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A Case Study Synthesis of Co-branding, Retailing and Franchising

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ABSTRACT

This study presents a case study of the Retail Food Group and its retail co-branding arrangements, highlighting new directions for franchising and branding related research. The areas of retailing, co-branding and franchising are synthesised providing a contemporary 'lens' for identifying and explaining the phenomenon of co-branding in business format franchising. To explain why RFG chose a co-brand strategy a mixed method approach was applied. Data were collected within a case study framework and analysed using the initial stages of grounded theory. Data were triangulated from a range of sources to develop an organisational perspective. Relevant extant literature is identified, providing a framework for analysis. The study reveals the processes to create and develop internal co-brands within the RFG brand portfolio. These incentives include the lower-order categories of measuring internal co-brand equity; brand attribute bi-lateral leveraging; and locating the co-brand concept (brand migration). This study is limited to a single case study. Future studies should broaden data collection to include further inclusions into the RFG brand portfolio and similar external co-brand structures. Through this case study, traditional franchise and branding theory is challenged, highlighting a new trajectory for researchers in these related areas. Retail co-branding is a difficult and costly strategy, with many risks. Franchisors need to be well resourced and patient in order to trial and implement this approach.This case study provides an organisational (managerial) perspective of franchised retail co-branding, extending existing literature away from consumer focused product specific co-branding. The concepts of brand migration and brand attribute bi-lateral leveraging are introduced to explain co-brand strategy in a retail franchise environment.

Key words: Franchising, co-branding, brand migration, bilateral brand leveraging

INTRODUCTION

Franchising is an internationally recognised distribution system bound by legal, business and regulatory governance (Hendrikse *et al*., 2008). While franchise systems are generally structured similarly around the world, differences in strategy occur, brought about by idiosyncrasies in domestic business environments. One such development is the retail co-branding strategy employed by the Retail Food Group (RFG) in Australia for Donut King and BB's Café. RFG's strategy of co-branding combines two of its internally created brands, Donut King and bb's Café (formally BB's coffee and croissants). Donut King is positioned as a specialty donut and coffee chain, targeting the 'impulse-buy', 'reward' and 'treat' segments within the food-retailing sector (RFG, 2009). The bb's franchise system is positioned as a 'dine in' café, designed to encourage longer patronage with in-store ambience, espresso style coffee and complementary offerings (RFG, 2009).

This form of retail co-branding within business format franchising is a new direction for franchise operations in Australia and has attracted little attention in relevant literature (Wright and McAuley, 2012). Product or ingredient co-branding research dominates the literature for example, see (Simonin and Ruth, 1998; Rao and Ruekert, 1999). A synthesis of co-branding, retailing and franchising definitions addresses this gap using grounded theory analysis and a case study approach of RFG activities and strategies. Theories of franchising are explored and found to be inadequate in accounting for this phenomenon in the Australian franchising sector. Taxonomy of franchising arrangements provides a background to the franchising sector's need for continued growth outside the prototypical model of franchising (one system, one brand and one franchisee per outlet) (Dant, 1995). The inquiry then focuses on the phenomenon of retail co-branding and its occurrence in the Australian franchising sector. Results of the case provide some explanation of why and how franchised retail co-brand arrangements occur, indicating divergent perspectives away from traditional franchising and branding literature.

A SYNTHESIS OF CO-BRANDING, RETAILING AND FRANCHISING

Brands are defined as unique combinations of names, symbols and/or designs (Keller and Lehmann, 2006). Co-branding within this framework of traditional brand architecture (Aaker and Joachimsthaler, 2000) creates synergies through the combination of products from discrete firms with significant brand equity .This approach can emphasise the relationship of an ingredient with a particular branded product or alternatively, the development of a completely new offering through the combination of brands into a single composite product (Blackett and Boad, 1999). Other forms of co-branding take place at an organisational level in which companies merge at a corporate level to provide a business offering to specific target markets (Wright and Frazer, 2007; Justis and Judd, 2002; Young *et al*., 2001; Blackett and Boad, 1999). Examples in retailing include McDonalds with BP and Subway with 7-Eleven in which retail franchise units operate at a single location with the same franchisee.

