# ALTERNATIVE BRAND NAMING STRATEGIES FOR BOTTLED WATER DIVISION OF GROUP DANONE IN BRITISH COLUMBIA

by

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# APPROVAL

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# Ethics Approval

The author, whose name appears on the title page of this work, has obtained human research ethics approval from the Simon Fraser University Office of Research Ethics for the research described in this work, or has conducted the research as a member of a project or course approved by the Ethics Office.

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# ABSTRACT

This paper investigates a possibility of forming a co-brand between Canadian Springs and Danone. Specifically, the study investigates the impact of Danone of the brand value on Canadian Springs and consumers' intention to purchase a co-branded product.

The results of the study show that Canadian Springs is the strongest brand in delivered bottled water category and has the biggest perceived value when featured alone. Adding Danone to Canadian Springs name creates a co-brand that is weaker and less preferred by consumers than the original Canadian Springs brand.

The study also reveals that consumers of bottled water in BC are price sensitive and increase in price substantively reduces their intention to purchase the product even for the most preferred brand. The results also suggest that consumers slightly prefer paying for delivered bottled water by either pre-authorized chequing debit or invoice than by pre-authorized payment by credit card.

# DEDICATION

Посвящается моему мужу, рядом с которым каждый день моей жизни – самый лучший.

To my husband, beside whom every day of my life is special.

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# INTRODUCTION

Choosing the right brand name is one of the most important decisions for a marketing manager because a brand name symbolizes and communicates the key associations of a product in a very compact manner (Keller, 1998). While there has been a vast amount of literature on choosing individual brand names, this paper studies consumer evaluations of various brand naming strategies, including brand extensions and co-branding, of a specific product.

The product of interest is large format (5 gallons) bottled water delivered to homes. The study is conducted for a large multinational company (Group Danone) who acquired a leading provider of bottled water in Canada (Canadian Springs Water Company). Group Danone is a worldwide leader in fresh dairy and bottled water, and is number two in biscuits. Descriptions of Group Danone and Canadian Springs Water Company are provided in appendix A.

So far, Group Danone has retained the name of the acquired company and consumers have probably been unaware of the acquisition. This paper investigates consumers' reactions to altering the existing name in a number of ways and the potential advantage of doing so as compared to keeping the existing name. The scope of the research is limited to studying residents of Vancouver and lower mainland and their perceptions of water delivered to homes, as opposed to bought in retail or delivered to offices.

The project starts with literature review of three aspects of branding highly relevant to the subject – brand architecture, brand extension, and co-branding. Brand architecture addresses classification of brands and the relationship between them in a company's portfolio. This review will help better understand Group Danone's brand portfolio and the alternatives for and potential implications of changing Canadian Springs brand name. The review of literature on brand architecture will be followed by a review of brand extension research, which will suggest a number of propositions concerning the results of extending the Danone brand name into bottled water category, that is, by replacing Canadian Springs brand name with Danone. Finally, the project reviews the existing literature on co-branding in order to consider the potential impact of using Danone brand together with Canadian Springs Water Company brand.

The literature review section will be followed by a description of the methodology used to conduct primary consumer research, the results of the research, discussion and managerial implications, and will conclude with limitations and suggestions for further research.

# LITERATURE REVIEW

## Brand and Brand Equity

### Definition

According to the American Marketing Association, a brand is a "name, term, sign, symbol or design , or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition." (Keller, 1998, p.2). Brand name, design, logo and other tools of differentiation are called brand elements and a brand is created by choosing and managing the brand elements. Of all the brand elements, brand name is probably the most central one because it encompasses the key associations of the product and communicates the main theme in a very compact manner (Ibid).

Brand associations are the source of brand image and along with awareness, form the basis of brand equity – a concept defined in many different ways but generally meaning the added value a brand brings to the product as a result of investment in marketing of this brand. Higher brand equity leads to more favourable consumer response to marketing of a product which leads to greater sales, greater customer loyalty, less price sensitivity, etc. (Aaker, 1996; Keller, 1998), and this makes it a highly desirable goal for any organization.

A brand is said to have positive image if it is linked to strong, unique and favourable associations (Keller, 1998). There are several levels of brand associations, classified by their level of abstraction, that is, by how much information is included in the association: attributes, benefits and attitudes. Attributes are "those descriptive features that characterize a product or service, such as what a consumer thinks the product or service is or has and what is involved with its purchase or consumption" (Keller, 1998, p. 93). Attributes can be product-related, that is attributes are related to the physical characteristics of a product or requirements for service, or non-product related – those than influence purchase or consumption process but do not directly affect performance of a product (price, user imagery, usage imagery, feelings and experience, and brand personality) (Ibid).

Benefits can be functional, symbolic, or experiential (Keller, 1998). Functional benefits are the basic benefits a consumer gets by consuming the product, and they are often related to physiological and safety needs. Symbolic benefits satisfy higher-level needs such as needs for social approval or personal expression and esteem. Most of luxury goods provide significant symbolic benefits being indications of prestige and therefore social approval. Experiential benefits relate to the process and experience of using a product or service; they satisfy needs like sensory pleasure, variety, and intellectual stimulation.

Brand attitudes are consumers' overall evaluations of a brand (Wilkie, 1990). They are important because they form the basis of consumer behaviour and directly influence purchasing decisions. Brand attitudes rely on specific concerns related to brand attributes and benefits.

## Branding Strategies

When considering a specific product or service, consumers are often exposed to two or even more simultaneously presented brand names. One brand may be the product brand, another – a company name, or a brand name representing a division of a company, or even a different brand by another company. All those brands can be either featured on a package, advertising and promotional materials, or the consumers may just know of the link between them. There are various types of brands and various relationships among them; since each brand has its own awareness and image, and has a distinct impact on consumers, it is important to understand the types of brands that a company may offer and the relationships among them.

## Brand Hierarchies

There are a number of academic papers offering various classifications of brands as well as their structure for a given organization.

Edmund Gray and Larry R. Smeltzer (1985) look at the relationship between products and corporate brand and among the products of the corporation. They define such relationship as a corporate/product relationship and identify five types of those:

1) *Single Entity*: A company offers only one product or product line, therefore the image of the company and the product (line of products) is the same. A typical example in this case would be Federal Express.

2) *Brand – dominance*: The brands owned by the company are not related to the corporate brand (example: Philip Morris with its Marlboro, Merit and other brands).

3) *Equal – dominance*: Each brand offered by the company has its own image but at the same time is associated with the company (example: General Motors with Chevrolet, Buick, Oldsmobile, Pontiac, Cadillac, etc.)

4) *Mixed – dominance*: At times the brand name is dominant, other times the corporate name is dominant, and sometimes they are used together with equal prominence (example: Robert Bosch GMBH).

5) *Corporate – dominance*: Corporate image has a central role and all communication efforts are aimed to reinforce this image (examples: IBM, Hewlett-Packard, Xerox and Gerber).

In 1987, Murphy defined corporate identity as a system of all visual elements that serve as communication points between the company and the public. Such elements consist of the corporate name and logo, materials in promotional media, headquarters and branch offices, factories, distribution facilities, trucks and cars, personnel uniforms, product design, packaging, etc. He talked about the importance of corporate identity, which he saw as a strategic tool that helps produce a better understanding of the corporate purpose and provides greater clarity in communicating that purpose to different publics including customers, employees, the financial community, government, trade unions and suppliers.

Murphy identifies four different types of identity systems:

1) *Corporate dominant system*: A corporation itself is the main communicator of the marketing message. He argues that this system is used mainly in large firms, especially in services, where the company name provides the required credibility.

2) *Brand dominant system*: Individual brands are dominant, and the corporation behind them is given minor prominence (sometimes it is anonymous) in communication process. Arguably, many consumer products companies have this identity system.

3) *Balanced system*: the one in which the corporation and its brands are given approximately equal weight in communication.

4) *Mixed system*: the corporation is sometimes dominant and other times individual brands are dominant.

The reader can easily observe that this framework is very similar to corporate/product relationships framework offered by Gray and Smeltzer the only difference is that the single entity strategy is included in the corporate-dominant system.

One of the most cited classifications of corporate identity belongs to Olins (1989), his classification system has only three levels of identity:

1) *Monolithic structure*: Corporation name and visual style for all its products (examples: Kellogg, British Airways, Shell).
2) *Endorsed structure*: Corporate identity is used with names of subsidiaries, which may have quite different visual style (General Electric Company and Hawker Siddeley).
3) *Branded identities*: Products appear under different names and appearances (Procter and Gamble, Mars, Allied Lyons).

Taking a somewhat different approach in their paper on using family vs. individual brand names, Roberts and McDonald (1990) expanded Kotler's framework of four alternative brand naming strategies with the addition of one brand naming strategy):

1) *Blanket Family Name*: A single name covers products in various segments. Can be the corporate name, but does not have to be.
2) *Separate Family Names*: Separate names used for specific segments of the market.
3) *Licensed Brand Names*: Brand names are leased from an intellectual property holder.
4) *Individual Brand Names*: Freestanding brands; the name of the company is only shown in fine prints on the back of the package.
5) *Company name in conjunction with an individual brand name*

In 1992, a prominent European branding expert, Jean-Noel Kapferer, offered a classification system with six levels of brand:

1) *Product brand*: A single product with its individual positioning and an exclusive name (e.g. Procter &Gamble's Ariel, Tide, and Dash laundry detergents).
2) *Line brand*: Extending brand across different versions of the product (e.g. Renault automobiles).
3) *Range brand*: Same name for a group of products having the same function (e.g. Green Giant foods).

4) *Umbrella brand*: A single brand supports products in different markets, each with its own distinct positioning (e.g. Canon cameras, photocopies, and office equipment).

5) *Source brand*: similar to umbrella brand but the products are named individually (e.g. Yves Saint Laurent with Jazz perfumed deodorant and various brands of clothes).

6) *Endorsing brands*: give approval to a wide diversity of products grouped under product brands. (e.g. General Motors cars)

Farquhar and colleagues (1992) considered strategies for leveraging powerful brands called master brands. A master brand is a brand that is so well established and dominant in the minds of the consumer that is "owns" a particular association. The authors argue that associations between elements in this brand hierarchy can be used to leverage master brands and suggest the following brand hierarchy model from the most broad to most specific and finally no brand:

1) Corporate Brand (e.g. General Motors),

2) Family Brand (e.g. Chevrolet),

3) Individual Brand (e.g. Camaro),

4) Modifier (descriptive words or phrases, usually not trademarks, that bring an alternative association, e.g. Z28 in case of General Motors exaple),

5) Generic Product (sports car).

It is important to note that all the abovementioned classifications result from reflection of their authors who base their frameworks on observation and understanding of marketing practices. However, Laforet and Saunders (1994) conducted a study of corporate brand structures of Britain's top 20 suppliers of two major grocery chains in order to reveal how leading companies actually deploy alternative branding strategies. The researchers conducted a content analysis of brand packaging and did semi-structured personal interviews with senior marketing managers of the randomly chosen companies.

The results of their study suggest that brand names can be grouped according to their breadth of use and relation to the corporate name. Here are the types of brands that they identified:

1) *Corporate Brand Name*: Corporate brand name covers all the products; it appears as either the only brand identity (e.g. Heinz tomato ketchup), or along with another brand name (e.g. Cadbury's Milk Flake). Even companies using other forms of branding often have several brands strongly linked to corporate brand (Mars bars, Quaker Oats).

2) *House Brand Names*: Companies offering products in different segments use names of divisions (houses) for products targeted at different markets or segments (Quaker with its Fisher Price toys, Ford with Jaguar, and GM with Opel and Cadillac).

3) *Family Brand Names*: Those are used to cover /provide an umbrella for a family of products. Usually they are the results of company's efforts to leverage strong mono brands whose name are placed on new products. Family brand names are different from house brand names in that the former are not related to the company structure. Sometimes they are a family of products that once belonged to an acquired company (e.g. Nestle's Carnation Coffee Mate).

4) *Mono Brand Names*: Single outstanding brand; identifies variant of a brand. Mono brand names are the dominant form used by many leading marketers: Procter and Gamble (Ariel), SmithKline Beecham (Tabasco sauce), CPC (Marmite), etc.

5) *Virtual Brand Names*: Those are suffixes used to identify variation of a brand or a qualifier of a brand name. (e.g. Nestle's pet food division has Friskies Gourmet and Friskies Gourmet A La Carte, A La Carte is a virtual brand name).

6) *Description:* Description of a brand (e.g. in Friskies Groumet A La Carte with seafood, "with seafood" would be a description).

The identification of brand types helps classifying the branding of individual products; however, it does not describe how a company utilizes their portfolio of brand elements. It is branding systems that address the latter issue. The content analysis in the study by Laforet and Saunders (1994) demonstrated that the branding systems suggested by Murphy (1987) and Olins (1989) to describe brand hierarchies are in fact incomplete. The researchers suggested an alternative brand hierarchy that is closer to practice:

1) *Corporate Dominant*: True corporate brand structures are very rare. In fact, corporate dominant branding is the least common form. (see Table1) Even Heinz, which is the closest to being corporate dominant, has 60 per cent dually branded products. In addition, due to acquisitions, composite corporate names merged with composite names in which parts of the corporate names associated with product classes (e.g. Cadbury - Schweppes, Colgate – Palmolive and Rank Hovis McDougall).

2) *House Dominant*: House dominant structures are more common than corporate dominant ones. In these cases, the company structure follows the market served and names of

divisions are used like Olin's monolithic corporate identities. House-brand structures often exist briefly following acquisitions.

3) *Dual Brands*: Dual brands give each brand approximately equal prominence. "This is the most common form of branding and was used by almost all the firms in the study. Most often a corporate, house, or family brand name was used with a mono brand name " (Laforet & Saunders, 1994, p.68).

4) *Endorsed Brands*: In this case, there are also two brand names used simultaneously, but unlike dual brands, the endorser brand has a lot less prominence than endorsed brand.

5) *Brand Dominant*: Brand dominant companies have product ranges that are represented by mono brands. Each mono brand has one brand name. (e.g. Mars and Dalgerty).

6) *Furtive Brand Dominant*: Similar to brand dominant structure, but the name of the company is undisclosed.

**Table 1: Occurrence of brand structures**[1]

| **Brand Structure** | | **Products (%)** | **Companies (%)** |
|---|---|---|---|
| Corporate Dominant | Corporate Brands | 5 | 20 |
| | House Brands | 11 | 65 |
| Mixed Brands | Dual Brands | 38.5 | 95 |
| | Endorsed Brands | 13.5 | 50 |
| Brand Dominant | Mono Brands | 19 | 75 |
| | Furtive Brands | 13 | 65 |

Percentages do not add up to 100 because all firms used more than one strategy.

Kevin Lane Keller also addressed the topic of brand hierarchies in his book "Strategic Brand Management: Building, Measuring, and Managing Brand Equity" (1998) and offers the following four-level hierarchy:

[1] Based on Laforet and Sounders, 1994

1) *Corporate (or Company) Brand*

2) *Family Brand* – a brand used in more than one product category but is not necessarily the name of the company or corporation itself (e.g. ConAgra's Healthy Choice family brand, Tropicana juices, etc.) Referred by some other authors as "range brands" or "umbrella brands". If the corporate brand if used for a range of products, then it functions as a family brand too.

3) *Individual Brand* – a brand used for essentially one product category, although there might be several product flavours/ types in that category (e.g. Frito Lay).

4) *Modifier (designating item or model)* – a tool to assign a particular version of a product (e.g. Yoplait yogurt comes as "light", "custard style" and "regular").

Probably the most prominent work on relationships between the corporate name and its products and among different products offered by a given company is that of David Aaker and Erich Joachimsthaler (2000). The authors introduce a new term – brand architecture, defined as the structure of a company's brand portfolio that specifies the brand roles and the nature of the relationship between brands and between different product-market contexts. They also introduce the brand relationship spectrum – a tool intended to help brand architecture strategists to utilize subbrands and endorsed brands.

The position on the brand relationship spectrum reflects the extent to which a brand plays a driver role, that is, the degree to which a brand triggers purchasing decision and use experience. The spectrum includes four basic strategies and nine substrategies, the description of which follows.

1) *A House of Brands*

The main purpose of using a branded house strategy is to create perceptions of brands that are independent and not connected with one another or to the parent brand.

There are two substrategies within this strategy: no-connection brands and shadow endorser. In a no-connection house of brands strategy there is virtually no perceptual connection or dependency among brands (e.g. P&G's Tide, Cheer, Bold, and Dash). Very few customers know that those brands are owned by the same company. A shadow endorser brand is not visibly connected to the endorsed brand, but many consumers know that there is a link between them (e.g. Lettuce Entertain You restaurants, Lexus/Toyota, Gap/Old Navy/Banana Republic).

2) *Endorsed brands*

Endorsed brands are independent, but they are also endorsed by an organizational brand, which adds credibility to the brand, affects perception of the endorsed brand and provides reassurance to the customer.

There are three substrategies within endorsed brands strategy: token endorser, linked name, and strong endorsement. Token endorser is indicated by a logo, symbol, or mentioning of the company at the back of the package, but it does not have a central role, instead, the endorsed brand is featured.

Another type of endorsement is a linked name, when the endorser is represented by a common element in the names of endorsed brands (HP's LaserJet, DeskJet, OfficeJet, InkJet; Nestle's Nescafe, Nesquik, Nestea).

