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„Luxury co-branding: the effect of top dog and  
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## **English Abstract**

Co-branding is used across a wide range of brands, from fast-moving consumer goods (FMCG) to electronics and even luxury collaborations. However, the outcomes of these collaborations are mixed, with some showing positive results while others have experienced challenges or setbacks.

This thesis explores the concept of luxury brand co-branding with an underdog brand and its impact on brand attitude and purchase intention. In two separate studies this concept was further investigated. The first study explores the impact of co-branding between a luxury brand and an underdog brand versus a top dog brand. We hypothesize that individuals' brand attitude and purchase intention would be positively influenced when presented with an underdog brand story based on the "underdog effect". However, our findings did not support our hypothesis. No significant difference upon the collaboration with either a top dog or an underdog brand could be found. In the second study, we investigate whether, product sector proximity, same product sector versus a different product sector, may influence brand perceptions and purchase intention. We hypothesize that the familiarity of the sector of the luxury brand and the underdog brand would positively affect brand attitude and purchase intention. Our results contradicted the proposed effect and showed no significant differentiation between matching vs. non-matching product sector. Regardless of the co-branding type or agent, the underdog effect may not be as strong as initially believed in the luxury segment.

This paper contributes to theoretical research in the fields of underdogs, top dogs, luxury brands, and various co-branding initiatives. The implications, limitations, and potential for future studies are discussed at the end of this research.

**Keywords:** Luxury Marketing, Co-branding, Underdog, Top dog, Collaboration, Product Sector Dynamics



## **German Abstract**

Co-branding wird von einer Vielzahl von Marken genutzt, von Fast-Moving Consumer Goods (FMCG) über Elektronik bis hin zu Luxuskollaborationen. Der Erfolg dieser Kooperationen variiert jedoch, einige konnten positive Ergebnisse erzielen während andere auf Herausforderungen oder Rückschläge stießen.

Diese Arbeit untersucht das Konzept des Co-Brandings zwischen einer Luxusmarke und einer Underdog Marke sowie dessen Auswirkung auf die Markeneinstellung und die Kaufabsicht. Zwei separate Studien wurden durchgeführt, um dieses Konzept genauer zu untersuchen. Die erste Studie untersucht die Auswirkungen des Co-Brandings zwischen einer Luxusmarke und einer Underdog Marke im Vergleich zu einer Top Dog Marke. Wir stellen die Hypothese auf, dass die Underdog Markengeschichte die Markenwahrnehmung und Kaufabsichten aufgrund des „Underdog-Effektes“ positiv beeinflusst. Unsere Ergebnisse unterstützen jedoch diese Annahme nicht. Es konnte kein signifikanter Unterschied zwischen dem Co-branding mit einer Top Dog Marke oder einer Underdog Marke festgestellt werden. In der zweiten Studie untersuchen wir, ob die Nähe des Produktsektors, derselbe Produktsektor im Vergleich zu einem anderen Produktsektor, die Markenwahrnehmungen und Kaufabsichten beeinflussen. Wir nehmen an, dass die Nähe des Sektors der Luxusmarke und der Underdog Marke sich positiv auf die Markenwahrnehmung und Kaufabsichten auswirken. Unsere Ergebnisse der zweiten Studie widersprechen jedoch dieser Hypothese und zeigen keinen signifikanten Unterschied zwischen gleichen vs. unterschiedlichen Produktsektor. Unabhängig von der Art des Co-Brandings oder des Partners ist der Underdog-Effekt im Luxussegment möglicherweise nicht so stark, wie ursprünglich angenommen.

Diese Arbeit trägt zur theoretischen Forschung in den Bereichen Underdogs, Top Dogs, Luxusmarken und Co-Branding Initiativen bei. Die Implikationen, Einschränkungen und das Potential für zukünftige Studien werden am Ende dieser Arbeit diskutiert.

**Schlüsselwörter:** Luxusmarketing, Co-Branding, Underdog, Top Dog, Zusammenarbeit, Produktsektor-Dynamik



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## 1. Introduction

Many traditional luxury brands have expanded into sectors beyond their core business or even extended to non-traditional lifestyle segments in order to pursue new business opportunities. Multiple luxury brands have used forms of co-branding to grow more rapidly without being limited to their "organic internal growth" (Albrecht et al., 2013). For instance, Versace has had some success with the collaboration with H&M, generating excitement for both brands, leading to long queues and website disruptions. Collaborating with another brand offers some opportunities for the luxury brand. By partnering up, luxury brands can expand their operations while reducing costs, minimising risks, and increasing brand awareness among a new consumer segment (Quamina et al., 2023).

Co-branding refers to a collaboration between at least two distinct brands, where the brand characteristics are distinguishable (Blackett & Russell, 2000). The outcomes of co-branding can be materially (shared products) or symbolically (advertising campaigns) (Simonin & Ruth, 1998). The ultimate objective is to create something together that has a higher value in the eyes of the consumers than something that is solely associated with one of the collaborating brands (Pinello et al., 2022). These partnerships aim to leverage the positive associations that can spill-over from the collaborating brands, enhancing both their brand image and awareness (Mrad, 2018).

While there is a substantial amount of research that provides a basic understanding of the motivations behind the preferences for brand stories (underdog or top dog) and of co-branding between a luxury brand and a retailer, research is still limited when it comes to co-branding underdog brands with luxury brands.

Indeed, the story of an underdog brand is known to evoke consumer sympathy, thereby positively influencing consumer response to the brand (Li & Zhao, 2021). While other scholars think that people traditionally distance themselves from losers and prefer to be associated with winners (Jun et al., 2015). There is sufficient theoretical and practical evidence that most individuals associate and align with those in less advantaged positions, a phenomenon known as "the underdog effect" (Li & Zhao, 2018). Nowadays, brand websites and retail stores are full of stories about

humble beginnings and brave struggles against superior opponents, presenting underdog narratives to consumers (Paharia et al., 2011). Co-branding with an underdog brand could help differentiate the luxury brand from others, thereby reaching new consumer segments (Quamina et al., 2023) and yielding positive spill-over effects (Mrad, 2018). The luxury industry holds significant economic value as it has experienced rapid growth in recent decades (Bain & Company, 2022) and is predicted to continue growing (Statista, n.d.).

In this study, we investigate whether and to what extent a co-branding initiative with an underdog or top dog brand influences consumers' purchase intention and attitudes towards the luxury brand. Our findings reveal that regardless of the partner brand involved, purchase intention and attitudes remained consistent. We also study whether the success of a co-branding initiative between a luxury brand and an underdog brand is affected by the sector of the underdog, matching vs. non-matching. The results show that the differentiation in product sector is not detrimental for the co-brandings success in terms of consumer attitude and purchase intent towards the luxury brand.

This paper contributes to luxury brand marketing literature by challenging the existing co-branding theory. It reveals that the brand fit between partners might not be the key factor in determining the success of co-branding. The existing literature is also expanded by emphasizing that the luxury brand itself plays a main role in driving luxury brand consumption, making it a crucial element in the success of co-branding initiatives.

## **2. Literature review**

### **2.1. Luxury brands (Katja)**

The luxury industry has been fast evolving and developing in the recent decades. Overall, the value of all luxury goods sold amounted to 353 billion U.S. dollars in 2022 (Bain & Company, 2022). Louis Vuitton, the most valuable luxury brand in 2022 demonstrated an estimated brand value of 44.5 billion U.S. dollars, followed by Chanel (29.3 billion U.S. dollars) and Hermès (27.4 billion U.S. dollars) (Interbrand, 2022). Emerging markets brought additional consumer segments, whereas globalization and digital connectivity increased demand. Thus, the industry of luxury is of fundamental

economic value and has been evolving constantly. Therefore, it is of interest to establish an understanding of how luxury marketing strategies can further be developed and expand to match the pace of the industry.

### **2.1.1. Definition of a luxury brand**

Generally, luxury brands are selling goods of excellent quality, at a high price point, which are scarcely available and unique (Hansen & Wänke, 2011). They are artfully constructed symbols evoking dreams, images, signs and motives (Berthon et al., 2009). Thus, a luxury brand is not a mere set of physical attributes but rather a concept involving immaterial values. Simplifying, luxury brands sell dreams (Kapferer, 2015). The sole offer of luxurious goods does not establish a brand as luxury, but the attached access to the world they represent and dream they embody (Chandon et al., 2016). At the core of each luxury brand lies a unique proposition, which differentiates their offering from the competition (Kapferer & Bastien, 2009). The creative intention and passion of the founder, the expression of a certain design style and the character of a brand can be such traits of uniqueness. The abovementioned attributes forge deep connections with consumer segments (Veloutsou et al., 2021).

Wiedmann et al. (2009) argue that luxury value of brands derives from various potential benefits: usability, uniqueness, quality, self-identity, materialism, hedonism, and prestige. Usability value is based on the core benefits of a luxury product, such as a bag being able to hold possessions. Uniqueness is rooted in exclusivity and rareness, whereas quality illustrate the superior expected performance of luxury products. The symbolic significance of consumption for the identity of a luxury consumer is encompassed in the self-identity value. Materialism is the desire to possess goods for the sake of ownership. The emotional component of luxury purchase intent is reflected in the hedonic value concept. Hereby sensory elements, pleasure, beauty, and aesthetics amplify the perceived benefits. The symbolic value of luxury consumption to achieve acceptance and belonging to certain societal groups is manifested in the prestige benefit in social networks. The composition of the above-mentioned values varies according to the brand identity and the targeted consumer segment. Other authors demonstrate the direct effect of hedonism on luxury good purchases (Kapferer & Bastien, 2009). This seems logical, as hedonism builds on personal pleasure. If luxury brands grant access to dreams, pleasure focused

individuals are more inclined towards luxury purchases. Therefore, different luxury brands incorporate varying degrees of usability, uniqueness, quality, self-identity, materialism, hedonism, and social prestige.

Luxury consumers seek status communication through their purchases to display their wealth (Bian & Forsythe, 2012). The simple ownership of such goods therefore provides esteem towards the proprietor. Thus, purchase intent of luxury goods is activated upon need to communicate their own assets, riches and prosperity towards society and their peers. Upon purchase, a consumer wants to gain access to the above-mentioned portrayed images, signs, and motives. Additional to displaying status, luxury brand consumption is motivated by the financial, functional, and individual benefits of the brand (Wiedmann et al., 2009). Some luxury consumer segments are driven by the motivation to signal wealth to others (Kapferer & Bastien, 2009). This is rooted in signalling theory as mentioned above. Luxury brands take advantage of signalling theory with the implementation of repeated branding cues, enabling awareness and recognition (Han et al., 2010). These signals can either be loud, such as the Louis Vuitton monogram, or quiet, for example the utilized woven leather for handbags of Bottega Venetta. They enable recognition and thus foster a sense of connection to the brand and its consumer group. Preference hereby lies in what consumers want to portray and signal with their purchases.

Berthon et al. (2009) argue that what one perceives as being luxurious depends on individual views. Consumer judgements thus constitute perceptions of luxury (Sharma et al., 2022). Whereas one might see a prestigious Swiss watch as a necessity of telling the time, another would characterize the same watch as a luxury and prefer an accessibly priced model. Therefore, different consumer segments will display varying perceptions of degree of luxuriousness of the same brands (Wiedmann et al., 2009). Said variations arrive from differences in socioeconomic background, social interactions, hedonic values, and object properties (Vigneron et al., 1999). Consumers perceive product categories of varying levels of luxury (Chandon et al., 2016). Brands can thus be understood to be offering luxury products in one category (e.g. Swarovski jewellery) and necessities in another (e.g. Swarovski binoculars). As these are happening on an individual level, it constitutes a diverse understanding of what applies as luxury.

Thus, a luxury brand is unique and rare, its product offering of excellent quality and highly priced. They evoke dreams and artfully portray images. Purchase intent of luxury consumers may be rooted in the need to signal own wealth, and the usability, uniqueness, quality, self-identity, materialism, hedonism, and prestige values embodied by the brand. Branding cues are consistently used throughout their product offering to enable recognition. However, different consumer segments demonstrate diverse judgements of extent of luxuriousness of the same brands.

### **2.1.2. Luxury marketing**

The marketing of luxury products poses a paradox for marketers. For example, widespread availability of offerings enables a surge in sales, whereas applying the same distribution strategy to luxury brands hurts their positioning, as scarcity is reduced (Chandon et al., 2016). Luxury brands are independent of competition based on their uniqueness and do not opt to earn market share from opponents (Kapferer & Bastien, 2009). Traditional marketers focus their efforts, strategies, and goods on maximizing end-consumers contentment. The identity of a luxury brand is its ultimate asset, and consumer interest contradicting the personality and integrity would devalue their unique proposition (Kapferer & Bastien, 2009). Therefore, luxury brands might refrain from consumer demands to protect their brand identity. Marketing efforts of luxury products focuses on their abstract attributes instead of utilitarian functionality (Hansen & Wänke, 2011), addressing emotional needs. The core focus of luxury marketing does not lie in facilitating direct sales, but in communicating the artfully constructed dreams, images and motives that characterize the brand. Awareness campaigns of traditional brands are characterized by efficient reach in pre-determined target groups. Luxury brands in contrast aim to create touchpoints with individuals outside of consumer segments to enable widespread knowledge (Kapferer & Bastien, 2009). Moreover, storytelling on the involved level of craftsmanship and its' artisan can be further embedded in the marketing strategies to portray the unique level of quality (Kapferer, 2015). Additionally, to portraying superior quality and authenticity, increasing effort has been implemented to offer experiences in line with a certain luxury consumer lifestyle (Atwal & Williams, 2009), which are of utmost importance to cater the needs of ultra-high net worth individuals (Klaus, 2021). Experiential marketing enables to evoke emotional involvement of consumers, creating purchase

motivation. Carefully crafted consumer touchpoints embedded with storytelling attune to the abstract attributes of luxury brands. Retail strategies are built on gaining access to valuable and entertaining consumer experiences (Chandon et al., 2016) and should aim to engage all senses (Wiedmann et al., 2013).

Thus, luxury marketing strategies frequently include artistic storytelling on abstract attributes and embed unprecedented experiences for their consumer base. Carefully crafted legendary stories enable portraying the dreams, images, signs, and motives which constitute a luxury brand. Luxury marketing poses a contrast for traditional marketers as efforts are not consumer-focused, centred on efficiency and widespread availability. Contrary, luxury brands focus on encompassing awareness in and outside of target groups, retaining their unique character at all costs and a retail strategy built on rarity and excellence.

Subsequently, it will be derived how a luxury brand can differentiate itself through the implementation of co-branding, enabling the reach of new consumer segments (Quamina et al., 2023) and yielding positive spill-over effects (Mrad, 2018). Therefore, the following chapter will enable understanding of the co-branding concept overall, define possible outcome factors and characterize various forms of co-branding.

## **2.2. Co-branding (Katja)**

Co-branding is defined as a collaboration between two or more separate brands upon which brand characteristics of each party are distinguishable and noticeable (Blackett & Russell, 2000). Outcomes can be expressed materially (shared products) or symbolically (advertisement campaigns) including brand cues (Simonin & Ruth, 1998). The overarching objective is to create a shared good which is perceived to be of higher value by consumers than a product owned by one of the collaborating brands (Pinello et al., 2022).

Co-branding has been utilized by various brands ranging from FMCG goods to electronic products and luxury alliances. In supermarkets consumers find Milka chocolate with Oreo filling, displaying branding of both companies. Dell computers are equipped with Intel processors, recognizable with a sticker that is next to the keyboard of all sold laptops. Luxury brands such as Rimowa release a limited series featuring Off White designs. Another famous co-branding example is H&M's long-standing

tradition to co-create a limited clothing line with a luxury brand, ranging from Moschino to Mugler.

### **2.2.1. Possible outcome factors of co-branding**

The motivational force behind implementing a co-branding strategy lies in the possible positive outcomes of such an activity. Co-branding has been demonstrated to be an incremental driver to leverage brand value (Walchli, 2007). If a well-fitting alliance has been formed, the combination of both brands and co-creation of one product would create more value than achievable by one single brand (Helmig et al., 2008). Thus, having two complementary brands contribute to one product might make the product itself more valuable from a consumer perspective.

Moreover, Levin (2002) demonstrated that co-branding strategies can enable image transfer between brands and thus increase brand equity of participants. This holds especially true if one of the parties is lesser known in comparison to their counterpart (Voss & Mohan, 2016). Spill-over effects are among the possible implementations of co-branding, meaning that consumers transfer brand attitude of one brand to the other (Simonin & Ruth, 1998). Additionally, prior research has further determined the positive effect on brand equity perceptions of all participating brands in a co-branding strategy (Washburn et al., 2000). Therefore, the mere act of implementing a for example shared product line can improve positive images of the involved parties. Research has determined that co-branding offers an opportunity to gain access to a new market segment and thus, consumer set (Blackett & Russell, 1999). If both co-branding parties are active in separate countries, markets or product categories, co-branding can aid to attain and ease entry. Prior experience and established reputation of a partnering brand can be used to support extensions into new segments. Additionally, participating brands gain the opportunity to share resources (Pinello et al., 2022) and expertise in order to maximize the potential success of the co-branding strategy (Shen et al., 2017). Co-branding thus has the potential to strategically increase profitability of participating brands, as lowered cost can be achieved due to sharing of resources (Van Der Lans et al., 2014). Thus, marketeers obtain a co-branding strategy in order to possibly achieve positive image spill-over of brand attributes, increase brand equity, gain access to a new market segment and share resources and expertise.

