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The Strategic Meaning of Ingredient Brands: A Resource-Based Analysis

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Abstract: Although, today the successful ingredient branding strategies are often proved and examined beyond doubt, a management theoretical study is still lacking. Therefore, the aim of the study is to examine whether ingredient brands can be seen as a company's strategic resource at all. This study comprises the elaboration of the Ingredient Branding strategy in terms of the resource-based view of the firm. Because the value of a resource depends on the ability to manage this value appropriately, it has to be asked whether the brand management of an Ingredient Brand is one of the company's core competencies. The following argumentation in the paper shows that Ingredient Brands fulfill all requirements of the resource-based view by fostering organizational success. Furthermore, it becomes clear that its brand management consequently is one of the company's core competencies. From a management theoretical stand point, the resource-based view is an appropriate theory to explain the phenomenon of ingredient branding in the Business-to-Business sector between a supplier and an OEM.

Key words: Ingredient Branding, resource-based view of the firm, core competencies, business-to-business marketing

INTRODUCTION

Ingredient Branding (IB) is a management strategy aimed at promoting components and parts to downstream players in the value chain; this is not a latest strategy and has been in the market since the early 1960s. The IB strategy is said to have been applied in the chemical industry (e.g., DOW Chemical with Styron, BASF with Luran), on target products such as plastics and synthetic fibers. In the next few years, there were a lot of scholarly studies on IB (Corey, 1962; Bergler, 1963, 1968; Hertzberg, 1963; Schmitt, 1969; Koelbel and Schulze, 1970). It was at this period that marketing slogans such as made of owens-corning fiberglas or carpets with stainmaster's always stylish, always beautiful originated. It was also at this point of time that branding strategy was defined either as an exception from an attribute-oriented branding strategy (Sellert, 1927; Etmer, 1958; Kainz, 1961; Pentzlin, 1973) or as an exception from a reaction-oriented branding strategy (Berekhoven, 1961; Thurmann, 1961). Norris (1992), provided the initial definition for IB which is still used (Baumgarth, 1997; Smit, 1999; Freter and Baumgarth, 1996; Kleinaltenkamp, 2001; Havenstein, 2004; Unger-Firnhaber, 1996; Wiezorek and Wallinger, 1997; Baumgarth, 1997; Kemper, 2000). Most of the published works on IB are theoretical and descriptive (Bugdahl, 1996; Freter

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and Baumgarth, 1996; Kemper, 1997; Esch and Stein, 2001) and therefore there is a scarcity for empirical-quantitative studies (Havenstein, 2004; Saunders and Watt 1979; Vaidyanathan and Brown, 1997; Venkatesh and Mahajan, 1997; Simonin and Ruth, 1998; McCarthy and Norris, 1999; Janiszewski and van Osselaer, 2000; Janiszewski *et al.*, 2001; Van Osselaer and Janiszewski, 2001; Desai and Keller, 2002).

The outcomes of IB research have, in general, supported the success of IB strategies. A US based research focuses on food components such as Chiquita Bananas in infant food or Heath candy bars in ice cream, whereas a European research focuses on chemical products and technically oriented components. However, examples from the automotive industry occupy the center of attraction. In short, the research on IB strategy can be characterized with the following four attributes:

- Concentrates only on selected and industry-specific questions
- Out of touch with reality and factious brand and product offerings
- There is a limited validity because university students are primarily used as participants
- Research primarily concentrates only on consumptive commodities (e.g., food)

A major proportion of the studies focus on success and risk factors with most including empirical analysis of products with branded ingredients compared to identical products without branded ingredients. In most of these cases, primary data is collected using surveys and questionnaire data (McCarthy and Norris, 1999; Havenstein, 2004). At times, case studies or expert interviews are also employed (Kotler and Pfoertsch, 2006; Pfoertsch and Mueller, 2006). In more recent research, aspects of the Service-IB framework are assessed (Burmann and Weers, 2009; Bruhn, 2009). It is worth mentioning here that services as brand relevant components of total performance are the ones that evoke particular interest.

