EFFECTIVENESS OF CO-BRANDING AS A BRAND STRATEGY IN THE CREDIT CARD SECTOR IN KENYA

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Declaration

This research project is my original work and has not been submitted for examination in any other university.

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Dedication

To my husband, parents, brother and sisters, I am very grateful for their support, guidance and encouragement throughout the challenging moments of working on this report.

Abstract

Consumer product developers are increasingly interested in co-branding strategies as a means of gaining more market exposure, fend off the threat of private label brands, and share expensive promotional costs with a partner. This research looked at the effectiveness of co-branding strategies by addressing various objectives. The objectives were aimed at determination of the contribution of co-branding in market penetration, product usage and brand equity enhancement. The research also looked at the consumer perception towards co-branded credit cards in the market place.

There were two sets of target population chosen for the study. The first population included product managers within the banking sector while the second population was consumers who have credit cards within the Kenyan market. Semi structured and structured questionnaires were used for data collection. Responses from the target population was analyzed and presented in frequencies and percentages.

Findings from the research suggested that co-branding has positive effect to both the market share of the organization and card usage. Co-branding contributes to market penetration as the credit card issuer has access to customer list from which new customers can be acquired. The usage of the card increases as a result of co-branding as compared to credit cards which are not co-branded. It was observed that consumers perceive co-branded credit cards to be more appealing and in terms of the quality of service. The overall effect of co-branding on the brand equity of the product is therefore improved.

Co-branding appears to be a win/win proposition for compatible product proposition. The message to the marketing manager is to use co-branding strategies to further exploit a product performance advantage.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Globalization and increased customer awareness has led to increase in the number of credit card holders and users in Kenya. Since most banks offer credit cards which have similar features, banks must continually search for a competitive advantage that will attract new customers and help them retain existing ones. Banks therefore must endeavor to develop innovative programs and initiatives, maintain superior customer service levels while remaining profitable.

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to out perform its competitors. A firm is said to have competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Barney 1991 cited by Clulow et al. 2003). One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. Firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core competences, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage. According to Johnson (1992), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

Firms respond to competition in different ways. Some may opt to product improvement, divestiture, and diversification, entry into new markets or even merging or buying out competitors. Porter (1980) postulates that the essence of strategy formulation is coping with competition

The fundamental basis of long-run success of a firm is the achievement and maintenance of a sustainable competitive advantage. Understanding which resources and firm behaviors lead to sustainable competitive advantage is considered to be the fundamental issue in marketing strategy (Prahalad and Hamel 1993). A competitive advantage can result either from implementing a value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy as competitors. The competitive advantage is sustained when other firms are unable to duplicate the benefits of this strategy (Barney 1991).

One of the competitive advantage strategies being implemented especially by the credit card industries is co-branding. Co-branding strategies between card issuers and retail outlets have now become central to competitive success in this fast changing market. In this new world of networks, coalitions and alliances are not an option but a necessity. Creating marketing alliances by engaging in co-branding has become increasingly popular across many industries and more so in the credit card and food sector.

Consultants McKiskey and Company (1994) estimated that in credit cards, co-branding accounted for one-third of the $473 billion in charge card volume, up 20 per cent over the previous two years. It could be argued that co-branding in the financial services sector is still in its infancy and that brand owners have little to lose through an incacious alliance; but leading partners in co-branding deals are such financial services veterans as Mastercard, Visa, American Express and Diners.

1.1.1 Concept of Co-branding

Co-branding is an increasingly popular technique marketer's use in attempting to transfer the positive associations of the partner brands to a newly formed co-brand. By definition, co-branding is a pairing of two or more branded products to form either a separate and unique product or brand; the use of distinct brands in combination with market-related products for complementary use, such as between a fast food chain and a toy company; or even physical product integration, such as a brand-name toothpaste combined with a brand-name mouthwash (Aaker 1991). A co-branded credit card is a credit card that is offered by a credit card company and is jointly sponsored by both a bank and a retail merchant. This type of card can generally be issued more cheaply than private label retail cards. This type of card is designed to give the issuing bank access to the retailer's customer base. Co-branded cards often come with a variety of incentives, such as discounts or rebates of various types. Cards of this genre are affiliated with specific merchants, and not general professional groups or other types of associations. However, co-branded cards can also be used with other merchants.

Co-branded cards are designed with the merchants brand as the dominant brand represented on the card but also contain name the issuing bank. But co-branding is more than just that. It's a partnership between the issuing bank and the merchant that can result in increased card usage, higher spending levels, efficient marketing opportunities, and higher satisfaction and value for customers.

In terms of volume, credit card co-branding leads all other forms of co-branding (Leuthersser, Kholi and Suri, 2002). An estimated 40–50 per cent of all credit cards issued worldwide are co-branded, and together MasterCard and Visa have more than 20,000 co-branded programs (Punch, 2001). Co-branded credit cards, specifically affinity and rewards cards, connect credit card issuers with market segments served by the linked (secondary) brand. Affinity cards (e.g. credit cards linked to universities and charities) provide benefits to the linked organization usually a portion of the transaction fees so users of these cards know that each time they make a purchase it benefits an organization with which they have a strong sense of commitment. Affinity cards, as a group, have a very low annual attrition rate of

around 5–6 per cent compared to 25–35 per cent for other credit cards (Leuthersser, Kholi and Suri, 2002). Rewards cards (e.g. car, airline, lodging and retail credit cards), on the other hand, provide benefits such as discounts or points directly to the cardholder in an effort to encourage more, or continued patronage with the linked brand. For the credit card issuer, a critically important aspect of this business is access to the customer list of its co-branding partner, which provides a very attractive means of acquiring new customers for its other products and services.

In Kenya today, there are a number of co-branded credit cards issued by banks. In May 2007, Fidelity commercial bank launched the first co-branded credit card with Chandarana supermarket. The partnership was to encourage the use of the credit card as a safer and convenient method of payment. This was followed by Barclays bank which launched a co-branded credit card with Nakumatt supermarket in 2007 (Mbaabu, 2007). CFC Stanbic and Kenya Airways later launched the Msafiri Gold co-branded credit card that rewards customers with points that are redeemable in form of air tickets. I&M bank and United States international university launched the USIU alumni co-branded credit card that targets both staff and the student body. KCB also launched a co-branded master credit card with Serena.

