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**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

Master Degree Project in Knowledge-based Entrepreneurship

## **Innovative Co-Branding**

a case study of Swedish companies' attitudes toward innovative marketing concepts

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Innovative Co-Branding: A case study of Swedish companies' attitudes toward innovative marketing concepts

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This thesis has been written within the research topic of innovation, marketing, and branding.

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# ABSTRACT

**Title:** Innovative Co-Branding: A case study of Swedish companies' attitudes toward innovative marketing concepts

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**Key words:** Innovation adoption, Service innovation, Entrepreneurial marketing, Branding, Co-branding.

This thesis addresses the difficulty to build a strong brand and capture the audience attention. In a noisy world, where consumers get bombarded by loud advertising and aggressive campaigns, companies are forced to adopt nontraditional, innovative brand strategies, including co-branding.

The purpose of this thesis is to study how willing companies are to participate in an innovative co-branding concept. The aim is to find underlying motivations that drives their marketing- and branding choices. The study will also include companies' view of related challenges, advantages and disadvantages. Additionally, a participation-willingness index will be provided in order to find similarities and differences between different company categories. This will be accomplished by addressing a range of different companies in a quantitative study, followed by 14 semi-structured interviews. The contributions to the empirical findings are then compared to existing literature within relevant fields. The research process is embedded into Co-Brand Concept's customer discovery process and all participating companies have a connection to the marketing channel *The Welcome Home Box*.

Conclusively, the author found that younger and often smaller companies in general were more willing to take risks through participation in innovative concepts. These companies did also have more flat organizations, and they were aiming brand awareness and immediate sales. It was also shown that companies found innovative concepts attractive during phases of transformation, where experimental approaches were suitable. These companies easily adopted *The Welcome Home Box*, which indicates an opportunity gap for innovative branding solutions.

Additionally, it was found that less traditional (often larger) companies with hierarchical organizations were not as willing to take risks. They are aware of their relationships with different stakeholders, and rather focus on well-tested channels in order to keep their strong position at the market.

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Linda Odenman

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# 1. INTRODUCTION

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*The first chapter will begin with an introduction to this thesis. It will commence with describing and problematizing marketing and co-branding. This is then followed by the aim and ambition of the thesis, the research questions addressed, and a short presentation of the specific case study; Co-Brand Concept's Welcome Home Box.*

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## 1.1 Problem description

Companies all over the world are facing increasing competition, complex environments and dynamic markets. In a noisy world where consumers get bombarded by loud advertising and aggressive campaigns, it has become even more important to build strong brands and capture the audience attention. Companies in various industries are forced to adopt nontraditional, innovative branding strategies, including co-branding, in an attempt to exploit their existing brand equity (Desai and Keller, 2002).

There is however still a lack of innovation in marketing in general, which has resulted in similar processes and replication of products and services (Ian Fillis, 2010). A range of authors within the field (Gummesson, 2002; Ardley, 2006; Saren *et al.*, 2007; Tadjewski and Brownlie, 2008, Jayawarna *et al.*, 2014) indicates a need of refreshing research methodologies and revitalizing marketing theory, especially entrepreneurial marketing theory.

Co-branding, a marketing technique where two brands create one unit, has fundamentally to do with innovation and distinctiveness in an increasingly competitive environment (Kippenberger, T, (2000). When an increasing number of companies use co-branding within existing marketing channels, could the concept still be considered as innovative per se? The author believes that completely new, untapped marketing channels are needed in order to keep using co-branding as an innovative marketing concept. Using the same concept over again would result in similar processes and replication once again, why co-branding could and should be applied in new settings in order to be seen as a nontraditional and innovative branding strategy.

For the term “co-branding”, the author will use Blackett and Boads (1999) definition; “*Co-branding is a form of co-operation between two or more brands, in which all the participants' brand names are retained. It is usually of medium-to long-term duration and its net value creation potential is too small to justify setting up a new brand and/or legal joint venture.*” “Innovative co-branding” is, according to the author's definition, co-branding in untapped marketing channels where new brand partnerships can take place.

The purpose of this thesis is to study how willing companies are to participate in an innovative co-branding concept and to see if there are any characteristics related to adoption willingness.

Further, the aim is to find underlying motivations that drives their marketing- and branding choices. The study will also include companies' view of related challenges, advantages and disadvantages. Additionally, a participation-willingness index will be provided in order to find similarities and differences between different company categories.

The team of Co-Brand Concept, with support from the master program Knowledge Based Entrepreneurship and GU Holding, work actively with finding new marketing channels instead of continuing exploring existing ones. Due to the fact that the author is a team member of Co-Brand Concept, this thesis will be closely connected the customer discovery process of the project. The first step for Co-Brand Concept was to create a marketing channel through real estate agencies and construction firms, called *The Welcome Home Box*. Empirical findings will be closely connected to the case of *The Welcome Home Box*.

Concepts and campaigns similar to the work conducted by Co-Brand Concept have not been academically evaluated, which makes this thesis a great contribution to the field of innovative marketing research.

## **1.2 Research questions**

This thesis aims to study how co-branding is perceived by product producing/service companies and how willing different companies are to participate in a co-branding concept. The author seeks to find underlying motivations to why companies chose to participate in innovative co-branding concepts or why they chose not to participate. The author's research questions are thereby the following;

**Q1:** How willing are companies to participate in innovative co-branding concepts?

**Q2:** What motivations are driving companies' branding-choices?



### 1.3 Co-Brand Concept's Welcome Home Box

This thesis is closely related to the business development of Co-Brand Concept and their first project; *The Welcome Home Box*. The team behind Co-Brand Concept, which is currently a verification project under GU Holding, works actively with finding new, innovative, marketing channels. *The Welcome Home Box* is an exclusively packaged box filled with market places for consumer goods- and personal service companies. By using *The Welcome Home Box* as a marketing channel, product producing/service companies gets the opportunity to come into the consumer's home environment, where the products can be tested and evaluated. The boxes are distributed through real estate agencies and construction firms, who use the boxes as a home warming box to give to their customers as a gesture of appreciation. Through the gift they aim to strengthen their existing relationships with clients while the homebuyer gets an attractive gift, which enhances the customer experience of the housing purchase. The box's product mix consists of four main categories; "consumable goods", "decorative products", "edible products", and "personal services" and is co-created together with the different participating companies.

The pilot study, which is Co-Brand Concepts verification phase, started in January 2015 and will end in June 2015. It consists of 200 boxes distributed in attractive housing areas of Gothenburg. After the pilot study, external consultants will evaluate the concept. This thesis includes the process from the phase where Co-Brand Concept presented the idea to potential product producing/service companies, to how their resulting engagement looked like for each participating company. Focus lies on the evaluation of how willing consumer goods/service companies are to participate and what motivates them. The actual evaluation of the pilot study will be made later on, by external consultants, and will focus on the end users (homebuyers) response. Co-Brand Concepts goal is to create long-term relationships with real estate agencies, construction firms and product/service producing companies.

Even though the author is a team member of Co-Brand Concept, the author will write this thesis as if she were an external, impartiality researcher, studying the concept and it's market response from outside.



## 2. THEORETICAL FRAMEWORK

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*The second chapter will give the reader an understanding of the related theoretical topics. In order to facilitate the reading process, there is a presentation of relevant definitions in Appendix (See Appendix 1. Definitions) The chapter starts with a short introduction, followed by a presentation of differences between traditional marketing and entrepreneurial marketing, co-branding as a concept and a short description of another marketing innovation; social media. Continuously, service innovation and innovation in general is presented along with relevant adoption- and diffusion theories. Finally, Rogers Innovation Adoption model is described more into depth, since empirical findings will be related to this model later on.*

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Due to increasing competition, complex environments and dynamic markets, marketing has become louder and more aggressive. According to Desai and Keller (2002) companies in various industries need to build strong brands in an attempt to capture the audience attention. In a noisy world where the consumer gets bombarded by ads and information, companies are forced to adopt nontraditional, innovative brand strategies, including co-branding. However, many authors within the field (Gummesson, 2002; Ardley, 2006; Saren *et al.*, 2007; Tadjewski and Brownlie, 2008) indicate a need of refreshing research methodologies and revitalizing marketing theory. These authors mean that there is a lack of innovation in marketing in general, which has resulted in similar processes and replication of products and services. Screaming the loudest may not be the most efficient way to capture attention.

Since marketing is a creative field, it is remarkably how innovations related to marketing and branding does not take place to a greater extent. One relatively new marketing concept that has fundamentally to do with innovation is co-branding (Kippenberger, 2000). However, new contents and settings could be needed in order to maintain the innovativeness in such concept. Empirical research on co-branding is limited to few studies that have examined product concepts rather than real instances of co-branding (Leuthesser *et al.*, 2003). For that reason it would be of great interests to study how the adoption would look like if such a new innovative co-branding concept took place in a completely new setting. One reason for the lack of innovation within the marketing field in general could be related to companies' willingness/unwillingness to adopt new risky concepts.

## **2.1 Traditional marketing vs. entrepreneurial marketing**

As earlier stated, lack of innovation within the field of marketing has resulted in similar processes and replication of products and services rather than truly innovative outcomes (Seth *et al.*, 2000). Market theory does however emphasize the importance of the key concepts of opportunity recognition, innovative techniques to bring products/services to the marketplace and new successful ways to meet the needs of pre-chosen target market. Bennett and Cooper (1984) state that traditional marketing, with its focus almost exclusively on meeting consumer needs, is to blame for the stagnation of innovation in large firms.

According to Miles and Darroch (2005) traditional firms focus on expressed needs of current customers, instead of focus on creating real value through developing future marketing mixes and strategies to meet latent needs. Few studies within the field examine the strategic role of entrepreneurial and innovative marketing within firms. Carson and Gilmore (2000) made a study where they focused on companies that have successfully adopted entrepreneurial marketing. This study suggests that entrepreneurial marketing has a higher component of experiential learning than traditional marketing. They also state that entrepreneurial marketing tends to result in higher levels of innovation. In another quantitative study of business owners in the UK, Stokes (2000) found that entrepreneurial marketing is more focused on emergent strategy, innovation, and the establishment of long-term relationships compared with traditional marketing.

## **2.2 Co-Branding and barriers to co-branding**

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*Since co-branding emerged in the late nineties, literature covering the field is centered around the beginning of the millennium. For that reason, references of well-cited authors are from that period of time. Relevant literature still describes co-branding as “innovative per se”. However, the author believe that new settings are required in order to retain the innovativeness of this concept (see Introduction).*

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Literature has discussed co-branding strategy as a key marketing technique. Through this strategy, firms can strengthen their corporate reputation, overall quality, and awareness of the participating brands. The strategy is also known as a source to competitive advantage and could be an efficient tool for positioning new products (Besharat, 2010). Co-branding has fundamentally to do with innovation and distinctiveness in an increasingly competitive environment (Kippenberger, 2000).

The decision about whether to co-brand or not is substantially based on two conditions: the opportunities for creating a competitive advantage, and the operational benefits that it will result in. In order to develop a strong relationship between brands and secure future business growth, firms must take great care in their choice of co-branding partner. The relationship is dependent on the fit between each partner's needs, motives, and perceived "personality". However, the positioning of each of the brands involved, such as functional attributes and emotional values, is also vital. These criteria must be taken into consideration when screening potential co-branding partners. The success of the co-branding concept/venture will be strongly influenced by both the product fit and the brand fit between them. (Prince and Davies, 2002). Product fit refers to the closeness of the product categories within the arrangement/concept irrespective of the individual brands. An example could, according to Simonin and Ruth (1998), be "the fit between ice cream with male syrup". When it comes to brand fit, it could be defined as the level of consistency between perceptions of each brand based on associations in memory. Each of the co-brands should therefore be seen as a logical and expected extension of the other.

When this fit is unsuccessful and poor either at product or brand level, there will be a negative spillover effect on how the co-branded offering is perceived. In other words, when firms choose co-branding partners, they should measure a potential partner's worth by the extent to which their combined products can jointly satisfy a need, or can be used in the same situation. (Prince, Davies, 2002). Xiao and Lee (2014) also discusses a third factor, between brand fit and product fit, effecting the "perceived fit" between companies; brand identity. Brand identity has to do with the brands cultural meaning or the brand's personality (Xiao and Lee, 2014).

Another factor discussed by Leuthesser, *et al.*, (2003) is the complementary factor, which is stated as a main dimension related to co-branding. The other dimension is the target market. This dimension is based on the common observation that co-branding can bring together brands with different market franchises and thereby offering opportunities for access to new markets (Leuthesser *et al.*, 2003).

Empirical research on co-branding is as mentioned limited to a relatively few studies. These studies have typically examined product concepts rather than real instances of co-branding. Finding of these studies suggest that strong parent brands influence the perceptions to co-brands more than weaker parent brands.

They also suggest that strong parent brands (well-known brands) are less influenced by attitude toward the co-branding concept/activity. Lesser-known parent brands are in other words likely to be affected the most (Leuthesser, *et al.*, 2003).

Washburn, *et al.*, (2000) did also study the differences between “high-status” parent brand participation with “low-status” parent brand participation co-branding arrangements.

The authors found that low-equity brands gain more in a co-branding situation than high-equity brands. They also found that low-equity brands do not damage the high-equity brands they partner with. For that reason, it seems that well-respected, powerful brands have relatively little to lose in co-branding arrangements, even when the participating partner brand is a weak one (Washburn, *et al.*, 2000).

Empirical studies do also show that brands with low brand familiarity in a particular market e.g. new geographical market, new product, new target group) is especially interested of co-branding as an option for market entry (Baumgarth, 2010).