The missing factor so far is a management-based elaboration of IB. The objective of this study is to strive to close this gap in the present management literature. In this paper, IB is discussed from the perspective of a Resource-based-View (RBV) of the firm. The key questions that remain to be addressed are IBs strategic valuable resources? and Is brand management of IBs one of the company's core competencies? To find suitable answers to these questions, we first provide a framework of IB, following which IB as a resource and its brand management are discussed under the RVB as was introduced by Penrose (1959) and later enhanced by several authors and researchers.

IB FRAMEWORK

IB is a special form of alliance that exists between two brands, on the basis of their cooperation in terms of designing and delivering the product, with a particular emphasis on the possibility of recognizing and identifying the components used in the final product (Kotler and Pfoertsch, 2006). In other words IB is a form of a Business-to-Business (B2B) branding strategy between a manufacturer and a supplier in which the end product of the supplier becomes one of the components of the manufacturer's offering (Erevelles *et al.*, 2008). IB occurs when a component part or service of the end product is promoted to the final user.

The idea behind IB is that the ingredient or component brand forms an alliance with a product manufacturer in an effort to create brand awareness for the IB and generate pull effects through the value chain (Pfoertsch and Mueller, 2006; Havenstein, 2004). The push and pull concept is critically important to understand IB and the motivations that guide it.

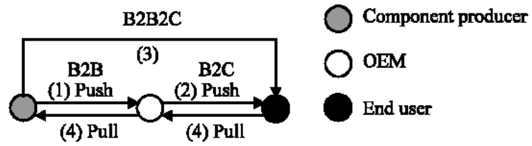

Fig. 1: The IB framework

In push strategy, the marketing strategy is directed toward the Original Equipment Manufacturers (OEMs), whereas in pull strategy a direct appeal is made to the consumer for him to choose the final product with the branded component. One important aspect of this view that should be taken into consideration is that the marketing mix in an IB strategy involves both, push and pull effects. The only factor that separates them is the distinction between consumer and manufacturer behavior. It is consumer behavior that creates the pull and manufacturer behavior that creates the push. Consider the push and pull effects as effects of marketing mix decisions. Supporting pull with push increases the probability of coordination, whereas the combination of the push and pull strategies creates magnification for the complete marketing mix. The supplier offers a component or service to his customer, namely the OEM. As a result of this act, the supplier has entered into a B2B relationship with the producers of such products as automobiles and electronics. The OEM, on the other hand, makes a product that is to be used by his customer, who is the final user. When the final user buys the product or service from the OEM, he associates himself with the OEM in a pure Business-to-Consumer (B2C) relationship. According to this principle (Pfoertsch *et al.*, 2008), there exist two separate stages of customer relationship: the first stage between the supplier and the OEM and the second between the OEM and the final user (Fig. 1). In IB strategy, we find that the two stages are interconnected: step (2) follows step (1) and step (3) occurs when 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 other competitive offerings. The pull of the final product, which contains the desired component, by the final customer takes place in step (4). This continuous process of push and pull will result in a high success rate if done appropriately.

The idea of IB as a brand strategy has been around for quite some time (McCarthy and Norris, 1999) in marketing (for a summary, Bengtsson, 2002; Kotler and Pfoertsch, 2006). However, only in recent years has it gained greater prominence and importance. Some examples of IB campaigns to create brand awareness about ingredients are Intel inside, Gore-Tex Guaranteed to keep you dry, Makrolon, the High-Tech Polycarbonate and 100% cotton; these campaigns are for ingredients, such as computer chips or materials, that are contained within final consumer products, such as computers or clothing. To sum it all, it is component popularity among consumers that drives the demand for products and/or services that contain the branded ingredient (Leung, 2009). There has also been an argument that this demand then influences firms in the middle of the value chain to use these ingredients in their products or services. As a consequence of this, IB has been known to change the way that firms interact in the value chain (Anderson *et al.*, 2004; Pfoertsch *et al.*, 2007).

