Collaborative Couture:
Decoding Relative Pricing Strategies and its Impact on Brand Equity

Gustaf Johnsson Wallin, Lucas Adolfsson & Erik Bergtoft

Abstract

Purpose: This paper aims to analyze the relative pricing of co-branding collaborations in the fashion industry to gain a deeper understanding of the effects on their respective brand equity.

Design/method: This paper adopts a qualitative approach involving case studies on several co-branding collaborations in the fashion industry (H&M x Balmain, Adidas x Gucci, Fendi x Versace). In addition to qualitative case studies, this study collects primary data through two semi-structured interviews with professionals within the field of pricing and marketing.

Findings: The findings of this paper suggest that different relative pricing strategies affect different dimensions of brand equity within luxury fashion collaborations. Depending on how you want to affect brand awareness, brand loyalty, brand associations, or perceived quality different strategies can be applied. The 3 strategies *The Lobster Roll Strategy*, *The Steak & Ketchup Strategy,* and *The Surf & Turf Strategy* are then presented.

Original/value: Several studies have been made on how brand equity is affected by co-branding. However, the phenomenon of how relative pricing strategy in luxury fashion collaborations affects their brand equity respectively is a research gap this study contributes to. The implications of this research contribute to an understanding of how different relative price points within luxury collaborations may affect brand awareness, brand loyalty, brand associations, and perceived quality.

Keywords: Co-Branding, Brand Equity, Brand Awareness, Brand Loyalty, Brand Associations, Perceived Quality, Relative Pricing, Luxury Fashion, Case Study, H&M, Balmain, Adidas, Gucci, Fendi, Versace

Paper type: Research paper

Introduction

The dynamic landscape of the fashion industry is marked by continuous evolution, fierce competition, and an ever-growing demand for novelty and innovation. This affects actors in all pricing categories, including luxury fashion brands.

According to Wang's report Luxury 3.0 (2022), a landscape exploration paper by BCG and High Snobiety, traditional definitions and notions of luxury are eroding. Today brands like Nike and Stone Island can be mentioned in the same breath as Louis Vuitton, Gucci, and Balenciaga which further indicates that luxury today is more intangible than ever. The new luxury or “Luxury 3.0” (Wang, 2020) fundamentally requires cultural credibility which is driven by stories, belonging, and communities that create universes built on never-ending conversations that make consumers into fans, long before they ever make their first purchase.

Marketing in itself is now being consumed and that's why an increasing number of fashion brands choose to collaborate with other fashion brands to expand across segmental categories (Wang, 2022). As more fashion brands select partners with other price positions as well as different customer segments, the question remains on which of the two pricing strategies the alliance should consider. This research paper therefore opts to understand how the relative pricing of co-branded fashion products affects the brand equity of the respective brand.

The following literature review will examine previous research on the subjects of brand equity, co-branding, and pricing within a fashion context, which ultimately is operationalized through a framework. This study builds on three case studies from the co-branding fashion ventures of Balmain x H&M, Adidas x Gucci, and Fendi x Versace, which are chosen since they consist of either a luxury brand collaborating with another brand that does not align with their own price point or a co-brand where the price point is higher than its separate partners. The broader aim of this paper is to analyze the relative pricing of co-branding collaborations in the fashion industry to gain a deeper understanding of the effects on their respective brand equity. The empirical data is collected through secondary data from the three cases and primary data from in-depth interviews with pricing professionals.

Literature review

Brand Equity

Brand equity is the “added value endowed to a product in the thoughts, words, and actions of the consumer” (Keller, 2006, p. 546). By leveraging brand assets,, such as its name and symbols, brands can either add or subtract value for a firm and its consumers (Aaker, 1991, p.15). When measuring customer-based brand equity (i.e. the associations the consumer has of the brand), five dimensions are commonly used. These include brand loyalty, brand awareness, perceived quality, brand associations as well as other brand assets (Aaker, 1991). A strong brand equity can lead to increased loyalty, higher margins, more successful marketing programs, and a general competitive advantage. (Aaker, 1992). Table 1 highlights examples of dimensions, definitions, and their value-generative effects

Table 1: *Dimensions, definitions, and value-generative effects of Brand equity components*.

Dimension	Definition	Value generative effects (Aaker, 1992)
Brand Loyalty	The level of attachment that a consumer has towards a brand and reflects how likely they are of switching brands (Aaker, 1991)	• Reduced marketing cost • Trade leverage • Attract new customers • Time to respond to competitive threats
Brand Awareness	" a buyer's ability to identify a brand within a category in sufficient detail to make a purchase". It consists of in store brand recognition and prior to purchase brand recall (Percy & Rottier, 2006).	• Anchor to which other associations can be anchored • Familiarity-liking • Brand to be considered
Perceived Quality	"defined as the overall perception of customers about brilliance and quality of products or services in comparison with the rivalry offering" (Aaker, 1991, p. 85-86).	• Reason to buy • Differentiation/position • Price
Brand Associations	Brand associations are elements that make the brand more memorable (Aaker, 1991). Associations can be created by attitudes, benefits and attributes respectively (Keller, 1998)	• Creates positive attitudes and feelings • Help to process and retrieve information • Differentiation/position
Other brand associations	eg, Patents, and trademarks. "included for completeness and is usually of lesser importance" (Aaker, 1992)	• Competitive advantages

Co-Branding

The term 'Co-Branding' can be described as when two or more brands come together and design, and implement, marketing strategies to launch a collaborative brand (Shen, Choi & Chow, 2017). Furthermore, Shen et al. (2017) describe one purpose of partnering up and creating a co-brand is to respond to a fast-changing marketplace. In addition to this, Murtas, Pedeliento, Mangiò, and Andreini (2022) also put co-branding in relation to the market paradigm where it is described to be a strategy used to create brand awareness in a market where growing competition is present and through this strategy brands are seeking new ways to gain recognition. The term also highlights the approach of a host brand collaborating with other participants who combine their individual assets to develop new offerings. Moreover, a co-branded offer provides increased value and greater recognition in the market compared to the same offer featuring only one brand's name (Murtas et al., 2022). Kapferer (2012) mentions that this is an era of partnerships, and alliances where co-branding is a strategy to respond to the need for continuous growth. In similarity with Shen et al. (2017), Washburn et al. (2000) mention that marketers can utilize co-branding as a method to integrate the already established positive associations of two or more brands, into a new composite brand i.e. co-brand. It is also discussed that the development of a co-branding strategy aims to benefit and leverage the strengths of all the involved brands, regardless of the consumers' perception of respective brand equity, whether it is high or low (Washburn et. al., 2000). Since this study focuses on collaborations within the luxury fashion industry, the next segment will narrow down the discussion specific to this field.