However, co-branding strategies can also negatively impact brand images due to dilution (Pinello et al., 2022). To clarify, well established brand constructs could be modified and diluted due to the spill-over effects in co-branding alliances mentioned above. Thus, a brand could weaken their brand image, as the combination with another brand's image waters their distinctive characteristics down. Additionally, research focusing on celebrity co-branding strategies has been demonstrated that the wrong choice of partner and inclusion of irrelevant information has a negative effect on purchase intention (Ilicic & Webster, 2013). Furthermore, brand attributes can be negatively affected by an ill choice of partner, harming even well-established brands (Cornelis, 2010). Therefore, negative potential outcomes arise from selecting a partner that is not the right fit for one's co-branding strategy. It risks dilution of brand image, and thus negatively affects purchase intent of parties.

### **2.2.2. Variations of co-branding**

Practical examples of co-branding demonstrate varying distinctions of implementation, depending on the characteristics of the alliance between the two or more brands.

Aforementioned variations can arise from the diversified possibilities of integration (Newmeyer et al., 2018). In said sense, integration is the extent to which the co-branding brands are inseparable from a consumer's point of view (Newmeyer et al., 2014). The different options of co-branding thus depend on the degree of integration of two brands. Hereby, the lowest level of integration is reflected in the clear separate differentiation between the participating brands, whereas their structures and operations remain independent. An example would be the "Coffee Fellows" café in Thalia, an Austrian bookstore. In contrast, the highest degree of integration is reflected in the inseparability of the allied brands, whereas a shared product has been created. H&M's limited fashion lines with various designer brands can be named as an example.

Additionally, Blackett and Russell (2000) further organize the possible variants of co-branding based on their shared value creation from low to high: reach or awareness co-branding, values endorsement co-branding, ingredient co-branding and complementary competence co-branding. The least amount of common value attainment is created in the so-called reach or awareness co-branding. To clarify, one of the participating brands gains accesses to the established brand's consumer base

and awareness, establishing profit potential and opportunities to the lesser-known brand. The values endorsement co-branding additionally incorporates the communication of aligned values between the two brands. For example, a brand wanting to be perceived as sustainable would partner with a green NGO. To align value propositions, it becomes increasingly important to obtain a suitable and beneficial fit between parties. The third step of value creation is ingredient co-branding. Thus, a branded ingredient is utilized in a product of the other brand. The reasoning is based on the market-leading characteristics of the utilized ingredient product, creating a spill-over effect of attributed towards the “host”-brand. The last level of profit establishment is the complementary competence co-branding according to Blackett and Russel (2000). Herewith, a good is co-created employing the expertise of both brands which thus gains in value. Therefore, the combination itself creates a higher degree of value for a consumer.

Moreover, Simonin and Ruth (1998) divide the possibilities for co-branding into the following categories according to the practical examples found in business cases: product combinations, composite brand extensions, component products, bundled products, and joint sales promotions. A product combination is the co-creation of one shared product or product-line, marketed with joint brand efforts and communications (a joint product line of Rimowa luggage’s with luxury brand Off White), in line with the complementary competence co-branding mentioned above. Composite brand extensions are the cooperative effort to co-create a product in a new product category for both participating brands. An Italian restaurant creating pasta with a flour brand, which consumers can purchase in supermarkets can be seen as an example. Implementing an element of one brand into the framework of the other brand can be characterized as a component product, similar to ingredient branding. As an example, displaying an Intel processor sticker on every Dell computer can be characterized as component products. Bundled products are the combination of independent products displaying each brand’s name, which have been composed to create a bundle (e.g. cereal bundle offers or McDonalds toys in happy meals). Last, joint sales promotion is defined by the least amount of brand integration, featuring two separate brands in a joint offer, whereas one product could be purchased at a discount upon acquisition of the other. Therefore, the various described co-branding strategies above differ according to the level of the shared integration between the two collaborating brands.

Thus, various possibilities of implementing co-branding strategies can arise from the different levels of obtained integration and targeted value creation between the participating parties. The provided examples give an overview of the real-life employment of co-branding. Furthermore, they lay the groundwork which co-branding initiative for a luxury brand may be of highest interest for marketeers. It has therefore been decided to enable further understanding of the impact of shared value creation and product combination between a luxury and partnering brand.

The choice of a well-fitting partner for the desired outcomes is the most crucial decision of marketers when implementing co-branding (Newmeyer et al., 2014). Potential spill-over effects can create attribution, thus, stressing the importance of compatibility (Simonin & Ruth, 1998). If brands display an unsuitable fit or if one of the brands has unfavourable qualities negative effects may arise for both parties (Helmig et al., 2008). Intuitively, one might argue that the more similar the characteristics of co-branding partners, the better the fit between the brands and thus the more successful the co-branding strategy. However, the perceived brand-fit of a co-branding strategy is also dependent on the involvement of consumers (Walchli, 2007). When obtaining a high involvement purchase, moderate incongruity between partners is recognized as more favourable in comparison to congruent or highly incongruent partners. This is rooted in the needed processing for higher involvement activations. The characteristics of moderately incongruent partners and their contrasts are perceived as more engaging for consumers in a high involvement situation. Congruent partners are preferred when involvement is low, as it does not increase mental processing (Walchli, 2007). However, the contrast between highly incongruent partners is deemed too severe in all cases of involvement, as consumers perceive them as displaying an ill fit. Furthermore, moderate incongruity in a low involvement purchase decision would increase the mental load and thus lead to unfavourable evaluation of the brand alliance and the involved good. Van Der Lans et al. (2014) determine that resemblance in the attitude dimensions of sophistication and ruggedness create favourable evaluation of a co-branding strategy. Thus, if brands display either a similar level of femininity, glamour and refinement or masculine, resilience and toughness, consumers perceive the alliance positively. However, contrasting levels on the dimension of sincerity also create a beneficial attitude towards the connection. Therefore, if brands display slightly

contrasting levels of honesty, sincerity and attributes as down-to-earth, it creates favourable evaluations of the parties.

Thus, various forms of co-branding opportunities could create diverse impacts on luxury brand positioning. As explored, it is of highest interest for marketers to understand the impact of shared value creation and product combination between a luxury and a partnering brand. Ideally, congruence and fitting characteristics of two parties enable the biggest positive impact on the initiative. Luxury marketing incorporates elements of uniqueness, rarity and exclusivity (Hansen & Wänke, 2011; Wiedmann et al., 2009; Li & Zhao, 2021) and aspires consumers to emerge themselves in their dreamlike propositions (Kapferer, 2015; Paharia et al., 2011). A marketing positioning employing similar characteristics are underdog brands. Underdog brands are characterized as not holding a dominant market position, in comparison to market leaders (Tang & Tsang, 2020). The similarity between luxury brands and underdog brands lies in similar consumer needs, such as uniqueness, rarity and exclusivity (Hansen & Wänke, 2011; Wiedmann et al., 2009; Li & Zhao, 2021). Therefore, the focus of the subsequent chapter will be defining and describing underdog brands. This will lay the groundwork to establish an understanding of how a luxury brand can successfully co-brand with an underdog.

### **2.3. Underdog brands (Anja)**

From stories about biblical figures like David and Goliath to film, sports, and politics, there is a strong consumer sympathy for underdogs (Jun et al., 2015). Countless well-known stories of triumphant underdogs emerging from humble beginnings (Kim et al., 2008) or an unequal battle against a great rival (Li & Zhao, 2021) have fascinated people across cultures and contexts for decades (Paharia et al., 2011). In fact, numerous highly popular blockbusters in Hollywood revolve around inspiring stories of individuals exceeding their underdog status and achieving remarkable success (McGinnis & Gentry, 2009).

The tales of underdogs who defy the odds not only serve as a source of inspiration but also give hope to the general population, suggesting that the world can be perceived as a place where everyone has the chance to succeed (Kim et al., 2008). Despite their disadvantages, underdogs refuse to be held down (He et al., 2020), rather they rely on their personal characteristics like determination and passion to overcome external

challenges to succeed (Paharia et al., 2011). Of note, it is important that underdogs show some signs of success to not lose their support (McGinnis & Gentry, 2009).

While people generally prefer to align themselves with winners, there is a strong tendency to support the charming losers or outsiders (Kim et al., 2008). The term "underdog" refers to someone who is perceived as inferior and has minimal chances of succeeding in a competition (Vandello et al., 2007). He et al. (2020) suggest that this attraction stems primarily from their inspiring stories, overcoming demographic and psychographic boundaries, as consumers can better relate to them through an identity mechanism (Paharia et al., 2011).

The line between underdogs and their dominant counterpart, commonly known as top dogs, is not always straightforward (Jun et al., 2015, Tang & Tsang, 2020). Nevertheless, Wal-Mart often occupies a top dog position while simultaneously driving local, small mom-and-pop stores out of business (Paharia et al., 2011). Essentially, "top dogs" refer to individuals or groups with ample resources who can triumph over competitors through their dominance (He et al., 2019; Paharia et al., 2011, Tang & Tsang, 2020). In the marketplace, consumers often evaluate a brand's top dog or underdog status by assessing the resources it possesses and its market position relative to competitors within its category (Jin & Huang, 2018; Paharia et al., 2011). A top dog brand is typically a well-known national or multinational brand, such as Starbucks or Microsoft, that dominates small, regional competitors like neighbourhood coffee shops (Jin & Huang, 2018).

### **2.3.1. Market underdogs**

In the present market landscape, marketers are choosing to position their brands as underdogs rather than top dogs. This is driven by the preference of many consumers for brands that are pictured as underdogs, compared to dominant market leaders (Tang & Tsang, 2020). However, marketers do not only rely on consumers' ability to recognize the underdog status, rather they actively construct the underdog narrative (Paharia et al., 2011). Frequently, the underdog marketing strategy is executed through the use of underdog stories in advertising campaigns (Li & Zhao, 2021). An example that showcases a successful underdog positioning in the marketing field is Avis' prominent tagline, "We're number two. We try harder." This statement implies Avis' recognition of their competitive disadvantage but also their continuing efforts,

which have increasingly gained sympathy and support (Jin & Huang, 2018). The potential of such positioning strategies is described to as the "underdog effect" (Vandello et al., 2007), which captures the phenomenon of people ignoring disadvantages such as low chances of success and limited access to resources (Li & Zhao, 2018).

Marketers use this phenomenon to influence people's perceptions of the brand by establishing a sense of identification between the consumer and the brand (Brakus et al., 2009; Paharia et al., 2011). By employing brand narratives, brands become more memorable as they provide an experiential journey through stories that help individuals interpret the world around them by establishing meaningful associations (Brakus et al., 2009). When the brand's biographical story is narrated, it transforms into a brand biography, containing the brand's origins, experiences, and development over time (Paharia et al., 2011).

Indeed, previous factors suggest to positively influence brand perception when associated with underdog narratives (Paharia et al., 2011; Brakus et al., 2009), such as authenticity, craftsmanship, heritage (Kao, 2015), and a sense of noble lineage. Personal messages or signatures from founders on packaging can further emphasize these values. Typically, brand biographies are communicated through product packaging, company websites, blogs, and marketing materials. By sharing stories of humble beginnings, aspirations, challenges, and competitive struggles, the brand narrative becomes more relatable and credible to consumers. Underdog narratives also align with consumers' need for identity, which makes them particularly successful and impactful. When consumers recognize elements of their own lives reflected in branded products, they respond more positively (Paharia et al., 2011). Not only do these narratives increase consumers' willingness to purchase and strengthen loyalty, but they also differentiate the brand and create a closer connection through the authenticity of their storytelling (Li & Zhao, 2021).

In contrast to inferior brands, well known competitors within a specific category frequently adopt a top dog positioning strategy to display their dominance in terms of market position and market share. Top dog brand stories are extensively employed in the field of marketing and advertising (Li & Zhao, 2021, Jin & Huang, 2018). Prominent brands like Starbucks effectively employ the strategy to set themselves apart from small, local competitors, such as independent coffee shops. The top dog positioning

tactic highlights their dominant advantages, for instance having plenty of resources (Jin & Huang, 2018).

### **2.3.2.Strategic underdog positioning**

Siemens et al. (2013) distinguish between two distinct strategies for companies operating as underdogs: oppositional and hopeful strategies. The oppositional strategy involves positioning the brand in contrast to a larger competitor, emphasizing individual relationships. For instance, Under Armour has positioned itself as a challenger to industry giants like Nike and Adidas (Tang & Tsang, 2020). In contrast, the hopeful strategy involves sharing a brand's narrative of overcoming obstacles and succeeding against seemingly unbeatable competitors (Siemens et al., 2013). Established brands like Google and Apple have successfully employed this strategy, telling their humble beginnings in garages, and highlighting their journey of challenges and uncertainty (Nagar, 2017). Research findings discovered that employing a hopeful strategy leads to a stronger underdog effect (Shirai, 2017) and a higher intention among consumers to make a purchase, in comparison to the oppositional strategy (Siemens et al., 2013). These results align with Paharia et al.'s (2011) study, which discovered a positive impact of an underdog narrative when a brand is perceived in isolation without prominent competition. In a subsequent study, Paharia et al. (2014) found out that positive underdog effects were only noticeable when a brand effectively conveyed both aspects of being an underdog, specifically the determination and disadvantaged starting position relative to the competition that needs to be overcome. Particularly, smaller brands are perceived as underdogs when they face a challenging rival. It is noteworthy that consumers may support underdogs not only to defend them but also to punish larger brands (Paharia et al., 2014). Conversely, many consumers support the underdogs and identify with them, not necessarily to diminish the dominant players, but to foster healthy competition and support the "little guy" (McGinnis & Gentry, 2009).

### **2.3.3.Motivations behind underdog support**

The motivation for supporting underdogs may not be immediately apparent. Some research suggests that the support is rooted in the principles of justice, fairness, and deservingness, aiming to provide them with a chance to success through increased

sympathy and support (Jin & Huang, 2018; Nagar, 2017; Li & Zhao, 2018, Vandello et al., 2007). Conversely, other scholars argue that support for underdogs may fulfil the desire for uniqueness and distinctive consumer goods, connected to the pursuit of novelty (Kim et al., 2008; Siemens et al., 2013). Another explanation is that supporting outsiders comes at minimal cost, as people anticipate that they might lose (Jin & Huang, 2018). However, when an unforeseen success happens, the reward is seen as much greater and more impactful due to the attention it attracts (Kim et al., 2008). Additionally, as previously mentioned, consumers can better relate to underdog brands as they recognize elements of their own lives in the underdog positioning (Paharia et al., 2011). When underdogs achieve success, it installs hope in people that they too can succeed under challenging circumstances (Kim et al., 2008), evoking a sense of emotional excitement among supporters (McGinnis & Gentry, 2009). McGinnis and Gentry (2009) have identified five distinct motives in this context: empathy, nostalgia, the American dream, freedom of choice, and personal inspiration. Numerous cultural narratives revolve around individuals facing difficult challenges, such as the widely known "American Dream" and stories of going from "rags to riches" (Kim et al., 2008). Throughout their lives, most people have experienced disadvantages or difficulties, whether during their early years, in educational setting, at work, or within social organizations (Kim et al., 2008; He et al., 2020). Consequently, they have experienced being in the position of an underdog themselves (He et al., 2020), which makes it easier for them to sympathise with others who face similar struggles or overwhelming odds (Kim et al., 2008). In general, individuals tend to perceive themselves as greater outsiders compared to others, (Paharia et al., 2011) even if they may not fit the outsider classification from a demographic or psychographic standpoint due to factors such as being white, highly educated, and living above average socio-economic conditions (He et al., 2020). Previous research has demonstrated that people select and use possessions and brands that align with their desired or actual identity (Paharia et al., 2011). Thus, it is the inner self-construct that individuals create for themselves that leads to an increased support for underdog brands (He et al., 2020).

The majority of consumers do not come from privileged backgrounds, which can lead to the empathy effect when they understand the story of an underdog brand (Li & Zhao, 2018). This means that they are able to understand and share the feelings of others

by mentally placing themselves in their situation (He et al., 2020). On the other hand, Jun et al. (2015) also mention emotional responses as reactive and assume that those with less power are perceived as good, while those with more power are seen as bad. Therefore, consumers preferences for underdog brands may be driven by emotional motives, without necessarily being directly related to self-identification (Jun et al., 2015).

While research on the underdog effect is limited, considerable study has focused on the dislike of top dogs. There is a general tendency to gain pleasure from witnessing the downfall of those in high positions, which is known as "Schadenfreude". In order to experience "Schadenfreude" one has to have the perception of deservingness. When individuals perceive that the high status of a top dog is undeserved, it generates feelings of dislike. This resentment then fuels the individual's experience of "Schadenfreude" when the undeserving top dog faces a fall or misfortune (Kim et al., 2008). Moreover, consumers also exhibit a tendency to avoid popular brands and act based on their moral beliefs, refusing to conform to the consumption patterns determined by the marketplace and aiming for individual independence (Jun et al., 2015; McGinnis & Gentry, 2009)

Individuals tend to respond in one of two ways. They either relate to the disadvantaged position of the underdogs and reflect on their own lives, or they align themselves with the winners and disassociate entirely from the losers (Nagar, 2017). The motivations behind supporting the top dogs are quite clear: people want to associate themselves with the champions and support those who are more likely to succeed (Jin & Huang, 2018; Paharia et al., 2014). They readily endorse their preferred superstar, aiming to share their greatness (McGinnis & Gentry, 2009) and enjoy the glory of potential winners. The tendency to support the top dog is also observable in voting, with a larger number of individuals voting for the leading candidate rather than the trailing candidate. This phenomenon is commonly referred to as the "follower effect" (Jin & Huang, 2018).

