Marketing through a joint commercial product portfolio: business drivers, benefits and challenges

Erno Mustonen, Janne Harkonen and Harri Haapasalo
Department of Industrial Engineering and Management, University of Oulu, Oulu, Finland

Abstract

Purpose – This study aims to improve understanding of companies' motives and concerns in relation to cooperation through a joint commercial product portfolio.

Design/methodology/approach – The qualitative research method was used to study 17 companies based on two case projects.

Findings – The joint commercial product portfolio is introduced as a new type of co-marketing. The possible business drivers, targeted benefits and perceived challenges of small and medium-sized enterprises (SMEs) in relation to cooperation through a joint commercial product portfolio are identified. The companies seem to be motivated by and concerned about similar issues that also apply to other forms of co-marketing.

Research limitations/implications – The study consisted of two case projects in the same country and, thus, share fairly similar business environments and cultures. Therefore, the same results may not be obtained for a study that is conducted in a different location.

Practical implications – Managers of SMEs can benefit from the results of this study by improving their understanding of co-marketing opportunities through the creation of a joint commercial product portfolio with suitable companies. In addition, the results provide managers with insights into the challenges that should be considered when planning marketing cooperation.

Originality/value – The study provides new perspectives on the existing co-marketing literature by discussing the creation of a joint commercial product portfolio as a vehicle to support companies' business objectives. The study contributes to the increasing business-to-business co-marketing literature by presenting the business drivers, targeted benefits and perceived challenges related to SMEs cooperation through a joint commercial product portfolio.

Keywords Cooperation, Industrial marketing, Small to medium-sized enterprises, Business-to-Business marketing, Horizontal marketing, Co-marketing

Paper type Research paper

1. Introduction

Jointly marketed commercial offerings might have the potential to provide benefits for smaller suppliers and those buying the products and services. For example, a company that buys products or services to support its own operations may benefit if a wider variety of these is offered by a single source (Swift, 1995; Costantino and Pellegrino, 2010) as opposed to many smaller individual suppliers. Additionally, from the perspective of smaller suppliers, improving the visibility of their products or services among existing or potential customer companies might be beneficial. However, few studies have considered several smaller suppliers co-marketing their products together by forming a virtual offering that would appear as one large offering and source of supply to the companies' customers.

Cooperative marketing activities have gained increasing interest in recent decades (Agostini and Nosella, 2017). However, while quantitative methodologies have been used for a fair share of earlier co-marketing research (Grieco and Iasevoli, 2017), a paucity seems to exist in relation to qualitative research on co-marketing in the cases of cooperation between multi-partner small and medium-sized enterprises (SMEs) (Agostini and Nosella, 2017). In multi-partner co-marketing, multiple companies within the value chain cooperate by mutual agreement (Lavie *et al.*, 2007). While most of the earlier research has focussed on business-to-consumer (B2C) co-marketing, the current literature on business-to-business (B2B) co-marketing has, for the most part, addressed component branding (Kalafatis *et al.*, 2012), thus neglecting the other forms of co-marketing, such as marketing through a joint commercial product portfolio. This is a new form of horizontal cooperation in which multiple companies market their products together as one offering. In the joint commercial product portfolio, cooperation does not cover the sharing of the production responsibilities, which means that each company produces only its own part of the joint offering. The joint commercial product portfolio is constructed and developed in a mutual understanding between the companies. Hence, the joint portfolio is not just a traditional product catalogue consisting of

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separate company-specific offerings but a well-designed offering consisting of appropriate product families that may cross company borders.

The present study seeks to fill the gap in co-marketing research by examining the business drivers, targeted benefits and perceived challenges of cooperation by multiple B2B SMEs through a joint commercial product portfolio. More specifically, the study aims to reveal companies' motives and concerns in relation to this type of cooperation.

The study has two research questions:

RQ1. What are the business drivers and targeted benefits of cooperation through a joint commercial product portfolio?

RQ2. What are the perceived challenges of cooperation through a joint commercial product portfolio?

After reviewing the current literature on co-marketing, this study approaches the research questions by means of unstructured interviews with B2B SMEs aiming for commercial cooperation. The collected data are analysed, and business drivers, targeted benefits and challenges are synthesised. Both research questions are approached by analysing the extant literature and forming propositions, and by analysing companies' motivations and concerns relating to cooperation. As a result of the analysis a new type of co-marketing cooperation is presented to support product centric approach.

2. Literature review

Academic and managerial interest in interorganisational marketing relationships has increased in recent decades (Agostini and Nosella, 2017). Co-marketing as a concept is difficult to define, as researchers have different views and it consists of several sub-concepts (Grieco and Iasevoli, 2017). These sub-concepts include brand alliances, co-marketing alliances and promotional alliances (Bucklin and Sengupta, 1993; Park *et al.*, 1996; Robson and Dunk, 1999; Gammoh *et al.*, 2006; Augustine and Cooper, 2009; Karray and Sigué, 2015). Cooperation may also be realised through joint ventures (Gou *et al.*, 2014). It might be the choosing of the alliance partners that determines the success of the alliance (Ahn *et al.*, 2009) but an alliance can be formed among carefully chosen partners or can be open to everyone (Sengupta, 1998).

