Article

Ingredient Branding: A Differentiation Strategy for the Commoditized World

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Abstract

Ingredient branding, as one of the potent branding strategies, relies upon the added equity based on a strategic alliance of two brands. This article aims to discuss the fundamentals of ingredient branding and consolidate the extant knowledge with the help of an extensive literature review. A set of implementation guidelines for ingredient branding strategy, as well as the risks associated with the strategy, have been discussed. Finally, it has been argued that ingredient branding, due to its nuances and advantages can be useful for a firm to differentiate against its competitors in a highly commoditized market. This article will help managers and marketers decide on adopting an ingredient branding strategy, choosing the right ingredient for the host brand along with the implementation guidelines for an ingredient branding strategy, to achieve a sustainable differentiation.

Keywords

Ingredient branding, brand management, competitive advantage, differentiation, component branding

Introduction

A brand is often considered a source of competitive advantage due to its ability to differentiate itself from competitors and in the process offer a unique value to the customers (Kapferer, 2008). Differentiation based on a brand & its attributes (like brand identity, brand image, and brand promise) creates a strong, favourable, and unique association (Keller, 2001). A differentiation thus created gives the organization a competitive advantage against its competitors (Aaker, 1989). However, like any other source of competitive advantage, the brand also requires a consistent evolution, since a single source of competitive advantage cannot sustain perpetually. The right strategy is about building new posts for differentiation while delaying the erosion of existing ones (Day & Wensley, 1988).

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Barney (1991) suggested that the resources that are scarce and valuable can create a competitive advantage. But this competitive advantage can only be sustained if these resources are also difficult to duplicate or substitute, and hard to deliver. Competitive advantage is hence not a static one-time milestone, but must be sustained over a long period to be leveraged (Aghazadeh, 2015). Lippman and Rumelt (1982) argued that difficulty inimitability helps create an entry barrier for newer firms, hence protecting the company which has built the entry barrier. This, in turn, can create a source of competitive advantage for the organization and the ability to differentiate against competitors for the long term.

Branding for Differentiation

As marketers seek growth in markets, through the development of new products, they face markets cluttered with competing brands. It is hence difficult to establish a unique position for new as well as existing products. Amongst the various approaches to create a differentiation against competitors, building and managing a strong and differentiated brand is a credible tactic. A brand is hence, often considered as a unique source of competitive advantage (Levin et al., 1996).

Dynamic externalities compel companies to find new ways to create and maintain a competitive advantage to achieve commercial success (Trinquecoste, 1999). Products and related tangible aspects have failed to create a significant differentiation, and hence intangibles, like brands are being looked upon to build a competitive advantage (Todor, 2014).

Even innovative differentiated products can be imitated quickly, leaving no strategic edge (Leuthesser et al., 2003). Brand differentiation based on attributes like brand identity, brand image, and brand promise can instead create a strong, favourable, and unique association (Keller, 2001) that gives the brand a competitive advantage against its competitor. Barney (1991) and Aaker (1989) listed various sources of competitive advantages a company might create.

Two of the most potent sources were cited as Quality Reputation and Name Recognition. Both of these sources are closely related to the brand influence (Aaker, 1989). Hence, a brand is a legitimate source of sustainable competitive advantage, which needs to continuously evolve to add value and remain relevant (Kaikati & Kaikati, 2004; Kapferer, 2008).

Strategic Brand Alliances for Differentiation

Organizations adopt strategic alliances of brands as a strategy to build and leverage the source of competitive advantage. Strategic alliance refers to the integration of two or more brands in a single offering. Brand alliances are built on the basic premise of a brand is an asset which could be combined with another brand to form a synergistic alliance that would enhance the value of the combined entity more than the sum of the individual entities (Rao & Ruekert, 1994). Brand alliances are the ultimate form of cooperation between two firms since the relationship is exposed to customers, which put on to stake, the reputation of both the brands (Park et al., 1996).

Brand alliances can take many forms ranging from co-branding, which in turn can again be about using branded ingredients. Some other brand alliance strategies are composite brand extensions, joint promotions, co-sponsoring, brand bundling, and other cooperative strategies (Samu et al., 1993). Co-branding results in the creation of a new product, it usually signals to customers that the partners are committed to a long-term relationship (Leuthesser et al., 2003). From the customer point of view, a strategic alliance signals towards an unobservable product quality of the alliance brand, and to a piece of observable information about the attributes of the alliance brand (Rao & Ruekert, 1994).