Much of the marketing literature is inundated with studies that have investigated the functioning of IBs at the consumer level (Desai and Keller, 2002; McCarthy and Norris, 1999; Norris, 1992; Rao and Ruekert, 1994; Venkatesh and Mahajan, 1997). The positive effect of this branding strategy has been proved beyond doubt by several studies (Erevelles *et al.*, 2008; Rao and Ruekert, 1994; Park *et al.*, 1996). There have been a lot of benefits for manufacturers and suppliers, who benefit through mutual cooperation, endorsement of each other's offerings, shared knowledge and capabilities, risk sharing, trust and shared experience. An added advantage for component suppliers is the reduction of the probability of entry of competitors (Havenstein, 2004; Pfoertsch and Mueller, 2006; Erevelles ***et al.***, 2008). On the other hand, manufacturers enjoy a jointly enhanced market reputation. The suppliers, in return for the reduced probability of entry of competitors, reward manufacturers with a lower price. This induces the suppliers to lower costs through a stable, long-term customer and through economies of scale (Bengtsson and Servais, 2005). The cost of the branded B2B offering is also potentially lower because double marginalization is eliminated, which means lower prices for the customer. As in the case of Intel advertising support, the supplier aids the manufacturer to market the product. In some cases, cash-based advertising support from the supplier to the manufacturer is transferred on to the buyer, which reflects as lower prices for the buyer (Pfoertsch and Mueller, 2006). Furthermore, IB has other added advantages such as maximizing the utilization of an organization's brand assets, generating new revenues, entering new markets, creating entry barriers for competitors, sharing costs and risks, increasing profit margins and widening current markets (Rao and Ruekert, 1994; Park ***et al.***, 1996).

The IB as a resource is discussed in the following text. The brand is viewed as the strategic valuable part of this strategy. To understand this better, knowledge of the different attributes of the IB strategy are required such as valuable, unique, not respectively heavily imitable and not substitutable. Because there is no sustainable benefit from the resource alone, if not appropriate managed, the understanding of the brand management as the core competence has to be taken into consideration.

THE RBV OF BUSINESS MANAGEMENT AND THE ELEMENTS OF IB

The RBV resulted as an answer to an industrial economic perspective of the achievement of permanent competitive advantages and as a result of competitive strategy focused on industry structure. The focal points as well as the specific initial conditions of companies are various. RBV uses them as a basis for deducting strategies (Wernerfelt, 1984; Barney, 1992; Thiele, 1997; Bamberger and der Wrona, 1996). The external-oriented market-based-view and the outside-in-perspective of the industrial economy are contrasted with an internal resource-oriented counterpart namely an inside-out-perspective (Rasche and Wolfrum, 1994). It is the exponents of the RBV that identify the resources and skills of the company and make it their business (Amit and Schoemaker, 1993). Their focus is mainly on the analysis of conditions under which the company's resources provide them a persistent competitive advantage.

The question arises as to how IB can be understood from the RBV perspective. A general clarification of this question is needed. The initial point is the brand, which can be defined as a name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors (Kotler and Keller, 2006). The brand is considered as an intangible value of the company (Aaker, 1991; Keller, 2008). The value proposition of the brand is provided by the additional reflux of capital, which is a result of the product labelling. This is because customers are known to incorporate various associations with the brand which result in higher refluxes than for a product without labelling. As a consequence, the brand represents a self-created or market-purchased internal asset of the company.

Similar to that, the brand management of an IB as a competence-focused skill too needs a detailed analysis. Managing the brand in an IB strategy is based on two foundation pillars and therefore is beyond the scope of the branding term of singular markets. Competitors perceive the development, composition, maintenance and design of a brand as distinguishing features. In addition, the brand alliance in association with the core product brand appears to be a special case of brand combinations and with it of brand capitalization (Keller, 2008). From an intra-corporate perspective, the IB issues with it the challenge to the B2B enterprise to generate a market-level comprehensive brand for not-immediate customers. From an internal and management-oriented view, the procedural, organizational and integrative aspects of this brand management skill can be regarded as core competencies. In addition to that, brand management also comprises the corporate relationships that exist between component producers and the final good producers. They are based on institutional, organizational and social components of extensive complexity. They are idiosyncratic, path-dependent and rely on the time integration of learning and development processes. Because of these reasons as well as transaction-specific investments made by both parties, they operate as an isolation mechanism. The network in which the processing of the labelled component takes place and through which it is merchandized across the market levels displays the critical factor of the IB strategy. Hence, the economic spot of creating value is the partnership relation with the involved actors. The constitutive element of the market-level comprehensive marketing is not possible without embedding the subsequent cooperation partners into the market strategy. Because of the dependency on the network, IB is getting a microeconomic-external dimension which finally requires the mutual assimilation between component producer and OEM as relational core competence. In addition, the dependency on the cooperation with network partners makes it mandatory for actors of the network to develop dynamic skills for strategy adaptation. There is a change in customer requests and market conditions. When this change takes place, the IB strategy has to react actively with the instruments of brand care/maintenance and brand adaptation. For accomplishing this management performance, it does not suffice to have one single actor because both component brand and final good brand are mutually dependent and it is only in association that they unfold their full effect. The cooperative combination of resources with the network partner thus constitutes the external dimension of a management-oriented view on IB.