Co-marketing can be related to customer service, marketing and promotion and distribution (Das *et al.*, 2003). It may take place in a horizontal or vertical direction (Felzensztein *et al.*, 2012). Horizontal cooperation in this context occurs between companies at the same level of the supply chain, while vertical cooperation occurs between companies at different levels of the supply chain (Gou *et al.*, 2014). The forms of co-marketing include joint promotion (products with different brands promoted as complementary), co-branding (using two brands in single product's name), ingredient/component branding (using a branded component in the product's technical structure), dual branding (selling multiple products in the same location), licensing/renting a brand, product bundling (selling multiple products as a package for one price) or selling multiple brands in the same product category (Rao and Ruekert, 1994; Levin *et al.*, 1996; Park *et al.*, 1996; Venkatesh and Mahajan, 1997; Robson and Dunk, 1999; Voss and Tansuhaj, 1999; Teng and Das, 2008; Ahn *et al.*, 2009; Karray and Sigué, 2016). Other practical examples of co-marketing include having a shared exhibition stand and organising joint events, roadshows or press releases (Törmälä and Saraniemi, 2018). In line with Grieco and Iasevoli (2017), co-marketing is used in this study as an umbrella term for all the arrangements related to cooperative marketing:

P1. A new type of interorganisational marketing relationship that provides a systematic approach to co-marketing through combining the commercial product structures may start horizontally by creating a joint commercial product portfolio between companies of the same level in the supply chain. The new type of marketing cooperation seeks benefits and can lead to cooperation in customer service, and even distribution. This may even lead to other forms of co-marketing.

2.1 Business drivers and the benefits of co-marketing

The factors driving companies towards co-marketing can be found within both the environment and the companies themselves. An example of an environmental driver is competition. Because of intense competition, companies seek new ways to sustain their business (Robson and Dunk, 1999). Conversely, the companies may seek cooperative marketing opportunities because of factors that characterise the firms. For example, small companies may have insufficient resources because of their sizes, driving them to find solutions through cooperation (Chen and Huang, 2004). The companies' positive attitude towards cooperation may also act as a driver (Robson and Dunk, 1999; Chen and Huang, 2004). Previous positive experiences with co-marketing and a supportive attitude on the part of management play an important role in this regard (Gammoh and Voss, 2013).

Companies enter into co-marketing as they assume that they will derive benefits that they would not get by themselves (Yi *et al.*, 2010). In an ideal case, co-marketing can lead to relational rent (Ferdinand and Killa, 2018) that is:

> [...] a supernormal profit jointly generated in an exchange relationship that cannot be generated by either firm in isolation and can only be created through the joint idiosyncratic contributions of the specific alliance partners (Dyer and Singh, 1998, p. 662).

Additionally, trust plays a role in building relationships between companies and may take some time to establish (Fink and Kessler, 2010). In regard to co-marketing, Karray and Sigué (2015) suggest that increasing sales and profitability are the fundamental benefits for which companies strive. These can be achieved in many ways, and different specific benefits may be targeted. Cost savings can be gained because of the elimination of duplicate activities, synergy benefits and economies of scale (Robson and Dunk, 1999). Marketing efficiency can also be improved as the rate of return on marketing investments increases (Chen and Huang, 2004).

Co-marketing is used to gain access to assets that the company does not yet have but its partners do, such as products, technologies, materials and expertise (Bucklin and Sengupta, 1993; Rao and Ruekert, 1994; Robson and Dunk, 1999; Chen and Huang, 2004). These gains are not limited

Journal of Business & Industrial Marketing
Volume 35 · Number 11 · 2020 · 1673–1683

solely to existing assets, as the company can foster its partner's development efforts by supporting the partner's business growth (Ghosh and John, 2009). Through cooperation, the company can provide a larger product offering and serve a wider range of customer needs (Robson and Dunk, 1999; Gilmore *et al.*, 2001). In addition, the company can benefit in the form of learning or by accruing intellectual capital (Varadarajan and Cunningham, 1995; Das *et al.*, 2003; Kalafatis *et al.*, 2012).

One benefit of co-marketing relates to the company's brand. Cooperative marketing can be used as a vehicle to enhance the brand image (Rao and Ruekert, 1994; Park *et al.*, 1996; Voss and Tansuhaj, 1999; Voss and Gammoh, 2004; Gammoh *et al.*, 2010; Mishra and Singh, 2017). The company's brand image can be affected by the entire network in which it is operating (Mäläskä *et al.*, 2011; Törmälä and Saraniemi, 2018). In co-marketing, a weaker brand can gain credibility when presented together with a stronger, more reputable one (Bengtsson and Servais, 2005). The better-known brand also affects the impression of the other brand's quality, although this effect might be negative (Kalafatis et al, 2014). The effect that different brands have on each other has also been studied in the case of services (Morgan *et al.*, 2007; Helm and Özergin, 2015). By marketing their products jointly, companies can create awareness of the compatibility between their offerings (Bengtsson and Servais, 2005). They can also communicate to customers about the benefits of compatibility, thus strengthening the brands (Lavie *et al.*, 2007; Ahn *et al.*, 2009). In addition, co-marketing can be used to create awareness of the brand (Augustine and Cooper, 2009).