The tendency to align oneself with successful groups and distance oneself from unsuccessful or stigmatized groups can be understood through the social identification theory. This theory suggests that individuals often distance themselves from losers who have experienced failure and no longer strive for improvement, as they want to avoid associations with expected losses (Jun et al., 2015; Jin & Huang, 2018). The

tendency to identify with the top dog arises from the relationship between an individual, the top dog, and the observers, which leads to an increase in self-esteem. (Jun et al., 2015).

The support for underdogs is influenced by individual emotional reactions (McGinnis and Gentry, 2009) and the need for consumers to see aspects of their own underdog status reflected in the brand (Paharia et al., 2011). While underdog consumers have a need for uniqueness (Li & Zhao, 2021), the preference for top dogs is determined by the market consensus heuristic (Jun et al., 2015). Moreover, individuals who perceive themselves as top dogs tend to establish connections with brands that reflect their success and status, leading them to choose prestigious and top dog brands (Kao, 2015). By associating with dominant brands, consumers can fulfil their motivation to re-establish a sense of power (Jin & Huang, 2018). Furthermore, in situations where the public eye scrutinizes the decision to support underdogs, people tend to choose top dog brands (Nagar, 2017).

#### **2.3.4.Challenges of the underdog positioning**

Positioning a brand as an underdog may not always yield the desired effects and can have limitations and potential drawbacks associated with what is often referred to as the “underdog trap”. While previous research has shown the potential benefits of underdog positioning (Paharia et al., 2011), it is important to consider the specific context, product type, and consumer motivations (McGinnis & Gentry, 2009; Paharia et al., 2011; Li & Zhao, 2018). Different researchers have found varying degrees of the underdog effect depending on the product type and purchase motivations (Paharia et al., 2011; Li & Zhao, 2018). Products with a functional nature, when promoted using a top dog narrative, tend to achieve greater brand identification. On the other hand, hedonic products see higher success when presented through an underdog story. This outcome is influenced by the distinctive product features and the underlying motivation driving consumer purchases. The preference for the underdog brand is also influenced by various personality traits. Factors like self-concept, whether one's self-concept is independent or dependent (Li & Zhao, 2021), and the individual's level of power state play a role in determining their support for the underdog brand (Jin & Huang, 2018). The effectiveness of the underdog effect is also influenced by the consumer situation and product use, whether it is a private or public consumption scenario (Paharia et al.,

2011). Not only does one's self-perception as an underdog play a role, but also the cultural environment in which one was raised, where underdog narratives form part of the national identity, positively influences the response towards underdog brands (Paharia et al., 2011; Jun et al., 2015). Moreover, in situations where one's identity is particularly relevant to the purchase, such as when buying for oneself rather than others, or in product categories with strong symbolic associations, the underdog effect tends to be more noticeable (Paharia et al., 2011). In such situations, it is crucial for underdogs to be perceived as authentic in order to maintain long-term consumer support. Among other factors, this can contribute to the success of a company, which in turn can lead to a dilution of consumers' perception of the brand's personality (Siemens et al., 2020). Success can potentially diminish the unique perception of an underdog brand, leading to a loss of support (McGinnis & Gentry, 2009).

Despite feeling empathy and support for underdogs, consumers may still perceive them as inferior to top dogs and believe that they deserve their underdog status. As a result, people tend to support underdogs only when their own interests are not affected (Kim et al., 2008). Research on moral hypocrisy suggests that individuals may abandon their moral principles when it benefits their own interests (Kim et al., 2008). While people generally tend to help others, there are limitations to their willingness to do so, especially when there are significant costs, risks, or life-or-death situations involved (Kim et al., 2008; Li & Zhao, 2018). In the context of brand positioning, when perceived physical risk is low, consumers show more positive attitudes and higher purchase intent towards the underdog strategy. However, when perceived risk is high, consumers tend to lean towards the top dog brand (Li & Zhao, 2018). It is important to differentiate between rooting for an underdog and expecting them to triumph. While people may genuinely want the underdog to succeed against the top dog, they may not be willing to bet their own resources on them. This phenomenon is referred to as the "Wal-Mart effect" by Kim et al. (2008).

Underdog brands may appear disadvantaged due to their limited resources in comparison to top dog brands. However, their unique characteristics and determination to succeed in providing the best products or services not only lead individuals to establish a deeper personal connection but also promote their willingness to support them (Jin & Huang, 2018; Kim et al., 2008).

### 3. Hypothesis development

#### 3.1. Study 1 “Top dog or Underdog” (Anja)

In the past, numerous established luxury brands have initiated on co-branding with non-luxury brands, joining forces to create collaborative products (Albrecht et al., 2013; Simonin & Ruth, 1998). Co-creation of products offers various advantages for luxury brands (Helmig et al., 2008), which is why we further want to investigate this. Not only does it facilitate their expansion into new consumer segments by leveraging the non-luxury brand's expertise, but it also allows for cost reduction and risk mitigation (Quamina et al., 2023). By combining their expertise, luxury and non-luxury brands can achieve jointly beneficial outcomes. This not only enhances the value proposition for consumers by co-creating desirable goods (Blackett & Russell, 1999; Walchli, 2007), but also enables better reaction to emerging market trends (Mrad et al., 2018). The objective of such partnerships between luxury brands and non-luxury brands is to enhance brand loyalty and brand image, expand the consumer base and drive sales (Shen et al., 2017; Mrad et al., 2018). The spill-over effect allows positive brand attitude of consumers to be transferred between the two collaborating brands through their shared product (Simonin & Ruth, 1998; Blackett & Russell, 1999). Particularly, luxury brands generate significant media attention, thereby increasing awareness for the non-luxury brand (Mrad et al., 2018). Successful alliances, thus, foster greater prestige and desirability for the luxury brand (Quamina et al., 2023).

However, the impact of co-branding on luxury brands remains a subject of debate. On one hand, the luxury brand may benefit from heightened media attention and exposure to previously untapped consumer segments, thereby becoming more recognizable and prominent in new markets (Mrad et al., 2018; Quamina et al., 2023). On the other hand, collaborations have also resulted in a damaging effect on the overall perception of luxury brands. Previous partnerships with fast fashion brands, in particular, have led to brand dilution and damage, including a decline in exclusivity. (Mrad et al., 2018). Hence, selecting a compatible and well-suited partner is crucial for the success of co-branding initiatives (Newmeyer et al., 2014). Failure to do so can result in negative consequences for both parties involved (Helmig et al., 2008). When obtaining a high-involvement purchase, moderate incongruence in the characteristics of the two co-

branding partners is considered more favourable than either complete congruence or high incongruence. A moderate mismatch can create an engaging appeal to consumers and enhance the co-branding strategy's success (Walchli, 2007). In regard to the previous argumentation, the following research question has been formulated:

*“Whether, to what extend and under which circumstances can luxury brands collaborate with underdog brands?”*

Luxury brands can enter a partnership with top dog brands, such as Zara, or less known brands. There are certain similarities between luxury brands and both underdog and top dog brands.

Top dog brands possess superior resources (Paharia et al., 2011), which could be advantageous for co-branding initiatives with luxury brands in terms of shared resources (Pinello et al., 2022). Like top dog brands, luxury goods are primarily associated with their exceptional quality (Hansen & Wänke, 2011; Paharia et al., 2011), which is reflected in the high price of the luxury brand (Hansen & Wänke, 2011). People generally prefer to align themselves with champions and support those with a higher likelihood of success (Jin & Huang, 2018; Paharia et al., 2014). The market dominance and larger market share of top dog brands reinforce their awareness and recognition (Jin & Huang, 2018; Kao, 2015). Their high level of brand recognition (Nagar, 2017) might contribute to their ability to appeal to new consumer segments. Many luxury brand consumers also seek to express their social status, wealth, and prestige through their purchases, as well as their connection with a specific social group (Kapferer & Bastien, 2009; Bian & Forsythe, 2012; Wiedmann et al., 2009). Brands with high awareness and social status are preferred, especially for publicly displayed goods (Jin & Huang, 2018; Nagar, 2017). Consumers who perceive themselves as top dogs tend to associate with brands that reflect their success and status, leading them to choose prestigious and top dog brands (Kao, 2015). Through these associations, consumers can satisfy their motivation to regain a sense of power (Jin & Huang, 2018).

Despite, luxury brands and top dogs have some common characteristics, entering a partnership with a top dog could potentially weaken the unique image of the luxury brand (Pinello et al., 2022). Collaborations with established brands may dilute the unique characteristics of the luxury brand, thus jeopardising its strong brand image

(Ilicic & Webster, 2013). For instance, creative director Karl Lagerfeld once stated that he would never collaborate with H&M again due to his negative experience (Vogue, 2004). Although the specific reasons were not explicitly mentioned, it can be concluded that this unfavourable experience could be linked to perceived declines in quality, diminished exclusivity, and dilution of the brand's image (Wiedmann et al., 2009; Mrad et al., 2018). There is a risk that the luxury brand's perceived "dream value" could be diminished through overexposure (Albrecht et al., 2013). Additionally, consumers may hold a negative attitude towards top dog brands and may not want to see them achieve further success (Kim et al., 2008). This negative sentiment could potentially impact the success of the co-branding initiative and the overall perception of the luxury brand. The previously mentioned benefits might hold greater significance when collaborating with non-luxury brands, as many of these advantages are already inherent within luxury brands themselves.

More importantly, underdogs seem to be a better candidate due to their shared character traits. Luxury brands, like consumers of underdog brands, seek for uniqueness, rarity, and exclusivity (Hansen & Wänke, 2011; Wiedmann et al., 2009; Li & Zhao, 2021). These brands are valued not only for their physical attributes but also for the intangible values they embody. Both luxury and underdog brands offer aspiring dreams to consumers (Kapferer, 2015; Paharia et al., 2011). Consumers place importance on the emotional elements of hedonic and self-identity values (Wiedmann et al., 2009; Paharia et al., 2011) rather than utilitarian functionality (Hansen & Wänke, 2011). When consumers find elements of their own lives reflected in these brands, particularly with underdog brands, they respond positively (Paharia et al., 2011). Underdog brand consumers identify with the initial struggles and humble beginnings (Tang and Tsang, 2020; Paharia et al., 2011), while both luxury and underdog brands emphasise the passion and determination of their founders (Paharia et al., 2011; Veloutsou et al., 2021) and incorporate artfully constructed dreams and inspiring stories into their brand narratives (Kapferer & Bastien, 2009; He et al., 2020). Craftsmanship is highly valued by both, representing a unique level of quality (Kapferer, 2015; Kao, 2015) and a sense of noble lineage. Personal messages or signatures from founders further reinforce these values (Paharia et al., 2011). As a result, these traits not only increase consumers' willingness to purchase and strengthen loyalty but also differentiate the brand and create a strong connection

through the authenticity of their story (Li & Zhao, 2021). They evoke sympathy, leading to a positive response and attitude towards the brand (Jun et al., 2015; Li & Zhao, 2021). The success of underdog brands inspires hope in people that they too can triumph in difficult circumstances (Kim et al., 2008), generating a sense of emotional relief among supporters (McGinnis & Gentry, 2009). Many individuals have experienced disadvantages and faced challenges in various areas of their lives but want to feel powerful to overcome the struggles (Kim et al., 2008; He et al., 2020).

When co-creating a product, it is essential to provide exclusivity, uniqueness, and loyalty to the brand origin (Wiedmann et al., 2009; Li & Zhao, 2021). Luxury brands must avoid the perception of being consumed by a broad audience (Mrad, 2018). While top dog brands are primarily chosen because of their popularity among the majority, underdog brands risk losing their uniqueness as more people adopt them (McGinnis & Gentry, 2009).

Against this background, we propose that the purchase intention will be higher when a product is co-branded by a luxury brand and a non-luxury underdog brand, compared to being co-branded with a top dog brand. Additionally, we hypothesize that the brand perception of the luxury brand will also be more favourable when co-branded with an underdog brand rather than a top dog brand. This leads to the following hypothesis, which will be investigated in the first study of this thesis:

*H1: Co-branding luxury brands with underdog brands will increase brand attitude and purchase intention towards the luxury brand higher than co-branding with top dog brands.*

### **3.2. Study 2: “Product extension of matching goods sector” (Katja)**

The choice of a well-fitting partner is the most crucial decision of marketers when implementing a co-branding strategy (Newmeyer et al., 2014), depending on shared brand fit. Thus, it has been argued in the first hypothesis that the aforementioned co-branding alliance would flourish, especially when co-branding with an underdog brand.

Strategies of luxury brands are characterized by excellent execution (Hansen & Wänke, 2011), implying that the same principles would be applied to a co-branding strategy.

Thus, the success of a co-branding alliance between a luxury brand and an underdog brand may depend on whether both parties are situated in the same goods market and offer similar products. It is therefore argued that when a luxury brand extends to an underdog brand's sector, the co-branding initiative would negatively affect brand fit perception. Brand fit perception would in turn diminish the prosperity of the strategy, which would weaken brand attitude towards the luxury brand. Furthermore, consumers might perceive underdog brands as less experienced and tend to support them when own interests are not affected (Kim et al., 2008). To clarify, when a luxury brand allies with an underdog brand situated in another product category, luxury consumers may associate a higher degree of risk with the purchase. In addition, luxury brands might be perceived to lack the expertise to evaluate the fit with the underdog in a new sector and market, and therefore it's feasibility as an appropriate ally. In effect, again, luxury brands might suffer a devaluation of their brand image and thus attitude by consumers.

Following the established argumentation, it has been proposed that the success of a co-branding strategy between a luxury brand and an underdog brand may depend on whether both parties are situated in the same goods market and offer similar products. Thus, the expected benefit of the co-branding initiative introduced in the first hypothesis may be limited to a shared sector of both parties. Therefore, the following second hypothesis can be proposed:

*H2: Co-branding luxury brands with underdog brands in the same sector will increase the brand attitude and purchase intention towards the luxury brand higher than co-branding with underdog brands in a different sector.*

## **4. Methodology**

In this work, we used two different experimental study designs to test whether, to what extend and under which circumstances luxury brands can collaborate with underdog brands. Accordingly, two digital surveys with an experimental setting have been appointed as the essential empirical method, which enables group comparisons following the display of an experiment and access to a large number of participants. A between-subjects design was determined as crucial for both hypotheses, enabling random assignments to one of the stimuli groups. To limit potential cofounds based

on the similarity between co-branding biographies, both hypotheses were tested with separate study designs with independent groups of participants.

The online surveys were conducted at the University of Vienna at the department of Marketing as part of a master's thesis. The surveys were created using Qualtrics software. Each questionnaire required approximately three to five minutes to complete and was presented in English.

#### 4.1. Research model (Katja)

Table one and two respectively showcase the proposed effects and hypotheses to be analysed over the course of this thesis.

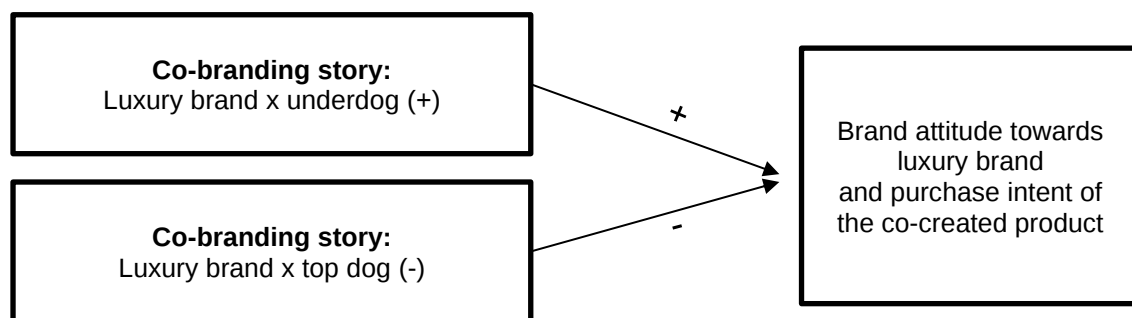


Table 1: Research model study 1

The first model displays the effect of the varying co-branding initiatives with either an underdog or a top dog brand on brand attitude and subsequently purchase intent of a luxury brand. It is argued that an alliance with an underdog brand (vs. top dog) would lead to an increase in brand attitude and purchase intent.

Subsequently, in line with the second hypothesis, the second research model investigates the effect of differences in product sector regarding the underdog. Thus, the model displays the proposed, positive effect of a collaboration between an underdog and a luxury brand if both are situated in the same goods sector. As evident this effect is projected to magnify brand attitude and purchase intent of a luxury brand. A contrary outcome is expected if the underdog partner is situated in an unfamiliar product market.