A strong endorser is presented in a bolder visual manner and has a greater driving role than a token endorser or a linked name. Examples of strong endorsement are Polo Jeans by Ralph Lauren, Lycra only by DuPont, and Simply Home from Cambell's.

3) *Subbrands*

Subbrands add new associations to the master brand and the link between a subbrand and the master brand is closer than between and endorsed brand and an endorser. The subbrand can have a role of a driver, descriptor, or some combination of the two. If the subbrand is purely descriptive, the strategy can be named a branded house; if the subbrand has a major driver role it is then an endorsed brand. A subbrand can also be a co-driver, which means that neither master brand nor subbrand dominate one another (e.g. Gillette Satin).

Another type of subbrand is one that is more than a pure descriptor, but still has a minor role in the purchasing decision process (e.g. Dell Dimensions, Del Monte's Fresh Cut). The master brand has a role of being the primary driver.

4) *A Branded House*

In a branded house strategy, the master brand has a dominant driver role and the subbrand is purely descriptive and has little or no role at all. A typical example of a branded house is Procter& Gamble, which has over 80 major brands each with little connection to P&G.

## Choosing a Brand Naming Strategy

In this section of the paper, the advantages and disadvantages of each of brand naming strategy as well as examples of their use are discussed.

### Corporate Brand Name (Corporate Dominant Identity, Monolithic Structure, Branded House)

It is believed that by using the name of an existing brand, companies can enter the market cheaper, faster, and increase the exposure and support for the brand (Murphy, 1987). Umbrella branding helps create instant recognition and acceptance (Murphy, 1987) and provides reassurance to consumers, provided that the original brand is well known and well-regarded (Roberts & McDonald, 1990). While the lives of products are shorter these days, corporate brands bring consistency and helps consumers "buy the market" instead of constantly changing products (Sorrell, 1989). There have also been propositions that use of corporate endorsement is associated with premium products (Bidlake, 1992).

Use of corporate brands also offers the advantage of promoting all the company's products while advertising only one (Murphy, 1987). Many prominent marketers (Aaker & Keller, 1990; Roberts & McDonald, 1990; Hall, 1992; Keller, 1998) argue that corporate-endorsed structures and dual brands (co-brands, subbrands) also allow cost-effective promotions. They suggest that customer loyalty is shared across products using corporate branding or as an endorsement which means that companies using corporate names on their products (like Heinz and Kellogg) enjoy greater customer loyalty than those who do not promote their names (Olins, 1982).

However, the company should be careful not to use it in new markets that are far from its core product areas or for those that hold undesirable perceptions toward the existing brand name (Roberts & McDonald, 1990). Research has demonstrated that powerful brands can only be successfully extended to closely related product categories because consumers have strong associations towards these brands, which inhibits their ability to learn new associations that are necessary for new category extension (Farquhar, Han, Herr & Ijiri, 1992). The notorious example of overstretching the brand and diluting brand equity is Cadbury extending into dried milk, mashed potatoes and other similar household products, which were perceptually very far from its core chocolate business. (Saunders & Guoqun, 1997).

Some marketers have also questioned the economic advantages of branded house strategy, at least in the short and medium term (Roberts & McDonald, 1990). They argue that generally the level of success of a new brand is much more dependent on marketing efforts like promotions and distribution rather than on the name per se. However, it is possible that family names provide greater staying power, by offering additional long - term values (Roberts & McDonald, 1990).

It is suggested that umbrella branding helps get more shelf space from retailers for a product line if the endorser has strong corporate identity (Murphy, 1987) and even-out power retailers (Bowen-Jones, 1981).

Corporate brands are believed to be associated with long ownership of the brand and that tradition dictates the use of corporate names that are deeply embedded in the company's past (Olins, 1989). It is also suggested that companies that grow by acquisition, are more likely to use corporate or house names (Roberts & McDonald, 1990) which may be done in order to impress their authority and justify their acquisition to shareholders (Laforet & Saunders, 1999). In addition, both Olins (1989) and Ind (1990) suggest that firms that grow organically use corporate brands because they stay close to their core business. The authors suggest that in case of a merger the "attached" company is likely to want to retain its autonomy and its individual brand name.

Arguably, company structure reflects brand structure; of particular importance is the degree of centralization and decentralization (Ind, 1990) both geographically and across products. It is hypothesized that centralized companies are more likely to have corporate – dominant brand structure. In contrast, as suggested by Olins (1989), in decentralized companies where controls are weak, brand-dominant structure prevail.

Corporate philosophy is also believed to have influence on branding (Hall, 1992); a corporate identity is arguably ingrained into management system and attitudes (Olins, 1989). It is suggested that corporate-dominant structures reflect historical emphasis of the company on its identity, beliefs and its values (Laforet & Saunders, 1999). For those companies, the corporate brand name helps communicate ideals. Use of corporate name is not always associated with marketing concerns, but with company's policies (as earlier suggested by Olins, 1989) and a wish to reflect company's pride.

Another factor that is expected to influence branding structure is communication with stakeholders. It is suggested that many companies use corporate names to endorse products in order to target shareholders (Hall, 1992) and engender loyalty from employees and the trade (Olins, 1989).

It is also believed that market structure has strong influence on brand strategy. Ind (1990) suggests that companies with corporate-dominant structure operate in homogeneous markets with tightly defined product areas (Ind, 1990), which consumers perceive as closely related (Olins, 1989).

Corporate branding is also recommended for firms with a small portfolio of products with limited resources while companies with large portfolios are expected to use individual brands (Wernerfelt, 1988). Corporate brands are also believed to be appropriate for companies that have similar quality across their products, because corporate branding allows the products to support one another's reputation (Kotler, 1972; Wernerfelt, 1998).

## Endorsed Branding

Endorsed brands are independent, but they are also endorsed by an organizational brand, which adds credibility to the brand, may affect perception of the endorsed brand and provides reassurance to the customer (Aaker & Joachimsthaler, 2000). It is suggested that companies endorse products that share their reputation and that some corporate and house endorsements seek product-class associations (Bidlake, 1992; Aaker & Keller, 1990).

It is important to note that there can be two distinct types of brands in the marketplace – product brand and organizational brand. It is sometimes advisable to make clear that the endorser is an organizational brand by putting "from X company", "X company", although it is not always necessary (Aaker & Joachimsthaler, 2000).

According to the brand relationship spectrum suggested by Aaker and Joachimsthaler (2000), there are three substrategies within endorsed brands strategy: token endorser, linked name, and strong endorsement. Token endorsement strategy is preferred to a strong endorsement if the endorsed brand needs more distance from the endorser brand; this distance may be necessary in order to avoid certain undesirable associations from the endorser brand or indicate that the brand is an innovation.

A new or not yet established brand may especially benefit from a token endorser. Token endorsement will have greater impact if the endorser is already well known (e.g. Nestle, Kraft), is consistently presented (for example visual representation on the package), has a visual metaphor symbol, and appears on a family of well-regarded products (Aaker & Joachimsthaler, 2000). Olins (1982, 1989) suggests that most consumer goods companies tend to use house- or corporate-endorsed brands due to the fact that most of them grow by acquisition.

Token endorsement is sometimes used in the initial stage of the gradual name replacement process: A token endorsement becomes a strong endorsement, then a co-brand, and finally the master brand (Aaker & Joachimsthaler, 2000). The authors also warn that there is a common mistake is to overestimate the impact of a token endorsement when the endorser does not have substantial level of brand awareness and does not have strong positive reputation among consumers, or when the endorsed brand is already well known and well regarded and does not need reassurance of an endorser.

The advantage of using a linked name strategy is compactness of the name and the fact that there is no need to create a separate name from scratch and link it to the master brand (Aaker & Joachimsthaler, 2000). As for strong endorsement, this strategy can be used efficiently only when the endorser has credibility in the product-market context and associations that fit the endorsed brand (Ibid).

## Subbranding (Dual Branding, Co-Branding)

There is some evidence that dual branding offers significant advantages to companies. Fu and Saunders (1997) conducted an experiment to see if the addition of a corporate identity to a confectionary brand augmented its value. They found out that adding corporate name to a confectionary brand increased customers' preference for that brand, even when Walls brand was added, which is known for its frozen products, not confectionery products. Even a fictitious name like Kisses was found to add value.

Fu and Saunders also found that highly advertised brands add more value than those that are advertised less; that well established confectionary brands add more value than less established ones, and that confectionary brands added more value than non-confectionery ones to confectionary products. In general, this study demonstrated that consumers prefer dually branded products (co-branding) to products that have either corporate or individual brand alone. These results contradict the suggestion that companies should adhere to corporate dominant or brand dominant structures (Olins, 1989).

Subbranding (dual branding) strategy is often used as a transitional phase leading to individual brands (Murphy, 1987; Farquhar et al, 1992; Aaker & Joachimsthaler, 2000), although it has been suggested that many dual brands are the result of accident, not strategic thinking (Murphy, 1987). The strategy of using subbrands as a transitional phase is believed to be successful only if the brand is extended to categories that are not too apart in consumers' minds (Farquhar et al, 1992). It is important that both brands have comparable quality, otherwise the image of the brand with higher perceived quality will be damaged (Aaker & Joachimsthaler, 2000; Murphy, 1987). It also becomes difficult to modify the image of the brand as it becomes very big (Aaker, 2000).

Aaker and Joachimsthaler (2000) also note that when a subbrand has a minor driver role the company should not put much effort and resources into it but should focus on the master brand instead.

It is important to note that in this section, co-branding is considered as simultaneous usage of a corporate brand name and an individual brand name, while discussion on co-branding in general, when two or more independent brands are presented together, is provided in a separate section of this paper following review of the literature on brand extensions.

## House of Brands (Brand Dominant Identity, House Dominant Identity)

### House Dominant Identity (Separate Family Names)

House brands strategy is usually used when a company sells across the quality or application/function range as well as in cases of acquisitions and mergers because subsidiaries often resist a loss of their identity after a merger (Roberts & McDonald, 1989). However, the authors suggest that there is a point when the number of acquired family brands becomes so large that it leads to inefficiency.

There are also suggestions that house-endorsed brands tend to function in fragmented markets such as snack markets (Bowen-Jones, 1981; Olins, 1989). House – branded and house – endorsed structures are also found in markets where fashions change quickly, because house names bring leverage into new segments or markets without putting the company's name at risk (Laforet & Saunders, 1999).

### Individual Brands

Individual brand naming is believed to offer companies a number of major advantages. First, many marketing academics and practitioners agree that individual brands are the main tool in segmentation (Doyle, 1989; Kotler, 1972; Olins, 1982; Pride & Ferrell, 1977). Individual brand naming allows greater flexibility in launching products with their unique sets of associations and helps avoiding undesirable associations with the company or other brands offered by the company (Roberts & McDonald, 1990; Kelly, 1998l; Aaker & Joachimsthaler, 2000). As a result, individual brands reduce the risk of the corporate or family brand being damaged in case of a product's failure (Roberts & McDonald, 1990; Aaker & Joachimsthaler, 2000).

Laforet and Saunders suggest that furtive brands – a type of individual brand – should be used in order to completely isolate the product associations from those of the company. This strategy should be used in extreme cases when a company's product lines are incompatible with the company's core business.

The company using individual brands can offer very different products of different quality, which makes this strategy advisable for companies with very diverse product range and whose product lines contain products that greatly vary in quality since individual brands prevent the reputation of one product being contaminated by another (Kotler, 1972; Olins, 1982; Roberts & McDonald, 1990).

Individual names allow greater flexibility and ability to keep up with modern trends (Roberts & McDonald, 1990). They can also serve as signals of dramatically new and more advantageous offering, e.g. Lexus by Toyota and Saturn by GM (Aaker & Joachimsthaler, 2000). Finally, using individual brands helps minimize channel conflict (Ibid).

According to results from Nielsen data (Jones, 1986), brands using individual brand names gained more market share than brands using existing or umbrella brand names. This evidence supports the notion that individual brands represent significant value to marketers and counterbalances some of the disadvantages of the strategy, which we shall describe further.

Despite all the abovementioned advantages, individual branding also has several drawbacks. The most evident disadvantage of individual brand names is their cost – individual brands are substantially more expensive to build and maintain than corporate, endorsed or subbrands (Roberts & McDonald, 1990; Aaker & Joachimsthaler, 2000). Also, there is a danger of individual brands "cannibalizing" each other, with one product "eating" the sales of another (Roberts & McDonald, 1990). Although, within-company cannibalization may reduce loss of share to brands outside the "house".

Aaker and Joachimsthaler (2000) propose that when a firm acquires another brand and there is an issue as to whether the purchased brand name should be retained, the company should keep the brand name under the following conditions:

- The resources necessary to change the acquired name and support it with the necessary marketing efforts are not available or are not justified;

- The acquired brand has strong associations that would be weakened if a brand name is changed;
- There is an emotional bond, that is problematic to transfer;
- The acquiring brand does not fit the context and position of the acquired brand.

**Brand Naming Strategies: How Leaders Do It and Why They Do What They Do**

Sylvie Laforet and John Saunders conducted two studies in an attempt to understand how leading companies manage their brand portfolios and to examine rationale behind those strategies.

In the first study, conducted in 1994, the researchers took a random sample of 20 brands sold by each of Britain's top 20 suppliers to Tesco and Sainsburys (Britain's two leading grocery chains) and conducted a content analysis of brand packaging as well as semi structured personal interviews with senior marketing managers of the companies. The sample included most of world's leading suppliers of grocery products but leans heavily towards British companies.

The interviews with marketing managers revealed that along with marketing reasons for choosing a brand naming strategy there were a number of non-marketing factors like corporate history, company structure and philosophy influencing the decisions.

In the second study, (1999) Laforet and Saunders attempted to discover the roots of dramatic differences in branding strategies of firms competing in the same market by asking managers in those companies' reasons behind their decisions.

They mailed a survey to 100 companies randomly chosen from a sample frame of large consumer nondurable suppliers with a turnover of more than $1.5 million and more than 500 employees. The researchers wished to know to what extent certain factors influence managers' decisions. The factors were taken from the previous study and were corporate history, company's structure, corporate philosophy, strategy, market structure, segmentation and product range. A number of hypotheses were tested; most of them were formed on the basis of suggestions in the literature while others – on the interviews with marketing managers conducted in the first study in 1994.

The results of the study showed that all the considered factors play an important role in forming brand naming strategy. The authors developed a conceptual framework of the forces shaping brand strategy based on their results (Table 2). The framework is presented below followed by the main findings of the study regarding each type of brand naming strategy under consideration.

**Table 2: Forces influencing brand strategy**[2]

| Corporate | House | Mixed | Individual |
|---|---|---|---|
| **Standardization** | **Diversification** | Gaining share | **Differentiation** |
| **Inheritance** | **Fads** | Gaining space | **Decentralization** |
| **Tradition** | | **Promotional efficiency** | **Multiple Markets** |
| **Centralization** | | **Sub-brands Images** | **Divergent markets** |
| **History** | | **Symbiosis** | **Incompatible markets** |
| **Beliefs and values** | | | **Customer targeting** |
| **Policy** | | | **Positioning** |
| **Pride** | | | **Product differentiation** |
| **Market leadership** | | | **Diverse quality** |
| **Reputation** | | | **Competing products** |
| **Premium products** | | | |
| **Uniform quality** | | | |
| **Promotional efficiency** | | | |
| **Customer loyalty** | | | |
| **Homogeneous markets** | | | |
| **Small portfolio** | | | |
| Targeting shareholders | | | |

**Hypotheses supported**

Emergent relationships

[2] Based on Laforet and Sounders, 1994.

**Branded House (Corporate Dominant Strategy)**

Most of benefits of corporate – dominant strategy come from the economic advantage as well as clarity and simplicity of standardization. Corporate – dominant strategies are strongly influenced by history and culture and suit homogeneous markets, especially companies with small portfolio of products of similar, high quality.

Interestingly, corporate branding was associated with market leadership where companies aim to strengthen customer loyalty and increase promotional efficiency by standardizing the use of their name. Promotional efficiency could be achieved in two ways: by the reduced cost of trying to manage product diversity and by products benefiting from the promotion of others. The contingent and cultural dimensions of corporate branding were shown to be related. Companies using corporate-dominant strategies focus on efficiency and quality-oriented business with a good reputation, strong believes and values, and pride in what they do. Centralization and small portfolios also facilitate companies using corporate branding to better control their activities.

**House Brands (Family Brands, Range Brands)**

House brands bring some of the efficiency of corporate branding while separating its identity from the holding company. This makes a house brand strategy advisable in short-lived markets whose transience makes it inappropriate for association with a well-established corporate identity. Strategically, house brands are used when they diversify outside the names suiting their corporate names, or when acquired businesses have solid good reputations.

**Mixed Brands (Corporate Endorsed, House Endorsed, Co-brands)**

Mixed brands were shown to benefit from the reputation of a corporate name and the individuality of a unique brand name. It was shown that this level of mutual support across brands can help gain shelf space and build market share as long as the corporate name's equity is maintained. However, when taken too far, dual branding leads to parasitism and loss of identity.

**House of Brands (Brand-Dominant Strategies, Individual Brands, Furtive Brands)**

Most of marketing managers agree with academics in that brand – dominant strategies aid differentiation. Companies wishing to target many diverse market segments will be most successful with individual brands because corporate names many not have all the associations appealing to all those segments. By using individual brands companies can sell products to markets that are incompatible. Brand-dominant strategies are also believed to suit decentralized businesses with wide portfolios where brand managers focus on their products' interests.