The expansion to new markets or industries and the increase or sustenance of the existing market share may also be targeted by co-marketing (Rao and Ruekert, 1994; Varadarajan and Cunningham, 1995; Robson and Dunk, 1999; Voss and Tansuhaj, 1999; Chen and Huang, 2004). For example, the company may leverage its partners' existing sales channels (Robson and Dunk, 1999). Partnering with a domestic company may facilitate a foreign company's market entry (Voss and Tansuhaj, 1999), as the customer does not associate much risk with the foreign brand when cooperation exists with a local company (Mohan *et al.*, 2018). However, some companies might have some reluctancy to go abroad. Potential motivations might include challenges experienced because of differences in culture, government, legislation, language or logistics (Neupert *et al.*, 2006; Ratajczak-Mrozek *et al.*, 2019). Especially for smaller companies, managing international relationships is more challenging than managing domestic ones (Ratajczak-Mrozek *et al.*, 2019). Co-marketing can shape the industry structure, for example, by developing and promoting a certain technology or standard (Lavie *et al.*, 2007) and preventing competition by creating entry barriers (Varadarajan and Cunningham, 1995). For example, a component supplier can reduce the risk of competition by entering into a component branding agreement with the manufacturer while the manufacturer obtains lower prices in return (Erevelles *et al.*, 2008). Through cooperation, companies may want to keep customers' orders in the local area, thereby preventing their loss to foreign competitors (Gilmore *et al.*, 2001). Cooperation by local companies seems to yield more benefits to smaller, less export-intensive companies (Brown *et al.*, 2010):

P2. The drivers of this new type of co-marketing in the form of a joint commercial product portfolio seek new ways to be more competitive by virtually appearing as a bigger actor through the joint commercial offering. The benefits may relate to addressing a lack of resources, gaining scale benefits, increasing sales and profitability, cost savings, virtual access to assets, developing business together with partners or increased credibility among other possible benefits.

2.2 The challenges of co-marketing

Despite the various benefits that co-marketing can yield, challenges and risks exist. In fact, according to Day (1995), up to 70 per cent of marketing alliances have not been successful. Challenges in co-marketing may occur because of the composition of the alliance. If the alliance partners neither have nor show long-term commitment to the alliance, they may be unable to overcome problems (Day, 1995). A risk of opportunistic behaviour also exists if there is no trust between the partners (Bucklin and Sengupta, 1993). Their different objectives, roles, perceptions, cultures and decision-making styles are also apt to cause problems (Day, 1995; Voss *et al.*, 2006; Yi *et al.*, 2010). Trust and cultural sensitivity are determinants of successful information exchange, which, in turn, affects the performance of the marketing alliance (Voss *et al.*, 2006). Bucklin and Sengupta (1993) found that an imbalance of power and managerial resources between the partners might also hinder the effectiveness of co-marketing. They proposed that contracts could reduce the imbalance. However, contracts themselves may cause challenges as the inability to adapt to changes is a threat to the cooperation's success (Day, 1995). The contracts might make the adaptation difficult (Bucklin and Sengupta, 1993). In addition, long contracts may create an issue if a company wants to leave cooperation for any reason (Rao and Ruekert, 1994).

Challenges and risks can also relate to the outputs of the cooperation. In co-marketing, it is difficult to define, which aspects of success can be attributed to which partner (Das *et al.*, 2003). Finding suitable compensation for intangible resources, such as reputation and brand image, may turn out to be difficult (Teng and Das, 2008). Companies with weak brands seem to benefit more from cooperation than their partners that have strong brands (Kalafatis *et al.*, 2012; Helm and Özergin, 2015). Therefore, risk in co-marketing is the unequal distribution of benefits. Negative spillover effects may occur as the demand increases for one partner but decreases for the other (Karray and Sigué, 2016). In addition, the intellectual capital that is created may be exploited unequally (Das *et al.*, 2003).

Marketing cooperation may be created to add brand value by linking one brand to another (Rich, 2003); however, success may be limited if the customers do not view the partners' products or brands as compatible (Ahn *et al.*, 2009). Co-marketing can also have negative effects on the company's brand in cases in which the customers' quality expectations are not fulfilled. The issue here is that a negative perception of one partner's brand may have an unfavourable effect on the other partner's brand as well (Rao and Ruekert, 1994). Park *et al.* (1996) indeed describe co-marketing as the ultimate form of cooperation between companies as they put their reputations on the line. In addition, the monitoring of these negative spillover effects creates additional costs (Ghosh and John, 2009):

P3. The challenges faced by a new form of co-marketing may relate to the composition of cooperating companies, lack of commitment by some of the involved companies, lack of trust, loss of reputation, imbalance in how demand increases or compatibility issues in the eyes of customers. Co-marketing in the form of a joint commercial product portfolio may also result in unexpected challenges because of the specific nature of the new type of co-marketing.

