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## **The Challenges of Sharing: Brands as Club Goods**

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## **The Challenges of Sharing: Brands as Club Goods**

### **Abstract**

**Purpose:** The purpose of this paper is to explore the managerial challenges of shared brands, defined as arrangements whereby a single brand name acts as the sole or principle identity for the products of two or more firms, and where brand management is governed by an entity independent from a single firm.

**Approach:** An exploratory, theory building approach is adopted. The paper draws from the brand equity and institutional economics literatures to develop a conceptualisation of club brands, of which shared brands represent one type. The managerial challenges for the latter are explored with reference to secondary evidence and two cases based in the food sector.

**Findings:** The analysis proposes that the exclusive and non-rivalrous characteristics of club brands pose specific managerial challenges in the key decision-making phases of brand identity creation, reputation building and reputation protection. Case exploration of shared brands illustrates these challenges, although some are attributed to the distinct governance structure of shared brands rather than their club characteristics.

**Value of Paper:** Through a focus on shared brands, the paper offers an original exploration of a type of branding arrangement which has been overlooked in the literature but whose use is growing amongst practitioners. It also offers a novel conceptualisation of brands that highlights the bias towards individualism in mainstream branding theory and its preoccupation with customer-facing managerial tasks.

**Keywords:** Branding theory; club goods; brand management; brand alliances.

**Paper Category:** Conceptual paper

## **Introduction**

A number of avenues of inquiry have emerged in the literature on branding that embody a shift in emphasis from transactional to relational forms of exchange. On the consumer side, researchers have examined brand communities (Muniz and O'Guinn, 2001; McAlexander *et al.*, 2002), brand-consumer relations (Fournier, 1998), and brand-family relations (Moore *et al.*, 2002). On the producer side, the practices of joint branding (Rao and Ruekert, 1994; Washburn *et al.*, 2004), co-branding (Motion *et al.*, 2003; Van Durme *et al.*, 2003) and brand alliances (Lafferty and Goldsmith, 2005; He and Balmer, 2006) have been studied, where firms join forces to promote their brand names, or use one brand in support of another. So far however, the branding literature has had very little to say about shared brands. Shared brands are characterised by two key features. First, a single brand name acts as the principle, or sole identity for the products of two or more firms which agree to abide by codes of practice attached to the brand name. This characteristic is not unique to shared brands as there are other marketing arrangements, such as franchising, that meet this criterion. What distinguishes a shared brand is the combination of this with a governance structure whereby the management of the brand is controlled by an entity independent from any single firm. Shared brands are frequently found in sectors such as agriculture, food and natural resource industries, where they may be based on specific production methods (e.g. Freedom Food eggs, Forestry Stewardship Council timber) or origin (e.g. Roquefort cheese, Colombian coffee, *appellation contrôlée* wines). Other shared brands rely strongly on ethical integrity (e.g. Fairtrade products). They also exist in a multitude of sectors under the guise of quality assurance schemes and certification marks, where the scheme's name or logo makes a significant contribution to a product's overall identity (e. g. bed and breakfast establishments accredited by tourist boards or other bodies).

Shared brands are likely to become more common for three main reasons. First, in the face of fragmenting markets and shortening product life cycles, they offer individual firms the means to attain stronger brand presence from launch than would be possible if resources were not pooled with others. This may be particularly important for small enterprises that typically lack brand presence or the resources to establish it. Second, shared brands can enhance the credibility of brand claims when aligned with a third party verifying institution (Vertinsky and Zhou, 2000). This may be of specific importance for goods with credence attributes, where consumers cannot verify the credibility of a seller's claims prior to, or post, purchase and consumption. Third, shared brands have been fostered increasingly by public sector bodies (e.g. government agencies, enterprise trusts, NGOs), as a means to stimulate collective marketing by small firms, supporting local economic development.

This paper analyses the managerial and marketing challenges that confront shared brands. First, drawing from studies in the brand equity and institutional economics literatures, it proposes how shared brands differ, conceptually, from other forms of branding arrangements. Then, drawing on empirical evidence, including data from two cases, the paper explores the specific managerial challenges of shared brands in three key phases of brand decision-making: brand identity creation, reputation building, and reputation protection. In each phase, the nature of the specific challenge is explained and illustrated, and firms' responses discussed. Overall, the aim is to contribute to the development of the branding literature by exploring a type of branding that to date has been overlooked, but which raises important issues for how theorists conceptualise brands and their associated managerial challenges.