In this research co-branding embraces an internally created combination of two retail brands, constructed to further the interests of a business in a planned, strategic format to attract multiple target markets and/or market segments at a single location (Wright *et al*., 2007). This complex distribution strategy (Wright and Frazer, 2007) differentiates this form of co-branding from other brand associations by extending the definition of co-branding into the paradigm of retail branding which includes elements such as store identity, personality and image (Kent, 2003). The moulding of a retail co-brand construct is achieved by manipulating the brand elements of store designs, location, functionality, customer service levels, merchandising and personnel qualities (Ailawadi and Keller, 2004; Dawson, 2001; Fernie, 1992) to improve customer satisfaction and retail brand equity (Martenson, 2007).

The distribution strategy utilised in this form of retail co-branding is that of franchising. Franchising is defined by Rubin (1978) as, "... a contract between two (legal) firms, the franchisor and the franchisee. The franchisor is a parent company that has developed some product or service for sale; the franchisee is a firm that is set up to market this product or service in a particular location. The franchisee pays a certain sum of money for the right to market this product." In its most common form, that of business format franchising, franchisors construct a retail offering that is distributed through franchisees (Young *et al*., 2001). This approach combines the concepts of co-branding, retailing and franchising by synthesising the prototypical model of business format franchising (a retail brand) with discrete ownership of each franchised outlet by a franchisee who ensure brand attributes, important to the franchise, are presented through best practice (Hoffman and Preble, 1991; Hunt, 1977; Kaufmann and Dant, 1996).

Integrating the concepts of co-brading retailing and franchising creates the framework for this research and not previously explored (Wright and McAuley, 2012). A discussion of the theoretical foundation of franchising is required to further illustrate the necessity of exploring this combination of business function.

A critique of franchising theory: Franchising represents a primary growth mechanism for small to medium sized enterprises (Dant, 1995). Theoretical explanations for this form of organisational expansion fall into two categories. First, resource constraints theory argues franchising as a source of external capital needed for expansion by the franchisor with franchisees providing much needed financial and human capital to achieve rapid network growth (Caves and Murphy II, 1976; Hunt, 1973; Oxenfeldt and Kelly, 1969). Alternatively, the agent-theoretic perspective purports franchising overcomes monitoring problems associated with rapid and diverse geographic expansion. Franchisees exert a greater degree of control over the everyday functions of the business because of their ownership capacity. Franchisors can then focus on system expansion rather than day-to-day management tasks (Norton, 1988; Rubin, 1978). These theories provide insight into the organisational motivations to franchise as a growth strategy and its ongoing superior operational management as opposed to company owned operations (Lafontaine and Kaufmann, 1994; Norton, 1995). However, they are based on a traditional model of franchising where the franchisor controls a single brand (the franchise system) and the franchisee operates one discrete unit within that system (Dant *et al*., 1996).

While franchise companies continue to seek rapid expansion using traditional means, regulators intervened to balance the franchise relationship (Weaven *et al*., 2010). This intervention does not appear to have influenced franchisors away from franchising (Frazer *et al*., 2006, 2008, 2010). Rather than finding alternatives to franchising, franchisors developed new strategies as a means of continuing a franchised expansion process (Wright and Frazer, 2007). These innovations have overcome a slowing of growth in the sector (Frazer, 2000; Frazer and Weaven, 2002). Nevertheless, the franchise sector now prospers through different and more complex growth strategies developed from the prototypical single unit franchising model (Kaufmann and Dant, 1996). These new directions include the utilisation of more complex brand strategies (Wright *et al*., 2007). Definitions are provided in the next section to provide an understanding of these franchise growth strategies and each subsequent strategy contributes toward increasingly complex taxonomy of franchising.

