

## **Consumer Interpretations of Cobrands**

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### **ABSTRACT**

Cobranding is a type of brand alliance where partnering brands make a joint contribution to a product or service. This article contains the results of two studies intended to evaluate how consumers assign ownership and responsibility for a cobranded product between the partnering brands. The studies consider a variety of types of cobranded products including both ingredient and composite cobrands. The hypotheses tested are grounded in signaling theory and linguistics. Results indicate individual brands partnering on a cobranded product are assigned roles which influence perceptions of ownership and responsibility. Further, when credible brands partner, a successful partnership may boost the credibility of the parent brands while a poor cobranded product does not appear to spill-over to parent brands.

*JEL Classification: M31*

*Keywords: cobrand, brand alliances*

## I. INTRODUCTION

Consumers are often confronted with brand alliances; the short- or long-term association or combination of tangible and intangible attributes associated with brand partners (Rao and Ruekert 1994). Brands alliances appear in many forms including joint advertising (Red Bull and Go Pro) and dual branding (Kentucky Fried Chicken and Taco Bell sharing retail space). One of the more popular brand alliances is a co-branded product (Kellogg's Healthy Choice cereals, Ben and Jerry's ice cream with Heath Bar, Uber and Spotify, Nike+ footwear with Apple, and the Eddie Bauer edition of the Ford Explorer). The cobrand strategy is intended to communicate the combination of associations from two or more brands where the outcome of the partnership is a new product or service (Kenton 2018, Shocker 1995) and such partnerships are recognized to differ from other types of brand alliances as they involve greater integration between the partnering brands (Newmeyer et al. 2018).

While cobranding may be used to achieve a number of brand and product related objectives it generally serves as a tool for product differentiation (Singh, Kalafatis and Ledden 2014; Shocker 1995). Initial research on the cobrand strategy focused largely on partnerships involving either an unfamiliar brand partner or a partner of inferior quality and considered how consumers interpret such relationships. A cobrand alliance featuring a low quality brand may hurt evaluations of both the product and the brand partner supporting "a form of assimilation where consumer affect was transferred from one brand to another" (Levin and Levin 2000 p. 45). Simonin and Ruth (1998) considered how the evaluation of a cobranded product influences subsequent evaluations of the partnering brands. The authors refer to this as a "spillover effect" and found a more familiar brand partner exerts a relatively greater influence on the alliance. The authors suggest that when partnering brands differ in familiarity, "the two brands do not make equal contributions to brand alliance evaluations" (Simonin and Ruth 1998 p. 39). The results suggest familiarity is consistent with the notion of a "free rider" brand. This refers to the scenario where a brand with a weak brand image may benefit from a partnership with a strong, well-liked brand. In this case, the weaker partner may make a minimal contribution to the evaluation of the alliance yet gain from the positive attitude created by the alliance.

Other research considered the role of linguistics for interpreting cobrand partnerships Park, Jun, and Shocker (1996) and propose each brand plays a unique role based on the order the two brands appear in the product description. As the authors noted over two decades ago, the cobranding strategy is a unique form of cooperation as "firms possibly stake their reputations on the outcome" (p. 454, italics added). The thought that a brand may risk valuable brand equity in the form of reputation for the poor execution of a cobrand alliance is an important one to entertain. Are brands damaged if the product fails to live up to consumer expectations and, if so, are both to blame or is one partner more likely to be punished? Similarly, is credit for producing a product which exceeds consumer expectations assigned in the same fashion? Do evaluations of a cobranded product impact subsequent evaluations of each partner? Answers to each of these questions have important implications for brand managers. If one brand is viewed as the primary owner of the product, the contractual relationship should reflect the limited deferment of ownership and risk the second partner will assume. For example, a brand deemed to be primarily responsible for the product may request additional compensation since they are more likely to receive blame if the product fails to meet expectations.

Further, a brand that is assigned limited ownership for the product may benefit from greater awareness and new revenue streams while incurring minimal risk.

## II. LITERATURE REVIEW

### A. Signaling Theory

Signals are offered by the seller of a product as a source of information and to reduce a buyer's perception of risk (Connelly, Certo and Ireland 2011; Dawar and Parker 1994; Kirmani and Rao 2000; Erdem and Swait 1998). Signals may be used to assess product quality when a consumer lacks the expertise and, consequently, the ability to assess quality (Rao and Monroe 1989) and when consumer involvement is low (Celsi and Olson 1988). At other times quality may be simply too difficult to assess prior to purchase or the consumer may not be in the habit of objectively assessing quality (Allison and Uhl 1964; Hoch and Ha 1986). Signals are also effective sources of information when a consumer has a preference or a need for additional information (Nelson 1970).

Brands are recognized as the most widely used signal when considering product quality and other product specific evaluations (Dawar and Parker 1994; Rao and Monroe 1989). Brands provide a dissipative signal which is delivered primarily through prior investment in brand building activities such as advertising and sponsorships (Kihlstrom and Riordan 1984; Rao, Qu and Ruekert 1999). When a brand makes promises the firm has an incentive to deliver on these promises since consumers will hold the brand responsible for the failure to do so. When failures occur, consumers will punish the brand with refusals to (re)patronize, negative word-of-mouth and/or adjustments in brand image. Each of these sanctions has the ability to reduce equity in the brand. In the signaling theory vernacular, investments in brand building activities act as a "bond" (Ippolito 1990) since a brand will not risk valuable equity by attaching their name to a product that does not deliver on its promises.