Co-branding in Luxury fashion

Within the fashion industry co-branding as a strategy has become notably popular, especially among luxury brands and large-scale retailers (Oeppen & Jamal, 2014). One of the reasons is based upon the fact that the industry has been for an extended period an intense and ever-changing environment settled in a fiercely competitive arena, that in turn has demanded brands to consistently innovate themselves to secure market expansion and brand loyalty to sustain a competitive edge (Oeppen & Jamal, 2014).

There has been a lot done in previous research within the field of co-branding and luxury fashion. One interesting study made by Quamina, Xue, and Chaudhary (2023), brought up the concept of 'Masstige' i.e. Mass Prestige, and claimed that it is one of the fastest-growing product categories in the competitive fashion market. The concept in short entails a brand positioning strategy that involves premium market goods being sold at a mid-market price point, appealing to consumers with aspirational tastes who are also value conscious. Furthermore, Quamina et al. (2023) highlight that luxury brands are increasingly practicing this approach to connect with millennials who today currently make up 32% of the luxury market, and more interestingly, are expected to grow above 60% in the year of 2025. Through collaborations with high-street retailers, luxury brands can expand their reach, cut costs, reduce risks, and raise brand awareness among new consumer segments (Shan, J., Lu, H. and Ci, A.P, 2022). The research made by Quamina et al. (2023) concluded that luxury brands can effectively attract consumers using lower price points, all while maintaining their prestige and desirability. The study further concludes that co-branding with a high street retailer is to be a more effective masstige strategy for luxury brands than a downward extension i.e., a brand introduces products at a lower price or lower quality level compared to existing offerings. Note the difference between a downward extension and co-branding with high street retailers is that the first one involves introducing lower-priced or lower-quality products within the own brand's portfolio, meanwhile, co-branding with high street retailers involves collaborating with a popular retailer to for instance expand market reach and accessibility. The recently made study demonstrates specifically how managers can use co-branding masstige to help their luxury brands assess segments of customers who are not able to afford luxury products, but have the aspiration and desire to do so, and live a luxury lifestyle.

Since brands fundamentally can be perceived as assets, Washburn et al, 2000, further highlights that Co-branding can be dangerous to brand equity if consumers transfer negative associations from one brand to the other. However, Oeppen and Jamal (2014) suggest that when collaborations are limited with the purpose of selling out quickly, brands don't risk dilution or spill-over effects.

Brand equity and its relationship to co-branding

To manage growth and continuously create and sustain a higher brand equity, firms can in the short term build on their existing customers through CRM strategies but in the long run they need to penetrate and innovate their way into new untapped markets (Kapferer, 2012). As a response to the growth demand required to manage brand equity, the concept of co-branding is becoming an increasingly popular strategy (Washburn, J.H., Till, B.D. and Priluck, R. 2000) as it may provide new competence and fill identity as well as image gaps for each respective brand (Kapferer, 2012). Furthermore, it allows both parties to leverage new distribution channels, create buzz, and increase the chance for extension success beyond its original market (Kapferer, 2012). Co-branding with two partners that both have high brand equity evidently increases the perceived brand equity of both the individual brands but also of their co-brand (Washburn, J.H., Till, B.D. and Priluck, R. 2004).

Pricing and price as an attribute

When it comes to pricing within fashion, the literature explains that one of the key components of pricing within the specific domain of luxury fashion is having a price premium (Fionda & Moore, 2009). The reason for this is not only that it is a reflection of the product's quality but is also a signal of product exclusivity and can act as a barrier to entry. Their case study concludes that when managing luxury brands, the price has to match their positioning (Fionda & Moore, 2009). Pricing is an important part of a marketing strategy, especially when it comes to co-branding as the two partnering companies may practice vastly different price strategies. Finding the right price approach for the co-branded product is therefore crucial (Chang, 2008). As previously mentioned in earlier sections, the concept of co-branding has seen excessive research but there are still gaps in its relationship to pricing. Co-branding is often instead evaluated on conceptual elements (Yu, Rothenberg & Moore, 2021). Aaker (1991) suggests that pricing can be a commonly used factor to measure brand equity, therefore choosing a sub-optimal price strategy can directly affect the value of the participating brands (Yu et al, 2021). Pricing too high will shift the focus of the segment and alienate more price-sensitive consumers while pricing it too low may spark mistrust in the product's quality and credibility (Yu et al, 2021). Balancing this is essential, especially when the co-branded product derives from both a luxury brand and a non-luxury brand (Yu et al, 2021). Yu et al (2021) exhibit that consumers' desirability of co-branding initiatives is influenced by price and that when the initiative is based on two brands with different price positions, consumers prefer the pricing to be consistent with the less expensive. This is however contradicting Kapferer, Klippert, and Leproux (2014) who demonstrated that a 50% decrease in price leads a majority of consumers to no longer perceive a product as a luxury. This may dilute the brand equity and thereby risk affecting the consumer's purchase intentions negatively (Kapferer et al 2014). Yu et al (2021) conclude that the reason for this contradiction could be that modern luxury relies more heavily on experience and aspirations than price and that young consumers as a consequence will be less likely to be impacted by relatively lower prices on luxury goods (Yu et al, 2021). An important final insight to bring into this study is that when measuring the desirability of a luxury brand and sports brand combination, desirability was the highest when the price was more similar to the sports brand but perceived the collaboration as exclusive (Yu et al, 2021).