Taxonomy of emerging franchise growth strategies: Single unit ownership franchising is the accepted stereotypical model of franchising where franchise units are owned by individual franchisees (Castrogiovanni and Justis, 1998). This concept extended to the service sector in the1990s, through the creation of mobile franchising enabling franchisees to provide personalised home delivery of domestic services to clients (Chow and Frazer, 2003; Norton, 1988). Simultaneously, multiple unit franchising rapidly developed by encouraging franchisee ownership of more than one unit in a single franchise system (Frazer and Weaven, 2002; Kaufmann and Dant, 1996; Weaven and Frazer, 2003). Franchisors also adopted multiple-concept franchising in this period. The franchisor adopts a number of business concepts under a single trading name allowing a more efficient spread of resources over the range of concepts, thus economising on administrative and franchise support costs (Hayes, 1995). Opportunities for intra-system growth were also pursued by franchisors through a multiple-system strategy where the franchisor diversifies into two or more unrelated franchise operations (Wright and Frazer, 2007). Conversion franchising also emerged as a strategy to increase system size providing independently owned or competitors operations an opportunity to enlist in the franchise network (Preble and Hoffman, 1995). Finally, retail co-branded franchising emerged as the most complex franchise growth strategy. This approach occurs when two or more brands are combined to synergise a business concept (retail brand) at a single customer contact point with each brand discretely attracting current and/or new customers (Aaker and Joachimsthaler, 2000; Blackett and Boad, 1999; De Chernatony, 1998; Keller, 2008; Young *et al.*, 2001; Wright *et al.*, 2007). In its most refined form, co-branding embraces a collaborative venture constructed to further the interests of two, or more, organisations in a planned, strategic format (Aaker and Joachimsthaler, 2000; Blackett and Boad, 1999). While this strategy focuses on an organisational function of co-branding, a customer focus is required at specific locations, to differentiate co-branding from other forms of brand associations or synergies. Co-branding, therefore, must encompass a number of (retail) brands blended at specific locations to reach target audiences of similar interest (Temporal, 2002). However, companies may choose a brand portfolio strategy as an initial phase prior to co-branding. A brand portfolio is described as a group of brands, including sub-brands and co-brands (as well as other companies brands that are used in a co-branded situation) that a company creates to offer to the market (Aaker and Joachimsthaler, 2000). Retail Food Group (RFG) provides an example of this type of strategy.

Mixed method-Case study context and grounded theorising of data: A case history approach was adopted using grounded theory to analyse the data collected so specific conclusions could be drawn and framed as propositions (Gummesson, 2000; Glaser and Strauss, 1967). Given the exploratory framework of this research, the contemporary nature of retail co-branding and its limited presence in franchising, a case study method based on Yin (2003) and Gummesson (2000) was deemed appropriate to construct a theory of retail co-brand in the franchising sector. On this basis, RFG was chosen as representative of the phenomenon of co-branding in the franchising sector and thus providing a theoretical foundation, rather than a quantitative interpretation (Eisenhardt, 1989; Glaser and Strauss, 1967). Subsequently, data were collected from the company prospectus, annual reports and an in-depth interview with the Group Director of Marketing, Retail Food Group. Some situations have a limited capacity to capture responses (Charmaz, 2006), however sources for this research generated 215 pages of data suitable for transcription and analysis. Concepts were sufficiently developed from these sources to achieve a level of saturation (Corbin and Strauss, 2007) to satisfy the aims of this research. With this approach, a primary consideration was to reflect the exact words and explanations from data with minimal reframing (Eriksson and Kovalainen, 2008; Schwandt, 2001). The selected sources were deemed representative of the company decision-making processes (Patton, 2002) and provided a range of data sources crystallising an in-depth picture of the phenomenon under investigation (Patton, 2002; Yin, 2003). This is known as data triangulation (Parry, 2004). Furthermore, these measures established methodological soundness through the design, collection and analysis stages (Carson *et al.*, 2001; Eisenhardt, 1989) and addressed construct validity by using multiple sources of evidence (triangulation); establishing a chain of evidence and having the key informant review the transcripts and company documents (Patton, 2002; Gummesson, 2005). External validity was considered peripheral at this early stage, with the focus in later case studies, addressing replication logic through analytic generalisation (Yin, 2003).