While there may be a physical contribution of a brand into an alliance brand, a greater contribution is about the brand image and status, as well the perceived benefit, that the brand extends to the alliance brand (Tauber, 1988). That is one of the reasons why the compatibility and the fit between the brands are of paramount importance when it comes to assessing the right strategic alliance between brands (Hadjicharalambous, 2013).

It is, however, critical to be able to stick strategic alliances at the right time. First mover advantage is critical, since it not only allows the trailblazer organization to have a first go on the target audience, but it also blocks its competitors to form alliances with the synergistic partners (Glen et al., 1985). Signalling theory (Wernerfelt, 1988) recommends that the combination of two or more brands automatically provides greater assurance about the product quality, more than what a single brand does, which should subsequently result in better and positive product evaluations (Erdem & Swait, 1998). Such positive product evaluations lead to creating a differentiation between the brand that adopts a strategic alliance and others that do not.

From the brand equity perspective, Vaidyanathan and Aggarwal (2000) posited that brands with lower brand equity benefit most from co-branding. While brands with higher brand equity do not gain due to a low brand equity partner, they do not suffer any reputational loss either. This means that adopting co-branding is the positive probabilistic option for a brand as there is a higher chance of a positive outcome than not. The differentiation created is either of advantage in terms of positive brand equity created, but need not suffer any reputational loss.

Strategic brand alliances that see two brands coming together to form a new product offering or the existing product offering with improved performance due to the presence of the component or an ingredient, is often seen as a brand strategy they offer the greatest benefit (Helmig et al., 2008). However, it also requires deep trust and strong coordination for this strategy to work, especially since the outcome depends upon two brands of two companies (often) to work together, which at times may conflicting objectives.

Ingredient Branding as a Strategic Alliance for Differentiation

Ingredient branding is a co-branding strategy in which key attributes of one brand, ingredient brand, are incorporated into another brand, host brand, as ingredients (Desai & Keller, 2002). For example, an Intel chip in a Dell computer or Shimano gears in a Trek bicycle, or Nutrasweet in Coca-Cola. Ingredient branding is when a component brand in a product or a service, is promoted to the end customer, with or without the host brand (Chandler & Beuk, 2007). As far as the structure is concerned, co-branding is a horizontal strategy while ingredient branding is a vertical strategy (Herman & Baumgarth, 1999). The final product with an ingredient brand capitalizes on the established brand equity of the host brand as well as the ingredient brand. It requires highlighting the role of a component in the final product (Radighieri et al., 2014).

Levin et al. (1996) in their study on the impact of a combination of a host brand and ingredient brand found that adding a well-known ingredient brand to a host brand improved product evaluations, irrespective of the host brand being known or unknown. Also, the mere presence of a known ingredient brand in the final product leads to favourable association with the host brand leading to a positive impact on consumer evaluations, even if the host brand is unfamiliar. The host brand can also achieve differentiation based on functional features of the final product as the ingredient brand seeks to improve the functionality of the end product (Panwar & Khan, 2019).

Ingredient branding enhances the differentiation for the host brand due to its presence in the host brand, which in turn improves the competitiveness of the host brand against other competitors. Hence, an ingredient brand in a host brand acts as a branded differentiator and affects the functional benefits of the offering (Uggla & Filipsson, 2008). It has also been posited that ingredient brand has a product defining role since its presence adds to the definition of the product in which it is the ingredient. Host brands in the marketplace must seek and close exclusive deals with ingredient brands to create differentiation.

If implemented and leveraged efficiently, ingredient branding is a win–win strategy for the host brand as well as for the component or the ingredient (Kotler & Pfoertsch, 2010c). Some of the authors have linked the ingredient branding strategy to the need to decrease the costs of development and marketing of new products (Uggla & Filipsson, 2008). While some others look at it as a credible strategy to achieve greater market penetration in an existing marketing segment (Leuthesser et al., 2003).