In order for a brand to provide a marketplace signal, the information provided by the brand must be deemed credible and the brand must be vulnerable to consumer sanction. If a consumer believes a firm will suffer (e.g. a decline in future sales) should they provide false claims, the information provided by the brand is likely viewed to be credible. However, "in markets where sellers find it profitable to provide a false claim of quality and where there are no incentives for low- and high-quality sellers to choose different strategies, buyers are unable to differentiate by signals" (Erdem and Swait 1998, p. 135). Additionally, consumers should believe they are actually capable of punishing the brand should a signal turn out to be false.

In early research on cobranding Rao and Ruekert (1994) employed signaling theory to consider the impact the strategy may have on perceptions of product quality. The authors believed consumers will assume that a high-quality brand will only partner with another high-quality brand since a failure to do so may damage each brand's reputation. In 1999, Rao, Qu and Ruekert provide empirical support for this proposition by identifying certain conditions under which the strategy enhances perceptions of quality. The addition of a second brand may enhance perceived quality when quality is not easily observable prior to purchase and the signal provided by each brand is considered credible and vulnerable. The authors note even alliances between brands that

do not necessarily fit well together but meet the credibility and vulnerability criteria may be successful. In this respect, even if consumers are unsure of the specific contribution each partner makes to the product, the partnership alone may influence the evaluation of the product. This effect may be similar to the promotion of a “meaningless” or novel attribute (Carpenter, Glazer and Nakamoto 1994; Mukherjee and Hoyer 2001) whereby the promotion of a vague, ambiguous or non-differentiating attribute may lead to more favorable evaluations of the product.

In the context of cobranding, if each brand partner produces a credible and vulnerable signal, the presence of a second brand name on the product should result in a signal that is at least as powerful, if not more powerful than, the signal from the single brand. This boost in signal strength should have implications for perceived quality which, in turn, should impact price expectations. When risk is reduced by the addition of a second promise of product quality, consumers should be willing to pay more such a product.

*H1: A cobrand involving two credible and vulnerable partners should produce a signal of enhanced quality reflected by higher price expectations.*

## **B. Headers and Modifiers**

While the promotion of a cobrand alliance may send a signal to consumers, it seems likely that the strength of the respective signals is influenced by the role each brand is perceived to play in the partnership. The creative cognition process considers how an individual merges two or more concepts for the formation of a novel entity that is more than the sum of the components (Ward, Smith and Vaid 1997). The concept specialization model (Cohen and Murphy 1984; Murphy 1988), which focuses on the creative process involved when interpreting the relationship between noun-noun combinations, is of particular relevance (see Wisniewski 1995; 1997 for a more thorough review). Within the concept specialization framework, the modifying noun precedes the header and informs the subject what type of noun the header is. As an example, a person may infer from the noun-noun combination robin snake that the modifier (robin) provides a description of the header (snake). Individuals may interpret this combination to mean that the snake feeds on robins or has colors similar to those of a robin. If the nouns are reversed the combination inspires a different interpretation.

Shocker (1995) and Park, Jun and Shocker (1996) adapted the header and modifier terminology to consider consumer evaluations of two fictitious cobrands; Slimfast cakemix by Godiva and Godiva cakemix by Slimfast. The authors suggest consumers create evaluations of a cobrand in two steps using the brand names and the product category as information sources. First, a nested concept is established by taking the brand name preceding the product category and considering the primary commonalities between the two. Using the Slimfast cakemix by Godiva as an example, interpreting the partnership begins by using Slimfast as the header and nesting it with cakemix. Since calories are the most prominent commonality between the two (e.g. cakemixes are known to contain calories and Slimfast is known to produce low calorie products) then a Slimfast cakemix is likely to be low calorie cakemix. Second, the nested concept is then modified by Godiva (a low calorie cake mix with a high quality chocolate) to form a composite concept. In this case, the product was believed to be a

low-calorie, dietary cakemix. When the order of the brand names is flipped (Godiva cakemix by Slimfast) the product was thought to be a great-tasting, rich cakemix (Park, Jun, and Shocker 1996).

In such a scenario, a consumer is likely to rely on linguistic cues to assign the roles between the partners. However, linguistic cues may not be the only criteria for assigning header and modifier roles in many cobrand partnerships. Cognitive psychologists recognize novel combinations such as those introduced through cobranding typically consist of asymmetric structures (Murphy 1988). In the context of cobranding, many such products feature one partner which is more congruent with the product category than the other. For example, the Ford Explorer brand is more congruent with the sport utility vehicle category than Eddie Bauer. By definition, since the header designation should describe the brand that shares primary communalities with the product category, a brand which is more likely to produce the product should assume the role of header regardless of the order in which the two brands appear in the name of the product. As noted by Park, Jun and Shocker (1996), a header brand should exhibit greater operative control over the cobranded product. This is consistent with the role congruence plays when evaluating brand extensions (Boush and Loken 1991; Park, Milberg and Lawson 1991).

Whether determined by linguistic cues in similar congruence partnerships or congruency in asymmetrical situations, a header brand should be assigned greater ownership for the product than the modifier. However, while primary ownership may reside with the header, confidence in this assignment may vary based on the way the header and modifier are determined. When a consumer recognizes one brand to be more likely to produce such a product, assigning primary ownership to this brand is logical. But combinations where each partner demonstrates similar congruence with the product category may be more complex to decipher. When both brands demonstrate similar congruence, and a consumer must rely on linguistic cues, they may not maintain the same level of confidence in their solution to the ownership puzzle.

