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**The influence of co-branding on consumers' purchasing desire in China's fashion  
industry**

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by

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## **ABSTRACT**

*The objective of this paper is to provide managers with some references while entering Chinese fashion market using co-branding strategy. Current studies into co-branding are most theoretical and broad. As Chinese market becoming more popular among foreign fashion industry, this research would give a deeper view on the effectiveness of co-branding strategy from consumers' perception. 2 hypothetical combinations of brands were selected to compare consumers' attitudes and purchase desires. Surveys were distributed through Internet to measure consumers' attitudes and purchase desires towards different co-brand products. The results indicates that different combinations of brands would not affect consumers' attitude but does affect their purchase desires. And their purchase desires would be affected by their attitudes. These findings might be helpful for managers of fashion companies when considering co-branding in the Chinese market.*

**Keywords:** *Co-branding, customer attitude, purchasing desire, Chinese fashion market*

## INTRODUCTION

While traditional luxury goods markets like Europe, Japan and the United States hit a bottleneck, Chinese luxury goods market is growing rapidly (B. Zhang & Kim, 2013). This has made China the new gold mine for luxury brands who are experiencing an economic recession. The main group of luxury consumers in China is young people between 20 and 40 years old. They were born after China's reform and opening up while China was in the golden age of economic development. People were getting better off and luxury goods were no longer far and beyond reach even for those who are not so financially affluent (Wang, Sun, & Song, 2011). How to occupy the Chinese market has become the issue that must be considered by managers.

Co-branding as a successful marketing strategy has become very popular in the Chinese fashion market in recent years, and some brands have made huge profits from it. Uniqlo and Kaws released t-shirts and tote bags a few months ago. On the day of the launch, T-shirts sold out in online store as soon as they hit the shelves. The sales offline are also booming, with many people waiting outside Uniqlo before dawn to grab a piece of T-shirt. On Weibo, a topic about the co-branding of Uniqlo and Kaws has been read 540 million times. There is no doubt that this is a successful sales case considering the broad brand exposure and high sales brought to Uniqlo and Kaws. But sometimes co-branding doesn't work as it was expected to be. Uniqlo and JW Anderson are both known as brands that often produce hot-sale products. But when they cooperate on 2018, their products had received a cool reception from consumers. The same strategy will have different results for different combination of brands.

Current researches have assessed the effects that co-branding have on the parent brands. Weaker brands in the alliances are more likely to be affected (Besharat & Langan, 2014). At the same time, the success of a co-branded brand can also be influenced by the

parent brand (Böger, Kottemann, & Decker, 2018). In order to understand how parent brands affect the co-brand, this research would test how consumers' attitudes and purchase desires vary towards different combination of parent brands. The relationship between consumers' attitudes and purchase desires would also be tested.

## **LITERATURE REVIEW - BACKGROUND**

### **Co-branding**

There are some articles that have looked into co-branding, but most of them are standing on the corporate side to understand this marketing strategy. Early research has drawn the conclusion that co-branding is an effective marketing strategy to expand business by helping enter new markets (Young, Hoggatt, & Paswan, 2001). If the company make good use of co-branding strategy, it would cost them little money but achieve great market share in a short period. There is a research that gives some directions on how to create a successful alliance. First the manager should have a good understanding of their own capability. Then the managers should figure out the approaches to co-branding. Finally they are expected to collaborate all the resources they have (Young, Green, & Paswan, 2000). These steps help companies avoid some mistakes while carrying out the co-branding strategy.

Later on a research pointed out that in the alliance, customer attitudes of those less-known brands are more likely to be influenced (Leuthesser, Kohli, & Suri, 2003). Recent years, another research shows that customers' perception on a co-brand will be based more on the well-known parent brands (Böger et al., 2018). Through these two researches we can see that, if the co-branding alliance succeed, the less-known brand will benefit more from this alliance.

### **Consumers' purchasing desire**

Deep understanding of consumer is indispensable to carry out a new market strategy. Individual differences would lead to different in consumer behavior and attitude (Zhang & Prybutok, 2005). Cultural differences is one of those individual differences (Melewar, Meadows, Zheng, & Rickards, 2004). Especially in China, people shop luxury fashion goods in order to gain face and social recognition (Zhang & Kim, 2013).