Relative Price Brand Equity Framework

Since this paper's purpose is to research the relative price effect on brand equity, a framework has been developed. The framework is based on Aaker's (1991) four dimensions of brand equity; brand awareness, brand loyalty, perceived quality, and brand associations. These four dimensions sum up to brand equity. The framework is used to illustrate the analysis.

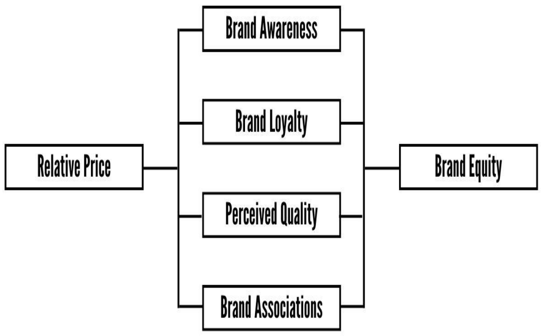

Fig 1. *Relative Price Brand Equity Framework*

Methodology

Research Design

This research takes a qualitative approach, encompassing both primary and secondary data sources (Bryman & Bell, 2017). The core aim of this study is to investigate the impact of pricing strategies on co-branded collections within the fashion industry and their subsequent influence on brand equity. The selection of qualitative research is chosen as it allows for a comprehensive exploration of pricing strategies in the context of fashion collaborations.

This paper is structured as a case study, focusing on the examination of three specific fashion collaborations; Balmain x H&M, Adidas x Gucci, and Fendi x Versace. These cases were chosen for their representativeness and relevance. They serve as practical examples through which we can explore the link between pricing strategies and brand equity within co-branded collections.

Additionally, this study involves interviews with two experts on pricing. These interviews will be used as a primary data source of qualitative data, offering insight into the relationship between pricing strategies and brand equity.

Empirical Data Collection

Firstly three case studies were made. The information was gathered from secondary sources including articles, reports, and company websites from the respective brand. This comprehensive data was collected to attain a profound understanding of the collaborations and their respective price point.

Secondly, two semi-structured interviews were conducted, the first interview was held with a C-suite executive at a Pricing Strategy firm who has a previous background as a marketing executive. The second involved a Net Revenue Manager employed by a prominent FMCG (Fast-Moving Consumer Goods) brand in Sweden. The person also holds a PhD in Brand management from Lund University. These interviews were thoughtfully structured to explore the aspects of brand equity and the mechanisms that drive pricing strategies within our chosen cases. The first interview provided a more in-depth view of associations while the second provided a more focus on revenue streams.

The interviews were conducted over Zoom. Each interview, on average, spanned approximately 25 minutes. Lastly, the interviews were transcribed and translated into English. Conducting interviews in Swedish was a deliberate choice aimed at enhancing comprehension and preventing the loss of nuanced and critical information within complex discussions. During these concise yet insightful conversations, the knowledgeable participants shared their perspectives, offering valuable insights into the chosen cases.

Empirical Results and Analysis

In the following section, the theoretical framework is applied to the empirical data.

It begins with a presentation of the different cases. Then followed by an analysis with pricing in focus, but put into relation to co-branding, and brand equity, involving concepts of brand awareness, brand loyalty, perceived quality, and brand associations. In the analysis, quotations from the conducted interviews are integrated to enrich the discussion further.

Balmain x H&M

In the year 2015, on the 5th of November, the luxurious French fashion house Balmain, together with the global Swedish fast fashion retailer H&M, released their first ever collaboration (Yotka, 2015). The collaboration featured a range of clothing, accessories, and shoes for both men and women. The collection incorporated Balmain's signature aesthetics characterized by satin, luxury embroidery, and skintight tailoring (Yotka, 2015). The launch of the collection generated massive online hype, especially amongst Balmain's biggest fans (Shen et al., 2017). In addition to this, the launch of the collection also made some H&M stores abruptly close their stores after thousands of shoppers turned up with the dream of being the first ones to get their hands on the products from this anticipated collaboration (Teather, 2015). Furthermore, Allywood (2015) mentions that just minutes before the official US release of the collection, H&M's website crashed due to immense pressure. The collection had also been heavily promoted by celebrities wearing parts of the collection on the red carpet before its release, for example, Kendall Jenner and Jourdan Dunn. The collaboration was a huge success with items selling out quickly (Allywood, 2015).

As mentioned, the collection includes a range of different products, for instance, Balmain's popular plain T-shirt with the iconic print ¨Balmain Paris¨ on the chest. A regular t-shirt from Balmain costs about $695.00 US dollars (Balmain, n.d.), while the co-branded t-shirt costs about $34.99 US dollars (Mau, 2015). This is an impeccable example of how the collaboration has pursued the price point of H&M. The major difference between these t-shirts was that in the regular t-shirt, the print said ¨Balmain Paris¨ (see Fig.2), while in the co-branded version ¨Paris¨ was replaced by the location of where the product was being sold. However, worth mentioning is that the collection also included a mix of expensive and budget-friendly prices to make it more accessible to a wider range of consumers (Hope Allwood, 2015).

Fig. 2. *To the left: Co-branded T-shirt Balmain x H&M $34.99 US dollars. To the right: T-Shirt Balmain $695 US dollars.*

Adidas x Gucci

The well-renowned Italian luxury brand Gucci released its first collaboration together with the German sports brand Adidas on the 7th of June in 2022. In this collaboration the Adidas codes have been "Gucci-fied" and the brand's symbols have merged within the project. It seeks to be a pervasive spirit of the retro chick as several of the brand's iconic products like the Adidas tracksuit have been splattered with the classic Gucci red and green color patterns. Further, the Gucci house designer Alessandro Michele chose to cover the famous Adidas Gazelle shoe in the brands GG emblem (Cardini, 2022). A regular pair of Adidas Gazelle costs about $100 US dollars (Adidas, 2023) while the co-branded Gazelle costs $650 US dollars (Gucci, 2023), clearly indicating that the collaboration has chosen to pursue the higher of the two price points.

