

A MANAGERIAL PERSPECTIVE OF CO-BRANDING STRATEGY IN INDONESIAN FASHION INDUSTRY

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Abstract

One of Indonesia's fashion industry potential is emerging collaboration between designer and fashion industry players. However, the problem faced by fashion industry players is lack of similar perception and lack of standardized concept of cooperation. Therefore, this paper studies the managerial perspective of co-branding strategy from Indonesian fashion brands research method by using semi-structured interview, observation and secondary data. The research was conducted to study the motivations behind co-branding, process of co-branding in the creative value chain, and challenges that were faced throughout the process with ways to overcome them.

Keywords: Co-Branding; Collaboration; Fashion Industry; Indonesian Fashion Brands. that have implemented it before. This research used qualitative data

1. Introduction

In the recent years, the government of Indonesia is actively pursuing growth in the field of creative economy. According to the book *Ekonomi Kreatif: Kekuatan Baru Indonesia Menuju 2025* by Ministry of Tourism and Creative Economy Republic of Indonesia (2014), starting from 2014 Indonesia's creative economy sector is targeted to grow around 5 - 7,5% each year. The government also targeted a growth rate on the creation of creative economy job fields for 1 - 2% each year. As one of the most potential subsector, according to a follow-up book *Rencana Pengembangan Industri Mode Nasional 2015-2019* by Ministry of Tourism and Creative Economy Republic of Indonesia (2015), Indonesia's emerging fashion industry is contributing 28% of all total creative industry GDP in Indonesia; which makes it as the second largest subsector after culinary industry.

According to the book *Rencana Pengembangan Industri Mode Nasional 2015-2019* by Ministry of Tourism and Creative Economy Republic of Indonesia (2015), Indonesian fashion industry growth was hampered by many factors, one of them is due to the lack of collaboration between industry players. The lack of collaboration is usually caused by two main problems. The first one is, due to lack of optimal communication, the collaboration concept needs to be sharpened in order to have a good competitiveness. The second one is, there is a lack of similar perception and lack of standardized concept of cooperation, which resulting in a partial or momentary collaboration. This paper will focus in finding the solution and recommendation for the both problems, in which how can we create a sharp collaboration concept, similar perception, and cooperation standard for Indonesian fashion industry players if they wanted to pursue the strategy. Currently, not all of the Indonesian fashion brands are well aware with the co-branding strategy and also how to implement it. This issue can only be answered by learning from Indonesian fashion brands that have pursued this strategy before, and that is why the author conducted this research.

One of the common collaboration strategies between fashion brands that have been applied recently is co-branding. Co-branding is a strategy in which two or more brands are intentionally combined into a joint product and/or marketed together in some ways. (Kotler and Keller, 2009) International fashion houses have done this strategy for numerous times, the most recent example being the collaboration between high fashion brand Balmain with mass-market fashion brand H&M. Other forms of co-branding, such as collaboration between brands and fashion retail store is also prevalent, for example Missoni's special collection for Target. Lastly, there is also a trend in doing celebrity co-branding, such as Adidas that have collaborated with Kanye West in creating Yeezy Boost 350. This strategy is starting to become a trend within Indonesian fashion industry players. One of the most notable examples is co-branding between Tegep Boots with Ika Butoni by Mardiana Ika. The collaboration is targeted for international fashion week such as Hong Kong Fashion Week, and it has been running annually since 2007 until now. Moreover in terms of co-branding with fashion retailer, Elhaus, a denim brand from Jakarta, have collaborated with The Goods Dept, a local brand fashion retailer, in launching a capsule collection called the Goods Plus. Lastly, Indonesian fashion brands also have followed the strategy of co-branding with celebrity, for example Pot Meets Pop XOXO, a denim brand focused for women that have collaborated with well-known Indonesian celebrity, Pevita Pearce.

Based on the background, the objectives of this research are: to know the motivation of Indonesian fashion brands in pursuing a co-branding strategy, to know the process of a co-branding strategy within the fashion industry's creative value chain, and to know the challenges that appears during a co-branding process and ways to overcome them.

