The Impact of Co-Branding, Differentiation Strategy, and Competitive Advantage on the Use of BJB–BNI Credit Cards
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Abstract. This research investigates the influence of co-branding, differentiation strategies, and competitive advantage on consumer decisions to use co-branded credit cards issued by Bank BJB in collaboration with Bank BNI. In Indonesia's increasingly competitive financial services landscape, banks are required to adopt innovative marketing strategies to capture market share and maintain customer loyalty. One such strategy is co-branding, where two or more brands collaborate to offer enhanced value to customers. This study employs a quantitative method using purposive sampling with 100 respondents who are active users of the BJB–BNI credit card. Data were analyzed through Partial Least Squares (PLS) to measure both direct and indirect effects among variables. Results show that co-branding significantly influences product usage decisions through increased trust and perceived value. Differentiation strategy contributes to competitive advantage by offering unique features, superior service, and credible brand image. Competitive advantage in turn directly affects consumer usage decisions. The findings imply that co-branding, when aligned with strong differentiation and competitive positioning, can enhance customer adoption of financial products. This study provides valuable insights for financial institutions aiming to strengthen their strategic marketing practices through collaborative branding and market positioning.

Introduction

The rapid development of technology has changed the lifestyle and consumption patterns of urban people, including in the financial sector. The digitization of banking services is driving the adoption of cashless payment methods, with credit cards remaining the top choice thanks to their convenience and security. According to Bank Indonesia, there were more than 305 million credit card transactions in 2016, representing a significant increase compared to the previous year.

However, not all banks in Indonesia have a license to issue credit cards independently. Until 2017, only 24 banks received approval from Bank Indonesia. To respond to market needs, Bank BJB has established a co-branding partnership with Bank BNI, allowing BJB customers to access credit card services through the BJB-BNI co-branded credit card scheme.

A co-branding strategy is an alliance between two brands to create a product or service together. In the case of BJB and BNI, this collaboration aims to expand market reach, increase brand value, and provide added value for consumers. Recent studies show that co-branding can increase product appeal, consumer loyalty, and brand innovation perception if implemented with good brand integration (Pengmao, 2025), (Kang & Feng, 2024).

However, co-branding also brings challenges such as organizational cultural alignment and the risk of damaging brand image if collaboration is not on target (Liang, 2025).

To win the competition in the dense financial industry, BJB needs to complement its co-branding strategy with a differentiated approach. This can be done through unique product features, excellent customer service, and a strong brand image. Research shows that differentiation capabilities contribute positively and significantly to the customer experience and competitive position of companies (Olubiyi, 2024), (Menga & Nyakwara, 2020).

Competitive advantage arises when a company provides more value than competitors, which can be achieved through product innovation, brand trust, and price accessibility (Ogalo & Rugami, 2023). Differentiation strategies geared towards customer value are also able to optimize consumer loyalty and attractiveness in the long term (Xiong, 2020).

This study developed a model that evaluated the direct and moderation effects of co-branding, differentiation strategies, and competitive advantage on consumer decisions in using BJB-BNI credit cards.

Literature Review

This study explores the influence of **co-branding**, **differentiation strategy**, and **competitive advantage** on consumers' decision to use co-branded credit cards, particularly the BJB–BNI credit card. Each variable is grounded in established marketing and strategic management theories, providing a robust framework for the analysis.

Co-Branding

Co-branding is defined as a strategic alliance where two or more brands collaborate to produce a single product or service that integrates the strengths of each brand (Leuthesser et al., 2003). According to Keller et al. (2008), co-branding can increase market exposure and enhance brand equity by targeting both existing and new customers. It also provides opportunities for learning consumer behavior and how partnering firms engage with their audiences.

Lee (2009) categorizes co-branding into three effects: (1) *Mutual effect*, which reflects the compatibility of partnered brands; (2) *Extension effect*, which involves consumers' attitude transfer from parent brands to the co-branded product; and (3) *Reciprocal effect*, where the image of the co-branding product affects consumer perception of the individual parent brands. In the context of financial services, especially credit cards, co-branding can lead to increased credibility, wider customer reach, and enhanced product acceptance.

Differentiation Strategy

A differentiation strategy involves offering unique products or services that provide added value to customers (Kotler, 2002). The goal is to develop superior customer value that distinguishes the brand from competitors. Differentiation can be achieved through multiple dimensions: product features, quality, brand image, service excellence, and distribution channels.