*H2 – Header brands are assigned more ownership for the cobranded product than modifiers.*

*H3 – Confidence in the ownership assigned to each brand is higher for asymmetrical congruence than for similar congruence cobrands.*

Along with varying degrees of congruency, cobrands have been largely categorized as either ingredient or composite. The term ingredient cobrand describes partnerships where the modifier acts as an ingredient in another branded product Aaker (1996). Examples of ingredient cobrands include Pillsbury Oreo Bars baking mix, Sugar Free Kool Aid with Nutrasweet, and a Dell computer with the Intel processor. A composite cobrand is the combination of two brands intended to enhance consumer benefits. Examples of composite include Kellogg's Disney line of cereals and the L.L. Bean version of the Subaru Outback.

Interestingly, the majority of scholarly research on consumer interpretations of cobrands have employed ingredient style cobrands yet there may be meaningful differences between the two types of alliances which, in turn, impact the assignment of ownership between headers and modifier. For example, using Park, Jaworski and

McInnis (1988) constructs, Jones and Boush (2003) found modifier brands in a composite cobrand partnership enhance perceptions of symbolic benefits while header brands in an ingredient cobrand are responsible for functional benefits. As ingredients may be thought of as more tangible it seems likely that the contribution each brand makes in an ingredient cobrand may be more easily understood. However, less tangible symbolic benefits associated with the contribution of a modifier brand in a composite arrangement may make the evaluation of ownership and responsibility for product failure or success more challenging.

*H4 – Confidence in the ownership assigned to each brand is higher for ingredient than for composite cobrands.*

If it turns out that the robin snake does not feed on robins or does not have the colors of a robin, a person may think the reptile was poorly named. In the context of cobranding, the consequences for brands may be quite different should the combination fail to meet expectations. Intuitively, a header brand which is viewed to exhibit operative control in such an alliance may also take on greater responsibility for product performance.

*H5 - Header brands receive more credit (blame) for a product success (failure) than modifiers.*

### **III. RESEARCH METHODOLOGY**

#### **A. Pretests**

All data for the studies in this article were collected using online survey software. Participants in each pretest or study accessed the survey via an emailed link. Participants were undergraduate students from a major U.S. university and were volunteers in a subject pool. A pretest was conducted to identify individual brands that were familiar and favorably perceived since partnerships involving unfamiliar brands may be difficult to interpret and the perceived effectiveness of the partnership may be limited with highly unfavorable brands (Park, Jun and Shocker 1996; Simonin and Ruth 1998). Further, given our intent to use individual brands capable of producing a marketplace signal, measures of vulnerability and credibility were captured.

In order to control for prior experience with the product in the studies, fictitious cobrands were sought. Concerns regarding the interpretation of partnerships which do not make sense prompted the incorporation of measures in the pretest to confirm fit (Jones and Boush, 2003) between the proposed partners. Finally, given the intent to provide respondents with a credible and unbiased evaluation of each cobrand, the pretest provided an opportunity to test the credibility and favorableness of a third-party product evaluation.

Participants (N = 100) completed one of two versions of the pretest instrument (herein referred to as A and B). Versions A and B of the pretest presented a series of questions related to the perceived complementarity between the two brands appearing in one of four fictitious cobrand partnerships. Version A and B of the pretest differed only in the stimuli evaluated by each respondent.

Results confirmed that each individual brand was familiar and, generally, viewed favorably (Table 1) and met the signaling requirements of credibility and vulnerability (Table 2). The pretest also indicated that each of the eight fictitious brand pairings exhibited moderate to high degrees of complementarity (Table 3). Lastly, across the eight fictitious cobrands, participants considered the unfavorable evaluation as more negative ( $M = 1.53$ ; nine-point scale) than those participants viewing a favorable evaluation ( $M = 6.42$ ) of the same product. Participants were also asked to evaluate the credibility of the evaluation where the value of one reflected a “not very credible” and the value of nine reflected a “very credible” evaluation. Across the eight fictitious cobrands the third-party evaluation was deemed credible ( $M = 5.75$ ; nine-point scale).

The results of the pretest provide an opportunity to examine the initial interpretations of a cobrand partnership consisting of brands which are familiar, generally liked and seem to fit well together. The results of the pretests provide an opportunity to consider price expectations for a cobranded product, the assignment of ownership between partners in a variety of cobrand alliances, and the responsibility assigned to each partner for the results of a credible, third-party evaluation of the product.

## **B. Study 1**

### **1. Design and Procedure**

The experiment was a  $2 \times 2 \times 2$  design featuring an asymmetrical congruence and similar brand congruence condition (within-subject), an ingredient and a composite cobrand type condition (within-subject) and a positive and negative third party evaluation condition (between-subject). Similar to the pretest, participants ( $N = 161$ ) were randomly assigned and emailed a link to one of two versions of the survey. The use of two versions of the survey allowed for the consideration of a larger number of stimuli thereby increasing the external validity of the findings while also reducing concerns of participant fatigue. Consistent with the pretest format (as displayed in Table 2), the two versions of the instrument differed only in the fictitious cobrands participants were asked to evaluate. A total of 146 surveys were returned to a secure online server file and six were omitted from the sample for failing to complete large portions of the survey. These omissions resulted in an 88% effective response rate with 72 respondents completing version A and 68 respondents completing version B.