Despite the 6,5x times higher price premium, the collaboration was a huge success as online searches for Gucci surged by 286% and the co-branding initiative helped spring Gucci to be the world's trendiest fashion brand. In the second quarter of 2022, the Gazelle sneaker ranked second on the list of the hottest female products of the quarter (Harris poll, 2022). Consumer surveys show that the brand equity of both brands increased (Harris poll, 2022). The successful results were not disclosed to the respondents of this paper.

Fig. 3. *To the left: Co-branded Shoe Adidas x Gucci $650 US dollars. To the right: Shoe Gucci $100 US dollars.*

Fendi x Versace

The two major Italian luxury fashion brands announced in September 2021 the news of a collaboration sparked the end of the Milan Fashion Week (Ilcha, 2022). The collection, better known as "Fendace", is divided into two parts. The Fendi by Versace and Versace by Fendi. The collection was released on the 12th of May in designated pop-up boutiques, a few selected stores, and on Fendi and Versace's websites. The collaboration featured a variety of different items ranging from socks for $195 US dollars to $32 000 US dollars for a silk robe (Ilcha, 2022). The items in the collaboration showed signature designs with monogram (Fendi) and baroque patterns (Versace) (Silbert, 2022). An interesting mark is that the two brands don't have any shared ownership which has been the case in many other luxury brand collaborations (Friedman, 2021).

The pricing of the collaboration was slightly higher than the brands individual collections. For example, a Versace La Medusa handbag retails for $2825 US dollars, while the same model of handbag found in the collaboration is priced at $3295 US dollars (Lischke, 2022). However, the handbag found in the collaboration is made of canvas material covered with the Fendi monogram instead of plain black leather. Despite the higher pricing point, the collaboration gained massive media attention.

Fig. 4. *To the left: Co-branded Bag Fendi x Versace $3295 US dollars. To the right: Bag Versace $2825 US dollars.*

Brand Awareness

As mentioned in the literature review, brand awareness refers to which extent a brand is recognized and known amongst consumers in a specific market. It is described to be a measure of how familiar consumers are with the specific brand in question, as well as its products and services (Kapferer, 2012). The pricing strategy of the previously explained Balmain t-shirt, where the co-branded product costs $34.99 US dollars (see Fig.2), and the regular from Balmain costs $695.00 US dollars (see Fig. 2), will be used to demonstrate the relationship between the brand awareness and pricing.

Firstly, by selling a t-shirt with a Balmain print for $34.99 US dollars in an H&M store (which is close to H&M's price point), one can argue that the awareness of Balmain amongst H&M's customer group increases when H&M decides to release a t-shirt aimed at H&M's price point, which includes a Balmain¨ print. The decision to sell the t-shirt at this price point enables customers to buy a product that can be associated with the luxury house of Balmain, especially customers who usually can't afford to buy products from Balmain. The low price of the co-branded t-shirt illustrates a deliberate strategy to broaden brand awareness and accessibility to reach a wider audience and penetrate into a new customer segment. The choice of price enabled Balmain to leverage H&M's current customer group and plant a seed of brand awareness in the fast fashion market. Referring back to Quamina et al. (2023), this example goes in line with the author's reasoning about ¨Masstige¨. What can be seen is Balmain, as a luxury brand, introduces a co-branded product, at a mid-market price point that aims to appeal to consumers who have aspirational tastes to gain greater brand awareness and accessibility. Furthermore, this example illustrates the reasoning of Shan et al. (2022) on how luxury brands can through collaborations with street retailers expand their reach and raise brand awareness among new customer segments. This was also highlighted in the interviews with the experts:

Respondent 1: "*The collaborations make good PR for Balmain since the whole collaboration gets the hype (...) at the same time the luxury consumers of Balmain might dare to taste H&M which is an effect of their awareness even though H&M has a different price point.*"

Respondent 2*: "Collaborations like these result in a heightened brand awareness as it creates a hype for both participating brands. For Balmain, the object is to tap into a new market bubble to create a secondary revenue stream on top of their existing one (...) lowering the price is a means of accessing this market"*

The last quotation from respondent 2 is similar to the reasoning made by Murtas et al (2022) who puts co-branding in relation to the market paradigm where it is described to be a strategy used to create brand awareness in a market where growing competition is present and through this strategy brands are seeking new ways to gain recognition, i.e. brand awareness. When positioning the price point at H&M's level, Balmain sought new ways to gain brand awareness by tapping into new market segments in combination with adjusting the price based on the appropriate segment. This is similar to what Shan et al (2022) addressed that luxury brands can through collaborations with high-street retailers expand their reach and raise brand awareness among new consumer segments (Shan et al, 2022).

From the brief discussion above, an understanding is gained that a crucial factor in brand awareness within co-branding is pricing. The discussed example above demonstrates how pricing holds such significance in the relationship between brand awareness and co-branded products in the fashion industry. Therefore, pricing emerges as a fundamental parameter to consider within the facet of brand awareness, which in turn influences brand equity for both collaborating brands, in this case Balmain and H&M.

Shifting focus to the collaboration between Adidas and Gucci, and their co-branded Gazelle sneaker seen in Figure. 3. at $650.00 US dollars. Respondent 1 highlighted that the co-branded product enables Gucci to gain a significant presence in Adidas' cultural segments, especially in areas such as sport, streetwear, as well as in the ¨rap/hip-hop¨ scene which allows them to raise their brand awareness amongst these segments, and become more credibly by collaborating with a well-established brand in these segments, such as Adidas. More specifically, respondent 1 expressed it as the following:

Respondent 1: *"From my experience, I would say that this is an example of where Gucci tries to increase awareness by involving themselves with a credible brand in new cultural segments. In this case, segments heavily connected with sport, streetwear but also the hip-hop scene."*

However, interesting to add is that respondent 2 said that in terms of brand awareness between these two parties, it probably would not be affected as much since both brands are already well known and that brand awareness is not the prioritized objective. This reasoning was also applied in the collaboration between Fendi and Versace, since both of these luxury brands are already well established in the luxury segment, and therefore the main goal is not increased awareness. Instead, both respondents argued that the associations are what these types of luxury collaborations want to influence. This will be further discussed under "brand associations".