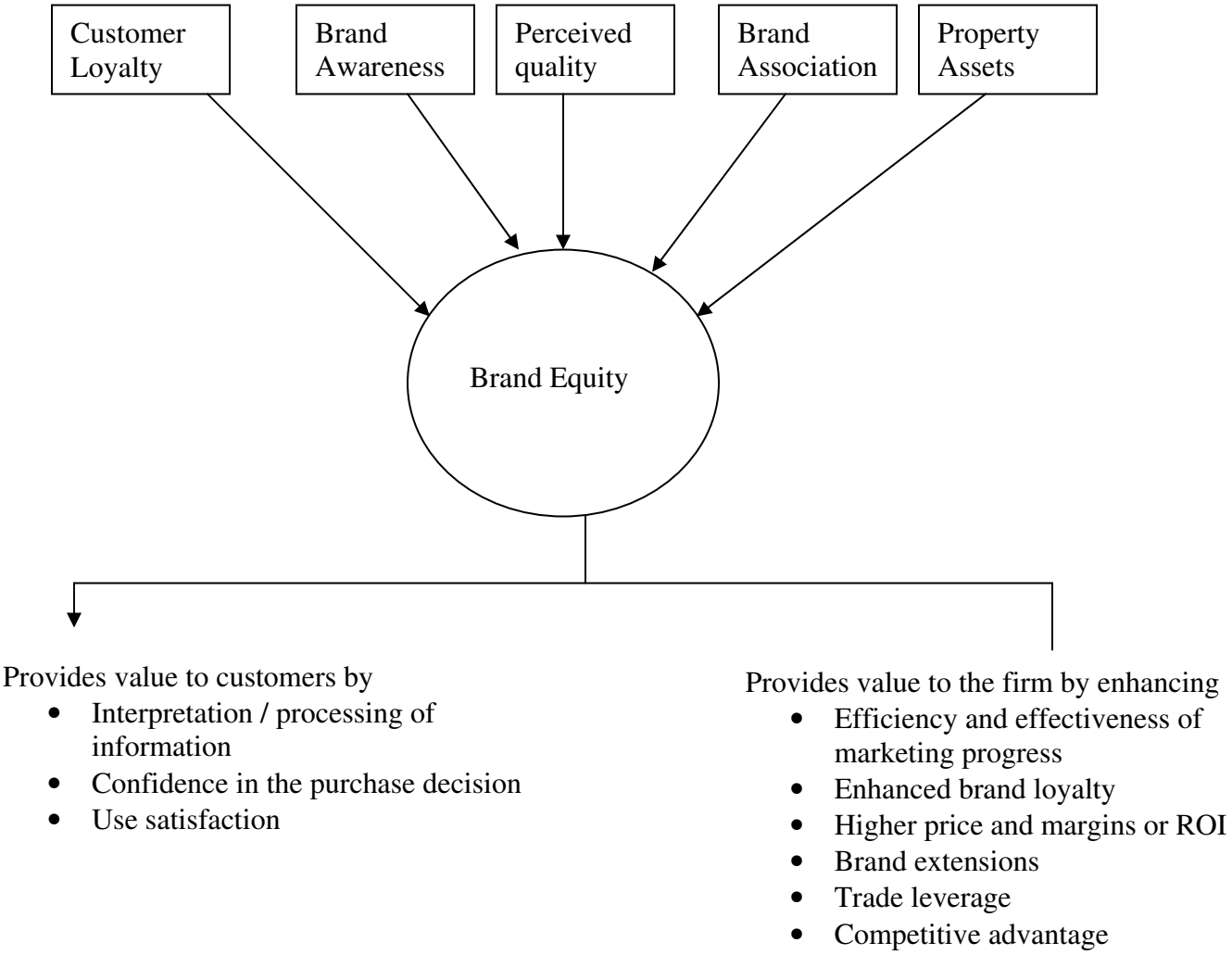
1.1.2 Relationship between co-branding and brand equity

A product brand name is a cue for consumers and represents images that have been formed based on their past experience with a brand or information they have obtained about the brand. For this reason, brand equity has been described as the constellation of association with brand names (Swait et al., 1993). Consumers may have developed a variety of associations with brand names that are subsequently paired in a co-branding situation. The co-branded product is new to the customer, even though the constituent brand names are not. Therefore, consumers use the constituent brand names to make judgment about the co-branded products in the absence of further information.

Elements that can be included in the valuation of brand equity include (but not limited to): changing market share, profit margins, consumer recognition of logos and other visual

elements, brand language associations made by consumers, consumers' perceptions of quality and other relevant brand values.

Figure 1: General concept in constructs of Brand Equity



Source: Saxena (2005), Marketing Management

1.1.3 Overview of Credit Card sector

The credit card boom began in earnest in the 1960s, when bank-issued cards from MasterCard and Visa became popular. By harnessing the electronic transaction ability of large banks, MasterCard and Visa eclipsed the previously dominant Diners Club, a company which processed transactions independently. More access to processing systems meant that consumers could use cards at more retailers and restaurants; the more establishments that accepted credit cards, the more popular they became. In the 1980s, American Express, which was originally marketed to businesspeople, and Discover became market forces. Consumers could now choose between bank- and store-issued cards, as well as independent credit card companies like American Express and Discover.

The first credit card in Kenya was launched in 1967 by Diners Club Africa Ltd. Barclays followed suite with the launch of the Barclaycard in 1967. Thereafter, chronology of the launch of plastic cards in Kenya included; in 1984, the southern credit Banking Corporation issued a credit card called Senator. In 1995, Kenya commercial bank (KCB) issued its first credit card followed by Commercial Bank in 1996. Other banks followed including, cooperative bank, NIC bank, Fidelity commercial bank, Prime bank, National bank, Imperial bank and I&M bank. In Kenya, Barclaycard has the largest market share of 65 percent (East African Standard, 2007). The recent development in the acceptance of credit cards for purchasing shares in the Nairobi stack exchange has made the card more attractive to consumers. The credit card usage is easier and less costly than securing a loan for the purchase of shares (Mbaabu, 2007).

1.2 Statement of the Problem

The credit card sector in Kenya is fast growing mainly because of increased awareness among consumers. Major Banks are now issuing credit cards to meet the increasing demand of the product. According to VISA international (2002), consumers have tripled their use of credit cards over the last decade. It was expected that the number of credit card users would increase to 500,000, a dramatic jump from the current 100,000 in 2002. Competition has now become inevitable in the banking sector as banks fight to increase their market share. However, since most credit cards have similar features and prices, firms have to find new marketing strategies of becoming the card of choice in the market. There are several marketing strategies that can be used by credit card firms to gain competitive advantage. A firm is said to have competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Barney 1991 cited by Clulow et al. 2003). Co-branding is a type of marketing strategy that is used to gain lead to competitive advantage. Co-branding marketing strategy is now becoming an increasingly popular technique among credit card issuers to fend off the heavy competition and gain competitive advantage.