### **2.3 Social media – another example of a marketing innovation**

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*In order to draw parallels to other recent marketing innovations, social media as a marketing tool will here be presented. The early adoption of this innovative marketing tool has not been academically evaluated. However, research is made on current marketing adoption.*

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One innovation, which has led to an immense transformation in the media landscape during the past decade, is the rise of Internet and different digital platforms. Social networking sites started to form in the 1990 (Roebuck, 2012). Since the birth of the “Web 2.0 innovation” in the early 2000s, social media have opened new challenges and opportunities for both the private lives of individuals and the business activities of organizations, drawing interest on their benefits and applications from researchers and industrialists alike (Hanna *et al.*, 2011; Kietzmann *et al.*, 2011). Social media (social networks, online communities, forums, microblogs and podcasts) are increasingly replacing traditional media, and the buzz about these new branding- and marketing opportunities seems unlimited. Consumers are turning away from traditional media such as magazines, TV, and radio, and are instead turning towards using social media to search for information (Mangold and Faulds, 2009).

The underlying motives for companies usage of social media is related to the fact that this tool is mainly free and easy to use. It can therefor provide businesses with a relatively quick and low cost method of connecting with customers. (Fischer and Reuber, 2011).

Research on companies' unwillingness to use social media is done by Marketing Sherpa (2015), showing that the most common reason for not using social media as a marketing tool is lack of knowledgeable staff (See Appendix 6. Barriers to social media adoption).

The time- and cost efficiency is especially beneficial to small- and medium- sized enterprises (SMEs) that may not have the technical expertise or the financial backing for other, more traditional, technical solutions. However, most existing research on business use of social media is related to large organization and does not specifically address SMEs (Stockdale et al., 2012).

Research on large companies show that since 2009, 97 percent of charitable organizations on Forbes 200 largest US charities use some form of social media, and as of 2010 approximately 60 percent of Fortune 500 companies use some form of social media in their marketing activities (Barnes, 2010). Burson-Marsteller, one of the largest public relation agencies in the world, did also survey the world's top 100 companies across Europe, USA, Asia-Pacific, and Latin America in 2012. This research showed that 87 percent of the Fortune 100 Best Companies use at least one social media platform. Twitter is the most popular platform, YouTube comes second and Facebook is in the third position (Burson-Marsteller, 2015).

As mentioned, there is no early research done that includes both small and larger companies, presenting the first adaptors of this new marketing innovation. However, a recent study of the Spanish retailing branch shows the differences between small- medium- and large companies adoption of social media as a marketing tool today. With regard to the number of employees, the largest percentage of retailers who do not use social media have fewer than 25 employees (37.9%) while the categories of retailers who use social media the most are those having between 25 and 50 employees and between 251 and 500 (19.4% in both cases). In overall, the research shows that the majority of companies that not use social media are small. Larger companies are in other words more likely to make use of social media as marketing tools than small ones (Lorenzo-Romero *et al.*, 2013).

## 2.4 Service Innovation in general

When it comes to the adoption of services in general, a benchmarking report from 2012 made by Marketing Sherpa shows that Professional or Financial Services and Media or Publishing services have a conversion rate by 10 percent. (See Appendix 4. Average Conversion Rate by Industry 2012) Similar studies of adoption related to innovation services such as new marketing channel offerings have not been made (MarketingSherpa, 2012 Website Optimization Benchmark Report, 2015).

Despite the broad meaning of innovation earlier presented by Schumpeter (1934), innovation literature has often taken a limited view by focusing on technological innovations.

According to den Hertog *et al.*, (2010), service innovation cannot be compared to this limited approach since services are closely connected to customer interaction and intangibility characteristics. Services are less standardized and less centralized compared to products (den Hertog *et al.*, 2010, p.492-493). Tether (2013) also states how service innovation tends not to be organized through specific departments, unlike products innovations that are often organized through R&D.

Instead, service innovations are typically more distributed, involving people from a variety of functions or departments, involving users and complementary service providers (Tether, 2013). The importance of customer relationship is an important aspect of service innovation. Each service transaction is unique since it is produced interactively with clients in response to particular and non-standardized problems. The term co-production denotes situations in which the interaction between the service provider and the customer is intensive and balanced. (Gallouj, 2002).

The business model is taken into consideration in Pim den Hertog's (2010) six dimensional model of service innovation.

These dimensions lead individually, but most likely in combination with other dimensions, to one or more new service functions. New service functions in turn change the service or goods offered and require structurally new technological, human or organizational capabilities.

- *The first* dimension presented by den Hertog is *the service concept*, which could be seen as the created value by the service provider.
- *The second* dimension is *new customer interaction*, focusing on innovation in the interaction process between the provider and the customer.

- *The third dimension involves new value systems*, meaning new sets of business partners involved in jointly co-producing a service.
- *The fourth dimension is new revenue models* where costs and revenues are aligned, which is especially important when multiple actors are involved.
- *The fifth dimension is personnel, organization, and culture elements of a new delivery system*. These “soft” elements of the service delivery system can allow firms to differentiate themselves from competitors.
- *The sixth dimension is technological elements of a new service delivery*, allowing improved production (den Hertog *et al.*, 2010).

#### **2.4.1 Key attributes affecting adopters**

Extensive evidence from sociology supports the notion of key attributes of innovations as perceived by prospective adopters. These aim to explain the variance in service innovations’ adoption rates. These are primarily based on empirical studies of service innovations in health care, but could be applied on other service fields as well. Greenhalgh *et al.*, (2004) presents the following attributes to innovations that are easily adopted. Innovations lacking these attributes are in general harder to adopt which affects the diffusion process significantly;

- *Relative advantage*. Innovations that have a clear advantage in either effectiveness or cost-effectiveness.
- *Compatibility*. Innovations that are compatible with the intended adopters’ norms, values, and perceived needs.
- *Complexity*. Innovations that are perceived by key players as simple to use.
- *Trialability*. Innovations with which the intended users can experiment on a limited basis.
- *Observability*. The benefits of the innovation are visible to intended adopters.
- *Reinvention*; Potential adopters can adapt, refine, or otherwise modify the innovation to suit their own needs.
- *Fuzzy Boundaries*. Complex innovations in service organizations have a “hard core” (the irreducible elements of the innovation itself) and a “soft periphery” (the organizational systems and structures)
- *Risk*. The innovation carries a low degree of uncertainty of out-comes that the individual perceives as personally risky.
- *Task Issues*. The innovation is relevant to the performance of the intended user’s work and it improves task performance.



- *Knowledge Required to Use It.* The knowledge required for the innovation's use can be codified and transferred from one context to another.
- *Augmentation/Support.* A technology is supplied as a complementing product (e.g., with customization, training, a help desk) (Greenhalgh *et al.*, 2004).

#### **2.4.2 Adoption barriers to service innovation**

Innovation resistance is the resistance offered by consumers to an innovation. It affects the timing of adoption and varies in degree (from inertia to active resistance), and exists across product classes. Most barriers to innovation that exist in manufacturing also apply to services. However, services also face some important additional barriers according to Tether (2013).

The fact that services doesn't have an independent physical existence, but instead are provided, ties a close connection between service output and the process, which could also be seen as the means of provision. This connection is often embedded into working practices and job definitions. For that reason major innovations in services often involve business model innovation and a fundamental organizational change of the service provider (Tether, 2013).

Reasons for the resistance could be based on cultural reasons or a feeling of the innovation being too risky for different reasons. Customers face several barriers that affect their desire to adopt innovations. Ram and Seth (1989) divided these barriers into two main categories: functional barriers and psychological barriers.

##### **2.4.2.1 Functional Barriers**

*Usage Barrier:* The most common reason for customer resistance to an innovation is that it is not compatible with existing practices or workflows.

*Value Barrier:* Unless an innovation offers a strong performance-to-price value compared with other substitutes, there is no real incentive for customers to adopt it.

*Risk barrier:* All innovations are related to potential side effects. Customers that are aware of these risks often try to postpone adopting the innovation until they can learn more about it. There are four main risk inherent in an innovation: 1) Physical risk - The risk to harm a person or property that may be inherent in the innovation. 2) Economic risk – The higher the cost of an innovation, the higher the perceived economic risk. 3) Functional risk – Due to performance uncertainty. Involves the risk that the innovation may not have been fully tested. 4) Social risk The risk that adopting the innovation may lead to social consequences.

#### *2.4.2.2 Psychological Barriers*

**Tradition Barrier:** An innovation requiring the customer to deviate from established tradition is usually resisted. The greater the deviation, the greater the resistance.

**Image Barrier:** There is often a certain identity related to an innovation's origin, such as industry, product class or country. Unfavorable associations lead to a barrier to adoption (Ram and Sheth, 1989).

### **2.5 Innovation in general and Innovation Diffusion**

Most innovations result from purposeful search for innovation opportunities. Opportunities that exist within a company or an industry usually arise from unexpected occurrences, process needs, incongruities, and industry market change. Opportunities existing outside a company usually arise from demographic changes, changes in perception, and new knowledge. Innovators must always analyze all opportunity sources and since innovation is both conceptual and perceptual, innovators must also go out and look, ask, and listen (Drucker, 2002).

Schumpeter emphasized the importance of diffusion; the process by which the use of an innovation spreads and grows. Diffusion could be seen as the stage in which a new product or process comes into widespread use (Backhaus, 2003, p. 301). One reason why there is so much interest in the diffusion of innovations is because it is often very difficult to get a new idea adopted, even when it has obvious advantages. In many fields there are gaps between what is known and what is actually put into use. Many innovations require lengthy period from the time when they become available to the time when they are widely adopted (Rogers, 1983, p.2).

The process through which an individual (or other decision-making unit) passes from first receiving knowledge about an innovation to finally confirming their decision to adapt or reject is called the innovation-decision process.

The process consists of five main steps; knowledge, persuasion, decision, implementation, and confirmation. Knowledge occurs when an individual is exposed to the innovation's existence and gains understanding of its basic functions. Persuasion occurs when the individual forms an attitude toward the innovation. Decision occurs when an individual engages in different activities that lead to a choice to adopt or reject the innovation. Implementation occurs when an individual puts the innovation into actual use. Confirmation occurs when an individual seeks reinforcement of an innovation decision that is already made (Rogers, 1983 p. 20-21).

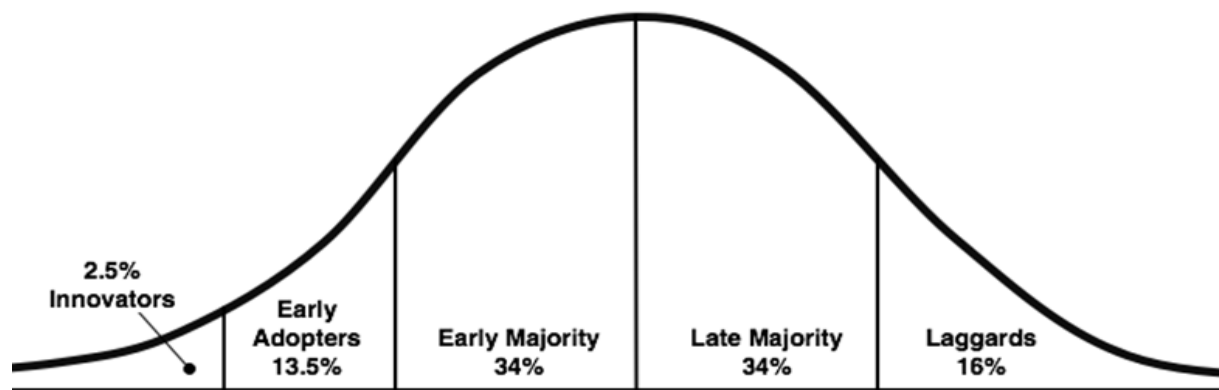
### 2.5.1 Rogers innovation adoption model

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Rogers innovation adoption model, describing diffusion of innovations, is one of the main models within innovation literature. Since it is a suitable model to connect the empirical findings to, a presentation of the model will here be outlined. In an attempt to understand the lack of innovation within the marketing field in general, companies' willingness to adopt new innovative concepts will be studied. This model helps clarifying whom the early adopters are when an innovation occurs.

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Rogers presents a model that shows adopter categorization on the basis of innovativeness. The innovativeness dimension is continuous and measured by the time at which an individual adopts an innovation. However, this variable is divided into five adopter categories by laying off standard deviations from the average time of adoption.



**Figure 1: Rogers innovation adoption model** (Source: Rogers, 1983, p. 248-251)

#### 2.5.1.1 Innovators/Venturesome

Innovators are eager to try new ideas. This interest often leads them out of small local networks and into bigger social systems where they play a gate-keeping role in the flow of new ideas. The investor is therefore having an important role in the diffusion process, even though the innovator may not always be respected by the other members of a social system.

Friendships and communication patterns among innovators are common. The innovator must have control of substantial financial resources in order to absorb possible loss owing to an unprofitable innovation, be able to understand and apply complex technical knowledge, and be able to cope with a high degree of uncertainty (Rogers, 1983, p. 248-251).

#### *2.5.1.2 Early adaptor*

Early adopters are usually more integrated in the local social system, where they usually play a role as opinion leader. Potential adopters of the innovation often look to early adopters for advice and information. Early adopters are therefore crucial for speeding the diffusion process.

They are not too far ahead of the average individual and are therefore seen as a role model for many other members of a social system. In order to maintain this respected role, the early adopter must make judicious innovation decision (Rogers, 1983, p. 248-251).

#### *2.5.1.3 Early majority*

The early majority usually adopts new ideas just before the average member of a social system. He or she interacts frequently with other members, but are seldom holding leadership positions. The early majority are seen as the link between the very early to adopt an innovation and the relatively late (Rogers, 1983, p. 248-251).