Consumers' shopping motives can be categorized into 2 categories: personal shopping motives and social shopping motives. Personal shopping motives includes role playing, diversion, self-gratification, follow new trends, physical activity, and sensory stimulation. Social shopping motives includes social experiences outside the home, communication with others, peer group attraction, status and authority, and pleasure of bargaining (Tauber, 1995). Same strategy may not work for both of those two type of customers, this requires the marketing managers set up different marketing strategies for people have different kind of shopping motives (Jamal, Davies, Chudry, & Al-Marri, 2006).

### **China's fashion market**

Due to the language barrier, there is few articles that looks into co-branding in China. Actually China is a very promising market for the future. Under the open-door policy, FDI and economic growth promote each other, which means Chinese market is trying to attract foreign capital (Liu, Burrige, & Sinclair, 2002). Also, China has become the third largest consumer of high-end fashions thanks to the appearance of new rich (Gao, Norton, Zhang, & To, 2009). As economy keep expending in China, consumption for luxury goods is set to grow further (Zhan & He, 2012).

In China, young people are the main group of luxury consumers (Wang et al., 2011). Most of these people were born after 1990, and they are well-off. Luxury goods, though expensive, are within the range of their families. Chinese customers especially like those fashions good with popular logos (Wang et al., 2011). Balenciaga, which has been hot in

recent years, and LV are good examples. Using luxury items is also considered part of the fashion.

There is only few researches that conducted from consumers' perspective. To fill that gap, this research would link directly to customers and investigate the output of co-branding in Chinese market.

## **STATEMENT OF HYPOTHESIS**

According to the literature review, China's luxury market is still growing, and Chinese consumers still have high enthusiasm for luxury consumption. Customers' attitude and purchasing desire towards a co-brand would be affected by the parent brands.

Based on the existing body of knowledge reported above, the following hypotheses are derived.

**Research Question (RQ): What effect does the market positioning of the parent brand have on consumers' attitude towards co-branded brands in China's fashion market?**

H1: Regarding Chinese customers' attitudes towards a new product co-branded by 2 luxury brands and the same product co-branded by a luxury brand and a non-luxury brand.

1a - Chinese customers' attitudes towards a new product co-branded by 2 luxury brands is significantly greater than the same product co-branded by a luxury brand and a non-luxury brand.

1b - Chinese customers' attitudes towards a new product co-branded by 2 luxury brands is not significantly greater than the same product co-branded by a luxury brand and a non-luxury brand.

H2: Regarding Chinese customers' purchase desires for a new product co-branded by 2 luxury brands and the same product co-branded by a luxury brand and a non-luxury brand.

2a - Chinese customers' purchase desires for a new product co-branded by 2 luxury brands is significantly greater than the same product co-branded by a luxury brand and a non-luxury brand.

2b - Chinese customers' purchase desires for a new product co-branded by 2 luxury brands is not significantly greater than the same product co-branded by a luxury brand and a non-luxury brand.

H3: Regarding Chinese customers' attitudes towards a new product and their purchase desires.

3a - There is no relationship between Chinese consumers' attitudes and purchase desires.

3b - There is a relationship between Chinese consumers' attitudes and purchase desires.

## **METHODOLOGY**

This research focus on customers' attitudes and purchase desires towards co-branding products within the field of fashion in China. This study use a survey based method. A survey can improve the external validity of research results from the perspective of management (Winer, 1999). The survey was distributed through popular Chinese social media including but not limited to WeChat, QQ and Weibo.

The style of shoes is changeful which made shoes one indispensable element of fashionable collocation (Krick, 2004). For this reason shoes are chosen as the product to be

studied. Hypothetical brands are frequently used while studying family brands (Swaminathan, Fox, & Reddy, 2001). According to the literature review, LV and Balenciaga are two popular luxury fashion brands among Chinese customers. As one of world's most popular sneakers, Converse is also gaining favor in China (Langfitt, 2012). In the meantime, Converse's prices are also more affordable. Generally speaking, Converse is a popular non-luxury brand that well suited as a hypothetical research object. Thus these three brands were chosen to be studied.

Survey questions were designed to measure consumers' attitudes and purchasing desire towards hypothesis brands.

### *1. Survey Question on Consumer Attitudes*

Three items are listed to measure consumer attitudes with five-point semantic differential scales. The items come from Besharat (2010). The items and scales used to measure this construct appear in the Appendix A.