As per Uggla and Filipsson (2008), ingredient branding helps highlight an ingredient's presence in the final product in such a way that it can become a category point-of-parity. This means that none of the final product brands can be part of the category without using this component. It is also going to be a point-of-differentiation, but only till the ingredient is democratized and becomes the point of parity, hence widely incorporated in most final products. Some of the well-known branded ingredients, such as Teflon and Intel, have become the 'point-of-entry' for host brands in their respective categories (Uggla & Filipsson, 2008). Ingredient brands can become industry standards to consumers in such a way that they would not buy a product that did not contain the ingredient (Norris, 1992).

Often, host brands adopt ingredient branding strategy to improve their brand equity which includes but is not limited to their brand associations as well as their overall evaluation, and their perceived quality (Bengtsson & Servais, 2005). This inline with McCarthy and Norris (1999) where he posited that customers perceive a moderate quality host brand more favourably when a high-quality branded ingredient is used as an ingredient. An ingredient brand supplier can offer meaningful differentiation to individual hoist brands through customization (Butnariu, 2017). Ingredient branding has the potential to create differentiation. It is especially significant when the relative brand power of the ingredient is high, while that of the host is low (Chandler & Beuk, 2007).

Assuming that the host's brand power is low due to its presence in a segment that has commodities as the end product, the ingredient, in this case, becomes the differentiator in this segment. It must, however, be noted that an ingredient brand might not be able to completely compensate for a poor-quality host brand. This gives significant power to the ingredient brand over the host brand, while creating brand preference among the consumers (Adams, 1997).

Norris (1992) argued that an ingredient branding strategy benefits a wide set of stakeholders, which is not just restricted to the owners of the host brand and ingredient brand, that is, the host company and the suppliers, but also the retailer and the end consumer. Some of these are listed below:

- Advantages to ingredient supplier:
  - Better profit margins for the supplier due to reduced price pressure from the customer owing to ingredient brand preference (Norris, 1992).
  - Supplier experiences a certain demand owing to demand stability due to long term supplier–buyer relationships (Norris, 1992).
  - The incumbent supplier benefits from the reduced probability of competitor entry (Erevelles et al., 2008)

  - o Capitalize on an already existing positive image of the host product in case the host product enjoys a positive perception (Kotler & Pfoertsch, 2010b)
  - o Ingredient supplier brand can look at building a long term brand equity that can be leveraged in future by extending the existing product line in a similar category taking the advantage of the trust established (Kotler & Pfoertsch, 2010b).
  - o Lack of dependence on anyone OEM due to overall brand preference by the end customers.

- Advantages to OEMs (host) due to ingredient branding:
  - o The ingredient brand can help the host brand successfully introduce a completely new attribute (inherited from the ingredient category) into the host category (Desai & Keller, 2002).
  - o Besides helping improve the competitiveness of the host brand, the new attribute can, in some cases, expand the usage of the host brand (e.g., cough relief in Life Savers candy) (Desai & Keller, 2002).
  - o The expanded meaning of the host brand after expansion helped it enhance its extendibility (Desai & Keller, 2002).
  - o From the standpoint of the manufacturer of the host product, the benefit is in leveraging the equity from the ingredient brand to enhance its brand equity (Keller, 2003(2)).
  - o Shared marketing cost with the supplier, reducing the overall marketing expenses (Norris, 1992).
  - o The manufacturer is rewarded with a lower price (Erevelles et al., 2008).

- Advantages to customers:
  - o Cost of the co-branded product is lower, due to the mitigation of double marginalization in a vertically integrated solution (Erevelles et al., 2008).
  - o Customers get an additional quality cue hence easing their purchase decision cycle (Helm, 2015).
  - o Customers can reduce their acquisition risk due to the product quality assurance as an additional cue due to the presence of two brands (McCarthy & Norris, 1999).
  - o A known ingredient brand often allows a customer to enter a new product category where the host is not known or trusted yet. The presence of an ingredient brand can hence lead the customer towards trial.

Hence, ingredient branding helps suppliers to increase their profits while also creating a barrier for competing suppliers. The host brand OEM in return enjoys lower prices and saving to its overall cost, including advertising costs due to collaboration and cost-sharing which is common in the ingredient branding strategy. This cost-saving adds to the bottom line of the OEM, while some of it is also passed on to the end customer.