3. Research process and methodology

3.1 The research process

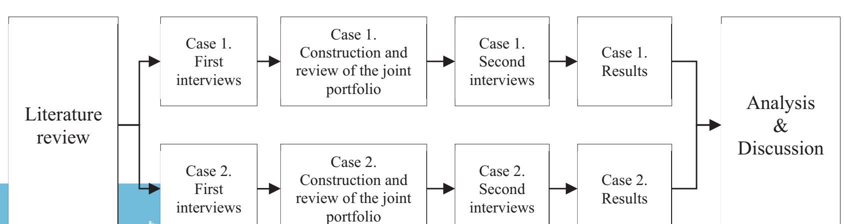
An inductive qualitative research method was used in this study. Unstructured interviews were conducted at multiple companies that were the subjects of two case projects. Unstructured interviews provide a way to gain an in-depth understanding of the studied phenomenon and reveal its unexpected aspects (Zhang and Wildemuth, 2017). The interviewees have the opportunity to focus on the topics that are most relevant to them (Corbin and Morse, 2003). This method was chosen to enable a deeper understanding of the topic at the company level without guiding the interviewees' answers and instead allowing them to reveal their own thoughts. The current research was carried out as illustrated in Figure 1.

The literature related to co-marketing was reviewed to reveal the earlier research that was conducted on the topical area. Propositions were developed in relation to the discussed new type of co-marketing. The literature review formed the basis of the research. First, the case projects were created, and the companies were selected. The companies had to fit the European Commission's (2019) definition of an SME. The SMEs in Case 1 were selected based on the researchers' access to them because of previous research projects in which the companies had shown an interest in cooperating commercially. To be selected for the study, the companies had to deliver solutions for large steelmakers' process development, quality inspection or material/energy efficiency improvement. Case 1 provided a fruitful research environment, as the steel industry has faced turbulence because of overcapacity, price competition and increasing environmental requirements, thereby creating a need to develop new ways of doing business. The SMEs in Case 2 was selected by going through the company database of an organisation that promotes local business life. The criteria for selection for Case 2 were that the companies had to provide operations services, which were defined as services for the supply, manufacturing, testing and logistics of physical products, as well as related product development services. Cases 1 and 2 were kept separate with the motivation to see potential differences as the companies involved in Case 1 had some cooperation in other areas at the starting point. In Case 2, any regional companies providing services in the product business context could be involved. Also, Case 1 involved physical products and services and Case 2 only services. In both cases, the companies were asked to participate in the study. Regarding Case 1, 7 companies participated in the case. In regard to Case 2, a total of 9 companies participated. All the companies between Cases 1 and 2 are different. A total of 16 companies in two case projects seem adequate to study a new type of co-marketing in the form of a joint commercial product portfolio. This is justified by reaching certain saturation (Morse, 1995) as the input by the interviewees did not seem to provide additional perspectives.

The interviews were conducted in a similar fashion for both cases. The company representatives were first interviewed when describing the companies' current independent commercial product portfolios. The descriptions were created by using a common product structure. The commercial product portfolio represents those items in the product structure that can be sold, delivered and invoiced – that is, the product offering (Tolonen *et al.*, 2014; Harkonen *et al.*, 2017; Lahtinen *et al.*, 2019). Based on the independent product portfolios, a joint commercial product portfolio was constructed by reorganising the independent offerings into logical sub-portfolios according to their complementarities (Mustonen *et al.*, 2019). All 16 companies were interviewed for the second time after the joint commercial product portfolio was reviewed with the companies. The second interview provided an opportunity to elicit new thoughts if the interviewees had any. Some of the individual interviewees were unable to participate in the second round of interviews because of scheduling issues. During both interview rounds, the interviewees were asked to describe the business drivers that push their companies towards commercial cooperation through a joint commercial product portfolio. In addition, they were asked to describe the benefits they target and any fears, concerns or challenges that might discourage the companies from cooperating. Interviewees that were working in the same company did not have any conflicting opinions. The second interviews supported the earlier ones and provided new insights.

Content analysis was carried out on the data that were gathered from the interviews. There is no single method of carrying out content analysis, but it usually consists of data collection, coding, analysis of content and interpretation of results (Duriau *et al.*, 2007). It enables the analysis of large amounts of data from different sources, based on which

Figure 1 The research process



Journal of Business & Industrial Marketing
Volume 35 · Number 11 · 2020 · 1673–1683

conclusions are made (Elo and Kyngäs, 2008). In this study, the two cases were analysed separately. Transcripts of the interviews were read through carefully to obtain an overall picture and create an initial understanding of the studied cases. During the reading, notes were written to outline any ideas. The transcripts were reread multiple times while extracting the interviewees' comments that were seen relevant to the objectives of the study. The comments were divided into coded categories, which were guided by the research questions. The categories were business drivers, targeted benefits and perceived challenges. In the next stage, the codes within the business drivers' group were combined into sub-categories according to their recurrence and similarities. Initial descriptive names were given to the sub-categories. Next, the codes within the benefits category were further categorised according to the business-driver sub-categories. The transcripts were reviewed simultaneously to ensure that the benefits were related to the correct business drivers. The codes within the perceived challenges category were combined into sub-categories according to their recurrence and similarities. After analysing both case projects independently, the results and categorisations were compared to arrive at the findings. The categorisations were fine-tuned, and final names were given to the sub-categories. All the results were reviewed in parallel with the original transcripts to ensure that the coding and categorisation matched. No codes omitted from the categorisation.