A number of studies have been done on marketing strategies for competitive advantage. Anyika (2007) and Koech (2008) analyzed marketing strategies employed by firms and discussed the importance of branding as a strategy. Mukule (2006) mainly focused on retail marketing strategies used by managers to address changes in the environment but failed to identify co-branding as one of the strategies. Mbaabu, (2007) analyzed the response strategies of banks to competition in the credit card sector in Kenya. In her analysis, she mentioned co-branding as one of the response strategies but did not elaborate on its effectiveness. The proposed research therefore intends to close the information gap by focusing on importance of co-branding in the financial sector and more so in the credit card sector. This study will seek to establish the effectiveness of co-branding as a strategy.

1.3 Objective of the study

The general objective of this study is to establish the effectiveness of co-branding as brand building strategy in the credit card sector in Kenya.

The specific objectives are:

i. To establish the effect of co-branding on market share
ii. To determine the effect of co-branding strategy on credit card usage.
iii. To determine the perception of consumers towards co-branded credit cards.

1.4 Significance of the Study

Co-branding involves combining two associations that go beyond the limits or more well-known brands into a single product. When it works well, co-branding has the potential to achieve best of all worlds synergy that capitalizes on the unique strengths of each contributing brand (henceforth referred to as parent brands). In this paper, research on co-branding of credit cards and an analysis of the benefits will be carried that should prove useful to brand managers when assessing co-branding opportunities.

In the academic field, this study will add value to the existing body of knowledge in the area of effectiveness of co-branding as a marketing strategy. Previous research has focused more on the brand perception of the co-brand and not its effectiveness. This research intends to fill that gap and thus set foundation for scholars and researchers who wish to further understand co-branding strategy in the financial sector.

The study will enhance policy formulation as a point of reference by the policy makers in the field of strategic management and competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

To meet the challenges brought on by growing domestic and international competition, business-to-business firms are increasingly recognizing the vital role of marketing function in developing and implementing successful marketing strategies. Effective marketing strategies share many common characteristics, but at minimum they are responsive to market needs, they exploit the special competencies of the organization. Above all they offer a realistic basis for securing and sustaining a competitive advantage.

With the large base of attitude research as background, research on co-branding has generally addressed two broad areas: first, how customers' perceptions of a co-brand are influenced by their perceptions of the two parent brands and vice versa; secondly, the relative merits of co-branding versus other new product-development strategies, such as line and brand extensions. It stands to reason that a general understanding of how customers perceive co-branding would be a pre-requisite to assessing the relative attractiveness of co-branding, so it should not be surprising that the majority of research to date has addressed the first of these broad areas. Empirical research on co-branding is limited to a relatively few studies that have typically examined product concepts or fictitious products rather than real instances of co-branding. In a study involving co-branding of motor vehicles and electronic components, Simonin and Ruth (1998) found that preexisting attitudes towards the parent brands, the perceived fit (compatibility) of the parent brands' product categories and the perceived similarity of the images of the two parent brands all had a significant positive influence on attitudes towards the co-brand. Blackett and Boad (1999) identified another source of value that a brand could offer. 'Reach/awareness co-branding' refers to cooperation where a partner increases awareness by quickly gaining access to the other's customer base. Credit card co-branding (e.g. American Express's Optima card with Delta Airlines' Sky Miles program) represents a commonplace example of reach/awareness co-branding. This paper reviews co-branding, and discusses the means by it has been applied as a market strategy in the credit card sector.

2.2 Co-branding strategy

Co-branding is a relatively new concept in business world and is used to encompass a wide range of marketing activity involving the use of more than two brands (Blackett and Russell, 1999). On top of that, co-branding is broadly defined as any paring of two brands in market context, such as advertisement, products, product placement, and distribution outlet (Grosmann, 1997). Kotler argued that co-branding occurs when two established names of different companies are used on same products (Kotler, 1999). Co-branding is an arrangement that associates a single product or service with more than one brand name, or otherwise associates a product with someone other than the principal producer. The typical co-branding agreement involves two or more companies acting in cooperation to associate any of various logos, color schemes, or brand identifiers to a specific product that is contractually designated for this purpose. The object for this is to combine the strength of two brands, in order to increase the premium consumers are willing to pay, make the product or service more resistant to copying by private label manufacturers, or to combine the different perceived properties associated with these brands with a single product.

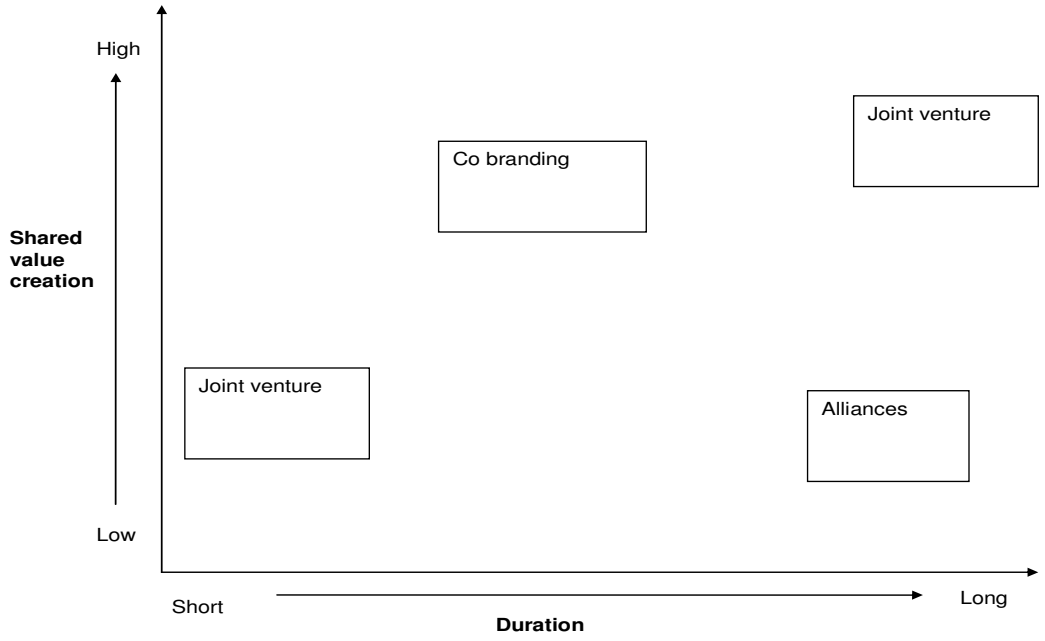
However, this concept is too broad to study. Researchers put efforts to make narrow definitions. According to Tom Blackett, co-branding is the form of co-operation between two or more brands with significant customer recognition in which all the participants' brand names are retained. Co-branding stands for the combination of two brands to create single or unique products (Levin et al, 1996).Thus co-branding could be considered to include sponsorships, where Marlboro lends it name to Ferrari or accountants Ernst and Young support the Monet exhibition.