## **Branding Theory and Shared Brands**

Companies that are superior performers in FMCG markets are typically distinguished by owning brands that have higher levels of consumer based brand equity (Baldauf *et al.*, 2003), defined by Keller (1993, p2) as ‘the differential effect of brand knowledge on consumer response to the marketing of a brand’. In Keller’s (1993) conceptual model, high levels of brand awareness coupled with strong, favourable and unique associations, foster greater consumer and retailer loyalty and decrease vulnerability to the actions of competitors. Keller’s theory of consumer based brand equity has become hugely influential and is arguably now the leading conceptual framework for brand management. In it, firms are conceptualised as devising and executing their branding strategies on an independent basis, and as having autonomy over the activities associated with brand nurturing and protection from competitor actions. Following the classification of goods in institutional economics (Cornes and Sandler, 1996), Keller’s model is based on a conceptualisation of brands as *private goods*. That is, they are assets owned and controlled by specific firms to the exclusion of others (i.e. they are *excludable*), the equity benefits of which can only be enjoyed by those firms (i.e. they are *rivalrous*). Although relationship metaphors pervade the literature on joint and co-branding arrangements (e.g. Motion *et al.*, 2003), the same private goods logic underpins these too, as it is individual brand names – over which each firm ultimately retains ownership rights - that represent the key identity cues to customers, and joint initiatives are pursued only for as long as each firm’s reputation and interests are enhanced by association with partners’ brands.

In practice however, some branding arrangements deviate from the above logic, namely where partner firms share a single or principal brand identity, and together enjoy any gains (or suffer any losses) from that brand’s equity. Franchising is an example of this type of arrangement, whereby the brand identity of a parent firm is passed to new franchisees, who

then assume this identity and share in any subsequent equity benefits, which they themselves ultimately contribute to. Following the approach of institutional economists, brands under these arrangements have the characteristics of *club goods*. That is, like conventional private brands, they are *excludable*, because they are owned and controlled by a specific economic entity. Thus in a franchise, only the licensed agents of the franchiser may use the brand, non-members are excluded from this right. But, unlike conventional private brands, these brands are *non-rivalrous*, which means that once firms become partners or members in the arrangement, each one can enjoy the equity benefits derived from the brand without detriment to the others. Thus in a successful franchise, the enjoyment by one franchisee of high customer recognition or premium prices relative to competitors does not prevent other franchisees from enjoying the same. This situation contrasts with the rivalrous characteristic of private brands, where any attempts by parties other than the brand-owning firm to partake of equity benefits, for example through copycatting or counterfeiting, represents a loss in benefits to the brand-owning firm.

It may be argued that the types of branding arrangements described above face all the classic customer-facing challenges that are presented in the literature for private brands, such as customer awareness measurement, determination of knowledge structures and leveraging associations (e.g Keller, 1993; Elliott and Percy, 2007). Studies in the management of franchise brands, for example, discuss such tasks (Lashley and Morrison, 2000). However, the club characteristics of these brands raise the possibility of extra, specific challenges. First, the characteristic of excludability raises challenges over membership management. Who should be admitted to membership of the brand, and under what conditions? How are non-members excluded? These questions have strong implications for delivery of consistent quality, which is vital for brand equity. Second, once club brand members have been granted rights to the use

of a brand name, there are risks that they may act in an opportunistic manner. Such risks are acknowledged in the franchising literature, for example, in cases where franchisees flout quality standards or codes of practice for reasons of cost or convenience, with serious implications for brand reputation (Choo, 2005). For private brands, monitoring and penalty enforcement are facilitated by hierarchical structures and relatively clear lines of responsibility. But how can members of club brands be dissuaded from engaging in such behaviour, when stakeholders are partners or agents rather than employees? Pitt *et al.* (2003) find that 'internal' management tasks such as these are vital to the success of franchise brands.

This leads to the managerial challenges of shared brands, which have a single brand as the sole or principal identity for two or more partner firms (like franchises), but which have the distinctive feature of brand management being undertaken by a third party independent of any single firm. The latter feature is a logical response of partner firms to the challenges of managing a collective asset, when the total number of partners is high and no principal firm exists to take on the management role (Ostrom, 1990). We propose that such brands belong to the classification of club brands, as they exhibit excludable and non-rivalrous characteristics. For example, winemakers who are members of an *appellation contrôlée* brand, whilst being the only firms with the right to use the brand name on their labels ('Champagne', 'Navarra', 'Western Cape', etc.), cannot unilaterally revoke the rights of other members to use the brand name. As such, shared brands may be subject to the membership setting and controlling challenges of club brands described above. Additionally, the distinctive 'third party' governance structure of shared brands may exacerbate some challenges by distancing lines of communication and authority between members. For example, in an *appellation contrôlée* wine brand, the processes of standards setting and approval of new members may be



protracted by the ‘external’ lines of communication to a third party. Equally, winemakers may perceive that because controls are set and monitored by a third party rather than a fellow professional winemaker, they can be more easily ignored or subverted. In both cases, damage to brand reputation is risked.

