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Coopetitive branding: Definition, typology, benefits and risks

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ABSTRACT

Considering the increasing number of cobranding agreements taking place between competing firms, by highlighting its different forms, benefits and risks. To better understand this phenomenon, we develop a theoretical framework in which we explore different coopetitive branding situations. Based on the literature on coopetition and co-branding, we identify two key dimensions of coopetitive branding: the nature of the agreement (hybrid vs. symbolical) and the type of partners (direct vs. indirect competitors). These dimensions structure our proposed typology of four coopetitive branding situations. We further develop our theoretical framework by presenting and discussing the specific short-term (for the joint product) and long-term (for the parent firms) benefits and risks associated with each type of coopetitive branding, which are synthesized in four research propositions and illustrated through four case studies. The findings are discussed in direct relation to the relevant literature, resulting in a series of insights relevant for both the academic and managerial communities. The limitations of our study are properly acknowledged, providing us with the opportunity to develop a set of research directions for coopetitive branding agreements and their management.
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1. Introduction

Co-branding strategies are complex phenomena that are encountered in various industries and markets (Hadjicharalambous, 2006). The popularity of co-branding strategies stems from the potential advantages offered to the collaborating organizations: reduced costs and increased speed for product development (Blackett & Boad, 1999), production and commercialization (Washburn, Till, & Priluck, 2004), access to new clients and markets (Uggla & Åsberg, 2010), inter-brand cross-fertilization and image enhancement (Simonin & Ruth, 1998). However, like any other inter-organizational strategy, co-branding also creates significant challenges that must be identified, understood and overcame (Gammoh, Voss, & Fang, 2010). Some of these challenges are rooted in the nature of inter-organizational collaboration, such as the risk of opportunistic behavior, whereas others result from unpredictable consumer perceptions and behavior regarding the proposed brand associations. The combination of opportunities and challenges makes co-branding a complex undertaking that must be properly decoded and managed. In addition, the number of failed co-branding initiatives shows the many difficulties inherent in such endeavors (Helmig, Huber, & Leeflang, 2007; Magid, 2006; Uggla & Åsberg, 2010).

Increasingly, dynamic modern markets characterized by hypercompetition and accelerated product cycles have pushed some organizations to develop co-branding strategies with their competitors. The paradox of coopetition is frequently explained by the strategic market proximity – in some situations, a direct competitor may be the best co-branding partner because it has the expertise, knowledge and product(s) that are relevant to the target market (Gnyawali & Park, 2009). Co-branding with competitors is more dangerous than partnerships with non-competitors because the potential for loss or damage resulting from the opportunistic behavior of a co-branding partner is multiplied by direct competition (Bengtsson & Kock, 2000; Fernandez, Le Roy, & Gnyawali, 2014). However, despite the importance and increased popularity of what we call *coopetitive branding* strategies, the knowledge regarding these strategies remains limited (Bengtsson & Kock, 2014).

We address this knowledge gap by formulating the following research objectives:

(a) to propose a clear and concise working definition of coopetitive branding;
(b) to develop a methodology of various types of coopetitive branding agreements based on the most relevant dimensions identified from an extensive literature review of the co-branding and coopetitive research streams;
(c) to identify the specific short- and long-term benefits and risks related to different types of coopetitive branding agreements

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and evaluate their level and action in relation to each coopetitive situation;

To achieve these research objectives, we develop theoretical framework in which we explore different coopetitive branding situations. Based on the co-branding and coopetition literatures, we identify two key dimensions: the nature of the agreement (hybrid vs. symbolical) and the type of partners (direct vs. indirect competitors). The proposed framework is structured around four types of coopetitive branding agreements: (a) symbolic coopetitive branding between direct competitors; (b) symbolic coopetitive branding between indirect competitors; (c) hybrid coopetitive branding between direct competitors and (d) hybrid coopetitive branding between indirect competitors. Building on these two literature streams, we characterize the specific short-term (for the joint product) and long-term (for the parent firms) benefits and risks associated with each type of coopetitive branding agreement.

The proposed framework provides an original contribution to both the coopetition and co-branding literatures and offers useful theoretical and practical insights for academic experts and firm managers who are interested or involved in these types of coopetitive agreements. This study makes a fourfold original contribution to the literature: first, it provides a clear definition and description of coopetitive branding situations and increases the awareness of this marketing phenomenon in the academic and managerial communities; second, it proposes a classification of various coopetitive branding agreements in relation to the type of co-branding and the coopetitive positioning of collaborating firms; third, it identifies and presents the combination of benefits and risks associated with each type of coopetitive branding agreement by formulating four research propositions; and, finally, it offers various directions for future research on coopetitive branding.

2. Theoretical background

2.1. Benefits and risks of traditional co-branding agreements

Co-branding agreements, which can be defined as “a long-term brand alliance strategy in which one product is branded and identified simultaneously by two brands” (Helmig, Huber, & Leeflang, 2008; 360), are pervasive in most industries (Besharat & Langan, 2014).

