Co-Branding: A Case Study of Micromax and MTV

* *Mokhalles M. Mehdi*

Abstract
Co-branding is an instrument to introduce new products in the market by partner brands. The aim of the present case study is to identify the usefulness of co-branding in brand building. Partner selections in co-branding as well as the pessimistic side of co-branding have also been included in the present research. The paper also discusses the role of co-branding with the help of Micromax and MTV case study. The study analyzes why partner selection is an important aspect in co-branding. Proper partner selection increases the brand equity of each partner. The study also discusses the advantages and disadvantages of co-branding. The research concludes that companies are adopting co-branding as an extension strategy to maintain and to gain the market share by introducing fresh products.
Keywords: **brand, co-branding, marketers, partners, MTV, Micromax**

In today's competitive market, consumers' preferences are very different. Consumer style, fashion, and preference towards products are continuously changing. Consumers see every product as identical in terms of physical element and other criteria. Different marketers have adopted a different approach to attract consumers and branding plays a vital role in placing the product in the minds of the consumers. Branding is one area, which differentiates the products from the competitors' products. Branding has many challenges in the present competitive market. So, marketers have adopted co-branding as an alternative branding strategy in competitive market to gain more market share by cutting the cost and other constraints. Grossman (1997) indicated that co-branding is an amalgamation of two or more brands for the purpose of new-product introduction, co-advertising, co-sponsoring or joint promotions. Brand extensions are used to introduce new product or services, which were not associated with the brand earlier (Aaker & Keller, 1990). A co-branding arrangement is possible only between equal partners in terms of strengths and characteristics. In co-branding, the partner brand gets lost if either partner has higher brand equity, and if the other partner has lower brand equity.

Co-branding is divided into two categories such as "Ingredient" and "Composite Co-branding". In ingredient co-branding, one brand uses a brand as an element to produce another brand. Ingredient brands are usually the company's biggest buyers or suppliers. Normally, ingredient brands are major brands and are protected by a patent. In composite co-branding, two brands collectively offer a unique product or service. A co-branded extension is a composite brand idea that includes the characteristics of two fundamental concepts (Cohen & Murphy, 1984; Park, Jun, & Shocker, 1996) which is not in a solo-branded extension. Both the participating brands are associated with a set of features that are combined according to a set of policies to outline the composite brand (Eysenck & Keanne, 1990; Hampton, 1987). Akula (2008) indicated that brands with varying dimensions of attributes, benefits, values, culture, personality, and users have the real power to generate wealth. Brands which are stored in these dimensions command respectable position in terms of sales, reputation, image etc., in the market. A good example of co-branding is : Citibank co-branded with MTV to launch a co-branded debit card, and it is beneficial to customers who can avail benefits at specific outlets called MTV Citibank club.

Objectives
The aim of the paper is to evaluate usefulness of co-branding in brand building. Moreover, partner selection in co-branding and pessimistic side of co-branding has also been included in the present research.

Methodology
The present study is based on literature review of secondary information such as research papers, articles available in

* *Assistant Professor of Marketing, MIS & IT*, School of Business, The Assam Kaziranga University, Koraikhowa, NH 37, Jorhat, Assam. E-mail: mokhalles83@gmail.com

commercial databases like Emerald and EBSCO, online newspapers, blogs etc. However, it is to be noted that the study was carried out to understand the co-branding aspect of a brand with the help of a case study. The study had been conducted from the time period from March - July 2012.

Discussion

Brand extension is the strategy to increase the market share of the existing companies or products. Many companies are focusing on this type of strategic alliance to minimize the risk for the brand. Recent marketers have found co-branding as an essential element for brand extension. However, in co-branding, two disciplines of thought are present.

1) Co-branding will build a better brand

2) Co-branding will dilute the existing brand equity.

Moreover, for a brand manager, it is also important to select the proper brand partner in order to ensure that the co-branding initiative will improve the image of the brand.