### **Exploring the Challenges of Shared Brand Management: Methodology**

Having established the distinguishing characteristics of club brands and the potential managerial challenges linked to these, we turn to empirical evidence to develop knowledge, using shared brands as the particular focus of the inquiry. Our analysis draws on secondary evidence, the findings of two research projects in which the authors participated [1], and two specific shared brand cases, all based in the food sector. An exploratory, theory building approach is necessitated by the lack of *a priori* testable hypotheses presented by previous research (Yin, 1994). In this context, case studies are appropriate given their likelihood to generate novel theory that is empirically valid (Carson *et al.* 2001; Eisenhardt, 1989; Perry, 2001). As Newman and Newman (2006, p.26) observe: ‘compelling case material has had a consistent impact on stimulating theory and research’ in underdeveloped fields.

Purposeful sampling, which is defined by Merriam (1998, p.61) as the selection of cases ‘from which the most can be learned’, was adopted. This approach involves the strategic selection of information-rich cases that can yield the best insights into the phenomena of interest (Perry, 1998; Patton, 2002). Two cases were selected: Parma Ham and Chilterns Choice. Parma Ham is a long-established shared brand of a type that is particularly common in southern Europe. Chilterns Choice is a recently created shared brand for beef and lamb which, having been spearheaded by a not-for-profit body, is of a type that has become increasingly prevalent in the UK. The two cases were selected on the basis of three criteria:

- (i) *Industry level equivalence.* Both cases operate in the processed meat sector and have sought to communicate similar messages to final consumers (i.e. a link to origin, tradition and authenticity). Choosing cases with some common characteristics from the same product category has the advantage of offering a degree of replication in environmental conditions observed (Stake, 1995). Furthermore, as shared brands have a relatively significant presence in the meat sector, as well as in other product categories of the food industry such as cheese, wines and spirits (Bertozzi, 1995), any theory generated from the cases may have wider resonance beyond their specific contexts.
- (ii) *Relevance to Phases of Brand Decision-making.* As this inquiry seeks to explore the managerial challenges of shared brands in three phases of decision-making (identity creation, reputation building and reputation protection), it is advantageous to examine both long-established and newly-developed shared brand cases. The two selected cases reflect these two types. Parma Ham, as a mature shared brand, is ideal for exploring and illustrating the brand decision-making challenges that occur after a brand identity has been created, i.e. brand reputation building and reputation protection. Chilterns Choice, as a recent initiative, is ideal for exploring and illustrating the challenges related to early phases of brand decision-making, i.e. initial brand identity creation and first steps in brand reputation building. This approach follows the logic that variation sampling is usually the most appropriate for theory development (Perry, 2001).
- (iii) *Access.* Both cases provided access for academic research and the opportunity to build up on previously established academic and practitioner connections. This improved the depth of the research and thickness of the case material.

Following Eisenhardt (1989), a three stage analytical strategy was adopted, which is reflected in the presentation of the remaining sections of the paper. The initial stage involved detailed write-ups of each case study, which are summarised in the next section. These familiarise the reader with each case as a stand-alone entity, so that the unique characteristics of each emerge prior to presentation of generalised patterns of evolution and process (Amaratunga and Baldry, 2001; Perry, 2001). Second, to systematically explore the management challenges in each phase of brand decision-making, both within- and cross-case analysis was undertaken, following Yin's (1994) recommendations for pattern matching. This provides the basis for grounded theory building (Eisenhardt, 1989). Finally, in the conclusions, the emergent theory is considered in the light of the existing literature and its generalisability is assessed.

## **Description of the Cases**

### *Parma Ham*

Parma Ham is a dry cured, sweet ham produced in the regions around the town of Parma, north west Italy. A mature shared brand, it enjoys an international quality reputation dating back to at least the Middle Ages. In the contemporary system, the brand encompasses a membership of 189 ham processors, sourcing pork legs from 139 approved abattoirs, which in turn are supplied by a total of 5,386 pig breeding farms. In 2004, the brand's combined output was 9.4 million hams, giving a total turnover of 810 million euros. 83% of sales are domestic although exports constitute the highest growth area (Consorzio del Prosciutto di Parma, 2005). The independent body responsible for management of this shared brand is the *Consorzio* or 'Consortium', established in 1963. This is a governing board of 18 directors elected from the membership of ham processors, plus three others representing the breeding farms, abattoirs and packing firms respectively. The Consortium sets and monitors quality standards for all stages of production, processing and packing of Parma Ham, and employs a

team of full-time inspectors who ensure members comply with the standards. Codes of practice are oriented clearly towards assuring the finest eating quality in the end product, and only members who meet these are permitted to use the Parma Ham brand and Ducal Crown logo in their trading. Those who flout the codes or act opportunistically can be prosecuted with administrative, civil or penal measures. All producers and processors pay a membership fee to the Consortium, which supports the internal quality management activities described above, as well as a range of customer-facing brand development activities including press advertising and attendance at food shows. Distribution and sales activities are, however, the responsibility of individual firms (O'Reilly *et al.*, 2003). The Consortium is also active in market research and public relations tasks, and it lobbies political bodies to raise awareness of the brand usurpation issues it faces due to its strong international reputation. It also spearheads specific legal actions where it identifies instances of non-member firms marketing their products as 'Parma Ham'.