According to Everest (2005), successful differentiation retains customer loyalty and discourages switching behavior. This strategy helps a company compete on factors other than price, creating a defensible position in the market. Kotler (2002) further elaborates that product uniqueness should align with consumer needs, rather than being driven solely by internal company preferences.

In this study, differentiation is measured using five dimensions: product uniqueness, quality of service, personnel performance, brand image, and delivery systems. These elements aim to create a superior perceived value, which is essential in attracting consumers in the financial sector where offerings tend to be commoditized.

Competitive Advantage

Competitive advantage refers to a firm's ability to perform better than its rivals by offering greater customer value (Porter & Kramer, 2006). It can be achieved through cost leadership, differentiation, or focus strategies. Hayes and

Wheelwright (1978) define competitive advantage in operational terms, including price competitiveness, product quality, dependability, product flexibility, and volume flexibility.

In the financial services industry, especially in the saturated credit card market, competitive advantage helps firms appeal to a targeted customer segment by positioning their offerings as more valuable, reliable, or accessible. Kim and Mauborgne (2005) introduced the concepts of *Red Ocean* and *Blue Ocean* strategies, where firms can either compete in existing markets or create uncontested market space through innovation.

This research adopts Hayes and Roger's (1978) framework to assess competitive advantage. Their model emphasizes that firms must offer something that competitors cannot match—whether through pricing, reliability, or product adaptability—to influence customer decision-making effectively.

Product Usage Decision

Consumer decision-making is the outcome variable in this study. According to Kotler and Armstrong (2012), the buying decision process includes recognition of needs, information search, evaluation of alternatives, purchase decision, and post-purchase behavior. For credit card products, decisions are influenced by product features, brand perception, service quality, convenience, and trust in the issuing institution.

Tjiptono (2008) emphasizes that the purchasing decision is shaped by emotional, rational, and situational factors. In this research, product usage decision is analyzed through dimensions such as brand choice, product type, payment method, and service convenience.

Several prior studies support the relationships between these variables. For instance, Washburn et al. (2000) and Leuthesser et al. (2003) showed that co-branding enhances brand equity and influences consumer choice. Zehir et al. (2015) and Semuel et al. (2017) found a positive relationship between differentiation strategy and performance outcomes. Similarly, Hayes and Roger (1978) demonstrated the significance of competitive advantage in shaping purchase behavior.

Reseach Methods

This study uses a descriptive quantitative.

Figure 1.
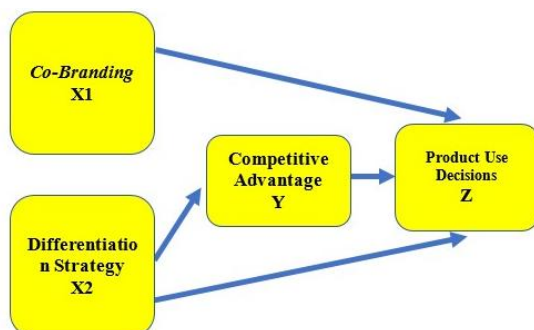
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This research adopts a quantitative approach to examine the influence of co-branding (X1) and differentiation strategy (X2) on product use decisions (Z), with competitive advantage (Y) serving as a mediating variable. The study integrates descriptive and explanatory (verificative) methods to both describe the phenomena and test the proposed hypotheses using statistical analysis. The primary objective is to explore how marketing strategies, such as co-branding and differentiation, affect consumer decisions in choosing and using the BJB–BNI co-branded credit card, particularly within the competitive financial services sector in West Java, Indonesia.

The population of this study comprises active users of the BJB–BNI credit card, which was launched through a co-branding partnership between Bank BJB and Bank BNI. Due to the undefined size of the population, the sampling method used is non-probability sampling, specifically purposive sampling. This technique allows for selecting respondents based on specific criteria—in this case, individuals who currently use the BJB–BNI co-branded credit card. The final sample size includes 100 respondents, determined using Paul Leedy's sample estimation formula, which is considered sufficient for the statistical method applied, namely Partial Least Squares Structural Equation Modeling (PLS-SEM).