Are Ingredient Brands Resources?

As early as in 1959, Penrose (1959) alluded to the strategic importance of resources. However, there is still a controversy on what exactly can be reckoned as resource in management research. The definitions that exist are, therefore, mostly all inclusive classifications. According to Wernerfelt (1984) by a resource is meant anything which could be thought of as a strength or weakness of a given firm. More formally, a firm's resources as a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm. (Wernerfelt, 1984). The primary point of such a resource-oriented consideration is the assumption that firms command a distinctive bunch of resources. As a consequence, the assumed resource heterogeneity becomes a reason for the varying success of a company within an industrial sector (Conner, 1991). The heterogeneity within resource equipment can be attributed to an inefficiency of the factor markets in which there is a conflict between the supply and demand of the required resources (Collis, 1994; Rasche, 1993). Although, there is no integrative generally accepted definition for the term resource, the conditions that have to be fulfilled principally to be deemed as a strategic resource can still be defined (Barney, 1992). The conditions are: being (1) valuable,

(2) unique, (3) not respectively heavily imitable and (5) not substitutable (Dierickx and Cool, 1989; Barney, 1992; Grant, 1991). A resource can be considered valuable only if it is suitable for enhancing efficiency and/or effectiveness of the enterprise. The request for uniqueness or at least shortage of resources results coercively when the request is able to take competitive advantage of the usage of resources. The criteria for resources to be not imitable is generally based on the historicity of companies, the causal ambiguity and the social complexity, that is, the interdependence of the resource; these criteria help in the corporate establishment of the Barriers of Imitation (Reed and DeFillippi, 1990; Knyphausen, 1993; Saran *et al.*, 2009). For the condition of not-substitutability to be satisfied, there should be no resources that can provide comparable performance. Furthermore, access to a number of markets should also be established (Hinterhuber *et al.*, 1997). If now, after all these conditions are fulfilled, should the RBV be suited for the explanation of an IB, then the IB would have to be perceived as resource within the meaning just described. Again, this needs to be proved generally in the following.

Are Ingredient Brands Strategic Valuable Resources?

A resource can be said to be strategic valuable if it contributes to enhance efficiency and/or effectiveness of an enterprise (Reed and DeFillippi, 1990; Knyphausen, 1993) or to use profit potentiality and/or to neutralize threat from the environment (Barney, 1992). From a classical microeconomics point of view, strategic valuable resources are perceived as sources of benefit for the enterprise. Sources of benefit are basically differentiated into four types: Ricardian Benefits, Entrepreneur benefits (Schumpeter, 1934; Wieandt, 1994), Monopoly benefits (Klein *et al.*, 1978) and Quasi benefits (Williamson, 1979; Mahoney and Pandian, 1992; Schulze, 1994).

Uniqueness and Immobility

The demand of uniqueness or at least shortage of resources becomes mandatory if resources are to be used to withdraw competitive advantage out of their sustainable usage. As the diffusion rate of a resource increases, it becomes more and more probable that competitors command the same resource, thereby neutralizing the business strategy. Therefore, resources are known to be valuable if they possess a preferably high level of shortage (Barney, 1992).