❖ **Co-Branding helps to build better Brands :** Marketers believe that co-branding helps to build a better brand in the competitive environment. Co-branding is used in the competitive market to increase the market share of a company or to expand the existing market. Co-branding is good in the sense that it reduces investment of a firm's resources such as cost, people, and time. Each of the partners is able to use their distribution system and sales force to increase the revenue of the company. However, it also reduces competitive cost of the company.

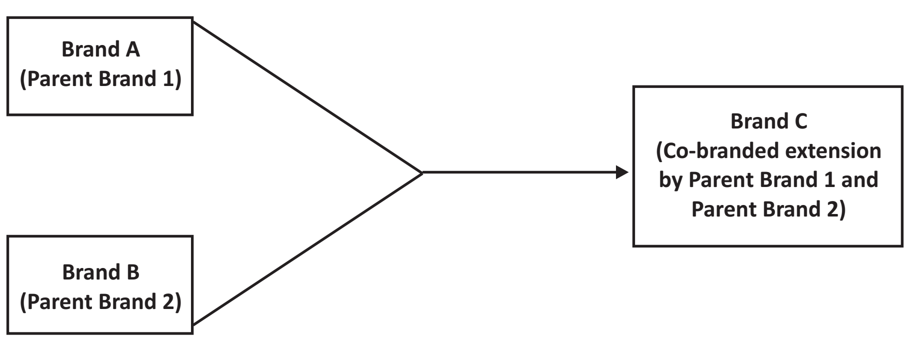
Existing literature research signifies that co-branding is a valuable extension approach since it braces the trait shape of expansion (Park, Jun, & Shocker, 1996) and facilitates associate brands to gain promotion synergies (Samu, Krishnan, & Smith, 1999), as well as develops customer feelings toward parent brands (Simonin & Ruth, 2001). Co-branding allows the weaker brand to increase its visibility by piggybacking on the stronger one. Co-branding is the way to facilitate partners for shared benefits. Partners can easily exchange their strengths to overcome their shortcomings. In co-branding, two established companies are coming together to form an alliance to achieve certain goals. The alliance makes a stronger brand than individual brands, and attracts buyers for both the established brands.

Brand extensions have become common phenomena among companies to introduce new products by taking the liberty of existing established brand equity (Aaker 1991; Park, Jaworski, & MacInnis, 1986). Co-branding helps new brands to leverage the name of the parent brand and build reputation in the market place (refer to Figure1). Rao and Ruekert (1994) indicate that co-branding is the way to present a new product to customers by existing parent brands. Companies tend to focus on the co-branding initiative in two cases:

❖ When a new brand is launched in the competitive market or a weak brand is present in the existing market ; and
❖ For establishing the brand image.

A branding initiative for a new product will take time as well as involve cost for the company. A weaker brand means

Figure 1: Co-branded Extension In General



Source: Based on Literature Review

that the brand has less visibility in the market place because of fewer promotions or other initiatives like campaigns. Park et al. (1991) identified that a co-branded extension does not involve the shift of a complete brand idea from a parent to an extension category. It includes only a few elements from parent brands.

Figure 2: Co-branding Association

	STRONG BRAND	WEAK BRAND
STRONG BRAND	Improve both the brand or can affect any one brand.	Either improve the weak brand or can affect the strong brand.
WEAK BRAND	Either improve the weak brand or can affect the strong brand.	Improve both the brand or can affect any one brand.

Source: Based on literature review

Marketers have different options to build a strong brand in the market. However, it's difficult for every marketer to launch an exclusive position for a latest brand. In a competitive environment, brand image building is a very complex process. However, image of the associate brand will influence consumers' response in a co-branding extension (Simonin & Ruth, 1998). Co-branding is the association of two or more brands in the market place. Park et al. (1996) identified that co-branding is the exercise of two or more recognized brand names to introduce a fresh product. Co-branding is the way to leverage the parent brand name and create a reputation for a new brand. Association of two companies creates awareness and perception among the consumers as well as increases the customer base. Mohan and Sequeira (2013) have identified that a Brand is considered to be one of the most important intangible assets of any business. Companies spend a considerable amount of their revenue and time on brand building activities. Co-branding is helpful as it saves time and money in terms of advertising. Latest brands associating with an existing brand will increase sales because of the existing market goodwill. In today's competitive scenario, co-branding is the finest tool in convincing a consumer.