Both Versions A and B of the survey asked identical questions. For confirmation of the pretest findings, participants first evaluated the individual brands to be used to form the brand partnerships. Participants were then informed that “in the remaining portions of this survey you are asked to provide us with your thoughts regarding four cobranded products. A cobranded product is a product with two brand names on the product or package. While you are probably familiar with each brand participating in the partnership, it is likely that you have not seen or heard of each of these cobranded products before. That is due to the fact that these products are in the early stages of development and are yet to appear in the marketplace.” Following these instructions, participants provided an assessment of the partnership in terms of perceived fit, complementarity and whether the partnership made sense. Participants then responded to a variety of items related to each fictitious cobrand including price expectations,

perceptions of ownership for each product and for their level of confidence in these perceptions.

Approximately one week later participants received a second survey intended to consider how credit and blame is assigned to each partner after viewing a product evaluation. Participants were informed that “a company well-known and respected for providing unbiased third party evaluations for products before they come into the market” evaluated each of the cobranded products. In an attempt to enhance the external validity of the study, the evaluations of each cobranded product were professionally designed to mimic the type of reviews found extensively online. Participants answered a short set of questions following each product review regarding their beliefs in the responsibility for the product evaluation. Given the desire to consider how responsibility for a favorable review may differ from an unfavorable evaluation, the two versions of the survey were deployed featuring either a favorable or unfavorable evaluation of each cobranded product. Participants were debriefed at the end of the study regarding the fictitious nature of the stimuli.

## 2. Results

Do consumers believe both brands are sending a signal? If so, the signals should impact perceptions of price. Two measures were included in the instrument to consider price expectations for each cobranded product. First, participants were asked how much they would expect to pay for this product. Using the Mountain Dew edition of the Trek mountain bike as an example, “this product will cost other Trek mountain bikes”. The item utilized a 9-point scale with “less than” and “more than” serving as endpoints and “about the same as” serving as the scale midpoint. Table 1 provides the mean for each product, the standard deviation and the results of an independent sample t-test against the scale midpoint. In support of Hypothesis 1, participants agreed all eight cobranded products will cost more than other types of products produced by the header brand alone.

**Table 1**  
Price Expectations

Fictitious Cobrand	Mean	St. Dev.	t-test*
Slimfast cakemix by Godiva	6.35	1.51	t (71) = 7.56; p < .001
Dell computer with the Sony flatscreen	6.90	1.49	t (70) = 10.79; p < .001
Eddie Bauer hiking boots by Birkenstock	6.75	1.45	t (70) = 10.14; p < .001
Mountain Dew edition of the Trek mountain bike	5.96	1.55	t (71) = 5.24; p < .001
Red Bull edition of the Burton snowboard	5.44	1.52	t (65) = 2.35; p = .02
Birkenstock hiking boot by Eddie Bauer	6.26	1.60	t (67) = 6.52; p < .001
Dell computer with the Zenith flatscreen	6.30	2.10	t (65) = 5.27; p < .001
Godiva cakemix by Slimfast	6.07	1.74	t (65) = 5.07; p < .001

\* t-test against the scale midpoint of 5 “about the same as”

Following the price expectation scale item was an open-ended response question. The item provided participants with a reference price for a similar product produced by the header brand and asked the participants to fill in the price they would expect to pay for the cobranded product. For example, “Assume other Trek mountain bikes cost \$700.00, what would you expect to pay for the Mountain Dew edition of the

Trek mountain bike?” Table 2 provides the reference price provided for each cobranded product, the mean and standard deviation for each measure and the results of an independent sample t-test comparing the mean with the reference price. Again, in support of Hypothesis 1, respondents believe that each cobrand will cost significantly more than a similar product produced by the header brand.

**Table 2**  
Open-Ended Price Expectations

Fictitious Cobrand	Reference Price	Mean	St. Dev.	t-test*
Slimfast cakemix by Godiva	\$4.00	\$5.57	\$1.38	t (71) = 9.70; p < .001
Dell computer with the Sony flatscreen	\$800.00	\$973.03	\$197.60	t (71) = 7.43; p < .001
Eddie Bauer hiking boots by Birkenstock	\$90.00	\$112.83	\$20.15	t (71) = 9.62; p < .001
Mountain Dew edition of the Trek mountain bike	\$700.00	\$774.62	\$131.69	t (71) = 4.81; p < .001
Red Bull edition of the Burton snowboard	\$300.00	\$326.53	\$68.80	t (67) = 3.18; p = .02
Birkenstock hiking boot by Eddie Bauer	\$90.00	\$105.81	\$19.69	t (67) = 6.62; p < .001
Dell computer with the Zenith flatscreen	\$800.00	\$910.41	\$143.78	t (67) = 6.33; p < .001
Godiva cakemix by Slimfast	\$4.00	\$5.23	\$1.22	t (67) = 8.27; p < .001

\* t-test against the reference price

Hypothesis 2 sought to test the expectation that header brands assume primary ownership of the cobranded product. The survey instrument included two proxies intended to capture these perceptions. First, the survey included two items for each brand measured with a seven-point agreement scale. By means of example, when evaluating the Mountain Dew edition of the Trek mountain bike, participants were asked for their level of agreement with the following statements; “Mountain Dew is the owner of this product”, “Trek is the owner of this product”, “Mountain Dew is responsible for this product” and “Trek is responsible for this product”. The two measures were significantly correlated for all eight of the individual brands (r range from .43 to .83; p-values  $\leq$  .01) allowing for a single measure of assigned ownership for each brand in the cobranded product as displayed in Table 3. The brand designated as the header was considered the primary owner for 6 of the 8 fictitious cobrands. Exceptions were noted for two similar congruence cobrands. For the Godiva cakemix by Slimfast, the modifier (Slimfast) was assigned more ownership than the header. Also, assigned ownership for the Birkenstock hiking boot by Eddie Bauer did not differ between Birkenstock and Eddie Bauer.