Interestingly, the study by Laforet and Sounders (1999) showed that the previously unexplored furtive brands offer an enormous opportunity for differentiation. Originally thought appropriate for only incompatible markets, their scope of application is much wider. Furtive brands can help differentiation and positioning in relatively close markets as well. When a company dominates a product class, the nondisclosure of the corporate name may help positioning. For example, it would be illogical to remind drinkers of exclusive Scotch Malt Whiskey that the same manufacturer also markets cheap blended whiskey or that the owner is a Japanese company.

In general, the results of the study by Laforet and Sounders (1999) support many of the hypotheses on corporate branding, provide some support for proposed benefits of individual brands, but offer little evidence in support of mixed branding; most of the hypotheses for mixed branding were not supported and few new relationships were found in the study.

This section of the literature review provided a description of the frameworks on alternative branding strategies as well as discussion of advantages and disadvantages of each. Group Danone's branding strategy will be described in the context of these frameworks in the section following the literature review.

## Brand Extensions

### Definition

Brand extension is a strategy of using an existing brand name for a product in a different category. It is important to note the difference between this strategy and line extension-- in line extensions new products are introduced in the same product class with the same brand name to the existing brand line (Sullivan, 1990).

### Benefits and Threats

Brand is often one of the greatest assets possessed by a company; it is a symbol of a good reputation of the company for offering a good product, supported by heavy investment in advertising and other marketing activities – something very hard and expensive to achieve. In the 1980s the cost of introducing a new brand in some consumer markets was estimated to range from $50 million to $100 million (Brown, 1985) with a total cost reaching as much as $150 million (Tauber, 1988), and those figures are likely to be even higher these days due to the rising cost of media.

It is not surprising therefore, that many companies try to use the already established brand names in order to enter new markets and even have explicit strategies for extending their brands (Zangwill 1990). It is believed that the leverage of a strong brand name can reduce the risk of introducing a product in a new market because a familiar brand name provides consumers with familiarity and reassurance (Aaker & Keller, 1990), decreases cost of building awareness and increases chance of success of the introduced extension (Kapferer, 1994). As Allan Maccsuker, president of a brand consultancy group noted, "A lot of marketers are going this (the brand extension) route because an established brand name will generate, hopefully, quicker trial by consumers and then heavier purchase" ("Brand Extensions Take", 1993, p.12).

Brand extensions are known to have positive effect on the market share and advertising efficiency of new products (Smith & Park 1992). It is also hoped that the original brand has strong favourable associations, which will be transferred to a new product by brand extension.

However, inappropriate brand extension brings a risk of diluting and therefore weakening the original brand; it can create damaging associations that will be difficult, expensive, or even impossible to change (Ries & Trout 1981).

The associations on the original brand may include attribute associations, which are based on product attributes or characteristics or things like use situation, type of product user, a place, or a product class (Aaker, 1982) and more general types of associations – attitudes. Attitudes are overall evaluations of a brand, and although they are based on certain attributes like durability, performance, incidence of defects, features etc. (Garvin 1984), they may include affect not based on product attributes (Srinivasan, 1979) and can be stored and retrieved from memory separately from underlying attribute information (Anderson & Hubert 1963; Carlston, 1980; Lingle & Ostron 1979; Riskey, 1979).

The attribute associations can be very beneficial to the original brand; in fact, emphasis on product characteristics is probably the most widely used positioning tool (Swaminathan, Fox, & Reddy, 1990). However, those associations may not be beneficial to the brand extension for the product in a different product class. For example, Betty Crocker has very strong associations in its traditional product class, but those would most likely be perceived as negative if the name were used on a fashion product targeting young women. Therefore, the extend to which attribute associations will transfer to the new product is a key issue (Swaminathan, Fox, & Reddy, 1990).

## Consumer Evaluations of Brand Extensions

### Aaker and Keller's Model

There have been number of studies aiming to understand consumer evaluations of brand extensions. The most cited and replicated study is that by Aaker and Keller (1990), who suggested a model of consumer evaluations of brand extensions. The researchers suggested three factors influencing consumers' evaluations: the quality of the parent brand, certain "fit" between the original and extended product category, and the degree of difficulty in making the extension. They used 6 actual brands (Heineken Beer, Vuarnet Sunglasses, Haagen-Danzs Ice Cream, Vidal Sasoon Shampoo, Crest Toothpaste, and McDonald' Meal) and 20 hypothetical brand extensions. The methodology consisted of an experiment and a survey of the participants.

### Perceived Quality of the Parent Brand

The researchers suggested that higher quality perceptions toward the original brand should be associated with more favourable attitudes toward the extension. The hypothesis was not supported in their study, the perceived quality of the original brand per se was found to have little influence in consumers' attitudes toward the extension, the relationship between a positive quality image of the original brand and evaluation of the brand extension was found to be strong only if there was a basis of fit between the two product classes.

Aaker and Keller's study also demonstrated that attribute associations (lower level of associations than attitudes) of the original brand may have a substantial impact on perceptions toward the brand extension. For example, many respondents saw extension of Crest brand into chewing gym segment as unfavorable due to associations of taste of toothpaste, which was perceived as bad taste, however, the taste seemed to be no problem for the extension into mouthwash. At the same time, inferred beliefs associated with favourably evaluated extensions were more abstract attributes, such as style.

Interestingly, although the hypothesis was not supported by the original study, it was supported in consequent replications (Sunde & Brodie, 1993; Bottomley & Holden, 1996) and secondary analysis of multiple data (Bottomley & Holden, 2000).

Broniarchyk and Alba (1994) also addressed the issue of importance of brand in brand extensions. They found that brand-specific associations moderate the effect of brand effect and product category similarity across several product categories. Moreover, the impact of brand-specific associations was found to be so influential that it dominated brand affect and product category similarity. Interestingly, the researchers found that this effect was a function of brand knowledge, that is, brand-specific associations moderate the effect of brand affect in extension evaluation for brand experts, but not for brand novices.

**Perceived "Fit" Between the Categories**

Prior brand extension research had emphasized the importance of "fit" between the original product class and the one the brand is extended to (Fry 1967; Neuhaus & Taylor 1972; Tauber 1988, etc.) Fit is believed to be important because it is suggested to enable the transfer of perceived quality; this proposition is supported by a number of theoretical perspectives, such as cognitive consistency (Heider 1958; Osgood & Tennenbaum, 1955), stimulus generalization (Bierley, McSweeney, & Vannieuwkerk 1985; McSweeney & Bierley 1984, affect transfer (Wright 1975), and categorization theory (Cohen & Basu; Fiske 1982; Fiske & Pavelchak 1986; Sujan 1985).

According to a widely used categorization theory, consumers' reactions to brand extensions involves some categorization process in which the new product is judged according to its suitability in a category that already contains a product or a set of products and that has some brand name as its identifiable label. The beliefs and affect associated with this brand category may transfer to an extension when consumers perceive the extension as similar, or fitting with brand category (Cohen & Basu, 1987; Fiske, 1982; Levy & Tybout, 1989; Sujan, 1985).

Aaker and Keller's second hypothesis was that the transfer of a brand's perceived quality is enhanced when two product classes in some way fit together and when the fit is weak, the transfer is inhibited. They also suggested that fit between the two involved product classes has a direct positive association with the attitude toward the extension.

There have been several different methods of defining the "fit". Aaker and Keller (1990) researchers used three measures of fit:

- COMPLEMENT, showing the degree to which consumers perceive the products as compliments. The products are said t be compliments if they are consumed jointly to satisfy the same need (Henderson & Quandt, 1980).
- SUBSTITUTE, indicating the extend to which consumers view the products as substitutes. Substitutes are defined as products that can replace the other in usage and satisfy the same need.

- TRANSFER – the perceived ability of a company operating in the first product class to make a product in the second product class, that is, the company has the necessary people, facilities and skills to operate in the second product class.

As mentioned before, the study revealed that there is a strong relation between a positive quality image of the original brand and evaluation of the brand extension but it takes place only if there is a basis of fit between the two product classes.

As the three dimensions of fit, complementarity and substitutability interacted with the perceived quality of the original brand to predict extension evaluations, but transferability of the skills had a primary direct impact on the evaluations. Overall, transferability of the skills and complementality of the products were more important predictors of brand extension evaluation than substitutability of the products. There was also evidence of negative interaction between those two fit variables which indicates that either transferability or complementarity should be adequate: a good fit on both is not necessary.

The replication study by Sunde and Brodie (1993) found the results on relationship between dimensions of fit and attitudes towards the extension inconclusive, but their results should be considered with caution since, as the researchers point out themselves, the level of multicollinearity is very high. At the same time, the replication study by Bottomley and Doyle (1996) supported the two hypotheses on the perceived "fit", and the secondary analysis by Bottomley and Holden (2000) supported the hypotheses as well.

Besides considering "fit" a function of the abovementioned dimensions, the phenomena has been conceptualized in a number of different ways in previous research. Smith and Park (1990) used product features similarity as an indication of fit, while other researchers examined similarity of the original product category and that of the extension (Chakravarti, MacInnis, & Nakamoto, 1990; Farquhar, Herr, & Fazio, 1989). In the study by Park, Milberg, & Lawson (1991) the researchers examine two sources of perceived fit – product feature similarity and brand concept that can be used by consumers to evaluate brand extensions. Brand concepts were defined as brand-unique abstract meanings (e.g. high status) that are usually based on a set of product features (e.g., high price, expensive-looking design, etc.) and the firm's efforts to create meaning from these arrangements (e.g., "the relentless pursuit of perfection" by Lexus). The results of their study supported the hypothesis that evaluation of brand extensions depends on the perceived fit between the original bran and the new product, and that this fit is a function of both product feature similarity and brand concept consistency.

In general, all the abovementioned studies found a positive relationship between product feature similarity and consumers' evaluations, purchase intensions, and sales of brand extensions.

### Difficulty of Making the Extension

Aaker and Keller (1990) also suggested that an extension to a "trivial" product class or the extension that is very easy to make will bring negative perceptions to the consumers because they will consider such practice to be motivated exclusively by desire to make easy profit by charging higher than justified prices for a well known brand. They hypothesized that there is positive relationship between the difficulty o making the product class of the extension and the attitude toward the extension. The hypothesis was supported by the original study, but was not supported by the replication studies by Sunde and Brodie (1993) and Bottomley and Doyle (1996). However, the secondary analysis of multiple data (Bottomley & Holden, 2000) supports the hypothesis.

### The Effect of Brand Portfolio Characteristics on Consumer Evaluations of Brand Extensions

Although the studies by Aaker and Keller, and those by other researchers provided a significant insight on consumers' evaluations of brand extensions, their serious limitation is considering brands that have not be extended previously and an extension to only one category. Dacin and Smith (1994) point out that many brands have been extended into multiple areas and have become associated with a wide portfolio of brands; in their study, they examine the effect of brand portfolio characteristics on consumer evaluations of brand extensions.

As was mentioned previously, many brands have become related to a portfolio of very diverse products as a result of manager's attempts to capitalize on one of the most valuable assets in a company – brands – by extensions. Panasonic, for example, is a brand associated with consumer electronic goods, bicycles and small home appliances.

Although several authors claimed that repeated extensions, particularly those into loosely related areas, may weaken a brand (Loken & John, 1993; Tauber, 1981), the effect of the number of categories on brand strength is not clear. Some marketers argue that, based on theories of cognitive categorization (e.g., Rosch, 1978), a brand loses its identity and strength as the number of categories that the brand extends into increases (Keller & Aaker, 1992; Loken & John ,1993). However, based on works in consumer information processing and economics (e.g., Park, Jaworski, & MacInnis, 1986; Wernerfelt, 1988), the authors argue that a brand can be strengthened through extension.

Brands are usually extended to target specific niches of consumers (Dacin & Smith, 1994), and as their needs may vary from those of the existing customers, firms may end up with brand portfolio with products of very different quality. For example, Harley Davidson, a well-known manufacturer of high-quality motorcycles, extended its brand and logo to a line of cigarettes (named Harley Thunder) which targeted lower-end consumers (Ibid).

Although Aaker and Keller (1990) and other authors also claimed that a brand can only be successfully extended into closely related categories (Boush & Loken 1991; The Minnesota Consumer Behavior Seminar 1987; Park, Milberg, & Lawson 1991), Dacin and Smith argue that simple observation reveals brand portfolios comprising successful yet loosely related extensions.

The researchers consider three dimensions of the brand associations: favourability, abstractness and consumers' confidence in consumers' associations about a brand. Abstractness of brand associations is related to the extend to which consumers associate a brand with a particular product category (Ogiba, 1988; Tauber, 1981). It is thought that core brand associations can become abstracted through multiple extensions; however, it is unclear whether that necessarily results in weakening of a brand.

As a brand is extended into various categories, it no longer stands for the initial single product and loses its distinctiveness; it becomes difficult to use this brand as a basis for categorizing future extensions (Cohen & Basu, 1987; Fiske & Pavelchak, 1986). As a result, transferring favourable associations to extended categories becomes difficult (Sujan, 1985). Therefore, one could argue that as associations become more abstract, brand strength diminishes in a sense that its effect on consumers' judgments of subsequent extensions is reduced. On the other hand, the authors argue that an extended brand can still have a distinctive meaning, although it may become more abstract (for example, AMF's theme "We make weekends" and Johnson & Johnson's one "We know babies"). Consequently, there is no dilution of brand strength.

Consumer confidence in their brand associations is believed to be important because brands can provide a summary of information, which improves efficiency of decision making (Alba & Hutchison 1987; Johnson & Russo 1984), and functions as a tool for reducing perceived risk (Montgomery & Wernerfelt 1992; Rubin, 1990; Wernerfelt, 1988). Consumers' reliance on a brand as a risk reducing factor depends on their confidence in using their brand association to predict the net outcomes of a purchase (Bennett & Harrel, 1975; Ostland, 1973). A brand is believed to be a signal in which consumers have a high degree of confidence.

The researchers first suggestion was that the higher the number of products affiliated with a brand, the more favourably will consumers evaluate a brand extension and the more confident consumers are in their evaluation of a brand extensions. When a company extends its brand, it uses accumulated investment in the brand as a "bond" or collateral for the quality of extension (Wernerfelt, 1988). As the number of products under a brand increases so does the bond and consumers realize that the likelihood of a company introducing a product of poor quality decreases. Therefore, consumers are likely to have greater confidence in brand with larger product portfolios.

There is also substantial evidence that people possess statistical heuristics that they use in day-to-day issues (Nisbett, Krants & Jepson, 1983). For example, people have intuitive sense of the law of large numbers – they tend to be more confident in their conclusions that are based on larger number of instances (Ibid). Therefore, the more products consumers affiliate with the brand, the larger the "database" from which conclusions are drawn, the more confident people are in their judgments.

Also, according to the study by Zanjonc and his colleagues (1980), the more consumers are exposed to a product, the more positive their attitudes towards the product become. Since exposure of a brand increases as the number of products affiliated with a brand increases, consumers should perceive the brand more favourably. These hypotheses were supported by the experiment, but not the survey the researchers conducted.

Further, Dacin and Smith suggested that as portfolio quality variance increases, consumers' favourability of evaluations of brand extensions and well as their confidence in their evaluations about the quality of an extension of the brand decreases. According to the studies in the area of social judgment (e.g. Thagard & Nisbett, 1982), people have greater confidence in their judgments if they perceive the sample to be homogeneous with respect to the property being inferred than when they perceive it to be heterogeneous. The researchers suggest that the strength of a brand is diluted if a product of inferior quality is affiliated with it. This happens because the consumers may make negative inferences about other products affiliated with the brand and also because consumers' confidence in the brand decreases as a result of deviation in quality of the products under the same brand. These hypotheses were fully supported by the study.

The researchers also hypothesized that as variance in quality of the product affiliated with the brand increases, the positive effect of adding products to a brand on consumers' confidence in evaluations of brand extensions will diminish.

Finally, the researchers hypothesized that the greater variance in quality of the products in a brand portfolio, the smaller the positive effect of parent-brand similarity on consumers' favourability and confidence in evaluations of a brand extension.

The results of the study demonstrate that the number of products affiliated with a brand is positively related to consumers' confidence in and favourability of their evaluations of the quality of an extension of the brand. However, these results were not replicated in the survey.

It was also demonstrated by both the experiment and the survey that consumers evaluate brand extensions less favourably and their confidence in evaluations decreases as portfolio quality variance increases. Both methods also demonstrated that when portfolio quality variance is low, there is a positive relationship between the number of products affiliated with the brand and consumers' confidence in their judgments of the quality of an extension of the brand.

Finally, the researchers found that the effect of parent brand extension fit on consumers' confidence in and favourability of their quality evaluations of extensions decreased when portfolio relatedness decreased.

In conclusion, the results of this study show that adding products to a brand does not necessarily weaken it, as generally believed. The experiment- and survey-based findings reveal that under certain conditions (low portfolio quality variance); there is a positive relationship between the number of products affiliated with a brand and consumer's confidence in their evaluations of subsequent extensions.

**The Impact of Brand Extension Introduction on the Parent Brand**

It is suggested that there might be reciprocal effect of brand extension to the parent brand in terms of attitudinal change towards the latter. From the managerial perspective, it is important to know how brand extension introduction affects the choice and market share of the parent brand.

There has been mixed support for presence of positive and negative reciprocal effect of brand extension on the parent brand in the literature. Keller and Aaker (1992) provided evidence of positive reciprocal effects only for an average-quality parent brand that had done successful brand extension.