Co-branding can fetch in two brands stronger in their own fields and can build a better brand. Best examples in co-branding is that of McDonald's and Coke. Co-branding has become successful for both the companies in this case, and has given business to both of the brands. It has been seen that customers opting to have a McBurger also want their burger to be accompanied by a softdrink ; hence, if the co-branding did not exist, then it would have been an absolute loss for Coke. In co-branding, brand managers have to ensure that both brands should come from different industry segments and with relevance to the target audience of the brand. A good example to explain this is that marketers can't co-brand Yatra.com with Surf Excel or Ariel, but can co-brand Yatra.com or NDTV travels with McDonald's or Pizza Hut.

Co-branding may work in a different way as described in the Figure 2. A co-branding initiative between a strong-weak brand will normally help the weaker brand, but in certain times, the weaker brand can affect the strong brand. Association of a weak-weak brand may help both the brands, and an association between two strong-strong brands can either help both the brands or can affect any of the brands. It depends on the popularity of the two brands. Moreover, huge distance between brands can affect both of the brands and narrow distance may also benefit the brands.

❖ **Advantages of Co-Branding :** Co-branding has different advantages for each of the associate brand partner. The following are the advantages of co-branding:

❖ Economies of scale
❖ Technology sharing
❖ Potential of securing more market share
❖ Benefits from the learning curve of the partner
❖ Power for bargaining with the vendors and customers
❖ Sharing the resources
❖ More marketplace exposure

- ❖ Keep away the threat of private label brands
- ❖ Share expensive promotion costs with a partner

Other advantages of co-branding includes risk-sharing, generation of royalty income, more sales income, greater customer trust on the product, wide scope due to joint advertising, and better product image by association with another renowned brand as well as greater access to new sources of finance.

❖ **Co-Branding Dilutes the Brand :** In co-branding, the weaker brand gets leverage in the market place due to the association with a strong brand. It's very much essential that a stronger brand should analyze the situation and carefully analyze all possible outcomes of such an association; otherwise, strong brands will lose credibility and brand image will be effected. In co-branding, it is important for participating brands to partner with the brand which will compliment the partner brand and enhance the value proposition for both products. Loken & John (1993) revealed that brand dilution takes place once brand extension features are incompatible with the attitude of the brand's ancestors. In co-branding, consumers may react to a particular brand due to its association with lesser known or controversial brands and at the same time, the original brand will lose its market reputation. A brand is an asset. It needs to be cherished and prepared alone to give it its own identity. Brand building is a complex, planned exercise, and extremely precise in its message with its target audience. Co-branding might dilute the impact of brand elements. However, some marketers believe that co-branding strategies have a certain disadvantage regardless of its increasing use such as :

- ❖ Risks associated with both the brands.
- ❖ Lack of control in consumers' perception towards the new brand.
- ❖ Disparity could occur between two brands and accordingly may affect partner brands negatively.
- ❖ Largely brand equity could be harmed due to any negative experience of the consumers.
- ❖ It creates confusion in the mind of the buyers.

❖ **Features of Co-Branding :** Co-branding has several aspects - such as, sometimes, it is necessary to take up co-branding to achieve synergy. However, marketers use it as a different technique so as to register their brand's name in the minds of the consumers. Sometimes, co-branding becomes a win-win situation for both the partners. Continuous evaluation will increase the potential success of co-branding. For co-branding, marketers look into the following criteria among their partners before forming an alliance :

- ❖ Both the brands should have a common vision, philosophy and approach.
- ❖ Companies should ensure that both the partners are benefiting from the alliance.
- ❖ Brands should have a similar target audience.
- ❖ Communication and positioning strategy should be the same for the partner brand.
- ❖ Media strength of the brand - because good media strength will automatically help in brand positioning.
- ❖ Management of the partners should be like-minded and compatible.
- ❖ Culture plays a major role in co-branding.
- ❖ Product reach and customer base of the partners.