Another proxy for ownership may include the degree to which each brand is assumed responsible for promoting the product. Since signaling theory relies on the notion that prior investments in advertising create valuable equity, how might consumers presume the advertising budget for the partners is allocated? For each of the partnerships respondents were instructed to “imagine that there is a \$100,000 marketing budget for the (cobranded product). What percentage of the budget do you

believe each brand will be responsible for paying”? Participants allocated a percentage to each partner where the sum totaled 100% (Table 3). The brand designated as the header was responsible for a significant portion of the advertising budget for only 3 of the 8 cobrands. For each composite cobrand, the modifiers were assumed responsible for an equivalent share of the promotional budget. For the Godiva cakemix by Slimfast ingredient cobrand, the modifier Slimfast was thought to be primarily responsible for the promotional budget.

Hypotheses 3 and 4 are concerned with how the nature of the partnership may impact the assignment of ownership between headers and modifiers. Participants were asked to report their confidence in the assignment of ownership for each brand partner. Returning to the Mountain Dew and Trek example, “how confident are you in your belief regarding what Mountain Dew adds to this product?” and “how confident are you in your belief regarding what Trek adds to this product?” Additionally, participants were asked how confident they were in their assignment of ownership. More specifically, “how confident are you in your assignment of ownership for Mountain Dew?” and “how confident are you in your assignment of ownership for Trek?” All four items were measured using a nine-point scale anchored by “not very confident” and “extremely confident”. Collectively, the four items provide a reliable proxy for participants’ confidence in their beliefs regarding the contribution each brand makes in the partnership (Cronbach’s alpha = .72). Thus, the four measures were combined to form a single total confidence measure for the following tests.

**Table 3**  
Cobrand Ownership and Expected Marketing Budget Allocations  
by Congruence Condition for Composite and Ingredient Cobrands

Fictitious Cobrand	Assignment of Cobrand Ownership, Mean Rating <sup>1</sup>			Pct. of a \$100,000 Marketing Budget Expected from Each Parent Brand, Mean		
	Header	Modifier	s.d.	Expected from Header	Expected from Modifier	s.d.
<b>Similar congruence</b>						
<b>Ingredient cobrands</b>						
<i>Slimfast</i> <sup>2</sup> cakemix by Godiva	6.01 <sup>3</sup>	3.99	1.48	64.5 <sup>3</sup>	35.5	16.8
<i>Godiva</i> cakemix by Slimfast	4.22 <sup>3</sup>	6.02	2.15	40.0 <sup>3</sup>	60.0	17.8
<b>Composite cobrands</b>						
<i>Eddie Bauer</i> hiking boots by Birkenstock	5.24 <sup>3</sup>	4.78	1.56	52.9	47.1	18.1
<i>Birkenstock</i> hiking boot by Eddie Bauer	4.98	5.18	1.87	47.4	52.6	15.3
<b>High header congruence</b>						
<b>Ingredient cobrands</b>						
<i>Dell</i> computer with the Zenith flat screen	6.23 <sup>3</sup>	4.07	1.12	62.7 <sup>3</sup>	37.3	17.4

<i>Dell</i> computer with the Sony flat screen	5.85 <sup>3</sup>	4.19	1.04	63.5 <sup>3</sup>	36.5	17.8
<b>Composite</b> cobrands						
Mountain Dew edition of the <i>Trek</i> mountain bike	6.35 <sup>3</sup>	3.59	1.02	49.8	50.2	26.6
Red Bull edition of the <i>Burton</i> snowboard	6.82 <sup>3</sup>	3.18	1.08	51.9	48.1	25.8

<sup>1</sup>(brand name) is the owner of the product; nine-point scale where 9 = strongly agree.

<sup>2</sup>The italicized brand is the header.

<sup>3</sup>Mean ratings between header and modifier differ,  $p < .05$ .

As a reminder, both Version A and Version B of the survey employed different stimuli to represent each of the four combinations required for the 2 (congruence) X 2 (cobrand type) design. For example, Version A included the Mountain Dew edition of the Trek mountain bike while Version B included the Red Bull edition of the Burton snowboard. Both stimuli were included in the respective surveys to represent the high-header, composite cobrand condition. It was anticipated that the two stimuli selected to represent each of the four conditions would not differ in terms of the confidence measure. To confirm this anticipation, the data set was reorganized to reflect a repeated measures design with two within-subject factors (congruence and type) and survey Version (either A or B) acting as a between subject factor. Using the total confidence variable as the dependent measure, a repeated measure ANOVA was conducted to test for the significance of the between-subjects factor. The two versions of the survey were not significantly different from one another ( $F(1, 138) = .613, p = .533$ ) and the between-subjects factor was removed from consideration in the subsequent analyses.