3.2 Case projects

3.2.1 Case project 1

In Case project 1, seven closely located SME-sized companies in Finland that are willing to market their products through a joint commercial product portfolio as a recognisable cluster but wish to maintain their current brands are analysed. The organisational form of the cooperation (e.g. joint sales venture or alliance) is not discussed. Currently, the companies provide their products to the same steel industry manufacturers. The companies' offerings include physical products and services that aim to improve their customers' manufacturing operations. An example of the joint portfolio in this project is that the companies would offer a wide selection of specialised quality inspection devices covering the whole steelmaking process together, compared to each company offering single devices individually. The companies are not competitors and have already conducted some degree of cooperation in R&D. However, none of the companies have conducted any marketing cooperation with each other or with any other companies. The company information can be found in Table I.

3.2.2 Case project 2

In Case project 2, nine closely located SME-sized companies in Finland who are willing to market their products through a joint commercial product portfolio as independent companies with their own brands are analysed. As in Case project 1, no stand has been taken on the organisational form of cooperation. The companies currently provide operations services to various customers and industries. An example of the joint portfolio in this project relates to the companies participating in the cooperation, and the joint offering that would provide their operations services (supply, manufacturing, testing, logistics and related product development services) jointly to customers who are involved in a physical product business. As these customers in the physical product business may have a strong focus on sales activities, they might not have a complete supply chain for delivering the products. They could build their supply chain for their products by searching suitable suppliers (services) among the joint portfolio, ones that are specialised in specific types of products (e.g. electronics and metal products). Some of the participating companies are competitors. None of the companies have conducted any cooperative marketing activities with each other or with any other companies. However, buyer–supplier relationships exist between some of them. The company information can be found in Table II.

4. Results

4.1 Case project 1

4.1.1 Business drivers and targeted benefits

In Case project 1, three business drivers to cooperate through a joint commercial product portfolio were identified: the need for sales and business growth, customer orientation and company's

Table I Case project 1 companies

Company	Size*	Industry	First interview informants	Second interview informants
Company A	Small	Manufacture of refractory products	CEO Sales director	CEO
Company B	Small	Manufacture of machinery and equipment	CEO Sales director R&D director New business development director	CEO Sales director R&D director
Company C	Micro	Manufacture of instruments and appliances	CEO	CEO
Company D	Micro	Water and waste treatment services	CEO R&D engineer	CEO R&D engineer
Company E	Micro	Manufacture of instruments and appliances	CEO	Innovation director
Company F	Micro	Industrial side stream and waste treatment services	CEO	CEO
Company G	Micro	Manufacture of instruments and appliances	CEO Product manager	CEO Product manager

Note: *According to the European Commission's definition: medium (staff $<$ 250, and turnover $\leq$ €50m or balance sheet total $\leq$ €43m), small (staff $<$ 50, and turnover $\leq$ €10m or balance sheet total $\leq$ €10m) and micro (staff $<$ 10, and turnover $\leq$ €2m or balance sheet total $\leq$ €2m)

Journal of Business & Industrial Marketing
Volume 35 · Number 11 · 2020 · 1673–1683

Table II Case project 2 companies

Company	Size*	Industry	First interview informants	Second interview informants
Company H	Micro	Electrical engineering design	CEO	CEO
Company I	Small	Manufacture of electronic components	CEO	CEO
Company J	Medium	Wireless devices development	Operations and logistics manager	Operations and logistics manager
Company K	Small	Manufacture of machinery and equipment	Sales manager	Sales manager
Company L	Medium	Manufacture of metal products and components	CEO	CEO
Company M	Micro	Manufacture of metal products and components	Project manager Project manager	Project manager Project manager
Company N	Medium	Manufacture of electronic components	Team leader	Team leader
Company O	Medium	Manufacture of electronic components	Sales and business development manager	Lead programme manager Plant manager Sales and business development manager
Company P	Small	Manufacture of instruments and appliances	Sales and business development manager Operations manager	Sales and business development manager Operations manager

Note: *According to the European Commission's definition: medium (staff $<$ 250, and turnover $\leq$ €50m or balance sheet total $\leq$ €43m), small (staff $<$ 50, and turnover $\leq$ €10m or balance sheet total $\leq$ €10m) and micro (staff $<$ 10, and turnover $\leq$ €2m or balance sheet total $\leq$ €2m)

drive for cooperation. The targeted benefits emerge from these drivers.

For small start-ups, increasing sales and extending the customer base were seen as important factors for success. However, due to the low number of previous deliveries and references, such companies may lack visibility and credibility (brand awareness and reputation) in the eyes of potential customers and may, thus, be dependent on a few existing customers. The companies wanted to solve these challenges by appearing stronger in the marketplace together and being seen as part of a bigger entity. According to one Chief Executive Officer (CEO), "the cooperation enables our company to get its foot in the doors of large factories". By using each other's existing customer bases and sales and marketing channels, the companies were expecting to get new customers and reach larger markets. This way, they hoped to build awareness of their company brands. One interviewee also mentioned that cooperation could also be used to build brand awareness of a specific product. In some cases, increasing sales and extending the customer base may necessitate a global presence despite scarce resources. Therefore, it was seen as important to choose the right channels carefully and avoid creating unnecessary fixed costs and investments. By marketing their products together, the companies could cover larger markets with minimum investments.