When to Adopt Ingredient Branding

Ingredient branding, even with all its advantages, is not suitable for every situation. A prerequisite of the ingredient branding strategy is the need for the supplier to create an ingredient that is significantly different and has a substantial advantage over the other available ingredients. If this is not the case, the customer is not going to see value in the final product. For example, Teflon and Lycra, add significant value to the OEM brand which incorporates them in their final product.

Ingredient branding is particularly suitable when the number of OEMs is high and the number of suppliers is low which means that OEMs need to differentiate themselves against commoditization. It is also beneficial to adopt this strategy when the complexity ingredients in the final product are high because it makes the ingredient a critical point of the overall functionality of the final product (Larraufie, 2017). This guideline should, however, be led through with the addition of a superior quality ingredient and not a mediocre one else it will not lead to a positive evaluation by the customer (Norris, 1992).

McCarthy and Norris (1999) posited that the presence of a branded ingredient in a moderate-quality host brand eliminates the competitive advantage of the higher quality host brand, based on product quality perceptions. (Perceived quality is an important brand characteristic because it directly influences purchase decisions and brand loyalty (Abbo, 2005).) This suggests that a moderate quality host brand can very well compete with a high-quality host brand if it decides to add a high-quality ingredient. This can be a cue for the companies which are offering a relatively moderate-quality host brand. It not only creates a differentiation for the moderate brand, concerning the competition but also provides the customer with a reason to buy (Aaker, 1989).

Extending the same argument for higher quality host brand, the presence of a branded ingredient might not add a lot in terms of adding to differentiation and its competitive advantage (Abbo, 2005). This can be explained by 'cue redundancy' posited by McCarthy and Norris (1999) which suggests that the additional cue provided by the high quality branded ingredient is redundant when it is in alliance with a high-quality host brand. However, the presence of a particular branded ingredient may have become hygiene or a necessary point-of-parity, which means no host brand can be present in a category without having the given branded ingredient.

For example, Intel has become a necessary ingredient to the overall offering by any PC or laptop OEM. This means that ingredient branding might have to be used, not only to differentiate but also to sustain in a category. Another reason why adoption of ingredient branding becomes a strategic decision is when while the host does not stand to gain much from it, but this move successfully stops a competitor host brand to incorporate the same branded ingredient in its offering, which could have been dangerous to the host.

Essentially, ingredient branding could also be adopted to block another host to have access to a particular branded ingredient. This is especially in the case when a high-quality host brand incorporates a high-quality branded ingredient, even when it was not set to gain much from it. It does that just so that another moderate quality host brand does not get its hands on the high-quality ingredient, which can dilute the competitive advantage for the host brand. Abbo (2005) argued that it is beneficial for the host brand to partner with an ingredient brand with high initial perceived quality and overall evaluation.

'Timing', that is, when should ingredient branding as a strategy be adopted by a host brand has not been discussed in the extant literature, it is a critical aspect in the decision regarding adopting this strategy. While timing has not been credited enough for its role for the success of ingredient branding strategy adopted by Intel, the fact that this strategy was adopted when computer sales were rising and end customers were taking high interest in the functioning of the computer (i.e., the product definition was being focused on), played a key role in its success (Pfoertsch & Rid, 2013).

Ingredient branding must be looked upon as a credible branding strategy when the ingredient in question is central to the end-product's performance and can establish a differentiation against other competitors with its superiority. It is especially helpful when the end product is in a commoditized segment and some sort of differentiation is desired (Quelch, 2007). Finally, the ingredient should be such that it can be judged by the customers (Gupte, 2013), else the purpose of ingredient branding would stand defeated since the differentiation will not be experienced by the customer. Finally, managers must consider the potential risk of partnering with a less strong ingredient brand (Abbo, 2005).

Approaches to Adopt Ingredient Branding

Customers must understand the functions, features, and benefits of the ingredient so that they can judge the alliance intelligently. They will, in turn, pay more attention to the offering and value the alliance more (Desai & Keller, 2002). This helps in communicating effectively about a unique product offering, helping build profitable consumer relationships. Hence, ingredient branding must be adopted strategically that segregates and communicates the presence and benefit of the ingredient in the host brand. Hence, it should be looked upon as a long-term endeavour and be built on a core-competency to provide a competitive advantage based on differentiation.