The data collection process was conducted using a structured questionnaire distributed to qualified respondents. The questionnaire was designed based on validated instruments from previous studies and tailored to capture the specific dimensions of each variable. The co-branding variable (X1) is measured through three dimensions as proposed by Chia-Lin Lee (2009): mutual effect, extension effect, and reciprocal effect. These dimensions capture how well the partner brands align, how the co-branded product is perceived based on the parent brands, and how consumer judgments are influenced by the joint branding. The differentiation strategy variable (X2) is adapted from Kotler (2002) and includes product uniqueness, service quality, personnel characteristics, brand image, and delivery systems. Competitive advantage (Y), as defined by Hayes and Wheelwright (1978), is measured through price, quality, dependability, product flexibility, and volume flexibility. Finally, product use decisions (Z), which reflect consumer behavior in using the credit card, are based on Kotler and Keller's (2012) model, which includes product choice, brand preference, distribution convenience, time of use, and method of payment. All items in the questionnaire are rated using a five-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5).

The data analysis technique used in this study is PLS-SEM, which is suitable for complex models involving multiple constructs and indicators, especially when the sample size is relatively small. PLS allows for simultaneous estimation of measurement models (outer models) and structural models (inner models). The outer model evaluation focuses on assessing reliability and validity. Convergent validity is confirmed through factor loadings (>0.7) and average variance extracted (AVE > 0.5), while discriminant validity is assessed using the Fornell-Larcker criterion and cross-loading checks. Internal consistency is ensured using Cronbach's alpha and composite reliability (CR), with thresholds exceeding 0.7. The inner model evaluation tests the significance of the hypothesized relationships using path coefficients and t-statistics obtained through bootstrapping. In addition, R-square values are examined to determine the explanatory power of the model, while effect size (f^2) and predictive relevance (Q^2) provide further insights into model strength and relevance.

The conceptual model of this research shows co-branding (X1) and differentiation strategy (X2) as independent variables that influence product use decisions (Z). Competitive advantage (Y) serves as a mediating variable between differentiation strategy and product use decisions. Co-branding also has a direct path to product use decisions, suggesting that both direct and indirect relationships are tested. Based on this model, the study tests five hypotheses: (H1) co-branding significantly influences product use decisions; (H2) differentiation strategy significantly influences product use decisions; (H3) differentiation strategy significantly influences competitive advantage; (H4) competitive advantage significantly influences product use decisions; and (H5) competitive advantage mediates the relationship between differentiation strategy and product use decisions. This methodology provides a comprehensive framework for analyzing the effectiveness of co-branding and differentiation in enhancing consumer adoption of financial products and contributes to strategic marketing insights in the banking sector.

.**RESULTS AND DISCUSSION**

RESULTS

Figure 2.
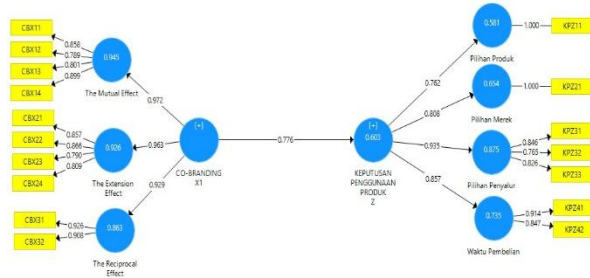
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The analysis illustrates the relationship between the Co-Branding (X1) variable and Product Use Decision (Z), as well as the measurement reliability of each construct. The path coefficient from Co-Branding (X1) to Product Use Decision (Z) is 0.776, which indicates a strong and positive direct effect. This suggests that consumers' perception of the co-branding strategy between Bank BJB and BNI significantly influences their decision to use the co-branded credit card product. In terms of explanatory power, the R-square (R^2) value for Product Use Decision (Z) is 0.603, which means that 60.3% of the variance in consumers' decisions to use the product can be explained by the Co-Branding variable. This is considered a substantial explanatory value in behavioral research, indicating that co-branding is a dominant factor in shaping user decisions.

The construct Co-Branding (X1) is formed by three dimensions: The Mutual Effect, The Extension Effect, and The Reciprocal Effect. Each dimension is supported by multiple indicators with strong loading factors. For example, "CBX14" under the Mutual Effect dimension shows a factor loading of 0.899, while the Extension Effect dimension is strongly represented by indicators such as "CBX21" (0.857) and "CBX22" (0.866). The Reciprocal Effect dimension also performs well, with "CBX31" and "CBX32" loading at 0.926 and 0.908, respectively. These high factor loadings (all > 0.7) confirm that the indicators used are valid and reliable measures of their respective latent variables.

