

## Consumers' Internal Meaning on Complementary Co-Branding Product by Using Osgood's Theory of Semantic Differential

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### ABSTRACT

**Objective** – The research focuses on applying semantic meaning theory and semantic differential scale to marketing communication, particularly co-branding products strategy, as an external stimulus to the consumers. The research aims to evaluate a hypothesis that co-brands have different meaning from the consumers, however, the consumers would express more positive meaning –evaluation, activity, potency- toward a parent brand.

**Methodology** – Although co-branding products have been in use for some time, there is surprisingly little quantitative empirical research on the subject.

**Findings** – A survey on 100 respondents reveals that although co-brands –Avanza and Xenia- have identical products, they have different meaning from the consumers, and the consumers express more positive meaning –evaluation, activity, potency- toward Avanza rather than Xenia.

**Novelty** – It contributes to develop the study of co-branding in Indonesia.

**Type of Paper:** Empirical

**Keywords:** Co-branding Product, Indonesia, Marketing Communication, Osgood's Semantic Differential, Semantic Meaning Theory.

**JEL Classification:** M31, M37.

### 1. Introduction

The Semantic Meaning Theory (Osgood's Theory) is rooted from psychology (Finstuen, 1977; Littlejohn & Foss, 2009; Strunga, 2014) that focuses on discussing the individuals' perception and cognitive within the meaning of the message and this meaning relates to the attitude and behaviours of the individuals. Stimulus or messages from the outside produce an internal meaning in the minds of individuals and produce a response (Craig, 2007; Griffin, 2012; Littlejohn & Foss, 2009). Osgood, Suci, and Tannenbaum (1957) expanded the Semantic Meaning Theory by offering a measurement tool called semantic differential. This measurement assumes that one's meaning can be expressed by the use of various adjective words or connotations. The expression of individual's connotations can be grouped into three dimensions of adjective, namely evaluation (good or bad), activity (active or passive), and potency (strong or weak). The three dimensions are also known as semantic space.

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Osgood stated that the three dimensions of signification (meaning) occur in various contexts, all people, and all concepts (Osgood et al, 1957), including sociology (Strunga, 2014), communication science (Craig, 2007; Griffin, 2012; Littlejohn & Foss, 2009), educational settings, language and cross-cultural studies (Finstuen, 1977), and marketing/business research (Finstuen, 1977; Khan, 2007; Sharpe & Anderson, 1972). However, few semantic differential research has been made in business (Finstuen, 1977). “There seems to have been little systematic effort devoted to applying the technique to marketing contexts” (Sharpe & Anderson, 1972, p. 432). Hence, the current research focuses on applying semantic differential theory to co-branding products strategy, as an external stimulus to the consumers.

## 2. Literature Review and research hypothesis

Many different terms – strategic alliance, joint marketing, co-marketing, joint branding, ingredient marketing and so on- are used to identify a co-branding (Ahn & Sung, 2012). Co-branding “represents a long-term brand alliance strategy in which one product is branded and identified simultaneously by two brands” (Helmig, Huber, & Leeftang, 2008, p. 360). “The combining and retaining of two or more brands to create a single product or service.” (Leuthesser, Kohli, & Suri, 2003, p. 36). “Co-branding is the practice of using the established brand names of two different companies for the same physical product” (Cao, 2012).

Co-branding is a relatively new phenomenon in marketing (Guillet & Tasci, 2010). Norris’s (1992) study was considered the first to formulate the benefit of co-branding (Helmig et al, 2008; Sreejesh, 2012) and quantitative empirical research on co-branded products did not begin until 1995 (Helmig et al, 2008). Recently, co-branding is increasingly popular for gaining commercial success (Ahn & Sung, 2011; Sreejesh, 2012; Singh, Kalafatis, & Ledden, 2014) and gaining attention from managers and scientists as a form of brand management (Helmig et al, 2008) and has been applied across a range of study in business and management (Ashton & Scott, 2011). It posits important roles to build brand equity, to enter new markets, to help brands that are not well-known (Clow & Baack, 2010, p. 62-65), preference, and purchase intention (Kurniawan, Suryoko, & Listyorini, 2014s). “It is an instrument used by marketers on a wide spectrum, including creating initial awareness, familiarity, and customer loyalty” (Gullet & Tasci, 2010, p. 143).

It is noted that those roles depend on how the consumers perceive the quality, value, and meaning of the co-brand products so they are not entirely within the control of the marketer (Askegaard & Bengtsson, 2005; Clow & Baack, 2010; Finne & Gronroos, 2009). “How customer perceives co-branding would be a pre-requisite to assessing the relative attractiveness of co-branding so that the majority of research focus on the customer perceptions” (Leuthesser et al, 2003, p. 37). Co-branding strategy needs a careful execution because it also has potential risk, such as both brands will suffer if co-branding fails (Clow & Baack, 2010). Because of this, co-branding strategy needs semantic differential as a measurement to evaluate its impact on consumers.