#### *Chilterns Choice* [2]

Chilterns Choice, a recently created shared brand, refers to beef and lamb meat raised in the Chiltern Hills, a rural area in southern England west of Greater London. The area is designated by the UK government as an Area of Outstanding Natural Beauty (AONB), and as such is earmarked for sustainable development initiatives that enhance landscape and cultural heritage, via the assistance of locally employed AONB staff. The stimulus for the creation of the Chilterns Choice brand came from these staff, who saw it as a mechanism to encourage local farmers to engage in more sustainable land management practices, by creating a brand identity for their produce centred on twin values of 'local' and 'sustainably produced'. Following a short trial period, the brand was formally launched in 2002 in partnership with two other statutory bodies with environmental remits (Countryside Agency and English

Nature), with a membership of 14 farmers, one abattoir and 13 specialist local butchers. The independent body responsible for managing this shared brand was Chilterns Choice Ltd. (CCL), a trading company headed by a board of directors drawn from the farmer membership, plus representatives from the AONB and other partner agencies. To become members of the brand, all farmers signed management plans and agreements to undergo an inspection regime. However, the plans referred only to land management practices and habitat protection – there were no specifications related to end product quality, such as breed type or conformation. Neither the abattoir nor the butchers were required to sign agreements or undergo inspections, their involvement in the brand was based on a verbal commitment to handle the meat. In terms of market research and brand promotion activities, CCL found they lacked resources to undertake these after the launch phase funded by the agency partnership. Although the initial months of trading went well, breakdowns then occurred in the supply chain, with the appointed abattoir ceasing its delivery policy, and butchers changing their minds over stocking the brand. Ultimately, Chilterns Choice failed to develop a strong enough brand reputation to generate sufficient sales at the target 10% price premium, and CCL ceased trading in July 2004. The brand has been revived recently, albeit under different terms: a web-based direct marketing scheme ([www.chilternschoice.co.uk](http://www.chilternschoice.co.uk)), in which only a handful of the original farmers are involved.

**Table 1. Summary of Key Features of the Cases**

	<b>Parma Ham</b>	<b>Chilterns Choice</b>
Contribution of case to theory building	Mature shared brand, illustrating challenges in reputation building and protection phases of brand decision-making	Recently created shared brand, illustrating challenges in identity creation and reputation building phases of brand decision-making.
Membership	5,386 pig breeding farms, 139 abattoirs, 189 ham processors	14 farmers, one abattoir, 13 butchers
Governance structure	A Consortium comprised of elected representatives derived exclusively from the product supply chain.	A trading company comprised of directors drawn from the farmer membership, plus representatives from environmental/conservation agencies, including the AONB.
Internal quality management activities	Quality standards oriented towards end product quality, and covering all stages of production, processing and packing, set and monitored by Consortium. Formal system of inspections and penalties for non-compliance.	Standards specified and monitored by AONB, but related only to farmers' land management practices not end product quality. No codes of compliance or inspections for abattoir or butchers.
Customer-facing brand management activities	Collective promotion activities undertaken by Consortium, also market research and political lobbying. Activities supported by membership fees.	Following initial launch phase, no on-going market research or promotion activities due to lack of resources.

### **Case Analysis and Theory Building on the Challenges of Shared Brands**

Analysis of the two cases, supplemented with additional secondary evidence, identifies specific managerial challenges for shared brands in all three phases of brand decision-making. In some cases, this is due to their club good characteristics, in others it is due to their distinctive 'third party' governance structure. The types of offering produced, and the use of origin in brand names, are also found to play a role. The challenges are presented and discussed in turn, highlighting how they diverge from those of private brands, and other club brands such as franchising, where appropriate. Throughout, further pieces of evidence from

existing studies and the cases are drawn upon as empirical building blocks. As befits their respective levels of maturity, the Chilterns Choice case is used to illustrate challenges in the stages of brand identity creation and reputation building, whilst the Parma Ham case is used to illustrate the challenges in brand reputation building and protection.

