

THE KEYS TO THE CO-BRANDING AGREEMENT AS A MARKETING STRATEGY

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What is co-branding?

A co-branding or brand alliance agreement is a marketing agreement whereby two or more companies, usually non-competitors, decide to join forces to support each other and gain market strength by boosting the profitability and value of their brands.

Co-branding is not a statutory contract (“contrato típico”). Its origin is not clear, but many believe that it was born in the 50's¹, when the well-known Renault car brand and Van Cleef and Arpels Jewellery Shop joined forces to launch a new car model that incorporated a steering wheel covered in jewellery.

Based on this successful alliance, collaboration between brands is a regular feature in the market, whether for a specific sales promotion or to mark out a long-term commercial strategy.

What are the benefits of co-branding?

On a contractual level, co-branding could be assimilated to a trademark cross-licensing agreement. The commercial objectives of this type of collaboration can be multiple, but the common denominator of all of them is to obtain mutual benefit. In other words, it is a matter of achieving a win-win scenario for all parties.

Working and advertising with the support of a co-branding agreement can be a brilliant marketing strategy. Partner companies join forces to gain access to a new audience or new markets through the use and exploitation of their respective brands.

As we will see, co-branding is a very recurrent option for large consumer brands, but it can also be especially useful for SMEs or start-ups that need support to make their products known to the public. It should be noted, in this respect, that the co-branding agreement does not usually include any monetary compensation between the parties, since they are compensated by the exchange of brand licenses.

¹ De las Casas, J, (9 January 2020). "Cobranding, a formula for promoting a brand". Expansion: *"In 1956 Renault and the jeweller Jacques Arpels reached an agreement to convert the dashboard of one of their Dauphine models into a work of art, decorated with pieces by the jeweller Van Cleef & Arpels. Until then, it had never occurred to anyone that two companies from different sectors could collaborate on the same project and both would benefit. The launch served to promote the image of the companies and was the seed of what in the future would be known as cobranding"*.

What types of co-branding exist?

The types of co-branding can be classified according to the commercial objectives of the contracting companies, as well as by the type of products they market. We highlight the following:

- a) **Co-branding of complementary concurrence:** This type is the most widely used in the new technology sector. It aims to ensure that, through the alliance of the brands, the latter can expand their market by accessing each other's publics. Its objective is to give added value to a certain product thanks to the alliance of brands. This is what happened at the end of 2019 with Adidas and Prada, when they joined forces to launch a new version of two iconic items: the Superstar sportswear and the Bowling Bag.
- b) **Promotional or value co-branding:** It aims at promoting the collaborating brands among themselves. In this way, they highlight the values of both brands, creating a sphere of loyalty and trust towards the consumers. For example, in 2014 Uber and Spotify launched the "MUSIC FOR RIDE" project, a service which allows users to link their Spotify playlists to the Uber platform so that they can personalise the music they want to listen to on their journeys.
- c) **Knowledge co-branding:** In this case, the objective of the partner brands is to make each other known in new geographical markets or to a certain sector of consumers. This was the case with the alliance between Kellogs and Bon Yurt, a popular yogurt brand in Colombia, but little known in other countries. With this alliance, Bon Yurt managed to make itself known in many Latin American countries.
- d) **Co-branding of ingredients:** This is the type of co-branding that food product brands usually use. By joining forces, they launch a new product that combines both products and provides good results for both companies. A well-known example is McDonalds' alliance with brands such as Oreo or Kit-Kat to launch McFlurry ice cream.

Some keys to co-branding

When negotiating and drafting a co-branding agreement, there are some key aspects that must be taken into account if the alliance is to be as successful and secure as possible. Here are some of them:

- 1) **Find the right partner.** Co-branding can affect the very identity of the brand, so allying with a partner that is well positioned in the market and shares similar values to ours is key to the success of the collaboration.
- 2) **Define the objective precisely.** It is important to clearly define the strategy to be followed by the partnership, as well as for what purpose and under what conditions the respective brands can be used and advertised. Brand alliances can have different objectives, so it is essential to establish a common goal. For example, if we are looking for accelerated brand growth, if we want to open up new markets, increase brand

positioning, etc. We must think not only about short-term objectives, but also establish a strategy with a long-term vision and assess the possible responses that consumers may have. Similarly, we must foresee how the appropriate quality controls are going to be carried out.