Brand Loyalty

Since brand loyalty can be translated into a brand's profit streams and a loyal customer base can generate expected sales and profit streams (Aaker, 1991), it is of high relevance to discuss the relationship between pricing and brand loyalty. In this section, we will continue with the example of the Balmain x H&M t-shirt. As previously mentioned, the price point of $34.99 US dollars could be seen as a strategy used by Balmain to potentially convert and acquire future long-term Balmain enthusiasts. In other words, long-term brand loyalty growth, which in turn can generate profit streams and expected sales as Aaker (1991) mentioned. From the perspective of Balmain, by offering an option that is more affordable they introduce the design and luxury of their brand to customers who have not been aware of the brand before. This could be a strategy for priming the younger segments of H&M that today have a high price sensitivity to get access to the luxury brand Balmain and build an acquaintance with it. Which respondent 2 believed to be a reasonable strategic objective in choosing the relative price. As these segments grow up and become less price sensitive, their acquaintance with Balmain may reduce efforts of making them into loyal customers. The strategy could be backed up by insights from Quamina et al (2023), with motivation due to the increased luxury consumption of millennials.

Respondent 2: *"(...) priming the younger segment that are to price sensitive to buy premium, so that they in a few years become consumers"*

However, interestingly enough, this view is not shared by respondent 1 as the person believes that loyalty was not in mind when considering the price point. Instead, he suggested that from Balmain's perspective, their loyalty could drastically decrease:

Respondent 1*:"I see a risk here of changing the perceived brand positioning when decreasing the price position of Balmain (...). Compare the situation with the feeling of people wearing fakes, the original consumer hates it.(...) The loss probably is not counterweighted by the potential increase in loyalty from the HM consumers"*

The respondent argued that in the short term, the increase in loyalty from H&M consumers to Balmain doesn't counterweight the decrease in loyalty of frustrated consumers experiencing a feeling of brand dilution. This aligns with Kapferer et al (2014) on the potential risk of brand equity dilution when decreasing the price of luxury fashion. It's important to emphasize that this might not be the case if the collaboration is limited.

Respondent 2 mentions the potential risk of Balmain customers wanting to trade down to the cheaper collaboration, but continues by explaining that the limited nature of the collaboration in combination with that Balmain consumers still recognize the value of having “the authentic one”, there will not be a loss in brand loyalty. This argument goes in line with what is stated previously by Oeppen and Jamal (2014) suggests that when collaborations are limited with the purpose of selling out quickly, brands don't risk dilution or spill-over effects.

However, when it comes to the collaboration between Adidas and Gucci the price point is shifted towards the luxurious brand. Respondent 2 argued that Brand loyalty for Adidas is not the primary goal but rather increasing the loyalty of Gucci customers with the motive of fear of missing out, limited edition, and exclusivity. But can of course go both ways as the Adidas segment is big, some Adidas customers that can afford the collab might be affected by fomo and limited edition as well. However, Respondent 1 argued an increased loyalty for Adidas, as their attribute of fashion which might not be the first that consumers have in mind, shines through and keeps their existing consumers engaged. This is due to the fact that the more expensive price point is chosen and the collaboration is permeated by exclusivity.

As for the loyalty dimensions for Fendi x Versace, respondent 2 acknowledged the potential increase in brand loyalty for both brands. By instead of going head to head, splitting the “cake”, can provide positive spillover effects of loyalty that can elevate both brands.

Perceived Quality

During the interview, respondents did not put a lot of emphasis on perceived quality as they both thought that what affects brand equity in terms of relative pricing is based more on intangible assets like brand associations, loyalty, and awareness rather than product-specific features such as perceived quality. However, According to Respondent 2, H&M's perceived quality might become slightly elevated. For the perceived quality of Balmain, respondent 2 doesn't believe it would decrease as the actual quality of the co-branded products most likely would increase from H&M standard, therefore not affecting consumer perceptions of Balmain.

The person continues by suggesting that the perceived quality of Adidas most likely will increase as they have gotten the “honor” of working with such an esteemed fashion house and the fact that Gucci has chosen to collaborate with them says something about the quality of Adidas. The choice of using Gucci's relative price point provides a spillover effect on the perceived quality as well:

Respondent 2: *“It's Gucci Standard.”*

When it comes to the last collaboration of Fendi x Versace, respondent 1 could barely see any reasonable explanations in terms of perceived quality as a result of this price premium. The respondent continued by highlighting the fact that at the price level that these luxury brands exist in, quality is pretty much the same, and associations of exclusivity are what further differentiate the price. Light will be shed on this under brand associations.

Brand Associations

In terms of brand associations respondent 1 shared several insights and put major emphasis on the relationship between the price point and the potential brand associations both collaborating brands acquire from consumers. Regarding this aspect, the person once again mentioned what was discussed under brand loyalty, in terms of Balmain consumer frustrations about brand dilution. There is a risk for Balmain by working with a fast fashion brand like H&M due to the nature of their business model. The respondent means that it may in fact damage Balmains associations, not because it strays away from their own brand promise, but because no one wants to be associated as a non-sustainable brand.

Respondent 1: *"Not kosher (...) Don't get in bed with fast fashion!"*

This example illustrates the reasoning from Washburn et al (2000) who highlight that co-branding can jeopardize the brand equity if consumers transfer negative associations from one brand to the other. In this case, when Balmain collaborates with H&M and sets the pricing in line with H&M, they risk acquiring negative associations with their own brand in terms of being engaged with an unsustainable, fast fashion retailer. But while talking the respondent realized a new possible strategy.

Respondent 1: *"If Balmain realizes that they aren't the most exclusive, they might want to become more household and can do so by tapping into the H&M market to increase sales volumes as well as changing brand associations. (...) as they can't access the ballroom of luxury brands as it costs a lot to be there and requires a whole load of work".*

By leveraging awareness and associations, Balmain could possibly convert H&M's customer base to its own. Choosing a lower price point is beneficial for conversion and won't result in the competition of customers as the two brands still possess different price positions.