This paper will be divided into 5 parts, which are Introduction to describe the background of this research, Literature Review to review of theoretical frameworks regarding the subject that is used in this research, Methodology to explain a detailed methodology that used to address the problem, Data Analysis to explore and break down the data that have been gathered and collected during the research, and Conclusion to conclude the entire research. The author will also give a recommendation in this paper, which will be given to all Indonesian fashion brands that wanted to pursue a co-branding strategy.

2. Literature Review

According to Kotler and Keller (2009), co-branding is a strategy in which two or more brands are intentionally "combined into a joint product and/or marketed together in some fashion." The strategy of co-branding has been referred to as strategic alliances, joint marketing, joint branding, joint promotion, composite brand extension and ingredient branding. (Oeppen & Jamal, 2014). To sum up, the definition that will be used for this study came from Blackett and Russel (1999), which is "...a form of cooperation between two or more brands with significant customer recognition, in which all the participants' brand names are retained. Co-branding is usually of medium to long term duration and its net value potential is too small to justify setting up a new brand and/or legal joint venture."

For the typology of fashion co-branding, a recent proposition came from Oeppen and Jamal (2014) that describes the different relationship of co-branding that happens in the fashion industry scope. The relationship is defined through the partners that the focal brand has selected to collaborate with. It is divided into several categories, which are Brand with Brand, Brand with Retail Store, and Brand with Celebrities.

According to the paper *Market Facing Strategic Alliances in the Fashion Sector* by Wigley and Provelengiou (2011), there are five avenues in which fashion brands can measure their success of co-branding efforts. The motives are based on the previous

study of Whipple and Gentry (2000) that is completed with fashion-industry specific motives of strategic alliance. The motives are Strategic Motives, Financial Motives, Technical Motives, Managerial Motives, and Fashion Industry Specific Motives. Strategic motives include all market and product-related issues, including broadening market access, diversifying product lines and the development of new products. The division of risk and the cost savings are some of the financial motives for strategic alliance. The desire to benefit from other parties' internal and technical resources is included in technical motives for alliance. Several managerial motives for alliance are identified; these include benefits arising from the rationalizing of suppliers and customers. (Whipple and Gentry, 2000). Wigley and Provelengiou (2011) suggest that there are other elements outside the 4 motives that have been proposed previously, in which they are specific to fashion industry alliance. The first is motives to acquire up-stream competences such as design, product development, and manufacturing. Secondly, the motives to acquire market-facing competences such as brand creation management, marketing communications, public relations, retail and sales channel presentation.

According to the paper *Managing alliance relationships: key challenges in the early stages of collaboration* by Kelly, Schaan, and Joncas (2002), there are three key themes that define challenges in the early stage of a business alliance. The challenges are People/Relationship Issues, Operations Issues, Strategic Agenda & Result Issues. According to Ministry of Tourism and Creative Economy Republic of Indonesia (2015), Indonesian fashion industry consists of four levels: the production of raw materials such as textiles, leather and fur; the production of fashion goods by designers, manufacturers, contractors, and others; retail sales; and various forms of advertising and promotion. Moreover, creative value chain is a value generating process with a social, cultural, and economic transaction happening inside. Within each processes, there are main and supporting activities happening. Basically, the process can be broken down into four major steps, which are creation, distribution, production, and commercialization.

3. Methodology

In conducting the research, the author uses systematical steps that are presented in this chapter. The steps are Problem Identification, Conceptual Framework, Research Design, Data Collection and Analysis, Results, and Conclusion. Each steps has different objectives, be it collecting data or analyzing appearing patterns. The first step that needs to be conducted is to identify the problem that is going to be researched. This research will focus on finding out how to execute a co-branding activity that can give direct positive benefits to the brands' business and marketing objectives. The result from this project is highly needed because in order to pursue aggressive growth, fashion industry players must work hand-in-hand and share each other's best practices in co-branding.

