SPILLOVER EFFECTS FROM AN ONLINE MARKETPLACE BRAND TO A PRODUCT BRAND UNDER CONDITIONS OF DISTRIBUTION EXCLUSIVITY

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ABSTRACT

With the increasing popularity of e-commerce, the retail landscape has undergone a massive transformation in the last two decades. The massive growth and influence of e-commerce are undeniable, and it is only expected to grow stronger as the internet becomes more readily available, and its reach widens through further penetration and expansion. An emerging trend that many brands have followed in recent times is to form exclusive selling partnerships with online marketplaces. One of the common practices in e-commerce lately has been the tie-ups of certain product brands with an online marketplace brand. Moreover, many brands are choosing to launch their brands or new products under their brand in a territory exclusively through one online marketplace platform. While OnePlus mobile phones entered India in 2014 with their OnePlus One phone exclusively through Amazon, Xiaomi also was launched in India exclusively on Flipkart in the same year. Over the years, both Xiaomi and OnePlus have launched different mobile phones exclusively on these e-commerce platforms. In just the initial few months of 2021, new brands and products from several prominent brands were launched in the Indian market through an exclusive tie-up with an e-commerce platform. These include new brands like kids sustainable fashion brand Ed-a-Mamma on the shopping and lifestyle e-retailer Myntra, and Nothing brand launching in India with their ear (1) earbuds in an exclusive partnership with Flipkart. Lava brand came out with a new series of e-Education tablets of which three models were exclusive to Flipkart, Motorola launched a new range of smartphones MotoG60 and MotoG40fusion, RealMe launched a new range of phones and Nokia launched Nokia-branded air conditioners and Bluetooth Neckband, all as Flipkart exclusives.

A critical decision taken by manufacturers pertains to the determination of the distribution intensity of their products (Frazier & Lassar, 1996). Defined commonly as the number of

intermediaries used by a manufacturer in its supply chain, the distribution intensity choice that determines the degree of selectivity ranges from highly exclusive to highly intensive. The phenomenon of exclusive distribution has commonly been observed for brands that are high-end, such as luxury apparel, jewellery, shoes, or for product categories that require considerable investment in ensuring consistent quality standards and service in store, such as for cars and certain high-end electronics such as laptops, mobile phones, and speakers. Within the marketing paradigm, the choice of distribution intensity is influenced by a plethora of factors arising out of economics, law, strategy, and marketing disciplines (Fein & Anderson, 1997). Marketing discipline has recognized the value of scarcity in enhancing the perceived value of products for decades. Thus, advertisers have often used phrases like "limited time offer," "offer till stock lasts," or "limited release" to generate interest among the consumers.

Commodity theory deals with the psychological value of scarcity, claiming that any commodity will be valued as long as it is unavailable (Brock, 1968). As per Brock, "unavailability" can be operationalized in a number of ways- a) limiting supply or the number of suppliers of a commodity, b) raising the cost of acquiring, keeping or providing a commodity, c) putting up restrictions that limit the possession of the commodity, and/or d) delaying in providing the commodity. These operationalizations have various counterparts in marketing practice, such as, producing limited editions of products, having exclusive distribution outlets, prestige pricing; and limiting the maximum order size. Brock suggested that the mechanism behind the higher desirability for exclusive or scare commodities compared to other similar but easily available commodities is actually due to the feeling of personal distinctiveness and uniqueness associated with the possession of some commodity that is scarce. Primarily, exclusivity literature focuses on luxury products. Multiple works have established that exclusive deals are evaluated more positively by *deal recipients for having created an advantageous inequity (Barone & Roy, 2010; Loewenstein, Thompson, & Bazerman, 1989).*

Marketing literature has explored the marketing alliances between two product brands, and the resultant spillover of equity, affect, and attitudes of consumers from the parent brand to the child brand and vice-versa given the close relationship between the two brands (Aaker & Keller, 1990; Desai & Keller, 2003; Simonin & Ruth, 1998). However, the current phenomenon where non-luxury product brands are establishing exclusive distribution tie-ups with e-commerce platforms, to the best of my knowledge, has not been studied so far. This phenomenon has brought about new channels for promotion, distribution and constructing brand identity and thus warrants an exploration into its impact on consumer's perception of the brands in such an alliance with an online marketplace platform. In this dissertation, through a controlled scenario-based experiment, we study this relationship between a new product brand and an existing online marketplace brand for a non-luxury product to study the impact of exclusivity on the evaluation of the new product brand.

The objective of the first study is to establish that an exclusive relationship between a marketplace brand and a newly launched (unknown) product brand will have an impact on how this new product brand is evaluated. We find that this new product would be evaluated higher when the product brand is promoted as being in an exclusive alliance with a particular marketplace brand for its launch, than when it is generally being made available at several e-commerce platforms. We study the differential impact on the product brand's equity by manipulating the equity of the chosen exclusive marketplace partner, i.e. the marketplace brand (because the equity of the *marketplace brand is transferred to the product brand) as well as the status of exclusivity (exclusive or not exclusive).*

In the next study, we aim to study the differential impact of varying levels of this exclusivity (available only on this platform, available only on this platform with limited stock, available only on this platform with Invites Only – in an increasing order of exclusivity) between the two brands on the evaluation of the new product brand. We found that for a product brand associated with a high equity marketplace brand, the product is more highly evaluated when it is advertised as being 'available with a limited stock' than when it is 'available only on this platform.' However, the evaluation goes down when the product is available only through invites. For a product available in an exclusive alliance with a low equity marketplace brand, there exists no significant difference in its evaluation across the three different levels of exclusivity.

Many online retailers are coming up with their private label products in several categories. Amazon through its Amazon Basics sells a wide range of products, such as, a security safe, Microfiber comforters, towels, iron wok, umbrellas, and electronic items like data cables, rechargeable batteries, and kitchen scales, etc. Nykaa, India's biggest beauty retailer, launched in 2012, now creates and sells a wide range of beauty products under its own brand name – Nykaa Cosmetics. These brands also regularly collaborate in exclusive partnerships to launch other brands. Kay Beauty by Katrina Kaif was exclusively launched with Nykaa in 2019, while Amazon has launched several brands, exclusively on its platform. In the third study we look at the difference in the evaluation of an online retailer's own private label brand with the evaluation of an independent product brand that is launched exclusively with an online marketplace brand. We find that private labels are valued higher than third-party brands sold exclusively with a retailer.

This dissertation is one of the first to study the impact of an online marketplace brand and the different types of exclusive partnerships with non-luxury product brands and online marketplace platforms. Overall, this dissertation intends to contribute to the literature on exclusive brand relationships and brand equity spillover. With the increasing proliferation and adoption of e-commerce, and more and more brands entering exclusive partnerships with online marketplace brands for their initial and subsequent product launches, this work holds significant value for practitioners in marketplace platforms in evaluating various product partnerships as well as for managers working towards launching new products in the online market.