Hypothesis 3 states consumers will report greater confidence in their assignment of ownership in an asymmetrical congruence than in a similar congruence cobrand. The results of the ANOVA support this anticipation ( $F(1, 139) = 7.89; p = .006$ ). Participants' confidence in the assignment of ownership between the brand partners for the asymmetrical congruence cobrands was significantly greater than the confidence reported for the similar congruence cobrands. Similarly, Hypothesis 4 states consumers will report greater confidence in their assignment of ownership between the brand partners for an ingredient than a composite cobrand. While approaching the significance level adopted for tests in this research, the results of the ANOVA failed to support this anticipation ( $F(1, 139) = 3.37; p = .07$ ). The within-subjects, repeated measure ANOVA did reveal a significant interaction between the two factors ( $F(1, 139) = 19.04; p < .001$ ). While respondents have greater total confidence in their assignment of ownership for a high-header congruence cobrand, the confidence is lessened if the high-header congruence cobrand is also a composite cobrand.

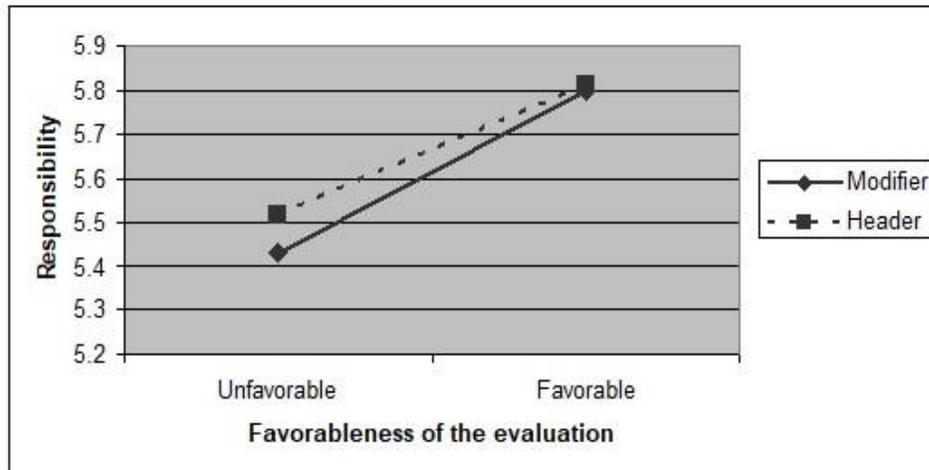
Hypothesis 5 is concerned with the assignment of responsibility for a third-party evaluation between the two brands. In order to assess perceptions of credit and blame, participants viewed either a favorable or unfavorable evaluation of each cobranded product. Manipulation checks confirmed the pretest finding that the evaluations were deemed credible and the results of a repeated measures ANOVA performed on the favorableness of the evaluation measure confirm that participants in the favorable condition ( $M = 8.41$ , standard deviation = .93) view the evaluations as

significantly more positive than those in the unfavorable condition ( $M = 3.09$ , standard deviation = 1.72) across all eight cobrands ( $F(1, 139) = 3936.25$ ,  $p < .001$ ).

Two items were included to capture a measure of the responsibility attributed to each partner. The items followed an open-ended question during which respondents were asked “if you had to guess, why was the product evaluated in this manner”? The item was included to encourage respondents to think about the evaluations thereby increasing involvement. Respondents were then asked for their level of agreement with two statements for each partner; “(brand name) is primarily responsible for this evaluation” and “the reason the product was evaluated this way is due to the presence of (brand name)”. The items for each brand were correlated ( $r$  range from .48 to .69;  $p < .001$ ) and were combined to form a measure of responsibility for the evaluation herein referred to as header and modifier responsibility.

MANOVA was run utilizing the header responsibility and modifier responsibility measures as dependent variables and the favorableness of the evaluation as a between-subjects factor. No significant differences emerged between the assigned responsibility for the evaluation of the header and the modifier brands across the favorableness of the evaluations. For the favorable evaluation condition, header responsibility (mean = 5.81, standard deviation = 1.98) was not significantly different from the responsibility attributed to the modifier brand (mean = 5.80, standard deviation = 1.83). For the unfavorable evaluation condition, header responsibility (mean = 5.52, standard deviation = 2.07) was not significantly different from the responsibility attributed to the modifier brand (mean = 5.43, standard deviation = 2.05). A main effect for the favorableness of the evaluation ( $F(2, 279) = 14.82$ ;  $p < .001$ ) was observed, indicating that both parent brands in a cobrand relationship received more credit when the product performed well than blame when a product performed badly. Figure 1 provides a depiction of the means for the measures.

**Figure 1**  
Responsibility for the Product Evaluation



Surprisingly, the header does not appear to receive more responsibility for product success or failure than the modifier.

### 3. Discussion

An alliance between two strong brands appears to send a signal of enhanced quality, value and/or reduced risk as indicated by elevated price expectations. This finding is perhaps most insightful when considering the individual partnerships. A Godiva cakemix should represent a high quality and likely expensive alternative within the cakemix product category. Yet a partnership with a second brand may provide even a premium brand such as Godiva with access to a higher price point. It is also interesting that the presence of Mountain Dew and Red Bull may send a signal of enhanced quality as indicated by elevated price expectations in partnerships with category leaders; Trek and Burton. Despite the incongruity between these brands and the product category, modifiers may complement headers and, in doing so, may generate price premiums.