Keller and Sood (2000) found that attitudes towards well regarded brand would not alter significantly after introduction of successful brand extensions. Gurhan-Canli and Maheswaran (1998) demonstrated that strengthening reciprocal effect exist only brand extensions that are similar to the parent brand.

Generally speaking, the research supports the moderating role of category similarity in influencing both positive and negative reciprocal effects. Milberg, Park, and McCarthy (1997) show that negative reciprocal effects may take place when the extension is very low in similarity to the parent brand. Keller and Sood (2000) found that unsuccessful brand extension may have negative reciprocal effect if the parent brand and the extension are very similar. The research by Gurhan-Canli and Maheswaran (1998) show that the parent brand name may get diluted as a result of incongruent and negative information, especially if brand extension is similar to the parent brand.

While there is substantial amount of support for existence of negative reciprocal effect at the brand attribute level (e.g. Loken & Roeffer-John, 1993; 1998), it is not completely clear whether negative reciprocal effects exits at the overall attribute level (Keller & Aaker, 1992).

Swaminathan, Fox and Reddy (2001) found that there can be positive reciprocal effects of extension trial on parent brand choice, especially among prior non loyal users and prior nonusers, and this reciprocal effect results in higher market share of the parent brand, especially among the abovementioned segments. The study provided evidence of association between a positive reciprocal effect and the degree of similarity between the category of the parent brand and that of extension. However, such association didn't seem to take place in the context of negative reciprocal effects.

The study also reveals the existence of negative reciprocal effects of unsuccessful extension on parent brand choice among prior users of the brand. Among prior non-users no such affect exists because there is a low probability that they will purchase a parent brand. Also, parent brand experience was shown to have a significant impact on extension trial but not on extension repeat. The research provides evidence that the role of parent brand experience in the evaluation of a brand extension diminishes after trial.

# Co-Branding

## Definition

The term "co-branding" is relatively new to the business vocabulary and is defined in different ways by various marketing academics and practitioners, but in essence, it means circumstances when "… two or more brand names are presented jointly to the customer"(Rao, Qu & Ruekert, 1999, p.259).

Many hundreds of companies have used co-branding as a strategy to increase the scope of their brands, enter new markets, embrace new technologies, reduce costs through economies of scale, and refresh their image (Blanckett & Russell, 1999). Co-branding has become a widely used business strategy during the last decade in industries like food and drinks, retailing, air travel and financial services (Blanckett & Russell, 1999; Bengtsson, 2000). In the food industry current examples include Betty Crocker brownie mix with Hershey's syrup, Breyers ice cream mixed with Oreo cookies, and Jell-O cheesecake made with Philadelphia cream cheese.

There is some confusion with terminology of the phenomena of using two or more brands simultaneously; besides "co-branding" this strategy also been called brand alliance, joint branding and dual branding. Co-branding has been recognized as an important and powerful strategy by both marketing academics as well as practitioners. This paper will first look at the marketing practitioners' perspective from one of the largest and most influential global brand consultancy company in the world – Interbrand, and will continue with a review of academic literature.

## Interbrand's Perspective on Co-Branding

Interbrand identifies several types of co-branding; the type of co-operation is determined by two criteria: expected duration of the agreement and shared value creation. Longer-term co-operations are said to imply more extensive sharing of assets and expertise, with the potential to generate more shared value" (Blanckett & Russell, 1999). There is a hierarchy of types of shared value creation opportunity, which can be presented as follows (from highest to lowest shared value creation):

1. Complementary Competence co-branding:
2. Ingredient co-branding
3. Values Endorsement co-branding
4. Reach/Awareness co-branding

In reach/awareness co-branding the participants can quickly increase awareness of their brands by exposure to their partner's customer base. For example, American Express launched a co-branded versions of its Optima credit card in connection with Delta Airline SkyMiles program and invited Sky Miles members to sign up. The customers got the benefit of getting air miles for the dollars they spent using the card. As a result of this co-operation, American Express gained new customers and transactions for its Optima card and Delta increased loyalty of SkyMiles members and increased the likelihood of them using Delta airline.

In this case, there are few intrinsic links between the Optima and Delta SkyMiles brands and no need for complementarity in brand values.

Unlike reach/awareness co-branding, value endorsement co-branding is specifically used to embrace one of the other's brand values or positioning or both. A typical example of this type of cooperation would be co-branded "affinity" credit cards launched by charities together with a bank or transaction processing company. The idea is that the bank donates a small proportion of its transaction revenue to the charity as "commission" for the cardholders. This way the charity gains extra revenue, the bank/processor receives additional transaction volume and the customers get moral satisfaction from donating to their favourite cause without actually paying anything. This strategy is very similar to corporate sponsorship, when a company donates to a public cause in exchange for publicity of its brand.

Another example of value endorsement co-branding is cooperation between elite French culinary academy Le Cordon Bleu and a leading French cookware manufacturer. Le Cordon Bleu brought its values of high quality to Integral cookware by Tefal. It is important to carefully choose a partner for this type of strategy, as their core values should be closely linked.

Ingredient co-branding is a truly interesting of co-branding that can be financially very rewarding. The most well known examples of this type of strategy are PCs with Intel inside and Diet Coke with NutraSweet. The idea is that a company with a product known for market-leading qualities supplies that product as an ingredient and the brand of this product is eventually displayed together with the name of the final product. "... the essence of ingredient co-branding is that a manufacturer-provider wishing to convey focused message about the attributes and values of their products uses and promotes branded components whose own brand image reinforces the desired attributes and values. The ingredient provider benefits by assuring sales volumes at the same time as reinforcing the attributes of their product brand while the assembler-manufacturer benefits by confirming the attributes and image of their product while sharing the marketing costs" (Blanckett & Russell, 1999)

The specialists from Interbrand believe that range of potential partners for an ingredient co-branding is usually very small. The ingredient brand must offer precisely the attributes that the manufacturer-assembler wishes to emphasize, and both brands have to be strong prior to the co-branding agreement.

Complementary competence co-branding represents the type of cooperation that has the greatest potential for shared value creation. In this type of agreement, "two powerful and complementary brands combine to produce a product that is more than the sum of the parts and relies on each partner committing a selection of its core skills and competencies to that product on an ongoing basis." (Blanckett & Russell, 1999)

An example of such co-branding is establishment of Esso and Tesco Express 24-hour mini-supermarkets at gas stations in UK. Esso constributes its brand strength as one of the country's top three gas retailers, its good locations and operational expertise in running gas stations. At the same time, Tesco Express brings the expertise and knowledge on consumer behaviour of Tesco supermarket group, as well as distribution infrastructure and operational expertise in running supermarkets. Tesco gets an opportunity to increase customer awareness of Tesco Express minimarkets and an increase in market share, while Esso would increase its sales volume and increased brand loyalty resulting from improved customer service.

There are also other types of cooperation between different companies/brands, namely: joint promotions, sponsorship, joint ventures and alliances.

Interbrand marketers believe that well-implemented co-branding strategy can offer numerous opportunities and benefits to companies ranging from sales boost to access to leading edge technology. However, they also recognize a number of risks and pitfalls, such as loss of exclusivity of brand features, change in consumer preferences and even legal problems.

## Consumer Evaluations of Co-Brands

There have been a number of studies attempting to understand better how consumers react to products featuring two or more brands. Those studies have addressed the issue from different perspectives and based their propositions on various theories from economics and psychology.

## Co-Brands as Signals of Unobservable Quality

One of the basic assumptions in marketing is that one of the key functions of a brand is to convey information on a product's quality and by doings so reduce the buyers' shopping efforts. Reasoning from this, Rao and Ruekert (1994, 1999) investigate the functioning of two simultaneously presented brands.

Any product can be classified as belonging to one of the three categories with respect to visibility of their quality: an experience product, whose quality is unobservable prior to purchase but is observable after purchase; search goods – whose quality is observable prior to a purchase; and credence products, whose quality cannot be verified even after the purchase of a product.

Membership of a product in a given category is determined by the dominance of search, experience, and credence attributes. Search attributes can be validated prior to purchase through direct examination of the available sources (Nelson, 1970, 1974). For instance, product ingredients of Lay's potato chips like carbohydrates are search attributes and they can be accessed by the consumers prior to consumption by simple examination of the package. Experience attributes, on the other hand, can only be verified after usage of the product (Nelson, 1970, 1974). Taste of the chips is an experience attribute. Finally, credence attributes are those that are difficult for consumers to verify even after use of the product because the consumers lack the necessary expertise (Darby& Karni, 1973). An example of credence attribute could be the extent to which the package of Lay's potato chips is biodegradable.

Since consumers are unable to access information on quality of experience and credence goods, sellers of those types of products always have more information than buyers, and this imbalance creates an information asymmetry problem, also called hidden information problem in information economics (Rao & Ruekert, 1994).

When the quality of a product is unobservable and a buyer seeks a high quality product, the seller conveys quality level by various marketing signals. Brand name can serve as a signal of quality, alone with warranties and other types of marketing signals. Brands tell consumers who manufactured the product and whom they can punish should the product fail to meet their expectations. According to the signaling theory of information economics, branded products that falsely claim high quality will lose their investments in brand reputation (brand equity) and also the future profits, and because of such losses, a branded product's claims about unobservable quality will likely be true (Erdam & Swait, 1998). In other words, consumers are likely to perceive a seller's claims about unobservable quality to be true because they realize that false claims will result in negative outcomes for the seller (Tirole, 1988).

In 1999 Rao and Ruekert conducted a study that demonstrated that a brand name's signaling power can emerge from two sources: "(1) dissipative signals, which involve an upfront expenditure in reputation building that will be forfeit should quality turn out to be poor, and (2) nondissipative signals, which do not involve any up-front expenditure but place only future profits at risk" (1999, p.259).

Rao and Ruekert (1994) provide evidence that brand names can be an effective signal of unobservable quality. The authors demonstrate that in co-branding, adding a second brand to the product can result in a signal at least as strong as it was if only one brand name were displayed, if not stronger.

The authors argue next that a co-brand can serve as a quality signal when an individual brand is unable to successfully signal quality by itself. For example, when Nutra Sweet was first introduced to the market, it not only had to build awareness for a new product, but also to overcome the consumers' scepticism of the safety of the product due to previous negative information on other artificial sweeteners (cancer-related risks associated with saccharin and general health-related concerns about cyclamates). The brand alliance with Coca-Cola and Pepsi helped enormously in improving those both aspects thanks to the reputation of the two giant brands serving as a warranty.

In the case of interest in this project, bottled water can be classified as an experience good, since many of its attributes (taste and odour of water, as well as the quality of service for delivered water) can only be verified after the use of the product. Dairy products also belong to this category since all the intrinsic cues (taste, aroma, etc.) are experience attributes, although dairy products also have search attributes (like fat and carbohydrates content displayed on the package). As such, we can conclude that brands are important signals of quality for those products. However, both brands involved are perfectly able to signal quality by themselves; there seems to be no urgent need to form a co-brand for the purpose of signalling quality.

Rao and Ruekert (1994) suggest that there can be two forms of alliances:

(1) A co-brand formed to provide reassurance on the true product quality when the unobservable quality of a product is suspect (i.e. the product is experience product). Nutra Sweet and Coca-Cola example falls into this category. Brand alliances for such products normally occur between a brand needing quality-perception enhancement and a

brand possessing a reputation. The authors believe that, in line with information economics, if the only purpose of an alliance is to provide a quality signal, then brand alliance should not be used if there is no information asymmetry. If consumers can precisely predict the quality of the product, adding another name to the product will not contribute any value.

(2) A co-brand created to convey information about the enhancement of specific attributes in a product, even when quality is observable (i.e., the product is a search product). Brand alliances for such products would be formed between a brand that needs access to particular attributes that cannot be easily manufactures or purchased elsewhere, and a brand that is known for providing those attributes in the products it offers. For example, Sony's alliance with Dolby helped provide the signal of better sound quality in its tape cassette decks.

A co-branding agreement between Group Danone and Canadian Springs Water Company would fall into the first category. It is hoped that the participating brands will improve the image of each other by transferring their reputation for high quality to each other.

Rao and Ruekert note that it is also important to keep in mind that a brand alliance should be considered only if consumers demand it and are willing to pay for the additional benefits it provides. Co-brands formed to signal improved product quality would be beneficial only if there is sufficiently large number of current or potential buyers who are concerned about product quality, so that a quality increase will actually generate significant incremental sales for the jointly branded product. The demand for quality is believed to be driven by two factors: consumers' quality sensitivity and their ability to successfully evaluate quality.

Authors suggest that the buyers' sensitivity to quality is influenced by the following factors:

1. The degree of quality variation in the marketplace – if the quality varies little then buyers are probably used to receiving the existing quality and are satisfied with it. In circumstances like that, companies are unlikely to gain much by forming brand alliances emphasizing high quality since there is no demand for higher quality.

   In case of Canadian Springs, there is likely to be little variation of the quality of two types of water in the market - distilled and purified, since all the manufacturers have access to the same purifying equipment and even if there are differences in, say, purity, most consumers are unable to identify small differences (that is, most likely they will not taste them). The consumers may detect the difference in spring water since different sources indeed have different water, however, most of the water sold by the company is purified water, and even for spring water the ability of consumers to identify differences in taste are questionable. As to dairy products, one may suggest that the quality of products on the market varies due to ability of manufactures to differentiate the products through myriads of flavors, fat content, organic versus normal milk, etc. Packaging also offers an important tool to signal different levels of quality to consumers and can be itself an important dimension of the product (yogurt is small enough to put into a lunch box, milk bottle is convenient to carry, etc).

2. The risk (either financial or non-financial) associated with making a poor choice. The researchers believe that generally, when prices are high and/or consequences of poor performance are significant, risk will be high and consumers will be quality sensitive, and brand alliances signalling high product quality are likely to be very beneficial under such circumstances.
   Both bottled water and dairy products are relatively inexpensive and there is relatively little risk associated with poor performance of the products, provided the products are sold and consumed before the date of expiration.

3. The time lag between purchase and true-quality revelation. If quality can be revealed after only a relatively long time after purchase, the buyers will be more suspicious and will appreciate any form of reassurance of quality; bran alliance being one of them.
   The quality of bottled water and dairy products can be inspected immediately after consumption, therefore from the perspective of the time lag between purchase and quality revelation the need for quality signals like brand alliance is not necessary.

Consumers' ability to evaluate product quality depends on two factors: frequency of experiencing the product and relative newness of the product. The more frequently consumers purchase a product the more opportunities exist to experience the quality of this product. Therefore, products that are purchased infrequently (like durable products) are likely to benefit more from co-branding than frequently purchased products. Also, brand alliances may be beneficial for new product since consumers have little information on them and therefore are less able to evaluate their quality.

Bottled water and yogurts are frequently consumed products, and neither of them is a new type of product, therefore consumers should have no difficulty in evaluating the quality of the product.

### Assimilation and contrast effects

A crucial issue for managers considering co-branding is to understand how associations of one brand are transferred to or influenced by associations of another brand in the alliance. In their research, Levin and Levin (2000) describe a model, methods, and interesting results concerning the transfer of affect from one brand in dual-branding alliance where two restaurants share the same facilities.

Extensive research in cognitive, social and consumer psychology has demonstrated that exposure to prior stimuli can influence subsequent stimuli. There are also a number of theories attempting to stipulate the conditions under which particular forms of context effects are observed – early attempts by Helson's (1964) adaptation level theory, Parducci's (1965) range frequency theory, and social judgment theory (Sherif & Hovland, 1961) and more recent approach by social psychologists investigating personality impression formation.

In the field of personality impression formation it has been demonstrated that information about a person presented with contextual cues influence attention to stimulus cues; encoding, storing and retrieving the cues from memory and their evaluation (Higgins, 1996; Martin & Tesser, 1992; Sedikies & Skowronski, 1991; Stapel & Spears, 1996; Wyer & Srull, 1989). The direction of contextual effects is determined by the function of the primed information, which can serve as either a comparison standard to which the target is contrasted or as an interpretive frame promoting assimilation of context and target evaluations.

Meyers-Levy and Sternthal (1993) built on the works on person perceptions and formed an explanation of assimilation and contrast effects in brand evaluations. They suggested that two factors determine whether assimilation or contrast will occur in consumer evaluations of products: feature overlap and cognitive effort. According to their model, contrast will occur if there is low feature overlap between the two brands (e.g., they come from different product classes) and consumers makes substantial cognitive effort to processing product information. Otherwise, assimilation effect takes place.

Levin and Levin (2000) develop a model of context effects and show the role of brand alliances in evaluating shared and unshared attributes of different brands, and then test the model on dual-branding of two restaurants that share the same facilities.

Previous research has demonstrated that people use their perceptions of interstimulus relationships to infer the values of missing information (Huber & McCann, 1982; Jagacinski, 1994; Johnson, 1988; Johnson & Levin, 1985; Kardes & Sanbonmatsu, 1993; Levin, Chapman, & Johnson, 1988; Levin, Johnson, & Faraone, 1984). Therefore, the researchers' initial expectation is that the strategic linkage of two brands (co-branding) causes the expectancy of similarity of qualities because of strengthened link between the target and the context brand, resulting in assimilation.

Irwin Levin and Aron Levin were interested in testing assimilations of evaluations of two brands depending on the description of the target brand and presentation of the brands in a brand alliance. In order to test the suggested model, the researchers examined a dual-branding arrangement in which one well-known brand is linked to a less-known brand. Assimilation was defined as "when the same target brand is judged more favourably if it follows presentation of a positive context brand than if it follows presentation of a negative context brand. Contrast was defined as when the same target is judged more favourably following the negative context than following the positive context" (p.46).