#### *2.5.1.4 Late majority: Skeptical*

The late majority adopts the ideas just after the average member of a social system. Innovations are often approached with a skeptical view and the adoption may be both an economic necessity and the answer to increasing network pressures. The late majority does not adopt before the weight of system norms definitely favor the innovation. Pressure from the social system is often needed for motivating adoption. Due to scarce resources, the late majority must know that there is no uncertainty about the new idea before feeling safe enough to adopt it (Rogers, 1983, p. 248-251).

#### *2.5.1.5 Laggards: Traditional*

Laggards are the ones who are the last in the social system to adopt the innovation. They possess no position of leadership and are often isolated in local social networks. Laggards' point of reference is often the past and laggards often look at decisions made by previous generations. These individuals are primarily interacting with others who also have relatively traditional values and they are usually suspicious of innovations and change agents. When laggards finally adopt, the innovation may already have been superseded by other more recent ideas. The laggards scarce resources forces him or her to be extremely cautious in adopting innovations (Rogers, 1983, p. 248-251).

### 3. METHODOLOGY

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*The third chapter describes and presents the methodology used in order to carry out this research. It will be presented as choice of method, work progress, chosen sample, and data collection, and will end up with a discussion of reliability and validity.*

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#### 3.1 Choice of method

The methodology chosen to carry out this research is characterized by an inductive research strategy, grounded in the exploratory nature. As stated by Bryman and Bell (2007), inductive approach focuses on linking data and theory together to produce generalizable findings. Elements of deductive approach are also used in this thesis, as the research has involved a weaving back and forth between theory and data. Grounded theory is derived from data, systematically gathered and analyzed through the research process, which provides a close relationship between the author's data collection from both the quantitative and the qualitative research, and relevant theory. Grounded theory does also facilitate research in areas that are yet not well research, such as the field of co-branding and innovative marketing. However, the author is aware of the fact that the grounded theory approach in this thesis is not following the clear definition of grounded theory, since the author do have pre-knowledge of marketing and co-branding. The aim is however not to let this prior-knowledge affect the theoretical framework. Instead, the literature study and the author's pre-knowledge related to the fields lay the foundation to the author's definitions and research questions.

Co-Brand Concept plays an important role through the research since the project is connected to the author's research questions. This thesis is a one-case-study, since all studied companies have some relation to *The Welcome Home Box*. At the same time, the research compares the different companies approaches, why it could also be said that the author has used elements of a comparative multiple case design. Multiple-case study design is often related to comparative design, since it largely undertakes the purpose of comparing the cases that are included. Elements of this design suits the authors aim to compare both participating- and non-participating companies related to *The Welcome Home Box*.

#### 3.2 Work progress

The research is as described closely related to the work conducted by Co-Brand Concept. As the different companies in this research were related to Co-Brand Concept, the study could be seen as biased. However, the natural connection between the research topic and the researcher create synergies between the project and the academia.

First, a quantitative research was made. The goal of this study was to test how interested different companies are in participating in a new, innovative co-branding concept. The aim was also to find an adoption/conversion rate as a first step in order to approach the author's research questions. Firstly, the author made sure that she had the correct contact information to the right person at each company. After that, information was sent about the concept to a potential key person at the company (marketing manager/marketing coordinator) through e-mail with the question "are you interested to participate? If the person indicated an interest, the dialog continued, if not the author asked them to shortly motivate why. In that way, the author received enough information to organize the "non-participating companies" into different categories. This did also give the author an overview of the adoption/conversion rate.

The approached companies all offered products/services from the four categories of *The Welcome Home Box's* product mix; consumable goods", "decorative products", "edible products", and "personal services". It took time to go through all the answers from the quantitative research, but since it only includes two variables (will you participate and why/why not), the data was easy to structure.

After organizing the data from the quantitative study of 75 different companies, the next step was to interview companies in order to find out more about their strategies and underlying motivations. Empirical findings from the qualitative study were then compared to find similarities and differences between companies. This was followed by a comparison between the summary of the empirical findings and the theoretical framework. More specifically, the first research question was answered through the quantitative research and the second through the qualitative research.

Alongside with having semi-structured interviews with key persons at different companies, the author conducted an literature review. This review resulted in theories about innovations and related adoption and diffusion, service innovation, marketing strategies and co-branding. Consequently, the literature review is what constitutes the theoretical framework, which the author weaved into the empirical data collection.

### **3.3 Sample**

To carry out this thesis, compiling a sample of suitable product producing- and service companies was necessary. The geographical area was limited to Sweden, but international companies were also included as long as they sold their products in the country.

The products were all related to one of *The Welcome Home Box*'s four categories "consumable goods", "decorative products", "edible products", and "personal services".

The interviews with the contact person at respective company were carried out in Gothenburg and in Stockholm, at the interviewees' work places.

The sampling population of companies was thereof identified with the following criteria:

- Operating in Sweden
- Offer products within the four categories "consumable goods", "decorative products", "edible products", and "personal services".

### **3.4 Data Collection**

#### ***3.4.1 Primary data***

Both a quantitative and a qualitative research was made in an attempt to answer the author's research questions. The quantitative research was mostly related to the first research question while the qualitative to the second one. The quantitative research was made in a phase where Co-Brand Concept first approached different companies with their concept, while the qualitative study was made later on when the companies already had decided whether they wanted to participate or not.

##### *3.4.1.1 Quantitative research*

In order to see how many companies that were interested in participating in an innovative co-branding concept, the author conducted a quantitative research where the author contacted 75 different companies. Together with some information about *The Welcome Home Box* concept, the author asked them if they were interested in a participation. Thereafter the contact person at each company was asked to motivate their answer. Beside from getting a relation between the numbers of interested and not interested companies, the research also provided an adoption/conversion rate and a sense of the underlying motives for participating or not participating, which the author dug deeper into in the qualitative research.

##### *3.4.1.2 Qualitative research*

In order to find out the motivations behind companies willingness or non-willingness to participate in a co-branding concept, and to find what drives their brand-choices in general, the author conducted semi-structured interviews. The author interviewed nine contact persons at companies that choose to participate and five contact persons at companies, from different categories, that choose not to participate in *The Welcome Home Box* concept.

These companies were all respondents in the earlier quantitative research, why it could be said that the quantitative research facilitated the qualitative one.

Semi-structured interviews enable flexibility both for the respondent and for the author to dig deeper into interesting areas. In order to compare the eight different cases, a multiple-case study design was used. The author's aim was to hold physical interviews where body language and tone of voice can be observed. Bryman and Bell (2007) states that face-to-face interaction is the fullest condition of participating in the mind of another human being and, explain how "you must participate in the mind of another human being to acquire social knowledge".

### ***3.4.2 Secondary data***

Concepts and campaigns similar to the work conducted by Co-Brand Concept have as earlier mentioned not been academically evaluated. However, parallels will be drawn to studies of average conversion rates in different industries (See Appendix 4. Average Conversion Rate by Industry 2012) and of barriers to social media adoption (See Appendix 6. Barriers to social media adoption) made by MarketingSherpa. Additionally, a study made by Burson-Marsteller, one of the largest public relation agencies in the world, will be included in order to get a view of the current adoption of social media as a marketing tool.

### ***3.4.3 Literature***

The literature collected for this thesis is exclusively from written documents such as articles, books and reports. (see chapter 7, 'References'). The author has used credible databases through The Gothenburg University Library. All documents have been reviewed carefully and no subjective secondary data has been used. The two criteria authenticity and credibility are therefor accordingly fulfilled.

Key words used in the secondary data collection includes "innovation adoption", "service innovation", "entrepreneurial marketing", and "co-branding". Beside from documents found through databases, some articles and books were reused from earlier academic studies during the author's master studies. Additionally, some articles and books were found through citation in other documents. The author did also receive tips by the supervisor related to the theoretical framework structure.



### 3.5 Validity and Reliability

Validity and reliability are according to Bryman and Bell (2007) two important criteria in qualitative research, which is the main research method in this thesis. Through validity and reliability, the quality of the research is assessed, both internally and externally. Internal validity refers to the coherency between the researchers observations and the theoretical ideas developed.

The author used a research strategy that allowed her to go back and forth between empirical findings and theoretical framework, and is therefor able to adjust the theories when required. This strategy assures the internal validity.

When it comes to external validity, it refers to the generalizability of a study. Generalizability is often an issue for qualitative research due to small samples and case studies. This study has produced indications and some findings that could be seen as generalizable for the current Swedish market. However, these finding could easily change due to fluctuations in economy, new technologies, and trends. The issue of consistency is in other words one thing the author needs to be aware of. Some companies might say that they are not interested right now, but could change their answer in a couple of months when they have another marketing budget, the marketing channel provided by Co-Brand Concept gets more known or their work schedule allows enough time to familiarize themselves with co-branding as a concept. The author does however aim to find out how the current market response is, why the purpose is not to find generalizable findings over time. In order do a similar study, the concept must once again be new for the market and offer an untapped marketing channel. When *The Welcome Home Box* concept gets widely spread and more established, it will not be able to offer an untapped marketing channel any more. In other words, the likeliness to replicate the study with similar result, which is referred to as external reliability, could be problematic if the researcher could not find a similar, completely new, concept. Internal reliability refers to disagreements within the research team. Since one single author performed this study, this problematic could not be assessed.

Authenticity consists of five criteria; fairness, ontological authenticity, educative authenticity, catalytic authenticity and tactical authenticity. According to Bryman and Bell (2007), fairness reveals whether the research fairly represent different viewpoints among members of the social setting. The author interviewed different companies from different industries (all related to the four earlier described categories of the box).

The interview material was afterward sent to the interviewees in order to receive approvals of the collected and summarized data. This process did also assure the fairness in the presented material.

Ontological issues have to do with whether the social world is regarded as something external to social actors, or as something people are in process of fashioning. The author's view is that organizations, cultures, and social objects are socially constructed.

The author's intention is to formulate a research problem so that the tenuousness of organization and culture as objective categories are stressed, where the emphasis is placed on the active involvement of people in reality construction. The researcher helped the interviewees to improve their understanding of their social environment by introducing an overview over the thesis theme and the included research questions.

The educative authenticity criterion is determined by how well the researcher has mediated perspectives of others, in a learning purpose. In order not to affect the interviewees, the authors chose not to present empirical findings during the interviews. However, some discussions related to different marketing strategies took place after respective interview since some of the interviewees showed interest in academic perspectives. The author did not however suggest any actions, which catalytic authenticity and tactical authenticity refers to. Instead, the interviewees expressed their strategies and believes.

When it comes to epistemological considerations, the author has more of an interpretivism view. Instead of explaining human behavior, which is the main ingredient of the positivist approach to social science, the author seeks to understand human behavior, why the author let the interviewee explain their believes as earlier stated. The author's view is that organizations are made of individuals, which is why the author's understandings must be based on the experience of those who work within them. For that reason, interviews with key persons within different companies represents the most crucial part of the author's research.

## 4. EMPIRICAL FINDINGS

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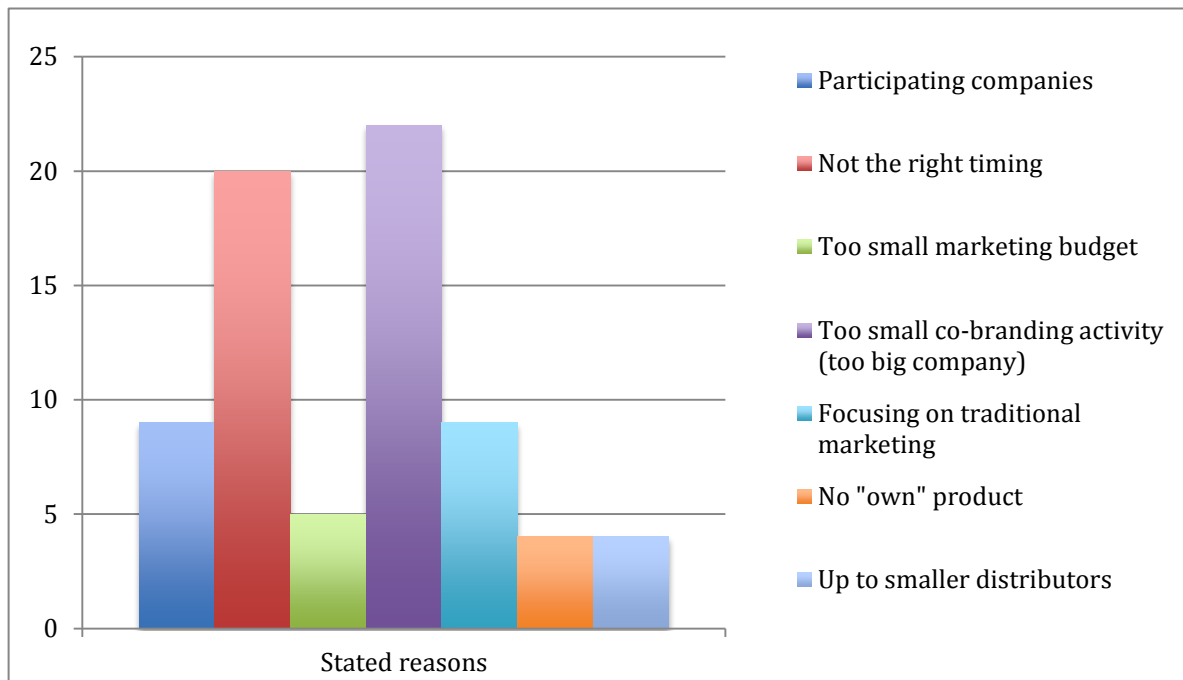
*The fourth chapter presents the empirical findings, which have been gathered through a larger quantitative study of 75 companies, and a qualitative study of interviews with key persons at marketing positions from different companies. The interviews have been following the interview framework (see Appendix 4. Interview framework.)*

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### 4.1 Quantitative research

In order to find companies that are interested in participating in the pilot study, the author conducted a quantitative research. In this research, the companies were first approached through phone calls and after that receiving information through e-mail about the concept. In total, 75 different companies were approached within the four industries; consumable goods, decorative products, edible products, and personal services. The companies that chose not to participate were asked to motivate why. The research led to the following result (see Figure 2: ‘Company categories’):

- 9 non-competing companies chose to participate.
- 20 companies answered that they cannot participate during the pilot study due to timing issues, but are interested in future participation.
- 5 companies stated that they are too “young” and do not have enough marketing budget yet in order to participate in co-branding activities.
- 22 companies explained that *The Welcome Home Box* pilot study is a too small activity in relation to their large (often multinational) corporation.
- 9 companies replied that they have chosen to focus exclusive on traditional marketing channels. They focus more on the diffusion of their campaigns than on approaching the right segment. Through a wide distribution, the cost per receiver gets lower.
- 4 companies decided not to participate due to the fact that they do not have any own products and that brand awareness would therefor also boost competitors, selling the same products.
- 6 companies distributed their products through smaller distributors, and explained how marketing decisions are in the hands of these local distributors.