### *Brand Identity Creation*

This phase refers to decisions in the early stages of a brand's evolution, where managers seek to create a strong identity for their brands. In the branding literature, enhanced brand equity depends on a firm's ability to create coherent and meaningful brand associations amongst target customers (Aaker, 1995). Conventionally, the literature recommends careful planning and integrated communications to reduce risks of incoherence which, it is implied, are most likely to come from the 'misinterpretations' of brand cues by external stakeholders (e.g. retailers, customers and the media), through their construction of unintended meanings (Holt, 2002; Brown, 2003, Kay, 2006). Clearly, the challenges of moderating external stakeholder perceptions exist for any arrangement where the brand itself is the first piece of information that external stakeholders receive about a business. Therefore, managers of both private and club brands face such challenges. However, in theory, the non-rivalrous characteristic of club brands presents an additional challenge, because the multiple partner firms involved in a club brand may be motivated to contribute more actively and vociferously to brand creation than the non-brand related internal stakeholders of a private brand. The consequence is a greater diversity and volume of views about brand identity, resulting in a greater risk of incoherence. But in franchise brands, for example, where responsibility for brand development lies squarely with one parent firm, the incoherence risks are more akin to those of new private brands developed within large corporations. Here, clear lines of responsibility facilitate coherent outcomes, even in the face of inter-departmental politics and disputes over brand

direction. Moreover, in the very early stages of franchise brand development, the typical unit is in fact one firm – the parent – prior to accumulation of franchisees.

We propose it is shared brands, specifically, that experience extra challenges in brand identity creation. This is due in part to their distinctive ‘third party’ governance structure, and also to their tendency to involve multiple firms from the very earliest stages of development, unlike the ‘accumulation’ phenomenon of franchise brands. These features mean that in the early development phases, managers of shared brands have to negotiate between the views of multiple members, many of whom may be scarcely known, whilst simultaneously setting up the lines of responsibility and terms of operation for the ‘club’, all from an arm’s-length position. This situation places a real strain on the ability of shared brand managers to be customer-focused and create coherent, meaningful brand identities. Some shared brand managers end up cramming too many associations into brand communications, acting either from fear of the network dissolving through disagreement, or from the belief that ‘more is better’. Charity or NGO sponsored brands risk being forever dominated by the agendas of these bodies (Vertinsky and Zhou, 2000) because they are perceived to provide a ready-made set of meanings, regardless of whether those meanings are relevant or important to target consumers in the product category concerned.

The case of Chilterns Choice reveals these difficulties. It was important to the AONB staff, as third party facilitators, to gain an early critical mass of farmer and retailer participants in the brand, and to be inclusive. Hence, they involved these stakeholders in the brand building process, although few of the participants had any direct experience of such activity and many lacked knowledge of what identity or values in red meat would be most attractive to end consumers. The AONB staff also had regard for the other partner agencies in the brand



(Countryside Agency and English Nature), with their specific sustainability agendas. The AONB staff followed good practice by conducting market research in order to identify likely target customers and gain insights into their preferences for a new beef and lamb brand. However, the decision reached as a result of the whole consultation process was to base the identity of Chilterns Choice on two key values – ‘local’ meat from ‘sustainable’ farms (i.e. those following set standards of landscape conservation). These values were logical and attractive to the AONB and partner agencies given their remits, and also to the farmer participants who saw economic benefits in switching to short, local distribution channels. From a customer-facing perspective however, landscape conservation is not a salient attribute for the vast majority of consumers in their purchases of fresh meat (Cowan *et al.*, 1999), while the appeal to ‘local’ is counteracted by a plethora of other products using a similar strategy. Therefore, the interaction of the multiple stakeholders in Chilterns Choice, facilitated by the AONB as third party, failed to yield a strategy for communicating distinctive brand associations valued by target customers. Instead, the brand identity was built on a production-oriented perspective of the initiative’s features. These difficulties have afflicted other shared branding initiatives for beef in the UK: of the 20 schemes identified by McEachern and Warnaby (2004), each brand is linked to a varying host of benefits (e.g. organoleptic, health, hygiene, food safety, animal welfare and better returns for local producers) without clear identification of which of these is actually important to consumers. As a result, they have failed to generate sufficient brand equity to cover the additional costs of production, promotion and administration of the initiative (Fearne, 1998; Northen, 2000). We propose that in shared brands, the involvement of multiple firms from the very earliest stages of brand development, combined with their ‘third party’ governance structure, creates additional challenges in the phase of brand identity creation. Specifically, they increase the risks of incoherent, non-customer focused identities being created.