Historically, the application of grounded theory was common in the social sciences to study human interaction such as nursing/health practices and research into education (Chenitz and Swanson, 1986; Glaser and Strauss, 1967). More recently it has emerged in organisational, management and marketing research and highlights the flexibility of this technique across multiple paradigms (Goulding, 2002; Locke and Locke, 2001; Allan, 2003). Grounded theory is defined as a rigorous data-analytic method generating explanatory theory and was adopted for this study in order to generate a deeper theoretical perspective from scant sources of data contextualised within the case study approach (Carson *et al*., 2001; Parry, 2004; Sobh and Perry, 2006). Early stages of grounded theory include, open coding, theoretical sampling and the comparison of categories and are commonly mistaken for the full grounded theoretic approach (Irurita, 1996; Parry, 1997, 2004). The full-grounded theory method involves the generation of high-order categories and the emergence of a basic social process or explanatory theory (Goulding, 2002, 2005; Parry, 1998; Strauss and Corbin, 1990). However, the discrete nature of this case study precludes higher levels of abstraction. The generally agreed early stages of grounded theory utilised for this research are described as follows:

An open or substantive coding process conceptualized data at a low level of abstraction (or variables). Written data were analysed line by line. The focus was to discover problems that were significant issues for RFG in the co-brand process and how these problems were resolved by RFG (Rowlands, 2005). Coding was done in the notes section of the software (QSR, 2007; Martin and Turner, 1986; Spiggle, 1994). This phase conceptualised all incidents from the data yielding 41 concepts (Strauss and Corbin, 1998) (see Table 1 below). Concepts were compared as further data was collected and coded and subsequently merged into new concepts. These higher-level concepts were renamed and modified through the grounded theory axial step model until saturation of all categories (Goulding, 2002; Morse *et al*., 2009). No new properties or dimensions of categories were found (see finding sections for lower-order categories).

Table 1: Foundation concepts (open coding)

Ambience	Menu development	Attract new customers
Assimilation of sub-brand	Menu evolution	Attracting old customers
Brand equity	New concept development	Customer purchase frequency
Brand leverage	New market	Customer service
Brand trial	Parent brand	Demographics
Co-brand	Pricing	Growth
Advertising	Real estate	Increase foot traffic
Co-brand design	Reinvigorate brand	Maximise sales and
Co-brand evolution	Separate advertising	
Common area usage	Separate area	
Convenience	Site selection	
Location	Store design	
Location saturation	Store location	
Manuals & procedures	Sub-brand	
Market research	Visual merchandising	
Market segmentation		
Market trends		

The next section compares and reduces the above categories to explain the actions and behaviour of RFG and how they resolved their main concerns. As suggested by Hutchinson (1986) data were selectively coded using the core categories to guide the process while discarding lower importance concepts to the lower-level categories. Using grounded theory, we progressively integrated and saturated concepts through an interactive data collection and interrogative analysis process, thereby reducing the categories and concepts to lower-level categories (Goulding, 2002).

Categories were scrutinised and tested for linkages as higher levels of abstraction developed through the iterative sampling process, testing new data and reviewing old data (Morse, 1994; Parry, 2004). These tentative lower level categories were not considered right or wrong, but were derived from the degree of fit with data (Martin and Turner, 1986). Theoretical sampling of subsequent iterations of data collection was ongoing. Memoing (the conceptualisation of ideas in writing) was integral at this stage, assisting the conceptualization of relevant incidents (Lempert, 2007). Theoretical memos (as part of the sampling process) were written as part of constant comparison (Coyne, 1997; Chenitz and Swanson, 1986). Combining memos helped assign and identify interrelated concepts (Corbin, 2009; Charmaz, 2006).

Theoretical coding (expressed as propositions) defined the properties of categories and derived relationships between them. Categories covered causes, consequences, contingencies, intervening conditions and the general context of phenomena (Spiggle, 1994). These propositions articulate the main views and focus of RFG (Holton, 2007) expressed in the next section.