Conversely, companies hope to serve their customers better. They want to provide higher value to their customers by offering wider and more extensive solutions to fulfil the customers' needs. The overall solution would be more valuable to the customers than the sum of its parts has been previously. The companies see that their customers would benefit from lower procurement costs as more solutions could be acquired through one channel. The customers would also have a lower risk as they could shift more responsibility to the suppliers. In addition, customer–supplier communication is expected to improve, thereby enabling transparent and rapid value-creating development activities with the customers.

The companies' cultures are also cooperation-oriented. They see cooperation as more of an opportunity than a threat. By creating the joint commercial product portfolio, they see the potential for a better understanding of each other's product offerings as a whole. Based on this, they expect to derive benefits in terms of the intensification of innovation and resource usage as they can use each other's R&D and marketing capabilities and learn from each other.

4.1.2 Perceived challenges

In addition to the business drivers and targeted benefits, the interviewees indicated some challenges that were perceived by the companies. In regard to the entire commercial cooperation, embarking on the joint commercial product portfolio at once was seen to involve a high risk. Thus, cooperation is seen as better approached carefully, making small steps.

The different starting points and expectations of the companies were seen as challenges. The interviewees were worried that differing interests could cause problems when developing the cooperation further. This concern is not groundless; for instance, two of the companies have sales turnovers of €5-10m, while the remaining companies have sales turnovers of less than €100,000 to €1m. The concern here was that companies with differing interests might try to develop cooperation opportunistically. It was unclear how this kind of cooperation could be managed to ensure its impartial development and execution. None of the companies were willing to take charge of the execution, nor did they necessarily have any resources to invest in the cooperation. One interviewee suggested that an outsider organisation should take responsibility for coordination and promotion. However, some challenges were seen to relate to this kind of solution as well. The outsider organisation might focus on promoting and selling products that yield the highest revenues and profits for itself. Therefore, the companies participating in the cooperation would not benefit relatively the same. As one CEO expressed the concern: "an existing market can turn out to be just an illusion even after several years". Payment mechanisms, and metrics for evaluating the benefits yielding from the cooperation, should be developed carefully.

In addition, the challenge of understanding the value of the joint commercial product portfolio and the other companies' products was raised as a potential challenge. Although clear benefits were identified, some of the companies did not view cooperation through the joint commercial product portfolio as very valuable. One of the interviewees felt that marketing the overall areas of expertise rather than the joint product portfolio would be preferable to conducting commercial cooperation. Additionally, one CEO did not view his company's products as fitting in with those of other companies. In this particular case, however, the other interviewees did see the fit. In addition, the lack of understanding of each other's products would create challenges in marketing and selling. Marketing personnel was seen to have the need to understand all companies' products to enable them to effectively market the joint product portfolio. One CEO proposed a solution to the marketing of the common offering:

> On the other hand, it [the cooperation] could be conducted so that the companies' representatives would visit the potential customers together and jointly discuss with the customers how the company network could create value for them. After revealing the needs, the customer would discuss more about the companies' products with their representatives.

4.2 Case project 2

4.2.1 Business drivers and targeted benefits

In Case project 2, two business drivers were identified: the desire to support local business growth and customer orientation.

The companies see the local or regional market area as too small to enable them to compete against each other. Thus, foreign customers are seen as necessary. By creating the joint commercial product portfolio, the companies wish to gain the attention of big global customers, not only for the companies' own success but also for the common good of the local area. One interviewee described the ultimate target of cooperation as follows: "to form consortia in which products are bought from several local companies". Conversely, one of the companies that were asked to participate in the effort to create a joint commercial product portfolio refused because of the fear of getting foreign customers.

In addition, the interviewed companies have experienced challenges in finding suitable suppliers and partners. Some have been hoping to buy components or other needed resources from local suppliers and partners but have been unable to find suitable ones because of a lack of awareness. Consequently, the companies have signed contracts with foreign suppliers and partners. According to the interviewed companies, the creation of the joint product portfolio could potentially help them to gather knowledge of the local offering and improve overall awareness in the area.

The companies saw the potential to join forces by marketing their expertise as a comprehensive concentration of competence to pique the big global customers' interests in the products of the companies operating in the area. This way, they could deliver more value to customers. As each company would have its own part in the whole offering, the companies could focus on their core competencies and specialisations without the need to provide a large number of supplementary services by themselves.

4.2.2 Perceived challenges

The companies were primarily concerned about whether the joint product portfolio serves the purpose after its implementation, and how to manage the cooperation.

The companies were somewhat concerned about whether the constructed joint product portfolio would guide the customer towards the wrong companies in some instances. As the CEO of one company expressed,

> If the offerings of the companies would be presented poorly [in too general or misleading a way], the companies might get too many futile enquiries from customers who are looking for something that the company does not provide. This would mean more unnecessary work for us.

Conversely, if the portfolio will be extended to include a large number of companies in the future, it may become overly complicated. One potential challenge also involved consideration of the customer not finding a suitable supplier easily enough, resulting in customer confusion. The confused customer might then try to find a supplier elsewhere. Another concern relates to the currency of the joint portfolio. If the portfolio is not up to date and does not correspond to the companies' actual offerings, the meaning of having the joint portfolio would be lost. If some companies' offerings in the joint portfolio do not correspond to the actual ones, this may make the other companies' efforts somewhat meaningless.