### *Brand Reputation Building*

The second key phase of brand decision-making concerns activities designed to build and enhance brand reputation amongst buyers who are already aware of a brand's identity. This phase is crucial to the generation of consumer confidence and trust, which in turn generates the repeat custom and premium prices on which positive brand equity is based. In this phase, the managerial task of ensuring that the experiential quality of products or services matches up with the promises projected through brand image is vital (Burmam and Zeplin, 2004). The brand management literature (e.g. Kapferer, 1997; Elliott and Percy, 2007) is very clear on the need for firms to avoid promise-reality gaps, for reasons of customer disappointment and negative publicity. To achieve this, the literature has traditionally focused on tasks relating to external stakeholder management, e.g. researching and managing customer expectations, carefully planning communications campaigns, and managing the media (Elliott and Percy, 2007). But there are internal quality management tasks which are equally important to the enhancement of brand reputation, based on ensuring consistent quality and eradicating opportunistic behaviour (e.g. the flouting of quality standards by internal stakeholders involved in production or delivery). The corporate branding literature provides insights into these internal issues, with reference to how organisational structure, culture and internal communications can shape 'good' employee behaviour (De Chernatony, 1999; Urde, 2003; Burmam and Zeplin, 2004; Vallaster and De Chernatony, 2006). Beyond this however, the branding literature has little to say about internal quality management, perhaps because under private brand arrangements it is assumed that risks are managed by routine employee performance and evaluation procedures, considered to be beyond the remit of brand managers.

Under club brand arrangements however, we propose that specific challenges of internal quality management arise. This is due to the non-rivalrous characteristic of these brands: because partner firms, once members, are free to enjoy the equity benefits of a strong reputation brand, yet retain their presence as individual businesses, the incentive to free-ride is high. If a member firm uses cheaper ingredients to cut costs or alters processes to enhance their own convenience, the anonymity of the club brand ‘shields’ them from the direct consequences of their actions in a way that a private brand identity would not. Franchisors do at least have the benefit of a hierarchical structure to reduce the risks of free-riding amongst their franchisees. However shared brands lack a single, ultimate owner and therefore managers face real problems with controlling opportunistic behaviour amongst members. We use both Chilterns Choice and Parma Ham to illustrate these quality management challenges and how they may be addressed.

At Chilterns Choice, the AONB staff set up a system of farm management plans, supported by a series of independent inspections, oriented towards assuring that all farmer members in the brand complied with standards of landscape management important to the AONB. This system worked well, and no instances were identified of farmers’ flouting the codes of practice set out in the plans. However, the AONB did not specify any standards for farmers relating to breed type or conformation, which are ultimately important to the experiential quality of the product by the end consumer, and linked to repeat custom. Furthermore, neither the abattoir nor the butchers retailing Chilterns Choice were required to commit to written agreements or contracts. In fact the AONB, as third party facilitator, was somewhat obliged to both sets of actor in terms of their willingness to handle the small volumes of throughput represented by the brand. Hence, staff were reluctant to impose conditions that could compromise this goodwill. However, the resulting lack of written standards and inspections

for the abattoir and butchers meant the AONB had little control over their actions, and quality control problems emerged. For example, some butchers were found selling Chilterns Choice meat under their own preferences for physical carcass quality, rather than the conformation grading of the abattoir. Specifically, they cherry-picked their preferred cuts and rejected the rest. The result was that consumers were exposed to different experiential qualities for Chilterns Choice meat across different retail outlets, thereby jeopardising their confidence in the brand. Furthermore, the rejected cuts had to be sold back to the abattoir at a loss, thereby incurring direct financial costs. Being a separate entity with no hierarchical control, and only verbal agreements to fall back on, the AONB had no recourse to censure the butchers' actions. The case highlights the problems in internal quality control that can occur in shared brands due to the third party governance mechanism's lack of authority in imposing penalties on members for misbehaviour, particularly on quality aspects important to customers' experience of the product.

As the Parma Ham brand encompasses a much larger membership of individual firms than Chilterns Choice, from pig farmers to ham processors and packers, it may be imagined that risks of opportunistic behaviour are higher, with consequent impacts on customer experience of products and confidence in the brand. Evidence indicates that such behaviour does indeed happen (O'Reilly *et al.*, 2003). However, there are three key features that have been developed in the Parma Ham brand which serve to reduce the risk of inconsistent quality and loss of brand reputation. First, unlike Chilterns Choice, the governing Consortium has put in place clearly specified codes of practice for all stages of production, processing and packing, supported by a robust system of independent inspections and penalties for flouting standards. This gives full traceability and accountability in the system, and renders it much harder for an individual producer to 'hide' opportunistic actions. Second, although the codes of practice

apply to upstream as well as downstream activities, all codes are oriented towards assuring the finest eating quality in the end product. This means that the whole supply chain is focused on ensuring that customer experience of the physical product consistently matches the key promises of the Parma Ham brand. Finally, there is also evidence that a strong social control mechanism exists amongst members of the brand. Specifically, as individual members typically know each other well through long association over many years, the resulting network of strong social bonds between the actors suppresses the motivation to free-ride (O'Reilly *et al.*, 2003). In terms of lessons to be learned from the Parma Ham case here, it may be argued that the feature of the social control mechanism is a rather idiosyncratic characteristic of the Parma Ham network, and therefore not immediately transferable to new shared brands. However, the Consortium's well-specified, consumer-oriented quality standards and robust internal control procedures clearly do play a key role in addressing the quality control and governance problems of shared brand reputation building. We propose these could be usefully adopted by managers of even recently established shared brands such as Chilterns Choice, to moderate the difficulties they might otherwise experience.