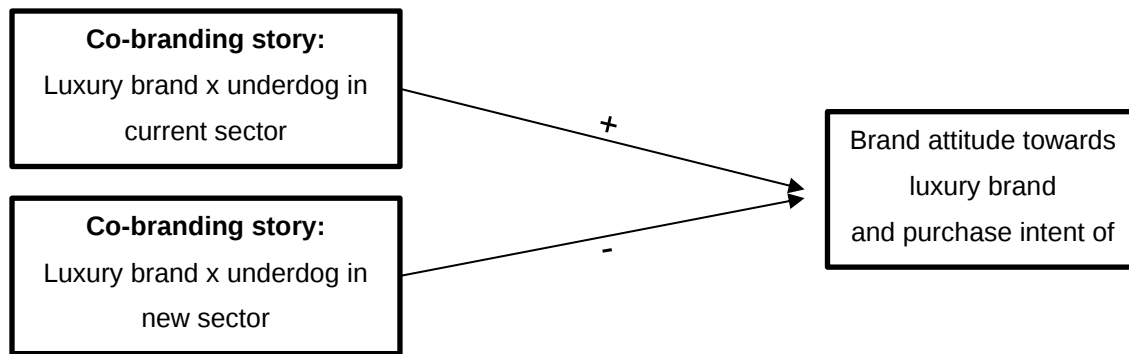


Table 2: Research model study 2

## 4.2. Data collection (Anja)

The authors of the study distributed the survey over a two and a half-week period, from June 12, 2023, to June 28, 2023. Targeting participants from the DACH region between the age of 18 and 60, the survey was shared through platforms such as Instagram, Facebook, and WhatsApp. A convenience sampling approach was employed, whereby the survey was initially shared with friends and family members who further distributed it. Additionally, the online survey community Surveyswap was utilised to gather additional diverse data. It is important to note that convenience sampling involves selecting participants based on their proximity or access to internet services, rather than through random selection. This method carries the risk of potential biases (Edgar & Manz, 2017). The target of participants for each study was agreed on 100 to 150 individuals to reach a sufficient sample size.

Study one aimed to examine the impact of co-branding between a luxury brand and a non-luxury brand. Specifically, comparing the collaboration with an underdog brand versus a top dog brand. Study two further investigated the co-branding of a luxury brand with a non-luxury underdog brand, with a focus on comparing the collaboration with an underdog brand from a different product sector to that from the same product sector. As hypothesized, we anticipate that co-branding with an underdog brand (compared to a top dog brand) will result in increased purchase intention and attitude towards the luxury brand ALICE (hypothesis one). Furthermore, we predict a stronger effect when co-branding luxury brands with underdog brands in the same sector (hypothesis two).

### 4.3. Study 1 “Top dog or Underdog” (Anja)

#### 4.3.1.Procedure

The structure of the questionnaires of study one can be seen below:

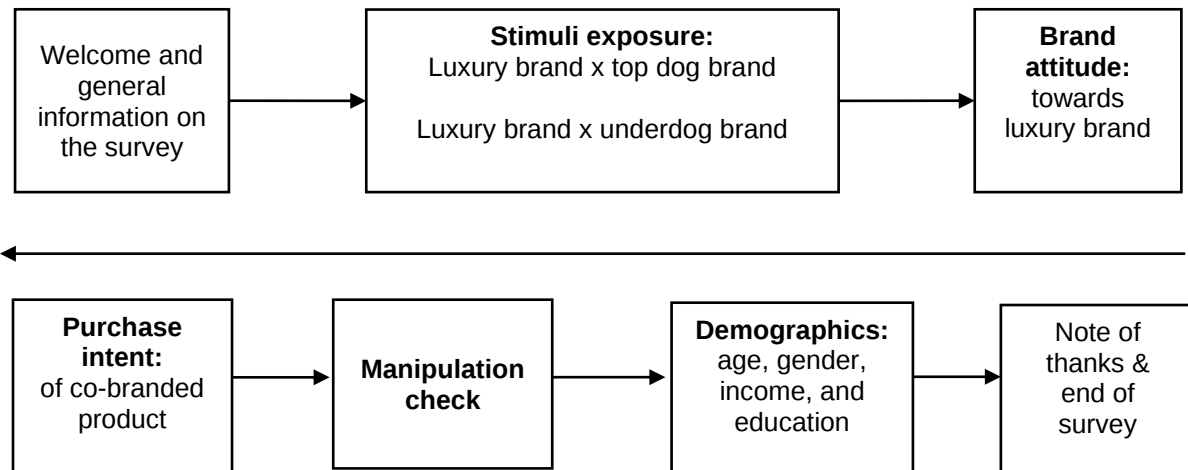


Table 3: Questionnaire study 1

Upon expressing their willingness to participate, respondents were randomly assigned to different scenarios for data collection. 176 participants (age = 30.95, SD = 11.83; % male = 40.9, % female = 58.4, % other = 0.7) were welcomed and informed on the survey, its purposes, and their anonymity. Since participants of the survey were able to take part independently from their past experience in luxury brands shopping, they received a written introduction with a short brand biography. To ensure randomness, participants were randomly assigned to one of two stimuli groups. Individuals were either exposed to a brand story describing a co-branding initiative of a luxury brand with a top dog brand or a luxury brand with an underdog brand. Participants were asked about their purchase intention prior to stating their attitude towards the luxury brand ALICE followed by the manipulation check and some demographic questions.

#### Measures

The following chapter describes the measurements of the implemented scales and will subsequently identify them as dependent or manipulation variables for the scope of the following analysis. All scales applied a Likert scale from 1-7, inquiries regarding the demographics of gender, income, education, and age were based on pre-defined choices. The Likert scale ranged from one being the lowest and seven the highest.

However, to ensure correct and appropriate answering of the questionnaires, one of the items was inverted. Said item was later reversed to ensure accurate analysis.

## Dependent variables

The effects of co-branding strategies on brand attitude and purchase intent of luxury brands were tested. Thus, brand attitude towards ALICE and purchase intent of the co-branded product were the dependent variables of this analysis. The scales utilized for brand attitude were adapted from Spears and Singh (2004), the question on purchase intent from Lin et al. (2011). Both are displayed below:

| Brand attitude & purchase intent                                                      |                           |
|---------------------------------------------------------------------------------------|---------------------------|
| How do you perceive the luxury brand ALICE?                                           | Unappealing/appealing     |
|                                                                                       | Bad / good                |
|                                                                                       | Pleasant / unpleasant     |
|                                                                                       | Unfavourable / favourable |
|                                                                                       | Unlikable / likable       |
| How likely would you be to purchase this co-branded product between ARMOND and ALICE? | Not likely / very likely  |

Table 4: Items dependent variables study 1

## Scale

For further analysis, the individual items were summarised and handled accordingly for simplification. The following table presents all the individual elements along with their proposed scales.

| Scale               | Item                                                                                                                  |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|
| Purchase intent     | How likely would you be to purchase this co-branded product between ARMOND and ALICE? – not very likely : very likely |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Unappealing : Appealing                                        |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Bad : Good                                                     |
| Brand attitude      | <b>What is your attitude toward the luxury brand ALICE? – Unpleasant : Pleasant</b>                                   |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Unfavorable : Favorable                                        |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Unlikeable : Likeable                                          |
| Underdog perception | <b>How much do you consider ARMOD an underdog brand? – Not at all : Very much</b>                                     |

Table 5: Reversed scales of study 1

The third item regarding attitude towards the luxury brand (highlighted in bold) and the item concerning underdog perception (also highlighted in bold) exhibit reversed polarity compared to the other items within their respective factors. Consequently, they were adjusted through recoding to align with the direction of the other items in their shared scale. Subsequently, all the items related to brand attitude were combined into a single index for further calculations.

### Manipulation checks

To establish whether the exposure of participants to the stimuli was successful, participants were asked a manipulation check question on the perceived underdog status of ARMOD.

| Manipulation checks                               |                        |
|---------------------------------------------------|------------------------|
| How much do you consider ARMOD an underdog brand? | Very much / not at all |

Table 6: Items manipulation checks study 1

### 4.3.2. Stimuli

The introduction of both studies started in the same way and was based on existing co-branding literature (Shan et al., 2022). A decision was made to utilize fictional brands throughout the research. To generate names for the luxury brand and non-luxury brands, a brand name generator was employed. The names chosen for the underdog and top dog brands remained consistent to prevent any preference towards a specific name and to reduce bias on pre-established preferences. A short introduction of the luxury brand should provide the participant with the necessary information:

*“ALICE is a luxury fashion brand whose design and superb craftsmanship have made it a fashion icon of high-end luxury. The famous luxury brand ALICE decided to launch a co-branded product line in the fall of 2023. The new line includes jackets, jeans, handbags, and other fashion items.”*

Participants were randomly assigned to one of two stimuli, below in table seven. Again, existing research served as a base for establishing the stimuli (Paharia et al, 2011).

### Study 1

| Luxury brands co-branding with top dog:                                                                                 | Luxury brands co-branding with underdog:                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>"The founders of ARMOD came from the industry, were well resourced, and were favoured to succeed in the market."</i> | <i>"The founders of ARMOD started in a garage with very few resources but had a dream and struggled to succeed. They overcame the odds to bring their products to market."</i> |

Table 7: Stimuli study 1

Participants in both conditions were not provided with any information regarding the size, market share, or sales figures of the brands. To minimize the influence of brand preference or product evaluation based on price or look, participants were intentionally kept uninformed about the price and not given a picture of the co-branded product.

### 4.3.3. Results & discussion

In the upcoming chapter, the analysis of study one will be examined thoroughly. The objective lies in gaining profound insights and presenting the results and findings of the questionnaire in a meaningful and valuable way. The first study will investigate the impact of co-branding between a luxury brand and a non-luxury brand. Specifically, we will compare the effect on study participants when a luxury brand co-creates a product with an underdog brand versus a top dog brand.

#### Sample description

**Exclusion Criteria.** In total, 176 respondents were reached to fill out the questionnaire. After a thorough examination, 39 participants were excluded due to incomplete information, resulting in a final sample size of 137.

The respondents' age ranged from 18 to 60 years old ( $M = 30.95$ ,  $SD = 11$ , 83). A certain age range of our sample, 18 to 60 years old, was predefined and restricted in the question settings in Qualtrics in advance. Thus, the full age range was used in this study. Regarding the gender distribution of the participants, there was a slightly higher representation of females.

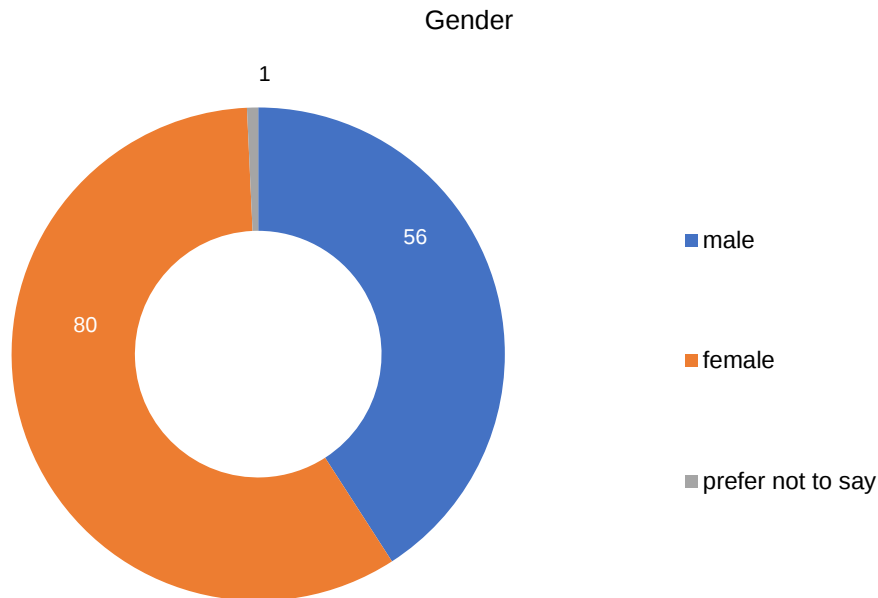


Table 8: Gender split study 1

The educational backgrounds of the sample were diverse, as evident from table 9 below. More than half (67.9%) of the respondents stated that they had graduated from university, making a total number of 93 participants.

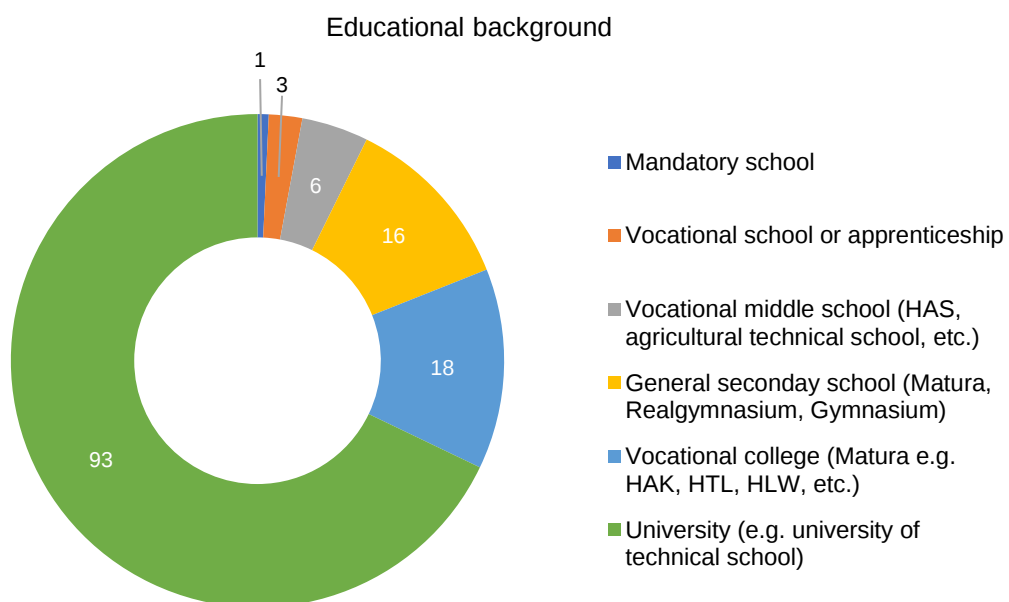


Table 9: Educational background study 1

In terms of household income, the majority of respondents were in the lower average. 114 of the respondents receive less than €89 999 accounting for a total of 83.2%. The

remainder was split between the three higher income groups. However, 12 respondents to the survey preferred not to provide information about their household income (8.8%) as displayed in table 10 below.

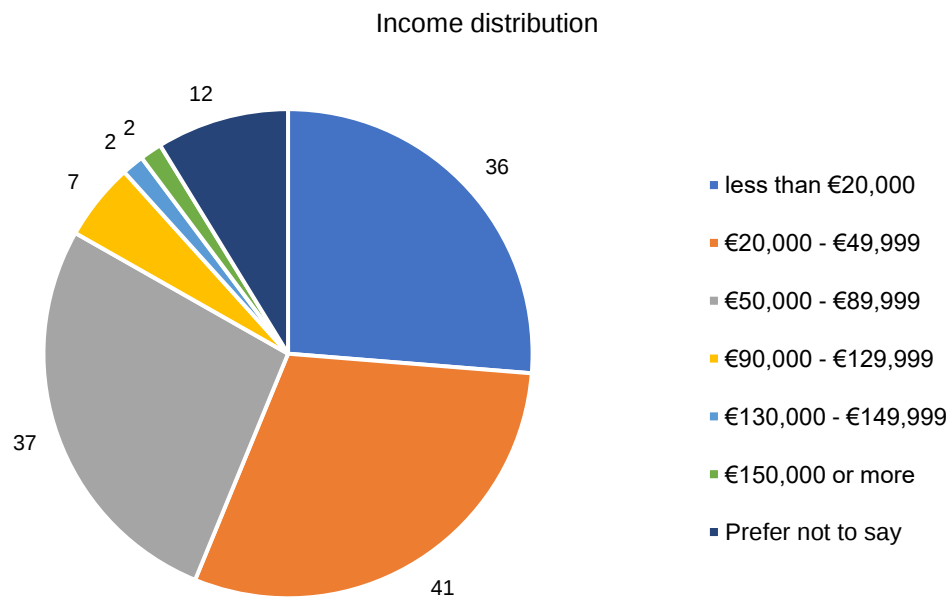


Table 10: Income distribution study 1

In general, 51.8% of the respondents received the ARMOD brand story with the top dog stimulus ( $n = 71$ ) and 48.2% with the underdog stimulus ( $n = 66$ ).

### Descriptive data of the indices

In order to better understand the levels of purchase intent means and standard deviations were calculated. The results are presented in table 11 below:

|                 | Descriptive statistics |      |
|-----------------|------------------------|------|
|                 | Mean                   | SD   |
| Purchase intent | 4.28                   | 1.69 |

Table 11: Descriptive statistics of items study 1

Based on the findings of the study, it can be said that the respondents generally demonstrated a positive purchase intention towards the co-branded product regardless of the presented stimuli ( $M = 4.28$ ,  $SD = 1.69$ ).

The table below presents the number of items included in the created scale, the calculated means, standard deviations, and Cronbach's alpha:

| Descriptive statistics |                 |      |      |                |
|------------------------|-----------------|------|------|----------------|
|                        | Number of items | Mean | SD   | Cronbach alpha |
| Brand attitude         | 5               | 4.49 | 1.12 | .83            |

Table 12: Descriptive Statistics scale study 1

In general, it can be concluded from the first part of this analysis that the participants have a general positive attitude towards the luxury brand ALICE, based on the stated brand story and regardless of the stimuli presented ( $M = 4.49$ ,  $SD = 1.12$ ). This question consisted of 5 items, so a reliability analysis was carried out. This was to guarantee the validity and consistency of the scales for further analysis. The brand attitude resulted in a Cronbach alpha value of 0.83, which indicates a good value above 0.8 (Field, 2009).