The question of how the joint product portfolio should be managed as a process is seen as an important consideration, which includes the individual companies' tasks in this process. The interviewees neither are not sure, which kind of governance model should be developed, which includes the companies' responsibilities and roles in the cooperation nor are they sure what the suitable form of realising the cooperation should be, whether joint sales venture, alliance or another type.

5. Discussion

This study examines the business drivers and targeted benefits that motivate SMEs to create cooperation through a joint commercial product portfolio. The challenges that companies perceive regarding this type of cooperation are also clarified. This is the first study to examine co-marketing by means of forming a shared commercial product portfolio using product-structure logic.

The results indicate that companies that plan to cooperate through a joint commercial product portfolio are motivated by and concerned about issues that are similar to the benefits and challenges that are found in the other forms of co-marketing. The joint commercial portfolio, however, provides new systematics to the presentation of the co-marketed offering. There seem to be no significant differences in the results between the two company types in the two case projects. The findings show how SME-sized companies are encouraged to seek cooperation opportunities through a joint commercial product portfolio based on four factors, which are the drivers that characterise their business: the need for sales and business growth, customer orientation, drive for cooperation and desire to support local business.

The need for sales and business growth stems from the studied companies' small sizes and relative newness, as they do not have strong market visibility, a large customer base or broad marketing and sales channels. Sales are necessary for survival and growth. Cooperation with other companies is seen as an avenue for growth. A joint commercial product portfolio is seen to improve the possibilities of acquiring a bigger customer base and enhancing company visibility in the market with less

Journal of Business & Industrial Marketing
Volume 35 · Number 11 · 2020 · 1673–1683

resources. A surprising finding, however, entails indications of some SMEs fearing growth if it means obtaining foreign customers. This was, however, not emphasised strongly.

The companies view the joint commercial product portfolio as an avenue towards a more customer-oriented business. The analysed companies are highly motivated to provide more value to their customers, for which the wider offering created by the joint commercial product portfolio is an avenue. This is realised through the more extensive product offering, which also allows for the development and provision of more specialised products to the customers. Customer value can entail improved communication, improved understanding of customer needs because of cooperation among suppliers, and a combined supplier offering. Therefore, the joint commercial product portfolio is seen as a natural way to carry out the companies' drive for cooperation. Complementary R&D and marketing resources, as well as increased resource efficiency, are also seen as benefits of this type of co-marketing.

The desire to support local business growth is identified as a factor motivating cooperation by means of a joint commercial product portfolio. The underlying motivation lies in caring for the local community well-being, increasing awareness of the local offering, and achieving general business success. The findings indicate non-selfish motivations and care for the common good. Certain benevolence can be identified in the motivation to use a joint commercial product portfolio as a vehicle to create demand for and awareness of the local companies.

The findings also indicate perceived challenges that relate to cooperation through a joint commercial product portfolio. The challenges that were identified include the perceived risk of entering commercial cooperation by taking one step, as opposed to entering incrementally; potentially different starting points and expectations by the participating companies, as well as the possibility of different interests later becoming a problem for the further development of cooperation; possible opportunistic behaviour by individual companies; lack of resources to invest in cooperation; potential questions over the joint portfolio truly yielding the desired benefits; companies understanding of the value of the joint commercial product portfolio; deficiencies in understanding the products of other participating companies; fear of unnecessary work if the offering is not presented in an ideal way; unwillingness of any single company to take the necessary lead, and the potential need for an external organisation; and, overall, any open questions about managing the cooperation. The recognised challenges relate to managerial and organisational aspects of cooperating through a joint commercial product portfolio, as well as the fear of some risks.

Interestingly, none of the companies were concerned about the possible negative effects that the cooperation could have on their brands, nor did they recognise the weak performance of one partner and how this could possibly weaken the other brands. Another interesting finding is the lack of resources being both a driver of co-marketing to make more out of less and, a barrier to cooperation in the form of concerns over the resources to invest in the cooperation.

5.1 Scientific implications

The study provides new perspectives on the existing co-marketing literature by introducing the creation of a joint commercial product portfolio to serve as a vehicle to support companies' business objectives. The study contributes to the increasing B2B co-marketing literature (Bengtsson and Servais, 2005; Morgan *et al.*, 2007; Lavie *et al.*, 2007; Erevelles *et al.*, 2008; Ghosh and John, 2009; Kalafatis *et al.*, 2012; Kalafatis *et al.*, 2014; Törmälä and Saraniemi, 2018; Helm and Özergin, 2015) by presenting the business drivers, targeted benefits and perceived challenges of cooperation through a joint commercial product portfolio by SMEs.

The findings on the need for sales and business growth are in line with those of previous studies (Chen and Huang, 2004; Dacin *et al.*, 2007; Lv *et al.*, 2018) in terms of company size, scarce resources and deficient market legitimacy being disadvantages that company cooperation might rectify. The findings of this study, however, provide a new contribution by presenting the shared commercial product portfolio as a form of co-marketing to enhance company visibility and credibility. This may, for example, enable the acquisition of more customers by virtually appearing larger. Interestingly, however, there were indications that even if business growth is desired, some factors might override this desire. These included indications that individual companies might fear cooperation if it entails the acquisition of foreign customers. This might be the result of the findings by Neupert *et al.* (2006) in terms of experienced differences.