**Figure 2: Company categories, (Source: Own construction)**

#### **4.1.2 Descriptive information and participation-willingness index**

The companies' willingness to participate could be measured through an index, showing their payment willingness. The cost that companies are willing to pay Co-Brand Concept for participating is thereby an indication of their interest of co-branding arrangements. The total cost of participation consist of four main components; Engagement, Product Value, Monetary Funds and Brand Equity. Each company's components are measured and then ranked through an index (see Appendix Non Confidential). The values from each ranked component are then summed to the total cost of participation (the price each company pay Co-Brand Concept for participating in the pilot study). In other word, the cost of participation follows the model:

$$[\text{Engagement} + \text{Product Value} + \text{Monetary Funds} + \text{Brand Equity}] = \text{Total Cost of Participation}$$

##### **4.1.2.1 How the components are measured**

“**Engagement**” is measured by how engaged companies have been during the pilot study, both when it comes to their included offerings in the box but also their time spent on the activity during the pilot study and their expressed willingness of future cooperation.

“**Product Value**” is measured by the market value of the contributing products.

“**Monetary Funds**” is measured by the price companies are paying for their participation.

“**Brand Equity**” is measured by how well known respective brand was. Since Brand Equity is hard to calculate, the ratings were based on Co- Brand Concepts view of the companies’ brand recognition.

Since Co-Brand Concept required a certain amount of return from the participating companies, companies with an index score of less than 3 were not able to participate during the pilot study.

Explanation of how the index rate was calculated could as mentioned be found in “Appendix Non Confidential”. Below the descriptive information about each participating company and their participation index rate is presented without internal order. Due to requests of anonymity, companies will be coded by number.

<b>Participating companies</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
<b>Founded year</b>	2008	1993	1996	2011	2012	1996	1985	2001	1968
<b>Revenue / year</b>	25 M SEK (2013)	133 M SEK (2014)	350 M SEK (2013)	59 M SEK (2013)	3,8 M SEK (2013)	1005 M SEK (2013)	59 M SEK (2014)	786 M SEK (2013)	357 M SEK (2013)
<b>Operating areas</b>	Sweden Norway Denmark Finland	Sweden, Norway	Sweden	Sweden	Sweden	Europe	Sweden	Sweden	Sweden Finland Norway
<b>Number of employees</b>	5	65	800	6	6	1902	29	114	43
<b>Index score</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>3</b>

## 4.2 Qualitative research

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*The following section presents the empirical findings, which have been gathered through interviews with employees at marketing positions, by using the interview framework (see Appendix 4. Interview framework). The empirical findings are divided into the sections 1.Contact Person, organization and timing, 2.Company culture, marketing strategies, and future marketing approach, 3.Financials, risk, and uncertainty, and 4.Expected Return. For non-participating companies, the empirical findings are presented company-wise. Due to requests of anonymity by some interviewees, the companies included in this study are coded by number in the quantitative section and by letter in the qualitative. This division is made in order to separate sensitive information related to marketing strategies from the earlier presented descriptive, which makes it harder to identify the different companies.*

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### 4.2.1 Contact Person, organization structure and timing

#### 4.2.1.1 Companies with index score 5: (Company A, B, C, D, E)

At **Company A**, the contact person's formal position was sales coordinator. She explained how both the organization and the brand are now in a period of transformation. After the re-organization, there will not be any marketing manager/director at the company. Instead, each region is responsible for their marketing. When it comes to central activities from the head quarter, marketing decisions are made by sales managers or so called "head of visuals". The brand is being transformed from "fun" to more genuine and environmental friendly, why a co-branding process with genuine and environmental friendly brands would be a great fit according to the sales coordinator. Since the company does not market itself right now (except from having collaborations with universities and lending products to other companies), the sales coordinator pitched the idea to the head quarter that approved a participation of the pilot study. Due to the current transformation of the brand, the timing for a *The Welcome Home Box* participation was perfect.

The marketing manager at **Company B** explained how the organization is constantly looking for new and innovative ways to market the company. Marketing has become a natural ingredient of their strategy, why marketing decisions are not taken by one person, but discussed several persons at managing positions. Since marketing decisions are discussed in groups, it doesn't really matter whom within the company who comes up with a new marketing idea or gets approached by a marketing bureau with a suggestion. Even though the timing could be wrong for the person who is currently in charge of the marketing strategy, someone else within the organization could take on a marketing concept.

According to the regional manager who we interviewed at **Company C**, every region has its own local marketing budget.

The regional manager manages the local budget while the marketing manager at the head quarter is in charge of the central branding activities for the whole company. These activities are usually based on advertising, search engine optimization, mass mailing, and logotype updates, and often creates through cooperation with PR/ or marketing bureaus. Since Co-Brand Concepts pilot study was a local activity, the regional manager could decide to participate with her own budget.

At **Company D**, the partnership manager did also describe the organization as a “flat” organization where marketing decisions are taken together with other key persons at the company. According to the marketing director, they have created a sense of trust within the organization, which leads to own initiative taking.

Other people within the organizations were willing to test the concept since the marketing director believed it was a good idea. Due to the fact that they are still a relatively un-known company, they are searching for the right way to communicate their brand.

The marketing director **company E** explained how their flexible organization loves new innovative marketing ideas. The marketing director together with the sales director is in charge of the marketing strategy. Even though the company is in a phase of expansion where time is a critical resource, they put a lot of engagement into the co-branding concept. They are for the moment broadening their target segment, why a campaign as *The Welcome Home Box* is an activity right in time. The marketing director did also explain how the company is currently in a fast growing phase, extending their operational area, why “aggressive” marketing suits well.

#### *4.2.1.2 Companies with index score 3-4: (Company F, G, H, I)*

The two employees who the author interviewed at **Company F**, marketing director and marketing assistant, explained how the founder is still actively involved in all parts of the organization. The company has a marketing director, but marketing decisions is taken in consultation with the founder, who is also the managing director.

At **Company G, Company H, and Company I** it was much harder to find the right contact person. At these companies, Co-Brand Concept was redirected to different persons within the organization when presenting the idea, and the author had a similar experience when trying to get interviews. The person who ended up receiving the information (often the marketing director/manager) took the decision to participate or not. These companies did all have a clear segment and a clear profile, and the contact persons were not as engaged in the pilot study compared to the companies with an index score of 5.

#### **4.2.2 Company culture, marketing strategies and future marketing approach**

##### **3.2.2.1 Companies with index score 5: (Company A, B, C, D, E)**

Instead of working with traditional marketing, **Company A** is trying to create word of mouth-effects. Co Brand Concept's *The Welcome Home Box* is currently the only marketing concept that Company A is involved in. The sales coordinator explained how they think *The Welcome Home Box* concept suit their current transformation. If the pilot study turns out to be positive, they like to establish a future cooperation with Co-Brand Concept.

According to marketing manager at **Company B**, the culture of the organization is very “young” and innovative. In contrast to **Company A**, they put a lot of effort into marketing and branding. In order to retain the freshness of their brand, they are constantly seeking new ways of marking themselves and to create “top-of-mind awareness”. The company also relies on “word-of-mouth” marketing through satisfied consumers.

Experience marketing is a commonly used marketing strategy at **Company C**. From the local budget, money goes to goodie bag distribution and smaller branding campaigns. Even though experience marketing, such as giving away bags with free products from the company, do not result in immediate sales, the aim with these activities is to create a top-of-mind effect. The regional manager explains how she believes their growth is due to customer recommendations, why good relationships play an important role. Their marketing strategy is closely tied to word-of mouth marketing, why keeping promises is a vital part of their marketing strategy. The company has been marketing themselves through commercials at TV and in different magazines and papers. The regional manager does however think that a targeted concept as Co-Brand Concept is better than doing an ad in the local newspaper. Through a targeted activity, you know that you reach the right segment. She also believes that the trend of online marketing will continue growing in the future.

At **Company D**, different product lines are marketed to different segments. According to the partnership manager, the company believes in online brand strategies and can therefor be seen at blogs, and in innovative PR campaigns. They also use “traditional marketing strategies”, such as participation as fairs and doing ads in newspapers. In their industry, it is important to constantly be seen as innovative, why creating innovative and creative campaigns are vital. The company also focuses on social media, especially Instagram and Pinterest. Due to the fact that social media campaigns are easy to follow up, they facilitates the process of measuring the outcomes of different campaigns.



The partnership manager also emphasizes the importance of having an experimental approach towards marketing and branding. For that reason, they are willing to try new innovative concepts.

According to the marketing director, **Company E** emphasizes an experimental approach to marketing and branding where the goal is to be seen at the right places – and a lot. In other words, the marketing director explains how they have an aggressive marketing strategy during their period of growth. The manager director also compared *The Welcome Home Box* with doing a newspaper ad and, in accordance with **Company C**, stated that the box reaches the right segment directly, while a newspaper ad reaches everyone.

Their aim is to create a strong and trustful brand, which they believe will become even more important in a competitive future.

#### *4.2.2.2 Companies with index score 3-4: (Company F, G, H, I)*

From the start, **Company F**'s target segment was more narrow and their marketing strategies therefor also more selective. Both younger and older people appreciate the products, why today the products are marketed to both segments. The marketing director explained how the company is mostly using social media platforms when marketing their products, and different platforms are used in order to reach different segments. For example, Instagram is used for the younger audience while Facebook is used for the slightly older ones.

When it comes to **Company G**, **Company H**, and **Company I**, the marketing coordinator/director at each company described their marketing strategies as mostly traditional and not aggressive. **Company H** and **Company I** have been using experience marketing before, but in more established settings (in malls and at fairs). The coordinators/directors at these companies explained how they are using online/social media marketing as well. Since most people know their brand already, marketing is mostly related to new product launches.

### ***4.2.3 Financials, risk and uncertainty***

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*The answers the author received at questions related to financials, risk taking and uncertainty, was very similar for Company A-E, which their index score of 5 do also indicate. For that reason the author have chosen to bundle their answers together in this section. The same applies to Company F-I.*

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#### *4.2.3.1 Companies with index score 5: (Company A, B, C, D, E)*

The companies with an index score of 5 were all very engaged in the pilot study and were therefor all willing to take on related risks and uncertainties.

They all emphasized an explorative approach and some of them have been engaged in other innovative branding concepts before. Even though the contact persons indicated a risk of such participation, they were all confident that the positive effects prevail these risks.

When Co-Brand Concept approached these companies with the idea of *The Welcome Home Box*, they were interested in which other companies that would participate. However, no one had any specific requirements when it came to the other companies or asked for additional information about their included offerings or engagements. They completely trusted Co-Brand Concept to choose companies in line with their own values from different industries.

Both **Company B** and **Company C** had tried co-branding before. According to the contact persons at these companies, doing a similar activity again does not feel as “risky” as the first time when they know what it is about. Additionally, they pointed out how Co-Brand Concept is backed by both Gothenburg University and GU Holding as a factor that minimize risks. All these companies (except for **Company A**) have a dedicated relatively large post for marketing within their budgets.

#### *4.2.3.2 Companies with index score 3-4: (Company F, G, H, I)*

None of these companies have been participating in a co-branding concept before. They have all worked with experience marketing such as sampling and sponsoring before, but not in an arrangement together with many other companies. In general, they use already tested marketing strategies. Since some of them are well known brands both nationally and internationally, it could be said that they have higher brand equity than other participating companies. The marketing managers/directors at **Company G**, **Company H**, and **Company I** all stated how it is important for a well-known brand to be seen at the right places. Since they are well-known brands, unsuccessful marketing campaign could according to the contact persons however hurt their brand, why they have to choose marketing channels carefully.

The marketing director at **Company F** on the other hand stated that they are willing to try new innovative marketing strategies, since they want their brand to be seen as a cutting edge, “fresh” brand.

**Company G**, **Company H**, and **Company I** all indicated how the pilot study is a relatively small activity compared to their usual marketing investments. They appreciate that they have a chance to actually test the concept before launching a bigger co-branding concept. In that way they are minimizing risks related to a bigger investment.

#### **4.2.4 Expected Return**

##### *3.2.4.1 Companies with index score 5: (Company A, B, C, D, E)*

Companies with an index score of 5 were all participating for two reasons; Either they wanted to increase their brand awareness in an innovative setting, and/or they wanted the co-branding activity to lead to increased imitate sales.

**Company A** want to create awareness of their new profile through contributing with a product that goes hand-in-hand by their new genuine brand. At the same time the sales coordinator explains how they want to attract potential customers from targeted neighborhoods to their shops, why they choose to include a coupon in the box.

The coupon is an easy way to track sales in order to evaluate the result from the campaign. The interviewee emphasized the importance of finding suitable companies when creating co-branding. For example, they are now working with establishing a new environmental touch of the brand and would therefor like to be associated with companies that shares these values.