### Manipulation check

A comprehensive analysis was conducted by examining the differences of two distinct groups: the participants who were exposed to the underdog stimuli and those who received the top dog stimuli.

The dataset fulfils the essential prerequisites for conducting an independent sample t-test: it includes two separate groups presenting the two distinct stimuli, an interval-scaled dependent variable measured via a Likert scale for underdog perception, and an independent variable with nominal scaling achieved through stimuli exposure. The requirement for normal distribution in both groups is also acknowledged (Field, 2009). A Shapiro-Wilk test was performed in appendix one to evaluate the normal distribution of underdog perception between the two groups. It was determined that both groups did not display a normal distribution, as evidenced by the Shapiro-Wilk test ( $p < .002$ ). While normal distribution assumption is important for the independent t-test, it is relatively robust to violations (Rasch & Guiard, 2004). Lastly, there is a need for homogeneity of variances in the independent groups to compare their means. To establish this prerequisite, a Levene's test was utilised (Field, 2009).

Descriptive statistics of t-test

|                      | Mean | SD   |
|----------------------|------|------|
| Top dog brand story  | 3.99 | 1.82 |
| Underdog brand story | 4.38 | 1.80 |

Table 13: Descriptive statistics of independent t-test manipulation study 1

The study included a total of 71 participants in the top dog group and 66 participants in the underdog group. Individuals who received the underdog stimuli indicated a higher underdog perception ( $M = 4.38$ ,  $SD = 1.80$ ) compared to when they received the top dog brand story ( $M = 3.99$ ,  $SD = 1.82$ ).

Following the previously mentioned information, a Levene's test was performed to compare perceived underdog perception differences between groups exposed to distinct stimuli. The outcome, with a non-significant result ( $p = .742$ ), suggests that the assumption of homogenous variances was satisfied.

Independent t-test

|                         | t       | df  | p    |
|-------------------------|---------|-----|------|
| Equal variances assumed | - 1.272 | 135 | .206 |

Table 14: Independent t-test manipulation study 1

As indicated in the table, the obtained significance value of the independent t-test is above 5%, meaning the manipulation check did not reveal a statistically significant difference ( $t(135) = -1.272$ ,  $p = .206$ ).

The lack of distinction in participants' responses to the "underdog" term might arise from their limited familiarity with it, as indicated by participants' comments. Another explanation could be that the influence of the luxury brand itself overrides the underdog effect. Despite using previously validated stimuli, the manipulation did not work, suggesting caution in interpreting the results. Nonetheless, the data will still be further analysed for the purpose of the master's thesis.

### Main effect independent samples t-test

In this subsection, the following hypothesis one is discussed in more depth and put to the test:

*H1: Co-branding luxury brands with underdog brands will increase the brand attitude and purchase intention towards the luxury brand higher than co-branding with top dog brands.*

The Shapiro-Wilk test was once again conducted and documented in appendix three and five for the brand attitude as well as purchase intention. The results revealed that group one, which was exposed to the top dog stimulus, exhibited a significant violation of the normality assumption in regard of brand attitude ( $p = .018$ ). On the other hand, the other group, which was presented with the underdog stimuli, displayed normality ( $p = .136$ ). Regarding the Shapiro-Wilk test for purchase intention, both groups exhibited a significant violation of the normality assumption. The group exposed to the top dog stimulus showed a significance value of .020, while the group exposed to the underdog stimuli demonstrated a Shapiro-Wilk significance of less than .001.

**Descriptive statistics of t-test**

|                                                 | Mean | SD   |
|-------------------------------------------------|------|------|
| <b>Brand attitude:</b> Top dog brand story      | 4.45 | 1.20 |
| <b>Brand attitude:</b> Underdog brand story     | 4.53 | 1.03 |
| <b>Purchase intention:</b> Top dog brand story  | 4.03 | 1.70 |
| <b>Purchase intention:</b> Underdog brand story | 4.55 | 1.65 |

Table 15: Descriptive statistics independent t-test study 1

Participants who received the underdog stimuli indicated a slightly higher attitude towards the luxury brand ALICE ( $M = 4.53$ ,  $SD = 1.03$ ) compared to when they received the top dog brand story ( $M = 4.45$ ,  $SD = 1.20$ ). Participants who received the underdog stimuli also stated a higher purchase intention ( $M = 4.55$ ,  $SD = 1.65$ ) compared to when they received the top dog brand story ( $M = 4.03$ ,  $SD = 1.70$ ).

Two different Levene's tests were conducted to examine the statistical difference in purchase intention as well as brand attitude between the stimulus groups. The results of both tests showed a nonsignificant result and indicated homogeneity of variance. The test conducted regarding the brand attitude demonstrated a significance of  $p = .467$  and the purchase intention of  $p = .945$ .

### Independent t-test

|                            | t      | df  | p    |
|----------------------------|--------|-----|------|
| <b>Brand attitude:</b>     |        |     |      |
| Equal variances assumed    | - .430 | 135 | .668 |
| <b>Purchase intention:</b> |        |     |      |
| Equal variances assumed    | -1.81  | 135 | .073 |

Table 16: Independent t-test study 1

As depicted in the table, there was no statistically significant difference in both independent t-test (appendix four and six), in the brand attitude ( $t(135) = -.430$ ,  $p = .668$ ) and the purchase intention ( $t(135) = -1.81$ ,  $p = .073$ ).

Furthermore, the evaluation of the brand attitude resulted in the identification of some outliers, as illustrated in the following box plot.

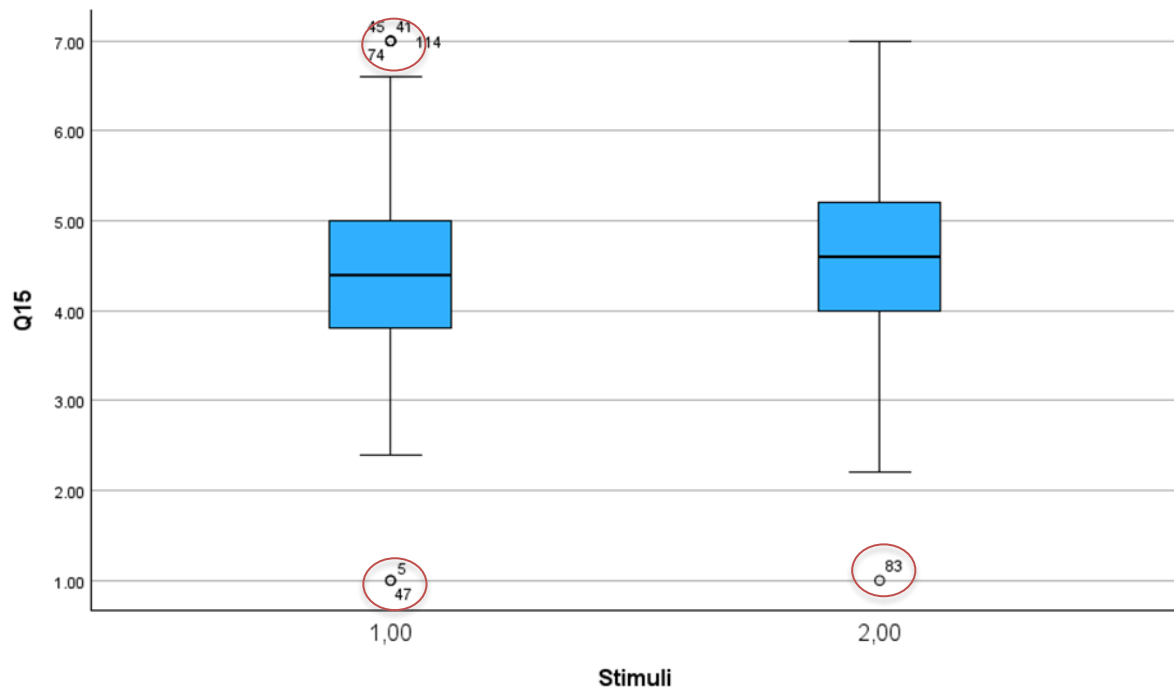


Table 17: Box plot study 1

The boxplot shows normal distribution under both stimuli, indicating that the median is centred around the middle and the whiskers are equally distant on both sides.

Overall, there was no significant effect found that provided evidence that the underdog stimuli had an increased influence on the brand attitude towards the luxury brand. However, the effect on the purchase intention was marginally significant. Based on the descriptive statistics of the two independent t-tests, there was a slight lean towards the indication that the purchase intention and the brand attitude was higher when

participants were exposed with the underdog stimuli. However, the different stimuli, underdog vs. top dog brand story, showed very little difference. Even though we found marginally significant effect for purchase intention, we cannot interpret this effect given that our manipulation did not work. This marginally significant effect could potentially be due to the strong effect of the luxury brand overshadowing the underdog effect. Another possible explanation could be the absence of product presentation, as mentioned by the respondents in the comment section of this study provided. Without a visual of the co-created product, participants have found it difficult to evaluate their purchase intention and attitude towards the luxury brand and therefore may have been less influenced by the underdog or top dog narratives, leading to a lack of significant difference in their responses.

### **Individual comments**

As depicted in the study's methodology, participants were given the opportunity to provide feedback at the conclusion of the study. Out of the total participants, three individuals (2%) noted the absence of crucial information such as collaboration details and the historical background of brands, which they indicated as necessary for accurately evaluating their attitude and purchase intention. Specifically, these participants highlighted missing information related to pricing, quality, and appearance. Additionally, 1% of the participants ( $n = 1$ ) suggested that the inclusion of visual aids, such as pictures, would enhance their ability to see themselves in a purchasing scenario. One participant (1%) expressed a general disinterest in luxury brands, indicating a lack of relevance for brands in their overall preferences.

### **Á posteriori analysis**

In order to further gain understanding on the impact of luxury attributes on purchase intention, luxury brand attitude was entered as a predictor of purchase intent of the co-created product. This will enable further insights into the strength of the luxury brand in co-branding settings. A linear regression analysis was conducted to analyse the influence of the predictor variable on the dependent variable, the purchase intention (Field, 2009).

The following discussion analyses the results of the regression analysis using the conducted dataset. To ensure the validity of the regression analysis, various prerequisites, as discussed by Field (2009) and Hayes (2018), need to be met. Firstly,

all predictor and outcome variables should be quantitative, which is satisfied in this study as both brand attitude and purchase intention were measured using a Likert scale. Next, a scatter plot should exhibit a linear relationship between the independent and dependent variables. Appendix seven demonstrates that all data points display a trend towards zero, confirming linearity. Homoscedasticity, which refers to the equal distribution of residuals, is also crucial and can be assumed. Independence of the residuals is another vital aspect for establishing the validity of the model. The Durbin-Watson statistic yielded a value of 1.937 (see appendix eight), indicating no autocorrelation (Allen, 1997). The normality of residuals is assessed using a P-P plot, which compares the difference between the observed and expected values of the dependent variable. The relatively close alignment to the diagonal line in appendix ten suggests that the normality of residuals can be assumed. The impact of influential cases on the overall model is examined using Cook's distance and leverage. No data points exceeded the cut-off point of one in Cook's distance, indicating that no exclusions were necessary (Field, 2009). Additionally, none of the leverage values exceeded the threshold of 0.2, as recommended by Huber (1981).

Thus, with the prerequisites satisfied, a linear regression analysis with one predictor variable was conducted. The objective was to predict the purchase intention of the co-branded product between the luxury brand ALICE and the underdog brand ARMOD based on the attitude towards the luxury brand. The overall model yielded an  $R^2$  value of .17 (adjusted  $R^2 = .17$ ), suggesting a good fit according to Cohen (1971). Furthermore, the correlation coefficient ( $R$ ) of .41 indicates a strong correlation between brand attitude and purchase intention.

**Model summary**

| <b>Model</b> | <b>R</b> | <b>R<sup>2</sup></b> | <b>Adjusted R<sup>2</sup></b> |
|--------------|----------|----------------------|-------------------------------|
| 1            | .41      | .17                  | .17                           |

*Table 18: Linear regression model summary study 1*

The brand attitude towards the luxury brand ALICE significantly predicted the purchase intention of the co-branded product between the underdog ARMOD and the luxury brand, with  $F(1, 135) = 27.79, p < .001$ .

## ANOVA

| Model      | df  | F     | Sig.  |
|------------|-----|-------|-------|
| Regression | 1   | 27.79 | <.001 |
| Residual   | 135 |       |       |

Table 19: Linear regression ANOVA study 1

For each additional point in the brand attitude towards the luxury brand ALICE, the purchase intention of the co-branded product increases by 0.62 (Appendix nine). Based on the conducted analysis, the following regression equation can be derived for this study:

$$\text{Purchase intent of co-branded product} = 0.62 * \text{attitude towards the luxury brand} + 1.48$$

#### 4.4. Study 2 “Product extension of matching goods sector” (Katja)

The subsequent chapter incorporates the essential analysis to answer the second developed hypothesis. First, the procedure of study two was introduced, including the questionnaire and its measures, the division in dependent variables and the manipulation. This was followed with the presentation of the employed stimulus in the questionnaire. The results section constitutes the last and third chapter of this analysis. Again, all calculations were carried out in SPSS with the assembled data. First, the sample was described on the basis of the demographics of participating individuals, followed by descriptive analysis of items and indices.

Consequently, the reliability of said indices was examined for subsequent statistical investigations examined. Following, it was determined whether the manipulation check was successful. The subsequent subchapter focused on the testing of the second hypothesis, comparing mean levels of brand attitude and purchase intent following stimuli exposure. The aforementioned chapter was split into needed prerequisites, the statistical test and an interpretation.

### 4.4.1.Procedure

#### Questionnaire

In the second study, the first stimulus option was a brand biography of a co-branding alliance of a luxury brand with an underdog brand in the luxury brand's current product sector. The second variant depicted a brand story of a co-branding collaboration between a luxury brand with an underdog brand in a new sector for the luxury brand. Thus, describing a product category which is currently not offered by the luxury brand. Subsequently to stimuli exposure, attitudes towards the luxury brand were assessed, as well as purchase intent of the co-branded product. In the case of the second study, the perception of fit between the two described brands were determined, as evident from table two. Consequently, individuals were prompted to convey whether the manipulation during the stimulus exposure was correctly accomplished. This was ensured with inquiring whether the described underdog brand was recognized as an underdog. The following demographics of interest were inquired: age, gender, income, and educational status. The questionnaire concluded with a note of thanks and the option to leave comments if necessary.

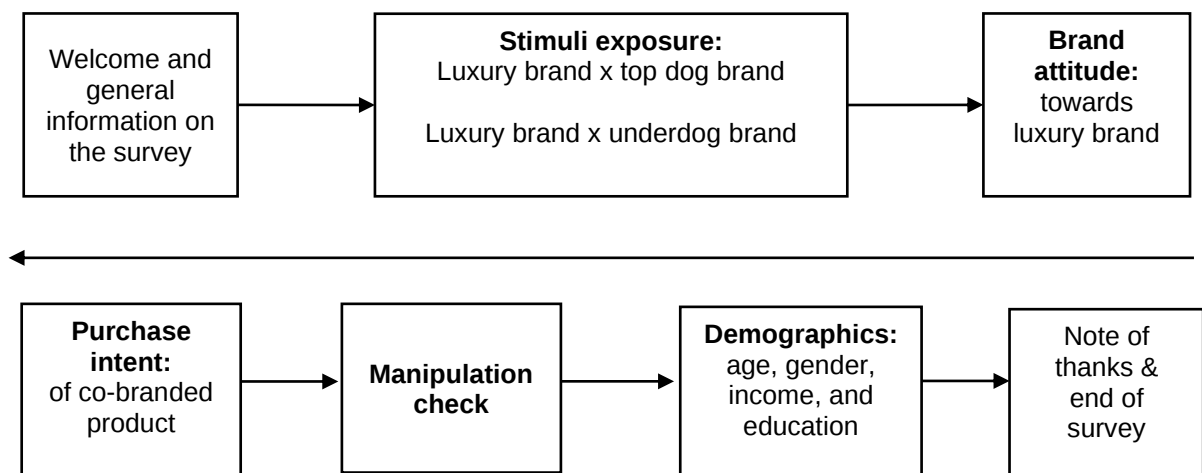


Table 20: Questionnaire study 2

#### Measures

Followingly, all measurements of the included scales and their characterizations as dependent or manipulation variables will be presented. All scales incorporated a Likert scale from 1-7, whereas demographic inquiries (gender, income, education and age) were based on defined choices. In the case of the Likert scale, one represented the

lowest and seven the highest values. In order to ensure correct and appropriate answers, one of the items was inverted and later reversed in the analysis.