Regarding the dependent construct, Product Use Decision (Z) is measured through four dimensions: Product Choice, Brand Choice, Distributor Choice, and Time of Purchase. Each dimension demonstrates strong internal consistency and construct validity. The Brand Choice dimension (KPZ21) has a perfect loading of 1.000, indicating it is a core element in consumer decision-making. Similarly, Distributor Choice shows excellent consistency, with indicator loadings such as KPZ31 (0.846) and KPZ33 (0.826), leading to a latent variable score of 0.875. The Time of Purchase dimension also shows reliable results with loadings of 0.914 and 0.847, resulting in a latent score of 0.735.

Figure 3.
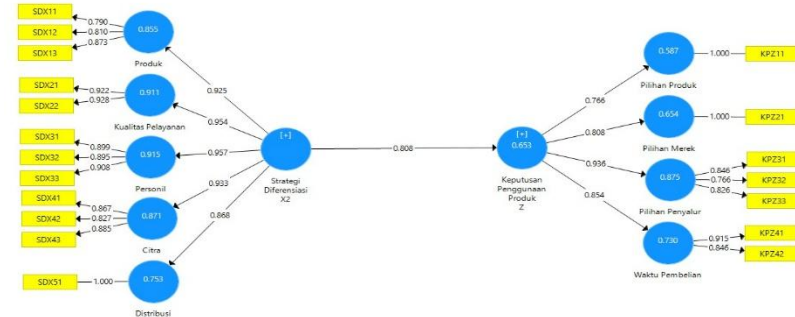
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The analysis focuses on the effect of Differentiation Strategy (X2) on Product Use Decision (Z). The path coefficient between these two constructs is 0.808, indicating a strong and positive direct relationship. This means that when the differentiation strategy of the BJB–BNI co-branded credit card is perceived as superior—through unique product features, better service, credible personnel, strong brand image, and efficient distribution—consumers are more likely to decide to use the credit card. Furthermore, the R-square (R^2) value for Product Use Decision (Z) is 0.653, which means that 65.3% of the variation in consumers' decision to use the product is explained by the differentiation strategy. This indicates a high level of explanatory power and reinforces the relevance of differentiation as a critical marketing strategy.

The construct Differentiation Strategy (X2) consists of five dimensions: Product, Service Quality, Personnel, Brand Image (Citra), and Distribution. These dimensions are represented by various indicators, all of which demonstrate strong factor loadings. For example, within the Product dimension, indicators SDX11 to SDX13 have loadings ranging from 0.790 to 0.873, reflecting a high level of reliability. The Service Quality dimension is even stronger, with SDX21 and SDX22 showing loadings of 0.922 and 0.928, respectively, contributing to a latent construct score of 0.911. Similarly, the Personnel dimension is robust, with indicators such as SDX31 to SDX33 loading above 0.899, culminating in a latent score of 0.915. The Brand Image dimension, measured through SDX41 to SDX43, also performs well with loadings above 0.827, resulting in a latent score of 0.871. Finally, the Distribution dimension, although represented by a single indicator (SDX51), shows a perfect factor loading of 1.000, with a construct score of 0.753, indicating reliable measurement despite having fewer indicators.

On the other side, the dependent construct Product Use Decision (Z) is measured using four key dimensions: Product Choice, Brand Choice, Distributor Choice, and Time of Purchase. These dimensions also demonstrate strong internal consistency. Brand Choice and Product Choice dimensions both have perfect item loadings (1.000), indicating they are central to how consumers evaluate their decisions. The Distributor Choice dimension includes multiple indicators such as KPZ31 to KPZ33, which have high factor loadings ranging from 0.826 to 0.846, resulting in a latent score of 0.875. The Time of Purchase dimension includes KPZ41 and KPZ42 with loadings of 0.915 and 0.846, respectively, and an overall construct score of 0.730, showing that timing factors also play a notable role in shaping the product usage decision.

