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Customer Satisfaction of the Co-branded Food Products on Croatian Market

Berislav Andric, Anton Devcic, and Mario Hak

Abstract—This scientific paper describes the marketing impact of co-branding and customer satisfaction on the food market due to its rapid changing and internal and external marketing environment. New ways of branding strategies and new model of consumer behavior give rise to new or existing branded food products on the market. Term co-branding is most commonly found in food market as these type of business often face economic problems operating in certain times or seasons hence they need the assistance of other services to make their operating costs relevant. 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. In order to examine this scientific problem the following methods were used: analysis, synthesis, induction, deduction and primary survey research on case study in Croatia. Results showed that co-branded food products improved marketing perception of quality and satisfaction of consumers on the Croatian market.

Index Terms—Food, product, satisfaction, market.

I. INTRODUCTION

Contemporary food market conditions include the use of innovative forms of communication and branding. 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. Co-branding is an increasingly popular technique marketers use in attempting to transfer the positive associations of the partner (constituent) brands to a newly formed co-brand (composite brand). [1].

In this sense, as follows, the objective of this paper is to elaborate main elements and forms of co-branding with their advantages and disadvantages on food market. In the section to follow elaborated are the possibilities of choosing the partners and founding the association while the final section gives the example of the theoretic analysis. In the beginning of the theoretic analysis, it explains the goals, methods and samples of the examination, and in chapters that follow presented are the results of the scientific research.

II. SELECTING THE APPROPRIATE PARTNERS AND FOOD CO-BRANDING FORMATION PROCESS

The purpose of co-branding on food market is the selection appropriate partners and that represents the first step towards development of activity. By careful selection, co-branding negative aspects and risks can be minimized. Compatibility between food brands is extremely important and that must be the starting point in the elimination process among potential candidates. Partner selection is made accordingly to predetermined criteria, depending on the specific aim that should be accomplished and by the strategy that is to be applied. Just as every individual has his own strengths and weaknesses, so the brands have.

When choosing a partner, one should be extremely cautious in this respect, and weight advantages and disadvantages of characteristics transferring between partners. In addition to these characteristics, i.e. the brand image, one should consider the expertise of the partner's company and possibility to gain knowledge from that partner. If it is a co-branding that includes joint formation of the new product, technical possibilities of both sides including technological strengths and weaknesses should be taken into consideration. Only after the election of the partner and its showed interest for participation in the association, association formation may start. Forming association is a process that takes in practice a few months up to a year or longer.

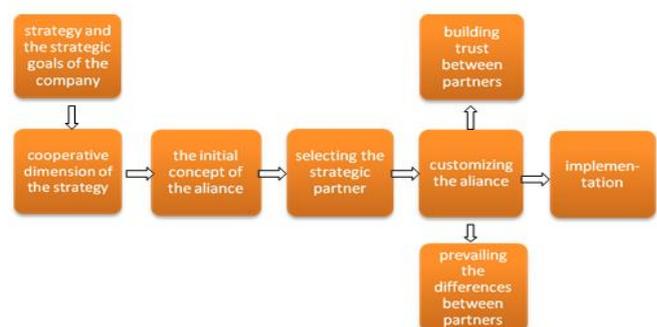


Fig. 1. The process of co – branding formation on food market [2].

During this process, the partners are getting to know each other and clarify the motives of association, according to Fig. 1. The success of the process of forming a co-branding depends on the following factors:

- customers' attitudes about the involved brands, their image and market reputation (considered individually)
- the degree of the complementarity during production process of the companies brands that will participate in aliased branding

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- the degree of the brand complementarity of the companies that participate in the strategy realization, in terms of values transmitted by their brands, branding strategy used, their image and positioning methods
- customers' attitudes about the partnership, which may in turn affect consumers opinion about the brands that participate in it.