### Dependent variables

As established in the hypotheses, the impact of co-branding on luxury brand attitude and purchase intent was tested. Thus, brand attitude towards the luxury brand ALICE and the purchase intent of the co-branded product with ARMOD were the dependent variables of this analysis. Brand attitude scales were employed from Spears and Singh (2004), the inquiry on purchase intent from Lin et al. (2011). Both are displayed below:

| Brand attitude & purchase intent                                                      |                           |
|---------------------------------------------------------------------------------------|---------------------------|
| How do you perceive the luxury brand ALICE?                                           | Unappealing/appealing     |
|                                                                                       | Bad / good                |
|                                                                                       | Pleasant / unpleasant     |
|                                                                                       | Unfavourable / favourable |
|                                                                                       | Unlikable / likable       |
| How likely would you be to purchase this co-branded product between ARMOND and ALICE? | Not likely / very likely  |

Table 21: Items dependent variables study 2

### Scales

To enable further analysis, the named items were combined to scales, as visible below:

| Scale               | Item                                                                                                                  |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|
| Purchase intent     | How likely would you be to purchase this co-branded product between ARMOND and ALICE? – not very likely : very likely |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Unappealing : Appealing                                        |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Bad : Good                                                     |
| Brand attitude      | <b>What is your attitude toward the luxury brand ALICE? – Unpleasant : Pleasant</b>                                   |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Unfavorable : Favorable                                        |
| Brand attitude      | What is your attitude toward the luxury brand ALICE? – Unlikeable : Likeable                                          |
| Underdog perception | <b>How much do you consider ARMOD an underdog brand? – Not at all : Very much</b>                                     |

Table 22: Reversed scales of study 2

The third item inquiring on brand attitude, as well as the question regarding underdog perception displayed reversed polarity in comparison to the other items. Subsequently these two were adjusted in order to correctly align. Consequently, all items inquiring on brand attitude were combined into one single index.

## Manipulation checks

In order to gain understanding of the successful understanding of participants regarding the underdog status of ARMOD, the following manipulation check was included:

| Manipulation checks                               |                        |
|---------------------------------------------------|------------------------|
| How much do you consider ARMOD an underdog brand? | Very much / not at all |

Table 23: Items manipulation checks study 2

## 4.4.2. Stimuli

The introduction to the second study was again built on co-branding literature of Shan et al. (2022). The brands mentioned in the stimuli were fictional, with names created by a brand name generator. First, the luxury brand was introduced to employ participants with the needed context:

*“ALICE is a luxury fashion brand whose design and superb craftsmanship have made it a fashion icon of high-end luxury. The famous luxury brand ALICE decided to launch a co-branded product line in the fall of 2023.”*

Participants were randomly assigned to two conditions based on the sector of the underdog brand. We used the following scenario of an underdog brand (adapted Paharia et al. 2011):

| Study 2                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Luxury brands co-branding with underdog brand coming from a different product sector:                                                                                                                                                                                     | Luxury brands co-branding with underdog brand coming from the same product sector:                                                                                                                                                                                                        |
| <i>“The founders of ARMOD started in a garage with very few resources but had a dream and struggled to succeed. They overcame the odds to bring their products to market. The new line will include furniture, candles, rugs and blankets, and other interior items.”</i> | <i>“The founders of ARMOD started in a garage with very few resources but had a dream and struggled to succeed. They overcame the odds to bring their products to market. The new line will include jackets, jeans, handbags, and other fashion items for this autumn/winter season.”</i> |

Table 24: Stimuli study 2

As mentioned in the procedure, participants were randomly assigned to the stimulus communicating on the same sector and to the second stimulus incorporating a different sector (adapted from Shan 2022).

### 4.4.3 Results & discussion

#### Sample Description

A total of 109 respondents were onboarded to complete the questionnaire. Hereby, five had to be excluded, due to not finishing the survey, resulting in a total number of 104 individuals.

The age of individuals ranged from 21 to 59 years old ( $M = 28.12$ ,  $SD = 7.15$ ). 62.5% classified themselves as of female gender ( $n = 65$ ), whereas 37.5% were male ( $n = 39$ ). Educational backgrounds of the sample were diverse, as evident from table 25 below. The biggest group of participants achieved tertiary education.

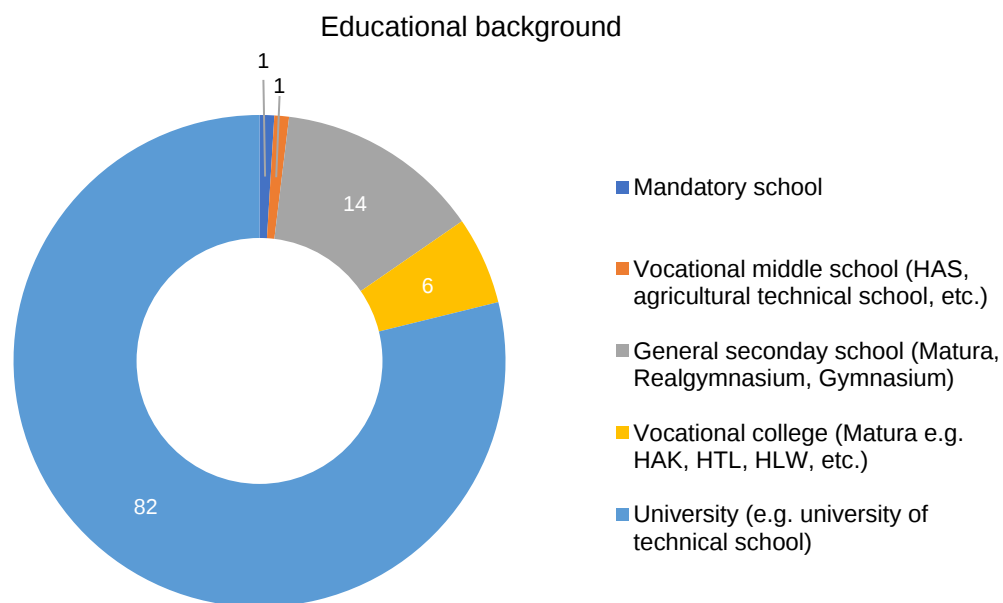


Table 25: Educational background study 2

One individual each completed mandatory schooling (1%) and vocational middle school (1%). 13.5% attended a general secondary school ( $n = 14$ ), whereas 5.8% completed trade school ( $n = 6$ ). In total, 82 individuals completed tertiary education ( $n = 78.8\%$ ). Furthermore, inquires on household income were included. Of the 104 participants, 10.6% decided to withhold their answer and preferred not to communicate

their income (n = 11). The distribution of income of the remaining 93 is further displayed in table 26 below.

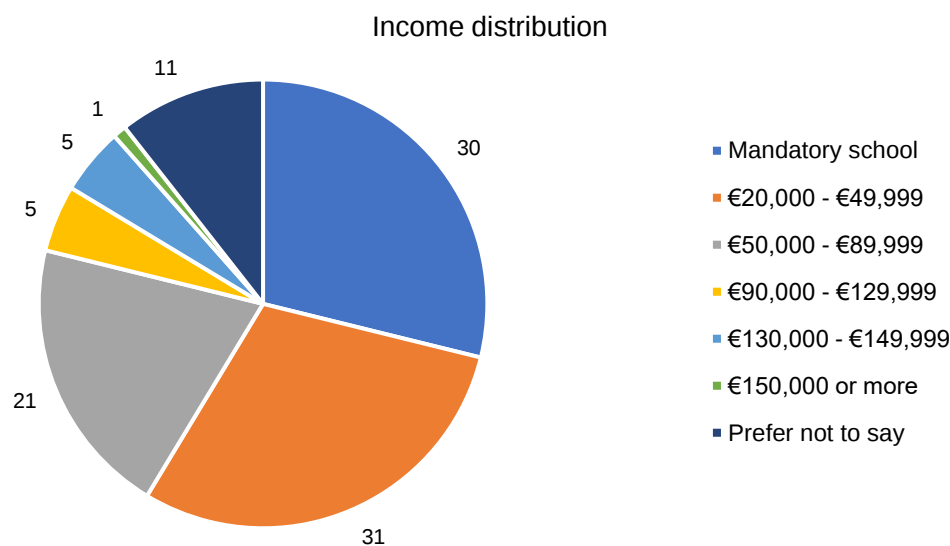


Table 26: Income distribution study 2

The household of 30 individuals earned less than €20,000 (28.8%). €20,000 - €49,000 was stated as income of 29.8% of participants (n = 31). 20.2% stated to have earned a total of €50,000 - €89,999 (n = 21). Five individuals communicated a total household income between the range of €90,000 - €129,999 (4.8%). Again, five participants stated to having received a monetary compensation of €130,000 - €149,999 (4.8%). The household of one individual received salaries in total of over €150,000 (1%).

As mentioned, stimuli were randomly assigned to participating individuals. 51.9% were exposed to the stimuli communicating a co-branded product between ALICE and ARMOD from the same industry (n = 54). The brand story communicating on both brands being situated in different sectors was displayed to 50 individuals (48.1%).

### Descriptive data of the items and indices

To gain understanding of the demonstrated levels of purchase intent, as well as the manipulation check of underdog brand perception, means, as well as standard deviations were calculated and can be found below in table 27:

### Descriptive statistics

|                  |                           | Mean | SD   |
|------------------|---------------------------|------|------|
| Same sector      | Purchase intent           | 4.30 | 1.69 |
|                  | Underdog perception ARMOD | 3.15 | 1.58 |
| Different sector | Purchase intent           | 4.30 | 1.43 |
|                  | Underdog perception ARMOD | 3.30 | 1.33 |

Table 27: Descriptive statistics items study 2

As evident individuals demonstrated positive purchase intent towards the co-branded product, characterizable as somewhat strong in both stimuli groups (same sector:  $M = 4.30$ ,  $SD = 1.56$ ; different sector:  $M = 4.30$ ,  $SD = 1.69$ ). Underdog perception of ARMOD demonstrated a mean of  $M = 3.15$ , and a standard deviation of  $SD = 1.58$  in the group displayed with the stimuli of both parties situated in the same sector. In the second group underdog perception was slightly higher ( $M = 3.30$ ,  $SD = 1.33$ ) Thus, participants did not fully perceive the brand to display an underdog status, but only to some extent.

Brand attitude and brand fit perception were compromised to an index for further calculations. The following table displays the number of items composed in the created scale, the calculated means, standard deviations, as well as established Cronbach alpha's:

### Descriptive statistics

|                     | Number of items | Mean | SD   | Cronbach alpha |
|---------------------|-----------------|------|------|----------------|
| Brand attitude      | 5               | 4.53 | 1.07 | .77            |
| Perceived brand fit | 3               | 4.58 | 1.16 | .80            |

Table 28: Descriptive statistics of scales study 2

As evident, participants had a to some extent positive attitude towards the named luxury brand ALICE ( $M = 4.53$ ,  $SD = 1.07$ ). Furthermore, brands were perceived to display a somewhat suitable fit to each other ( $M = 4.53$ ,  $SD = 1.07$ ). Following, a reliability analysis was conducted, as it ensures validity and consistency of the scales for further analysis (Field, 2009). The construct measuring brand attitude displayed a Cronbach's alpha of  $\alpha = .77$ . Perceived brand fit was measured with three items and showcased an alpha of  $\alpha = .80$ . According to Field values exceeding 0.7 display

passable reliability, whereas values above 0.8 are deemed as good (2009). Therefore, the two created scales demonstrate values above the mentioned thresholds and will be utilized for further analysis.

### **Manipulation checks**

To correctly commence the analysis of the hypothesis, the effectiveness of the manipulation check needs to be assessed. Participants were inquired on their underdog perception of ARMOD, as well as the perceived brand fit between the underdog and luxury brand in either matching or varying product sectors.

As evident in the chapter above, individuals displayed a mean of  $M = 4.58$  and a standard deviation of  $SD = 1.16$  in both stimuli groups.

### **Main effect independent samples t-test**

In the subsequent step, two independent t-tests were conducted to statistically commence testing of the second hypothesis:

*H2: Co-branding luxury brands with underdog brands in the same sector will increase the brand attitude and purchase intention towards the luxury brand higher than co-branding with underdog brands in a different sector.*

### **Prerequisites**

An independent t-test enables understanding of mean differences of brand attitude towards the luxury brand ALICE between the two stimuli groups, dependent on the sector of the underdog. Thus, the dependent variable was the established scale of brand attitude, whereas stimuli exposure was characterized as the independent variable, for the first independent t-test. In the case of the second analysis, purchase intent was implemented as dependent variable. The same following pre-requisites are needed to be applied to correctly conduct an analysis with validity. Separate groups of individuals were fulfilled due to independent groups of stimuli exposure. Brand attitude, as well as purchase intent, the independent variables, were characterized as interval scale, as they were measured utilizing a Likert-scale. Nominal scaling is crucial in the case of the dependent variable, which is the third prerequisite. This was confirmed, as it is based on stimuli exposure. Subsequently, both stimuli groups need to display normal distribution. As evident from appendix 13, a Shapiro-Wilk test

confirmed normal distribution of brand attitude among stimuli groups. The last prerequisite, homogeneity of variances, has been tested and confirmed by a Levene's test for both independent t-tests, as demonstrated in appendix 14 and 15. Therefore, all needed pre-requisites to correctly conduct a robust t-test could be confirmed.

## Analysis

Again, analysis commenced with descriptives of the inquired information. As evident in table 22, individuals displayed a mean of  $M = 4.47$  and a standard deviation of  $SD = 1.20$  of brand attitude towards the luxury brand, when both parties were situated in the same product sector. This is characterizable as a somewhat positive attitude towards the luxury brand. When underdog and luxury brand were not located in the same goods sector, participants demonstrated a mean of  $M = 4.58$  and a standard deviation of  $SD = .90$  of attitude towards the luxury brand. Again, demonstrating positive luxury brand attitude. Therefore, brand attitude of the luxury brand was higher in the sample, when the alliance with the co-branding underdog was situated in a contrasting product sector.

The demonstrated levels of purchase intent were relatively positive in the group of matching product sectors ( $M = 4.30$ ,  $SD = 1.69$ ). The contrasting goods sector showcased a similar level of positive purchase intent ( $M = 4.30$ ,  $SD = 1.43$ ).

| Descriptive statistics of t-test                 |      |      |
|--------------------------------------------------|------|------|
|                                                  | Mean | SD   |
| <b>Brand Attitude:</b> matching product sector   | 4.47 | 1.20 |
| <b>Brand Attitude:</b> different product sector  | 4.58 | .90  |
| <b>Purchase Intent:</b> matching product sector  | 4.30 | 1.69 |
| <b>Purchase Intent:</b> different product sector | 4.30 | 1.43 |

Table 29: Descriptive statistics independent t-test study 2

Subsequently, the two independent t-test gave insight in whether the contrasts were significantly different among groups. Displayed in table 30, no statistical significance of varying brand attitude between stimuli groups was demonstrated in the sample  $t(102, 97.88) = -.54$ ,  $p = .59$ . Furthermore, no statistical significant difference of varying

purchase intent between product sectors of the underdog was found in the analysis  $t(102, 101.24) = -.12, p = .99$ .

| Independent t-test          |      |             |     |
|-----------------------------|------|-------------|-----|
|                             | t    | df          | p   |
| Equal variances not assumed | -.54 | 102, 97.88  | .59 |
| Equal variances assumed     | -.12 | 102, 101.24 | .99 |

Table 30: Independent t-test study 2

## Interpretation

No significant effect was found of product sector of the underdog brand influencing brand attitude towards the luxury brand. Furthermore, no contrast regarding purchase intent between parties based on congruence vs. incongruence was showcased. According to the descriptive statistics of the independent t-test, brand attitude was higher when individuals were presented with a co-branding strategy with an underdog and luxury brand situated in contrasting product sectors. Thus, a contrast in goods sectors demonstrated higher brand attitude towards the luxury brand. However, descriptive data of purchase intent did not display varying means between stimuli groups.

## Individual comments

As displayed in the section on the design of the study, participants had the option to leave comments. Two participants (2%) communicated missing knowledge and information on the collaboration, as well as brands' history to correctly judge their attitudes and purchase intent. 1% noted that a visualisation would be beneficial to mentally place oneself in a purchasing situation ( $n = 1$ ). Two individuals left insight on their general rejection of luxury brands (2%) and one of the displayed goods of the co-branded product (1%).

## Á posteriori analysis

The last part of the analysis introduced a linear regression, including purchase intent in the analysis. This enabled to inquire on the effect of luxury brand attitude towards purchase intent of a co-branded product between a luxury and an underdog brand.

Again, this chapter was divided into the needed prerequisites of the method, the results, and an interpretation. It was decided *à posteriori* to establish additional understanding on the impact of luxury attributes on purchase intent of the co-created product. This will enable deeper insight into the strength of the luxury brand in co-branding settings. A linear regression displays the impact one variable has on predicting the outcome of the dependent variable (Field, 2009). Thus, in the case of this thesis, showcasing the relationship between brand attitude towards purchase intent of underdog brands. Therefore, in the setting of this analysis, brand attitude embodies the independent variable, whereas purchase intent is characterizable as dependent.