Co-branding includes various levels of cooperation formed between co-brand partners and could be differentiated from other co operation strategies including joint ventures, sponsorships, joint promotions and alliances. Joint promotions are a short term arrangement between two well established brands such as McDonalds and Disney for generating extra publicity and sales through combining the attractions of both brands. On the other hand, Sponsorship deals typically involve an organization (often charity) that has a strong and focused image and close relationships with a particular audience, given money by a company

that wants to build a relationship with the audience. Joint ventures, by contrast, are usually defined as long term cooperative arrangements in which the branding issues are secondary to the operational opportunities. The term alliance and joint venture are often used interchangeably in the management literature. While a joint venture is often undertaken for a long and capital intensive development project, an alliance is entered into principally for marketing reasons (Blackett and Russell, 1999).

Figure 2 below shows the two criteria developed by Blackett and Russell positioned as the axes of a typical consultants matrix. Linking the two criteria in this way clarifies how the various types of cooperation differ and shows the area of the cooperation continuum that is generally described as co-branding.

Figure 2: Co-branding distinguished from other cooperative ventures



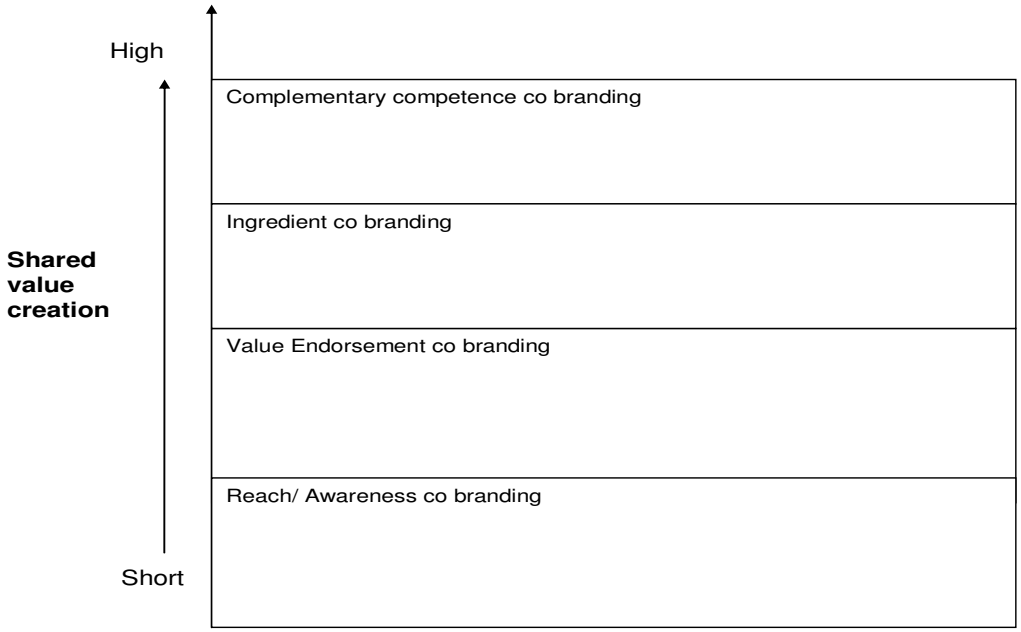
Source: Gomes-Casseres (2003), Alliance Strategy: Fundamentals for success. Braidels University, Boston.

2.2.1 Forms of Co-branding

Most companies have explored co-branding at one time or another. But few have realized its full potential. While there are many forms of co-branding; before a company can decide which option makes the most sense for its situation, it must fully explore the different forms of co-branding. Isobel Doole and Robin Lowe mentioned 3 types of cooperative strategies in their literature: joint venture, strategic alliance and reciprocal share holding ownership (Isobel and Robin, 1994).

Blackett and Russell (1999) looked at the forms of Co-branding by the level of customer value creation, by its expected duration, and perhaps most important, by the risks it poses to the company. These risks include the loss of investment, the diminution of brand equity and the value lost by failing to focus on a more rewarding strategy. Companies can work with other companies to combine resources and leverage individual core competencies, or they can use current resources within one company to promote multiple products at once. The forms of co-branding include: ingredient co-branding, same-company co-branding, joint venture co-branding, and multiple sponsor co-branding. No matter which form a company chooses to use, the purpose is to respond to the changing marketplace, build one's own core competencies, and work to increase revering.

Figure 3: Hierarchy of types of value creation sharing in co-operative relationships



Source: Gomes-Casseres (2003), Alliance Strategy: Fundamentals for success. Braidels University, Boston.

2.2.1.1 Reach & Awareness Co-branding/ Multi sponsor

This is the lowest level of shared cooperation in a co-branding exercise and its objective is to rapidly increase the awareness of the sharing brands through each other's strength in the respective domains. The example for this type of co-branding is found in the credit cards. This form of co-branding involves two or more companies working together to form a strategic alliance in technology, promotions, sales, etc. Example: Citibank/American Airlines/Visa credit card partnership (Wei-Lun, 2008).

In fact co-branding of this type finds the maximum utility of co-branding. In the Indian context, we have already observed a spate of co-branded credit cards between Citibank and Jet Airways, Standard Chartered Bank and Indian Railways, Indian Oil and Citibank, and Citibank and The Times of India (Wei-Lun, 2008).

The benefits of co-branded cards to the cardholder is that he gets points whenever he uses it and he can get these points redeemed for additional products or services for free. Thus, it builds loyalty to the brand or service in use by the customer. This is a sort of affiliate marketing between three brands, viz., a payment service franchiser (MasterCard, VISA), a bank and a product or service (Wei-Lun, 2009).

2.2.1.2 Value Endorsement Co-branding

This is the second level in the co-branding hierarchy wherein the shared value creation and the strength of relationship is such as to have endorsement of one brand values to the other with a strong affinity towards the other. The most appropriate example here would be of the companies getting involved with a cause with some non-government organization, e.g., the co-branding exercise between P&G and National Association for Blind in the form of Project Drishti where one rupee per pack of Whisper purchased by the customer was diverted towards the cause of a blind female child (Chul, 2009).

Thus, here one of the brands gives a small proportion of its transaction revenue to charity and the brand comes to be associated in the public mind with a worthy cause and with a good citizen brand values. The essence of this type of branding is that the two participants cooperate because they have, or want to achieve an alignment of their brand values in the customer's mind. Some of the other examples of two commercial brands coming together would include endorsement of Ariel by Vimal (Chul, 2009).Co-branding can be between an organization and a product also. An example of co-branding between a charity and a manufacturer is the association of Sephora and Operation Smile: Sephora markets a product carrying the logo of the charity, the consumer is encouraged to associate the two brands, and a portion of the proceeds benefit the charity (Wei-Lun, 2009).