III. CLASSIFICATION OF CO-BRANDING FORMS ON FOOD MARKET

Joint promotional activities are usually most intensive short-term collaboration whereby goal is to besides reaching the lower costs, to remind the clients on existence of the brands and encourage them to purchase and use the brand as well as to build and maintain the wanted image of the partner's brand. Joint promotional activities are commonly organized between strong and (at least according to the image) complementary brands. The joint promotional activities are all activities from complete promotional scope of activities (advertising, sale promotion, publicity, public relations, personal sale, promotional activities at the sale venue and direct marketing). In the promotional activities brands have to be complementary, however even more important is the complementarity of the image and wanted perception. [3]

Co-branding product is a form of co-branding whereby the products of two or more brands are united into one product. New offer can include the products already existing in the market, however from the moment of joining the partnership, this product is advertised in a manner to emphasize that such a product includes the parts of a certain brand.

Such a product, that could also previously be bought, becomes upgraded by additional material, components or parts that indicate the brand. It is possible to create the new product also by creating completely the new market offer or inventing the new product or services that did not exist before.

By marking the parts or components with the brand is special case of joint activity of the brands. Such activity implies creation of market value of the brands for the material, components or parts that are necessarily parts of other products that are marked by the brand. Many manufacturers of the components or material lose their identity after their component is incorporated in the final product. In order to avoid this and in order to successfully mark the component it is necessary to fulfil few conditions: Consumers have to be assured that the component is extremely important for functioning and success of the final product and they have to be assured that exactly this component is above the other components of the same kind. The product has to indicate the brand of the included component that would serve as confirmation of quality and reliability.

Creation of a brand new product represents the most comprehensive form of co-branding activities. In this form of co-branding, partners mutually make series of decisions related to the product development and promotion. During development of the product, it is necessary to determine benefits that product will offer. These benefits include tangible product characteristics, such as quality, features, style and design. Decisions on these characteristics are of an

extreme importance since they significantly affect consumers' response to the product.

In co-branding, together with companies participation, organizations and various associations can participate. In these associations, one brand supports partners in their activities. Such model of co-branding is sponsorship. Sponsorship as a form of co-branding does not refer to a simple, one-time financial transaction but rather on the strategic partnership as a source of benefits for both sides. Organizations and associations as well as the commercial brands, have certain characteristics that through co-branding can be transferred to a partner and vice versa.

IV. COBRANDING IN CROATIAN MARKET CONTEXT-PODRAVKA EXAMPLE

Croatian's leading food industry, Podravka, has had several partnerships and can serve as an example to others. Although co – branding is mentioned more often lately, it existed much earlier and it is interesting that actually Podravka, in former Yugoslavia, participated in co – branding activities. Yugoslavian market had a reputation of being a closed market so international companies often used domestic companies as a way of entering the market. Podravka was an interesting example because its popularity throughout the region and for knowing local cultures and ways of business. World's leading food industry Nestle cooperated with Podravka in the program of Maggi soups. Podravka produced Maggi soups, promoted and distributed them. At the same time, Podravka appeared in the market with its own soups and therefore became and still is the biggest soup producer in this area. This cooperation brought mutual benefits. The cooperation itself was a result of the cooperation of Knorr soups and Slovenian company Kolinska. Knorr, besides Maggi, is the world's leading soup brand, while Kolinska was Podravka's opponent. It is interesting that during the Podravka – Nestle cooperation, Podravka soups were still selling better than Maggi soups. The benefits Nestle had out of that cooperation have been previously mentioned and they include branched distributive network, qualitative logistics and knowing the consumers and market conditions. On the other hand, Podravka advanced its own production and assortment by using knowledge acquired from her partner. Besides education in the field of technology, experts from Podravka were educated in other business areas. This cooperation ended with Yugoslavia falling apart. However, in the year 2003 new cooperation between Nestle and Podravka began and lasted until mid 2006. It comprised of distribution and selling certain Nestle products. [4]

One very interesting Podravka co – branding activity is the one accomplished with Ledo in the year 2008 in the category of ice - creams. 'Development teams of Podravka and Ledo working together reached superior ice – cream flavor. With this cooperation Podravka gave Ledo the right of using Čokolino stamp in the category of ice – creams, and Ledo managed the production and distribution in the south – eastern European markets.' Merging of Ledo and Čokolino brand is understandable because Čokolino, in children's department, represents one of the strongest brands in the region, while Ledo is the strongest domestic ice - cream manufacturer. With

Čokolino ice – cream Podravka completed a string of activities and plans to make Čokolino the most recognizable brand on the world's market, while Ledo expanded his ice – cream selection and ensured the presence of this product in every freezer. The development of this co - branding activity took 6 months. This cooperation represents an example how, by cooperation, brands of Croatian companies and their competences in production and distribution can ensure strengthening and growth.