Respondent 1: *"When you can't reach the top, you look downward (...) Conversion is the word!"*

The respondent finally concludes that you should not pursue the Balmains x H&M pricing strategy for three reasons which are the risk of brand dilution, the risk of spillover effects of unsustainable associations, and the risk of upsetting Balmains original customers which is similar to what Ye et al (2021) mentions regarding when pricing is too low, it may spark negative associations and mistrust regarding the brands quality and credibility. Interestingly, this example contradicts what Quamina et al. (2023) mentioned that luxury brands can maintain their prestige and desirability, all while implementing lower price points.

In terms of the associations of Adidas x Gucci, respondent 1 claims that the Adidas price corridor can increase due to added associations of increased luxury. In conjunction with the potential increase in perceived quality previously mentioned, respondent 1 means that Adidas in the long run, might even be able to gradually raise their prices.

Respondent 1: *"Since brands are like personalities, the fact that they got the honour says a lot about Adidas"*

Respondent 1 draws upon previous insights from working with a global sports retailer where their brand became damaged as a result of being used by consumers that the brand fundamentally didn't want to be associated with, which totally drained the associations of fashion connected to the Brand. The respondent further elaborated by comparing it to Gucci.

Respondent 1 "*(..) moving away from rich influencers and Russians may provide new flesh and meat and getting some actual substance (...) reducing associations of shallow luxury and increasing the sense of honesty"*

The other respondent suggested a reason for choosing the lower end price point of the two brands.

Respondent 2: "*As the Gucci segment may have a specific style, Gucci wants to reach a more sporty/street segment without diluting the Gucci brand core association"*

Choosing to price the collaboration at the higher end of the two may help influence the brand associations of them both, in other words a synergistic effect, Adidas as a more fashionable brand, chosen by one of the giants of luxury fashion and Gucci as more honest, contemporary and street-style. The sharing of associations confirms Washburn et al (2000) on how the positive associations of the co-brands can enhance each brand on their own. This could further be proven by the success in increasing their brand equity due to the campaign (Harris poll, 2022).

In the case of Fendi x Versace, the brands have the pricing philosophy of “1+1=3” as they put a price premium on the collaboration that's higher priced than each brand on their own. According to respondent number 1, the goal is to enhance the perception of exclusivity. The person theorizes that this is an attempt to reach the “creme de la creme” of fashionable segments, by increasing the price premium. Respondent 2 resonates with similar thoughts as the respondent points towards the uniqueness and limitedness of these kinds of collaborations. The respondent elaborates by saying that the added price premium most likely is used to lure luxury buyers.

Respondent 2: *“If there is anything people are willing to spend their money on, it’s due to uniqueness, exclusivity, and a fear of missing out”*

Discussion and Conclusion

Based on the conducted analysis of the empirical data the result showcases both similarities and differences with previous research regarding pricing co-branded collections within the luxury fashion industry. The aim of the paper was to analyze the relative pricing of co-branding collaborations in the fashion industry to understand the effects on their respective brand equity.

Our main finding in this article is that different dimensions of brand equity are affected differently depending on the chosen price point within the co-branding ventures. In terms of brand awareness the conducted study have provided an understanding of when a luxury brand is going down in price and position itself at the level of a non-luxury brand (in the case of H&M x Balmain) the result demonstrates that the luxury brand can tap into new markets and therefore increase their brand awareness amongst new customer segments. It's a question of volume and an extended reach within the market paradigm where the strategy is used to create brand awareness in a market where growing competition is present. Through this strategy, the luxury brand seeks new ways to gain recognition, i.e. brand awareness. When analyzing brand loyalty, our study showed a luxury brand can foster long-term brand loyalty by collaborating with a non-luxury brand. By using the lower price point, a younger customer can be acquainted with the luxury brand which could start a relationship with the luxury brand. Keeping the collaboration limited may reduce the risk of brand dilution. As for brand associations, luxury brands need to be aware of the potential risk of being associated with the fast fashion business model. Taking these risks into consideration is imperative in collaborations with lower price points, especially if the objective of the collaboration is to shift consumer associations to be more household. This kind of pricing decision might be questionable but it can work, therefore we have defined this strategy as the *“Steak & Ketchup Strategy”*. It alludes to a younger generation that in a few years might fully enjoy a luxurious stake by itself.

Furthermore, in the second case of Adidas x Gucci. By collaborating with an established and credible brand within the streetwear and sports culture, in combination with a price point at Gucci's standards it is concluded that Gucci can gain a significant presence in new cultural segments and additionally raise their brand awareness. This is similar to the case of

Balmain x H&M where Balmain also gained awareness in a new broader market segment. In contrast to Balmain x H&M, the price point is not decreased, but rather increased to the luxury brands level, protecting against dilution of core brand associations. Regarding brand loyalty when the price point is towards the luxury brand, the loyalty could increase by keeping existing customers engaged through the feeling of fashionality and a fear of missing out. By maintaining the high price point, non-luxury brands can receive spillover effects on perceived quality and therefore increase their own. This may even increase their price corridor, enabling gradual price increases. In addition, choosing to price a collaboration at the higher end of the two brands helps influence the brand associations of them both. In other words, this relationship resembles a lobster roll where the lobster and brioche bun are combined to create synergistic effects. A delicious high-priced street food. Hence we refer to this strategy as the *"Lobster Roll Strategy"*.

Regarding the co-branding between Fendi x Versace, the results show that both brands have the pricing philosophy of "1+1=3" as they put a price premium on the collaboration that's higher priced than each brand on their own. We have labeled it as the *"Surf & Turf Strategy"*, named after the luxurious dish that combines filet mignon with lobster. The goal is to enhance the associations of exclusivity and an attempt to reach the "creme de la creme"' of fashionable segments. Brand awareness is not the main focus here, rather its the associations the price premium aims to fulfill. The initiative in itself may provide loyalty benefits from the shared pool of customers. By instead of going head to head, deciding to split the "cake", can provide positive spillover effects of loyalty that can elevate both brands.