### *Brand Reputation Protection*

The third key area of decision-making in a brand's evolution relates to the protection of its reputation, which arises when a brand's success and renown reach such levels that competitors are tempted to steal equity share, for example through copycatting or counterfeiting. We conceptualise this problem as free-riding by external stakeholders. The branding literature identifies a host of undesirable consequences resulting from these types of activity (Keller, 1991; Jain, 1996; Shultz and Nill, 2002; Green and Smith, 2003; Warlop *et al.*, 2005). Yet surprisingly, given the obvious risks to brand equity through reputation damage and direct financial loss, few studies in branding explore how to manage the problem

of external free-riding, beyond recourse to legal mechanisms such as copyrights and trademarks. Perhaps it is assumed that brand managers automatically register brand names as trademarks early on in the brand development process, and therefore the management of free-riding is a matter of hiring legal expertise when the need is identified. For private brands therefore, the main challenge is implied to be the identification of instances of name misuse, although the rivalrous characteristic of these brands facilitates the identification process: i.e. it is relatively clear whether the actors involved are external to the firm or not.

The non-rivalrous characteristic of club brands makes the identification of external free-riding potentially more difficult. As there are multiple firms involved, all of whom have the right to use the club brand name and share in its equity benefits, and all of whom may be at different stages of a contract process, it is potentially more difficult for club brand managers to identify which firms are 'external' than managers of a private brand. Nevertheless, it may be argued that the extent to which a business is service-based plays a role. In franchised high street services for example, external free-riders have to incur costs of replicating store interiors, fascia and merchandising, and their physical presence is obvious to monitors. In manufactured goods, the costs to external free-riders are lower and their activities are more difficult to detect. Our exploration of empirical evidence suggests the 'third party' governance structure of shared brands poses no further specific challenges in relation to brand protection. However, the case of Parma Ham illustrates clearly the reputation protection challenges of a manufactured club good, and also raises another factor that contributes to the difficulties of managing external free-riding – that of origin indication in the brand name itself.

With an established renown and ability to command a 20-25% price premium (Consortio del Proscuitto di Parma, 2005), Parma Ham is a shared brand that attracts the interest of external

free-riders, i.e. firms that pay no membership fees nor follow the Consortium's codes of practice but who nevertheless market their products as 'Parma Ham'. Given the highly fragmented channels through which processed pork products are distributed, encompassing a huge volume and diversity of outlets from supermarkets and independents to caterers, the Parma Ham Consortium faces a real challenge in monitoring instances of misuse of its brand name. Moreover, in spite of the use of its membership fees, the Consortium has limited resources to pursue cases through legal means. Currently, for example, it is seeking to prevent name misuse by restaurant owners who use non-Consortium 'Parma Ham' in their dishes, so far without success. One key difficulty with such brand protection attempts is the fact that the brand name contains a reference to origin. In practice, origin names are controversial when applied to the characteristic of *excludability*. Detractors argue that economic entities, such as the Parma Ham Consortium, should not be permitted to appropriate names which other economic entities may have a right to use, for example if these other actors are located in the geographic area concerned. Thus shared brands which use origin indication in their brand names may face more complex legal disputes over ownership rights to their names, exacerbated by international differences in intellectual property laws. For example, under United States intellectual property law, the Parma Ham Consortium has exclusive trademark rights to its name, therefore the main challenge it faces in this market is identification of instances of misuse, as previously described. In Canada however, 'Parma Ham' has been a registered trademark held by an external firm (Maple Leaf Foods) for 30 years. As the relevant court ruled that this registration was made in good faith and without the intention to copycat or deceive producers in the Parma region, the proposal is that brands from both sets of producer now co-exist in the Canadian market (Hayes et al., 2003). The Consortium therefore cannot legally protect its brand reputation from this 'external free-rider', as they perceive it. Overall therefore, we propose that managers of 'club' brands face

extra challenges in brand reputation protection where (i) the brands are applied to manufactured goods, and (ii) the brand name features an origin indication.

## **Conclusions**

To date, most branding theory has rested on the assumption that brands are private goods, and the challenges that are assumed to preoccupy brand managers reflect this supposition. In this paper, we have investigated branding arrangements that exhibit club good characteristics, and through the specific focus on shared brands, have revealed a number of brand management challenges that add to or diverge from private brand challenges. The theoretical propositions emerging from the investigation are summarised in Table 2. As can be seen, we propose that for many brand management decisions, either the non-rivalrous characteristic or third party governance structure of shared brands impose extra difficulties. In the specific phase of brand reputation protection, additional factors such as the type of offering to the market (service vs manufactured product), and the appearance of origin in the brand name, also play key roles.