❖ **Selecting a Good Brand Partner in Co-Branding :** According to Hadjicharalambous (2001), co-branding is the case of brand extension because it is a combination of two or more brands. In co-branding, the most important part is partner selection and product selection for the new brand. Partner selection plays a greater role because improper partner selection will dilute the brand reputation. Majorly, each partner looks into the efficient supply of the other partner. The following are the ways that can increase the value of a business and chances for achieving long-term success :

- ❖ Synergy between the two brands is important for an association.
- ❖ Co-existence - identity of one brand should not be more powerful than the other.
- ❖ Well-built business network of the partner.
- ❖ Industry associations and client list.
- ❖ Positive testimonials and skills.

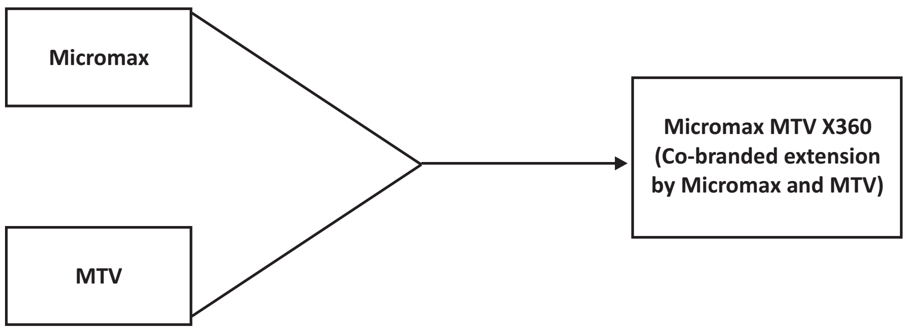
Micromax and MTV Co-Branding

Micromax Informatics Limited (Micromax) started a licensing deal with MTV in 2009. Micromax is an Indian mobile

Figure 3: MTV X360

Source: Micromax Website

Figure 4: Micromax and MTV Co-branded Extension



Source: Author's Research

handset manufacturer, and MTV is the leading multimedia youth brand. The main objective of the co-branding was to reach to the Indian youth market through the launch of a range of MTV co-branded mobile handsets. The name of the co-branded mobile phone is 'Micromax MTV X360' - a music-oriented handset, which promises style with superior sound quality (refer to Figure 3 and Figure 4). It's a stylish, dual SIM mobile phone, targeting the Indian youth. With this launch, Micromax tried to leverage MTV's youth brand appeal and establish Micromax as a vibrant as well as a youthful brand. Since the Indian youth is music savvy, the main feature of the phone is that it's a complete music phone.

According to Mr. Sanjay Dahiya (VP, Consumer Products & Communications) of Viacom18, "Mobile phones are an extension of today's youth, and it was only a matter of time before MTV entered this category. This partnership between MTV and Micromax is a potent combination that merges Micromax's expertise in product design, production, and distribution with MTV's strengths in creativity, youth insights, and marketing." MTV X360 is a complete music phone and offers superior sound quality as well as has 3D sound surround by Yamaha & Wolfson. It has embedded MTV content too, which will certainly fascinate the youth. TV content like videos, ringtones, wallpapers, and clips from popular MTV shows like Bakra, One Tight Slap and Roadies, etc. are embedded in the phone. However, the price of the phone is quite competitive at below ₹ 5000.

Micromax started operations in 1991 as an embedded software design firm, but was incorporated as a company in 1998, when it branched out as a distributor of computer peripherals such as printers, monitors, and scanners from manufacturers such as LG, Sony Inc., Dell Corp. Analysis of both parent brands reflects that the brands have similar target audience - the Indian youth. However, in terms of vision and approach, both wanted to increase their target base - MTV wanted to have a more youth centric focus, and Micromax aimed to target mobile users who are fashionable and trendy youth. It can be seen that the co-branding initiative has been benefiting both the brands. Data shows that Micromax sold about 1 million handsets in January 2010, up from 700,000 in December 2009. Micromax's strengths lie in product design with longest duration battery life in its mobile phones, production, and distribution. MTV's strengths are in creativity, youth insights, and marketing. MTV's marketing will make life all the more easy for Micromax because mobile phones have become an extension of today's youth. Moreover, the culture is same for both the brands, and Micromax phone will make MTV shows available to a large number of young people at any place.