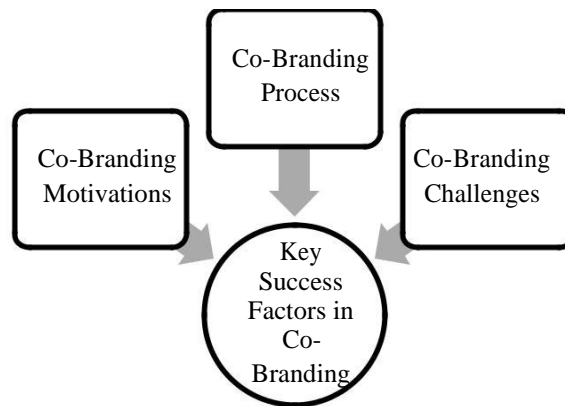


Figure 1: Conceptual Framework

The conceptual framework (See Figure 1) is incorporated based on several literatures. The first literature review about Co-Branding Motives is based on the paper *Market Facing Strategic Alliances in the Fashion Sector* by Wigley and Provelengiou (2011). Wigley and Provelengiou divided the motivations into 5 big themes that are central for the research. The second literature review is about Co-Branding process is based on the book *Rencana Pengembangan Mode Nasional* by Kementerian Pariwisata dan Ekonomi Kreatif Republik Indonesia (2015). The book describes the whole value creating process of the fashion industry in Indonesia. Lastly, for the co-branding challenges, the author refers to the paper *Managing alliance relationships: key challenges in the early stages of collaboration* by Kelly, Schaan, and Joncas (2002). The paper has mapped several key challenges in early stages of business collaboration that can be easily applied throughout the research process. As for the key success factors will be a result of data analysis and findings of pattern that is scattered throughout the whole research.

In order to gain a good understanding of the managerial perspective, this research adopts a qualitative and an interpretive approach of investigation. The research utilizes exploratory, in-depth interviews that aim to understand brand managers' experiences of motivations and strategy for entering collaborations. One of the interview techniques is semi-structured interview, which usually chosen because it can encourage a more interactive two-way communication and could confirm what is already known and provides greater opportunity for learning. (Wahyuni, 2012). Based on that, observation and semi structured interview technique will be conducted to identify the managerial perspective of co-branding within fashion brands in Indonesia. The research is taken with a purposive case in which the respondents that are being asked are sample of brand managers and decision-makers within the Indonesian fashion industry, representing brands from different levels and with differing relationship dynamics according to the co-branding typologies. For the purpose of this research, there are several definitions that are used to pick the sample of respondents. The first that they must be a person coming from Indonesian fashion brands, which means that they own or manage a brand that is within the scope of Fashion Industry, following the framework by Ministry of Tourism and Creative Economy Republic of Indonesia (2015). Secondly, they already have an experience of co-branding with another parties, in which the typologies of Co-Branding are following the framework that has been proposed by Oeppen and Jamal (2014) and described further in the unit of analysis.

Table 1: Unit of Analysis & Case Selection

Case Selection	Brand with Brand	<p>“two leading fashion houses... join forces to create a new line of clothing.” (Monga & Lau-Gesk, 2007).</p> <p>Case: Tegep Boots co-branding with Ika Butoni for Hong Kong Fashion Week</p>
	Brand with Retailer	<p>“..both partners newly create a co-brand product exclusively to be sold specifically at the retailer location.” (Levi, 2013)</p> <p>Case: Elhaus co-branding with The Goods Dept for Goods+ Collection</p>
	Brand with Celebrity	<p>"a form of co-branding where the celebrity not only affects the endorsed product’s brand equity, but the reverse process is also happening" (Seno & Lukas, 2007)</p> <p>Case: Pot Meets Pop XOXO co-branding with Pevita Pearce for Jakarta Fashion Week</p>

To break down the analysis unit into cases, the author used a typology division proposed by Oeppen and Jamal (2014) that divides co-branding in fashion industry into 3 specific forms of partnership. For each description, the author has chosen an Indonesian brand that goes along with the description provided.