The uniqueness of a resource is related to immobility which ensures together with heterogeneity that resources are allocated appropriately and competitive advantages are taken care of in the long run. However, Barney (1992) rightly makes an assumption that resources can be traded through a market in principle. Dierickx and Cool (1989) argue that markets, in general, are not only imperfect for resources but also are often incomplete. This implies that not all resources are tradable on these markets. It remains to be analyzed whether IBs display such not-tradable resources.

Incompleteness of markets requires different criteria of distinctive resources. Such criteria can be effects which result from the historicity and path determinacy of resource portfolios and those that are eligible for the establishment of transfer and replication barriers of the resource (Friedrich, 1995; Knyphausen, 1993).

Historicity requests resources to be effective only within a distinct, with the historically grown resource structure existing in the focused enterprise. On the contrary, they have to be built up in any other enterprise. The decision calculus has to include the history of the company as well, which will determine the current and prospective range of decision. Historicity therefore constitutes the path dependency of the resource management in the company. Transfer and replication barriers exist first and foremost in resources whose shortage is secured explicitly and enforceably, for instance, by patents. There are further barriers that result in implicit or consciously implemented isolation mechanisms (Bamberger and der Wrona, 1996). Others which pose as barriers are resources that feature high social or technical complexity because of a multitude of elements or devices distributed within the company system (Barney, 1992). In addition to all these, there are also barriers that exist within resources that can deploy their targeted effect only in combination with distinct other resources-either within the existing resources of the focused company or with the external elements connected to the enterprise.

The customers are not aware of IBs as a positive factor for longer periods of time. As a result, component brands should be seen as scarce goods. It should be borne in mind that neither reputation for quality of a company nor other intangible resources, e.g., customer reliance, are tradable. Any brand that serves as a potential of positive association is always well purchasable. It should also be noted that IBs are not-tradable. Although there exist transfer and replication barriers because of possible patent protection, it does not prevent competitors from being able to obtain brands elsewhere. Brands for product components could vary even in one rudimental item. While talking about IB, the labelled component has to be shown in the end product. Therefore, the IB features an inherent isolation mechanism which results from the essential partnership with the OEM. There are two crucial decisions associated with this. The first is that partnership means social commitment; so team-specific routines are hardly imitable like individual know-how (Nelson and Winter, 1982). The second is that chronologically parallel subsiding process of social systems is determined by their time integration. This reasons a path dependency of certain decisions and actions in many cases (Barney, 1992). Camerer and Vepsalainen (1988) make a valid point here that the establishment of a corporate or organization culture brings a strategic advantage for the company which is not purchasable because it is enrooted in the idiosyncratic history of the company. In general, components cannot be offered without the end product. This is reason for considering not only the brand and its utilization but also the relationship that exists among the partners within the value chain. This features the high social complexity of corporate relationships, which are tied to conditions of outsourced elements. The IB cannot deploy its impact without those and because of these reasons IBs are seen as unique and immobile.

Not Respectively Heavily Imitable

There exist various reasons other than immobility which assure the exclusion of competitors of a promising strategy. Different factors secure the demand for resources to be not or heavily imitable. One such factor is the chronologically parallel subsiding process of social systems and with it conjoint path dependency, which reasons distinct decisions and actions (Barney, 1992). As previously mentioned, it is historicity of companies that lead to a development of corporate and organization culture. This culture bestows a strategic advantage on the company and is barely imitable because it is enrooted in the idiosyncratic history of the company (Camerer and Vepsalainen, 1988; Knyphausen, 1993). Nelson and Winter (1982) in particular, points out the development of certain organizational skills and routines that allow the development of superior, strategic decision and operation heuristics. The time-historical conditionality for organizational and corporate operations is put down to the effects path dependence and lock-in. An assumption has to be made here that not only the considered company undertakes a path-dependent development but also its competitor (Weick, 1979; Daft and Weick, 1984). Whether a strategy can be deemed imitable or not applies depending on the chance of changing a corporate strategy into another one. Still, this is not possible for all companies to the same extent. Therefore, by excluding companies in advance, resources being not imitable get an additional dimension. A dominant logic often takes hold while making strategic decisions in most companies (Prahalad and Hamel, 1990), which is not necessarily able to cope with the challenge that is put forward by the changed situation. If the paths of development of the company which is savouring the competitive advantages and of its (potential) competitors, are more discrete, then it will be more difficult for the competitors to imitate the strategic resources of the established company. More often, resources can be understood only in their social complexity. Therefore, it is imperative that the resource possesses a certain combination of organizational culture and structure, being able to fully deploy its advantage. For this reason, imitation does not refer only to the resource; all interdependences within a company too have to be copied (Dierickx and Cool, 1989; Barney, 1992). The criterion of routines is again critically important (Nelson and Winter, 1982). Referring to this, Rasche and Wolfrum (1994) point out the profitability of stakeholder relations or informal communication structures. The synergetic effects produced by the cooperation of different business units and units of a company network are another complex combination of resources. Resources that draw their capacity from such a resource combination are accounted as not respectively heavily imitable. Lippman and Rumelt (1982) tighten the concept of the social complexity by referring it to non-distinctive causality. Because of the complexity of the strategic resource combination and its internal interdependences, the reasons for competitive advantages remain un-analyzable. This occurs if the cause of competitive advantage remains subsurface in reality (Reed and DeFillippi, 1990).