**Company B** has been participating in similar co-branding activities before. The marketing manager explains how they are therefor already aware of the positive branding effects of such activity. According to the marketing manager, it is very important to be seen in the right settings, and they believe that *The Welcome Home Box* is a perfect channel for their brand to be seen. Company B is the only company with an index rate of 5 that did not include any kind of code that could be tracked for measuring sales effects of the activity.

When it comes to trying new concepts, the regional manager at **Company C** explains that the company is willing to take risks and try untapped strategies. If new concepts work out, they often refine them and continue working with them. The interviewee mentions some concept they have been trying and are still working with and some concepts that they have choose to let go of. When it comes to *The Welcome Home Box*, the interviewee like to have their brand seen together with other market leading brands from different industries.

Today the company is on its way to start a co-branding cooperation together with another company in another industry. When it comes to *The Welcome Home Box*, they are not as interested in immediate sales result even though they included a sales code. The main reason for participation is instead to raise their brand awareness. To be seen in different setting could according to the interviewee result in future sales later on. The regional manager believes that co-branding will be an effective marketing tool in the future as well and she also believes that digital solution and innovative online strategies will stay relevant.

The partnership manager at **Company D** does also emphasize an explorative approach and the importance of being seen in the right settings. She believes that the timing related to when the customer gets approached by the brand/ message is important and explains how she thinks that customer who are moving to a new home is receptive for their message. They included a sales code that can be tracked, but their main reason for participation is according to the partnership manager to raise their brand awareness. The partnership manager also states that she truly likes the concept of co-creation.

In similarity with other participating companies, the reason why **Company E** is participating is according to the marketing director also due to brand awareness and immediate sales.

The company therefor chose to include a code in order to track sales. The marketing director do also like the concept of co-creation and especially how they could create their own offer related to *The Welcome Home Box*, and accordingly make the concept “their own”.

#### *4.2.4.1 Companies with index score 3-4: (Company F, G, H, I)*

The marketing director at **Company F** stated that they like innovative marketing concepts, which is the reason why they choose to participate in *The Welcome Home Box*. They want their brand to be seen in new, fresh settings and think that it is interesting to see what a co-branding campaign could result in. The marketing director and marketing assistant also explained how they think a co-branding concept as *The Welcome Home Box* could be combined with social media through hash tags to reach an even greater effect. Company F do not participate in any other co-branding concept. They did not include any coupons or promotional code in the box to measure the sales result form the campaign. Instead they choose to participate in order to make more people try their product and to raise the awareness of the brand.

None of **Company G**, **Company H** or **Company I** included any sales codes or other ways to follow up *The Welcome Home Box* campaign. Instead, the marketing directors at these companies explained how they want to maintain their strong brands through participation in concepts appreciated by the end user. The contact persons at these companies also state that it is a good way to communicate new products directly to the end user, why they also chose to contribute with newly released products.

#### **4.2.5 Non-participating companies**

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*When doing the quantitative research, Co-Brand Concept found a range of different reasons why companies choose not to participate. The most common reasons were as stated earlier due to wrong timing, too small marketing budget, too big company, companies advocating traditional marketing, companies with no own products, and companies who sell their products through local distributors. The companies that stated that the timing was wrong during the pilot study all stated that timing was the only reason why not participating. The same applied to smaller companies that did not have enough marketing budget. Since there is not much to analyze related to timing- and financials issues, the author will not include these categories into the Non-Participating companies section. Within the other categories, the author interviewed one company from each category in order to receive more information about why they did not participate.*

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##### *4.2.5.1 Too small activity (too big company)*

**Company J** is multinational company, operating in over 50 different countries. The company has been operating in more than 70 years, has around 80 000 employees and has a revenue of almost 130 billion SEK. The department we approached is recently released and offers a completely new product line. The interviewee works as market manager for this new product line and is thereby in charge of marketing related decisions. The company is marketing their products in many ways, using a range of platforms – from traditional offline media to innovative PR and social media. They work with co-branding today, but only with carefully selected high-end brands in order to receive a more luxurious touch of their own brand. Due to privacy restrictions, the respondent did not tell us much about their different campaigns. However she explained why they choose not to participate in *The Welcome Home Box* pilot study. A pilot study of 200 boxes is too small for their multinational brand. Following up a small campaign as that would not be worth the effort. If creating an arrangement with another company and brand, it must be carefully selected high-end brands. These brands must also share their values, especially when it comes to environmental aspects since many different stakeholders examine the company and their current partners. If *The Welcome Home Box* would be grow into a more established and widely spread concept, they are interested in a future participation.

##### *4.2.5.2 Focus on traditional/well tested marketing*

**Company K** is also a multinational company, operating in more than 100 different countries. The company has around 170 000 employees and a turn over of around 12 billion EUR.

During a short interview with a marketing assistant in Sweden, who pitched the idea of *The Welcome Home Box* to her boss, she explained how the company is focusing on more traditional strategies. All activities are managed from a central level, and they could therefore not participate in a concept in only few regions, and especially not a concept that have not been tested before. The marketing assistant however states that she believes in experience marketing, why sampling is a common marketing activity at the company. She also explains how the company has as a range of products lines and brands. For that reason, they would rather like to do a “co-branding” activity with own brands, creating synergy effects between them, than participate in an arrangement with brands outside of the company’s own different product lines. The marketing assistant also stated how their multinational companies could not take any risks that could potentially hurt their brand equity.

Additionally, they focus more on the diffusion of their campaigns than on approaching the right segment. Through a wide distribution, the cost per receiver gets lower.

#### *4.2.5.3 International Company, Up to smaller, local distributors*

**Company L** was founded in the United States 1969 and has revenue of over 3810 million SEK. The company has retailers spread all over the world, including approximately 19000 specialty retailers in the U.S. The respondent works as marketing manager at the Swedish head distributor. She explained how the marketing strategy is very aggressive in the U.S, but in general more “relaxed” and exclusive in Sweden. The products are distributed through smaller distributors in Sweden, such as local, exclusive shops. At the head distribution firm where the marketing manager works, they have decided that each smaller distributor manage their own marketing. Central activities need to be looped back to the head quarter in the U.S. For that reason, the marketing manager at the head distribution firm could not answer specific questions about how the smaller distributors choose to market the brand in their local stores. She mentioned how the smaller distributors who are in contact with the customers get instructions about how to position the product within their shops. Aside from that, respectively shop manager are in charge of the different product- and brand campaigns. If the concept would however turn into a standard activity arrangement among their industry, there might be a chance that the head quarter could decide to participate. First, the concept needs to be carefully evaluated in order to mitigate risks.

#### 4.2.5.4 No own product

**Company M** operates in Sweden, has around 2000 employees and a turnover of around 7 billion SEK. The company operates as a distributor for a range of products within the same industry.

The marketing director explained that since they do not have any own products, they rather market themselves a service. If they would participate in *The Welcome Home Box* with one specific product, they would market their competitors as well, selling the same product. They have been participating in marketing campaigns where they are promoting their great service. However, the marketing director believes that it is hard to contribute with something in *The Welcome Home Box* that symbolizes or proofs their good service. However, she stated that if they would have an own product to promote, they would be interested in a co-branding arrangement together with other market leading brands. As it is right now, it could be interesting in a far future if competitors did similar activities.

### 4.3 Summary Qualitative research

#### 3.3.1 Companies with index score 5: (Company A, B, C, D, E)

These companies describe their organization as “flat” and decisions are often discussed in groups or teams. The managers who operated at regional level had the possibility to participate in the pilot study without asking for permission from the head quarter. These companies also described how the timing for the pilot study was great since they were in some kind of transformation related to growth, target segment, or brand profile.

Recommendations and word-of mouth effects are important for these companies. All contact persons described how the organization aims to be seen as “young”, innovative, or “fresh”, both through their products/services and through how their organization is being managed and perceived. Many of them explain how they have an experimental approach towards different strategies and concepts and in general they believe in future online marketing.

Due to their great engagement, these companies took the largest risks during the pilot study. However, they all believe that the positive effect may prevail these risks. They trusted Co-Brand Concepts composition of different companies, brands, and products. Two of the companies have been participating in minor co-branding activities before, but all of them were familiar with the concept. All contact persons at these companies described how they have a relatively large marketing budget and compared with other approached companies, they are fairly small but growing companies. The main goal with the participation is increased brand awareness and/or immediate sales, tracked by included sales codes.

#### 4.3.2 Companies with index score 3-4: (Company F, G, H, I)

At these companies, decisions were made at a more central level. Whether the company participated during the pilot study or not was up to the person that Co-Brand Concept was passed around to.

These companies do also believe in future online marketing, but have in general a more traditional approach towards marketing strategies. Due to their brand equity, the contact persons explained how they need to be aware of where their brand is seen and together with whom. Two of these companies asked carefully about other participating companies before taking decision and none of these companies have been participating in similar co-branding activities before. The main goal with the participation is positioning their strong brand and communicating new products.

For these companies, marketing is used as a tool for communication their strong position at the market or telling the audience about new product launches. They are not aiming for brand awareness in the same way as smaller companies, since they are already relative well-known brands.

#### 4.3.3 Non-participating companies

Many of these companies were larger companies that felt that *The Welcome Home Box* pilot study was too small. The ones with different product lines (especially those advocating traditional marketing) stated that they would rather do a co-branding arrangement with brands from the same company. Some larger companies did express a clear willingness to participate in the *The Welcome Home Box* further on, but not before the concept has a broader spread. Many companies also stated that they are interested to see the result from the pilot study before they can decide whether to participate in the future.

Some of the non-participating companies did also indicate that one individual who believed in the idea could not take marketing decisions. Instead, different departments, distributors, or regions were responsible for their own branding and central decisions had to be looped back to (in some cases) head quarters in other countries. The research also showed that companies without any own products were not as interested in participating, since they felt that they would then market their competitors as well, who sell the same products.

In general, the key persons at these companies did also state that they believe in online marketing as a future marketing tool for reaching the customer.



## 5. ANALYSIS

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*In the fifth chapter, the empirical findings will be compared and analyzed alongside the theoretical framework. The structure will follow the theoretical framework and compare the empirical findings with relevant theories related to different marketing strategies, co-branding, social media, service innovation, different marketing strategies, service innovation and adoption of innovations. Empirical findings will be weaved into Rogers innovation adoption model in order to get an overview over the empirical result (see Appendix 3. Innovative co-branding adoption model).*

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### 5.1 Marketing strategies

According to Bennett and Cooper (1984), traditional marketing with its focus on meeting consumer needs, is to blame for the stagnation of innovation in large firms. *The Welcome Home Box* is about unexpected marketing channels. The customer do not expect to get an exclusively packaged box of products when buying a new home for a real estate agency or construction firm. In other words, this concept is far from traditional. Since they are not aware of the fact that they will get this gift of appreciation, the concept is not based on expressed customer needs, but on latent needs, which the customer does not know they have.

They appreciate the box of useful products during the first days in the new home. However, they might not be aware of how they need these products in advance.

Companies focusing on tradition marketing market products that they know that the customer need and not product that exceeds what the customer latently need. The way they market these products are also expected, instead of using new, unexpected marketing strategies. When companies during the research described their own strategy as more traditional, they referred to well proven marketing channels such as TV commercials and newspaper ads. It became clear during the pilot study that many larger companies with traditional marketing strategies did not understand the potential advantages with co-branding. Instead they expressed interest for an own box with different products from the same brand. However, most companies, both those advocating more traditional marketing strategies and those aiming for more innovative marketing channels, believed in online marketing as a increasing future marketing trend.

As stated by Carson and Gilmore (2000) entrepreneurial marketing has a higher component of experimental learning and higher levels of innovation compared to traditional marketing. This statement is also confirmed in the empirical findings of this thesis. Participating companies experiment with different strategies and concepts in order to learn how to communicate and keep a fresh sense of the brand and aims to be seen as “innovative”.

According to Stokes (2000), entrepreneurial marketing is also more focused on emergent strategies, innovation and long-term relationships compared with traditional marketing. As stated in the introduction chapter, Co-Brand Concept aims to establish long-term relationships to both product-producing/service companies, but also with real estate agencies and construction firms. The pilot study is a way for Co-Brand Concept to tie participating companies closer. Many companies did also indicate that they were interested in future arrangements if the pilot study result is positive.

## **5.2 Co-Branding**

*The Welcome Home Box* goes in line with Leuthesser's (2003) definition of a co-branding concept. The box involves more than two brand, all participating brand names are retained, has a medium- to long-term duration, and the net value of the box is not large enough to create a new brand for the whole box, including the product. Companies keep their own brands in order to strengthen them.

According to Besharat (2010), co-branding is a strategy by which a company or brand could strengthen their corporate reputation, overall quality, and awareness of the participating brand. As shown in the empirical findings in this thesis, brand awareness and immediate sales are the main reasons why companies chose to participate. Since the box consists of product and offerings with sales codes, immediate sales could easily be tracked. Besharat has not included immediate sales into the reasoning. However, he also states that co-branding is a source to competitive advantage and could be an efficient tool for positioning new products. This statement goes hand-in-hand with the companies with an index score of 3-4, explaining co-branding is an effective way of communicating new product with potential customers. Some of the companies with an index rate of 5 did also mention how they like their brand to be seen with other market-leading brand, in order to strengthen their brand position.

The empirical findings did also support Baumgarth's (2010) statement about how brands with lower brand familiarity in a particular market (e.g. new geographical market, new product, new target group) is especially interested of co-branding as an option for market entry. The empirical findings of this study points out how many of the companies with an index rate of 5 are in some type of transformation time related to company size, geographical area, profile or target segment.