GROUNDED THEORY ANALYSIS

The lower-order categories of measuring internal co-brand equity; franchise brand attribute bi-lateral leveraging; and locating the co-brand concept emerged through constant comparison. These concepts are presented with supporting data and theoretical reflections highlighting a grounded theory process. Presentation of these stages, precede a series of relevant propositions (theoretical codes).

The first category summarises the outcomes of the constant comparison of measuring internal co-brand equity. The RFG prospectus and annual company report present RFGs strategy of internal co-branding (RFG, 2005). A summary of sections of these reports highlights the contribution to the equity of the RFG brand portfolio through judicious site selection through comparisons of Central Business District (CBD) sites versus regional shopping centre sites is then made. The measure utilised in this process is foot traffic. From this approach a strategy is developed utilising a combination of location and existing brand equity (Donut King) to assist the development of bb‘s Cafe brand. The Group Director of Marketing expresses this as a dilemma of which site to select for the brands by stating, “yes... there is also a lot to do with location for that site; I mean it was hard to judge - better than being in a shopping centre”... “The fact that it is a CBD location means a large amount of traffic passing all the time... In that sense of things, yes we do well but would a stand-alone store [survive] by itself? This would make it hard for bb’s”. “Even though the brand isn’t known, even if it was in a regional location and it was maybe the only café or coffee shop within a certain radius it still did well but not on the brand name”. “Has that store (Donut King) helped the brand name? Yes, I would say so. There’s a lot more people in the CBD area that know bb’s just because of the fact that it was joined to the Donut King.” The focus here is on Donut King as a key component in creating brand equity for its minor brand, bb‘s cafe. The location was secondary as it only assisted in providing more foot traffic to expose the brands to consumers. RFG recognised Donut King‘s brand equity as significantly greater than bb‘s cafe.

However, rather than measure the brand equity, RFG linked location (measured by foot-traffic) against the performance of bb's cafe. Therefore, the higher the quality of location the greater the positive effect on the minor brand.

Theoretical sampling of the category of measuring internal co-brand equity highlights that a preconceived notion of brand equity within RFG was developed and became the framework for best fit of internally created brands. The higher the level of preconceived brand equity, the more weight was accrued to the potential success of the co-brand arrangement. What was presumed in this process was the transference of brand attributes from Donut King to improve performance of the bb's Café brand. The expectation was for the lesser brand to then progressively improve from a simple co-brand, to a more respected format. Juxtaposition of these brands (against other prospective choices, for example, RFG was considering other franchise systems to purchase and include in the portfolio) provided a deeper comparative process that ensured and rewarded integrity of the choice. This comparison was measured through the generation of higher levels of sales or foot-traffic and existing brand equity. Two propositions relating to internal co brand equity were formulated.

Proposition: Through a process of transference, retail co-brands absorb brand equity. The more complex the retail co-brand strategy, the higher the level of resulting brand equity for the lesser co-brand.

Proposition: The higher the level of preconceived retail brand equity, the more weight given to the potential success of a retail co-brand strategy.