The popularity of these brand alliances can be explained by their specific benefits. First, co-branding strategies may provide access to partners' customer bases (Uggla & Åsberg, 2010) – particularly in foreign markets – through the reputation of the local partner (Voss & Tansuhaj, 1999). Simultaneous penetration into several markets increases firms' cash flows and allows them to quickly break even (Swaminathan, Reddy, & Dommer, 2012). Access to markets is facilitated by brand image transfer, as co-branding strategies position products in customers' minds by playing on association effects (Bouten, Snelders, & Hultink, 2011; Park, Jun, & Shocker, 1996).

When two brands are associated in a co-branding campaign, they send the signal that they share a common set of values and belong to the same cultural universe (Besharat, 2010; Lee, Lee, & Lee, 2013; Simonin & Ruth, 1998). These agreements may also signal a certain quality level if one of the brands is used as a private label (Rao, Qu, & Ruekert, 1999). The conclusion might quickly be drawn that a low-equity brand will benefit more from this type of cooperation than a high-equity brand (Park et al., 1996). However, high-equity brands are also likely to engage in such a cooperative agreement because it generally increases their sales (Washburn et al., 2004).

Notably, co-branding agreements benefit not only the joint product but also the parent firms, as parent brands obtain positive spillover effects when the product is successful (Lafferty, Goldsmith, & Hult, 2004; Simonin & Ruth, 1998). Moreover, joint products can be viewed as a way to protect the market and competitive positions of parent firms if the firms launch unique and inimitable offers (Erevelles, Stevenson, Srinivasan, & Fukawa, 2008; Kumar, 2005). Finally, as with any alliance, co-branding agreements can reduce R&D, production (Blackett & Boad, 1999) and/or advertising costs (Samu, Krishnan, & Smith, 1999).

Co-branding strategies can also be risky, and they may require careful planning and implementation. Further, partner brands may face different types of risks (Chiambaretto & Gurau, in press). Given potential exogenous risks, a scandal faced by one partner or a problem with the joint product may have serious repercussions for both partners (Gammoh et al., 2010; Ruth & Simonin, 2003).

Most of the risks are related to the very nature of the agreement. For example, there may be negative consequences for the joint product and parent brands if the positioning or fit between the two brands is not coherent, as consumers may no longer be able to properly identify, position and relate to the parent brands' cultural universe (Simonin & Ruth, 1998; Uggla & Åsberg, 2010).

In addition to the risk of selecting the wrong partner, firms may face time and flexibility issues. Desai and Keller (2002) explain that co-branding strategies typically reduce the competitive flexibility and that they may require more time than brand extensions (i.e., with no partner) when a new product is launched.

Moreover, as with any inter-organizational cooperation, co-branding agreements may raise ownership issues regarding the joint product, which can be solved through a clear ownership and value-sharing agreement (Leuthesser, Kohli, & Suri, 2003; Li & He, 2013; Magid, 2006). Finally, these brand alliances also raise issues regarding opportunistic behavior because one of the partners may decide to end the cooperation once its reputation or knowledge has grown sufficiently to work alone (Norris, 1992). This risk is even greater when the parent brands are in competition with one another, which prompts us to think about the specific challenges of alliances between competing firms.

2.2. The specific challenges of alliances between competitors

To understand the specifics regarding alliances between competing firms, we rely on the concept of coopetition (Brandenburger & Nalebuff, 1996). Bengtsson and Kock (2014: 182) define coopetition as “*a paradoxical relationship between two or more actors simultaneously involved in cooperative and competitive interactions*, *regardless of whether their relationship is horizontal or vertical*”. The paradoxical combination of cooperation and competition is central to this concept (Bengtsson & Kock, 2000; Chen, 2008; Czakon & Mucha-Kuś, 2014; Lado, Boyd, & Hanlon, 1997; Raza-Ullah, Bengtsson, & Kock, 2014). The cooperative dimension of the relationship allows firms to access key resources or technologies and launch new products or access new markets. Similarly, the competitive dimension in coopetitive agreements is essential to avoid complacency and maintain creative tensions within and between organizations (Bengtsson & Sölvell, 2004; Quintana-García & Benavides-Velasco, 2004).

The goal of coopetition is to exploit this combination of strategies (Clarke-Hill, Li, & Davies, 2003; Lado et al., 1997; Walley, 2007). Coopetition is thus supposed to result in better performance than alliances with non-competitors (Bouncken & Kraus, 2013; Peng, Pike, Yang, & Roos, 2012; Ritala, 2009). However, recent contributions have shown that the relationship between coopetition and performance is not linear and that it depends on the specific characteristics of partners and industries (Le Roy, Robert, & Lasch, 2016; Ritala, 2012; Wu, 2014).

This paradoxical way of operating can generate tensions that must be managed (Fernandez et al., 2014; Tidström, 2014), although they may not necessarily be a threat. Instead, such tension must be accepted as an objective issue that can lead to highly beneficial outcomes when managed properly (Bengtsson, Eriksson, & Wincent, 2010; Chen, 2008; Luo, Slotegraaf, & Pan, 2006). If we focus on inter-organizational risks, the tensions between cooperation and competition can be understood to be driven by the conflict between generating common benefits and capturing private benefits (Ritala & Tidström, 2014). This dilemma

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