Extending the view of brand alliance effects

An integrative examination of the role of country of origin

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Abstract

Purpose – The purpose of this paper is to broaden the external validity of the "brand alliance" theory, as it is set up by Simonin and Ruth, by analysing transnational brand alliances. It aims to discuss the significance of country of origin in this context.

Design/methodology/approach – Based on a broad literature review of the brand alliance and country of origin literature the authors conducted an empirical study that examined consumer attitudes towards cross-national brand alliances.

Findings – The findings demonstrate the role that the relationship between country of origin fit and brand fit plays in predicting consumer attitude towards cross-border brand alliances; and that when brand familiarity decreases, the positive influence of country of origin fit on attitudes towards the brand alliance increases, and is greater than that of brand fit.

Research limitations/implications – The degree of importance that consumers place on each product in the brand alliance was not taken into account. Future research could also analyse product categories that have strong country of origin associations (e.g. German beer or French pastries) or that belong to the low involvement category.

Practical implications – An interesting result for managers when they set up a cross-national brand alliance, as the study demonstrates the importance of brand familiarity and of country of origin fit.

Originality/value – The findings replicate those of Simonin and Ruth, which is a useful result because their findings might be attributed also to cross-boarder alliances. The study represents a noteworthy extension of previous research by introducing a new variable, the "country of origin fit."

Keywords Country of origin, Brands, Strategic alliances

Paper type Research paper

As globalization continues to elevate competition in the marketplace, product introduction has become highly fraught with risk. One cause of such risk is the incredibly high cost of building brands for (new) products, which in some cases can exceed $100 million (Khermouch *et al.*, 2001; Voss and Gammoh, 2004). Therefore, to reduce the risk associated with brand building, firms are turning to brand extensions, line extensions, and other new product strategies that allow them to leverage existing brand equity with their new products. However, triggered by alarming studies on possible harmful effects of these extensions on family brands (Loken and

International Marketing Review
Vol. 24 No. 4, 2007
pp. 427-443

0265-1335
DOI 10.1108/02651330710761008

Roedder John, 1993; Romeo, 1991), new approaches have recently caught marketers' attention. One of these approaches are brand alliances, which are to be examined in this paper. Defined as the short- or long-term association or combination of two or more individual brands, products, and/or other distinctive proprietary assets (Simonin and Ruth, 1998, p. 30; Rao *et al.*, 1999, p. 259; Abratt and Motlana, 2002, p. 43), in today's world brand alliances are an often chosen strategic option that take a variety of forms ranging from ingredient branding (Venkatesh and Mahajan, 1996), to simple advertising alliances (Samu *et al.*, 1999). Prominent examples of such brand collaborations are found throughout consumers' daily life spanning such diverse industries as airlines (e.g. Star Alliance), high technology (e.g. Sony Ericsson mobile phones), the automobile industry (e.g. Mercedes cars with Bridgestone tires), fast moving consumer goods (e.g. Katjes sweets with MTV), services (e.g. the Amex-Card by Air Brussels), and the fashion industry (e.g. Adidas designer sneakers co-branded by Yohji Yamamoto).

Although brand alliances offer tremendous potential business performance advantages afforded by leveraging extant brand equity, they must be used with caution since an ill-conceived brand alliance, or a brand alliance that performs poorly, can significantly damage a firm's brand equity. For example, BenQ lost brand equity because of an alliance with Siemens (Siemens BenQ) and Apple's and Dell's brand equity is expected to suffer because they had to recall millions of laptop batteries that were provided by their Japanese partner Sony. Further, brand alliances are highly complex because they not only involve a multitude of branding considerations, but also all of the additional interfirm relationship factors that must be accounted for when firms ally with each other (Lambe, 2001; Lambe *et al.*, 2002). As they offer significant competitive advantage potential, yet must be used with caution, and are highly complex – brand alliances are a growing area of research investigation.

However, despite the increased research energy directed toward brand alliances, significant gaps remain about the circumstances under which a brand alliance strategy is appropriate, and the factors that influence brand alliance performance and success (Rao and Ruekert, 1994; Voss and Gammoh, 2004). Here, a notable example of such a knowledge gap can be found in cross-border brand alliances, a branding strategy that is increasingly employed by firms in an effort to address growing market globalization (Lee and Brinberg, 1995), yet a strategy that on the whole has had mixed results (Voss and Tansuhaj, 1999).

Cross-border or transnational brand alliances like Fujitsu-Siemens & Intel, Adidas & Yamamoto or SonyEricsson are a specific form of brand alliances where one of the firms is headquartered in a different country than that of the host country firm and market. Such a transnational brand alliance allows firms to permit marketing and learning beyond the domestic market scale while maintaining a high level of local responsiveness (Cooke and Ryan, 2000). Both parties can benefit by increasing the success rate of the product offering within local markets and strengthening the local brand, through technology transfer and foreign investment from its brand ally (Abratt and Motlana, 2002).

Since, the firms in the alliance are from different countries, such an arrangement suggests that country of origin effects are in play. These country of origin effects are generally defined as "the impact which generalisations and perceptions about a country have on a person's evaluations of the country's products and/or brands". Thus, it is posited that "the image a person has about a country and its product offerings influence buying intention" (Lampert and Jaffe, 1998, p. 61). Given this description, cross-border brand alliances pose additional challenges beyond purely domestic brand alliances. Brand owners must consider the brand associations from both a local and global perspective, and the potential effect that such extended associations have on both the performance of a brand alliance, and each firm's brand. However, though it seems likely that country of origin plays a significant, and perhaps central, role in the success of a product offered by a cross-border brand alliance, surprisingly the influence of country of origin in such a context has not yet been systematically examined.

Following "the two kinds of research" (Ehrenberg, 2002, p. 37), namely repetition and innovation, the purpose of our study is twofold. First, building upon traditional literature, we ask whether Simonin and Ruth's (1998) main findings can be hold up in the context of cross-boarder brand alliances. Hence, we submit their work to a test of replication using a sub-set of their instruments for antecedents that influence consumer attitudes about a brand alliance in a comparable but different context. Second, we extend the literature by exploring the role of country of origin within these antecedent influences on consumer attitude towards cross-border brand alliances. As previous studies have demonstrated that consumers use country of origin information to develop product evaluations and form attitudes toward the product or brand (e.g. Ahmed and d'Astous, 1996; Chawla *et al.*, 1995; Han and Terpstra, 1988; Johansson *et al.*, 1985), we propose that country of origin fit is an important determinant of consumer attitude towards this type of brand alliance. Thus, our study can help marketers better determine conditions under which cross-border brand alliances will be favourably evaluated, and, in the process of doing so extends the central work of Simonin and Ruth (1998).