InBranding: Development of a Conceptual Model

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Abstract

With the rapid changes in the global economy and the sophistication of the customers, industrial businesses are being forced to employ more active marketing and branding strategies, strategies that will provide them with the opportunity to be faster and more flexible in responding to the changing competitive conditions in the supplier industry and to constantly changing customer needs. The purpose of this article is to introduce and differentiate ingredient branding from other branding opportunities, specifically, distinguish co-branding from ingredient branding, then, postulate InBranding as a new term for ingredient branding with special emphasis on the component producer and clarifying the supplier versus manufacture based perspectives. Brand literature on these differentiations does not exist yet and therefore this article aims to fill the gap.
I. INTRODUCTION

Ingredient Branding is an accepted marketing concept (Norris, 1992; Dover, 1997) that only recently started to thrive. (Kotler and Keller, 2006; Kotler and Pfoertsch, 2006). In today’s global economy, companies have to establish and maintain their competitive advantage, and create commercial success in their market and provide criteria for their customers to differentiation them from their competition (Bartlett, Ghoshal and Birkinshaw, 2004, Trincrecoste, 1999). Till recently the focus was directed toward tangible resources, but now we see a consideration shift toward intangible resources, such as brands (Kapferer, 2001) and customer loyalty. Companies and organizations embrace branding efforts, which can create value for both the consumer and the company. With the establishment of brand management companies want to attract and keep customers by creating and promoting value, image, lifestyle and other values important for the understanding and use of the product. Including brand identity in the offering enables companies to differentiate themselves in a continuously over crowded market. With the entry of new market participants the existing manufacturers continually look for new means of exploiting their existing brands, a capital which has to be managed appropriately. According to recent publications strategies most used to leverage the potential of brands are brand extensions and co-branding (Rooney, 1995, Vaidyanathan and Aggarwal, 2000).

In the first half of the 20th century, chemical companies started to market well-known dyestuffs and synthetic as brands to buyers of the next stage in the value chain (Kemper, 1997). Since then an increasing number of firms have “considered co-branding ventures in preference to single-handedly undertaking risky and expensive brand extension, expansion or diversification plans” (Boad, 1999). Other forms for enlarging the branding effects include endorsed brands and the establishment of various forms of brand portfolios (Aaker, 2003).

Early research in this area has shown both positive (Norris, 1992) and negative effects (Shocker, 1995) for the brands employing an inbranding strategy, as well as an impact on consumer product evaluations (Hillyer and Tikoo, 1995). Recent research illustrates that ingredient branding offers a potential for successful brand management and increased profits for companies along with product offerings that create added value for the customer (Havenstein, 2004; McCarthy and Norris, 1999). If the customer understands and knows the function, features and benefits of a component (ingredient), he or she will pay more attentions to this offering, and if it creates a unique product offering it can lead to loyal and profitable customer relationships (Desai and Keller, 2002). This approach surpasses the limitations and dangers of a too narrow and single-sided customer-supplier relationship (Kleinaltenkamp, 2001)). The traditional Business-to-Business (B2B) brand strategy of all marketing activities is geared only to the next level of the value chain of the OEM (original equipment manufacturer). The ingredient branding approach can overcome this burden. Intel corporation, the microprocessor manufacturer demonstrated the marketing possibilities that ingredient branding could provide to both component manufacturers as well as to the manufacturers of finished goods (Dover, 1997;
Baumgarth, 2001). Since then, numerous suppliers have tried to implement their own marketing concepts modelled on the Intel case in order to escape the anonymity and exchangeability of a supplying part or component.