### *2. Survey Question on Purchasing Desire*

Another three items are listed to measure purchasing desire with five-point semantic differential scales. The items come from Besharat (2010). The items and scales used to measure this construct appear in the Appendix A.

## **ANALYSIS / RESULTS**

A total of 206 online survey responses were collected by distributing through popular Chinese social media like QQ, WeChat, and Weibo. The participants ranged somewhat in age (0-18 years 3.4%, 18-30 90.78%, 31-40 3.88%, 41-50 1.46%, 51-60 0%, and 60+years 0.49%). Among the respondents, 44.66% respondents were male and 55.34% were female.

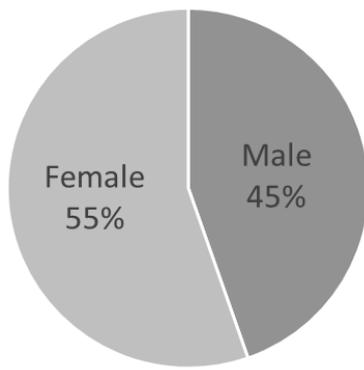


Figure 1. Gender distribution

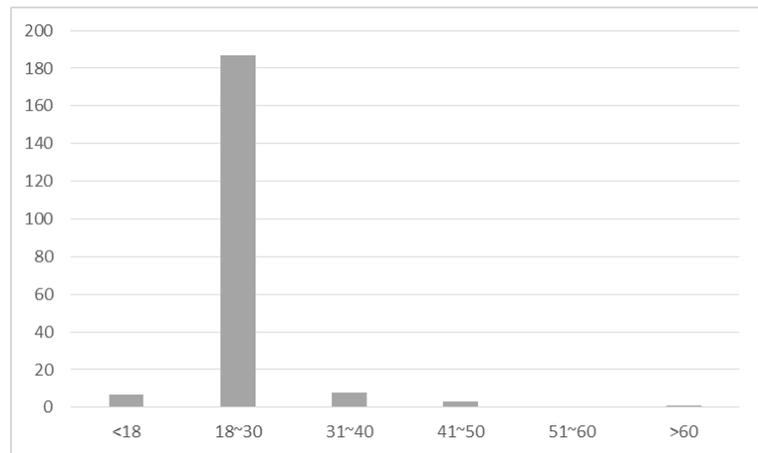


Figure 2. Age distribution

Several correlation test shows there are relationships between 3 scales that are used to measure consumers' attitudes. Also there are also relationships between 3 scales that are used to measure consumers' purchase desires. Based on these results, means of these 3 scales are calculated to represent consumers' attitudes and purchase desires. Figure 3 shows the results of comparisons for consumers' attitudes and purchase desires.

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	AveAttitude1 - AveAttitude2	-.04045	.84004	.05853	-.15585	.07494	-.691	205	.490
Pair 2	AvePurchaseDesire1 - AvePurchaseDesire2	-.19094	.91255	.06358	-.31629	-.06558	-3.003	205	.003

Figure 3. Pairwise comparisons of means for consumers' attitudes and purchase intentions.

No significant mean differences occur in consumers' attitudes in Luxury-Luxury versus Luxury-Non-luxury (mean difference = -.04045,  $p > .05$ ), meaning that it fails to support H1a. In this case H1b is accepted which says Chinese customers' attitudes towards a new product co-branded by 2 luxury brands is not significantly greater than the same product co-branded by a luxury brand and a non-luxury brand.

However, significant differences in mean value of consumers' purchase desires in Luxury-Luxury versus Luxury-Non-luxury is observed (mean difference = -.19094,  $p < .05$ ). So H2a is supported. That is people are more willing to buy a product co-branded of a luxury brand and a non-luxury brand.

**Correlations**

		AveAttitude1	AvePurchaseDesire1
AveAttitude1	Pearson Correlation	1	.554**
	Sig. (2-tailed)		.000
	N	206	206
AvePurchaseDesire1	Pearson Correlation	.554**	1
	Sig. (2-tailed)	.000	
	N	206	206

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Correlations**

		AveAttitude2	AvePurchaseDesire2
AveAttitude2	Pearson Correlation	1	.762**
	Sig. (2-tailed)		.000
	N	206	206
AvePurchaseDesire2	Pearson Correlation	.762**	1
	Sig. (2-tailed)	.000	
	N	206	206

\*\* . Correlation is significant at the 0.01 level (2-tailed).