2.2.1.3 Ingredient Co-branding

Intel Inside on a Compaq Personal Computer explains the basis of ingredient co-branding. In this form, there is a physical identifiable ingredient brand which has a high brand value for the customer and with it the value of the final product greatly increases. Here, one of the strong brands is an ingredient to another strong brand adding value to the final product. The

potential of value created in this cooperation is tremendous and without it the value of the product will be diminished significantly. Another example here can be of NutraSweet as an ingredient in Diet Coke. Other examples: Betty Crocker's brownie mix includes Hershey's chocolate syrup, Pillsbury Brownies with Nestle Chocolate, Dell Computers with Intel Processors and Kellogg Pop-tarts with Smucker's fruit (Wei-Lun, 2009).

2.2.1.4 Complementary Competence Co-branding/ Joint venture

This is the highest layer in the hierarchy of co-branding. In terms of value creation, it is just next to the Joint Ventures. Here, the two powerful and complementary brands come together and combine for a product or service that is more than sum of its parts, and it relies on each partner committing a selection of its core skills and competencies to a product. This form of co-branding defined as two or more companies going for a strategic alliance to present a product to the target audience. Examples include: British Airways and Citibank formed a partnership offering a credit card where the card owner will automatically become a member of the British Airways Executive club (Leuthesser, Kohli and Suri, 2003).

The examples for this type would be Coke at McDonalds or tie-up of retail brands like Ebony and Crosswords, or Planet M and Shoppers' Stop. A successful example of co-branding is the Senseo coffeemaker, which associates the Philips made appliances with specific coffee brand of Douwe Egberts. Other examples include the marketing of Gillette M3 Power shaving equipment with Duracell batteries (Wei-Lun, 2009).

2.2.2 Advantages and disadvantages of co-branding

First and foremost, although there is no universally accepted definition of co-branding, Leuthesser, Kohli and Suri (2003) have defined co-branding as "the combining and retaining of two or more brands to create a single, unique product or service".

Co-branding strategies are increasingly being used to fend off heavy competition and to gain more marketplace exposure (Spethmann & Benezra 1994). The main advantages are that companies can pool together their resources, reduce the cost of production introduction and generate greater sales (Kolter et al. 2006 and Samu, Krishnan & Smith 1999). According to Walker and Stanton (2007), Co-branding can result in a differential advantage over competitors. Co-branding can provide added revenues for one or both of the participating firms. When two franchises cooperate, they may ring up greater combined sales than if they were is separate locations.

Co-branding also allow brands with lesser reputation to leverage on partner brands of higher reputation. The presence of higher quality brands reinforces the perception of quality to their partner brands (Rao, Qu & Ruekert, 1999). Levin, Davis and Levin (1996) in a taste-test study reported that there were improvements in product evaluations of unknown brands when a well-known branded ingredient is added.

Although co-branded products are perceived as processing "the best of all worlds" attributes which capitalize on the unique strengths of each contributing brand (Leuthesser, Kohli & Suri, 2003). Despite the increasing applications, the potential disadvantages associated with co-branding strategies are the risks and lack of control in consumers' perception towards the new co-branded product (Kolter et al. 2006). Mismatch could occur when combining two brands, thus co-branding may affect partner brands negatively (James, 2005). In addition, overall brand equity could be damage when consumers attribute any negative experience with one constituent brand (Washburn, Till & Priluck, 2000). Hence, either partner in co-branding can undermine the credibility of each another.

The biggest potential drawbacks to co-branding are possible overexposure of a brand name and, even more significant, the risk of damaging a brand's reputation if the cooperative endeavor fails (Walker and Stanton, 2007).

In summary, co-branding exercises are generally inexpensive. Co-branding is also a form of marketing that can generate business even when rates climb. Also, many line extensions capitalize on a partner's brand equity. Brand extension success rates are maximized in the new market when co-branded with the reputed brand that has established in that market. Co-branding may help usage extension and image reinforcement may take place due to co-branding. Loyalty programs increasingly include co-branding arrangements. The corporations are sharing the cost of loyalty programs; hence, the promotional costs to the companies are coming down. Lastly, capitalizing on the synergies among a number of brands is yet another advantage of co-branding.

2.2.3 Successful Co-branding

According to Leuthersser, Kholi and Suri (2003), successful co-branding occurs when both brands add value to a partnership. However, the key appeal and success in co-branded products is determined by product complementarities (Park, Jun & Shocker, 1996). The value-added potential should be assessed by examining both the complementarities between the two brands and the potential customer base for the co-brand. A great deal of attention has been given to the potential for inter-brand effects in co-branding, that is, the potential for enhancement or diminishment of the brand equity of either partner. Much of this attention has been directed to effects on brand attitudes. In general, research suggests that consumers tend to respond favorably to co-brands in which each partner appears to have a legitimate fit with the product category, and the attitudes towards the parent brands will be reinforced, or at least maintained, as a result of the partnership. Furthermore, attitudes towards strong, well-known brands are less likely to be influenced by co-branding than less-known brands, a finding that is entirely consistent with a long history of research on attitudes showing that well-formed attitudes are highly resistant to change. Brand attitudes are, however, only one aspect of brand equity. In the end, brand equity must be reflected in market response: sales, profits and market reach.

2.3 Brand equity

Brand equity refers to the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name (Aaker 1991), and, at the root of these marketing effects is consumers' knowledge. In other words, consumers' knowledge about a brand makes manufacturers/advertisers respond differently or adopt appropriately adept measures for the marketing of the brand (Keller, 1993). The study of brand equity is increasingly popular as some marketing researchers have concluded that brands are one of the most valuable assets that a company has (Neumeier 2006). Brand equity is one of the factors which can increase the financial value of a brand to the brand owner, although not the only one (Grannell, 2009). Brand equity has several determinants. This includes; product mix, perceived price fairness and social status

2.3.1 Product mix

Financial product marketers need to manage their product portfolio in response to the changing environment and consumer needs, in addition to managing customer relationships effectively for achieving long-term profitability (Bell et al., 2002). The concept of a product can be understood in terms of the following four terms – actual product, expected product, augmented product, and potential product. For a financial product, the product strategy is greatly influenced by customers, competitors, technology, and government and legislation. Depending on these factors, the product mix strategy could be product mix expansion, product mix contraction, and product modification (Cannon and Cannon, 2005).

Branding in financial services is done more at the corporate level than at the product level. Branding should start with a clear strategy for targeting and positioning. The brand image should be consistent with the marketing strategy (Teach, 1990). Advertising can be successful in building the brand only if the financial product caters to the requirements of the consumer and the entire service experience is consistent with the brand image that is communicated.