### **5.2.1 Important aspects**

Prince and Davies (2002) emphasize the importance of taking great care in their choice of co-branding partner. However, many of the companies (especially those with an index score of 5) fully trusted Co-Brand Concept to do so. Only a few participating companies asked for more information about other participants, and these companies had in general a higher level of brand equity. Some companies also stated that environmental awareness is important in co-branding arrangements. However, Co-Brand Concept never received any questions about it. This could be seen as an indication of the fact that companies should be more aware of other participating companies needs, motivation, perceived personality, but also their actions. In other words, according to authors within the field, *The Welcome Home Box's* participating companies should focus more on screening and evaluating each in order to prevent issues.

Prince and Davies (2002) also explain how the success of the co-branding concept/venture is strongly influenced by both the product fit and the brand fit between them. Since all products in *The Welcome Home Box* are in some way related to moving, and to the first days in a new home, there is a natural product fit between them.

When it comes to brand fit, it could be seen as the consistency between perceptions of each brand. Since mostly participating companies aimed for their brands to be seen as “innovative”, there was a natural selection of innovative and “fresh” brands. The complementary factor discussed by Leuthesser, *et al.*, (2003) is well established in *The Welcome Home Box*. All products could be used in the same setting during the same occasions, which is also an important aspect related to co-branding arrangements.

### **5.2.2 Brand equity**

Leuthesser, *et al.*, (2003) also states that what he calls well-known “parent brands” (participating brands from different companies) are less influenced by attitude toward the co-branding concept/activity and that lesser-known parent brands are more affected. Accordingly, Washburn (2002) found that low-equity brand gain more in a co-branding situation than high-equity brands. Continuously, larger companies with high-equity brands do not earn as much from co-branding concept, but could not be as affected by an un-successful concept either. Powerful brands have according to this view little to lose in a co-branding arrangement, even if the participating partner is a weak one, since low equity-brands do not damage high-equity brands. Washburn’s finding about how lower-equity brands gain more in a co-branding arrangement could be one reason for why smaller companies in general were more interested in participating in *The Welcome Home Box*.

When it comes to the statement about how powerful brands have little to lose in a co-branding arrangement, this view is not shared among the larger companies in this study. If well-known companies with high brand equity would share this view, they would be the least skeptical while low-equity brands would be the most skeptical. This study shows that it (according to these companies) is the other way around. Larger companies are in general more examined and audited. For that reason, they have to play their cards right and take responsible at several levels. Co-Brand Concepts view after the pilot study is also that high brand equity-companies are not as willing to take high risk through engagement and other costs of participation. (See ‘Appendix Non Confidential’) Their opinion is that they already pay a high price with their brand equity, which they are risking if something goes wrong.

### **5.3 Social media as a marketing innovation**

Social media campaigns have not been academically evaluated and research on companies’ social marketing adoption is mostly focusing on large companies. However, it could be stated that nowadays, around 15 years after the launch of social media, most large companies use some form of social media platform as a marketing tool. Since authors within the field indicates that smaller companies would gain the most from such time- and cost efficient strategy, it is notable that more research have not focused on small- and medium sized companies.

The fact that larger companies with “safer” strategies are adopting social media as a marketing tool when it is well established goes well in line with the empirical studies of this thesis. Since there are very few studies on smaller companies social media adoption, it is hard to confirm if a first “social marketing pilot study” would get a similar result to Co-Brand Concept’s first co-branding arrangement. However, larger companies in Co-Brand Concept’s pilot study did indicate a strong interest in a future participation when the channel is widely spread and more established.

### **5.4 Service innovation and innovation barriers**

In accordance with what is said by den Hertog, et la, (2010), Co-Brand Concept’s service innovation is closely connected to customer interaction and intangibility characteristics. In order to develop a co-branding arrangement, co-creation and relationship building are needed. When it comes to Thether’s (2013) explanation of how service innovation tends to be organized through specific departments, unlike products innovation that are often organized through R&D, this could be seen as both positive and negative.

Empirical findings show that Co-Brand Concept has met difficulties when it comes to whom to approach with the idea at bigger companies. If there would be one marketing -R&D department within each organization, it would be easier to know where to turn to. Now different persons at different positions, with different functions, within organizations are in charge of marketing- and sales decision, why Co-Brand Concept has been redirected and passed around between people and departments. In general, it could be said that at larger companies with hierarchical organizations, the participation was more up to whether the key person, responsible for these questions, had time for the moment.

#### ***5.4.1 Service innovation and Co-Brand Concept***

To explain service innovation, Pim den Hertog's (2010) explains how different dimensions lead to new service functions. To put Co-Brand Concept and *The Welcome Home Box* into these dimensions, the following could be stated;

- The new service concept, which could be seen as the created value by the service provider, is allocated into three categories; the value of receiving a home warming gift for the home buyer, the value of strengthen current relationships for the real estate agent/construction firm, and the value to cut through the fuzz and reach the consumers attention through a new marketing channel for the product producing company/service companies. The main focus in this thesis is related to the new marketing channel.
- The new customer interaction, focusing on innovation in the interaction between Co-Brand Concept, the product producing companies and the homebuyers. The product companies can interact with their potential customer in a completely new setting, in their own homes. The way Co-Brand interact with the product/service companies through co-branding has also an innovative and entrepreneurial touch, since the mission is to develop marketing mixes and strategies to meet latent needs.
- The new value systems are related to new sets of arrangements between co-branding companies within the box. Besharat (2010) explains how co-branding create new value systems that could strengthen companies corporate reputation, overall quality, and the awareness of the participating brands. The strategy is known as a source to competitive advantage, since the value created through the cooperation and value systems could not be create anywhere else.
- The new revenue model contains two revenue streams, both from product producing/service companies and from real estate agencies/construction firms, and could therefor be seen as innovative by itself.

- The personnel, organization, and culture elements of the delivery system allow Co-Brand Concept to differentiate themselves from competitors. Co-Brand Concept aims to create an innovative organization with an experimental approach, why cooperation with other innovative organizations and companies are suitable. Finding the “right” innovative companies is therefore as important for the different companies within the box as for Co-Brand Concept.

#### **5.4.2 Service innovation attributes**

Greenhalgh, *et al.*, (2004) presents the following attributes to innovations that are easily adopted. Even though the concept is presented in the same way, and with the same words, to every potential customer (product and service companies), the empirical findings show that these attributes are interpreted differently. Companies that are more familiar with innovative branding strategies and know more about co-branding identifies the following attributes more clearly;

- Relative advantage. As shown in the empirical findings, two of the companies with an index score of 5 compared Welcome Home with paying for a newspaper ad, which would not be as targeted in order to reach the right segment.  
According to these companies, *The Welcome Home Box* is both more efficient and cost-effective since it directly reaches the right segment. Being seen in a context with other market leading brands could according to these companies lead to spill over effects.
- Compatibility. Related to the earlier described attribute, innovations that are compatible with the intended adopters’ norms, values, and perceived needs makes the innovation easier to adopt. As the empirical findings show under the section “Company Culture, marketing strategies, and Future Marketing”, many of the companies with a high index rate aims to create an innovative and “fresh” organization and brand, why innovative and fresh marketing strategies suits this aim.
- Triability. As stated, participating companies often describe their approach toward branding and marketing as experimental, at least those with a high index rate. Companies that have a more safe approach, only applying concepts they know well, might not be able to identify this attribute.
- Observability. This attribute is also related to the first one, meaning that the benefits must be clear for the company in order to participate.

Companies that believe in co-branding and understands the concept could see potential benefits clearer while companies who are unfamiliar with such concept are not as willing to adopt it. That some of the companies with a high index rate have been participating in co-branding concepts before confirms this.

- Reinvention. Product producing- and service companies can adapt, refine, and modify their part of the arrangement by formulating special offers or participating with different product for different segments.

Some of the key persons at participating companies expressed that they truly like the co-creation concept, where they can make the concept “their own”.

- Fuzzy Boundaries. The “hard core” of this innovation could be seen as the actual distribution into the homes of homebuyers, while the “soft periphery” could be seen as the positive effects created through the arrangement in form of brand positioning, brand awareness, and sales. For Co-Brand Concept, it is as important to be able to create a well functioning “hard core” as prove a well-functioning “soft periphery”.
- Risk. As shown in the empirical findings and as earlier described, companies with larger brand equity often feel that they have more to loose, and therefor experience co-branding as more risky.
- Task Issues. The marketing managers/directors’ main mission is to attract profit, in other words, attract people to buy their product. *The Welcome Home Box* facilitates this process by approaching the right segment with appealing offerings at the same time as they get an opportunity to try their products. Managers/directors, who have been participating with similar concepts before, could probably see this advantage clearer than those who are unfamiliar with innovative strategies such as co-branding.
- Knowledge Required to Use It. As shown in the empirical findings, companies with knowledge about co-branding and the potential effects related to such concept were more willing to adopt the innovation.
- Augmentation/Support. Co-Brand Concepts experience is that most adopters have not asked for support through the process. The ones who believe in the concept trust Co-Brand Concept to arrange the brand- and product mix. As shown in the empirical finding, the more skeptical participating companies (with an index score of 3-4) asked for more information about the other participating companies.

More discussion related to companies asking for more information will take place further on, under ‘5.4 Co-branding’.

### ***5.4.3 Service innovation barriers***

Ram and Seth (1989) divided innovation barriers related to service innovation into two main categories; Functional barriers and Psychological barriers. Within Functional barriers, three main categories are presented; Usage barrier, value barrier, and Risk barrier. Within Psychological barriers, two main categories are presented; Tradition barrier, and Image barrier.

#### ***5.4.3.1 Functional barriers***

As stated by Ram and Seth, the most common reason for customer resistance to an innovation is that it is not compatible with existing practices or workflows. The quantitative research confirms how current workflows and processes have a great impact on the opportunity to adopt a service innovation. 26 percent of the approached companies stated that the timing is not suitable for the moment to participate in Co-Brand Concept's co-branding arrangement. When it comes to the value barrier, the innovation must offer a strong performance-to-price value compared with other substitutes. In other words, the companies must strongly believe that the potential positive effects could outweigh the potential negative one. The interviews with the participating company shows that they shares this views. They know about the different risks discussed by Ram and Seth, but are willing to take on risks in order to reach possible benefits. Physical risks, to harm a person or a property, are not imminent in *The Welcome Home Box* concept. Economic risks are not high compared with other, traditional marketing, which is often more costly and not as targeted. Contact person at some of the participating companies have also stated how they like the idea of doing a pilot study before launching the concept in larger scale, since that counteracts both economical and functional risks.

The social risk is probably the greatest risk in this context. The social consequences in a business-related environment could be seen as the company's relation to other companies, but also to customers and stakeholder. If the company participates in an unsuccessful branding arrangement, this could hurt relationship to other actors. For example, some companies explained how their environmental consciousness is important. If they would co-brand with companies without any environmental consciousness, that would probably reflect negatively on them and could create an issue between the company and their current stakeholders.

#### ***5.4.3.2 Psychological barriers***

When it comes to psychological barriers, it is true that customers (in this case product/service companies) must deviate from established tradition when participating in *The Welcome Home Box*. The empirical findings confirms what Ram and Seth stated about "the greater the deviation, the greater the resistance".



Many of the participating companies have an experimental approach where they try different innovative strategies. Some of them, have as earlier stated, even been participating in other co-branding activities before. When it comes to larger companies, applying more traditional marketing strategies, it has shown that they have greater resistance toward an un-tested, innovative concept as *The Welcome Home Box*. The image barrier is probably the greatest one related to *The Welcome Home Box*, since co-branding has very much with image and associations to do. If a co-branding arrangement turns out to be a failure, it could potentially hurt the image and the brand equity related to it.

## **5.5 Adoption**

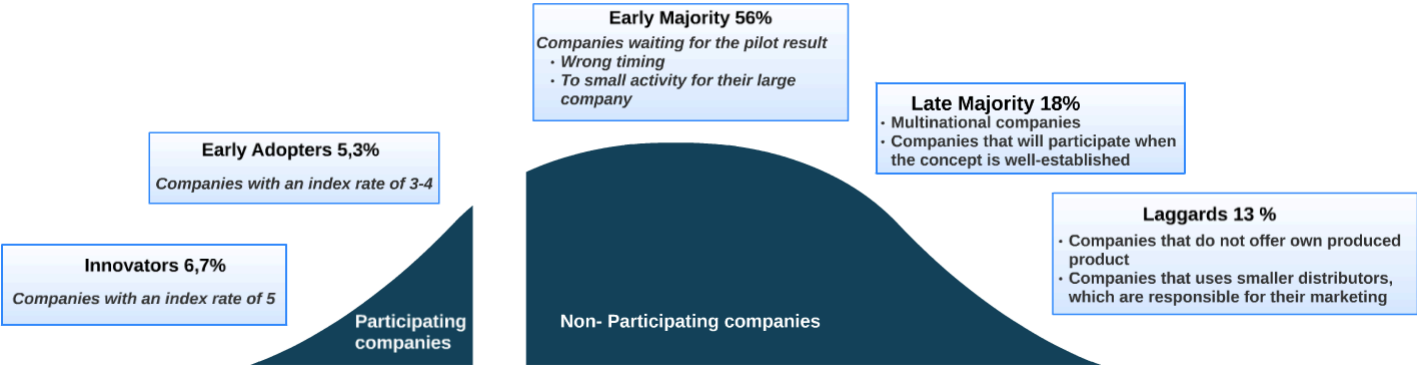
According to Drucker (2002), most innovations result from purposeful search for innovation opportunities. In Co-Brand Concepts case, the founders analyzed both opportunities in the real estate industry, construction industry, and product retail industry. In accordance with Drucker, the team went out to look, ask, and listen. As stated by Rogers (1983) diffusion of innovations are interested to study due to the difficulty to get a new idea adopted, even when it has obvious advantages. In the case with *The Welcome Home Box*, the concept have never been tried before, why it was even harder to show obvious advantages. Since it is a completely new and untapped channel, the companies who first participated in the pilot study had to take great risks. As stated in the empirical findings, companies need to be aware of when and where their brand is seen. Some larger companies with well-known brands stated that they took greater risks than smaller brands with unfamiliar brands. In relation to the company size, it could however be seen as smaller companies took a greater risk than larger companies, since the activity is larger for them in relation to other company activities.