*Figure 4. Correlation analysis of consumers' attitudes and purchase desires*

Figure 4 listed the results of correlation test between consumers' attitudes and purchase desires. The results reject H3a thus H3b is accepted (Luxury-Luxury: Pearson correlation = .554,  $p < 0.01$ ; Luxury-Non-luxury: Pearson correlation = .762,  $P < 0.01$ ). There is relationship between consumers' attitudes and purchase desires.

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

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	.770	.256		3.010	.003
	AveAttitude1	.660	.070	.554	9.498	.000

a. Dependent Variable: AvePurchaseDesire1

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.210	.191		1.097	.274
	AveAttitude2	.861	.051	.762	16.816	.000

a. Dependent Variable: AvePurchaseDesire2

*Figure 5. Regression analysis of consumers' attitudes and purchase desires*

Then a regression analysis of consumers' attitudes and purchase desires is conducted and the results are listed in figure 5. It proves that there is a positive correlation between consumers' attitudes and purchase desires ( $B1 = .660 > 0$ ,  $B2 = .861 > 0$ ).

## CONCLUSIONS AND PRACTICAL IMPLICATIONS

According to the research, the market position of the parent brands doesn't have significant influence on consumers' attitudes towards the co-brand but it does have significant influence on consumers' purchase desires towards the co-brand. At the same time, consumers' purchase desires would be affected by their attitudes towards the co-brand. The more positive attitude they have on the co-brand, the more likely they would like to buy them.

On a practical application level, while non-luxury brands marketers are thinking about increasing their market share, co-branding with luxury brands would be a good choice.

According to the results, this combination is what consumers expect. Non-luxury brands usually make money by small profits but quick turnover which means they have to maintain low prices to attract customers (Kim, 2010). But as they co-brand with luxury brands, things

could change. Customers are mostly willing to pay a relatively higher price but lower than the original luxury brands to get a product co-branded by a luxury brand and a non-luxury brand. Luxury brands would also benefit from it as well. One problem luxury brands have is that they hardly have access to low-end customers due to high prices. And it's impossible for them to lower the price. Most people buy luxury products because of the sense of status, wealth, and exclusivity that luxury products convey (McFerran, 2014). Once they lower their prices, they are likely to lose their original customers for leaving original customers a sense of losing uniqueness. However, by cooperating with non-luxury brands, luxury could lower their price without offending their original customers. This would help expand the reach of luxury brands. This a win-win deal for both luxury brands and non-luxury brands.

## **LIMITATIONS AND FUTURE RESEARCH**

Of course this research do have some limitations. First those online surveys were distributed through social media, so most of the participants are within the distributor's social circle which means the sample lacks randomness. In this research, the distributor's social circle is mostly young people between 18 and 30 and live in economically developed areas along China's east coast. And because they have been in a life circle for a long time, their views tend to assimilate, leading to biased results. At the same time, the region is relatively concentrated, unable to represent the entire Chinese market. In this case, a randomly distributed online survey would help make the data more relevant and representative of the Chinese market. In order to increase sample randomness, assigning the survey to distributors with different demographic characteristics is one approach that worth trying.

Second, this research uses a hypothetical co-brand as the object of study, which has certain limitations. In practice, the attitude and desire of consumers towards co-brands are also influenced by multiple factors. Because the imaginary brand does not exist in reality,

participants may add their own opinions on the brand during the test, which may lead to inaccurate test results. For future researches, an experiment using real existed co-brand products is highly recommended.

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## Appendix A. Scales used to measure attitudes and purchase desires

<b>Attitude</b>	
My attitude towards this product is	1-extremely negative    2    3    4    5-extremely positive
The use of this brand for this product is	1-extremely unfavorable    2    3    4    5-extremely favorable
I believe this brand relative to other brands is likely to be	1-extremely inferior    2    3    4    5-extremely superior
<b>Purchasing Desire</b>	
I like to try this brand	1-definitely not    2    3    4    5-definitely yes
I would buy this brand if I see it in a store	1-definitely not    2    3    4    5-definitely yes
I would actively seek out this brand in a store in order to purchase it	1-definitely not    2    3    4    5-definitely yes