 participants) said that "I like trying out new brands"; however only 26.8% said that if they see some new products on the shelves, they will buy them. Moreover, the responses show that in the case of trying out a new product, the price has a more important role than the brand of the product. Basically, the vast majority of the respondents were open for a trial.

The third part investigated brand awareness. In this part of the questionnaire, the respondents were asked to select from among 4 pudding brands the ones they know. The respondents were able to choose multiple options. The most known brand was "Danone" because from the total of 235 valid survey responses, 142 participants, which is 60.4%, said they know this brand. The awareness of "Bakoma" is the lowest because only 14% of the respondents were familiar with this brand. The standard deviation in the case of the brand "Danone" was the highest among the variables. This result suggests that in case of a repetition of such an experiment, focusing on co-branding with a lovebrand from another perspective, Danone would be an ideal representative of the lovebrand within its category "pudding". In our case, on the pudding market, the theoretical new test product's (Bakoma-Milka chocolate pudding) lovebrand component comes from another market, from the chocolate market.

The next theme is the consumption rate. According to its reputation, it is no surprise that only 33 people out of 235 knew Bakoma, and only 11.5% said that they had already consumed "Bakoma" pudding. It means that the Bakoma was the least known pudding (among Danone, Zott, Dr. Oetker, Landliebe, Nestlé). This is a good component from our aspect, as Bakoma-Milka chocolate pudding can be considered as a real new product on the market. The answer also strengthens the belief that the brand Bakoma needs more brand awareness. So for them, co-branding with any well-known brand would be a fruitful step.

In the next part of the survey, two products were shown and the participants were asked to choose which one is more likeable for them. On the packaging of both products, the brand name "Bakoma" was visible. The only one difference between the products, that one of them is a co-branded product with the Lovemark, Milka and the Milka Logo is marked on it. From the total number of 235 valid survey respondents, 125 stated that they found the co-branded product more likable, which is only 15 people more than who chose the normal "Bakoma" product. The standard deviation of this variable is 0.500.

In the next section, the participants were asked to state what their reaction to the co-branded Milka product is on a Likert scale from "very negative" to "very positive". 122 participants said that the first reaction was "somewhat positive", 118 participants chose "rather likely" to try out. Moreover, also 118 partici-

pants said "rather likely" to buy the product if it would be available on the market. Their arithmetic mean is 3.87, whilst having a median of 4.00. Surprisingly, there was only one person who states that the first reaction of the co-branded product was "very negative". The minority of the respondents, only a small percentage (2.6%) said that they would prefer not to try out the product; furthermore, 3% of the sample would not buy the product at all. Additionally, the participants were asked whether they would buy a Milka product for friends or not. It was no wonder that the majority of the survey respondents (75.7%) said "yes", whilst only 24.3% said "no".

4. FINDINGS AND CONCLUSIONS

Even though Bakoma is available internationally, also on the European or even on the American market, there were 196 participants in the sample (83,4% of the 235 respondents in the survey) who neither knew nor had consumed Bakoma pudding. The reason why the majority of the participants said that they had never heard of Bakoma could be that this brand is not a well-known brand. The pudding market is saturated, meaning that there are thousands of products available on the shelves. Furthermore, the majority of consumers are task oriented meaning that they do not want to spend time browsing the enormous amount of alternatives available in a certain product category. They avoid the consuming process of information search and evaluation, rather choosing the products they buy on a regular basis, than switching to a still unknown brand. Another possibility would be that the consumer makes the purchase decision based on information gathered in the past (e.g. the brand was recommended by a friend or it was shown in an advertising campaign). Buying a brand that they like simplifies the purchase process and lowers the possibility of disappointment because the consumer knows exactly what he or she is getting. A chi-square test for association was conducted between Bakoma brand-awareness and consumption. The significance score of chi-square was 0.000 (<0,05) therefore, there was a statistically significant association present between these two variables. Cramer's V score measured the association strength between the present two variables, which was 0.661; the association strength was moderate between the brand knowledge and consumption of Bakoma puddings.

In order to answer the research question, the relationship between the participants' picture preference and their first reaction to the Milka product will be analysed. The independent variable is the respondents' product preference, while the dependent variable will be their first reaction to the Milka product. Since the independent variable has only two categories, a t-test can be conducted to see whether there is a statistically significant difference in the first reaction of those who chose Bakoma and those who chose the Bakoma-Milka product. According to the group statistics (presented in the boxplot below), the first reaction means those participants who preferred the Bakoma product was

3.84; however, in the case of those respondents who favoured the Milka-Bakoma pudding, this mean score was 0.332 higher (3.84). The standard deviation of the two mean scores differed in the two groups: in the case of Bakoma-favouring participants, it was 0.862, while with respondents who chose the Bakoma-Milka product, it was lower (0,681). This indicates that the first reaction response of those who favoured the Milka-Bakoma product was more consistent than those who chose the Bakoma one. According to the results of the conducted independent samples t-test, the described mean difference (0.332) the first reaction between respondents who preferred the Bakoma and the Milka-Bakoma product was significantly different with a p score of 0.001. It means that there is a very high probability the participants with a positive first reaction would try out and later on buy the Bakoma pudding with the taste of Milka chocolate.

As was previously clearly identified, the goal of this research was to study if there is any influence of lovemarks on consumer product assessment in the case of co-branding. The aim was to discover to what extent consumer can attach towards certain lovebrands and how lovebrands can influence the product assessment of a co-branded product. The results of the survey predict that consumers show significantly higher trying and later on buying intention when a lovebrand appeared on a certain product. In this study, the brand Milka was used as a lovemark. This means that proper communication between the company and the consumer on an emotional level is the core of success in emotional marketing. Therefore, it can be concluded, that regarding the case of the co-branded Bakoma pudding, the lovebrand Milka had a positive influence on respondents' product evaluation.

5. RECOMMENDATIONS

With growing competition in the world of brands, marketers should seek marketing opportunities to be able to maintain their position or even to raise their position on the market. To achieve their goal companies should try to create a strong relationship with their consumers on an emotional level. As was noted earlier, there is a lack of literature in the field of analysing the impact of lovemarks on consumers' product evaluation in the case of co-branding. The author believes that this article provides beneficial information for the companies, who want to raise their status on the market. Generally, this research gives a wide range of information about customers' product evaluation related to a lovebrand, which would contribute to the success of many companies. It would certainly be worth conducting future research on the influence of lovemarks on consumers' product assessment regarding co-branding.

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