### **Prerequisites**

In a first step, the needed pre-requisites for the model have been established, followed by the actual analysis. First, all predictor variables must be quantitative, as well as the outcome variable (Field, 2009). As both brand attitude and purchase intent have been measured by utilizing a Likert scale, the first prerequisite can be fulfilled. Subsequently, linear relation between the independent variable and dependent variable should be demonstrated by the utilization of a scatterplot. It can be displayed by plotting unstandardized predicted values against studentized residuals. As evident in appendix 16, all data points display approach towards the level of zero, thus confirming linearity. The same scatterplot can be utilized to test the following prerequisite, homoscedasticity. Homoscedasticity of the residues is the equal distribution of the residues, impacting the validity of the results and thus statistical power (Hayes, 2018). As no density is demonstrated in the data set, homoscedasticity can be assumed. Following, independence of the residues is crucial in establishing validity of the model (Field, 2009). If residues are not independent, autocorrelation is given. As evident from appendix 17, the model displays no autocorrelation, as the value of the Durbin-Watson statistic amounts to 2.11. Subsequently, normality of residues has been calculated with the utilization of a P-P-Plot, displaying the difference between examined value of the dependent variable and the anticipation (Hayes, 2018). Appendix 19 displays relative approach to the diagonal, thus normality of the residues can be assumed. Further data screening can display the impact of influential cases, thus the impact of a few data points on the overall model. Cook's distance, as well as leverage, are tools to determine the effect of single expressions on the calculation (Field, 2009). The first, Cook's distance, measures the overall power of one data point on the model. None of

the calculated values were above the cut-off point of one, thus no exclusions had to be made. Second, the leverage, measures the impact of the observed value of the outcome on the predicted value (Field, 2009). According to Huber (1981), no leverage should display amounts over .2. In our data set this can be confirmed.

Therefore, the prerequisites of linearity between measured variables, homoscedasticity, independence, normality, and autocorrelation of the residues, as well as no impact of influential cases on the overall model were given. Thus, a linear regression with one predictor variable was conducted, as no prerequisites were violated.

### Linear regression

A simple linear regression was conducted to predict purchase intent of a co-branded product between a luxury brand and an underdog brand based on brand attitude towards the luxury brand. The  $R^2$  for the overall model was .29 (adjusted  $R^2 = .29$ ), suggestive of a high fit according to Cohen (1971). Furthermore, the  $R$  value of .55 demonstrates strong correlation between brand attitude and purchase intent.

**Model summary**

| Model | R   | $R^2$ | Adjusted $R^2$ |
|-------|-----|-------|----------------|
| 1     | .55 | .29   | .29            |

Table 31: Linear regression model summary study 2

Brand attitude towards luxury brands was able to statistically significant predict purchase intent of the co-branded product between an underdog and luxury brand  $F(1,102) = 43.00, p < .001$ .

**ANOVA**

| Model      | df  | F     | Sig.  |
|------------|-----|-------|-------|
| Regression | 1   | 43.00 | <.001 |
| Residual   | 102 |       |       |

Table 32: Linear regression ANOVA study 2

Appendix 18 displays the regression model. Participant's purchase intent of the product was equal to  $0.69 + 0.80$  brand attitude. Purchase intent increased 0.80 for each additional point of positive attitude towards the luxury brand ALICE. Therefore, based on the conducted analysis the subsequent regression equation can be derived:

$$\text{Purchase intent of co-branded product} = +0.80 \text{ brand attitude of luxury brand} + 0.69$$

### **Interpretation**

Therefore, a significant effect was found of luxury brand attitude predicting purchase intent of a co-branded product of an underdog and a luxury brand. The subsequent discussion of the findings will elaborate on the potential underlying reasons for this finding, as well as contextualize it with the former established research results of this thesis.

## **5. General Discussion (Katja)**

In this thesis, it was of interest to gain understanding of how luxury brands can co-create products with underdogs and the potential derived impacts from consumers perspective. The aim of this thesis was to address whether, to what extent and under which circumstances co-branding strategies between luxury brands and underdog brands could flourish. The first study analysed the varying levels of luxury brand attitude impact upon collaboration with either a top dog or underdog. However, no statistically significant difference of brand attitude towards the luxury collaborator was found in the sample. Thus, varying partners of underdog or top dog narrative did not demonstrate an impact on brand perception. Therefore, hypothesis one was refuted. Our results showed that the manipulation did not work, as the manipulation conducted exposing participants to either a top dog or underdog brand story did not demonstrate significant differences in underdog perception. To clarify, individuals exposed to the top dog biography perceived the top dog as somewhat of an underdog. Thus, we believe this might be the reason behind our lack of results. Despite the manipulation used being derived from previous research introduced by Paharia et al. (2011), it did not work for our sample. Hereby, the underdog narrative was co-presented with the description of the luxury brand. A unique proposition, driving differentiation characterises luxury brands (Kapferer & Bastien, 2009). Possibly the simultaneous

description of the luxury brand biased the underdog brand story, creating different assessment. Thus, the luxury brand description might have overshadowed the displayed information of the underdog, leading to little or no understanding of the brand positioning. Therefore, attitude towards co-branding luxury brands with underdogs was not statistically different from co-branding with top dogs.

The sector of the underdog was proposed to have further impact on consumer assessments of the partnering luxury brand, based on congruency between brands. It was argued that obtaining an alliance with a partner, perceived as less strong, situated in an unfamiliar goods industry would create a detrimental effect for the partnering brand. In study two, it was proposed that matching sectors (vs. non-matching) of the luxury brand and underdog brand would increase luxury brand attitude and purchase intent based on congruence. In this study, the manipulation effect showed successful results, our underdog narrative lead to a higher understanding of underdog perception. Therefore, the manipulation was successfully implemented. However, no significant dissimilarity of brand attitude and purchase intent levels of the luxury brand was found based on the goods sector of the partnering brand. The descriptive data of study two demonstrated that individuals showcased the same positive level of brand attitude, regardless of the product sector of the partnering underdog. Furthermore, purchase intent did not display dissimilarity according to the goods sector. This was indifferent to the co-created product reflecting extension in an unknown goods market or not. Furthermore, the congruence displayed in the sample in both stimuli group is in contrast to the initial argumentation.

To establish overall understanding of the impact of the underdog narrative in both studies, luxury brand attitude was entered as a predictor of purchase intent of the co-branded product for both analyses. Hereby, luxury brand attitude was a strong anticipator of purchase intent in study one, regardless of underdog or top dog status. These findings were further confirmed in study two, whereas purchase intent was predicted by luxury brand attitude indifferent to the partner's sector. Therefore, no evidence was found in study one and two of an underdog effect occurring in collaboration with a luxury brand. The comments left by participants indicated missing context on the overall collaboration. These results suggest that additional information in the experiment is needed to implement a fruitful manipulation of underdog narratives.

Paharia et al. (2011) established that the underdog effect is mediated by individuals' identification with the brand, as well as consumers' self-perception of being an underdog. The effect is additionally culturally driven, whereas countries with underdog narratives as a segment of national identity further drive positive attitude. As a fictitious brand was introduced, missing identification might have led to lacking understanding of the manipulation in study one, as well as an absent underdog effect overall. Moreover, Austrian identity is strongly built on heritage and rich history, thus not reflecting the underdog narrative. Individual self-perception as an underdog might therefore be less prominent in Austrian habitants. It is possible that in contrast, cultures scoring higher on individuality (Hofstede, 2011), such as the United States, might possibly display higher potential for economic success of an underdog brand. A high number of underdog brands are of American origin, such as Apple and Microsoft. It is possible that significant cultural differences shape underdog perception, as well as attitude. Therefore, establishing understanding of varying underdog effects among cultures and countries might be of interest for future research.

Following the conducted analysis, it was enabled to answer the established research question: *"Whether, to what extend and under which circumstances can luxury brands collaborate with underdog brands?"*

The abovementioned findings of the conducted thesis and its' analysis formulate profound conclusions and enables to answer the subsequent research question.

When two parties with varying strength of brand positioning establish an alliance, it is possible that the more powerful counterpart gains the upper hand. This would lead to less mental capacity to process the attributes of the second party. Therefore, luxury brands are perceived to be of great strength, implying that the choice of partner is of less importance when implementing co-branding. This finding poses an interesting managerial implication, as it contrasts with previous argumentation. Newmeyer et al (2014) implied that co-branding success is rooted in well-fitting partners. However, our findings contradict said research to some degree. because purchase intent of the co-branded product was highly driven by luxury brand attitude instead of congruency. It is possible that regarding luxury co-branding, the strength, uniqueness, and perception of the luxury brand would predict a positive co-branding outcome. Therefore, if implementation of a co-branding strategy is projected, marketers could look for a partner enhancing product expertise even further, instead of fostering brand equity

through storytelling. Potentially, consumers would not correctly process said storytelling of the partner, as the strength of the luxury brand overshadows other elements.

### **5.1. Theoretical contributions and managerial implications**

Following the established discussion of our findings, we are enabled to derive contributions to theory, as well as to marketing practices.

Overall, the proposed importance of partner fit established in co-branding literature can be questioned in the context of the luxury industry. Our research has determined that the success of co-branding initiatives including luxury brands can be reevaluated, as fit between partners does not seem to explain co-branding success. This is in contrast to the established co-branding theory, although only for the luxury industry. Second, the strength of the luxury brand acted as a determinator of successful co-branding initiatives. Thus, the luxury brand itself operated as a main motivator of luxury brand consumption, which further contributed to co-branding theory of luxury brands. Hereby, the core characteristics and strengths of the luxury brand were incremental for purchase intent of a co-branded product. Furthermore, we assumed cultural differences affecting underdog research due to diverse understanding of underdog narratives rooted in culture. Thus, we introduce the idea that cultural predispositions can lead to varying success of co-branding initiatives incorporating underdogs. Last, we determined the importance of providing participants with more in-depth information of underdogs. As participants have expressed missing context, it is challenging to create effective manipulations including underdog co-branding. Thus, the last theoretical contribution is rooted in the need to reevaluate underdog narratives, as well as to establish universal understanding of what constitutes an underdog from an individual perspective. This will enable future research to implement a fruitful manipulation of underdog narratives.

This thesis also adds fruitful insight to the role of marketeers and brand managers of underdog and luxury brands in a practical context. As prior research has stated that the core of co-branding success relies on brand fit, we found a need to reevaluate said finding in the context of luxury business. Contrary to previous assumptions, it is more critical to have a partner complimenting and accelerating the existing strengths of a luxury brand. Moreover, as attitudes towards luxury brands act as a strong predictor

of luxury purchase intent, the overall objective of luxury marketers should be prioritizing and strengthening their position. Thus, protecting the core values, unique selling points and singularity of brand characteristics should remain at the forefront of strategic decisions and activations. Therefore, when co-branding with an underdog brand, the communication strategy of the activation should mainly focus on the luxury brand with secondary emphasis on how the underdog enhances the luxury brand's offering.

## **5.2. Limitations and future research (Anja)**

Despite the lack of significant effects, we could derive the above-mentioned theoretical and managerial implications in the field of luxury marketing. However, this study has some limitations and opportunities for future research.

Firstly, the generalisation of the results is questionable due to the relatively small sample size and the homogeneous composition of the study participants. The majority of participants had higher educational backgrounds and incomes in the lower range. The use of convenience and snowball sampling methods may have caused bias, as certain segments of the population are more likely to be included (Edgar & Manz, 2017). Since luxury products are generally associated with higher prices but higher quality (Berthon et al., 2009; Hansen & Wänke, 2011), targeting individuals with higher incomes could yield beneficial outcomes. Nevertheless, the study successfully achieved its overall objective of attaining a diverse sample in terms of gender, age, and education, as highlighted in the subsequent analysis of the sample obtained.

Secondly, this study uses the underdog and top dog brand narrative from Paharia et al. (2011) and the luxury brand story from Shan et al. (2022), which are presented using a short and straightforward style without any alterations. In future research, different writing approaches for the brand stories should be considered to enhance the findings, taking cultural differences and their impact on diverse underdog perception into account.

While the present study has yielded valuable insights, the results are based on a single industry. Thus, generalisations beyond this group should be approached with caution. The study represents just one piece of the puzzle, and future research should explore this theory in relation to other products, sectors, independent variables, and different

demographics to obtain quantifiable results. Examining the impact of co-branding on products with different functionalities could also be advantageous for future research. Co-branding may be perceived differently when applied to a luxury handbag versus a functional hiking jacket. Other industries such as furniture could provide additional insights, as luxury products are associated with prestige, underdogs with hedonic and emotional needs and top dog brands with functional needs (Wiedmann et al., 2009; Tang & Tsang, 2020).

Furthermore, exploring the general attitudes towards luxury brands or the purchasing behaviour of the participants could offer further insights into the impact of co-branding initiatives. It would be interesting to determine whether participants who frequently purchase luxury goods or new luxury buyers who can better relate to the humble beginnings exhibit different responses (Paharia et al., 2011). For future research, focusing more on changes in brand perception or purchase intention of a luxury brand could be valuable, as this could lead to concrete managerial conclusions and identify specific benefits.

Another limitation to be acknowledged relates to the information gathered through the questionnaires. Although this study took precautions to ensure that the brand story provided in the research did not contain specific examples that could influence participants' perceptions, some participants, as previously mentioned, utilised the comment section to express missing information. Information regarding the appearance, quality, and price of luxury goods were more important to them than the background of the brand and its name. This aligns with the existing literature, as luxury goods are often sought after for their uniqueness, rarity, and exclusivity (Kapferer & Bastien, 2009; Bian & Forsythe, 2012). The desire to purchase luxury goods frequently stems from their ability to evoke dreams and signal wealth, as they are primarily perceived as high in quality and price (Berthon et al., 2009; Hansen & Wänke, 2011). Consequently, luxury goods are mostly displayed externally and should appeal to buyers by satisfying emotional elements of hedonic and self-identity values (Wiedmann et al., 2009). A valuable approach for further research would be to look at this concept when displaying different products and providing different information regarding the quality and prices.

Lastly, previous research has demonstrated that successful underdogs are no longer viewed as the disadvantaged. If a successful underdog brand is acquired by a larger

competitor, the brand's connection to its past may be disrupted, resulting in a lower perception of authenticity and diminished consumer support. It is theoretically possible for an underdog brand to maintain an "underdog mentality" even as it grows, as long as underdog status is not solely associated with small size or disadvantage (Siemens et al., 2020). This could lead to the assumption that the cooperation did not have a significant impact on the attitude towards the luxury brand, but it could potentially have negative consequences for the underdog brand's attitude. This aspect could be explored in more detail by future research. Another angle for future studies could investigate the effect of increasing brand awareness on the perception of authenticity and credibility of underdog brands when co-branding with luxury brands, as well as the impact on the authenticity and brand loyalty of the luxury brand itself. More precisely, does the effect change when luxury brands engage in co-branding initiatives more frequently versus only once? An investigation on the changes in the short and long term through a longitudinal study would enrich the findings.

This area still offers numerous opportunities, as evidenced by the successful examples of luxury co-branding with non-luxury products (Quamina et al., 2023). Co-branding not only allows targeting a new and different customer segment but also generating brand awareness (Blackett & Russell, 1999) and manageable incentives. Therefore, it is recommended to conduct research that examines the effects of co-branding on luxury brands as well as underdog brands, as the results can provide valuable insights for marketing and operational strategies.

## **6. Conclusion (Anja)**

The current paper has expanded our comprehension of co-branding with luxury brands and its' impact on consumer by incorporating the underdog effect by conducting two different studies. In the first study, we investigated the effect of a co-branding initiative with an underdog or top dog brand on consumers' purchase intention and attitudes. Our findings revealed that the consumers purchase intention and attitudes remained consistent regardless of the co-branding partner. In the second study, we analysed the influence of sector familiarity of the luxury brand and the underdog brand. The results show that matching vs. non-matching product sector is not significant for the co-brandings success in terms of consumer attitude and purchase intent towards the luxury brand. Despite the absence of significant effects, we contribute to the luxury

marketing literature by challenging the existing co-branding theory. This paper suggests that the brand fit between the co-branding partners might not be the key factor in determining the co-brandings success. It further contributes to the existing literature by emphasizing that the luxury brand is the crucial part in influencing luxury brand consumption. We acknowledge that our study has some limitations, however it is important to consider them in the light of the opportunities they present for future research.