To implement one-to-one marketing, the marketer needs to identify the target customers, differentiate them into groups, interact with each customer group, and provide customized products and solutions in a cost-effective manner. This can be done using the technique of mass customization. The usage of Customer Relationship Management in India is expected to evolve from ensuring operational efficiency (in customer handling) to yielding strategic benefits -- through real-time customer segmentation, and co-creation of products with customers. Product recommendation sites give the power of decision-making back to the consumer; peers rely on them, marketers can learn about what products are faring well in the market-and which ones aren't, and the customer feels both connected and engaged with the company they are buying from. The critical elements of feedback and suggestions play a leading role in how e-retailers make website construction decisions. This is a simple way to increase sales, and it's become a key reason why shoppers continue to make their purchases from just one site, even when the products are offered from various retailers (Cannon and Cannon, 2005).

2.3.2 Perceived price fairness

From the consumer's perspective, the monetary cost of something is what is given up or sacrificed to obtain a product (Zeithaml, 1988). Thus, in studies on related topics, price has often been conceptualized and defined as a sacrifice (Anderson, Fornell and Lehmann, 1994; Sweeney, Soutar, and Johnson, 1999). There are three components to the concept of price: objective price, perceived non-monetary price, and sacrifice (Zeithaml, 1988). The objective monetary price (simply put, the amount of money paid for product) is not equivalent to the perceived price (that is, the price as understood and recorded in the mind of consumer) since consumers do not always know or remember the actual price paid for a product. Instead, they encode the price in a way that it is meaningful to them (Zeithaml, 1988).

As to the relationship between price and satisfaction, research has shown that price is one of the determinants of customer satisfaction (Zeithaml and Bitner, 2000). When customers were asked about the value of services rendered, they consistently considered the price charged for the service (Anderson, Fornell, and Lehmann, 1994). In those cases in which consumers did not consider price in forming their judgments about the quality of service, it was generally

because they lacked a reference price (Zeithaml and Bitner 2000). Still, though, this group ranked price as an important factor when it came to their overall satisfaction.

The theoretical formation of price perception in services remains largely unexplored. This study suggests that the perception of price fairness plays an important role in any exchange transaction. The feeling of fairness depends on the gain-loss ratio felt by both partners in the exchange. From the consumer's perspective, the gain is the product to be received, whereas the loss is the money to be paid. When a consumer pays a higher price than others do, or when a consumer receives a lesser product than anticipated (either in terms of quantity or quality), perceived negative price inequity occurs. On the other hand, perceived positive price inequity may result from either receiving a larger or better product than others, who paid the same price, or paying a lower price but receiving the same product. Price fairness should have an influence on customer satisfaction (Parasuraman, Zeithaml, and Berry, 1994) as well as on behavioral intentions. This study, then, proposes that the perceived fairness of price should directly affect customer loyalty, and should also affect it indirectly via customer satisfaction.

2.3.3 Social status

Evidence from the occupational literature suggested that relational (selling) skills are more commensurate with the personality traits associated with women than men, reflecting the emphasis in their (women) socialization process on empathy and sensitivity to others (OLeary, 1974). Other evidence supporting the higher relational qualities of women as compared to men includes (Oakley, 2000). Gentry et al. (1978) found gender differences in perceptions and use of products and leisure activities. Also Fournier (1998) concluded that women have more and stronger interpersonal and brand relationships than men. These suggest that women were more faithful than men. Although the effects of gender on human interaction have been studied in the social psychology literature, the marketing literature lacks major research into the interaction of gender in services selling-buying situations and its effects on relationship development and customer loyalty. Palan (2001) admitted that gender salience research related to consumer behaviour has been very limited.

According to social identity theory, people tend to classify themselves into different social categories. That leads to evaluation of objectives and values in various groups and organizations in comparison with the customer's own values and objectives. They prefer partners who share similar objectives and values. Fournier (1998: 366) states that consumer-brand relationships are more a matter of perceived goal compatibility. Brands cohere into systems that consumers create not only to aid living but also to give meanings to their lives. Oliver (1999) argues that for fully bonded loyalty the consumable must be part of the consumer's self-identity and his or her social-identity.

In the marketing literature, a customer's prospect value of a product or service in a store could encourage him/her to shop (Babin & Darden & Griffin 1994) at that store. In the social network literature, a customer is not isolated from his/her social relations and his/her shopping choice could also be affected by social experiences (Cherrier & Murray 2004). According to intensity of relationship, social network can be divided into information network, affect network, and trust network. The information network is a network in which people exchange information or knowledge. The affect network is a network in which people share personal feelings. The trust network is a network in which people show trust among each other. Chauduri and Holbrook (2001) posit that information network is positively related to customer shopping behavior. In the affect network arising from an online community, members feel affective support from and show emotional satisfaction with each other. Affective communications often call to a user's mind a sense of belonging to the community. Further, Raman (1999) states that affect network are positively related to shopping behavior and customer loyalty.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design that will be used to meet the objectives of the study as set out in chapter one.

3.2 Research Design

This research problem was studied through the use of a descriptive survey. Descriptive research portrays an accurate profile of persons, events, or situations. Surveys allow the collection of large amount of data from a sizable population in a highly economical way. It allows one to collect quantitative data which can be analyzed quantitatively using descriptive and inferential statistics. Cooper and Emory (1995) advocates that surveys are more appropriate for efficient and economical observations. The main objective of the study is to determine the effectiveness of co-branding as a brand strategy in the credit card sector in Kenya

3.3 Population

The research two sets of population. The first population was product managers/ marketing managers who work in the five banks that issue co-branded credit cards within the Kenyan market. These include; Barclaycard, Kenya Commercial bank, I&M bank, CFC bank and Fidelity bank. The second population was consumers in the market that have credit cards.

3.4 Sampling method

Stratified random sampling was used to select customers were picked at random near the five banks.

Table 1: Sample size

STRATA	**TOTAL POPULATION**
Product managers	15
Customers	100
Totals	115

3.5 Data Collection tools and methods.

The primary data was collected using semi-structured questionnaires to the target population. The questionnaire was designed to address general information and provide answers to the research questions. Questionnaire 1 was divided into four sections; A, B and C. Section A addressed the general information about the respondents and the company. Section B addressed the effect of co-branding on the market share of the credit card issuer while Section C looks at the effect of co-branding on the credit card usage. Questionnaire 2 was divided into two sections; A and B. Section A addressed the general information about the respondents while section B addressed the perception of consumers towards co-branded credits. The questionnaire 1 was administered by the drop and pick method and questionnaire 2 was administered by using interviews.

3.6 Data Analysis

Data was analyzed using Statistical Package and Microsoft excel. The questionnaires were pre-coded to allow editing and tabulation. Descriptive statistics was used to present the findings in Frequencies and Percentages. The results are presented in tables with narrative explanations for each.