Park Jun and Shocker (1996) utilized the header and modifier designations to predict interpretations of a novel combination of brands and product category. The authors find that linguistic rules provide cues for determining the header which, in turn, helps to establish initial expectations of the partnership. Linguistics are most likely used to establish a header and modifier when either partner appears equally likely to produce such a product and Park, Jun and Shocker (1996) caution that there may be numerous determinants for the header and modifier roles. If headers are believed to represent the brand with the greatest operative control over the product, the results of Study 1 suggest congruence with the product category represents one such determinant.

Study 1 also asked participants to what extent each partner was responsible for the evaluation of the cobranded product. When assigning responsibilities for actual product performance participants ascribed similar credit and blame to the respective brands regardless of the role each brand assumed in the alliance. Since headers were found to assume primary ownership, it is somewhat surprising that the modifier is assigned similar responsibility for either a favorable or an unfavorable product review. Perhaps most interestingly however, while both the header and the modifier appear to receive credit for a successful collaboration, neither brand appears to be blamed for failure. In other words, while a main effect was observed for both brands based on the evaluation, it was surprising to find the responsibility measure for an unsuccessful review was above the scale midpoint. Is it possible that cobrand partners are boosted by favorable evaluations but immune from unfavorable ones?

#### C. Study 2

Study 2 sought to address these questions by considering the “spillover effect” the partnership may have on subsequent evaluations of the parent brands (Simonin and Ruth, 1998). In order to capture a spillover effect, Study 2 measures perceived credibility for each partner both before and after viewing an evaluation. As previously noted, credibility is an important construct for a brand attempting to send a marketplace signal (Erdem and Swait, 2004).

Unlike the weak brands used in the Simonin and Ruth research, Study 1 suggests when two strong, well liked brands partner both the header and the modifier

are believed to be responsible for the favorable review. If both brands are believed responsible for the success, it seems likely that both brands may receive a positive spillover in brand credibility. Stated formally,

*H1a – Header brand credibility will increase after reviewing a favorable third-party product evaluation.*

*H1b – Modifier brand credibility will increase after reviewing a favorable third-party product evaluation.*

Is it possible that when two familiar and favorably perceived brands align, neither brand is damaged for an unsuccessful collaboration? Attribution theory (Kelley 1967; 1973; Kelley and Michela 1980) suggests unfavorable information regarding a well-liked brand may be attributed to factors beyond the control of the brand. Such external attributions may result in a discounting of the unfavorable information. If such discounting occurs, the information will not be used when developing perceptions of the cobranded product or in subsequent evaluations of either brand partner. If such discounting occurs, it is likely that neither the header nor the modifier is hurt by an unsuccessful alliance. Consequently, brand credibility will not be damaged.

*H2a – Header brand credibility will not change after reviewing an unfavorable third-party product evaluation.*

*H2b – Modifier brand credibility will not change after reviewing an unfavorable third-party product evaluation.*

A number of researchers have noted conditions leading to minimal brand dilution in the face of negative information including brand commitment (Ahluwalia, Burnkrant, and Unnava 2000) and prior ownership/experience with the brands (Swaminathan, Fox, and Reddy, 2001). Consequently, Study 2 includes a measure of prior ownership/experience of each individual brand to test for potential moderating effects. Grounded in the prior research,

*H3 – Prior ownership/experience with a brand will moderate the relationship between brand credibility and the third-party product evaluation.*

## **1. Design and Procedure**

Study 2 mirrored the procedure adopted for Study 1 in that two versions of the survey were deployed (again, differing only in the stimuli presented) and each participant completed a survey at Time 1 and 2. Given the inclusion of several new measures and concerns over respondent fatigue, each version of the survey in Study 2 consisted of only 2 fictitious cobrands (as opposed to the 4 cobrand presented in Study 1). Participants (N = 102) were randomly assigned and emailed a link for each survey with 57 respondents completing version A and 45 respondents completing version B.

Data collection at Time 1 opened with evaluations of each of the individual brands. Given our interest in considering how brand credibility for a participating brand

may change after viewing a third-party evaluation, the survey included five measures of credibility adopted from Erdem and Swait (2004). Approximately one week later, each participant received a second survey which included a review for each product (either favorable or unfavorable). The Time 2 survey also included the same brand credibility items respondents completed at Time 1. Participants were debriefed at the end of the study regarding the fictitious nature of the stimuli.

## 2. Results

The items used to assess header and modifier credibility were submitted to an exploratory factor analysis to provide some minimal assurance of scale unidimensionality and validity. In both cases a single factor was returned from the factor analysis. For the header credibility measure the single factor explained 81.30% of the variance and the loadings were between .78 and .95. For the modifier credibility measure the results were similar with the single factor explaining 90.15% of the variance and the loadings being between .92 and .97. Coefficient alpha was calculated for each scale in order to assess reliability. Both alpha levels were quite high at .94 and .97 for the header and modifier measures, respectively. Based on this analysis the average score for the five items was used as a measure of header and modifier credibility.

Hypothesis 1a proposed that brand credibility will increase for a header brand when a favorable review of the cobrand is viewed. Since the data was collected from the same subjects at two different points in time the hypothesis was tested using a paired samples t-test. Consistent with H1a, there was a significant difference for brand credibility for the header brand after a favorable evaluation was viewed (header credibility<sub>T2</sub> = 4.84 vs header credibility<sub>T1</sub> = 4.51, t-value = 2.79, p = .006). A similar test was conducted for H1b which proposed that the modifier credibility would increase after a favorable review of the cobrand. This hypothesis was also supported (modifier credibility<sub>T2</sub> = 4.85 vs modifier credibility<sub>T1</sub> = 4.29, t-value = 3.74, p = .000).