Interview will be recorded and the author will also take notes during the interview. The transcribing process is also included in this step, where the author will convert the audio data to text for analysis. The respondents and interview duration will be listed on table below.

Table 2: Interview Respondents

Name of Respondent	Company	Interview Duration
Tegep Oktaviansyah	Tegep Boots	1 hour 3 minutes
Armita Sunaryo	Pot Meets Pop XOXO	1 hour 6 minutes
Raven Navaro	Elhaus	1 hour 4 minutes

4. Data Analysis

In conducting the research, the author uses systematical steps that are presented in this chapter. In this part of the chapter, the author will do a cross-case analysis based on the data that have been presented above in order to find key success factors.

Motivation of Co-Branding

Below (see Table 3) is the contrast table of each case's motivations in doing co-branding, based on the division that has been outlined in the literature review.

Table 3: Contrast Table for Motivation of Co-Branding

Motivations <i>Wigley and Provelengiou (2011)</i>	Brand with Brand	Brand with Retailer	Brand with Celebrity
	Strategic Motivation	<input type="checkbox"/> Open access to new market <input type="checkbox"/> Transfer of values between parties	<input type="checkbox"/> Open access to new market <input type="checkbox"/> Transfer of values between parties
Technical Motivation	None	None	None
Managerial Motivation	<input type="checkbox"/> Operating in international market	<input type="checkbox"/> Simplifying stock management	None
Financial Motivation	<input type="checkbox"/> Increasing sales as spillover effect	<input type="checkbox"/> Reducing cost <input type="checkbox"/> Revenue certainty	<input type="checkbox"/> Increasing sales as spillover effect
Fashion Specific Motivation	<input type="checkbox"/> Showcase in Fashion Week	<input type="checkbox"/> Showcase in curated market (fashion)	<input type="checkbox"/> Showcase in fashion week

All respondents agreed that their main motivation in pursuing a co-branding strategy is to open access to a new, broader market that they can't tap on their own. This is in line with the previous findings, in which co-branding is a successful way to increase brand awareness for the constituent brands, and especially true if one of the brands is seeking to enter a new market or market segment (Washburn et al., 2000). Moreover, another pattern that showed up is that these brands wanted to pursue a transfer of values within parties that can also be interpreted as changing perceptions to be in-line with the co-branding partner. It is similar with findings of Oeppen and Jamal (2014) that stated how positive brand associations can be gained through 'borrowing' certain associations from a partner through a co-branded collaboration.

However, Contrary to the framework that has been proposed, turns out Indonesian fashion brands are not pursuing the technical motivation in doing a co-branding arrangement. One of the respondent stated that this is a matter of sensitivity between both parties that are still much disputed between Indonesian brands. In the managerial motivation framework, the author analyzed that there are no similarity between each cases, and each motivation is very specific to the co-branding arrangement.

For financial motivation, it can be seen that two cases wanted an increase of sales as spillover effect of the co-branding strategy. Meanwhile, Brand with Retailer case motivation to reduce cost resonates the findings of Wigley and Provelengiou (2011) in which they said, "...dispersal of risk and the generation of cost savings are among the financial motives for alliance."

For fashion specific motivation, a pattern emerges that all of the co-branded collections have the objective to be showcased in a fashion specific event, such as a fashion show during fashion week, or a curated fashion market. Turns out, for Indonesian fashion brands, momentum is very important in creating a co-branded collection. With the existence of fashion events, it can be an incentive for fashion brands to release a limited and exclusive collection that can be showcased during the event.