The five main steps of the innovation-decision process (knowledge, persuasion, decision, implementation, and confirmation) are all passed through during Co-Brand Concepts Pilot study. Companies first receive information about the concept both through phone calls and e-mails. After that, the contact person forms an attitude toward the innovation, in this case *The Welcome Home Box*. The persuasion is followed by a decision, whether the company chooses to participate or not. As shown in the empirical findings, the decision making process differed among the companies. At some (often larger) companies, it was up to the marketing manager or marketing director. At smaller companies, that often described themselves as innovative, decisions related to marketing were often discussed in groups.

If the company chooses to participate, they send their products to Co-Brand Concept who exclusively packaged them into *The Welcome Home Box* in order to distribute them through real estate firms or constructions firms to the home of the end user. This phase is according to Roger’s five innovation-decision process steps called the implementation. Finally, the confirmation is made by an external consultant bureau, that evaluates the result from the pilot study. The result together with customer feedback gets looped back to the companies, who then decide whether they want to participate in larger quantities in the future.

**5.5.1 Rogers innovation adoption model**

The empirical findings could be placed into Roger’s model of innovation adoption. The companies are divided into respective category by their shown interest and participation-willingness, estimated by Co-Brand Concept.



**Figure 3: Innovative co-branding adoption model, (Source: Own construction)**

**5.5.1.1 Innovators**

Companies with an index score of 5 would be placed in the category “innovators”. These companies were all very engaged in the pilot study and were willing to contribute with a product value, monetary funds and brand equity. Rogers stated that around 2,5 percent belonged to this category, while the rate was 6,7 percent for *The Welcome Home Box* concept. As stated by Rogers, innovators must have control of substantial financial resources, which these companies had even though they could be seen as smaller in relation to other approached companies. During the “knowledge phase” as earlier described, where companies were approached with the idea, other smaller companies showed great interest to participate, but did not have enough financial resources yet.

Characteristics of *The Welcome Home Box*’s innovators are in general:

- “Flat” organizations where decisions are discussed.

- Companies aiming to have an innovative mindset and an experimental approach.
- Smaller (See Appendix 2. Relation Between Revenue and Index Score) but fast growing companies or companies in transformation related to brand, segment, profile or operation area.
- Focusing on word of mouth or recommendations.
- Relative large marketing budget.
- Risk willing companies.
- Aiming for increased brand awareness and immediate sales.

#### 5.5.1.2 Early adopters

The other participating companies, with an index score of 3-4 could be seen as early adopters, since they were willing to participate but did not put as much engagement into the concept. As stated by these companies, the pilot study minimizes future risks related to a larger co-branding concept.

Characteristics of *The Welcome Home Box*'s early adopters are in general:

- Larger organizations and more well known brands.
- Marketing manager/director takes decisions alone.
- More traditional than the innovators and less risk willing.
- High equity brands that do not aim for brand awareness. Uses marketing more as a communication tool or as a way to position their strong brand.
- Require more information about the concept and the other companies.

#### 5.5.1.3 Early majority

If following Rogers innovation adoption model, the early majority could be seen as the companies who are waiting for the result of the pilot study, but have stated that they are interesting in a participation if the result is positive. This category consisted of 56 percent of approached companies in the quantitative research. These companies stated that the pilot study was either too small for their big company, or that the timing was not good. However, they expressed a great interest for the concept when it has become more established.

Characteristics of *The Welcome Home Box*'s early majority are in general:

- Larger companies that like to participate in innovative campaigns but do not engage in arrangements that are not big enough to be worth to measure.
- Companies that have a hierarchical organization, where it was up to whether the marketing manager/director had the time right now.

#### 5.5.1.4 Late majority

As stated by Rogers, late majority must know that there is no uncertainty about the concept before feeling safe enough to adopt it. These companies were not participating in the pilot study and had a more skeptical view of co-branding. Some of them stated how they could do an own co-branding arrangement with brands from the same companies, which indicated that they did not understand the potential positive effects with true co-branding. Many of these companies are multinational companies and decisions must therefor be taken from headquarters abroad, which leads to longer and more complex decision making processes. During the quantitative research 18 percent fell into this category, including companies stating that they are too small for this kind of activity, but could maybe participate when they have enough marketing budget and the concept is more established.

Characteristics of *The Welcome Home Box*'s late majority are in general:

- Often larger multinational companies.
- Not familiar with co-branding as a concept or it's potential positive effects.
- Rather focus on traditional marketing in form of well known marketing channels.
- Companies that are too small too be able to participate in a co-created concept, which require both engagement, contributing valuable products, monetary funds, and risk.

#### 5.5.1.5 Laggards

Since Co-Brand Concept want innovative, cutting edge companies in their arrangements, "laggards" are not their target segment. These companies lack positions of leadership and innovative mindsets, which is an important aspect when co-creating. Additionally, it was shown in the empirical findings that also two groups of categories could be seen as laggards, since they would not participate in a concept that is not generally accepted as a standard activity on the market. These categories are companies that either does not own an own product, or companies that have chosen to let marketing decisions be taken by smaller, local distributors.

Characteristics of *The Welcome Home Box*'s laggards are in general:

- Not particular interested in innovative marketing strategies.
- Afraid to take risks.
- Not selling own products.
- Companies who have decided to let their marketing decision be up to smaller, local distributors selling their product.

## 6. DISCUSSION

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*In this chapter the author will answer the two research questions. This will be followed by final a conclusion and suggestion for future research.*

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### 6. 1 Addressing research question

#### ***6.1.1 RQ1: How willing are companies to participate in innovative co-branding concepts?***

The quantitative research showed that of 75 approached companies, nine within different industries were willing to participate. Compared with studies by Marketing Sherpa, showing that professional services and media have a conversion rate by 10 percent, this study shows that the conversion rate of an innovative co-branding concept in Sweden is around 12 percent.

6,7 percent paid a high cost of participation (see Appendix Non-Confidential). These companies shared characteristics such as innovation focused, young, aiming for recommendations, had more flat organizations and where in a state of some kind of transformation. If launching an innovative new concept as The Welcome Home Box, companies with these characteristics should in other words be the one to target first since they could be seen as “Innovators” (see Appendix 3. Innovative co-branding adoption model).

The other 5,3 percent were in general larger organizations with a slightly more traditional mindset. These companies often contribute more with their brand equity, which could be important in a co-branding arrangement. Due to their willingness to participate, but with slightly more risk-awareness, they are categorized as “Early Adopters”.

The largest categories of approached companies were companies that stated that the co-branding activity during the pilot study was too small for the moment - 29,3 percent. In other words, they were too big for such small arrangement but are interested if the pilot study result is positive. The second largest reason for not participating was due to bad timing - 26,7 percent. This applied in general to larger companies where one person was in charge of marketing decisions. To add up these two categories, 56 percent expressed an interest in participating after the pilot study, when the timing is better and the activity is widely spread and tested. These companies are therefore categorized as “Early majority”.

Companies emphasizing more traditional marketing strategies and companies with a too small marketing budget are not able to participate in a near future, why they are categorized as “Late Majority”.

Even further away from a potential participation, in an innovative co-branding arrangement as *The Welcome Home Box*, are companies that do not own their products and companies that use smaller local distributors who manage their own marketing. This is why they are categorized as “laggards”.

### **6.1.2 RQ2: What motivations are driving companies’ branding-choices?**

The empirical findings showed that motivations differed between different companies. However, the motivations within the different index score ratings were fairly similar for the participating companies. The participating companies with an index rate of 5 were all aiming for increased brand awareness and/or immediate sales.

The companies that aimed for immediate sales did also include a sales code, which could be tracked in order to measure the result from this pilot study. The majority of these companies were also in some kind of transformation phase, where they had changed profile, target segment or their operational area. *The Welcome Home Box* were therefor a suitable way to communicate this to their potential customers. These companies do also seek to be seen as innovative and “fresh”, why a new, untapped marketing channel goes hand-in-hand with this vision. Taking high risks are a natural ingredient in their experimental approaches. The reason why these companies could identify the service innovation key attributes easier than other companies, could be due to the key persons within these organizations having a more innovative and creative mindset.

When it comes to the other participating companies, with an index score of 3-4, these did not aiming brand for awareness, since their brand was already well known. Neither did they include sales code to track immediate sales. Instead they wanted to keep positioning their strong brand through participation in this innovative concept. Some of these companies did also state that they see a co-branding arrangement as *The Welcome Home Box* as a way to communicate new product launches with their costumers, why they also chose to contribute with newly released products.

According to earlier presented co-branding studies, larger companies with high-equity brands do not earn as much from co-branding concept, which could be a reason why larger companies in general were not as engaged as smaller companies. However, these studies also suggest that larger companies could not be as negatively affected by an un-successful concept either. The larger companies in this study do not share this view, why they in general are slightly more skeptical.

They clearly state that due to their many stakeholders, they need to be extra carefully when it comes to who they choose to cooperate with. Instead, many of these companies choose traditional, well-tested, marketing strategies, which are not as targeted but less costly per receiver.

## **6.2 Final conclusion**

According to theoretical attributes and dimensions, Co-Brand Concept's *The Welcome Home Box* is a concept with opportunities to create competitive advantage. The complementary factor is high and the product mix is strongly influenced by product fit, image fit, and brand fit.

As presented in the empirical findings, the concept is both more efficient and cost-effective compared to traditional marketing, since it reaches the right segment directly at let the homebuyers try the products in their own homes.

Even though the concept has advantages, which could be seen as obvious, the diffusion differs among company categories. In general, smaller companies that aim to be seen as innovative are the category that is most willing to participate. Since they want to create an innovative and "fresh" organization and brand, innovative and fresh marketing strategies suits them well. These companies went through some kind of transformation period and wanted to achieve brand awareness and immediate sales. The organizations within these companies are in general flat, and there is an experimental approach where taking risks is a natural ingredient. They understand co-branding and know about potential positive effects of the concept.

Other, in general larger, companies had other main reasons for their participation. They wanted to position their strong brand on the market through letting their brand be seen in a new setting. These companies had in general more hierarchical organizations, used more traditional strategies and were not as willing to take risks, why they did engage as in the pilot study. (See Appendix Non Confidential)

Non-participating companies' willingness differed among company sizes, structures, and origins. The non-participating companies that showed greatest interest for a future participation were large companies that considered the pilot study as a too small activity, and companies that could not participate due to timing issues.

Many companies expressed how they like the idea of doing a pilot study before launching broader. In this way, participating companies gets a change to evaluate their participation before deciding whether to create long-lasting relationships to Co-Brand Concept.

Less risk-willing companies could also take part of the result and join the concept when it has already been tested. This reduces both economical, and functional risks. The social risk, related to how they are seen by other actors after participation, could be reduced through carefully investigating and evaluating the other co-branding companies.

Despite a lack of innovation within the marketing field in general, this study indicates an opportunity gap for innovative marketing- and branding concepts, especially for those companies that are categorized as “Innovators” and “Early Adopters” (see Appendix 3. Innovative co-branding adoption model). This gap could be filled through marketing bureaus being even more creative. Instead of focusing on already well-known marketing channels, opening up new ways in order to reach the consumer could be of great value for companies that are described as “Innovators” and “Early Adopters”.

Research points out that larger companies are in general more skeptical, which could be one reason to the lack of innovation within the marketing field. Studies of social media as an innovative marketing tool do however show that larger companies adopted social marketing once it had become well established. Today, most large companies use at least one social media platform.

The aim with a co-branding concept as *The Welcome Home Box* is to capture the audience attention in a completely new setting. If the concept becomes widely spread and more established further on, it might not be seen as innovative anymore and have then lost its purpose. A new channel for such co-branding arrangement is then required in order to keep the innovativeness. For that reason, Rogers framework of The Innovation Adoption Model is used to illustrate a “snapshot” of the current adoption willingness on the market. The actual diffusion of *The Welcome home box*, once it has become more established, might not follow Rogers model.

### **6. 3 Future research**

As the different companies in this research were related to Co-Brand Concept, it could be seen as biased. Since Co-Brand Concept is a potential partner for some of these companies, they might not answer questions in the same way if the researcher was an impartial actor. For that reason it would be interesting to do a similar study by an external researcher, in order to see if the result would differ. If the empirical findings would be similar, such study would give even more weight to this master thesis.



A similar study would additionally contribute further to the academic field, since concepts and campaigns similar to the work conducted by Co-Brand Concept have not been academically evaluated. This study generates case-specific findings related to the current marketing conditions. In order to refresh marketing theory, similar studies with additional aspects are needed.

It would also be interesting to academically evaluate whether the result of such innovative marketing concept would correspond with the companies view of expected outcomes related to brand awareness and immediate sales. Such study would include the end-user's/customer's view, which would be an interesting feature that is not included in this study.

Many of the companies in this study believed in online marketing as a future marketing tool. Due to the fact that it is harder and harder to reach the customers attention because of to loud advertising and aggressive campaigns, a comparable study between online marketing and experience marketing (which could be seen as the opposite) would also be interesting from the perspective of the receiver.

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# APPENDIX

## 1. Definitions

**Brand equity** is defined as a set of assets and liabilities that is directly connected to the brand name and logo in order to add value to the customer (Aaker, 1991).