Interpretation

The paper is an attempt to evaluate the value of co-branding in creation of a better brand with the help of a case study and by analyzing the other aspects of co-branding. In co-branding, the first and foremost thing is the selection of a partner. Brand managers have to be careful in selecting a partner because an association with a partner brand may either become helpful or damage the reputation of a brand. Brand managers need to be efficient with respect to handling the brand and normally have to follow certain criteria such as strong network, industry associations, and customer base of the brand while selecting a partner brand. Results of the study identified that both brands should share a common vision with like-minded management and both will benefit from the new co-branded product. Culture plays a vital role in co-branding and brand managers can't ignore the cultural role.

In today's dynamic scenario, consumers' preferences and tastes are always changing. Research enunciates that companies are adopting co-branding as an extension strategy to maintain their market share by introducing fresh products. A new product has maximum traits of both the existing parent brand. In co-branding, brand managers have to focus on a brand through various investigations such as traits of a brand, customers of a brand, and popularity of a brand in the market. Otherwise, tie-up between two brands can lead to the damage of partner brand equity. Normally, marketers believe that a weaker brand gets the advantage of associating with a stronger brand. However, tie-up with any controversial brand can also hamper the reputation of the partner. But the association between two weak brands will give benefit to both the brands. Therefore, brand managers need to focus on the brand which will complement the partner brand and improve the worth of a brand. Co-branding can dilute the partner brand once brand features are mismatched with the parent brand.

The present case study of Micromax and MTV co-branding indicates that both brands have a similar target audience in the market. Both brands have shared a common vision by focusing on the Indian youth. Micromax wants to reach out to the Indian consumer base through mobile phones and MTV wants to reach out to the younger generation through music. The strength of both brands has complimented each other, and results show that the sales of Micromax mobile handsets increased after the co-branding initiative with MTV. Research also signifies the advantages and disadvantages of co-branding. Various examples have illustrated that co-branding has more advantages than drawbacks. Most importantly, both the participating brands have to benefit from economies of scale, risk sharing, increase sales, and sharing expertise to minimize the weaknesses. Conversely, some marketers think that co-branding can create or dilute the brand image of an associated brand because marketers don't have any control on consumers' perception, and variation in thought processes of partner brands can also damage the brand equity of the existing brand.

Managerial Implications

The development of branding activities has radically changed the businesses and connected the global market through business or product promotion. The new approach of branding i.e. co-branding has given rise to new ways of product promotion. This allows the managers and executives to focus on two aspects such as development of the market and development of the product, which has increased the brand's market share in the competitive market and made them more available in the global market. Current research has indicated that co-branding has become a fruitful strategy for companies to attract consumers and develop markets. Brand managers are thinking in different ways in the competitive market to attract target consumers. Research has revealed that buyers prefer the MTV music and mobile phone, hence, brand managers of different companies have taken a newer step called co-branding, which helps to combine both the product and in the process, increased the sale of the product. This case study will help the managers to understand co-branding by analyzing the detailed attributes of examples such as MTV and Micromax, which will help marketing and brand managers to expand their customer base. Consequently, the present research study shows that co-branding has an impact on an increase in the market share. This study will help managers to make different strategies for overcoming the limitation of existing co-branding techniques by being aware of the different characteristics.

As the review conducted was only confined to secondary data, results may vary if research is conducted with the help of primary or internal company data. For future studies, if the survey is conducted all over India, the results may be substantially different.

References

Aaker, D. A., & Keller, K. L. (1990). "Consumer Evaluations of Brand Extensions." *Journal of Marketing, 54* (1), pp. 27-41.

Aaker, D. A. (1991). *"Managing Brand Equity."* The Free Press, New York, pp.15-100.

Akula, R. (2008). "Co-Branding - An Innovative Strategy in Marketing." *Indian Journal of Marketing, 38* (6), pp. 29- 30, p. 41.