Process of Co-Branding

Below is the contrast table of each case's process in doing co-branding (see Table 4)

Table 4: Contrast Table for Process of Co-Branding

Process	Brand with Brand	Brand with Retailer	Brand with Celebrity
Preparation	<input type="checkbox"/> Formal MoU agreement	<input type="checkbox"/> Informal talks	<input type="checkbox"/> Formal MoU agreement
Creation	<input type="checkbox"/> Creating shared guidelines <input type="checkbox"/> Designing products separately	<input type="checkbox"/> Guide by retailer <input type="checkbox"/> Design by brand	<input type="checkbox"/> Guide & inspiration by celebrity <input type="checkbox"/> Design by brand
Production	<input type="checkbox"/> Producing items separately	<input type="checkbox"/> Production by brand <input type="checkbox"/> Quality control by retailer	<input type="checkbox"/> Production by brand <input type="checkbox"/> Modification by celebrity
Distribution	<input type="checkbox"/> Distributed separately	<input type="checkbox"/> Distributed by retailer	<input type="checkbox"/> Distributed by brand
Sales & Marketing	<input type="checkbox"/> Equal, collaborative marketing concept <input type="checkbox"/> Separate budget	<input type="checkbox"/> Equal, collaborative marketing concept <input type="checkbox"/> Budget from retailer	<input type="checkbox"/> Marketing concept by brand <input type="checkbox"/> Budget from brand <input type="checkbox"/> Celebrity contribute as model + SocMed
Evaluation	<input type="checkbox"/> Annual evaluation for next co-branding collection	None	None

Almost all co-branding strategy must start with a clear Memorandum of Understanding between parties, to clear out each party's roles and responsibilities. However, all of the respondents agreed that usually the partner selection happens because there has been a closeness of personal relationship between the parties before the arrangement begun. During creation phase, all focal brands are designing by themselves. In the case of Brand with Brand, both brands are usually producing separately. While in the case of Brand with Retailer and Brand with Celebrity, both of the partners are just involved as collaborators; be it providing a guideline or inspiration for the upcoming collection. Entering production phase, the result shows that all focal brands are producing their items individually, and there is no active co-production process that happens during this phase.

It is in line with the lack of technical motivation that is pursued by both parties, as what has been described in the previous part of the analysis. For distribution phase, it can be analyzed that each parties are still doing it on its own. For Brand with Brand, the collection is sold in each brands' respective stores. For Brand with Retailer, it is sold through the retailer channel. And for Brand with Celebrity, it is sold through the brands' sales channel.

Turns out, based on data analysis, Sales & Marketing is the main part that is really focused by Indonesian fashion brands while doing a co-branding arrangement. It shows that all of the types in this case are working extensively together, and it can be categorized as a medium to high integration according to Newmeyer's degree of co-branding (2011). Lastly, not all the co-branding arrangements are implementing an evaluation phase to assess the success of previous collection. The only arrangement that implemented this is Brand with Brand case, and it is also because the arrangement is set for an annual repetition.

Challenges of Co-Branding

Below is the contrast table of each case's process in doing co-branding (see Table 5)

Table 5: Contrast Table for Challenges of Co-Branding

Challenges <i>Kelly, Schaan, and Joncas (2002)</i>		Brand with Brand	Brand Retailer	with	Brand with Celebrity
People related	Issues	<input type="checkbox"/> Overcome each brands designer's ego <input type="checkbox"/> Fear of a failed partnership	<input type="checkbox"/> Minor communication problem (good cultural fit)		<input type="checkbox"/> Celebrity's mood <input type="checkbox"/> Uncertainty of decision <input type="checkbox"/> Mindset difference
	Ways to overcome	<input type="checkbox"/> Create deeper bond <input type="checkbox"/> Clear MoU	<input type="checkbox"/> Having a mediator from retailer side		<input type="checkbox"/> Adjusting with celebrity's wants <input type="checkbox"/> Taking over vital parts <input type="checkbox"/> Clear MoU
Operations Related	Issues	<input type="checkbox"/> Product design changes <input type="checkbox"/> Technology / material limitation	<input type="checkbox"/> Product design changes <input type="checkbox"/> Timeline <input type="checkbox"/> Technology / material limitation		<input type="checkbox"/> Proximity <input type="checkbox"/> Scheduling <input type="checkbox"/> Timeline <input type="checkbox"/> Technology / material limitation
	Ways to overcome	<input type="checkbox"/> Adjustment <input type="checkbox"/> Compromise	<input type="checkbox"/> Adjustment <input type="checkbox"/> Compromise <input type="checkbox"/> Clear MoU		<input type="checkbox"/> Adjustment <input type="checkbox"/> Compromise
Objective and Result Related	Issues	None	<input type="checkbox"/> Minor result-related challenges		None