The researchers found that, indeed, in dual branding where two brands are described by the same set of attributes, the effect of dual branding is to reduce or eliminate contrast effect. Also, when the target brand is less well-described than the context brand, then the effect of dual branding is to increase assimilation effects.

### Information Processing and Evaluations of Co-Branded Products

Hillyer and Tikoo (1995) form a number of propositions on how co-branding influences consumer product evaluations (without providing empirical evidence to those suggestions) based on the process models of attitude formation and change.

The authors suggest that the nature of influence of co-branding on consumer judgments and preferences depends on the extent to which consumers process the information related to the secondary brand. According to the process models of attitude formation and change, like Elaboration Likelihood Model (ELM) suggested by Petty and Cacioppo (1986) and the Heuristic-Systematic Model (HSM) by Chaiken, Liberman , and Eagly (1989), there are two types of processing that consumers can experience: (1) shallower processing (called peripheral route and heuristic-processing respectively) and (2) deeper processing (called central route and systematic-processing respectively). The major factors affecting the depth of processing are believed to be the motivation to process (involvement), the ability to process (brand familiarity, expertise, intelligence), and the opportunity to process (noise, contingence).

Under shallower processing co-branding can influence consumer evaluations in three ways: (1) influence of the inclusion of the co-brand in the consideration set; (2) halo effect of the secondary brand on the primary brand, and (3) facilitate the use of heuristics. We shall proceed with the description of each of those factors.

When the secondary brand is highly accessible and its evaluative attributes are salient, it can act as a retrieval cue for the primary brand and increase accessibility of the primary brand through associative cuing (Alba, Hutchison & Lynch, 1991). It is important to note, though, that this will only happen if there is an established association between the two brands. As a result, there will be a greater likelihood that consumers will consider the primary brand. Previous research has demonstrated the importance of inclusion of a brand in the consideration set, as well as the size of this set (Hauser, 1978); the presence of a brand in the consideration was also found to affect choice without altering brand evaluations (Nedungadi, 1990).

The researchers suggest that the greater accessibility of the secondary brand, the more likely the primary brand will be a member of the consideration set, and that relationship is moderated by the saliency of the dimension associated with the secondary brand and the pre-existing associations between the secondary brand and the primary brand. Further, the researchers suggest that effectiveness of the co-brand will be greater the more accessible the secondary brand is and the more positive the affect associated with the secondary brand is, because the positive associations with the secondary brand will transfer to the primary brand.

According to the Heuristic-Systematic Model, consumers use accessible decision rules (heuristics) for construing information to reduce cognitive effort while providing adequate confidence in their application (Chaiken , Shelly, Liberman & Eagly, 1989). The authors suggest that a highly accessible secondary brand enables consumers to effortlessly retrieve successful decision heuristics associated with the secondary brand and activation of those heuristics make them attractive. In shallow processing, consumers are more likely to rely on heuristics rather than on "heavier" cognitive efforts. The authors suggest that greater accessibility and favorableness of associations of the secondary brand leads to a greater contribution by the secondary brand to the benefits sought by consumer, hence consumers are more likely to use heuristics associated with the secondary brand.

Petty, Rao, & Strathman (1991)believe that with peripheral route processing, the associations of the secondary brand may influence the overall evaluation of the primary brand even when many of those associations have little contribution to the primary brand's performance. The researchers suggest that when the brand associations of the secondary brand are favourable (unfavourable), co-branding will improve (deteriorate) the evaluation of the primary brand on all salient dimensions, including those not associated with the secondary brand.

Co-branding has a different effect on consumers using deeper processing to evaluate brand information. A theoretical framework called the expectancy-value model can be useful in understanding consumer evaluations under deeper processing (Fishbein & Ajzen, 1975). According to this model, consumer evaluations comprise two components: (1) evaluations of salient product attributes and (2) perception of the extent to which a brand possesses those attributes. A consumer's evaluation of a brand depends on (1) how important the consumer thinks the attribute under consideration is, (2) consumers' examination of attributes that were not previously considered, and (3) consumers' beliefs about the extent to which a brand possesses the salient attributes.

There are different factors contributing to the importance that consumers put on an attribute depending on whether they have well formed beliefs about attribute importance. When they have well formed attitudes about attribute importance, salience of the attribute is believed to correspond to their internal needs and motives. On the other hand, when consumers do not have well formed attitudes about attribute importance, salience has been shown to be influenced by factors such as familiarity (Alba & Hutchison, 1987), repetition (Wright & Rip, 1980), increased prominence of stimuli (Gardner, 1983), priming (Herr, 1989), and the presence of the retrieval cues (Keller, 1987).

Therefore, the secondary brand can increase the saliency of the evaluation dimension associated with the secondary brand, especially if it is heavily advertised (repetition, is a market leader (familiarity), and is prominently presented in advertising, sales promotions, packaging, etc. of the primary brand (prominence, retrieval cue, priming) and consumers don't have well formed believes about attribute importance. Specifically, the researchers suggest that the greater the accessibility of the secondary brand, the more effective co-branding will be at increasing the salience of existing evaluative dimensions.

Past research also has demonstrated that highly accessible salient cues may inhibit the recall of less accessible information (Alba& Chattopadhyay, 1986), and that the inhibition effect is moderated by consumer knowledge (Alba et al, 1991). Consumers with substantial knowledge are more resistant to inhibition. Based on abovementioned research evidence, the authors suggest that greater accessibility of the secondary brand, leads to fewer other evaluative attributes consumers will be able to recall, especially if their knowledge is not substantial.

Also, since consumers are biased toward confirming their existing beliefs (Hoch & Deighton, 1989), the secondary brand is likely to be more effective at reinforcing already highly salient evaluative dimensions. Therefore, the researchers suggest that when consumers have well formed beliefs about the attribute importance of the primary brand, the secondary brand will be more effective at increasing the salience of evaluative dimensions that already have high salience and less effective in increasing the salience of dimensions that have low or no salience.

The researchers also suggest that for consumers with well-formed beliefs about attribute importance, co-branding would be a better strategy for introducing a new brand attribute or variant, because consumers are not likely to change their well-formed beliefs.

Another proposal made by the researchers is that under certain conditions, co-branding can harm the primary brand. This may occur when prior to co-branding consumers have similar or more favourable beliefs of performance of a salient attribute for the primary brand compared to the secondary brand. Brand loyal customers' perception of the primary brand may deteriorate, especially if the original, non-cobranded product is not available. On the other hand, if the secondary brand brings new evaluative dimension and does not replace the existing beliefs, there will be no negative reaction towards co-branding from consumers.

## Spillover Effects of Co-Branding on Consumer Brand Attitudes

Simonin and Ruth (1998) utilize information integration theory and attitude accessibility to provide a theoretical foundation for understanding consumers' consideration of a co-brand. Information integration theory offers a description of the process in which stimuli are combined to form beliefs or attitudes (Anderson, 1981). According to information integration theory, people form attitudes and beliefs by receiving, processing, evaluating and combining stimulus information with already existing attitudes and beliefs. People also access more salient brand attitudes faster and easier than less salient attributes once they are exposed to a cue associated with this brand (Fazio, 1986, 1989) and they also bias the information they receive towards the direction of these attitudes (Fazio & Williams, 1986; Houston & Fazio, 1989).

In a brand alliance, the participating brands are presented in the context of each other therefore the researchers suggest that judgments about the alliance are influenced by prior attitudes toward each brand and subsequent judgments about each brand are likely to be affected by the context of the other brand.

The researchers propose that there are several factors influencing consumers' attitudes towards a co-brand, namely pre-existing attitudes toward the participating brands, perceived fit of the products, and perceived fit of the brands. It is important to note that the researchers stipulate that the perceived fit required for a successful brand alliance is different from that believed to be required for a successful brand extension (as postulated by Aaker and Keller, 1990) in that transferability of skills in producing the original and extension product is not required in the extension because those skills can be provided by the partner. In co-brands, only the perceived fit of product classes is required.

There has been some real-world evidence of the influence of the perception towards a brand alliance on the participating brands. For example, when Intel suffered problems with its Pentium microprocessor, Intel's brand partners like Dell and Gateway were concern about the negative spillover on their brands (Fisher, 1994).

Simonin and Ruth (1998) tested their hypotheses using hypothetical co-brands between automobile companies and microprocessor brands (they used real brand names). The researchers found that more favourable (unfavourable) attitudes towards the co-brands result in more positive (negative) perceptions of the participating brands; that is there is a significant spillover effect of the alliance on the brands.

Moreover, their study demonstrated that the more favourable perceptions of the participating brands, the more favourable perception towards the co-brand will be. The researchers also found that, as hypothesized, product and brand fit is positively related to attitudes toward the co-brand. That is, brand alliances with higher perceived brand and product fit received more positive evaluations than co-brands with poor brand and product fit. The researchers conclude that it is possible to co-brand successfully with a brand that has less favourable brand attitudes but offers a good fit in terms of products or brands.

The researchers found that brand familiarity plays a key role in understanding attitudes towards co-brands and the spillover effects. As hypothesized, brands that are more familiar make greater contributions to evaluations of co-brands than less-known brands. Moreover, the researchers discovered that not only does familiarity influence relative contribution of the participating brands on the co-brand, but it also mediates the relative magnitude of the spillover effect across partners. When both brands are highly familiar, they experience equal spillover effect. On the other hand, in a co-brand where one brand is familiar and the other one is not, the co-brand engenders a greater spillover effect on a less familiar brand.

Park, Jun and Shoker (1996) also studied consumers' evaluations of co-brands and the spillover effect they have on the participating brands; however, they focused on product attributes rather than general attitudes towards the participating brands and a co-brand. The researchers used a hypothetical co-branded product – chocolate cake mix by Slim fast and Godiva in an experimental setting. Those two brands are combined to create a new product in a product category in which neither brand has been present yet, a situation the authors call composite brand extension.

The researches initially assumed that the participating brands, having very different positioning and associations will help each other to improve the "weak associations", which will be strengthened thanks to the presence of the partner brand.

A brand is believed to be understood by the consumers in terms of a set of associations (brand image) each at a particular performance level; however, when two brands are combined the consumer forms some sort of a composite concept. The researchers rely on a concept specialization model (Cohen & Murphy, 1984) in formulating their suggestions on how consumers develop this composite model. According to this model, the relationship between two independent concepts (in this case – two different brand names) can be described in terms of modifying concept and modified concept. In the case of the hypothetical product used in the study - Slim-Fast chocolate cake mix by Godiva - Slim-Fast brand name is the header and Godiva is the modifier.

The researchers believed that the brand they would use in the study should come from relatively similar product categories and should be complementary in their attributes salience and performance levels. They defined complementarity as a condition when "(1) two brands have a common set of relevant (but not necessarily salient) attributes, (2) two brands differ in attribute salience such that attributes salient for one brand are not salient for the other, and (3) the brand for which the attribute is salient has a higher performance rating on that attribute than the brand for which the attribute is not salient" (1996, p. 455).

Previous research on the nature and categorization of concepts demonstrates that every concept has a set of core attributes that form its definition and are most salient and important in understanding of this concept (Eysenck & Keanne, 1990; Miller & Johnson-Laird, 1976). It is possible therefore to conclude that core attributes of a concept (in the case of co-branding – a brand name) are resistant to change and at the same time are able to change the meaning of other concepts that it is combined with. Based on this conclusion Park and colleagues (1996) suggest that attributes that are salient and are perceived to perform well for at least one of the brands, they will become salient and perceived to perform well for the co-branded product, and the results of the study provided supported this suggestion. For example, the low-fat attribute, which was salient for Slim-Fast but not for Godiva brand, became highly salient for the composite branded product.

Also, a brand has been found to have different influence on the co-branded product depending on whether it is a header or a modifier. A header is more dominant in forming perception of the co-brand than a modifier. For example, the low-calorie attribute was found to be a better performing attribute of Slim-Fast by Godiva cakemix than of Godiva by Slim-Fast one.

The researchers also tested whether the composite brand extension was a more effective strategy than normal extension of the two brands into the category. They found that the composite brand extension provided advantage for the medium-quality brand (Slim-Fast), but had no significant impact on the perceptions of the high-quality brand (Godiva). That is, Slim-Fast by Godiva cakemix had higher ratings than Slim-Fast cakemix, while Godiva by Slim-Fast and Godiva cakemixes had similar high ratings (the small difference was not statistically significant).

The researchers also found that the composite brand extension had a positive feedback effect for one brand (Slim-Fast) when it was used as a header brand, while the perceptions of the modifier brand (Godiva) were not affected. However, the composite brand extension had no impact on evaluations of either Godiva or Slim-Fast when Godiva was used as a header and Slim-Fast – as a modifier.

## Co-Branding and Customer-Based Brand Equity

Brand equity has been one of the most studied topics in marketing; however, virtually all those studies have considered single brands. Washburn, Till, and Priluk (2004) felt that it was important to address this issue with respect to co-brands; they examined the role that customer-based brand equity plays in consumers' perceptions towards brands in co-brands as well as the impact of consumers' perceptions towards co-brands on evaluations of search, experience, and credence product attributes. The researchers used the definition of customer-based brand equity given by Keller (2003) as "...the differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand is said to have positive customer-based brand equity when consumers react more favourably to a product and the way it is marketed when the brand is identified that when it is not" (Keller, 2003, p.60).

The results of their study showed that the mere act of pairing resulted in more positive evaluations of participating brands. Moreover, they found that the act of pairing brands also positively affects consumers' perceptions of the brand alliance. Washburn and colleagues (2004) found that brand alliances enhance experience and credence attributes, but have no effect on search attributes. They concluded that brand alliances can provide buyers information that improves a product's attribute perception when their performance is not readily observable.

Washburn and colleagues (2004) also examined the influence of trial of jointly branded product on consumer evaluations of the three types of attributes. They found that, as was predicted, only evaluations of experience attributes were improved after the trial; evaluations of search and credence attributes were not affected by the trial.

Washburn and colleagues (2004) also found that, apparently, consumers are able to distinguish between the branding partners and identify which partner is primarily responsible for product's performance. "This finding is particularly relevant when the branding partner clearly enhances the product's performance on an important attribute".

## Ingredient Branding

Ingredient branding is an interesting and potentially very financially rewarding type of co-branding (Blanckett & Russell, 1999).

McCarthy and Norris (1999) conducted two experiments testing the effect of adding (co-branding) high-quality ingredient on quality perceptions, intentions to purchase and taste perceptions of high- and medium-quality host brands.

The results of the study demonstrate that ingredient brand can significantly improve quality perceptions of medium-quality host brands, but seem to have little effect on evaluations on perceptions of high-quality brands. The study has valuable managerial implications: medium-quality brand managers should consider ingredient branding as a powerful strategic tool to improve their positions in the market, while high-quality brand managers can use ingredient branding in order to block medium-quality brands from using the high-quality ingredient brand, especially if there are few brands that dominate the market.

## Combining More Than Two Brands

Fang and Mishra (2002) studied alliances between more than two brands, the so-called brand alliance portfolios. The researcher examined how the quality levels and heterogeneity (meaning variance in product categories) of established brands impact the perceived quality of an unknown brand in the alliance. Specifically, they were interested in inspecting (1) whether an unknown brand should form a co-brand with multiple established brands in the same product category (e.g. a new airline with hotel brands: Ritz Carlton, Hilton, and Holiday Inn) or in different product categories (e.g. a new airline with Hilton Hotels, Hertz Rental Car, and Delta Airlines), and (2) the quality level at which each established brand in the alliance should be.

Fang and Mishra found that when an unknown brand partners with high quality brands (forms a high-end alliance) the perceived quality of the unknown brand is higher than in cases when it partners with high and low quality partners (forms a mixed alliance). Interestingly, the positive effect from partnering with high quality brands will be greater if those brands come from different product categories.

They also found that when an unknown brand forms alliances with several low quality brands (low-end alliance), heterogeneity will have a positive effect on the quality perception of the unknown brand. However, in the case of a mixed alliance heterogeneity will have no effect on perceived quality of the unknown brand or even negative effect.

## Do Consumers Experience Co-Branded Products?

Although there have been a number of studies on co-branding, most of them have serious limitations and because of that their results should be interpreted with caution (Bengtsson, 2000). First, virtually all the previous studies used experimental designs to measure consumer perception of different co-brands. Experimental design is known to be somewhat problematic when it comes to measuring brand meanings, since the research setting does not and cannot possibly take the everyday life context of the consumer into consideration (Brown 1995, p.83). Furthermore, fictitious co-branded products are used as stimuli, such as a hypothetical co-operation between Slim Fast and Godiva, which also makes the setting of the studies rather unreal and removed from everyday consumption. Furthermore, prior research does not, with the exception of Washburn et al. (2000), consider the actual consumption of the product as an important factor influencing the evaluation of a co-braded product.

Bengtsson (2000) conducted a qualitative study to investigate consumers' experience with co-branded products. The researcher conducted a number of phenomenological interviews with a number of grocery shoppers on their general shopping and cooking habits, without revealing the focus on co-branded products.

The study revealed a wide range of experiences with co-branded products from being very rich to virtually nonexistent. While some respondents recognized the presence of two brand on the package, others noticed only one brand or didn't remember either brand but rather recognized the color of the package, claims on the product attributes (like "super moist" for Betty Crocker brownies) and other similar marketing signals.

