The Changing Playing Field Of Ingredient Branding

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Teflon®, Gore-Tex®, Dolby® Digital sound. These three very different brands all have one thing in common – they are all successful ingredient brands. One of the things which make them a continued success is the very fact that you (and most likely a large percentage of the public) are familiar with them. After all, an ingredient brand isn't very useful if no one has heard of it, or isn't familiar with what should be its' well-entrenched positioning.

Lately there have been some major shifts in how the makers of ingredient brands are going to market. However, before we explore these changes in strategy, a short refresher on the basics of ingredients might be in order.

Ingredient Branding - The Basic Recipe

In short, an "ingredient" brand is used by a "host" brand to borrow established brand equity. By definition, an ingredient brand, unlike the cheese, doesn't stand, alone. Rather, it requires a host brand to which it lends some needed attribute. In the previously mentioned examples, Teflon lends the attribute "non-stick," a brand with Gore-Tex attached to it signals trusted weather protection, and the Dolby brand signals high-quality audio.

However, none of these ingredient brands manufacture their own line of products. Instead they are content to use their marketing resources to reinforce their positioning and attract host brands. Also note that a successful ingredient brand is perhaps the purest example of the marketing maxim that a brand should only own a single unique position – or risk brand dilution or confusion as to what it stands for. But that's a story for another article.

Another important aspect of an ingredient brand is non-exclusivity. While the host brand would no doubt prefer only they be allowed to boast the benefits of any particular ingredient brand, the opposite holds true for the ingredient brand. Strategically, it makes sense for the ingredient to attach itself to more than a single host brand – it increases its name recognition, solidifies its positioning, brings in more revenue, and spreads business risk. This dynamic between host and ingredient brand is common and usually finds its own equilibrium. However, that may be changing as we'll see shortly.

Lastly, from a brand architecture perspective, the ingredient is always subservient to the host brand. The ingredient brand is there to lend credibility, not to share co-billing with the main brand. One exception that comes to mind is the liberal use of the Teflon brand on generic cooking pans. I see this as a sign of a mature brand seeking to expand market share at the risk of making itself less "special" for more popular brands of cooking pans.

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When Might A Company Employ An Ingredient Brand Strategy?

Several elements could influence whether a company might want to consider introducing an ingredient brand to one or more of their products. Factors such as the competitive landscape, where the product is in its life cycle, and brand perception all play a role in the decision.

Two of the primary reasons for a host brand to pursue an ingredient brand strategy are 1) pricing power and 2) defending market share.

If pricing pressures are increasing and there are limited opportunities to squeeze more efficiencies out of the supply chain or manufacturing process, the strength of an ingredient brand may allow a company to either maintain a price or even command a slight premium. This is certainly the case with Dolby audio/video receivers.

For challenger brands, adding an ingredient brand to their products can erode the market leader's share by offering a clear point of differentiation. Of course, due to the non-exclusive nature of ingredient brands (unless the challenger brand can negotiate an arrangement with the ingredient brand ensuring exclusivity in its category) there's little to stop the leading brand from also adopting the same ingredient brand.

In an excellent paper, *"Measuring the value of ingredient brand equity at multiple stages in the supply chain: a component supplier's perspective"*, written by Waldemar Pfoertsch, Ph.D, et al,. in May of 2008 and accessible via an Internet search, the authors demonstrate the positive contribution from an established ingredient brand to a variety of host brand parameters.

Which brings us to a key question for the maker of an ingredient brand: how to establish credibility without spending a fortune. A look at a few ingredient brand companies demonstrates a new approach made possible by the Internet.

Web-Based Marketing For Ingredient Brands

Traditionally ingredient brands, especially when first launching, have had to work extremely hard to attract the attention of a host brand. This included one-to-one business development efforts, heavy trade advertising and trade show presence, and, for some, very expensive marketing directly to consumers in order to generate awareness and a "pull" strategy. For example, Intel spent (and continues to spend) a huge amount of money establishing the "Intel Inside" brand by advertising directly to consumers, as well as paying original equipment manufacturers large amounts of market development funds to participate in maintaining the brand.

On the other hand there's another company, lesser known (for now) to the public, that has taken a unique approach to building their ingredient brand. Their efforts are aimed not at the public, but squarely at other marketers.

If you're engaged in an Internet search on the subject, you'll no doubt come across the website www.ingredientbrands.com. On this site, which is written with marketers in mind, there is an eBook one can download that explains what ingredient branding is and offers different strategies for successfully using an ingredient brand. Case studies on ingredient branding are also available for download. The site touts ingredient branding as "The Secret Ingredient to Growing Your Business."

Now here's the interesting part: the site is sponsored by the ingredient brand "Microban®". In the eBook the brand is used in a few examples, but by no means all of them. Rather, Microban cleverly touts the advantages of ingredient branding with themselves as an option. By providing something of value to the reader, it's an inexpensive way to establish yourself as a leading ingredient brand. Paid search would help narrow responses to host brands that would be more inclined to make use of Microban's products. MIcroban also has its own branded site, www.microban.com, aimed at educating everyone about the benefits of their product.

Other ingredient brands are also pursuing robust digital strategies, albeit with a more end-user focus. For example, a visit to www.gore-tex.com brings up a well-designed site, which does an excellent job of educating the visitor on the benefits of Gore-Tex.

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Not only does this strategy help the ingredient brand maker cost-effectively create awareness and stimulate demand with a "pull" strategy ("Be sure and look for the "Gore-Tex logo"), it also provides the ingredient brand opportunities to monetize the site. Depending upon the traffic the brand is able to generate, it can charge host brands to be listed on their site - or for a premium position on the site. Gore-Tex goes one better in monetizing their site. Clicking on a host brand's logo, Adidas for example, brings you to an e-commerce page on the Gore-Tex site exclusively featuring Adidas products. Visitors may then purchase an Adidas product without leaving the site.

Ingredient brands that can manage a well-conceived digital strategy can shift the power in the relationship with their host brands in their favor, providing themselves a competitive advantage. The relatively low cost of entry for a digital strategy allows even less well-known ingredient brands to help establish their brand positioning and awareness.

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Joe Tradii is a globally recognized branding and marketing strategist. His thought leadership has been seen in leading publications such as Brandweek, The Marketer, and the Journal of Brand Management. Currently he is Director of Commercial Marketing at Frontier Communications in Seattle, Washington. His previous roles include Senior Brand Manager at Microsoft, where he was responsible for creating brand value for their commercial and cloud-based brands. Mr. Tradii has won numerous advertising awards, firmly believes the best way to own a category is to create one, and welcomes any inquires.

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