Just like Nestle entered Croatian market by cooperating with Podravka, Podravka entered Poland market by cooperating with Polish company Reiber Food Polska in the year 2005. Companies merged in the segment of production and distribution on Polish market. Working together saved expenses of sales and distribution and Podravka expanded its assortment to Polish market, advancing the Polish partner.

Co – branding by sponsorship Podravka achieved with Istraturist company. It is a matter of international ATP Croatia Open tournament with multi – annual tradition. In the year 2006 Podravka became a leading sponsor of the tournament and since then and until 2011 the tournament was called ATP Studena Croatia Open Umag. Podravka still remained a leading sponsor of the tournament but it replaced its Studena brand with Vegeta brand. So, in the year 2012 the tournament was called ATP Vegeta Croatia Open. The cooperation began with a small, commercial sponsorship and eventually turned into a successful partnership. There are few reasons why Podravka entered this co – branding relationship. ATP Croatia Open Umag tournament is the oldest tennis tournament in Croatia and the region and therefore a synonym for economical and social events. Only last year, the tournament attracted more than 80.000 viewers, including famous people from politics, economy and show business. Besides supreme tennis, the tournament offers numerous touristic, gastronomic and entertainment events so that it is actually a synergy of tourism, economy and local community. With the help of the tournament, each year an extremely positive picture of Croatia is sent into the world. Podravka is a part of this picture and not only with its financial support. Podravka is involved in the tournament with its products and programs and therefore it presents Croatian's biggest food industry to the world. Switching the positive image from one partner to another is an equally important reason for entering and maintaining multi – annual co – branding activity. Co – branding activity between Podravka and ATP Croatia Open Umag represents a synergy between touristic sector and Croatian food industry. Through the prestige of the tournament, Podravka is constructing an image with its brands presenting them as brands with quality background and by that is creating a strong, positive and unique association and gaining an international reputation on the global market.

Podravka has included its brand Lino into sports competitions through project Lino višebojac. Lino višebojac, which was by the end of season 2010 / 2011 named Čokolino višebojac, is a unique sports competition in the organization of Sportske Novosti and Podravka. It is implemented in primary schools throughout all of the Croatia with the desire of achieving sports habits. Winners of each competition, one female student and one male student, go to state championship which is held in Umag. Final winners chose

their prize in the shape of any sports competition in the world. Lino višebojac is a praiseworthy co – branding product filled with real sports values and children's laughter. We carry the pretty moments of our childhood forever so children's hearts and the hearts of their parents will carry positive associations with Lino brand, that is, with Podravka. From the stated above we may conclude that the transfer of positive values from Lino višebojac contests to Lino brand encouraged Podravka and Sportske Novosti for mutual investment in the project. (Podravka, 2012)

Mutual cooperation of Podravka and Austrian company Kelly's has resulted in co – branding project between Vegeta and Kelly's chips. It is all about a tasty snack with natural aroma and a special touch of Vegeta's originality. The meaning and the purpose of the project involving Kelly's chips with the taste of Vegeta, with the synergy effect of the two leaders and Vegeta and Kelly's chips universal meal supplement, lies in expansion of Vegeta into segments where it has not been present so far as well as communicating Vegeta as an universal flavor. Last business cooperation contract Podravka signed on 21.11.2012. with a fast growing tourist company Uniline. Partners made an agreement that, through mutual actions by marketing and sales activities, they will accomplish results on some of the key markets of the world.

V. RESEARCH OF CONSUMER SATISFACTION OF CO-BRANDING PRODUCTS: CASE STUDY OF CROATIAN FOOD MARKET

A. Methodology

The aim of this study was to determine how much consumers have a knowledge of the term co-branding, how they perceive the quality of co-branding products, are open towards purchasing these products and what are the consequences emerging after purchasing co-branding products. Quality of co-branding products is main variable of this paper.