- 3) **Keep in mind that it is a win-win contract.** We must not forget what the nature of the co-branding agreement is: the mutual use and promotion. For this reason, the contract must establish clear and equal rights and obligations for the employees, with the aim of achieving a win-win relationship.
- 4) **Include a confidentiality clause.** Protecting the confidentiality of the information to be shared between the collaborating parties is a particularly important point.
- 5) **Specify the duration and causes of the termination of the contract and its effects.** Obviously, as with any contract, the collaboration will normally have a fixed duration. It is important to negotiate the exceptional causes of the extinction of the contractual relationship, as well as the effects that these may have. For example, because one of the parties fails to comply with its contractual obligations, because we discover that the collaboration is harming our brand, or because we are not obtaining the expected results.
- 6) **Ensure the proper use of the other party's own brand, and control mechanisms.** For example, the parties are obliged to comply with certain quality standards, maintaining the quality of the products manufactured or services provided, carrying out the corresponding quality controls, with the aim of providing the customer with products of the appropriate quality.

Recent and successful examples of co-branding

The figure of co-branding is very often used in our markets. In many cases, the big brands decide to ally themselves with each other to launch new campaigns or products and cover new targets. These are some of the most mediatic collaborations:

Milka and Oreo

These two companies decided to join forces in 2011 to launch one of the most popular products in the world of chocolate. The union of Milka chocolate with the Oreo biscuit has been a success. So much so that, to date, sales continue to grow².



² "Definition and examples of Co-branding of major brands". (18 June 2019). Esfera Creativa.

Philips and Marcilla

The Philips household appliance brand partnered with the Marcilla coffee brand to launch the successful Senseo coffee machine in 2009, which recommended Marcilla coffee capsules for optimal performance³.



H&M and Versace

In 2011, the low-cost clothing brand H&M sealed a partnership agreement with the Italian haute couture firm Versace. Through this agreement, H&M launched a collection together with Versace that offered designer clothing at an affordable price. In this way, both companies made themselves known to new groups of consumers. In view of the success of this campaign, H&M has continued to cooperate with major brands such as Moschino and Balmain in other seasons⁴.



Apple Watch and Hermès

From 2015 until today, both brands are collaborating on each of the new launches of Apple's smart watch. In this way, as they are brands that cover different consumer groups, they have

³ Batista, H. (11 March 2009). "Philips and Marcila join forces to stand up to Nespresso". Expansión.

⁴ De la Torriente, E. (21 June 2011). "Versace and H&M sign a partnership agreement". El País.

managed to make themselves known to their partner's target, adding value to Apple's product, thanks to the incorporation of the design of the French haute couture firm Hermès⁵.



Serena Williams, Off-White and Nike

One of the most curious collaborations, as it is an alliance of three brands. In 2018 and 2019, Off-White's Creative Director, Virgil Abloh, designed with Nike, an outfit for Serena Williams to compete in that year's Roland Garros⁶.



Smeg and Dolce & Gabanna

Both Italian luxury brands decided to collaborate in 2017 to launch the "Sicily is my love" line of home appliances that combined the styles of each of the brands, creating a complementary competitive alliance to make each brand known to the public of the other⁷.

⁵ "Apple and Hermès present the Apple Watch Hermès collection". (9 September 2015). Apple press release.

⁶ "Serena Williams makes an impact with the new uniform she has designed with Nike and Virgil Abloh". (28 May 2019). La Vanguardia.

⁷ Ortiz, M. (19 April 2017). "Dolce & Gabanna and Smeg fill your kitchen with art". ABC.



In conclusion, the co-branding agreement is a very beneficial marketing strategy for all parties. It is a win-win contract that aims at the successful launch of a new product or campaign, resulting from the combination of two or more brands. To obtain the best possible performance from this partnership, it is necessary to cover some key aspects in the drafting of the contract, such as finding a suitable partner, clearly defining the objective, granting a reciprocal power of quality control or including a confidentiality agreement.

[This information is not intended to constitute legal advice and is only for information purposes].