This current research focuses on how consumers perceive Toyota Avanza and Daihatsu Xenia, as multi-purpose vehicles (MPV) that are marketed by two different brands since 2003 (Irawan, 2012; Kurniawan et al., 2014). Although they are top brands, Toyota has higher equity than Daihatsu (Irawan, 2012). Toyota is a parent brand and the owner of Daihatsu (Irawan, 2012). Both vehicles are produced by Toyota Motor Corporation (Gunawanti, 2013). The vehicles were amazing phenomenon because of the cheap price for an MPV. Before they were launched, the queued orders were up to thousands units (Irawan, 2012). The vehicles are identical in the car design, body, specification, and promotion, but, Avanza is more expensive (Gunawanti, 2013). Although they were successful in the top ten sales since they were launched, Avanza has a higher number of sales (Irawan, 2012; Gunawanti, 2013; Sirait, 2016). During 2004-2010, Avanza was ranked the best sold car followed by Xenia and both brands dominated 78% of the car market. Avanza still became the best sold car, but, Xenia was in 7<sup>th</sup> rank during 2014-2015 (Murdaningsih, 2016). Avanza kept the position in 2016, Xenia was in 4<sup>th</sup> rank. Up to January 2017, Avanza was still in the first position while Xenia dropped to 9<sup>th</sup> (Sirait, 2016).

This phenomenon underpins some literature that a co-branded product receives a more positive evaluation if it incorporates a well-known national product brand (Irawan, 2014; Vaidyanathan & Aggarwal, 2000), and

two high equities brand are paired will generate a more positive evaluation for each partnering brand instead of before (Ahn & Sung, 2012; Washburn, Till, & Priluck, 2000). The high quality product of the brand partner improves the positive evaluation of the co-branded product (Besharat & Langan, 2014; Helmig, 2008). Brands with equivalent equity levels shared the benefits of the co-branding equally, while lower equity brands benefited more from the alliance than higher equity partners in the business to business co-branding (Kalafatis et al, 2012). It is assumed that Toyota improved the quality perception of Daihatsu, therefore, both Avanza and Xenia went hand in hand in the early period. In the next periods, however, Avanza was able to survive in the first rank while Xenia downed.

The above description leads to question why there is a different level of sales between co-branding products. As delineated above, it is accepted that co-branding strategy is compatible for gaining profit through creating initial awareness, familiarity, customer loyalty, and, purchase. On the other hand, effective co-branding depends greatly on the consumer perceptions instead of entirely within the control of the marketer (Clow & Baack, 2010; Askegaard & Bengtsson, 2005). Hence, the following hypothesis is developed: Both co-brands have different meaning from the consumers and consumers would express more positive meaning toward Avanza rather than Xenia.

This current research contributes to develop the study of co-branding in Indonesia. Although co-branded products have been used for some time, there is surprisingly little quantitative empirical research on the subject (Helmig et al, 2008; Kalafatis et al, 2012).

### 3. Research Methodology

The research used semantic differential that involves three main dimensions: evaluation, activity, and potency. The instruments from Colwell et al. (2008) and Vigneron & Johnson (2004) were adopted to formulate the research questionnaire. Evaluation is how individuals evaluate co-branding products based on conspicuousness, uniqueness, and quality, while activity is individuals' meaning toward the products and it is represented as hedonism and extended self (Vigneron & Johnson, 2004) and satisfaction (Colwell et al., 2008). Potency is defined as individuals' meaning based on benefit convenience, decision convenience, and transaction convenience (Colwell et al., 2008).

A survey was conducted with a hundred respondents who were selected by using the convenience sampling. The respondents were the people who have information about the products. The comparison depicted the most favourite products and portrayed whether either brand was dominant or equal to the other in order to assess the brand strength or equity. The researchers achieved a percentage of the mean score towards the maximum score, the index value, which represents the product quality: low quality (<25%); medium (up to 50%); high/good (up to 75%); and very high/very good (>75%) (Kriyantono, 2015). The measurement scales were from Osgood's semantic differential scale with seven points of the scales that expressed verbally two different sets of bipolar adjective: good-bad; high-low; strong-weak. A scale was: good.....;.....;.....;.....;.....;.....;.....bad.

### 4. Results and discussion

As displayed in Table 1, generally, both Avanza and Xenia have a high level of quality although, Avanza has higher index value (66.96%) than Xenia (56.69%). The index of Xenia (56.69%) closes to the limit of the high index (50%). All the three dimensions of Avanza are in the high scores, while Xenia has one dimension (evaluation) is in the medium score. Avanza has higher scores than Xenia in all the three dimensions. For both products, the highest index is potency, followed by activity, and the lowest index is evaluation.

The researcher goes to depict the mean scores of each dimension. Since the dimension of evaluation, both products have the lowest assessment in a sub-dimension of uniqueness. For Xenia, the mean score of this sub-dimension goes to below the average (only 2.97 of 7.00), while Avanza is 3.83. Both brands have the same order for the dimension of activity: the highest mean scores are the hedonism and extended self, followed by

satisfaction. The research does not find the rank similarity among two products in the dimension of potency. Overall, the highest mean score of Avanza is for the product's ability to create identity as a family car; while Xenia gets the highest mean score for an affordable price for the consumer.