These research objectives were selected for several reasons. Product quality is closely related to customer satisfaction. High level of consumer level satisfaction determines the success of co-branding. Purchasing a product is a reason for which there is a co-branding activity. After purchasing, the consumer will be satisfied or dissatisfied with the purchased and accordingly will gain their opinions of brands in the alliance. This research is to explore how the experience of purchasing co-branded products will affect further perception of brands when they are independently presented in the market. Fundamental purpose of this research was to investigate is it worth to invest into co-branding in domestic market and whether consumers appreciate co-branding products and activities.

B. Survey Sample

The survey method used was a questionnaire. Questionnaires are the most common and formally accepted methods for collecting informations in social examinations. Namely, the questionnaire is collecting informations about opinions on the representative samples in the written form, with the help of a question form [5]

It is composed of questions from which 5 are of demographic character. Durations of a questionnaire is from 3 to 5 minutes, it is completely anonymous and it was used exclusively for this research paper. A questionnaire was used to collect informations that were used for further statistic analysis in order to get valuable conclusions for this scientific research.

C. Results and Discussion

1) Question 1. Estimate the success of co-branding marketing campaign on the Croatian market

The examinees should have estimated the success of marketing co-branding campaign in the Croatian market by selecting values from 1 to 7. 1 represented a failed campaign and 7 a great campaign. Answers to this question were analyzed by calculating the mean value for each individual campaign. The data in Table I show that the most successful campaign by score was the one where the largest domestic manufacturer of the ice cream Ledo made with the Milka brand. The marketing campaign should raise awareness of the product on the market. Despite a marketing campaign, it is possible that the sales show undesired results.

TABLE I: THE EFFICIENCY OF CO-BRANDING CAMPAIGNS ON FOOD MARKET (AVERAGE VALUES)

Ledo – Mars	4,37
Ledo – Čokolino	4,35
Ledo – Milka	5,10
Ledo – Juicy	4,08
Ledo – Ice Tea	4,23

2) Question 2. In your opinion, which of the proposed co-branding activities was the most successful?

Arguably, the examinees again picked as the best cooperation the one between Ledo and Milka with 49%. That activity is followed with Ledo - Mars and Ledo - Čokolino with 16% both, Ledo - Juicy with 13% and Ledo - IceTea with 6%. Results like this infer that collaboration of Ledo and producers of chocolate accomplished better scores comparing to collaboration to the manufacturer of water and soft drinks - Jamnica with its brands Juicy and IceTea. It is obvious that the compatibility between the brands affects the judgment of co-branding, so the combination between products such as ice cream and chocolate were more appealing then the combination of ice cream and juice, according to Fig. 2.

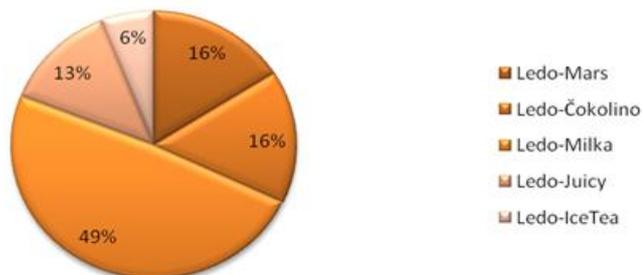


Fig. 2. Selecting the most successful co - branding activities.

It is also not negligible the fact that within the offered, Milka is the only world famous brand with extremely strong marketing campaign. That was the way in which Milka was differentiated within the offered answers.

3) Question 3. Your gender?

Survey was completed by 47 men and 39 women. Of the 86 respondents, men make 55% of the surveyed sample, and women 45%. Gender representation of examinees is approximately equal, which has certainly contributed to a better interpretation of demographic indicators.

4) Question 4. To what age group you belong?

In the questionnaire, the exact age of each examinee was not precisely defined, rather the age groups were offered where examinees picked the one they belong to. The analysis of the survey results showed that a majority of respondents, namely 30% of them belong to the age group of 25-34 years. The next was the group of 22% of that falls into group of 35-44 years. An equal number of examinees have age group of 45-54 years. In other age groups, there is certain amount of examinees, where the group over 65 has the least of examinees.

5) Question 5: Marital status?

65% of respondents have a spouse, while 35% are not married.

6) Question 6: What is your monthly income?