Furthermore, ingredient branding guidelines must have depth, reciprocity, and relevance for all relevant stakeholders, that is, supplier, manufacturer, channel partners, and customers (Uggla & Filipsson, 2008). In their article, where they analysed effect of ingredient branding on the host brand, Desai and Keller (2002) identified two kinds of ingredient branding strategies. First is a self-branded ingredient strategy that has an ingredient brand as a component of the host brand, where the ingredient brand is also a brand owned by the same company. For example, ‘Cond’ conditioner in P&G’s Head and Shoulders shampoo, where ‘Cond’ is also owned by P&G. Another example of self-branded ingredient branding using an in-house ingredient brand is the Revetron Engine promoted by Tata Motors which was part of new launches.

The second one is a cobranded ingredient strategy where the ingredient is a well-known brand that is not related to the company. For example, ‘Shine’ conditioner which is not a P&G brand, made available as an ingredient to the Head & Shoulders brand of P&G. This is also referred to as ingredient branding through licensing where an ingredient brand is licensed from the supplier and is incorporated in the host brand. For example, licensing Lycra or Teflon for apparel or coating products would allow the host to advertise the presence of Lycra in its offerings, allowing it to achieve the point of the party with some brands, and point of differentiation with others. This is usually done when new attributes are introduced and the ingredient branding strategy goes beyond modifying existing attributes (Uggla & Filipsson, 2008) or slot-fillers (Desai & Keller, 2002).

Norris (1992) argued that ingredient branding can be implementing in two ways. First, as a supplier-initiated ingredient branding, where the supplier makes a strategic decision towards building a branded ingredient. This is then promoted to the end-user to create brand awareness and preference, which in turn creates a pull effect for the ingredient brand. This makes it necessary for the OEM to include the ingredient brand from the supplier in the final product, and also promote this alliance in its messaging. The second one is the OEM initiated ingredient branding, where the OEM initiates ingredient branding is when the OEM seeks out an ingredient brand to make it as a key component when the ingredient is known to have superior quality perception or brand image. The impact of ingredient branding, however, will depend on the inherent importance of the ingredient itself (Desai & Keller, 2002). Uggla and Filipsson (2008) laid out a set of guidelines on how to decide on introducing and building an ingredient for an ingredient branding strategy.

End-consumer demand for the ingredient, ability to establish differentiation and live up to the brand promise basis ingredient, and presence of an ingredient in the market as a point-of-entry are some of the questions that a firm needs to answer before adopting ingredient branding. Kotler and Pfoerstch (2010a) gave a step by step process on the life-cycle of an ingredient brand that depicted the journey of the ingredient brand when incorporated into the host brand:

> **Step 1:** Exploitation of well-known brands where the unknown ingredient brand profits from piggybacking an already established host brand.

Step 2: Breakthrough stage where the unknown ingredient brand becomes as famous as the host brand.
Step 3: Payback stage where the ingredient brand supports the host brand as it is more famous than the host brand.
Step 4: Fiesco effect when the ingredient brand is no more a differentiator as it is incorporated by all other host brands.

What Can be an Ingredient for Ingredient Branding Strategy?

The right choice of ingredient for an ingredient branding strategy is critical and impacts the host more than the ingredient itself. This is because the host brand is considered as the leader of the final offering. A failure in the final product will often be attributed to the host while, ingredient brand, on the other hand, if it is strong, is protected from the effects of a failed ingredient branding (Radighieri et al., 2014).

Selecting the right ingredient and the right brand of the ingredient is a complex decision for a host that is looking to differentiate based on the ingredient brand. Abbo (2005) argued that some variables are of importance when a host brand is trying to use an ingredient brand for differentiation, perceived quality, and brand attitude being the critical ones.

Risk return analysis is a mandatory exercise before a brand embarks on a partnering exercise as part of an ingredient branding strategy. For a successful ingredient branding strategy, host brands must ensure that the ingredient in questions is central to the end-product, and can establish a credible differentiation against other competitors.

For example, Boeing (the host) adopts ingredient branding when it used and communicates the end customer about using jet engines from GE, which is the suppliers when the ingredient, that is, the jet engine is central to the functioning, as well as of strategic importance to the host brand, Boeing (Pyke, 1998).