Table 2: Summary of research questions and data analysis used

Research objective	**Questionnaire**	**Questions**	**Statistics computed**
Effect of co-branding on market share	1	10,11	Frequency, Percentages
Effect of co-branding on card usage	1	9, 12	Frequency, Percentages
Customer perception towards co-branded credit cards	2	9,10	Frequency, Percentages

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter the data collected was presented and analysed. Both the qualitative and quantitative data was presented at the same time when presenting data on a particular phenomenon. The research had two types of questionnaires. One questionnaire was targeting the product managers and the second questionnaire was intended for consumers in the market.

4.2 Responses from questionnaire 1

Responses for questionnaire 1 were from the product managers selected for the research to determine the first two research objectives on contribution of co-branding to market share and effect of co-branding on credit card usage.

4.2.1 Number of co-branding partnership

Most credit card issuing banks had at least one co-brand partnership with prospects of establishing more partnerships in the near future. I&M bank had more than one co-brand partner while Barclaycard, CFC bank, KCB and Fidelity bank have only one co-brand partner. It was observed that I&M bank uses co-branding as a strategy to a greater extent than the others.

Table 3: Number of co-branding partnership

Number of co-brands	Frequency	Percentage
1	9	60
2	3	20
3	3	20
more than 3	0	0
Total	**15**	**100**

4.2.2 Type of business of co-brand partner

As observed, many co-branding partnerships happen among retail chain stores at 50%. This explains the relationship of high customers targeted in this area of trade. Retail chain stores have a very rich customer base of loyal customers hence much more attractive to the credit card issuers. Barclaycard, Fidelity bank and I&M bank have co-brand partnerships with Nakumatt and Chandarana supermarkets. CFC bank has a successful partnership with Kenya Airways while KCB has a co-brand card with Serena hotel.

Table 4: Type of business of co-brand partner

Variable	**Frequency**	**Percentage**
Retail chain stores	9	50
Airline	3	17
Hospitality	3	17
Education	3	17
Total	**18**	**100**

4.2.3 Extent to which co-branding has contributed to brand awareness

According to the product/marketing managers, the co-brands have received a very good share of customers' attention. This is because of the extra marketing received from co-brand partners. Compared to the non-co-branded credit cards the firms issue, the product managers indicated that the co-brands attracted more positive attention**.**

Table 5: Extent to which co-branding has contributed to brand awareness

Extent	**Frequency**	**Percentage**
Greater extent	9	60
Moderate extent	5	33
Low extent	1	7
Not at all	0	0
Total	**15**	**100**

4.2.4 Effect of co-branding on market share

More than 50% of the product managers responded that co-branding has contributed positively in penetrating new markets. This can be attributed to the fact that the banks have access to the customer list of the co-brand partner which can be used to acquire new business.

Table 6: Effect of co-branding on market penetration

Extent	**Frequency**	**Percentage**
Greater extent	8	53
Moderate extent	5	33
Low extent	2	13
Not at all	0	0
Total	**15**	**100**

4.2.5 Effect of co-branding on Credit card usage

It was observed that co-branding of credit cards increase card spend to greater extent. From the literature, it was observed that co-branding accounts to majority of card spend internationally. Co-branded cards are designed with the merchants brand as the dominant brand represented on the card hence influences consumers to repetitive purchases at merchant outlets.

Table 7: Effect of co-branding on Credit card usage

Extent	**Frequency**	**Percentage**
Greater extent	8	53
Moderate extent	6	40
Low extent	1	7
Not at all	0	0
Total	**15**	**100**

4.3 Responses from questionnaire 2

Responses for questionnaire 2 were from consumers sampled for the research to determine the third research objective on consumer perception of co-branded credit cards in the market.

4.3.1 Age group of respondents

The frequency of credit card holders is higher among people aged between 31 and 40 years with the highest frequency being with those aged between 31and 35 years. At this stage in life most adults have stabilized in their career and life choices and need more purchasing power. Credit cards are marketed as a way of budgeting for ones spend and this goes to show that at this prime age, most people are looking for some kind of pattern hence stability.

Table 8: Age group of respondents

Years	**Frequency**	**Percentage**
25-30 Years	7	7
31-35 Years	38	38
36-40 Years	24	24
41-45 Years	16	16
46 Years and above	15	15
Total	**100**	**100**

4.3.2 Income level of respondents

With an income of between Kshs.50, 000 and 150,000 most respondents have just about enough money to live on but none to save or invest. They therefore prefer to use their income for investment purposes and credit cards for daily livelihood purposes. This raises their frequency in credit card usage and ownership.

Table 9: Income level of respondents

Level	**Frequency**	**Percentage**
Below 50000	11	11
50001-100000	24	24
100001-150000	32	32
150001-200000	19	19
200001 and Above	14	14
Total	**100**	**100**

4.3.3 Number of credit cards held

Most Credit card holders have only one card that they use in case of emergencies. This is followed closely by those hold two cards, mainly for comparison purposes.

Table 10: Number of credit cards held by consumers

Variable	**Frequency**	**Percentage**
1	42	42
2	36	36
3	15	15
More than 3	7	7
Total	**100**	**100**

4.3.4 Co-branding consideration when choosing credit card

Highest percentage of customers indicated that co-branding partnerships between the credit card issuer and the merchants play a key role when they are acquiring a credit card.

Table 11: Co-branding consideration when selecting credit card

Extent	**Frequency**	**Percentage**
Greater extent	45	45
Moderate extent	28	28
Low extent	19	19
Not at all	8	8
Total	**100**	**100**

4.3.5 Loyalty program consideration in credit card choice

Loyalty programs play a big part for the consumer when selecting a credit card. Most co-branded credit cards have reward/loyalty programs and hence are number one choice for the consumer.

Table 12: Loyalty program consideration when selecting credit cards

Extent	**Frequency**	**Percentage**
Greater extent	44	44
Moderate extent	29	29
Low extent	22	22
Not at all	5	5
Total	**100**	**100**

4.3.6 Awareness of different co-branded cards in Kenya

Nakumatt Visa Credit card has the highest frequency in the awareness of co-brand credit card. This is because it is synonymous with one of the leading supermarkets in Kenya which cut across people from all divides.

Table 13: Awareness of co-brand cards in Kenya

Extent	**Frequency**	**Percentage**
Nakumatt-Barclaycard	81	44
Serena-KCB co-brand card	21	11
Kenya airways-CFC Msafiri card	57	31
Chandarana-Fidelity card	9	5
USIU-I&M card	18	10
Total	**186**	**100**

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, finding from the research are summarized with regards to the research objectives. Conclusions and recommendations are also given.