2. THEORETICAL BASIS FOR INGREDIENT BRANDING

The concept of branding, including both InBranding and Co-Branding, is built on the foundational theories of information integration and attitude accessibility. Informational integration theory describes the process in which two stimuli, or in this case brands, are combined to form consumers’ attitudes toward a product. These attitudes are used in interpreting and evaluating specific brands and manifest themselves through consumers purchase behaviours. The theory of attitude accessibility suggests that the more salient the brand attitude, the more likely that attitude will be used in the creation of a consumer’s evoked set. The positive attributes of a brand or brands in a co-branding strategy can result in the consumer electing to include a particular product in his or her evoked set and ultimately lead to the purchase of that product. (Simonin and Ruth, 1998)

Over the past 15 years, a considerable amount of research has shown that branding can help consumers to recall important product advantages. For example, the association from a brand name to a product benefit helps a person understand a product’s positioning, and the association from a brand name to a product category helps a person recognize potential usage situations (Janiszewski and Osselaer 2000). This conceptualization of a brand name as a recall prompt has been used to hypothesize how people create evoked sets, evaluate alternatives, and make decisions about the appropriateness of brand extensions (e.g., Keller, 1993, 1998).

Previous research also concentrates on how brand names can function as more than associative cues for information retrieval. Brand names were identified as a means to serve as predictive cues about product performance (Erdem and Swait 1998; Keller 1993, 1998). The predictive value of a brand name was considered one of the primary reasons why the brand extension strategy is so pervasive. Using a successful family brand name to identify a new product enhances customer expectations about the performance of the new product, which in turn leads to increased trial and/or reduced promotional costs (Sullivan 1992).

3. Co-BRANDING

Co-Branding is defined as the combination of two brands to create a single, unique product. This association between the brands can be either long or short-term and can be represented by physically combining two or more brands or symbolically associating the brand names. The first strategy consists in associating to the host brand with a secondary brand that will give it symbolic additional attributes (Cegarra and Michel, 2000). In the second strategy, key attributes of one brand are incorporated into another brand as ingredients (Desai and Keller, 2002). The purpose of co-branding is to capitalize on the equity of the brands and enhance the success of the product. Prior experience with these brands provides consumers with a certain level of quality assurance. Co-branding
advantages (Abratt and Motlana, 2002) (Leuthesser and Kohli, 2003) include reduced investment costs and risks, and faster paybacks (Boad, 1999). In the French co-branding literature, Michel and Cegarra (2003) further state that, apart from collaboration on physical attributes, co-branding can also be a combination of two recognized know-how or expertises to manufacture the co-branded product. In a co-branding context, the host brand is the “brand originary from the product category in which the co-branded product is launched” (Cegarra and Michel, 2000), while the ingredient brand or secondary brand manufactures the ingredient, or possesses the know-how, to be incorporated into the final product. “Mixing two or more brands to create a co-branded product has become a common strategy during the last decade, especially in the food industry” (Bengtsson, 2002a).

4. INGREDIENT BRANDING

Ingredient branding is a special form of alliance between two brands, based on their cooperation for designing and delivering the product, with particular emphasis on the possibility to recognize and identify the used components in the final product (Pfoertsch and Mueller, 2006). Ingredient branding occurs when a component part or service of the end product is promoted to the final user. This promotion can occur from two perspectives: the manufacture’s perspective or the supplier’s perspective.

Ingredient branding is an advanced branding concept that can be very beneficial to both partner brands if successfully implemented (Norris, 1992). However the motivation behind ingredient branding traditionally has been from the host brand’s perspective. The host brands wishes to differentiate itself from the competition through the inclusion of the ingredient brand into their final product. The perspective of the host brand using ingredients as brand extension has been researched and documented as a proven concept (Worm and Durme, 2006).

In manufacturing initiated ingredient branding, the manufacture usually chooses an ingredient that represents an existing brand with strong brand awareness. The manufacture then promotes the fact that this ingredient is part of the end product in hopes of persuading final users that end product has certain positive attributes normally associated with the ingredient brand. (Norris, 1992)