Even when consumers noticed the presence of two brands on the package, their understanding of the reason for formation of the co-brand and evaluations varied significantly. Some consumers saw a co-brand as creating a "joint" meaning, which was often a reflection of a meaning ascribed to the participating brands but sometimes the meaning was new as a result of combination of the brands. In other instances, the meanings were derived from only one participating brand. Meanings that consumers ascribe to products very much depend on their knowledge and previous experience with the brands.

The study by Bengtsson (2002) shows that it is far from clear whether consumers recognize combinations of brands in an alliance at all. While it is obvious for a brand manager when a product is co-branded, it appears to be less obvious to consumers.

# GROUP DANONE'S BRANDING STRATEGY

Danone has been following a mixed branding strategy up to this point. While the company uses Danone brand name on all its dairy products (except for the US where its under Dannon name), which makes it a house brand name, its biscuits carried other brand names, many of whom were retained acquired brands. For example, Group Danone gained a leading position in Eastern European market with its Bolshevik and Opavia brands, which are well-known brands with many years of history. Therefore, in its biscuits sector Group Danone seem to employ individual branding strategy. As for the bottled water sector, the company uses mixed branding; it has retained most of the brands it acquired (Evian, Volvic, etc) but endorsed Spa.rkling Springs brand and also sells water with Danone name

This approach looks logical from the point of view of the reviewed literature. Although the company has a relatively compact brand portfolio (it focuses on three categories, all in the food industry) and aims to emphasize corporate values, which is good basis for corporate identity strategy, it was not until 1997 that the company has been operating this way (see Appendix 1 for the company's background and description of brands). Prior to 1997, the company had a large and diversified portfolio, and even the name of the company was different prior 1994. It is logical, therefore, that the company did not endorse its individual brands with the corporate name until this point

# METHODOLOGY

Group Danone is primarily interested in determining whether addition of a Danone brand name increases the likelihood of purchase of the product and if it does, whether the consumer is prepared to pay a price premium for the preferred brand (co-brand). In particular, Danone is interested in the home delivery bottled water category, where it has recently purchased a leading regional brand, Canadian Springs. Conjoint analysis will be used as the method to examine this issue.

Conjoint analysis was first introduced in 1971 by Green and Rao and has become a widely used marketing research technique since than (Gustafsson, Hermann & Huber; 2003). For instance, in 1989 Wittink and Cattin found that 66 US companies had conducted as many as 1062 conjoint studies between 1981 and 1985. As to Europe, Wittink, Vriens and Burhenne (1994) determined that in the period from 1986 to 1991 a total of 956 conjoint projects were conducted by 59 companies.

Conjoint analysis is a decompositional technique, in which respondents evaluate a set of "total" profile descriptions, which are then decomposed into the values of specific attributes. The advantage of this method is its ability to create conditions similar to real world decision-making conditions, when people evaluate whole products instead of separate attributes/benefits of those products. Moreover, conjoint analysis is especially useful when determining potential price premium that consumers are willing to pay for certain feature like a brand in a quantitative manner. All these factors make conjoint analysis an appropriate technique for the current study.

The first step in designing a conjoint study is determining the relevant attributes and their levels. I used four attributes and three levels for each attribute:

- B1 = Individual Brand
  - B11 = Canadian Springs
  - B12 = Culligan
  - B13 = none

- B2 = Corporate Brand
    - B21 = Danone
    - B22 = Nestle
    - B23 = none
- P = Price
    - P1 = $9.50
    - P2 = $8.25
    - P3 = $7.00
- M = Method of Payment
    - M1 = Pre-authorized chequing debit
    - M2 = Pre-authorized credit card
    - M3 = Invoice

The chosen attributes correspond to real alternatives that are either present in the bottled water market in British Columbia or are likely to appear. Culligan is Canadian Springs' main competitor in British Columbia and Nestle is a major competing global brand. The price range and methods of payment resemble those in the bottled water market in British Columbia. The lowest price per 5-gallon bottle of water is $7 and the highest is $9.40. Canadian Springs charges higher price when issuing invoices while the price for pre-authorized payment is lower and is the same for chequing, debit account and charging on credit card. Culligan does not discriminate price on the basis of method of payment.

A fractional factorial design was used to create the 27 profiles to be evaluated by respondents. The profiles were presented with brand names and their respective logos, price and method of payment. The subjects rated them on a scale of ten indicating their intention to order the described product from "definitely would not order" to "definitely would order". Since the number of alternatives was rather large and evaluation of all of them could result in respondent fatigue and hence increase error, the 27 alternatives were divided into two groups with one alternative overlapping, so that each respondent had to evaluate only 14 profiles.

Besides using the conjoint experiment to measure consumers' evaluation of alternative brand naming strategies, I also measured awareness of the brands used in the study and associations of three brands of particular interest – Danone, Danone Waters of Canada and Canadian Springs Water Company. Awareness, specifically brand recognition, was measured by asking the respondents to check all the brands that they are aware of as providers of bottled water.

The following brands were included in the questionnaire: Danone Waters of Canada, Canadian Springs Water Company, Danone, AquaClear, Culligan and Nestle. AquaClear is a non-existent brand that was included for the purpose of correction for guessing.

Brand associations, product-related and non-product related attributes and benefits, were measured on a Likert scale of 7 from "strongly disagree" to "strongly agree", with 4 as the neutral point. The associations were chosen on the basis of importance to the consumers when choosing a brand of bottled water and their relevance to both bottled water and dairy categories. The relevance of the attributes and benefits was determined on the basis of the previous studies conducted by the company. Specifically, the following attributes and benefits were measured: value for money, benefits for health, cleanliness/safety and availability.

## Questionnaire, subjects and procedure

The questionnaire was comprised of two parts. The first part consisted of a conjoint experiment. The respondents were asked to imagine a situation when they are considering purchasing a 5-gallon bottled water delivered to their homes.

They were presented with products under different brand names, different prices and methods of payment and were asked to indicate their likelihood of purchasing those products on a scale of 10 from "definitely would not order" to "definitely would order". The alternatives consisted of different brands (none, one or two brands), price per 5-gallon bottle and method by which the payment is made. The second part was followed by the question on awareness and than scales measuring brand associations.

Two groups of subjects were used in the study. One group consisted of families with children who use daycares in Vancouver and Lower Mainland. Administrators of 6 daycares agreed to participate in the study and the surveys were distributed by the administration to parents. As an incentive, gift certificates from Toys R'Us were given to each daycare, of the value varying from $50 to $100 depending on the number of families being served by a given daycare. The respondents were asked to return the questionnaires in three working days. Out of 568 surveys distributed 71 were returned, making the response rate 12 per cent. Out of those returned surveys eight had to be excluded because the respondents omitted the conjoint study. Therefore, 63 usable surveys were obtained by this method.

The second group consisted of people shopping in malls. Three malls were selected in Vancouver; the subjects were approached and asked to fill out a questionnaire and were offered

$2 for their efforts. 191 surveys were obtained from this group; 6 of them were excluded because the respondents either skipped many questions or checked in more than one option for certain questions. The total sample size from both groups was 248.

# RESULTS

## Conjoint Analysis

The data for conjoint study was coded using a typical method of dummy coding for the independent variables (product attributes) the first level of attributes coded as 1 and second and third levels coded as 0. The following mathematical formula was used to perform the regression analysis on the main effects:

$$Y= \beta 0 + \beta\ 1X1(B11) + \beta 2\ X2(B12) + \beta 3X3(B21) + \beta 4X4(B22) + \beta 5X5(P1) + \beta 6X6(P2) + \beta 7X7(M1) + \beta\ 8X8(M2) + \text{Constant} + \text{error}$$

### Testing Main Effects

**Table 3: Regression model summary, main effects**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .387(a) | .150 | .148 | 2.608 |

a Predictors: (Constant), M2, P1, B21, B11, P2, B22, M1, B12

**ANOVA(b)**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 4639.528 | 8 | 579.941 | 85.274 | .000(a) |
| | Residual | 26340.041 | 3873 | 6.801 | | |
| | Total | 30979.569 | 3881 | | | |

a Predictors: (Constant), M2, P1, B21, B11, P2, B22, M1, B12
b Dependent Variable: rating

R Square value in Table 3 indicate the goodness of fit between the model and the obtained data. The R Square represents a value between 0.0 and 1.0 with higher number indicating better fit of the model to the actual data. R Square indicates the proportion of the total variation in the Y scores that can be accounted by the regression line (Herzon & Hooper, 1976).

The value R Square for the data in this study equals .15, which means that 15 per cent of the variation in the ratings of intention to order the product can be accounted by the brands, price and method of payment. The significance of the model is identified by the ANOVA test. In this case, the P value is .00, which is less than .05 and therefore it is significant.

**Table 4: Regression coefficients and significance for testing main effects**

**Coefficients (a)**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4.355 | .131 | | 33.350 | .000 |
| | B11 | 1.477 | .115 | .259 | 12.835 | .000 |
| | B12 | .276 | .119 | .047 | 2.327 | .020 |
| | B21 | .236 | .114 | .034 | 2.066 | .039 |
| | B22 | .158 | .096 | .027 | 1.633 | .103 |
| | P1 | -1.981 | .097 | -.327 | -20.370 | .000 |
| | P2 | -.778 | .079 | -.159 | -9.798 | .000 |
| | M1 | .152 | .102 | .025 | 1.488 | .137 |
| | M2 | -.301 | .102 | -.050 | -2.937 | .003 |

a Dependent Variable: rating

Significance or P value shows the probability that the measure of association is different from zero due to chance. Only coefficients with p value of less than .05 are statistically significant. In this table we can see that the significance values of variables B11 (Canadian Springs brand), B12 (Culligan brand), B21 (Danone brand), P1 (price $9.50), P2 (price $8.25) and M2 (payment by credit card) are less than .05 and therefore are statistically significant.

The Unstandardized Coefficients are the coefficients of the estimated regression model. In this case, the estimated model is ratings on the intention to order bottled water = 4.355 - 1.477 B11 + .276 B12 + .236 B21 + .158 B22 – 1.981 P1 - .778 P2 + .152 M1 - .301 M2. This means that on average the respondents gave an unbranded product sold at $7.50 paid by invoice a rating of 4.355 on a 10-pont scale. When Canadian Springs brand was added to the profile, the rating went up by 1.477 points; when the product was under Culligan brand, the rating increased by .276 points; Danone brand increased the rating by .236; Nestle brand increased the rating by .158. The price of $9.50 decreased the rating by 1.981 points, the price of $8.25 decreased the rating by .778 points, payment by chequing debit increased the rating by .152 and payment by credit card decreased the rating by .301. The impact of each attribute on the rating are further depicted in Figures 1-4 in Appendix 2.

Standardized Beta coefficients provide the same information as Unstandardized Beta values but expressed in standard deviations. We can see from Beta and Standardized Beta values in the table that there are two variables that have the greatest absolute values and therefore make the greatest impact on the respondents' rating of likelihood of ordering a product: B1 (Canadian Springs brand) and P1 (price of $9.50). Canadian Springs has the greatest positive impact on respondents' willingness to order the product. On the other hand, the highest level of price had the biggest negative impact on the ratings.

Culligan brand adds some value to the product, but a lot less than Canadian Springs does. Danone brand adds even less value than Culligan, but more than Nestle, which is not statistically significant.

Not surprisingly, higher price makes the respondents less willing to order the product. The interesting finding here is that as the price rises from $7.50 to $8.25, the rating does not fall as much as when the price rises from $8.25 to $9.50. Therefore, we can say that the respondents become more sensitive to price once it exceeds $8.25.

The results also suggest that the respondents are slightly less willing to pay by invoice or by preauthorized payment chequing debit than by credit card. However, the Beta value is small and therefore the difference in preference is very limited.

## Testing Interaction Effects

### Co-Branding Effects

This paper is primarily concern with the effect of co-branding between Canadian Springs Water Company and Danone brands on consumers' intention to purchase the product. Therefore, it was necessary to perform a separate regression analysis addressing this issue. Besides testing the effect of joining the abovementioned two brands, I also tested a co-brand between Canadian Springs Water Company and Nestle. Although such a co-brand is very unlikely to appear in real world, it is interesting to compare the impact of two different combinations of brands on ratings and identify the more effective co-brand and to test whether any interaction is just the effect of having two brand names or whether the second brand name itself provides perceived benefits.

**Table 5: Regression model summary for co-branding effects**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .393(a) | .154 | .152 | 2.602 |

a Predictors: (Constant), B11*B22, M2, P1, B11*B21, P2, B12, M1, B22, B21, B11

**ANOVA(b)**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 4776.831 | 10 | 477.683 | 70.569 | .000(a) |
| | Residual | 26202.737 | 3871 | 6.769 | | |
| | Total | 30979.569 | 3881 | | | |

a Predictors: (Constant), B11*B22, M2, P1, B11*B21, P2, B12, M1, B22, B21, B11
b Dependent Variable: rating

The R Square in the model summary table shows that 15 percent of the variation is explained by the model. The ANOVA table shows that the model is statistically significant.

**Table 6: Regression coefficients and significance for co-branding effects**

**Coefficients(a)**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4.209 | .137 | | 30.777 | .000 |
| | B11 | 1.845 | .144 | .323 | 12.852 | .000 |
| | B12 | .162 | .123 | .028 | 1.317 | .188 |
| | B21 | .748 | .168 | .109 | 4.456 | .000 |
| | B22 | .449 | .123 | .076 | 3.653 | .000 |
| | P1 | -1.981 | .097 | -.327 | -20.410 | .000 |
| | P2 | -.790 | .079 | -.161 | -9.973 | .000 |
| | M1 | .154 | .102 | .025 | 1.503 | .133 |
| | M2 | -.302 | .102 | -.050 | -2.949 | .003 |
| | B11*B21 | -.973 | .229 | -.108 | -4.247 | .000 |
| | B11*B22 | -.690 | .199 | -.076 | -3.465 | .001 |

a Dependent Variable: rating

The P values in Table 6 show that both coefficients are statistically significant. The interaction tested here are (1) the combined effect of Canadian Springs and Danone brands compared to the effect of either one on the rating and (2) the joint Canadian Springs and Nestle brands used alone on rating.

The unstandardized Beta coefficient for interaction B11*B21 is -.973. The total effect of the cobrand can be calculated as sum of the main effects of the two brands and the interaction effect; that is 1.845 + .748 - .973 = 1.620. This result indicates that the total effect of the joint brand is:

- smaller than the effect of Canadian Springs used alone,
- greater than the effect of Danone used alone.

The negative interaction of the interaction effect indicates that instead of adding up the values of the two brands the respondents discounted the value of the weaker brand (Danone).

The unstandardized Beta coefficient for interaction B11*B22 is -.690. The total effect of the co-brand Canadian Springs by Nestle is calculated in the same way as that for Canadian Springs by Danone, it is 1.845 + .449 -.690 = 1.604. As in the previously described case, the total effect is:

- less than the effect of Canadian Springs used alone, but
- greater than the effect of Nestle used alone.

We can see that, just like in the case of Canadian Springs by Danone, instead of adding value, Nestle diminishes the value of Canadian Springs when two brands are presented simultaneously.

The total values of interaction co-branding effects are presented in Table 7:

**Table 7: Total effects of brands' interactions**

| Second Brand | First Brand | |
|---|---|---|
| | Canadian Springs | none |
| none | 1.845 | N/A |
| Danone | 1.620 | 0.748 |
| Nestle | 1.604 | 0.449 |

The effect of co-branding on respondents' purchase intention is shown in Figure 5 in Appendix 2. We can clear see from that graph, that, with other things equal, co-branding Canadian Springs with either Danone or Nestle has a negative effect on consumers' intention to purchase the product. In other words, Danone and Nestle brands subtract value from Canadian Springs brand but Canadian Springs enhances both Danone and Nestle.

### Willingness to Pay a Price Premium

Another important issue for investigation was the willingness of the respondents to pay a price premium for the preferred brand. A separate regression analysis was performed to conduct such investigation. Specifically, I tested the relationship between Canadian Springs brand at 2 price levels ($9.50 and $8.25) and the ratings, and that between Danone brand at the same price levels and the ratings.

**Table 8: Regression model summary for brand*price interactions**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .419(a) | .175 | .173 | 2.570 |

a Predictors: (Constant), B21*P2, B11, M1, P1, B22, M2, B21*P1, B11*P2, B12, B21, B11*P1, P2

**ANOVA(b)**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 5434.584 | 12 | 452.882 | 68.593 | .000(a) |
| | Residual | 25544.985 | 3869 | 6.602 | | |
| | Total | 30979.569 | 3881 | | | |

a Predictors: (Constant), B21*P2, B11, M1, P1, B22, M2, B21*P1, B11*P2, B12, B21, B11*P1, P2
b Dependent Variable: rating

The model summary table shows that more than 17 percent of the variation in the ratings are explained by the model. The ANOVA table shows that the model is statistically significant.