The host brand must look at an ingredient brand that has a common basis of associations (Venkatesh & Mahajan, 1997) with the host brand, as well as with the end customer. While this has been argued in terms of commonality of associations, it is also important that the ingredient brand can offer the complementary associations to the host brand which are otherwise missing in the host brand, affecting the consumer's purchase decision making (Park et al., 1996). While some researchers (Norris, 1992) argued that an ingredient brand should not be made available to the end customer outside the context of the host brand, for example, customers will never find Lycra on shelves as an individual standalone brand (Sena & Petromilli, 2005), other researchers have not emphasized on this aspect strongly. It may be because such restriction reduced the kind of ingredients that can be used. It also restricts the brands that can be allied with, since only those ingredient brands can be sought which have strong brand awareness and affinity among the end customers. Norris (1992) went on to add that a brand name for the ingredient must specifically for the ingredient and should not be used as a brand name for its company or any other general use.

However, host brands must look at exclusivity when partnering with ingredient brands, as it allows them to sustain the differentiation for a long time that leads to sustainable competitive advantage. In the absence of such exclusivity, brands risk losing out the advantage to other host brands that incorporate the same ingredient brand, eliminating any positive differentiation that the earlier host brand had. It is also of advantage for the host brand to assess its weaknesses and seek out an ingredient that has strength in the same area, hence building a balance complimentary offering. This could help the host brand tap newer segments of potential customers due to differentiated strengths of the host and ingredient brands (Radighieri et al., 2014). This has been stressed upon by Simonin and Ruth (1998) and Washburn et al.

(2000) when they argued that fit between brands, which is a function of their compatibility, affects the overall attitude of customers towards the ingredient branding alliance. This has been explained with the help of brand association based as described by Uggla (2014).

Feature-based complementarity plays an important role between the host and ingredient brands, especially when the host brand is perceived as favourable by the customers (Park et al., 1996). A host brand benefits from an ingredient branding strategy if it forms a partnership with an ingredient brand that not only contribute valuable in terms of adding positive differentiation to the host brand but also infusing equivalent resources and commitment to the strategy (Rodrigue & Biswas, 2004).

According to Bucklin and Sengupta (1993), unequal resource contribution or commitment towards an ingredient branding alliance results in a power imbalance. Hence, only those ingredient suppliers who have the highest commitment to quality must be approached or incorporated in the final product, else there is a high risk of the negative spillover effect of the substandard ingredient brand over the final product (Norris, 1992).

Risks and Challenges Associated with Ingredient Branding

We have argued in this article about circumstances, approaches, and benefits that are associated with ingredient branding. However, ingredient branding comes with its own set of risks and challenges they pose to the host brand as well as to the ingredient brand. Partner exclusivity which is a way to sustain the advantage created with the help of ingredient branding restricts the host to enter into other strategic alliances, horizontal or vertical.

There is a risk that the ingredient brand gains too much value from the alliances, making it the bigger brand between the two, which might lead to uneven marketing power and conflicts (Bucklin & Sengupta, 1993). Weaker or mediocre brands have much to gain from ingredient brands, and a host brand may witness its equity created over a time balanced by the competitor host brand, just by adding a high-quality ingredient. This can jeopardize the host brand's brand-building efforts as the returns from such long term would be questioned. Brands evolve with time, in the market as well as in the customers' heads. This means that brand which was once symbiotic and even dyadic in nature may create a different perception in consumers' mind creating an overall confusing image for the host brand (Todor, 2014).

If the ingredient, along with being a critical component, is also a major component in the overall product, the host brand must be wary of any ambitions of ingredient brand to undertake forward integration. Once the ingredient brand reaches a level where it becomes point-of-entry for all the host brands in that category, the investment on the collaboration and awareness spent on the channel and the end customers is lost. Ingredient supplier may face risk associated with the huge costs which it has to incur to create brand awareness across the channel.

This may push the cost which it can offer to the manufacturer making it look expensive than the other competing ingredient suppliers. While long term contracts give a stable demand outlook to the ingredient brand, the downside is that in an event that the ingredient brand is lapped by the end customers, and demand for the specific ingredient grows, it will not be able to leverage on this demand by selling it to other host brands.