“The value of branding has also been recognized by suppliers who produce ingredients or components that are incorporated into final products” (Norris, 1992). Supplier initiated ingredient branding occurs when a supplier of a component part or service initiates the promotion of its ingredient, which is part of the end product, to the final user in an effort to create brand awareness. The supplier hopes that their investment in brand awareness will result in the consumers requesting or “pulling” the ingredient brand from the manufacturer. This supplier initiated branding is what the authors of this article refers to as “InBranding”. The concept of InBranding or ingredient branding from the suppliers perspective has received minimal attention in the brand literature. The distinguishing factor between InBranding and traditional ingredient branding is the motivation behind the strategies. The motivation behind traditional ingredient branding revolves around the
host brand and usually extends or modifies an attribute of the host brand in an effort to enhance consumer brand evaluations (Desai and Keller, 2002; Hillyer and Tikoo, 1995). The motivation behind InBranding revolves around the ingredient brand or component brand forming an alliance with a product manufacturer in an effort to create brand awareness for the ingredient brand and generate pull effects through the value chain (Olivia, Srivastava, Pfoertsch and Chandler, 2006).

5. IN-BRANDING MODEL

![InBranding Principle](image)

Fig.1: InBranding Principle

The push and pull concept is crucial to understanding InBranding and the motivations behind it. The push strategy involves directing the marketing strategy toward the original equipment manufacturers. A pull strategy involves appealing directly to the consumer. One implication of this view is that the marketing mixes for an InBranding strategy involve both push and pull effects. It is the distinction between consumer and manufacturer behavior that separates them. Consumer behavior creates pull and manufacturer behavior creates push. Consider push and pull effects as effects of marketing mix decisions. Supporting pull with push increases the probability of coordination. The combination of the push and pull creates synergy for the complete marketing mix.

The supplier offers a component or service to his customer, the OEM. Thus, the supplier has a B2B relationship with the producers of such products as automobiles and electronic products. The OEM produces a product that is to be used by their customer, the final user. The final user buys the product or service in a pure B2C relationship with the OEM. According to this principle, there are two separate stages of customer relationship: supplier with OEM, OEM with final user. In InBranding, the two stages are interconnected: Step (2) follows step (1), and step (3) occurs, where the supplier tells the final user that a particular ingredient is part of the final product offering, which makes the
final user choose this product over competitive offerings. In this step (4), the final customer “pulls” the product because the particular ingredient component is desired. This is a continuous process of push and pull, with a high success rate if done appropriately.

A good example of InBranding is Microban. Microban provides manufacturers of spas and whirlpools like AQUA-WHIRLPOOLS with an antibacterial material which significantly enhances the sanitary standards of this kind of equipment. In addition, they have been granted the right to use the brand Microban® directly to end-customers. Microban informs the end user about their product benefits through TV commercials and print advertisements in an effort to generate pull, demand for their ingredient in the product. Other examples of this pull-effect are GoreTex®, Dolby® and recently the successful DLP® from Texas Instruments. This supplier initiated branding is what the authors of this article refers to as “InBranding”.

Even companies with strong consumer brands can use InBranding to enhance or protect their competitive position, as Chevron does with TEXTRON, and GM with NORTHSTAR, to power up its Cadillac brand for the performance oriented customer segments (David Aaker, 2003) with racing components in their luxury cars. InBranding is a form of multi-stage branding for industrial manufacturers of parts and / or components. The suppliers of the ingredient brand promote their brand simultaneously to the manufacturer as well as to the end user. This type of promotion fuels a push and pull dynamic for the ingredient brand. In Fig. 1 we show 3 possible stages, but in most cases, we have to consider more stages: components, modules, system, integrations with software and services, etc. This means that all up-stream markets have to be considered, including the end customers who are being included in the marketing of the component. In contrast to multi-stage branding, single stage branding only promotes the brand directly to the next user in the value chain. (Baumgarth, 2001)

### 5. InBRANDING POWER STRUGGLE

InBranding is not beyond reproach, it can create complicated partnerships in which the position of power could change over time, resulting in tension filled relationships between partners. For example, in the automotive industry there are only few companies that have managed to keep their brands mentally and visibly present for end-customers, or their brand visible in the automobile. In Europe, examples of this include, Siemens VDO with fittings, Bosch with electronic parts, Blaupunkt and Becker with car radios, and Keiper-RECARO with car seats. Quite often, these suppliers provide many other components that are part of a finished automobile, yet they are not able to make them visible to the end-customers. In addition, there are numerous other suppliers in the automobile industry who are not able to accomplish what the fore mentioned examples have achieved due to their lack of positioning power in the industry.