There are few points that can be highlighted for People Related Challenges Firstly, a Brand with Brand co-branding will present a huge challenge in terms of ego since both brands have design characteristics that they have to preserve. Since co-branding means that they have to combine both characteristics, it became a challenge to make everyone satisfied. Secondly, most brands are also afraid of failed relationship when they do partnership. This is caused by one of the parties that cannot divide between personal issues and business issues during collaborations. Thirdly, when it comes to co-branding with celebrity, his or her ego is also becoming

a huge factor because in Indonesia, the benefit is still perceived as one sided. The celebrity usually thinks that the brand needs him/her more than he/she needs to collaborate with the brand. This mindset makes it extremely hard to have a healthy work relationship when doing co-branding with a celebrity. Based on the data analysis, there are two major ways on handling this situation. The first one is by adjusting and having deeper bond with the collaborator, for example by talking about things that are non-business related with the collaborator to make the collaboration less formal. By having a good cultural fit with collaborator, it makes the brand easier to overcome people related challenges. Secondly, it is also advised to clear out anything that might be a potential conflict points before pursuing the collaboration on the agreement stage, thus the risks can be mitigated since the beginning.

Another challenge that mostly appears during a co-branding arrangement is in terms of operations. Firstly, there is a classic problem of design change, due to technical incapability of the vendors or producers. This is a problem that happens across the

whole co-branding typologies, and it always resulted in the final product not living up to the initial ideas or sketches that have been discussed before. Secondly, material limitation is also a problem, since the producer of fashion goods in Indonesia has a very limited selection of materials. Thirdly, in terms of timeline, it also changes a lot due to incapability to fulfil the production requests on time. Lastly, for several co-branding arrangement that happens between parties who are not in the same city also experienced a proximity problem, whereas it is very hard for the two parties to meet. With this problem in mind, the only way for the brand managers to mitigate it is by compromising and adjusting within the available design so that both parties are satisfied. It is very hard to deal with these challenges since most of them came from external parties such as vendors, suppliers, etc. In the end, it takes a big heart both for the brand and the collaborator to accept the fact that things might change along the way. Interestingly, there are almost no Objective & Result related challenges that appear during the process. Other than minor challenges that our respondents for Brand with Retailer co-branding say, the other respondents are fairly happy with the result.

Conclusions

This research revealed that currently, Indonesian brands are pursuing co-branding strategy to gain access to new market, create a good brand association, and gain extra financial benefit using a momentum in the Fashion Industry such as Fashion Week or curated market. Moreover, the process of co-branding is focused heavily on the preparation stage and sales marketing stage, both with the highest level of co-branding integration. Lastly, the challenges that the brands have to overcome were internal related challenge such as communication issue and battle of ego, and also external related challenge such as design changes due to technology and material limitation. Ways for the brand managers to overcome them were to create deeper bond with partner, clarify contractual agreement, and compromising the design to be adjusted. Based on the research analysis, it is recommended for the brands that want to pursue co-branding strategy to set a clear objective since the beginning. Moreover, a good partner selection with a similar mindset is needed to overcome the challenges hand-in-hand. A clear contractual agreement is needed upfront, and product quantity should be kept in a limited amount to minimize sales risk and create delight for customer. After the strategic period ends, brands should also have a more detailed evaluation. In the next future, other brands can explore a more technical resource-sharing co-branding strategy and also partnering up with International brands.

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