We also tested the extent to which the viewing of an unfavorable review would impact header and modifier credibility. Based on the findings of Study 1, we expected there would be no change in brand credibility evaluations for the header (H2a) or the modifier (H2b) after the viewing of an unfavorable review. The two hypotheses were tested using a paired-samples t-test with there being no difference for the header (header credibility<sub>T2</sub> = 4.38 vs header credibility<sub>T1</sub> = 4.18, t-value = 1.67, p = .099) or the modifier (modifier credibility<sub>T2</sub> = 4.85 vs modifier credibility<sub>T1</sub> = 4.29, t-value = 3.74, p = .000). Thus, both H2a and H2b received support.

The third hypothesis tested in Study 2 proposed that the effects above would differ depending on different levels of prior ownership. Specifically, for both header and modifier we expected that for those reporting a high level of previous ownership there would be no difference in perceptions of brand credibility regardless of whether a favorable or unfavorable review was viewed. In other words, we expected  $T_2 - T_1$  for those reporting high levels of previous ownership regardless of whether it was a header/modifier or a favorable/unfavorable review. However, for those with low prior ownership for both header and modifier we expected that in the favorable evaluation condition the time 2 credibility evaluation would be greater than the time 1 evaluation but that in the unfavorable evaluation condition the time 2 credibility evaluation would

be *less* than the time 1 credibility evaluation. In other words, for those in the low prior ownership group who see the favorable review we expect  $T_2 > T_1$  but in the unfavorable review condition  $T_2 < T_1$ . Prior ownership was assessed as described above in Study 1. Groups for high and low levels of previous header and modifier ownership were created by splitting the scales at the median. This resulted in four groups for each of the header and modifier groups (e.g., high ownership/favorable evaluation, high ownership/unfavorable evaluation). The tests were then conducted by running a paired-comparison t-test for each of the eight groups. The results of those tests are presented in Table 4. As can be seen the results are consistent with H3 with the exception of those with low previous ownership in the unfavorable evaluation condition. Thus, H3 receives strong but partial support.

**Table 4**  
Tests of Hypothesis 3

Header	Time 2	Time 1	t-value	p-value
Favorable Evaluation				
High Previous Ownership	5.30	5.29	.033	.974
Low Previous Ownership	4.45	3.87	3.37	.001
Unfavorable Evaluation				
High Previous Ownership	4.91	5.23	-1.94	.059
Low Previous Ownership	4.04	3.51	3.56	.001
Modifier				
Favorable Evaluation				
High Previous Ownership	5.40	5.54	-.751	.458
Low Previous Ownership	4.52	3.54	4.96	.000
Unfavorable Evaluation				
High Previous Ownership	5.09	5.26	-.96	.342
Low Previous Ownership	4.06	3.49	2.77	.008

#### IV. GENERAL DISCUSSION

Collectively, these studies provide important insight regarding the cobrand strategy. When two strong brands partner in such an alliance, the alliance itself acts as a marketplace signal. Consistent with signaling theory, a cobranded product provides a cue of enhanced quality as evident by elevated price expectations.

While the partnership alone may provide such a signal, consumers appear to use a variety of other sources of information in order to assign responsibility for the cobranded product between the two partnering brands. Interpreting a cobrand partnership may be analogous to solving a puzzle with three key pieces; the two partnering brands and the product category. In an asymmetrical congruence condition, two of the pieces (the highly congruent brand and the product category) easily fit

together. Under a scenario where the two brands demonstrate similar congruence with the product category, the puzzle may be most difficult to solve. For partnerships involving brands of similar congruence, modifier brands may be assigned a substantial ownership role and may even be thought to be primarily responsible for the promotion of the alliance.

Aaker's (1996) categorization of ingredient and composite cobrands is supported by the differences in consumer interpretations of such alliances. Modifiers in a composite cobrand partnership may be held more responsible for an advertising message. Perhaps the symbolic nature of the modifier's contribution to the product lends itself to promotion. For ingredient cobrands, the role of the modifier may be better understood given the tangible nature of the contribution. In composite relationships a modifier's contribution may be more difficult to interpret as evident in the interaction in the level of confidence a consumer may have toward the assignment of ownership across the partnership types.

Further, the notion that ingredient cobrands may be perceived differently than composite cobrands may have important implications for brand managers as they negotiate cobrand contracts. Even in a composite cobrand agreement where one brand is believed to make a non-tangible contribution, if the brand is believed to be responsible for a substantial portion of the marketing budget, the brand may assume additional risk. For example, if a marketing communication in the form of an advertisement makes certain promises to the consumer about product quality and the product fails to deliver on these promises, either brand believed to have initiated the communication may be deemed less trustworthy. Given the understanding that trust may be a key part of brand equity, even a brand thought to only make an intangible (e.g. image) contribution to a product may be harmed should the product fail to meet consumer expectations.

Most interestingly, while both brands may receive a boost in brand credibility when the partnership is considered a success, credibility for each partner appears to be immune from a poor product. This finding is consistent with Milberg, Park, and McCarthy (1997) which found that a sub-branding (compared to direct branding) strategy mitigates negative feedback effects when a brand extends to dissimilar product categories or extension attribute information is inconsistent with brand image. In any event, evidence of more upside benefit than downside risk is encouraging for firms considering a cobrand partnership.

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