**Table 2. Brand Management Challenges of Shared Brands**

<b>Brand Decision-making Phase</b>	<b>Theoretical Propositions on Key Challenges</b>
Brand identity creation	The coherence and customer focus of brand identities in shared brands are challenged by (i) the involvement of multiple firms from the very earliest stages of brand development, which amplifies and diversifies views, (ii) their third party governance structure, which obfuscates clarity in decision-making.
Brand reputation building	The brand reputation of shared brands is challenged by their third party governance structure, which weakens the authority of brand managers to control opportunistic behaviour of brand members, thereby threatening experiential product quality and fulfilment of brand promises to the customer. This challenge may be addressed by specifying codes of practice to all members and establishing robust inspection systems and penalty regimes for non-compliance.
Brand reputation protection	Reputation protection of shared brands is challenged by their non-rivalrous characteristic, which blurs the boundaries between actors internal and external to brand membership. Protection problems may be particularly acute for manufactured goods (because instances of brand name misuse may be more difficult to detect), and when the shared brand name contains an indication of origin (because legal ownership rights may be more complex to determine).

The main focus of this study has been shared brands, which we have conceptualised as a specific sub-set of club brands. The latter is a useful categorisation for future developments in relational branding because it draws from clear theoretical principles concerning the nature of inter-firm relations, and consequently of the behaviour of individuals involved in collective branding arrangements. It contrasts, therefore, with many other relational branding classifications that have been proposed, which tend to be based on descriptive or observational characteristics without linkage to any underlying theory of the assets which parties engage with. Future research may therefore consider the categorisation of club brands itself in greater depth. What other types of branding arrangement fall into this category, and how do the managerial challenges compare? In this study, we have made repeated reference to franchise arrangements as another example of a club brand, but the nature and managerial

implications of such brands need much more in-depth analysis. In summary, the way is clear for future research that tests the boundaries of application of the club brand concept, to further develop theory.

Regarding the limitations of the study, as with all case-based research, the results cannot be generalised statistically, that is, directly generalised to a wider population or universe (Carson *et al.* 2001). Rather, results are generalised to theoretical propositions (analytical generalisation). Whilst the specific theoretical propositions presented in this paper emerged from analysis of cases in the food industry, the challenges identified in shared brand identity creation, brand reputation building and brand reputation protection would appear not to be sector specific and have wider resonance. We do not rule out the testing of the theory to a wider population but note that theory development was vital prior to assessing its statistical generalisability (Perry, 2001). Given the gaps between the existing literature on private brands and the empirical reality of shared brands, our focus has been on articulating patterns of theoretical importance.

Finally, reflecting on the existing branding literature, this study has revealed a conceptual orientation towards brands as private goods, and in turn, a preoccupation with the customer-facing tasks of brand management. These have given rise to numerous studies on brand identity, image building and customer relationship management. In contrast, organisational tasks and brand managers' roles in setting, delivering and monitoring quality assurance standards have received relatively scant attention, in spite of these being crucial to brand equity. We argue that such organisational tasks are integral elements of brand management, and through our exploration of these tasks in shared brands, we have revealed some of the problems that can occur and how direct the impacts can be for brand equity. We call for a new

direction in academic research in this field, based on a more nuanced and sophisticated view of brand assets, in conjunction, where appropriate, with authors in new product development, production management and organisational behaviour.

## Notes

[1] The first project was European Union concerted action ‘*DOLPHINS*’ (*Development of Origin Labelled Products: Humanity, Innovation and Sustainability - QLK5-2000-00593*). Further information at <http://www.origin-food.org>, see also Tregear *et al.* (2007). The second project was *Evaluation of the UK Regional Food Strategy* (Department of Environment, Food and Rural Affairs). Further information is available at <http://statistics.defra.gov.uk/esg/evaluation/regional/default.asp>, see also Gorton and Tregear (2008). Both of these projects sought to analyse and evaluate policy initiatives that attempt to improve the fortunes of small and medium-scale producers in the speciality food sector, including via improved marketing and branding. A key insight from both projects was that although development and maintenance of strong brands were clearly very important to the financial success of such producers, the challenges they faced in achieving positive brand equity were not restricted to the customer-facing tasks described in the mainstream branding literature. Often, additional problems of internal quality management and institutional arrangements for governance existed. We concluded that these additional problems could be attributed to the shared brand characteristics of the brands pursued by these producers.

[2] Unlike Parma Ham, Chilterns Choice has not been the subject of existing published studies. The information presented on this case is drawn from material and interviews with key actors of Chilterns AONB, to whom the authors extend their thanks.

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