The second category summarises data constantly compared in franchise brand attribute bi-lateral leveraging. Brand leveraging occurred internally to the RFG group. The Director of Marketing stated, "...at that time I guess the bb's system...was not as developed... it wouldn't fit [with Donut King]." The focus of brand strategy was to take the bb's cafe concept and develop it with the Donut King brand, thereby maximising the growth of the lesser brand. The motivation to develop the bb's concept can be directly linked to a reliance on the RFG franchise system. The initial co-brand strategy was seen as a method of attracting customers to the location via the more superior brand (Donut King). This trial and error strategy was supported by the franchisees associated with both Donut Kong and bb's cafe. "Yes. I mean as far as bb's site goes it probably helped bb's in getting more customers in and...probably initially attracted by the donuts...Yes, it has been more of a benefit to bb's than to Donut King." When asked to assess the success of Donut King/bb's cafe brand association strategy the following comments were made, "Certainly in some stores – I've got a store that at the moment; it has taken 6 months for the customers to come back. Again that may have been helped if there was a Donut King there as well, so people might have come back for that." The combination of brands appeared more effective than a discrete brand strategy. If one brand declines in profitability, for whatever reason, the other brand provides continued support. This strategy is well articulated in the company documents stating, "Franchisees benefit from ownership of multiple brands... by owning more than one brand, franchisees are able to derive improved profitability at both ends of the economic cycle." This brand leveraging process was vital to the RFG's franchise strategy. RFG were able to create synergies through an axial leveraging process through associations developed from system brand equity, franchisee ownership (as opposed to a pluralist structure where company owned stores operate intra-system) and franchisor management activities. These synergies are reflected in company documents as follows, "Retail Food Group is ideally positioned to leverage its franchise management systems and national presence to achieve and take advantage of economies of scale through multi-brand ownership. In addition to assessing synergistic acquisition opportunities which would increase shareholder [and franchisee] value, the Company is focused on driving organic earnings through continued and sustainable new outlet growth and driving Outlet Average Weekly Sales".

The association created between promotion of the brands to consumers (stated as, "driving Outlet Average Weekly Sales growth through product promotion, menu adaptation and a range of other marketing initiatives in the Donut King and bb's café franchise systems") and the franchisor activities (stated as, "franchise management systems") combined with the economies of scale resulting from multiple brand ownership at franchisee level, highlight complex relationships intrinsic to the successful development of an intra-system co-brand strategy. This is better expressed as franchise brand attribute bi-lateral leveraging.

Theoretical sampling of the category of franchise brand attribute bi-lateral leveraging revealed RFG leveraged brand associations in a traditional manner, relying on Donut King to attract customers to the lesser bb's cafe brand. Leveraging was intrinsically linked to the franchise mechanism of distribution and the brand portfolio. Hence, intra-system synergies were derived from a corporate franchise management system (a single corporate unit) enabling leveraging of expertise across all brands culminating in multiple unit/brand ownership by franchisees. The ultimate expression of this leveraging system was multiple brand/co-brand franchised outlets in which the brand equity of the major brand (Donut King) was utilised and enhanced by the expertise of corporate management and the franchise model. Successful leveraging manifested through higher than normal levels of customer traffic for both brands. Maintaining full control over the retail outlet (to minimise potential risk) was the primary reason for the adoption of a co-brand strategy.

Consideration (for the internally created brands) took place prior to transference of brand attributes from the master to the minor/new brand. As the internally created brand developed, a form of reciprocal transference (of attributes) occurred, resulting in two-way leveraging. This bilateral leveraging was evident at a franchisee and corporate level. The ultimate expression of these internally leveraged co-brands were franchised multiple-unit, co-branded sites within each franchised concept that coupled with a corporate system providing universal support. Two propositions relating to franchise brand attribute bi-lateral leveraging were formulated.

Proposition: A retail co-brand format utilising franchising, results in successful bi-lateral brand leveraging.

Proposition: The more complex the internal retail co-brand arrangement, the higher the reliance on franchise brand attribute bilateral leveraging to improve economies of scale for franchisor and franchisee activities.

The third category summarises data constantly compared for locating the co-brand concept. Location strategy for RFG depended on available access to and tenancy of, major shopping centres and the subsequent development of relationship/reputation between RFG and current or prospective landlords. Serendipity allowed RFG to locate their first co-brand concept. The Group Director of Marketing made the following statements, "We had an opportunity for a site that was a very good location in a...CBD area... I guess for us it was the opportunity of getting our brands in that area and an opportunity for the franchisee to take both our systems." The exploitation of this site through co-branding was opportunistic in satisfying landlords' needs and for RFG in relocating bb's cafe into the higher profile site: "(This was)...more about bb's getting recognition of bb's (the) brand...So we saw it as a good exercise...and recognition of bb's brand." The location of the site in the CBD gave impetus to this strategy and the importance of shopping centres as integral to the expansion of RFG brands. Furthermore, "...there is also a lot to do with location for that site...I mean it was hard to judge better than a shopping centre somewhere else." Location strategy for RFG was therefore centred on shopping centres. Nevertheless, the co-brand location model was identified as an integral to site strategy and therefore important for developing the lesser brand of bb's cafe. "In that sense of things yes we do well but would a (bb's)...stand-alone, by itself, it's hard for bb's." Higher quality locations therefore required a discreet approach. While serendipity played a significant role, development of the minor brand was integrally linked to the broader location model.