It can be said that the respondents express various meanings on both co-branding products, however, they construct that this co-branding products have the highest quality in potency. For this quality, the products have a mean score on more than 5.00. In general, respondents perceive that this co-branding products have ability to satisfy the consumer's need, cheap, therefore, the products are appropriate for the consumers. The benefit is supported by the high level of ability of the producers to communicate the products' characteristics. It is the essence of marketing communication, that is, "marketing communication should focus more on the receivers and the meaning created by the receiver in the communication process" (Finne & Gronroos, 2009, p. 181), by delivering messages that contain the consumers' needs about the products benefit and usefulness.

The research reveals that although both co-brands have different meaning from the consumers, consumers express more positive meaning –evaluation, activity, potency- toward Avanza rather than Xenia so that the research hypothesis is accepted. Respondents also perceive that Avanza has more ability to satisfy the consumers' need as a family car so that it is affirmed to be a proper car for the respondents. The higher sales of these co-brands are also determined by the cultural character of the consumers. The Indonesian is extended family culture so they prefer to choose the vehicle that has the ability to transport as many as passengers. This fact proves that all MPV brands in Indonesia have the highest sales (Susanto, 2014). The research also supported previous study that "successful co-branding relationships are a result of strong parent brands, 'fit' between parent brands, and that the alliance is perceived to be worthwhile" (Dickinson & Heath, 2008, p. 23). Toyota is a strong parent brand for Daihatsu so Xenia is perceived to be a good product.

Table 1. Mean scores of semantic differentials

Osgood's dimensions	Sub-dimensions	Items	Avanza		Xenia	
			Mean Scores	Max scores	Mean Score	Max Scores
Evaluation	Conspicuousness	Product's attractiveness	4.59	7.00	3.50	7.00
	Uniqueness	Product's uniqueness	3.83	7.00	2.97	7.00
		Product's exclusiveness	4.22	7.00	3.21	7.00
	Quality	Product's quality	4.50	7.00	3.73	7.00
Total			17.14	28.00	13.41	28.00
Index Value			61.21%	100%	47.89%	100%
Activity	Hedonism and extended self	Product's creativity	4.38	7.00	3.56	7.00
		Product's ability to create identity as a family car	5.41	7.00	4.85	7.00
	Satisfaction	Product's impression	4.70	7.00	3.82	7.00
		Product's ability to create lovingness	4.25	7.00	3.01	7.00
Total			18.74	28.00	15.24	28.00
Index Value			66.92%	100%	54.42%	100%
Potency	Benefit convenience	Product's ability to satisfy the consumer's need	4.93	7.00	4.59	7.00
		Product is appropriate for the consumers	5.29	7.00	4.75	7.00

	Decision Convenience	The product gives information about the its benefits and usefulness	5.18	7.00	4.57	7.00
	Transaction Convenience	Affordable price for the consumer	4.97	7.00	5.06	7.00
Total			20.37	28.00	18.97	28.00
Index Value			72.75%	100%	67.75%	100%
Total mean scores			56.25	84	47.62	84
Total index values			66.96%	100%	56.69%	100%

The research also establishes that Xenia has successfully entered the best ten markets because consumer evaluation of co-branded products is dependent upon parent brand attitudes (Dickinson & Heath, 2008; d'Astous & Colbert, 2007), in which Toyota that has higher product quality improves the positive evaluation of Xenia, as the weaker brand (Besharat & Langan, 2014; Norris, 1991, cited in Helmiq, 2008). The research support Kalafatis et al's (2012) study that the companies should consider the brand equity position of potential co-branding partners relative to their own position. If two firms share equal equity positions, they can expect to enjoy equivalent benefits from a co-branding strategy, regardless of how strong the joint equity position is. Adopting Ahn & Sung (2012), it can be said that the respondents perceive greater fit in functional association terms in which the respondents perceive the attributes and the problem-solving capacity of each product brand is similar or related.

## 6. Conclusion

The research is able to establish the hypothesis that although co-brands have identical products, they have different meaning from the consumers, and the consumers express more positive meaning toward Avanza rather than Xenia. The findings confirm several studies regarding co-branding that the effective co-branding strategy is determined by some factors, such as the consumers' perceptions toward the product itself, the parent brand, and the companies or brands equity position. It is also influenced by the ability of the companies to meet the products with the consumers' needs.

Although the research is able to enrich the study of co-branding in Indonesia, the findings are contingent on a number of limitations that restrict generalizability and represent opportunities for further research. The study investigates co-branding between two brands from the high equity companies, so it is important to extend the research to the established product brands. Future research should also help delineate the generalizability of the present findings and further define the impact of various respondents, not only for the potential consumers but also the current consumers.

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