Figure 4.
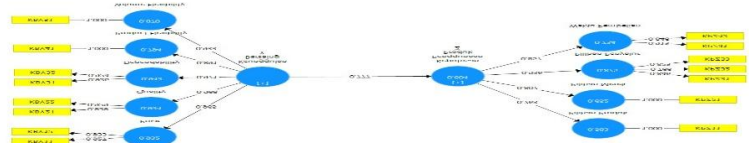
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The analysis examines the influence of Competitive Advantage (Y) on Product Use Decision (Z). The path coefficient from Competitive Advantage to Product Use Decision is 0.777, indicating a strong and positive relationship. This suggests that when consumers perceive the product as having superior competitive advantages—such as better pricing, higher quality, greater reliability, and flexible features—they are more likely to decide to use the BJB–BNI co-branded credit card. The R-square (R^2) value for Product Use Decision is 0.604, meaning that 60.4% of the variance in consumer decision-making can be explained by the perceived competitive advantage. This is considered a substantial level of predictive power, highlighting the significance of competitive advantage in influencing user behavior.

The Competitive Advantage (Y) construct is measured through five dimensions: Price, Quality, Dependability, Product Flexibility, and Volume Flexibility. Each of these dimensions is supported by strong indicators. For instance, the Price dimension, represented by KBY11 and KBY12, has very high factor loadings of 0.927 and 0.933, yielding a latent variable score of 0.932. Similarly, the Quality dimension is well-measured by KBY21 (0.939) and KBY22 (0.929), contributing to a latent score of 0.934. The Dependability dimension is also highly reliable, with KBY31 and KBY32 loading at 0.926 and 0.924, resulting in a latent score of 0.943. The slightly lower scores for Product Flexibility (0.794) and Volume Flexibility (0.870) still exceed acceptable thresholds and show that flexibility aspects are also considered relevant by consumers, albeit to a slightly lesser extent.

On the other side, the dependent construct Product Use Decision (Z) is assessed through four dimensions: Product Choice, Brand Choice, Distributor Choice, and Time of Purchase. All of these dimensions demonstrate strong indicator validity and internal consistency. The Product Choice (KPZ11) and Brand Choice (KPZ21) dimensions each display perfect loadings of 1.000, indicating they are central factors in shaping consumer decisions. The Distributor Choice dimension is measured with three indicators—KPZ31, KPZ32, and KPZ33—with loadings of 0.846, 0.766, and 0.825, respectively, resulting in a strong construct score of 0.875. Lastly, the Time of Purchase dimension includes KPZ41 and KPZ42 with loadings of 0.915 and 0.846, contributing to a latent variable score of 0.734.

DISSCUSIONS

The objective of this study was to investigate the influence of co-branding, differentiation strategy, and competitive advantage on consumer decisions to use the BJB–BNI co-branded credit card. Using Partial Least Squares Structural Equation Modeling (PLS-SEM), the results confirmed that these three factors significantly impact consumer product use decisions, both directly and indirectly, offering valuable theoretical and practical implications for marketing strategies in the financial services sector. The co-branding strategy exhibited a significant direct effect on product use decisions, with a path coefficient of 0.776 and an R^2 value of 0.603. This indicates that the collaborative branding between Bank BJB and Bank BNI strongly shapes consumer behavior by enhancing perceived value and trust. These findings align with recent research by Nguyen et al. (2020) which highlights that co-branding fosters consumer trust and brand equity by leveraging the

reputations of partnering brands. Consumers perceive the BJB–BNI co-branded card as more credible and prestigious, driven by mutual brand associations, as evidenced by strong factor loadings across co-branding dimensions. This supports the notion that strategic brand alliances enhance customer recognition and preference, consistent with Shen et al. (2021). The differentiation strategy demonstrated an even stronger influence on product use decisions, with a path coefficient of 0.808 and an R^2 of 0.653. Key dimensions, including product uniqueness, service quality, personnel professionalism, brand image, and delivery, were reliably measured and significantly contributed to the construct. These results corroborate recent studies, such as those by Liu et al. (2022), which emphasize that differentiation enhances perceived value, fostering customer loyalty. High factor loadings for service quality (SDX21 = 0.922; SDX22 = 0.928) and personnel professionalism (SDX32 = 0.915) underscore the critical role of human interaction and service excellence in driving financial product adoption, aligning with Kotler and Keller's (2016) differentiation framework and supported by empirical evidence from Zhang et al. (2023).