Locating RFG brands into the same shopping centres (even if the brands were not co- branded) and finding operational synergies for multiple brand franchisees was defined as an important strategy. The background to this action is suggested by the Group Director of Marketing, "There is a synergy there, whether it is multiple sites, [with] the franchisee owning both systems in the one centre or they have synergies adding one freezer unit that houses all their products (display unit)...for both systems [at a co-branded site]." This strategy was reinforced in company documents with the statements, "The Directors believe the key success factors for operating in the niche food retailing and coffee/café categories include...the location of retail outlets in shopping centres and other retail locations with a high volume of passing traffic; consistent branding, imaging and quality product which results in brand integrity, awareness, customer trust and loyalty; and, strong relationships with property owners and ability to secure favourable lease terms" This strategy highlights the gradual migration of brands into specific shopping centres to attain higher quality sites (over a period of time) to maximise brand performance.

Theoretical sampling of locating the co-brand concept highlights a location strategy was linked to high quality shopping centre and CBD sites in which the co-brand concept was maximised with a particular focus on the minor brand of bb's. However, a longer-term strategy of brand migration developed when RFG brands were initially located separately in the same shopping centres, but sought higher quality sites intra-centre for relocation. This long-term strategy developed to maximise brand performance.

Location decisions for internally developed brands followed a trial and error process as the brand evolved. The co-brand evolved to suit and exploit locations where 'master' brands were situated. This location strategy emanated from complex problems surrounding the performance of the master-brand by return on investment figures and the inability to relocate. Success of the internal concept was then maximised at each site through micromanagement of retail design elements. A longer-term strategy of brand migration emerged where discrete brands, within the portfolio, were initially placed but subsequently relocated into higher quality sites intra-centre (the same shopping mall) to maximise brand performance. These location opportunities were heavily influenced by landlord activities. Propositions 5 and 6 concern the locating of the retail co-brand concept.

Proposition: High levels of reciprocity increase system collaboration and results in migrating the brand to better quality locations.

Proposition: Serendipity influences location decisions at the embryonic stage of internal co-brand. The stronger the influence of third parties in location decisions, the longer the implementation of the co-brand strategy resulting in brand migration.

Summary: These lower-level categories offer possible explanations for the development of retail franchised co-branding. The next section outlines the important aspects of the analysis, their relevancy and impact and possible theoretical implications.

DISCUSSION

RFG's co-brand strategy was driven more by opportunism to locate at sites not otherwise available. Once adopted, franchise system dynamics dominate decision making to protect system integrity. The lower the subjective rating of brands (through trial and error) the more likely the co-brand model might fail. Alternatively, the higher the level of preconceived brand equity resulted in greater weighting to potential success of the co-brand strategy. This resulted in high levels of brand attribute reciprocation, increasing the emphasis on retail co-brand design utilising a franchise distribution strategy.

The adoption of an intra-system co-brand strategy remained site specific but drove a desire for system-wide competitive resilience, expressed as multiple unit, multiple brand franchising. Serendipity influenced location decisions at the embryonic stage of internal co-branding. In the trial stages of internal co-brand development, RFG found the stronger the attraction of multiple market segments to the co-brand format, the more reinvigoration occurred for the master brand (Donut King). Therefore, the higher the level of reinvigoration, the more the model was adopted and replicated system-wide. And the higher the level of internal co-brand adoption, the higher the level of system competitive resilience was experienced. Therefore, the search for resilience was primarily structured around system co-brand value.