Another challenge that an ingredient brand may face is, that its brand, if successful and widely accepted by the end-consumers may turn into a generic, thus eliminating a significant benefit from its success. It is also a legitimate fear by the host brand that the host brand may imitate or copy the ingredient brand and side-line the ingredient brand since it is the host brand which faced the customer, with no direct engagement between the end-customer and the ingredient brand.

Helmig et al. (2008) argued that in case consumers feel disappointed by a final offering with an ingredient brand in it, the negative spillover effect on the individual brands will be quite significant since the expectations from a brand alliance are often more than the individual brands. Consumers may also perceive that the host brand is too weak to carry the end product on its shoulders, and hence need an ingredient to do the same. Such a negative perception may dissuade the consumer from acquiring the final product. Hence, managers need to understand that Ingredient branding is not a risk-free strategy and is not immune to failure. It requires them to be judicious in the conceiving and implementing such strategies while accounting for payoffs and risks (Radighieri et al., 2014).

Theoretical Contribution of the Study

The adoption of brand strategies to achieve competitive advantage has been well documented. Extant literature also sheds light upon brand leverage strategies like brand alliances like co-branding and dual-branding, etc. Ingredient branding, which is a type of co-branding relies upon the added equity based on a strategic alliance of two known brands. This article adds to the theoretical understanding of ingredient branding in more than one way. First, it links the ability of ingredient brands to the concept of differentiation as proposed by porter's generic strategies for competitive advantage. Thus, in the absence of any significant differentiator in the market that is flooded with commoditized products, how the use of ingredient branding can make a difference for the brand, has been discussed in the article.

Second, this article also proposes the conditions under which ingredient branding strategy can be looked upon as a potent brandings strategy for an organization. While the efficacy of the ingredient branding strategy has been established in the extant literature, it is not a standard solution to all branding related endeavours. There are several situations under which ingredient branding can be more successful than others there may be situations where ingredient branding must be avoided or it may hurt the brand instead.

Hence, a theoretical understanding has been put forth in the article to acknowledge the diverging the reasons under which ingredient branding can be or cannot be adopted. Third, the article also sheds light on possible criteria to choose an ingredient brand for adopting this strategy, and hence add to the existing knowledge about ingredient branding as a strategy for differentiation. Often a product is comprised of a host of ingredients or components. While theoretically, ingredient branding can be considered as a potent strategy, it is not always easy to identify which of the ingredient must this strategy be pivoted around? The article tries to create a conceptual understanding of what could be the possible ingredient around which the strategy can be created. This is of importance due to its complexity as well as potential outcome it can lead to.

Finally, this article also critiques the ingredient branding strategy which offers a balanced perspective about the pros and cons of the strategy. Despite all the excitement ingredient branding has led to in the marketers, which is evident from the increasing number of ingredient brands being launched, and leveraged by hosts, ingredient branding be marred with flaws which may make it risky and disadvantageous. The article points out the possible fallouts of using an ingredient branding strategy. The consolidation of such varied aspects for ingredient branding in this article is expected to aid further academic research on specific areas in the subject matter.

Managerial Implications

Commoditization of markets renders the market players weak, while it makes the buyer stronger. This not only affects the profitability of the overall market but also diminishes barriers of entry for new competitors (Porter, 1980). Thus managers are always on a lookout for newer sources of differentiation against competitors. While brands have proven to be a credible source of differentiation-based competitive advantage, basic branding strategies may not always be enough. For example, a brand may lack certain critical associations with the customers. Sometimes brands may feel the need for rejuvenation but may not have enough strength left in it to pull it up by itself.

This article builds upon the theoretical background of ingredient branding to aid the adoption of this strategy as a source of differentiation. The article will help marketing managers to recognize the potential of ingredient branding strategy and also decide on whether this strategy can be of use for their respective brands based upon various conditions outlined in this article.

In the event of choice of ingredient branding as a preferable branding strategy for achieving differentiation, this article also offers guidance on what ingredients or components of the final product offering must be chosen to adopt ingredient branding strategy. While the choice of an ingredient that is suitable for this strategy is critical, what is equally critical is the choice of the brand of the ingredient that can be integrated into the strategy. This has been touched in the article as well.