This study provides a new contribution by indicating that regardless of the form of co-marketing, the benefits that the companies seek are similar. These findings on this new form of co-marketing – the joint commercial product portfolio – are in line with those of previous research (Rao and Ruekert, 1994; Augustine and Cooper, 2009; Mishra and Singh, 2017): that the potential co-marketing benefits include increased sales, a larger customer base and markets, and increased market visibility, credibility, number of sales and marketing channels. The findings are also in line with those of Varadarajan and Cunningham (1995) on the potential of more extensive product offerings as a result of co-marketing. The novelty of this study lies in the introduction of a new type of co-marketing. This also supports the logic presented by Brown *et al.* (2010) that clustered companies potentially get more customer visits because of lower search costs and sourcing from a single location. However, in the case of the joint portfolio, the customer can observe a wider offering with one view. The findings also provide new perspectives for the discussion on single or multiple-supplier sources (Costantino and Pellegrino, 2010; Segal, 1989; Swift, 1995) by providing one example in the context of a specialised offering in the steel sector.

The findings indicating that cooperation is a source of better business and offers improved access to resources as a benefit of co-marketing efforts are in line with its previously identified benefits (Bucklin and Sengupta, 1993; Rao and Ruekert, 1994; Varadarajan and Cunningham, 1995; Robson and Dunk, 1999; Chen and Huang, 2004). However, the findings on the favouring of local cooperation in co-marketing neither directly support the previously identified geographical proximity (Agostini and Nosella, 2017) as a factor for marketing cooperation nor the existence of informal social networks as an

Journal of Business & Industrial Marketing
Volume 35 · Number 11 · 2020 · 1673–1683

explanation for it (Felzensztein *et al.*, 2010). Instead, an alternative explanation of a certain drive for the common good and certain benevolence towards the local area and its business life is indicated.

This study provides indications that companies are concerned about the same kind of co-marketing-related challenges that are presented in the previous literature on other forms of co-marketing. For example, the challenges related to possible risks are in line with the findings on the risks associated with co-marketing success (Day, 1995). Interestingly, the lack of resources acting as a driver for small companies to strive for cooperation (Chen and Huang, 2004), also appears as a factor that can act as a barrier to cooperation. The findings, therefore, indicate an interesting dual effect of the lack of resources. They also provide indications that trust plays a role in company cooperation, which is in line with Fink and Kessler (2010), who maintain that time is needed to establish trust.

The challenge of the unclarity over company roles during cooperation via a joint commercial product portfolio may necessitate consideration of a governance model, management process and rules that include possible penalties for misconduct. The findings do not provide the necessary evidence for this but support the widening of the single-company perspective (Tolonen *et al.*, 2014, 2015) to cover cooperation by multiple companies.

The surprising finding that none of the analysed companies is concerned about the possible negative effects of cooperation on their brands contradicts the previous finding by Rao and Ruekert (1994) and possibly indicates that lack of company visibility in the market drives the desire to build awareness before concerning about reputation. The lack of company visibility may also motivate the emphasis on increasing visibility by means of co-marketing to gain benefits over concern about the potential unequal distribution of the benefits. This may indicate some variance with previous findings on the distribution of the benefits (Kalafatis *et al.*, 2012; Helm and Özergin, 2015; Karray and Sigué, 2016). Nevertheless, the identified challenge of participating companies having different potential starting points and expectations might imply some concerns regarding inequality.

5.2 Managerial implications

Managers of SMEs can benefit from the results of this study by improving their understanding of co-marketing opportunities through the creation of a joint commercial product portfolio with suitable companies. The participating companies can pursue alternative avenues for increasing sales and market growth by reaching towards scale benefits in marketing while still growing as companies. In addition, company managers can benefit from the insight into the challenges that companies perceive as related to co-marketing through a joint commercial product portfolio. This may further support awareness of the challenges related to co-marketing. Managers can consider the presented challenges when planning marketing cooperation.

5.3 Limitations and future research

This study has some limitations. Focussing on specific industries might limit the wider applicability of the findings. Additionally, some individual interviewees' inability to participate in the second round of interviews might have affected the results. In addition, the limitations include the fact that the study consisted of only two case projects that were based in the same country and, thus, shared a fairly similar business environment and culture. Therefore, the exact same results might not be obtained in a different location, and more research is needed in different business environments. However, regardless of the limited number of cases, a large number of companies took part in the study, making the sample larger than it initially appears. Aside from addressing the limitations, future studies could include companies from different industrial sectors to further validate the findings. Additionally, further clarifying the factors that may override the desire to grow business and increase sales – for example, the fear of acquiring foreign customers – might prove to be an interesting topic for study further. Also, comparing single vs multiple supply sources in the context of a joint commercial product portfolio as a means of co-marketing might prove an interesting topic for future studies. A deeper analysis of the fear of foreign customers in the context might also be an interesting topic to clarify further. Future research could also focus on developing the process and governance model for the management of the joint commercial product portfolio.

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Corresponding author

Janne Harkonen can be contacted at: janne.harkonen@oulu.fi