**Table 9: Regression coefficients and significance for brand*price interactions**

**Coefficients(a)**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4.145 | .145 | | 28.656 | .000 |
| | B11 | 2.379 | .161 | .416 | 14.765 | .000 |
| | B12 | .273 | .117 | .046 | 2.326 | .020 |
| | B21 | -.147 | .158 | -.021 | -.931 | .352 |
| | B22 | .175 | .095 | .030 | 1.841 | .066 |
| | P1 | -1.928 | .145 | -.318 | -13.318 | .000 |
| | P2 | -.667 | .136 | -.136 | -4.899 | .000 |
| | M1 | .313 | .106 | .052 | 2.936 | .003 |
| | M2 | -.019 | .104 | -.003 | -.178 | .859 |
| | B11*P1 | -.956 | .208 | -.118 | -4.595 | .000 |
| | B11*P2 | -1.693 | .192 | -.210 | -8.817 | .000 |
| | B21*P1 | .353 | .236 | .032 | 1.499 | .134 |
| | B21*P2 | .630 | .166 | .094 | 3.799 | .000 |

a Dependent Variable: rating

The Significance column in Table 9 indicates that coefficient for the variables B11*P1 (Canadian Springs at $9.50), B11*P2 (Canadian Springs at $8.25), B21*P2 (Danone at $8.25) are statistically significant.

Using values from this table we can calculate the total effect for Canadian Springs and Danone brands interaction with different levels of price. The calculations will be the following:

Total Effect of Canadian Springs at $ 7.00 per bottle = B11 + 0 = 2.379

Total Effect of Canadian Springs at $ 8.25 per bottle = B11 + P2 + B11*P2 = 2.379 – .667 – 1.693 = .019

Total Effect of Canadian Springs at $ 8.25 per bottle = B11 + P1 + B11*P1 = 2.379 – 1.928 - .956 = -.505

Total Effect of Danone at $ 7.00 per bottle = B21 + 0 = -.147

Total Effect of Danone at $ 8.25 per bottle = B21 + P2 + B21*P2 = -.147 - .667 + .630 = -.184

Total Effect of Danone at $ 9.50 per bottle = B21 + P1 + B21*P1 = -.147 – 1.928 + .353 = -1.722.

The calculated values are presented in Table 10 and also in graphical form in Figures 6 and 7 (Appendix 2).

**Table 10: Total effects of brand*price interactions**

| Price | Total Effects | |
|---|---|---|
| | Canadian Springs | Danone |
| $7.00 | 2.379 | -0.147 |
| $8.25 | 0.019 | -0.184 |
| $9.50 | -0.505 | -1.722 |

The results in Table 10 and the graphs show that respondents' purchase intenstion decreases dramatically once the price rises from $7.00 to $8.25 and continues to decrease when the price rises from $8.25 to $9.50, although at a slower rate. This indicates that although consumers much prefer Canadian Springs brand, they are still price sensitive. The results for Danone brand different; although the respondents were also less willing to purchase the product under Danone brand when the price rose, their sensitivity to price was greater for $8.25 to $9.50 increase than for $7.00 to $8.25. In fact, the difference between purchase intention for Danone at $7.00 and $8.25 was rather small.

## Brand Equity Measurements

### Brand Awareness

The frequencies and percentage on awareness of the brands used in the study is presented in the Table 11.

**Table 11: Brand awareness**

| Awareness Indicators | Danone Wat. of Canada | Canadian Springs | Danone | AquaClear | Culligan | Nestle |
|---|---|---|---|---|---|---|
| Number of respondents aware of the brand | 88 | 209 | 98 | 70 | 70 | 138 |
| Total number of respondents | 248 | 248 | 248 | 248 | 248 | 248 |
| Percentage of respondents aware of the brand | 35.5% | 84.3% | 39.5% | 27.8% | 28.2% | 55.6% |

Consistent with previous studies by the company, Canadian Springs Water Company brand enjoys the highest awareness level among other major brands in delivered bottled water category; over 84 per cent of the respondents said that they are aware of this brand as a provider of bottled water. The next most known brand is Nestle with over 55 per cent of awareness, followed by Danone (40 per cent), Danone Waters of Canada (35 per cent), Culligan (28 per cent) and AquaClear (28 percent).

The last result is rather interesting; 28 per cent of the respondents said they are aware of the brand that in fact does not exist. In fact, this non-existent brand enjoys the same awareness level as the main competitor of Canadian Springs Water Company in British Columbia – Culligan. This probably occurred due to the fact that brand name AquaClear is highly related to the product category and therefore the respondents assumed that such company should exist in the market. This finding indicates that the results on awareness should be interpreted with caution as they may not represent the actual awareness among consumers; it is possible that the respondents used the same "assuming" or "guessing" method for other brands used in the study.

## Brand Associations

*Favorability and Strength of Brand Associations.*

Table 12 shows means and standard deviations for brand associations and respondents' confidence in evaluating those associations with respect to three brands: Danone, Danone Waters of Canada and Canadian Springs.

**Table 12: Favourability and strength of brand associations**

| Brand Asso-ciations | **Perceptions** | | | | | | **Confidence** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Danone | | Danone Wat. of Canada | | Canadian Springs | | Danone | | Danone Wat. of Canada | | Canadian Springs | |
| | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. |
| Value for money | **4.21** | 2.084 | **4.16** | 1.127 | **4.81** | 1.280 | **2.99** | 1.071 | **2.57** | 2.011 | **4.23** | 1.933 |
| Quality | **4.21** | 2.100 | **4.16** | 1.230 | **5.04** | 1.283 | **2.73** | 1.277 | **2.61** | 2.146 | **4.44** | 2.185 |
| Good for health | **4.21** | 2.026 | **4.04** | 1.083 | **4.96** | 1.379 | **2.69** | 1.139 | **2.56** | 1.993 | **4.43** | 1.966 |
| Trust | **4.12** | 2.056 | **4.00** | 0.854 | **5.08** | 1.265 | **2.77** | 1.038 | **2.61** | 2.146 | **4.67** | 1.918 |

| Brand Asso-ciations | Perceptions | | | | | | Confidence | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Danone | | Danone Wat. of Canada | | Canadian Springs | | Danone | | Danone Wat. of Canada | | Canadian Springs | |
| | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. | **mean** | std. dev. |
| Pure/ clear | **4.32** | 2.079 | **4.00** | 1.138 | **4.87** | 1.277 | **3.04** | 0.973 | **2.52** | 1.973 | **4.17** | 2.185 |
| Availa-bility | **4.65** | 2.121 | **4.28** | 1.156 | **5.37** | 1.240 | **2.84** | 1.235 | **2.53** | 2.110 | **4.79** | 2.109 |

The first observation is that in general, the ratings on confidence are lower than ratings on brand perceptions. The means for brand confidence range from 2.52 to 4.79 with means of 11 variables (out of 18) below 3.0. At the same time, the means of brand associations range from 4.00 to 5.37 with three variables with means above 5.0.

Secondly, we can see that ratings for both associations and confidence are different for the three brands. Canadian Springs got the highest ratings on every dimension and for respondents' confidence in rating those dimensions. Therefore, we can say that consumers consider Canadian Springs to be the best (of those three) in every important aspect and they are more confident in their perceptions than the other two brands. Taking into consideration the fact that Canadian Springs has the highest brand awareness, we can claim that Canadian Springs has the greatest brand equity among the described three brands.

Danone Waters of Canada received the lowest ratings on each association and on also on confidence in rating those associations. In addition, standard deviations on both dimensions are the smallest, which indicates that the was little discrepancy in the respondents' ratings. Measurements of brand awareness also showed that Danone Waters of Canada has the lowest awareness level among the three brands. Therefore, we can conclude that the brand equity of Danone Waters of Canada is the smallest of all three brands.

Ratings of brand perceptions and confidence for Danone are slightly higher than for Danone Waters of Canada, but considerably lower than those for Canadian Springs. Interestingly, standard deviations on brand associations are substantively greater than those for two other brands, revealing substantive discrepancy in the responses. Brand awareness for Danone is also higher than for Danone Waters of Canada, but a lot smaller than for Canadian Springs. We can say that the brand equity of Danone is smaller than that of Canadian Springs but somewhat bigger than the brand equity of Danone Waters of Canada.

### *Comparing Danone, Danone Waters of Canada and Canadian Springs Company on Factors*

In the previous sections I compared the brands on all six dimensions. I further conducted a factor analysis in order to reduce the number of attributes to fewer factors and then compared the brands on those factors.

The factor analysis showed that for each brand only two factors explained most of the variation in the variables. Out of six variables five (value for money, health benefits, quality, trust and clean/safe) loaded heavily on the fist factor and the other one (availability) – on the second factor. I than created a new variable for each brand that was the mean of the five attributes that loaded on the first factor, which I called "Brand Value". Table 13 displays means and standard deviations for the new variables and availability.

**Table 13: Factors for Danone, Danone Waters of Canada and Canadian Springs**

| Factors | Brand | | | | | |
|---|---|---|---|---|---|---|
| | Danone | | Danone Waters | | Canadian Springs | |
| | Mean | Std. Dev. | Mean | Std. Dev. | Mean | Std. Dev. |
| Brand Value | 4.28 | 0.920 | 4.11 | 0.940 | 5.19 | 1.060 |
| Availability | 4.65 | 1.235 | 4.28 | 1.156 | 5.37 | 1.240 |

Consistent with previously performed comparison on all six dimensions, Canadian Springs has much higher ratings that the other two brands. Danone Waters of Canada has the lowest ratings and Danone's ratings are between those on Canadian Springs and Danone Waters.

### *Correlation between Brand Perceptions and Brand Confidence*

Observation of the results in Table 12 suggests correlation between brand associations and confidence. I performed a bivariate correlation analysis for all six brand associations and confidence in them. The results of this analysis are presented in Table 14; Peason Correlations and Sig. values in the rows are for correlations between a brand association (e.g. Value for money) and confidence in the same association (confidence in rating value for money).

**Table 14: Correlation between brand associations and confidence**

| Brand | Correlation Indicators | Brand Associations | | | | | |
|---|---|---|---|---|---|---|---|
| | | Value for money | Health benefits | Quality | Trust | Clean/safe | Availability |
| Danone | Pearson Correlation | 0.320 | 0.242 | 0.463 | 0.241 | 0.552 | 0.735 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Danone Wat. of Canada | Pearson Correlation | 0.245 | 0.331 | 0.102 | 0.044 | 0.252 | 0.785 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.109 | 0.488 | 0.000 | 0.000 |
| Canadian Springs | Pearson Correlation | 0.352 | 0.436 | 0.405 | 0.456 | 0.439 | 0.794 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

As we can see, there is positive significant correlation between all brand associations and confidence in those for Danone and Canadian Springs brands. For Danone Waters of Canada there is also positive correlation between brand associations and confidence, but correlations between Quality and confidence in quality and Trust and confidence in it are not statistically significant.

## Descriptive Statistics

According to the results of the study, only 4 percent of the respondents ordered bottled water during the last 6 months. However, 40 per cent of the subjects said that they have bought water in bulk in retail during the same time period. Over 88 per cent of the respondents said that they drink bottled water outside home.

Most of the respondents (79 per cent) have two adults in the family, 19.4 per cent – one adult and 4 per cent of the respondents said they have 3 adults in the family (possibly meaning that they live with a child/children one of whom is an adult). Most of the respondents have children, 24.2 per cent said they have one child, 56.5 per cent – two children, and 19.4 per cent said they do not have children. The sample is slightly skewed towards female population with 58.5 per cent of the respondents being female and 41.5 per cent – male.

# DISCUSSION

The results of measuring brand equity suggest that Canadian Springs is clearly the market leader with the highest awareness and highest perceived benefits. Canadian Springs enjoys 84 per cent awareness level, which is high in both absolute and relative terms. All the other brands are well behind Canadian Springs, the second highest awareness level in this product category was of Nestle, and it is still almost 30 per cent lower.

Danone Waters of Canada has a relatively low awareness level – 35.5 per cent, which is not surprising since it is a very new brand. In fact, one may say that 35.5 per cent is a good level of awareness for a brand that has been recently introduced and has not received much advertising or publicity. This awareness level has probably been achieved thanks to direct link of the brand name with the product category and the presence of Danone word in the brand, which in itself has some awareness. In addition, awareness level of both Danone and Danone Waters of Canada is substantively higher than that of Culligan.

The fact that Culligan has the lowest awareness level is rather surprising since it is the second biggest player in BC market. However, as was pointed out earlier, the results of awareness measuring should be interpreted with caution due to the fact that 28 percent of respondents said that they were aware of a non-existent brand (AquaClear).

Comparison of ratings of brand attributes of Danone, Danone Waters of Canada and Canadian Springs as well as comparison of means of new variables created after factor analysis indicate that Canadian Springs is perceived superior to the other two on every measured dimension. The respondents believe that bottled water by Canadian Springs offers the best value for money, is of higher quality than water by the other two brands, is better for health, cleaner and more available, and can be trusted more than Danone or Danone Waters of Canada. Danone has slightly better perceptions than Danone Waters of Canada on every attribute used in the study.

Not only did respondents give Canadian Springs the highest ratings on brand attributes, but they also were more confident in their ratings for Canadian Springs than the other two brands. In fact, correlation analysis revealed a positive correlation between brand associations and confidence; that is, respondents were more confident in their judgments of better perceived brands.

Conjoint analysis provided some interesting and important information. When analyzing the attributes independently of each other we see that Canadian Springs brand and the price of $9.50 per bottle have the biggest "weight" in the respondent's intention to purchase the product, only Canadian Springs has a positive impact on the decision while the highest price has a negative impact. Culligan brand makes the respondents slightly more willing to order the product, but the impact is rather small. The same can be said about Danone brand, and Nestle apparently makes no difference in consumers' purchase intentions.

As expected, respondents preferred the price of $7.50 per bottle and as the price went up their willingness to buy the product decreased. Interestingly, the negative reaction to rise in price from $7.50 to $8.25 was not as strong as it was to the increase from $8.25 to $9.50. This means that consumers are more tolerant to increase in price for an unbranded product when the price is below $8.25 per a 5-gallon bottle.

The results show that consumers also slightly prefer to pay for the product by either invoice or pre-authorized chequing debit rather than by credit card. This result is somewhat surprising and I do not have any reasonable explanation for this. It should also be noted that the difference between the different methods of payment is very small.

The results on the effect of co-branding on respondents' purchase intension were also interesting and surprising. Apparently, adding either Danone or Nestle brand to Canadian Springs makes consumers less willing to order bottled water. Those brands decrease the value of Canadian Springs, which has strong brand equity itself. The effect is not strong, but it is significant. Also, while Danone and Nestle subtract value from Canadian Springs brand, Canadian Springs passes some of its value to those brands; that is, when Canadian Springs is featured together with those brands, perceived brand value of Danone and Nestle increases.

The implication of the results on testing co-branding effects is that if the company considers adding Danone to Canadian Springs to increase value of Canadian Springs, it should definitely leave Canadian Springs independent and not establish any link with Danone. However, if the goal is to increase the value of Danone, adding it to Canadian Springs may help to increase the perceived value of the former, although some value of Canadian Springs will be sacrificed.

The results on testing consumers' willingness to pay price premium for a preferred brand show that although the respondents much prefer Canadian Springs than any other brand used in the study, they are sensitive to price for the preferred brand. Interestingly, in contrast with the results on the effect of the price itself (for an unbranded product), consumers' purchase intention decreases more dramatically when the price rises from $7.50 to $8.25 than when it rises from $8.25 to $9.50. As to Danone brand, which in itself is not much preferred than no brand for bottled water, it apparently makes consumers less price sensitive, especially if the price rises from $7.50 to $8.25; once the prise rises from $8.25 to $9.50, consumers' purchase intention decreases at greater rate. In other words, although consumers do not show much preference for Danone brand, they still expect to pay some price premium for the brand (compared to no brand).

# LIMITATIONS OF THE STUDY AND SUGGESTIONS FOR FURTHER RESEARCH

One of the limitations of the study was usage of black – and – white questionnaires with black- and – white logos of the brands in it. It is possible that colors would help the subjects retrieve more brand associations which would result in better brand recall.

Another limitation was inability to test three-way interactions between co-brands and price due to design of the study. Such testing would provide valuable information on consumers' willingness to pay price premium for co-brands rather than on individual brands.

Also, the study measured brand associations of only three brands. Brand associations on other brands, especially of competitors, would provide useful information for the company. However, measuring associations of all the brands would result in an excessively long questionnaire, which would further result in fatigue and higher non-response rate.

The study also only measured consumer preferences for brands without investigating the underlying reasons for those preferences. Conducting a cluster analysis would provide information on various consumer segments within the used sample and would probably give some light on variance in preferences.

Another limitation was the use of Danone only as a modifier brand and not using Group Danone or Danone Waters of Canada. Ideally, the company would want to test all those brands added to Canadian Spring to see the difference they make on consumer perceptions. However, such investigation was not conducted in this study due to the need to limit the attribute levels in the conjoint analysis to keep the survey within reasonable length limits.

The company could conduct a number of studies to further investigate the rich subject of co-branding. One thing that would be important to investigate is the impact of various types of links between the brands on consumers' perceptions. According to the framework by Aaker and Joachimsthaler (2000) there are a number of types of relationships between simultaneously featured brands depending on the strength of link between them. Danone could conduct a study testing different versions of a co-brand between Canadian Springs and Danone by, for example, manipulating prominence of Danone brand (size of font, position on the label, etc.)

Also, the current study focused on bottled water delivered to homes; another study could focus on water delivered to offices, and, finally, it would be important to study bottled water sold in bulk in retail. For the latter study the company could set up an experiment in a store with real products and real labels on them.

# CONCLUSION

The study revealed that at the present moment Canadian Springs is the strongest brand in delivered bottled water category and it has the biggest perceived value when featured alone. Adding Danone as a modifier results in a co-brand that is weaker and less preferred by consumers than the original Canadian Springs brand. It is therefore not recommendable for Group Danone establish a link between Danone and Canadian Springs brands, at least for the near future.