Subsequently, a step-by-step approach that details the sequence of actions that are required for adopting an ingredient branding strategy has been explained in the article as well. While these need not be standard steps for all kinds of ingredient branding strategies, it still allows the managers to be able to build upon their respective strategies based on a theoretical foundation.

Finally, associated risks and challenges in the adoption of ingredient branding strategy have also been discussed in the article to expose managers with the underlying effects that the adoption of this strategy may lead to. This will help managers to make an informed decision of adopting an ingredient branding strategy and choosing the most relevant ingredient and ingredient brand as a core of this strategy. Table 1 at the end of the article consolidates these aspects for a holistic view of ingredient branding strategy implementation.

Conclusion

Commoditization of products has made it imperative for firms to seek new sources of competitive advantage. While brands have been established as a credible source to differentiate against competitors, they need to evolve to remain relevant and assert their significance. Brands often look at a strategic alliance to add a novel avenue to its overall offering, enriched by the presence of a different brand. The brand expects such an alliance to create a positive perception among the consumers owing to added perceived differentiation by the additional brand.

Ingredient branding as a special case of the strategic brand alliance has been adopted by a host of consumer brands, to enhance their brand equity and propel a positive differentiation in consumers' minds. It can be adopted by a brand when it wants to differentiate against stronger competition. Ingredient branding even helps a mediocre host brand compete with a high-quality host brand by incorporating a high-quality ingredient brand.

A host brand should look at ingredients that are central to the functioning of the host brand and hence can offer a valuable differentiation while choosing the right ingredient and the right brand. It is often necessary to sign exclusivity contracts with the ingredient brand to stop competitors from eliminating the advantage by incorporating the same ingredient brand in its host brand too. It also creates an exclusive partnership that reflects a balanced and equitable alliance between the two brands. However, both the brands must ensure a fit and compatibility that creates a favourable association in the consumer's mind for the final product. This makes it imperative for the brands to assess each other and look for key areas for a symbiotic relationship. An ingredient brand must not only be a natural fit with the host brand, but the combination of the two brands should evoke positive association which is differentiated for the final product in the consumers' mind.

Finally, an alliance is only as good as the partners in the alliance. A successful ingredient branding strategy requires that both the partners have their skin in the game. A balanced relationship with equal efforts and resources investment is the core of a sustainable ingredient branding strategy. Both the brands must communicate clearly and understand their roles towards this strategy clearly. This would ensure that the differentiation thus created and competitive advantage achieved is sustainable and mutually beneficial.

Limitations and Scope of Future Study

The literature review and argument laid out in this article are predominantly for the product industry which has tangible offerings that are easy to judge for the customers. Owing to a lack of research done in ingredient branding for services (Helm, 2015), the article has not touched the service side of the tangibility spectrum. 'Timing' of adoption of ingredient branding as a strategy has not found a place in the extant literature, and hence only finds a passing mention in the article despite being a critical parameter.

Table 1. Ingredient Branding—Implementation Ready Reckoner

Aim	Category	Action items
What?	Objective	• Differentiation that adds to competitive advantage
How?	Strategic Handle	• Branding • Strategic alliance • Co-branding (Functional or symbolic/short-term/segment driven/cross-reach) • Ingredient branding (Functional/intimate/long-term)
When?	Circumstance	• Compete in a commoditized market • To establish a point-of-differentiation • To eliminate the differentiation of a stronger competitor
Which?	Choice of ingredient	• Central to the functionality of the product • Ability to differentiate and add value to the end product • Common points of association with the host brand • Fit and synergy between the host and the ingredient • Fills the gap left by the host in terms of association with the customers (compliment host) • Performance can be judged by the customer • Can offer exclusivity (preferably)
How?	Approach	• Self-brand vs co-branded • Supplier-initiated vs manufacturer-initiated
	Process	• Brand audit/ consumer research (Insights on brand gaps as well as consumer's perceptions and associations with the brand) • List of target attributes in the ingredient brand(affective and cognitive) • List of potential ingredient brands based on factors affecting "Choice of ingredients(Which?)" • Selection on the basis of commitment of the supplier towards investment in the strategy for long term

Source: The authors.

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