The success of IBs is determined by the manner in which the component brand contributes to the differentiation of the main product. This happens when the component brand initiates positive competitive-efficient effects for end producers. As a consequence, the IB is in an organizational relationship with various network partners. Its value is generated finally from the combination of the value proposition of all remaining participants within the production chain. On account of this, the social and organizational conditions of IB Network take in a dominant role (Bengtsson and Servais, 2005). A critical determinant for success is the synergistic effects of the cooperation of various network participants. The difficulty of imitation precisely rests upon that. After creating IBs, component producers depend on cooperative resource combinations with the network partner. Thus it becomes impossible for an IB to be imitated without the interdependences within the cooperating companies. However, that is where path independency ensues. Therefore, it has to be assumed, in general, that not every component producer is able to contribute necessary input in proportionality with his network partners. Parallel subsiding processes of social systems (time integration of social systems) pose another reason that complicates imitation. Successful IB networks have to go through a learning process that leads to the development of a corporate and organizational culture. It is those historicity effects that develop idiosyncratic skills and routines that are not self-explanatory for the observer. However, successful imitation requires the analysis of causalities within network activities.

According to Knyphausen (1993), another barrier in imitating competitive advantages resides in the idiosyncratic specificity of goods and investments the company relies on. Thus, transaction-specific investments have to be performed by the network partners. In IB's case, this would be the investment into corporate brand image. Because of its specificity, this investment becomes unusable for ulterior disposition. Williamson (1979) states that this condition complicates imitation if the investment [...] is effectively locked into the transaction to a certain degree. He explicitly refers to relationships with customers if they can extract advantages from the stronger commitment with a transaction partner. In particular, this final item makes it clear that IBs are sources of brand loyalty and thus mobility barriers are comprehended idiosyncratic goods.

From a customer's perspective, IB displays a brand positioning in the awareness of the customer. This means that the imitation of an IB should be powerful enough so as to replace the already existing brand image of the imitated IB and should achieve the positioning in the consciousness of the customer. This circumstance is further intensified by the social complexity of the branding. A multitude of influencing variables are involved in deciding how and by what a brand image is finally created in the awareness of the end customer. However, it should also be noted that customers cannot always be influenced by the imitating company. On the imitation of brands, it is indeed true that successful brands are imitated more often, but this process cannot be regarded as simple (Rhima and Cooperb, 2005). This particularly applies to IBs because the difficulties of a simple brand imitation are intensified by the dimensions of the network.

Not Substitutable

The previously mentioned conditions of uniqueness and immobility will be effective only if this last demand on competitive efficient resources is met. Thus, if a resource is not imitable, there must not be a substitute to it. This is because the sustainable competitive advantage by the control over a strategic relevant resource will otherwise be annulled by the substitute. Therefore, the competitive advantage of the established company will only have a temporary character and will dissolve as soon as the substitute is employed (Barney, 1992). In general, substitution can appear in two ways. The competitor will try to replace the resource of the established company. This does not mean producing a copy of the resource (in the case of IB, the copy of a brand), but instead developing a strategic equivalent in order to balance the competitive advantages of the resource (Bamberger and der Wrona, 1996). The possibility of neutralizing advantages by the substitution of causal conditions of the resource is closely associated with the first option (Thiele, 1997). Barney (1992) reveals that there is yet another way of substitution which is performed using the example of the charisma of a famous personality. According to that, the hence-originated, clear vision of the future can also be achieved by a systematic planning system.