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## 8. Appendix

### Appendix 1: Shapiro-Wilk test Study 1

| Tests of Normality |         |                                 |    |      |              |    |      |
|--------------------|---------|---------------------------------|----|------|--------------|----|------|
|                    | Stimuli | Kolmogorov-Smirnov <sup>a</sup> |    |      | Shapiro-Wilk |    |      |
|                    |         | Statistic                       | df | Sig. | Statistic    | df | Sig. |
| Q17_1reco          | 1.00    | .123                            | 71 | .010 | .939         | 71 | .002 |
|                    | 2.00    | .120                            | 66 | .019 | .936         | 66 | .002 |

a. Lilliefors Significance Correction

### Appendix 2: Independent T-Test of manipulation check Study 1

| Independent Samples Test |                             |                                        |      |                              |         |                           |              |                 |                       |                                           |        |
|--------------------------|-----------------------------|----------------------------------------|------|------------------------------|---------|---------------------------|--------------|-----------------|-----------------------|-------------------------------------------|--------|
|                          |                             | Levene's Test for Equality of Variance |      | t-test for Equality of Means |         |                           |              |                 |                       |                                           |        |
|                          |                             | F                                      | Sig. | t                            | df      | Significance One-Side d p | Two-Side d p | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference |        |
|                          |                             |                                        |      |                              |         |                           |              |                 |                       | Lower                                     | Upper  |
| Q17_1reco                | Equal variances assumed     | .109                                   | .742 | -1.272                       | 135     | .103                      | .206         | -.39287         | .30887                | -1.00372                                  | .21797 |
|                          | Equal variances not assumed |                                        |      | -1.273                       | 134.485 | .103                      | .205         | -.39287         | .30874                | -1.00348                                  | .21773 |

### Appendix 3: Shapiro-Wilk test Study 1

#### Tests of Normality

|     |         | Kolmogorov-Smirnov <sup>a</sup> |    |      | Shapiro-Wilk |    |      |
|-----|---------|---------------------------------|----|------|--------------|----|------|
|     | Stimuli | Statistic                       | df | Sig. | Statistic    | df | Sig. |
| Q15 | 1.00    | .106                            | 71 | .046 | .958         | 71 | .018 |
|     | 2.00    | .102                            | 66 | .083 | .972         | 66 | .136 |

a. Lilliefors Significance Correction

### Appendix 4: T-Test study 2 Brand attitude Study 1

#### Independent Samples Test

|     |                             | Levene's Test for Equality of Variances |      | t-test for Equality of Means |         |                          |                          |                 |                       | 95% Confidence Interval of the Difference |        |
|-----|-----------------------------|-----------------------------------------|------|------------------------------|---------|--------------------------|--------------------------|-----------------|-----------------------|-------------------------------------------|--------|
|     |                             | F                                       | Sig. | t                            | df      | Significance One-Sided p | Significance Two-Sided p | Mean Difference | Std. Error Difference | Lower                                     | Upper  |
| Q15 | Equal variances assumed     | .533                                    | .467 | -.430                        | 135     | .334                     | .668                     | -.08263         | .19197                | -.46228                                   | .29702 |
|     | Equal variances not assumed |                                         |      | -.433                        | 134.214 | .333                     | .666                     | -.08263         | .19092                | -.46022                                   | .29496 |

### Appendix 5: Shapiro-Wilk test Study 1

#### Tests of Normality

|                                                                                                                |         | Kolmogorov-Smirnov <sup>a</sup> |    |        | Shapiro-Wilk |    |        |
|----------------------------------------------------------------------------------------------------------------|---------|---------------------------------|----|--------|--------------|----|--------|
|                                                                                                                | Stimuli | Statistic                       | df | Sig.   | Statistic    | df | Sig.   |
| How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely | 1.00    | .155                            | 71 | <,.001 | .943         | 71 | .003   |
|                                                                                                                | 2.00    | .184                            | 66 | <,.001 | .913         | 66 | <,.001 |

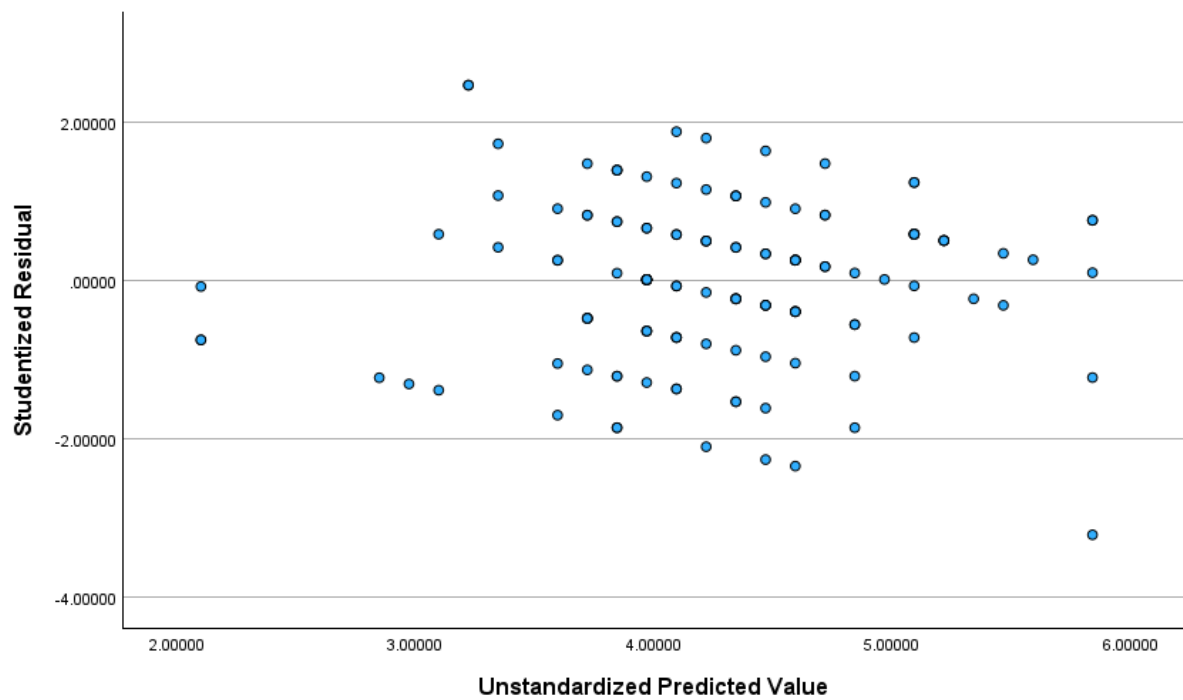
a. Lilliefors Significance Correction

## Appendix 6: T-Test study 2 Purchase intent Study 1

### Independent Samples Test

|                                                                                                                 |                            | Levene's Test for Equality of Variance |      | t-test for Equality of Means |         |                           |              |                 |                       |        |       | 95% Confidence Interval of the Difference |  |
|-----------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------|------|------------------------------|---------|---------------------------|--------------|-----------------|-----------------------|--------|-------|-------------------------------------------|--|
|                                                                                                                 |                            | F                                      | Sig. | t                            | df      | Significance One-Side d p | Two-Side d p | Mean Difference | Std. Error Difference | Lower  | Upper |                                           |  |
| How likely would you be to purchase this co-branded product between ARMON D and ALICE? - Not likely:Very likely | Equal variance assumed     | .005                                   | .945 | -1.807                       | 135     | .036                      | .073         | -.517           | .286                  | -1.083 | .049  |                                           |  |
|                                                                                                                 | Equal variance not assumed |                                        |      | -1.809                       | 134.752 | .036                      | .073         | -.517           | .286                  | -1.083 | .048  |                                           |  |

## Appendix 7: Scatterplot Study 1



## Appendix 8: Durbin-Watson test Study 1

### Model Summary<sup>b</sup>

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .413 <sup>a</sup> | .171     | .165              | 1.543                      | 1.937         |

a. Predictors: (Constant), Q15

b. Dependent Variable: How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely

## Appendix 9: Regression Model Study 1

**Coefficients<sup>a</sup>**

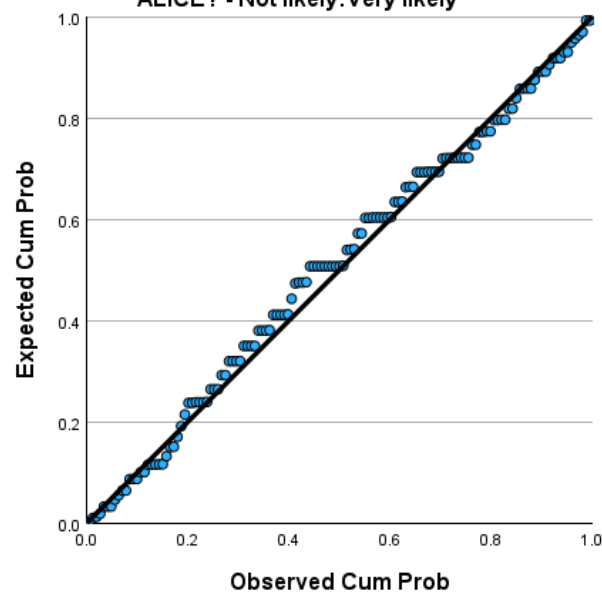
| Model        | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.  | 95,0% Confidence Interval for B |             | Correlations |         |         | Collinearity Statistics |       |
|--------------|-----------------------------|------------|---------------------------|-------|-------|---------------------------------|-------------|--------------|---------|---------|-------------------------|-------|
|              | B                           | Std. Error |                           |       |       | Lower Bound                     | Upper Bound | Zero-order   | Partial | Partial | Tolerance               | VIF   |
| 1 (Constant) | 1.480                       | .547       |                           | 2.706 | .008  | .398                            | 2.561       |              |         |         |                         |       |
| Q15          | .623                        | .118       | .413                      | 5.271 | <.001 | .389                            | .857        | .413         | .413    | .413    | 1.000                   | 1.000 |

a. Dependent Variable: How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely

## Appendix 10: P-P-Plot of Regression Standardized Residual Study 1

**Normal P-P Plot of Regression Standardized Residual**

Dependent Variable: How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely



## Appendix 11: Shapiro-Wilk test Study 2

| Tests of Normality                     |      |                                 |    |      |              |    |      |
|----------------------------------------|------|---------------------------------|----|------|--------------|----|------|
| 1 = Q12 (same), 2 = Q13<br>(different) |      | Kolmogorov-Smirnov <sup>a</sup> |    |      | Shapiro-Wilk |    |      |
|                                        |      | Statistic                       | df | Sig. | Statistic    | df | Sig. |
| Q16                                    | 1,00 | ,127                            | 54 | ,029 | ,971         | 54 | ,221 |
|                                        | 2,00 | ,148                            | 50 | ,008 | ,917         | 50 | ,002 |

a. Lilliefors Significance Correction

## Appendix 12: T-Test of manipulation check Study 2

| Independent Samples Test |                                      |                                               |      |                              |        |                                    |                    |                    |                          |                                                 |
|--------------------------|--------------------------------------|-----------------------------------------------|------|------------------------------|--------|------------------------------------|--------------------|--------------------|--------------------------|-------------------------------------------------|
|                          |                                      | Levene's Test<br>for Equality of<br>Variances |      | t-test for Equality of Means |        |                                    |                    |                    |                          | 95% Confidence<br>Interval of the<br>Difference |
|                          |                                      | F                                             | Sig. | t                            | df     | Significance<br>One-<br>Sided<br>p | Two-<br>Sided<br>p | Mean<br>Difference | Std. Error<br>Difference | Lower<br>Upper                                  |
| Q16                      | Equal<br>variances<br>assumed        | 6,234                                         | ,014 | -<br>1,266                   | 102    | ,104                               | ,208               | -,28840            | ,22783                   | -,74029<br>,16350                               |
|                          | Equal<br>variances<br>not<br>assumed |                                               |      | -<br>1,278                   | 99,421 | ,102                               | ,204               | -,28840            | ,22574                   | -,73629<br>,15950                               |

## Appendix 13: Shapiro-Wilk test Study 2

| Tests of Normality                     |      |                                 |    |       |              |    |      |
|----------------------------------------|------|---------------------------------|----|-------|--------------|----|------|
| 1 = Q12 (same), 2 = Q13<br>(different) |      | Kolmogorov-Smirnov <sup>a</sup> |    |       | Shapiro-Wilk |    |      |
|                                        |      | Statistic                       | df | Sig.  | Statistic    | df | Sig. |
| Q15                                    | 1,00 | ,078                            | 54 | ,200* | ,989         | 54 | ,913 |
|                                        | 2,00 | ,176                            | 50 | <,001 | ,967         | 50 | ,176 |

\*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

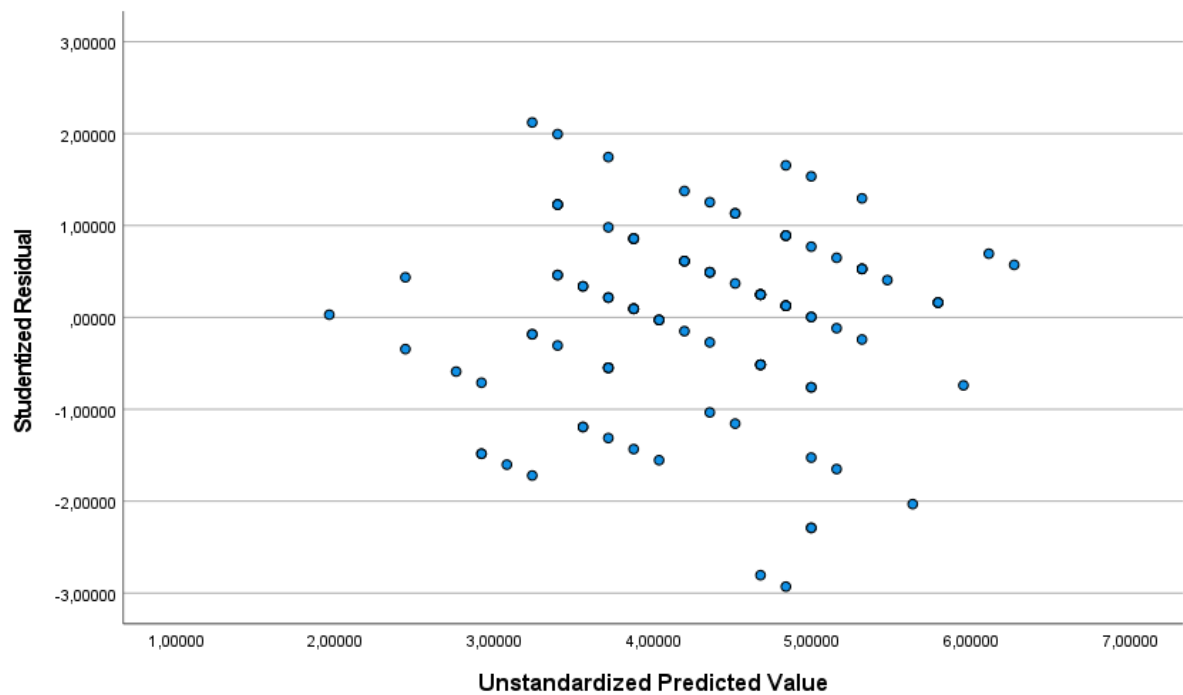
## Appendix 14: T-Test Brand attitude Study 2

| Independent Samples Test |                             |                                         |      |                              |        |              |             |                 |                       |                                           |        |
|--------------------------|-----------------------------|-----------------------------------------|------|------------------------------|--------|--------------|-------------|-----------------|-----------------------|-------------------------------------------|--------|
|                          |                             | Levene's Test for Equality of Variances |      | t-test for Equality of Means |        |              |             |                 |                       | 95% Confidence Interval of the Difference |        |
|                          |                             | F                                       | Sig. | t                            | df     | Significance |             | Mean Difference | Std. Error Difference | Lower                                     | Upper  |
|                          |                             |                                         |      |                              |        | One-Sided p  | Two-Sided p |                 |                       |                                           |        |
| Q15                      | Equal variances assumed     | 3,308                                   | ,072 | - ,542                       | 102    | ,295         | ,589        | -,11393         | ,21021                | -,53088                                   | ,30303 |
|                          | Equal variances not assumed |                                         |      | - ,548                       | 97,881 | ,293         | ,585        | -,11393         | ,20794                | -,52658                                   | ,29873 |

## Appendix 15: T-Test Purchase intent Study 2

| Independent Samples Test                                                                                       |                             |                                         |      |                              |         |              |                 |                       |       |                                           |             |
|----------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------|------|------------------------------|---------|--------------|-----------------|-----------------------|-------|-------------------------------------------|-------------|
|                                                                                                                |                             | Levene's Test for Equality of Variances |      | t-test for Equality of Means |         |              |                 |                       |       | 95% Confidence Interval of the Difference |             |
|                                                                                                                |                             | F                                       | Sig. | t                            | df      | Significance | Mean Difference | Std. Error Difference | Lower | Upper                                     |             |
|                                                                                                                |                             |                                         |      |                              |         | One-Sided p  |                 |                       |       |                                           | Two-Sided p |
| How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely | Equal variances assumed     | 2,726                                   | ,102 | -,012                        | 102     | ,495         | ,990            | -,004                 | ,308  | -,615                                     | ,608        |
|                                                                                                                | Equal variances not assumed |                                         |      | -,012                        | 101,236 | ,495         | ,990            | -,004                 | ,306  | -,611                                     | ,604        |

## Appendix 16: Scatterplot regression Study 2



## Appendix 17: Durbin-Watson test Study 2

| Model Summary <sup>b</sup> |                   |          |                   |                            |               |
|----------------------------|-------------------|----------|-------------------|----------------------------|---------------|
| Model                      | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1                          | ,545 <sup>a</sup> | ,297     | ,290              | 1,318                      | 2,111         |

a. Predictors: (Constant), Q15

b. Dependent Variable: How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely

## Appendix 18: Regression Model Study 2

| Coefficients <sup>a</sup> |                             |            |                           |       |       |                                 |             |              |         |         |                         |       |
|---------------------------|-----------------------------|------------|---------------------------|-------|-------|---------------------------------|-------------|--------------|---------|---------|-------------------------|-------|
| Model                     | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.  | 95,0% Confidence Interval for B |             | Correlations |         |         | Collinearity Statistics |       |
|                           | B                           | Std. Error |                           |       |       | Lower Bound                     | Upper Bound | Zero-order   | Partial | Partial | Tolerance               | VIF   |
| 1 (Constant)              | ,686                        | ,566       |                           | 1,212 | ,228  | -,437                           | 1,808       |              |         |         |                         |       |
| Q15                       | ,798                        | ,122       | ,545                      | 6,558 | <,001 | ,556                            | 1,039       | ,545         | ,545    | ,545    | 1,000                   | 1,000 |

a. Dependent Variable: How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely

## Appendix 19: P-P-Plot of Regression Standardized Residual Study 2

Normal P-P Plot of Regression Standardized Residual  
Dependent Variable: How likely would you be to purchase this co-branded product between ARMOND and ALICE? - Not likely:Very likely