In the questionnaire, there were few offered answers in order to simplify average monthly income of the examinees. From research, it can be seen that most of the respondents have income from Croatian Kuna-HRK 3,000.00 – HRK 5,000.00, a high percentage of 43%. 21% of examinees have income from HRK 5,000.00 – HRK 8,000.00, while more than HRK 8,000.00 income has 10% of respondents. Thus, the income of HRK 5,000.00 kn has 69% of examinees, and income above HRK 5,000.00 has 31%.

7) Question 7: Your level of education?

From research we can clearly see that most of the examinees have completed secondary school, at least 66%. Next represented are higher schools, which has 19% of examinees. High education had only 12% of examinees. The least of examinees have completed only primary school education, and the percentage is only 3%.

VI. CONCLUSION

With the increase in global business, the use of corporate branding is becoming an important hurdle that multinationals have to address. For instance, the increase in global corporate mergers and other global alliances and the desire of companies to keep their names have resulted in complex and clumsy names This phenomenon creates some challenges for consumers in remembering companies' names. This also creates confusion about companies' identities and erodes brand equity. [6] The idea is to use more co-branding strategy in practice.

It appears that co-branding is a win/win strategy for both co-branding partners regardless of whether the original brands are perceived by consumers as having high or low brand equity. Although low equity brands may benefit most from co-branding, high equity brands are not denigrated even when paired with a low equity partner. Further, positive product trial seems to enhance consumers' evaluations of co-branded products, particularly those with a low equity

constituent brand. Co-branding strategies may be effective in exploiting a product performance advantage or in introducing a new product with an unfamiliar brand name.

Based on data collected by the survey, findings were obtained on the quality perception and consumer attitudes towards co-branding products. The survey concluded that the examinees have positive attitudes towards co-branding food products, consider them better than food products with only one brand, and consequently are ready to pay more for them. These results represent a solid foundation for the further development of co-branding activities in the domestic market. Proposal of future brand process is on next Fig. 3 and Fig. 4.

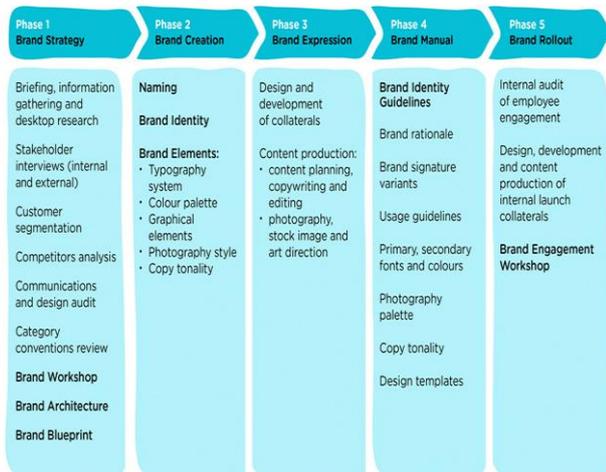


Fig. 3. Food branding process proposal.

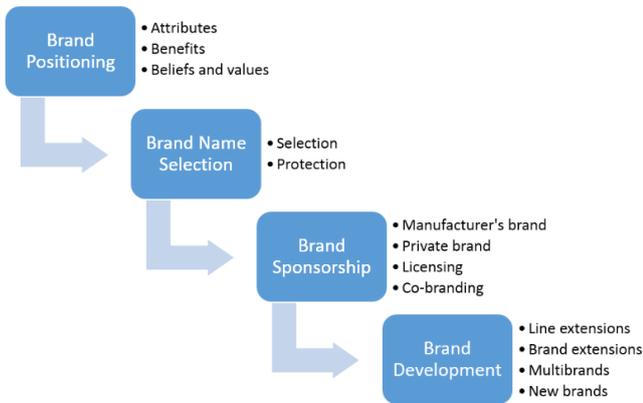


Fig. 4. Food branding decisions.

The consumer's purchasing decision is strongly influenced by perceived risk on the food market in Croatia. The level of risk correlates with the amount of money needed for the purchase. To reduce the risk, a consumer engages in activities such as gathering additional information about the product. If one buys a branded product, information is more readily

available, especially in a situation where there are two brands behind the product. Brand of the product guarantees consistent quality to the consumers. As primary research has shown, to a consumer a co-branding product means higher quality. Quality has its price, and consequently consumers are willing to pay more for this quality.

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