The substitution of strategic relevant resources faces different barriers and difficulties which originate in organizational routines. These are barriers with path-dependent aspects as well as bounded rationality associated with a once implemented strategy (Prahalad and Hamel, 1990). Browsing through the RBV literature, one can find this dominant logic discussed as bias in the awareness of enterprises (Rasche and Wolfrum, 1994) and as chance potential by the management (Barnes, 1984; Schwenk, 1984).

An important aspect about IBs is that they cannot be substituted. The brand-specific effects, attitudes and interpretation models cannot be achieved through any other method. The symbolic and emotional association that these brands as well as IBs provide exceed the basic functional aspects of the product. The exclusion of IBs is reasoned exactly here. The functional productivity/performance of the main product is extended by intangible aspects. This impact by the brand constitutes a new and qualitative differentiated dimension of the service package which cannot be simply replaced by quantitative augmentation of the functional aspect.

As a finding of this survey/analysis/appraisal, it can be concluded that IBs constitute strategic resources as they are conceptualized in the RBV as a foundation of a permanent competitive advantage. It still remains to be clarified as to how brand management has to be understood in a management theoretical way. This is analyzed in the following intercept.

BRAND MANAGEMENT OF INGREDIENT BRANDS AND THE APPROACH OF CORE COMPETENCIES

The so-called core competencies are a specific peculiarity of strategic resources. At this, the build-up of ambitious/challenging/sophisticated operation schemes takes center stage (Hannan and Freeman, 1984). Operation schemes can be best described as the competence that would transform occasional successful resource selections and conjunctions into access-secure operation schemes (Schreyögg and Kliesch, 2006). The core competencies approach devotes itself to the operation schemes. An essential demand to core competencies is to enable the company to react quickly to alternating requirements (Prahalad and Hamel, 1990). From a statistical perspective, core competencies are composed of resources, whereas organizational competencies are coordinated by organizational routines (Wolfsteiner, 1995).

In addition to the analysis of strategic resources, the core competencies approach also lays particular stress on the procedural, organizational and integrative aspects of generating and maintaining business units overarching competitive advantages. The core competencies approach is a less formal but rather management-oriented derivative of the RBV (Fahy and Smithee, 1999). The core competencies approach analyses intra-corporate sources similar to the RBV. The close connection that exists between the core competencies approach and the RBV is manifested by the fact that core competencies also determine the survivability of a company in the competition in the long run. As a consequence, core competencies finally differ from other competencies only with respect to their long-term strategic relevance. The permanent realization of advantages, which arises from the respective resources and hence reflects the strategic relevance of the resources, is assumed to be the sine qua non of the core competencies approach (Englert, 2000). Therefore, core competencies can also be traced to distinct single resources (Wolfsteiner, 1995). There are four criteria based on which a decision can be made on whether a competence can be reckoned as strategic valuable hence as a core competence; they are as follows: (1) utilization diversity, (2) customer benefit, (3) differentiation potential and (4) future potential (Friedrich, 1995). According to these criteria, competencies which through a differentiated application flow into different products and services, thus contributing to added value, have to be reckoned as core competencies. According to Hamel and Prahalad (1996), it is the transferability of the competence which constitutes the essential character of the core competence conception. There are three orders of competence, namely the competitiveness of competencies, which is the first order; the chance of a company to achieve competitive advantages, which is the second order; and the transferability of existing products into other product-market-combinations, which is the third order and which can be considered as a core competence. Customer benefit refers to the potential of generating a resulting benefit advantage which is appreciated by the customer in financial terms too. Therefore, it becomes mandatory for core competencies to be applicable over the market (Kak, 2002). Furthermore, the demand for differentiation potential requires that core competencies enable companies to develop action alternatives, respectively organizational approaches, which are not possessed by their competitors. On the basis of the core competence, efforts and processes have to be implemented to work in a more efficient, effective and faster manner (Englert, 2000). In order to be considered as core competencies, it is imperative that competencies remain expandable. The future potential should be more sophisticated for the generation of future markets (Friedrich, 1995). The core competence of branding of an IB focuses on a labelling ability of a component.