Managerial implications

In the search for understanding how the relative pricing of co-branded fashion brands affects brand equity, this paper can contribute with 3 different pricing strategies depending on which dimension of brand equity to focus on. These are illustrated in Figure 5. The *"Steak & Ketchup Strategy"* focuses on the long-term loyalty of the luxury brand by recruiting more price-sensitive customers to get acquainted with the brand. The strategy also pivots on volume and brand awareness as the luxury brand channels more household associations to tap into a larger market. The "*Lobster Roll Strategy"* entails when a non-luxury fashion brand and a luxury fashion brand position the price point at the higher end that influences the brand associations of them both, in other words, associations have a synergistic effect. Finally, The *"Surf & Turf Strategy"* opts to maximize the sense of exclusivity by increasing the price premium beyond that of the two partnering luxury brands. This extended price premium creates exclusive and unique associations that lure luxury consumers with a fear of missing out.

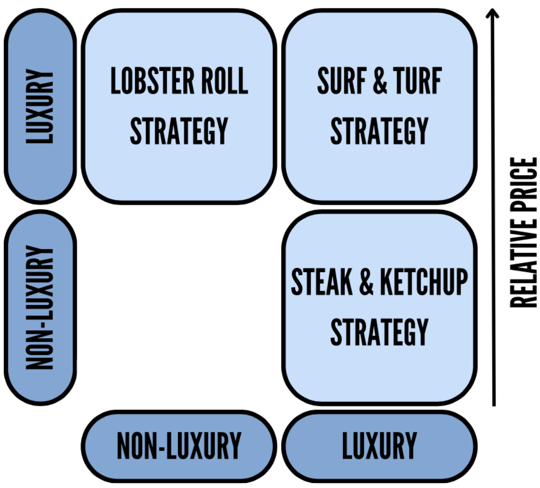

Figure 5. *Brand Equity Matrix for Relative Pricing in Luxury Fashion Collaborations.*

Theoretical implications

This study has found relevance in incorporating relative pricing when examining the brand equity of luxury fashion co-brands. Relative pricing may affect all dimensions that brand equity is built on. The research gap mentioned in the introduction therefore needs to be addressed by further research and be pursued by academic scholars.

Limitation and Further Research

This study has contributed to filling the existing research gap regarding how relative pricing strategy in luxury fashion collaborations affects their brand equity respectively. Hence, there is still room for further research. There are two main limitations of this study. Firstly, only two professionals were interviewed. Therefore further researchers are advised to conduct additional interviews with professionals to gain more perspectives on the subject. The second limitation is that the study is centered around only three cases of collaboration. It would therefore be of contribution to explore other cases of collaborations to test and extend the model. Finally, an alternative approach to address the subject is a large scale quantitative consumer survey with an aim to provide valuable insights as the definition of brand equity in this paper is consumer-based.

References

Aaker, D.A. (1991), Managing Brand Equity, The Free Press, New York, NY.

Aaker, D.A. (1992), "The Value of Brand Equity", *Journal of Business Strategy,* vol 13, No. 4 https://doi.org/10.1108/eb039503

Adidas. (2023). Gazelle Sneakers, Available online https://www.adidas.com/us/gazelle [Accessed 18 October 2023]

Balmain. (2023). Oversized T-shirt with rubber roman Balmain logo, Available online https://us.balmain.com/en/p/oversized-t-shirt-with-rubber-roman-balmain-logo-AH0EG000BC27EAB.html [Accessed 18 October 2023]

Bryman, A., & Bell, E. (2017). Företagsekonomiska forskningsmetoder. Översättare: Björn Nilsson. Stockholm: Liber.

Wang, T. (2022). Luxury 3.0, Highsnobiety and BCG

Cardini, T. (2022). See Every Look From the Adidas x Gucci Collaboration That's Dropping June 7th, Vogue, 10 May, Available Online: https://www.vogue.com/slideshow/adidas-gucci-collaboration-lookbook-reveal [Accessed 18 October 2023]

Chang, W. (2008), "A value‑based pricing system for strategic co‑branding goods", Kybernetes, Vol. 37 No. 7, pp. 978-996.

Fionda, A., Moore, C. The anatomy of the luxury fashion brand. J Brand Manag 16, 347–363 (2009).

Friedman, V. (2021). A First in the History of Fashion, New York Times, 27 September, Available Online: https://www.nytimes.com/2021/09/27/style/milan-fashion-week-fendi-versace-fendace.html [Accessed 18 October 2023]

Gucci (2023). Adidas x Gucci Men's Gazelle Sneaker, Available online: https://www.gucci.com/us/en/pr/men/shoes-for-men/sneakers-for-men/low-top-sneakers-for-men/adidas-x-gucci-mens-gazelle-sneaker-p-715222FAAR39751 [Accessed 5 October 2023]

Hope Allwood, E. (2015). Why we all lost it over H&M x Balmain, Dazed, 6 November, Available Online: https://www.dazeddigital.com/fashion/artic le/28302/1/why-we-all-lost-it-over-hm-x-balmain [Accessed 18 October]

Ilchi, L. (2022). "Everuthing to Know About the Fendace Collaboration" Women Wear Daily. https://wwd.com/fashion-news/fashion-scoops/fendace-collections-versace-fendi-collaboration-how-to-buy-details-1235179497

Kapferer, J., Klippert, C. and Leproux, L. (2014), *"Does luxury have a minimum price? An exploratory study into consumers' psychology of luxury prices"*, Journal

of Revenue and Pricing Management, Vol. 13 No. 1, pp. 2-11.

Kapferer, J.N. (2012) The new Strategic Brand Management. Fifth edition. London: Kogan Page

Keller, K. L. (1998). Strategic brand management: Building, measuring and managing brand equity. London: Prentice Hall International.