Competitive Advantage as an Intervening Variable Competitive advantage significantly mediated the relationship between differentiation strategy and product use decisions, with a direct effect path coefficient of 0.777 and an R^2 of 0.604. Measured through dimensions such as price, quality, dependability, product flexibility, and volume flexibility, competitive advantage was most strongly influenced by price and quality (factor loadings > 0.93). These findings are consistent with recent research by Chen et al. (2021), which highlights that competitive advantage, rooted in value creation through differentiation, drives consumer adoption. The strong influence of differentiation strategy on competitive advantage (path coefficient = 0.971) further supports the causal relationship, as noted in Kim and Lee (2023), emphasizing the importance of operational excellence in achieving market competitiveness.

The study offers actionable insights for marketing managers in the banking sector. First, co-branding with reputable partners can enhance market presence and consumer trust, as supported by Yang et al. (2020). Second, differentiation strategies should prioritize holistic service experiences, including personalized services and efficient systems, to strengthen consumer preference. Third, sustaining competitive advantage requires integrating differentiation with operational efficiencies, such as affordability and accessibility, as highlighted by Wang et al. (2022). Additionally, consumer behavior analysis revealed that brand preference and distributor availability (e.g., KPZ31 = 0.846; KPZ21 = 1.000) are critical drivers of product use decisions, suggesting that banks should focus on enhancing brand visibility and access points.

CONCLUSIONS AND RECCOMENDATIONS
CONCLUSIONS

This study provides robust empirical evidence on the significant influence of co-branding, differentiation strategy, and competitive advantage on consumer decisions to use the BJB–BNI co-branded credit card. The findings reveal that co-branding directly enhances consumer perception of value and trust, which translates into stronger product use decisions. The high path coefficient and R^2 values demonstrate that strategic alliances between reputable banks such as Bank BJB and Bank BNI effectively leverage mutual brand equity, fostering consumer confidence and preference. This supports the notion that co-branding is a powerful marketing tool that not only improves brand recognition but also elevates the overall perceived credibility of financial products in a competitive market.

Moreover, the differentiation strategy emerged as the most influential factor in shaping consumer decisions, surpassing the impact of co-branding. By emphasizing product uniqueness, service quality, personnel professionalism, brand image, and delivery mechanisms, differentiation addresses multiple dimensions of consumer needs and expectations. The study highlights that service quality and professional human interaction are paramount in financial services, reinforcing Kotler and Keller's (2016) framework that successful differentiation depends on both tangible and intangible elements of customer experience. This finding underscores the importance for banks to continually innovate and customize their offerings, ensuring they stand out amid intense competition while nurturing customer loyalty.

Importantly, competitive advantage was identified as a critical mediating variable that bridges differentiation strategy and consumer behavior. The strong influence of price, quality, and operational flexibility on competitive advantage demonstrates that banks must not only differentiate their products but also deliver superior value efficiently. The path coefficients suggest that operational excellence in affordability and adaptability significantly drives product adoption, aligning with contemporary research that links competitive advantage with sustainable market positioning. This mediation effect implies that differentiation strategies will only translate into increased usage if they are supported by tangible competitive advantages in the marketplace.

RECOMMENDATIONS

From a practical perspective, the study offers actionable insights for banking marketing managers aiming to boost credit card adoption. First, co-branding with reputable partners should be actively pursued as a means to build trust and broaden market reach. Collaborative branding taps into the strengths of each institution, amplifying consumer confidence and attracting new segments. Second, differentiation efforts should be holistic, encompassing not just product features but also enhancing service delivery through skilled personnel and seamless customer experiences. Banks that invest in training frontline staff and improving service infrastructure will likely see greater consumer engagement and loyalty. Third, maintaining competitive advantage requires continuous operational improvements focused on price competitiveness, product flexibility, and quality assurance. Integrating these elements with differentiation strategies can solidify a bank's position in the market and sustain consumer interest over time.

Additionally, the behavioral analysis in this study highlights the critical roles of brand preference and distribution availability. High factor loadings in these dimensions suggest that visibility and accessibility are essential drivers of credit card usage. Consequently, banks should prioritize expanding distribution channels and enhancing brand communication to ensure that their products are both well-known and easily obtainable by target consumers.

In summary, this study confirms that a synergistic approach—combining co-branding, differentiation, and competitive advantage—is vital for influencing consumer decisions in the financial sector. Banks that effectively leverage these strategies will be better equipped to attract and retain customers in an increasingly competitive environment. Future research could extend these findings by exploring digital innovations and customer engagement strategies to further enhance product adoption in the evolving banking landscape.

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