Internal co-brand arrangements create a phenomenon of bilateral brand leveraging. Once the internally created brand became established positive brand attributes were able to flow back to the master brand from the co-brand. This attribute exchange is a well established outcome of external co-branded product arrangements, but not from new co-brands with little recognised brand equity (Aaker, 2004). Nevertheless, bilateral leveraging created intra-system stability (via the perception of increased positive customer reaction) as the co-brand arrangement matured and the master brand was increasingly reinvigorated. Analysis highlighted the more complex the internal co-brand arrangement, the higher the perceived level of brand attribute bilateral leveraging. This complexity was relative to the prominence of the newly established brand within the co-brand arrangement. As the internal brand developed in complexity, it became more prominent (as perceived by the participants) to consumers. As brand prominence increases to consumers, so too the amount of bilateral brand leveraging.

The concept of brand migration emerged from a necessity to co-brand at the 'master' brand site. Ownership of locations, dictate the extent of brand migration activity. The stronger the influence of third parties (such as landlords who sublet the site to the franchisor), the more likely the implementation of an internal co-brand strategy was strongly linked to the availability of suitable sites. This delay resulted in the selection of sites (perhaps of a lesser value) but closer to the desired location. This resulted in the intra-centre brand migration where franchisors would consciously select locations within a specific centre (high quality regional location) and micro-manage the relocation of the site intra-centre.

CONCLUSION

Franchisors historically use single retail concepts distributed by local operators (franchisees) at discrete locations. Agent-theoretic and resource constraints perspectives provide well-defined insights into the motivations for franchisors to undertake and develop this distribution strategy. As the retail brand has developed and become more complex, the fragility of both theories appear. Further, regulation of franchising has potentially forced a divergence away from the prototypical model of franchising through. Thus, franchised retail brand development has evolved into a number of different forms including retail co-branding, the focus of this case.

The lower order categories developed in this case study highlight the complex and difficult process co-branding creates in the franchised retail environment. It is clear that RFG spent significant resources in creating, or acquiring suitable brands/co-brands for its franchise framework. Rather than co-brand with externally operated firms (with significant equity) RFG chose to (in this case) create the bb's cafe brand. The portfolio was enhanced through a co-brand strategy (merging Donut King and bb's café in some locations). This attracted old and new customers reinforcing the brand against competitor activity. This development is supported by traditional co-branding theory (Aaker, 2004; Keller, 2008). However, the concept of brand attribute bi-lateral leveraging is a new concept in the branding paradigm. The creation and nurturing of an internal co-brand to assist in reinvigorating and redefining the master retail brand is new in the branding paradigm and an important contribution to the broader branding literature and co-brand theory in particular. The concept of brand migration is also a new and important contribution to the retail brand literature.

In summary, several lower-level categories emerged from the data explaining the adoption of co-branding in the context of franchising. RFG commenced with a brand portfolio and subsequently adopted the strategy of co-branding to provide synergy to support firstly, the development of the relatively weak bb's cafe brand and secondly, to reinvigorate the Donut King brand. While the brand portfolio strategy was developed initially, co-branding, although a complicated and difficult strategy to implement, appears to have been a more successful strategy than company owned retail outlets into discrete locations.

The main implication for franchisors is the difficulty, cost and risks associated with this strategy. An unsuccessful approach could irreparably damage all associated brands from both franchisees and consumers perspectives. The capital expenditure associated with developing a retail co-brand (as opposed to a product or ingredient co-brand), implies significant sunk costs from which a franchisor might not recover through a failed strategy. Nevertheless, the successful outcome of such a strategy can justify the means.

LIMITATIONS AND FUTURE RESEARCH

The obvious limitation for this research is the single case study approach. Development of further case studies is required into other like companies in order to clarify the concepts developed through the grounded theory approach. Retail Food Group's development of co-branding arrangements appears successful. Further research into this group and the combined brands is also warranted given potential strategy variations with the growth of its brand portfolio. Other research possibilities include access to limited shopping centre space, strip grouping of like retail outlets from a franchisee viewpoint or consumer reactions of delight or confusion to this co-brand strategy.

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