As system and module suppliers rise to the challenge and grasp technological advancements and promote leadership through innovation, they are increasing their position of power in their industry. This is being increasingly perceived by car drivers
due to extensive investments in marketing communications. Car drivers are beginning to demand specific ingredient brands at the retail level. As a result, the influence of systems and modules to the image of the end-product car is growing steadily and the OEM is bearing the financial burden of this. Suppliers are challenged in terms of brand strategy and end-customer contact. InBranding offers a way to inform consumers about the additional benefits they are receiving from superior component brands and prime consumers for the price increases needed to cover the enhancements in the product offerings. In one of our preliminary analysis in 2004, we found that end-customers are indeed supporting this notion: Every third car buyer makes his decision based on the origin of parts and components (Pfoertsch, 2004). The right brand names of components translate to a guarantee of safety, comfort and ideal cost/performance ratio.

6. APPROPRIATENESS OF InBRANDING

It took 5 years for Intel to achieve results from its’ InBranding strategy and 10 years to achieve market supremacy. Intel showed the world that InBranding can make a difference. They understood their position as a component supplier for electronic components in the computer industry and used the opportunities in the market to become known by the public. By creating market awareness in the end user, Intel increased their market power versus OEMs and established an outstanding market position. They created chances for competitive differentiation and established entry barriers for competitors. Over the years, this strategy increased customer loyalty and created the necessary demand-pull, resulting in establishing themselves as irreplaceable. For their partner, Intel created a positive image of the OEM brands and achieved the price-/volume premium, particularly for the tech-savvy segments, in the early product life cycle stage. One can see here the pull-creation having had its full effect. As a result of their efforts, Intel has achieved the creation of brand equity comparable to the level of consumer goods (in 2006 they achieved USD 32 billion according to Interbrand.

There are specific concerns that address the issue of InBranding being appropriate for a supplier to create an alliance with a particular manufacturer and achieve an ideal state of InBranding. First, can the manufacturer brand quality be leveraged and extend to the ingredient brand? Second, does the manufacturer brand have sufficient brand equity that can be leveraged to increase the ingredient brand’s awareness? Finally, can the ingredient brand be mentally separated from the product, so that the ingredient brand can build customer loyalty on its’ attributes alone.

The conditions necessary for a supplier to implement an InBranding strategy revolves around functionality and superior performance. Current research stresses the importance of functionality in the final product. If the customer receives a benefit from the superior performance of the final product induced by the ingredient, the consumer will rate the product positively and increase demand for the ingredient brand (Norris and McCarthy, 1999). Also, if the complexity of components in relation to final product is high, the tendency exists that the customer is more likely to recognize the InBrand (Norris and
McCarthy, 1999). Other conditions of consumer requirements have to be considered, such as additional customer benefits or degree of innovations.

In the relationship with the OEM, the roles and power situations of the suppliers also play a major role. If there are only a few OEMs and limited suppliers the suitability for InBranding strategies may prove more favourable.

![Fig. 4: Conditions for InBranding Implementations](image)

Additional conditions, specific to the particular industry also need to be considered when deciding to implement an InBranding strategy. The specific conditions in the various industries must be analyzed and put into perspective of the expected outcome and the possible investment for this kind of concept. Are there competitors who are currently utilizing an InBranding strategy? Are there any government regulations that might prohibit an InBranding strategy?

### 7. IMPLEMENTATION OF InBRANDING

An analysis of current research assisted us in constructing a procedure consisting of several steps that could help companies implement an InBranding strategy.

#### Step 1

In the beginning is an ingredient unknown to the end consumer although the business partners have known this component for many years. This was the case for Makrolon from Bayer AG. In 2000, Makrolon decided to InBrand in order to improve their brand...
awareness and market share. Their position today has improved dramatically, particularly against its rival Lexan from GE-plastics.