5.2 Summary

In the credit card sector in Kenya, the study suggests that co-branding is looked as a way of penetrating new markets and increasing card usage rather than other avenues. On seeking to know the effect of co-branding on the market share, various banks analyzed indicated that their market share increase as a result of the co-branding initiatives. The product managers attributed the increase their ability to gain access to their co-brand partners' customer list which enables them acquire new business. From the research, it was established majority of the co-branding partnerships was between the banks and the retail chain stores. This is because retail chain stores like supermarkets have a large customer base of loyal customers thus making them attractive for co-branding initiatives by the banks.

The second research objective was seeking to establish the effect of co-branding on credit card usage. From the results, it was established that co-branding increases the rate of card spending. As discussed in the literature, co-branding provide benefits such as discounts or points directly to the cardholder in an effort to encourage more, or continued patronage with the linked brand. This motivates the consumers to use their card more thus leading to increased card usage. Customer's prospect value of a product or service in a store could encourage him/her to shop more frequently at that particular store. This is explained by the fact that in the social network literature, a customer is not isolated from his/her social relations and his/her shopping choice could also be affected by social experiences.

The third research question was seeking to determine the consumer perception of co-branded credit cards. 45% of the respondents in the study indicated that co-branded credit cards were more appealing than credit cards which are co-branded. This is because the credit card links them to an outlet where they shop. It appears that co-branding improves the brand equity

perceptions of consumers. The study established that a majority of the respondents were aware of co-branded credit cards. Co-branding with another brand influenced brand equity perceptions of the constituent brands.

5.3 Conclusion

Kenya, firms are increasingly focusing on gaining competitive advantage to enable them respond to, and compete effectively in the market. The key observation from this research suggests that the overall effect of pairing of the credit card with merchant outlets improves the brand equity of the resulting co-brand. These results suggest strength of brand names and the importance of in a brand strategy. Co-branding of credit cards offers competitive advantage and in helps in building brand awareness. Nevertheless, these brands are not negatively affected by co-branding. Positive associations of the co-brand partner may act to enhance consumers' perceptions of the co-branded product. Additionally, consumers appear to be able to distinguish between the two co-branding partners and make a determination about which partner is primarily responsible for the product's good performance. The study concludes that the firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer.

5.4 Recommendation

Co-branding is a relatively new phenomenon in Kenya. Given this fact, it is no surprise that brand/ product managers are rightfully suspicious about the benefits that accrue from co-branding. After all, the brand manager is charged with protecting and developing a particular brand. This research was able to give assurance of the benefits that accrue on the co-brand specifically within the credit card sector. This type of co-branding falls is the lowest level of co-operative sharing between the co-brand partners. More needs to be done to determine the benefits of co-branding in other sectors and industries especially the food industry. The research also recommends more research on effects of brand equity of a co-brand between a brand with low brand equity and one with a high equity brand. The message to the marketing manager is to use co-branding strategies to further exploit a product performance advantage.

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APPENDIX I

QUESTIONNAIRE 1

PART A

1) Name of your organization ……
2) Year of incorporation ……
3) Please state your designation and period you have been with this organization, as follows:
   a) Designation: ……..
   b) Period with organization (In years) ……
4) Current number of employees in your organization……
5) Ownership of the organization

   Private ☐ Government ☐
6) Level of education

   Diploma ☐ Degree ☐ Post graduate ☐
7) Age group

   25-30 yrs ☐ 31-35 yrs ☐ 36-40yrs ☐ 41-45 yrs ☐ above 45yrs ☐

To determine effect of co-branding on market share

8) How many credit card co-brands do you have?

   ☐ 1 ☐ 2 ☐ 3 ☐ more than 3
9) What business is (are) your co-brand partner in?
   a) Retail chain store ☐
   b) Hospitality ☐
   c) Airline ☐
   d) Education ☐
10) To what extent has the partnership increase brand awareness?
   a) Greater extent ☐
   b) Moderate extent ☐
   c) Low extent ☐
   d) Not at all ☐

11) To what extent has the partnership contributed in market penetration?

a) Greater extent ☐

b) Moderate extent ☐

c) Low extent ☐

d) Not at all ☐

PART C

To establish effect of co-branding on credit card usage

12) To what extent has the partnership increased usage of the credit card?

a) Greater extent ☐

b) Moderate extent ☐

c) Low extent ☐

d) Not at all ☐

APPENDIX II

QUESTIONNAIRE 2

PART A

1) What is your gender?

   Male ☐ Female ☐

2) Age group

   25-30 yrs ☐ 31-35 yrs ☐ 36-40yrs ☐ 41-45 yrs ☐ above 45yrs ☐

3) Level of education

   ☐Primary ☐Secondary

   ☐Diploma ☐Degree

   ☐Post graduate ☐Other (specify) _____

4) Form of employment

   ☐ Public servant ☐ Private Sector

   ☐ Non governmental organization ☐ Self employed

   ☐ Other (specify) _____

5) Please state your income level?

   ☐ 30,000 and Below

   ☐ 30,001 to 50,000

   ☐ 50,001 to 100,000

   ☐ 100,001 to 200,000

   ☐ 200,001 and Above

PART B

To establish consumer perception of co-branded credit cards in the market

6) How many credit cards do you hold?

   ☐ 1 card ☐ 2 cards ☐ 3 cards ☐ more than 3 cards

7) Do you hold a co-branded credit card?

   Yes ☐ No ☐

8) How long have you had a credit card(s)?

☐ Less than 1 year

☐ 1-3 years

☐ 3-5yrs

☐ More than 5 yrs

9) In your opinion, is a co-branded credit card more appealing than a credit card which is not co-branded?

☐ Yes ☐ No

If Answer is yes, please give reasons?

……

……

……

10) From the list of co-brand credit cards below, which ones are you aware of?

☐ Nakumatt card (Nakumatt and Barclaycard partnership)

☐ Serena credit card (KCB and Serena partnership)

☐ Msafiri card (CFC bank and Kenya airways)

☐ USIU alumni card (USIU and I&M bank partnership)

☐ Chandarana supermarket and Fidelity bank credit card

Thank you

APPENDIX III

Pauline Koki Munyoki
School of Business,
University of Nairobi,
P.O. BOX 30197,
NAIROBI
31st September 2010

Dear respondents,

RE: REQUEST FOR RESEARCH DATA

I am a Postgraduate student at the University of Nairobi, School of Business. In partial fulfillment of the program Master in Business Administration (MBA) requirement, I am undertaking a management research project titled:

'Effectiveness of co-branding as a brand strategy in the credit card sector'

You have been selected as part of the study. This is to request you to assist me to collect the data by filling out the attached questionnaire. The information you will provide will be used exclusively for academic purposes. My supervisor and I, assure you that the information you will give, will be treated with strict confidentiality. A copy of the final report will be availed upon request.

Your cooperation will be highly appreciated, thanking you in advance.

Yours Faithfully,

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Pauline Koki Munyoki	Dr. Raymond Musyoka
MBA Student	Supervisor