**Co-Branding.** No globally accepted definition of co-branding exists (Leuthesser, *et al.*, 2003).

However, Kippenberger presents the following characteristics:

- It involves two (or more) brands.
- All participating brand names are retained.
- It is of medium- to long-term duration.
- The net value creation potential is not large enough to justify developing a new brand and/or legal joint venture (Kippenberger, 2000).

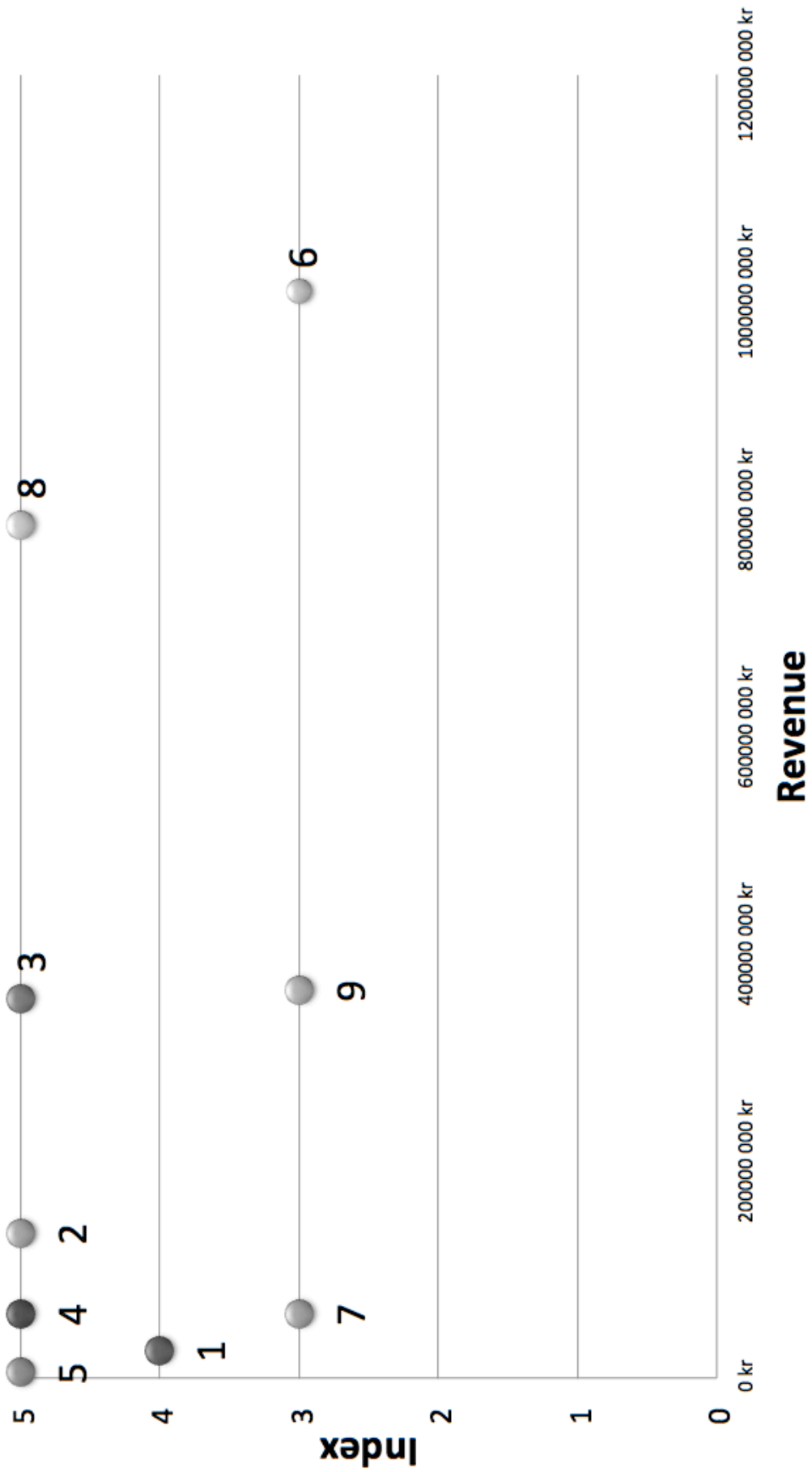
**Diffusion** “is the process by which an innovation is communicated through certain channels over time among the members of a social system. It is a special type of communication, in that the messages are concerned with new ideas” (Rogers, 1983, p. 5).

**Experience marketing** is a strategic and holistic marketing of relevant (and meaningful) experiences related to the product or brand (Same, Larimo, 2012).

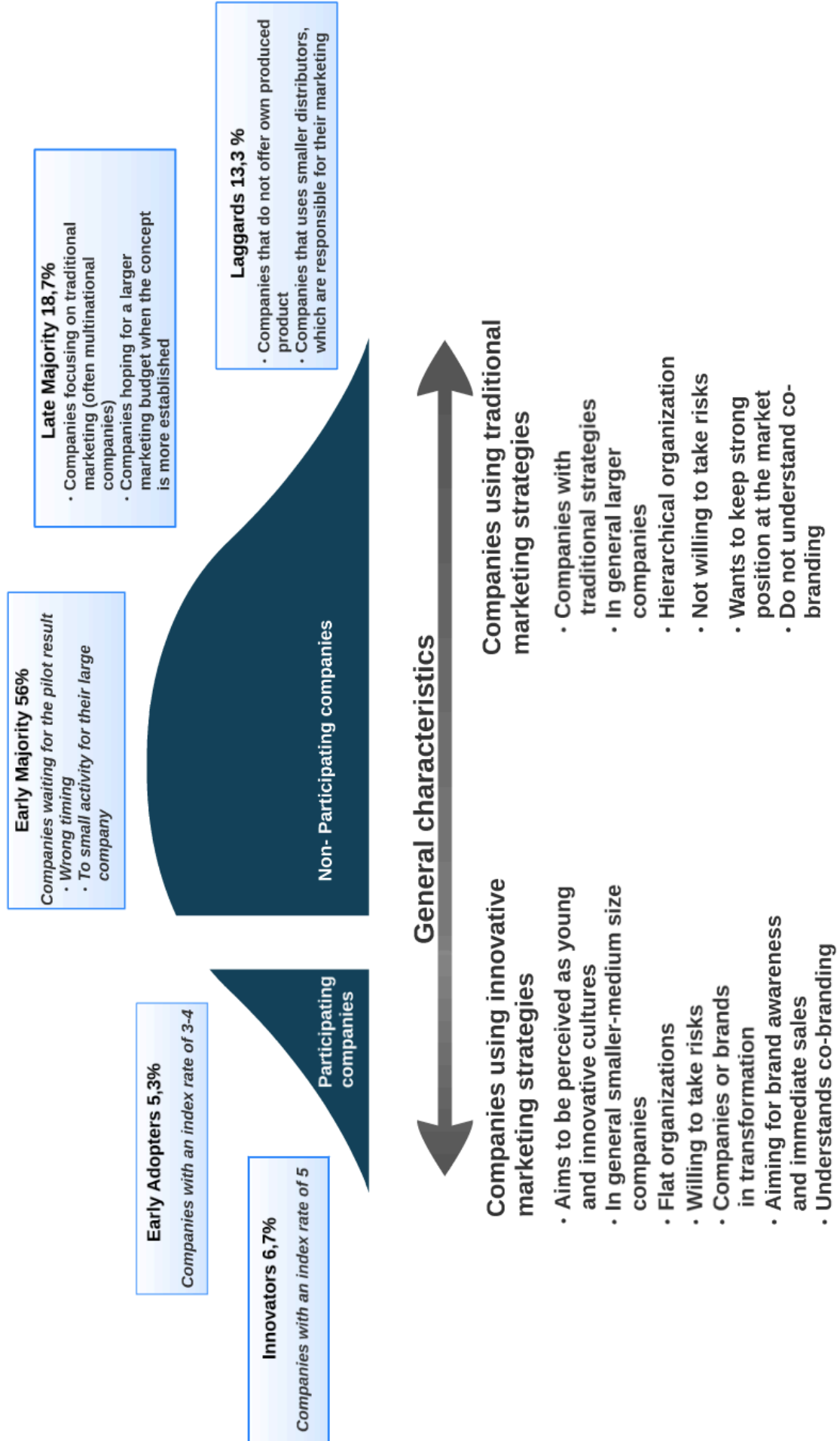
**Innovation.** Schumpeter defines innovation as new combinations of existing resources. He explained innovation as a broad concept where new combinations “comprise a new product, a new method of production, the opening-up of a new market, the utilization of new raw materials and reorganization of sectors of the economy” (Heertje, 2006, p.5).

**Traditional marketing vs. entrepreneurial marketing.** Traditional focus on expressed needs of current customers (through established channels), instead of focus on creating real value through developing future marketing mixes and strategies to meet latent needs, which entrepreneurial marketing do. Entrepreneurial marketing do also have a higher component of experimental learning than traditional marketing (Miles and Darroch 2005).

## 2. Relation Between Revenue and Index Score - Participating companies



### 3. Innovative co-branding adoption model





## **4. Interview Framework**

### **COMPANY INFORMATION** (found on allabolag.se)

- What year the company was founded
- Where the company operates
- How many employees

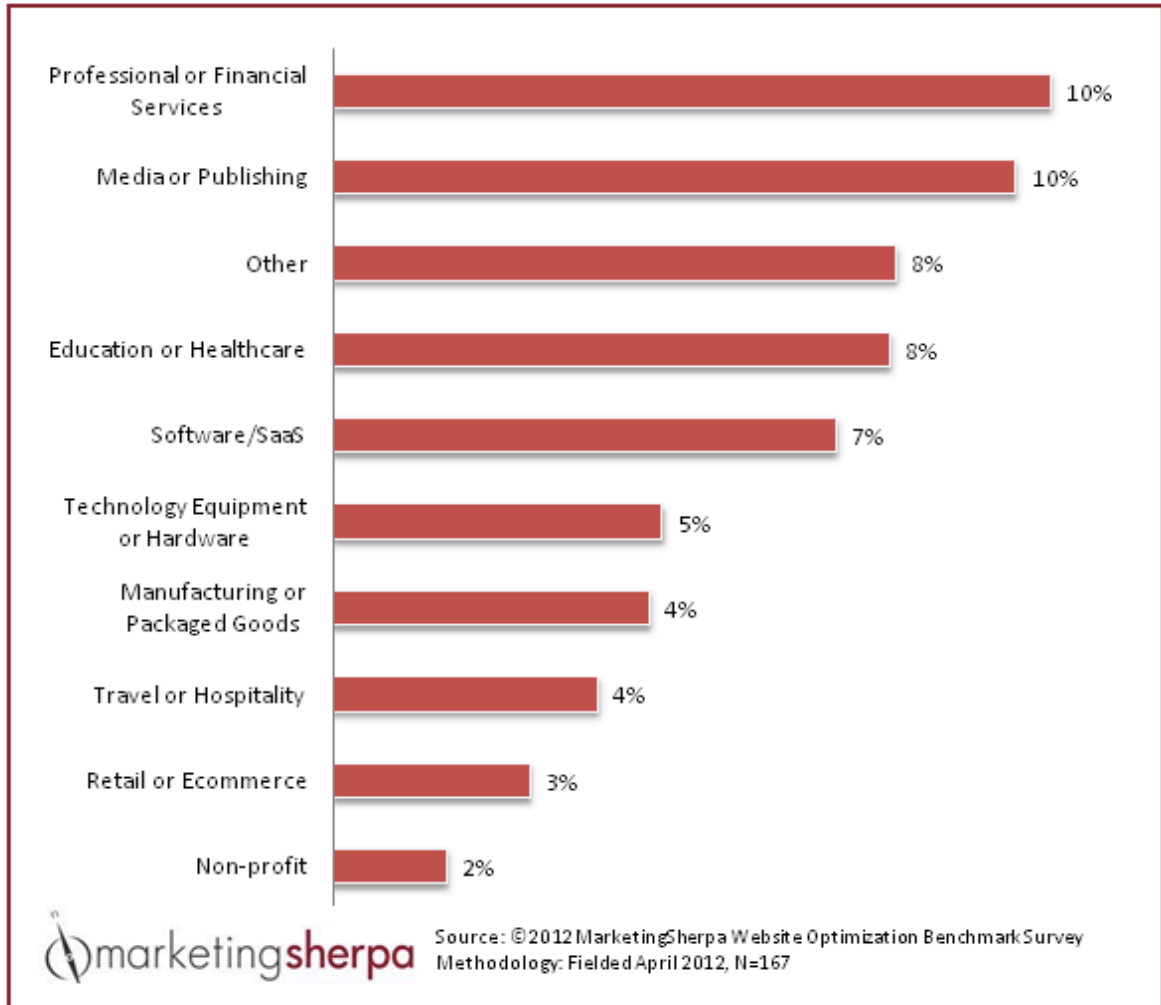
### **MARKETING AND BRANDING**

- Who manage the marketing strategy at your company?
- How do you define your customer segment?
- How are you marketing your company/products today?
- What kind of marketing activities/channels are you currently using and why?
- How do you divide the marketing resources between these activities/channels?
- How does a typical marketing campaign look like for your company?
- Do you prefer new marketing channels or existing and well-known channels?
- What do you believe will be the future within marketing and branding?
- Do you believe in co-branding as a future marketing tool?

### **PARTICIPATION IN INNOVATIVE CO-BRANDING CONCEPTS**

- Why did you choose to participate / not participate in Co-Brand Concepts pilot study?
- How were you affected by the current timing?
- What do you see as potential advantages/disadvantages with the concept?
- What do you see as potential opportunities/challenges with the concept?
- Are you participating in any other co-branding activity?

## 5. Average Conversion Rate by Industry 2012



## 6. Barriers to social media adoption