# APPENDICES

## Appendix 1: Company Background

### Canadian Springs Water Company

Canadian Spring Water Company is the leading bottled water company in Canada (personal communication, May 12, 2004). They specialize on the bottling and delivery of large format (3 to 5 gallons) bottled water to offices and houses; they also sell some water through retail chains like Safeway and Real Canadian Superstore, although the amount is fairly small (find out exact percentages sales to households, offices and retail). The company also rent water coolers, sells small amount of water in small packages and offers other ancillary water products and services.

The company employs over 1,500 people across Canada and has over 225,000 bottled water customers (personal communication, May 12, 2004). Canadian Springs Water Company's motto is "pure satisfaction" and customer satisfaction is considered to be the most important aspect of its business and "the most important factor when distinguishing the company from its competitors".

Canadian Springs Water Co. claims to operate on three core values:

- Openness – "Diversity is a source of wealth and change a constant opportunity."
- Enthusiasm – "There are no limits….only obstacles to be overcome."
- Humanism – "The attention paid to individuals, whether they are consumers, employees or citizens, is at the heart of all of our decisions."

Canadian Springs Water Co was founded in 1955 in Bearspaw, Alberta, and was called than "Mr. Softwater" (personal communication, May 12, 2004). It was a family business operated by Mr. Don and Wilma Gathercole, and they specialized in installing water softeners in offices and homes. In the late 1980's the company was expanded and got a new brand name – Cool Spring, although still operated by Mr. Softwater. In 1993 the business moved to the City of Calgary and can still be found theres.

Cool Springs/Mr. Softwater was acquired by Canadian Springs Water Company, and the latter was bought by Group Danone in September 2003 (personal communication, May 12, 2004).

Canadian Springs Water Co currently holds the #1 position in the bottled water marketplace for Canada. BC - #1, Southern Alberta - #1, Northern Alberta - #2 (Culligan #1) Ontario (#1) Quebec #2 & Maritimes #1 (personal communication, May 12, 2004)

Canadian Springs Water Co .currently competes with the following main competitor in Canadian bottled water market:

Culligan – 437 36 Ave SE, Calgary

Arrowhead Spring Water – 4620 Manitoba Rd SE, Calgary

Mountain Fresh Canada Ltd. – 6003 Maddock Dr. NE

## Group Danone

Group Danone history starts with a merger of two French glass manufacturers in 1966 and foundation of Boussois-Souchon-Newvessel (BSN), Antoine Robiud being appointed its chairman ("Group Danone: Company Profile", 2004). In 1970 BSN took control of Evian Waters, Kronenbourg and European Breweries Company, making it the French leading producer of beer, mineral waters and baby food. In 1973 BSN merged with Gervais Danone and became the food group in France, Group Danone (Ibid).

In October 1973 the boom in oil prices put an end to economic growth and Group Danone made a decision to move away from place glass manufacturing; by 1980 the company completely withdrew from that sector and sold Boussois – one of the two glass companies that merged in 1966. Since that moment, the company focused strongly on food ("Group Danone: Company Profile, 2004).

From 1980 to 1990, Group Danone made a number of acquisitions, partnerships and joint ventures and became the leading food company in Europe ("Group Danone: Company Profile", 2004). It acquired a large number of brands and expanded its operations to new segments like confectionery, sauces and condiments; from 1990 to 1996 the company also expanded internationally, producing in over 30 countries (Ibid). In 1994 the name BSN was dropped and replaced by the name Group Danone (Ibid).

In 1997 the company decided to focus on three main sectors: fresh dairy, beverages and biscuits ("Group Danone: Company Profile", 2004). This decision resulted in serious brand pruning with a number of brands being sold; over half of the group's grocery holdings and all its confectionery business were sold. At the same time, three brands were given a priority position: Danone, Evian and LU .

Since 1998 Group Danone has been emphasizing development of its brands and international activities, especially presence in emerging markets ("Group Danone: Company Profile", 2004).

The Groupe Danone is now a global leader in three categories (by volume):

#1 worldwide in Bottled Waters (40 years experience)

#1 worldwide in Fresh Dairy (24 years experience)

#2 worldwide in Biscuits (20 years experience)

Their products include:

Bottled water

Cookies and crackers

Yogurt

Cream

Cottage cheese

Cream cheese

Processed cheese

Flavored milk

Health drinks

Kefirs

Dairy desserts

Baby food

Pasties

Rusk toast

Snacks

Asian sauces

Frozen dim sums

Today, the Groupe Danone employs over 100,000 people in more than 120 countries ("Group Danone: Company Profile", 2004) . In 2003, the company recorded sales of $13.13 billion euros. The sales from fresh dairy products account for 47% of total group sales (2003), beverages account for 27% of the total sales and biscuits and cereals – for 23% of total group sales (Ibid)

The company's leading brands are: Danone (for dairy products), Evian (bottled water), Wahaha (bottled water) and LU (biscuits); those brands account for 60% of group sales. Only Danone brand alone accounted for 39% of the company's sales in 2002 ("Group Danone: Company Profile", 2004)

The company has been focusing on health and vitality products; its four major brands being in this area. ("Group Danone: Company Profile", 2004) The company has also made a number of innovative products that can be considered unconventional, namely Actimel, the Taillefine/Vitalinea diet biscuits, Danao dairy drink, 5-liter Volvic containers, and mineral-enriched Danone Activ' water. Danone Group also has a strategy of building strong local presence with aproximately 70% of its sales achieved through number one positions on domestic markets (Ibid).

According to the report by Datamonitor (2004), the main sales area for Group Danone is Western Europe, which accounts for 55 per cent of its total sales. However, the company has a strategy to strengthen its presence in fast growing emerging markets; in 2002 31% of its sales came from emerging markets and the company aims to increase this proportion to 40%.

The company's major competitors include Nestle S.A., Cadbury Schweppes and PepsiCo ("Group Danone: Company Profile", 2004).

According to the statements by Mr. Franck Riboud, chairman and chief executive officer of Group Danone, the company's strategy is to become "the world's fastest moving food company", meaning the ability to adapt and respond promptly and effectively to changes, to stay close to local markets and maintain balanced geographical presence. He also put great emphasis on the need to foster corporate responsibility and concern for individuals, and claimed that the corporate culture is a competitive advantage of the company ("Group Danone: Company Profile", 2004).

# Appendix 2: Conjoint Study Figures

**Figure 1: Header brand main effect**

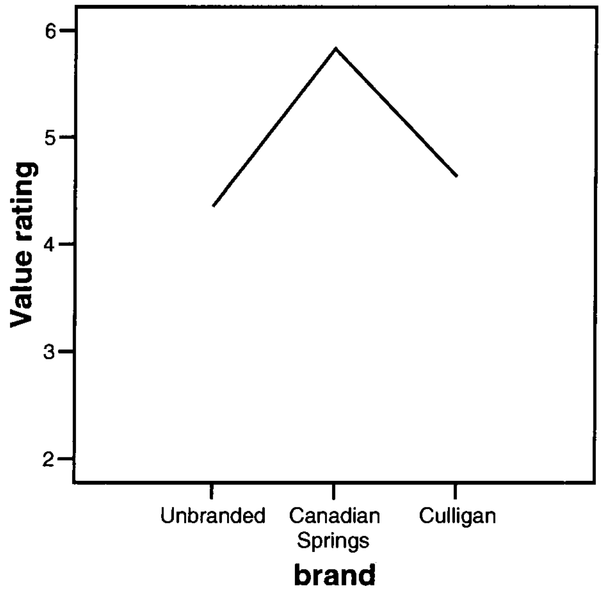



**Figure 2: Modifier brand main effect**

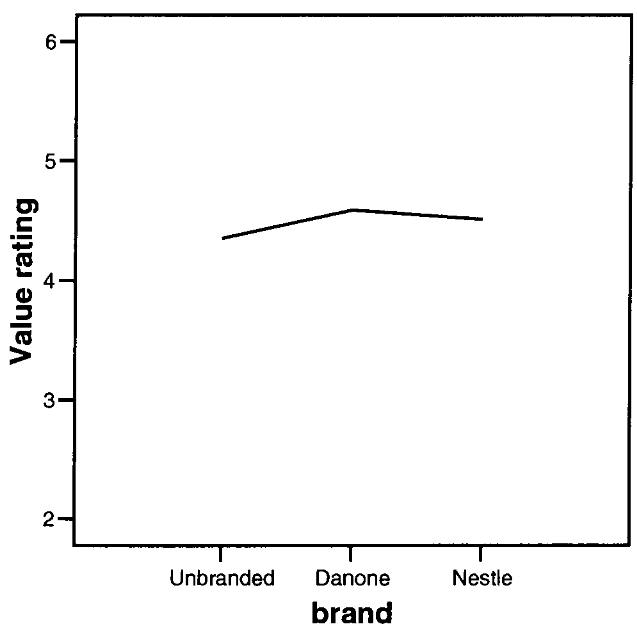


**Figure 3: Price main effect**

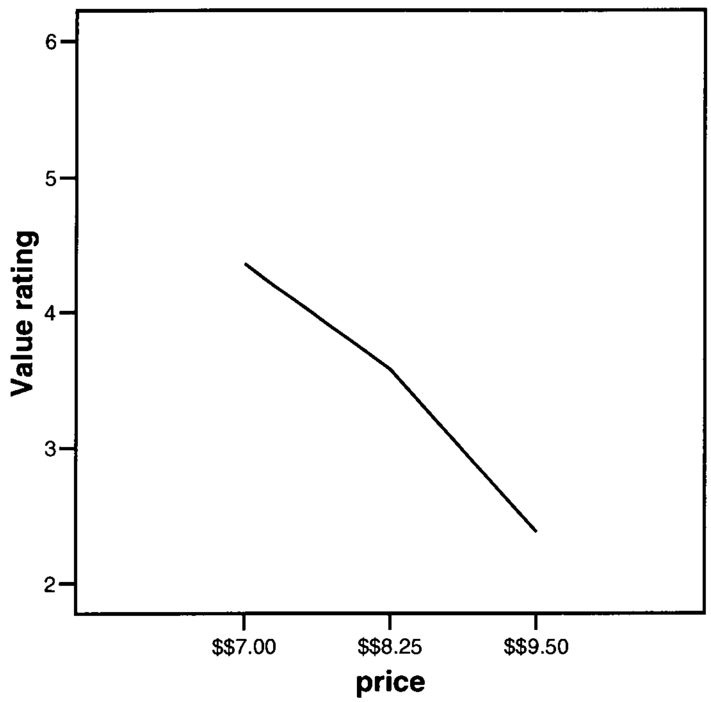



**Figure 4: Method of payment main effect**

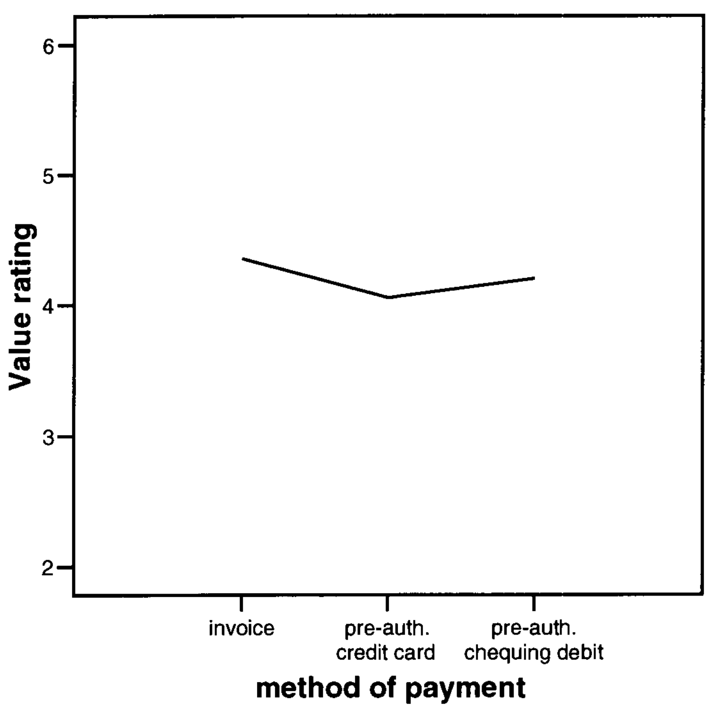


**Figure 5: Co-brands total effects**

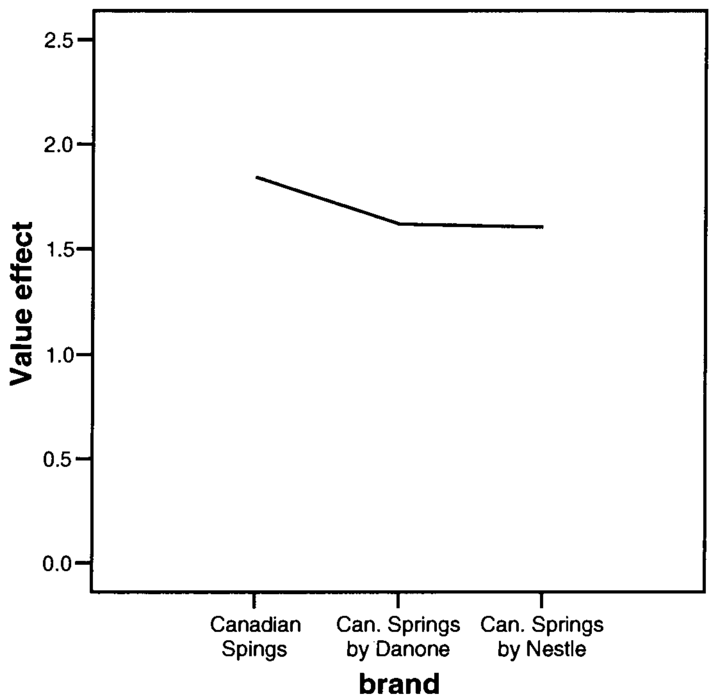



**Figure 6: Brand*price interaction: Canadian Springs**

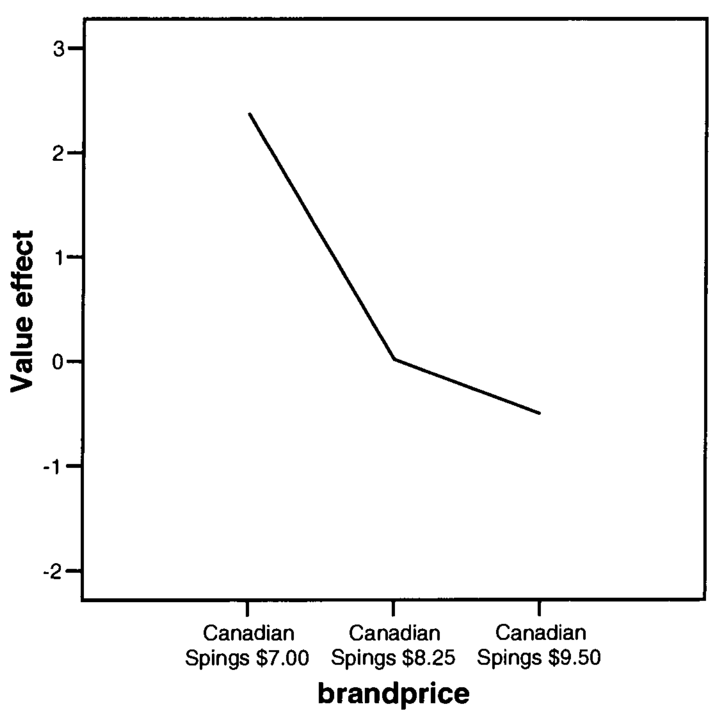
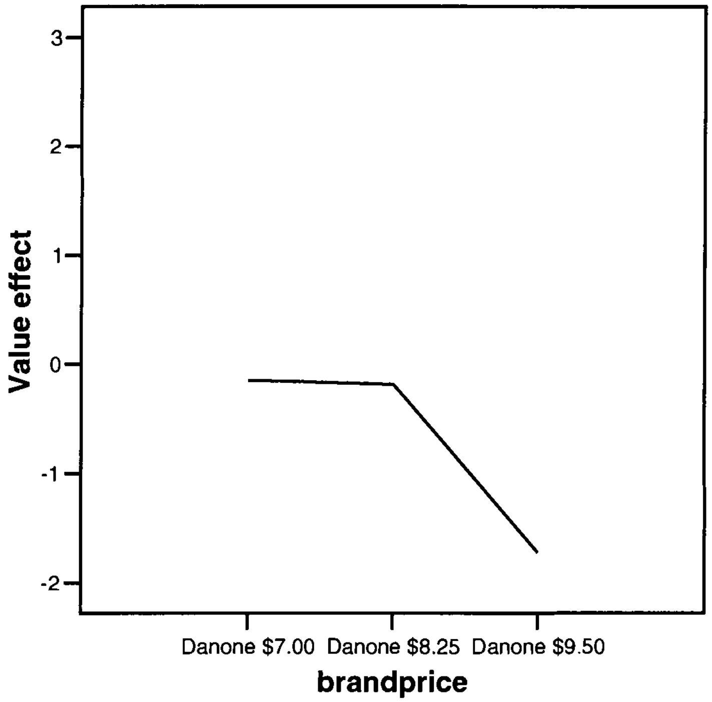


**Figure 7: Brand*Price Interactions: Danone**



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