Cohen, B., & Gregory L. M. (1984). "Models of Concepts." *Cognitive Science, 8* (1), pp.27 - 58.

Deshmukh, M., (2011). *"How to Select the Most Appropriate Brand Partner."* Retrieved from http://toostep.com/idea/how-to-select-the-most-appropriate-brand-partner

Eysenck, M. W., & Mark, T. K. (1990). *"Cognitive Psychology."* Lawrence Erlbaum Associates, London, pp. 50-100.

Gaurang (2010). *"Micromax Launches MTV X 360, A Co-Branded Mobile."* Retrieved from http://teleguru.in/2010/02/1527/

Ghosh, P. (2009). *"Can Co-branding Help in Better Brand Building."* Retrieved from http://toostep.com/debate/can-Co-branding-help-in-better-brand-building

Grossman, R. P. (1997). "Co-branding in Advertising." *Journal of Product Brand Management*, 6(3), pp.191-201.

Hadjicharalambous, C. (2001). *"Show me your Friends and I will tell you who you are: A Consumer Evaluation of Co-branding Extensions using Structural Equation Modeling."* Unpublished Doctoral Dissertation: Baruch College, The City University of New York, pp.10-50.

Hampton, J. E. (1987). "Inheritance of Attributes in Natural Concept Conjunctions." *Memory and Cognition, 15* (1), pp.55 - 71.

Hampton, J. E. (1997). "Conceptual Combination: Conjunction and Negation of Natural Concepts." *Memory and Cognition, 25* (6), pp. 888 - 909.

How Micromax sells 1 million handsets every month (2010, April 2). Retrieved from http://business.rediff.com/interview/2010/apr/02/tech-inter-how-micromax-sells-1-mn-handsets.htm

Joseph, L. (2010). *"Micromax challenges Samsung, LG in Mobile Phone Stakes."* Retrieved from http://www.livemint.com/2010/02/08221833/Micromax-challenges-Samsung-L.html

Loken, B., & John, D. R. (1993). "Diluting Brand Beliefs: When do Brand Extensions have a Negative Impact?" *Journal of Marketing, 57* (3), pp.71-84.

Mohan, B. C., & Sequeira, A. H. (2013). "Brand Equity and Business Performance: Towards A Conceptual Framework." *Indian Journal of Marketing, 43* (2), pp. 5 - 10.

Park, C. W, Bernard, J. J., & Deborah, J. M. (1986). "Strategic Brand Concept-Image Management." *Journal of Marketing, 50* (4), pp.135 - 145.

Park, C. W., Milberg, S., & Lawson, R. (1991). "Evaluation of Brand Extensions: The Role of Product Feature Similarity and Brand Concept Consistency." *Journal of Consumer Research, 18* (2), pp.185 - 193.

Park, C. W., Sung Y. J., & Allan, D. S. (1996). "Composite Brand Alliances: An Investigation of Extension and Feedback Effects." *Journal of Marketing Research, 33* (4), pp.453 - 466.

Rao, A. R., & Robert, W. R. (1994). "Brand Alliances as Signals of Product Quality." *Sloan Management Review, 36*(1), pp.87- 97.

Samu, S, Krishnan, H. S., & Smith, R. E. (1999). "Using Advertising Alliances for New Product Introduction: Interactions Between Product Complementarity and Promotional Strategies." *Journal of Marketing, 63*(1), pp.57 - 74.

Simonin, L. B., & Ruth, J. A. (1998). "Is a Company known by the company it keeps? Assessing the Spillover Effects of Brand Alliances on Consumer Brand Attitudes." *Journal of Marketing Research, 35*(1), pp.30-42.

Vishnu, J. (2011). "What are the aspects that one should consider while co branding with another product." Retrieved from http://toostep.com/idea/what-are-the-aspects-that-one-should-consider-while-co-brand

Vishnu, J., (2010). *"Micromax Co-branding with MTV : will this be successful?"* Retrieved from http://toostep.com/debate/micromax-Co-branding-with-mtv-will-this-be-successfull