Keller, K.L. (2006) 'Measuring brand equity', in Grover, R. and Vriens, M. (eds) The handbook of marketing research: Uses, misuses, and future advances. Thousand Oaks, CA: Sage Publications, Inc, pp. 546–568.

Lischke, H. (2022). Fendace Is Here: Get a First Glimpse of 2022's Most Anticpated Designer Drop, Vogue, 12 May, Available Online: https://www.vogue.com/article/fendace [Accessed 18 October]

Mau, D. (2015). BALMAIN X H&M: SEE THE FULL COLLECTION WITH PRICES, Fashionista, 4 November, Available Online: https://fashionista.com/2015/10/balmain-hm-collection-prices#&gid=ci01db406b70019512&pid=6105_pr_133-3499jpg [Accessed 18 October 2023]

Murtas, G. *et al.* (2022) 'Co-branding strategies in luxury fashion: The off-white case', *Journal of Strategic Marketing*, pp. 1–20. doi:10.1080/0965254x.2022.2160484.

Oeppen, J. and Jamal, A. (2014) 'Collaborating for success: Managerial perspectives on co-branding strategies in the fashion industry', *Journal of Marketing Management*, 30(9–10), pp. 925–948. doi:10.1080/0267257x.2014.934905.

Percy, L. and Rossiter, J.R. (1992), A model of brand awareness and brand attitude advertising strategies. Psychology & Marketing, 9: 263-274.

Quamina, L.T., Xue, M.T. and Chawdhary, R. (2023) "co-branding as a masstige strategy for luxury brands: Desirable or not?', *Journal of Business Research*, 158, p. 113704. doi:10.1016/j.jbusres.2023.113704.

Royo-Vela, M. and Sánchez, M.P. (2022) 'Downward price-based luxury brand line extension: Effects on premium luxury buyer's perception and consequences on buying intention and brand loyalty', *European Research on Management and Business Economics*, 28(3), p. 100198. doi:10.1016/j.iedeen.2022.100198.

Shan, J., Lu, H. and Cui, A.P. (2022) '1 + 1 > 2? is co-branding an effective way to improve brand masstige?', *Journal of Business Research*, 144, pp. 556–571. doi:10.1016/j.jbusres.2022.01.058.

Shen, B., Choi, T.-M. and Chow, P.-S. (2017a) 'Brand loyalties in designer luxury and fast fashion co-branding alliances', *Journal of Business Research*, 81, pp. 173–180. doi:10.1016/j.jbusres.2017.06.017.

Silbert, J. (2021). Fendace Forecasts Another Hot Girl Summer, Highsnobiety. https://www.highsnobiety.com/p/fendi-x-versace-forecasts-another-hot-girl-summer/ [Accessed 18 October]

Teather, C. (2015). H&M Balmain: Oxford Street store has to close after thousands of shoppers turn up for collection's launch, Evening Standard, 3 November, Available Online: https://www.standard.co.uk/insider/fashion/h-m-on-oxford-street-closes-for-health-and-safety-as-number-of-shoppers-for-balmain-collaboration-exceed-expectation-a3107796.html [Accessed 18 October 2023]

The Harris Poll. (2022). A noteworthy sportswear and luxury collaboration strengthens both brands, Available Online: https://theharrispoll.com/briefs/a-noteworthy-sportswear-and-luxury-collaboration-strengthens-both-brands/ [Accessed 18 October]

Washburn, J.H., Till, B.D. and Priluck, R. (2000) 'Co‐branding: Brand equity and trial effects', *Journal of Consumer Marketing*, 17(7), pp. 591–604. doi:10.1108/07363760010357796.

Washburn, J.H., Till, B.D. and Priluck, R. (2004), Brand alliance and customer-based brand-equity effects. Psychology & Marketing, 21: 487-508. https://doi.org/10.1002/mar.20016

Yotka, S. (2015). See the Full Balmain x H&M Collaboration Lookbook!, Vogue 14 October, Available online: https://www.vogue.com/article/balmain-hm-collaboration-collection-looks [Accessed 18 October 2023]

Yu, Y., Rothenberg, L. and Moore, M. (2021), "Exploring young consumer's decision‐making for luxury co-branding combinations", International Journal of Retail & Distribution Management, Vol. 49 No. 3, pp. 341-358

Interview guide

1. How do you think brand awareness, brand loyalty, brand associations and perceived quality are affected by the chosen relative pricing strategy for the Balmain x H&M collaboration

2. How do you think brand awareness, brand loyalty, brand associations, and perceived quality are affected by the chosen relative pricing strategy for the

   Adidas x Gucci collaboration?

3. How do you think brand awareness, brand loyalty, brand associations and perceived quality are affected by the chosen relative pricing strategy for the

   Fendi x Versace collaboration?

4. What role does pricing play in the potential long-term effects of co-branding collaborations on both partners' brand equity?

5. What are the potential risks or pitfalls that brands should be aware of when implementing pricing strategies, particularly in co-branding

Dimension	Definition	Value generative effects (Aaker, 1992)
Brand Loyalty	The level of attachment that a consumer has towards a brand and reflects how likely they are of switching brands (Aaker, 1991)	● Reduced marketing cost ● Trade leverage ● Attract new customers ● Time to respond to competitive threats
Brand Awareness	" a buyer's ability to identify a brand within a category in sufficient detail to make a purchase". It consists of in store brand recognition and prior to purchase brand recall (Percy & Rottier, 2006).	● Anchor to which other associations can be anchored ● Familiarity-liking ● Brand to be considered
Perceived Quality	"defined as the overall perception of customers about brilliance and quality of products or services in comparison with the rivalry offering" (Aaker, 1991, p. 85-86).	● Reason to buy ● Differentiation/position ● Price
Brand Associations	Brand associations are elements that make the brand more memorable (Aaker, 1991). Associations can be created by attitudes, benefits and attributes respectively (Keller, 1998)	● Creates positive attitudes and feelings ● Help to process and retrieve information ● Differentiation/position
Other brand associations	eg, Patents, and trademarks. "included for completeness and is usually of lesser importance" (Aaker, 1992)	● Competitive advantages