**Step 2**

The supplier of the ingredient brand begins to promote the benefits of its’ component directly to the end user. A break through will occur when the final end user knows your components and demands that your components be part of the finished product. This step has occurred with the DLP components from Texas Instruments used in HDTV’s. This phase could take years.

<table>
<thead>
<tr>
<th>Steps</th>
<th>Description</th>
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<tbody>
<tr>
<td>1 Raising of credit,</td>
<td>Unknown ingredient brand benefits from the association with well-known product brands</td>
</tr>
<tr>
<td>2 Break-through and market proof</td>
<td>The unknown ingredient brand becomes known and famous on its own</td>
</tr>
<tr>
<td>3 Repayment of credit,</td>
<td>Known ingredient brand is helping its supporter, as well as benefiting itself</td>
</tr>
<tr>
<td>4 Fiesco-Effect</td>
<td>The ingredient brand is present everywhere and could not be used as a differentiator. The lack of differentiation increases the chance for a price war amongst former supporters</td>
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Fig. 5: Life cycle of InBranding

**Step 3**

In this step, the company offering the ingredient is managing the relationship between the partners and helping all participants to be successful. This could be a very prosperous stage in development. Success depends on the conditions and the applied strategies; a company could become a major corporation or stay in the million dollar bracket (NutraSweet, Dolby, etc.). Many conditions apply to make use of the synergy between the ingredient and product brand.
Step 4

In this final step, the InBrand cycle comes to an end. The InBrand is present everywhere and can not be used as a differentiator any longer, and it is pushing former supporters into price wars. This has happened to Intel: With more than 18,000 partners, the effect of the ingredient became obsolete, and AMD used the chance to attack Intel by also applying an InBranding concept with a more focused approach. They targeted the high end gamer market and rolled their giant

8. BENEFITS AND RISKS ASSOCIATED WITH InBRANDING

Despite the set-back, "Intel-Inside" campaign proves that InBranding is an excellent strategy that helps suppliers to (Rao and Ruekert, 1999):

- capitalize on the positive image of end-products
- increase awareness among end users,
- establish entry barriers in their sector,
- increase customer loyalty,
- establish a price premium for their product and
- increase their brand equity.

Establishing brand value is the result of a time-consuming learning process. Competitors may need years in order to catch up and create their own brand image.

It is also important to consider the asymmetry of this process: a brand image can be destroyed rather quickly (consider the “Elk test” of the Mercedes-Benz small car model A-Class, which rolled-over at a test at market introduction) (Buttlefield), and will need a long time to become re-established. Similarly, when Olestra came under fire for potentially causing Gastro Intestinal problems, Pringles, a product-brand that used Olestra, suffered too. Additional risks associated with InBranding include (Leuthesser and Kohli 2003):

- vulnerability of the ingredient brand to negative publicity involving the host brand
- possibility of loss of host brands’ customer base to the ingredient brand partner
- lack of sustainable competitive advantage of host brand if there is no exclusive agreement between partners
- host brand may copy the ingredient brand and ultimately become a competitor.

The initial perceived quality of and attitude toward the partner brands might have implications on the outcome of an ingredient branding strategy, as well as on the selection of ingredient brands by host brand managers.
9. FURTHER RESEARCH QUESTIONS

InBranding is a compelling solution when a company is selling a differentiated component. It can help direct customers differentiate by facilitating their communications to the end user about product features and performance. For components suppliers, a simpler approach may be a technology license, without any kind of ingredient initiative, but that would leave the company with much less leverage and possibly reduce their component to a commoditized, brand-free offering. As Intel showed us, a successful ingredient initiative can create a marketplace where a company’s leading edge technology becomes table stakes for everyone. Many questions are still unanswered. Therefore, it is necessary to better understand how competitive advantage can be achieved through the use of ingredient branding. We should also be aware of types of brand alliance and the applied rules and procedures, but the most challenging task is to establish brand metrics for multi-level branding, and to track and predict ingredient branding success.

REFERENCES


Boad, B. (1999), Co-branding Comes of Age, Managing Intellectual Property, Issue 94, November