Not all components are suited for an IB strategy. The central point to consider would be the noticeable influence of the component on the overall performance of the end product.

In addition, the physical possibility of labelling states a central requirement. Operation schemes can then be developed constitutively. The value of these corporate routines rests in their diversity. Utilization diversity refers to the ability to merchandise one component together with a final good producer not only across market segments but also within the subjacent principle. Utilization diversity describes the conception of an IB as a potential strategy for various end product types. The positive association of the IB is brought into the relationship, both to new as well as other final goods. Creating a brand image brings along exactly these premises and states the successful central facet of the management of a successful IB. Being able to guarantee exclusivity, similar to the resource in the narrow sense, the ability of imitation has to be excluded as well. This will be accomplished by the demand on core competencies to show social complexity, dependency of organizational-specific development paths, intangibility and non-visibility as well as preferably deep anchorage in corporate structures (Knyphausen, 1995). An assumption that needs to be made here is that in the case of IB strategies usually manifest for competitors only if transaction-specific investments were performed. Component brands appearing on markets have to be perceived as a symptom of the strategic bias. The strategy itself can be reconstructed only approximately. It becomes visible only in its actions. However, its intentional ambition stays unobservable. The benefit enjoyed by a customer of an IB strategy arises from the chance to differentiate single achievements from the constitution of associations. Because of the learning effects of the usage of products, there is a risk mitigation of the buying decision that is associated with this. Thus, even IBs add to the orientation in the buying process. In doing so, it has to be borne in mind that IB has at least two reference partners. Within a successfully implemented IB strategy, these end-customer effects affect net income even for the OEM. An IB strategy is therefore affiliated to a clear benefit for the customer. The company that applies the IB strategy further has the chance to differentiate from its competitors. This differentiation deduces from the mere opportunity to/of recognition in the end product. Its benefit develops by the pull impact as a support of the own marketing achievement. The benefit is advanced and is aimed at the future. Positioning brands in the customer awareness entrance barriers for potential competitors are built, which prospectively result in the generation of monopoly profits. Thus, IB is able to accomplish the required attributes which are generally made on core competencies. The ability to create brand management of an IB is strategically valuable respectively and can be reckoned as a core competence only if it is guaranteed that competitors cannot adopt this ability readily. Therefore, it is imperative that the core competences have to be unique. In general, the hierarchical, market-related and network or cooperative form of organization are adapted for procurement of competencies (Fahy and Smithee, 1999). In particular, the market-related procurement of competencies does not play a major role in IB. This is because only a transfer of unspecific (marketable) resources is possible as steering, control and incentive mechanisms are taken into account. Accumulation, transformation and combination effort has to be undertaken entirely intra-corporate, respectively corporate-specific, because they allow total competitive advantages. Therefore, the hierarchical procurement remains as build-up of intra-corporate resource processes of unique competencies (Rasche and Wolfrum, 1994).

CONCLUSIONS

By means of this argumentation, it is shown that IB fulfils all requirements that are needed to talk about strategic valuable resources in the perspective of the RBV of the firm.

Present investigation revealed that IB keeps the promises strategic resources establish. They lead to sustainable market success through mutual cooperation, endorsement of each other's offerings, shared knowledge and capabilities, risk sharing, trust and shared experience. Further, IB generates the benefit of reducing the probability of entry of competitors and a jointly enhanced market reputation. An appropriately managed IB constitutes a crucial factor for success in the market. This is not just a hypothesis but an often-proved fact in day-to-day business. Whereas, from an RBV stand point, this alone does not suffice while talking about a strategic resource. Further requirements have to be fulfilled. Present investigation resulted in the verification of all sine qua non to qualify IB as a strategic resource. Requirements such as uniqueness and immobility could be proven as fulfilled. The most important aspect of IB due to immobility is the featuring of an inherent isolation mechanism which results from the essential partnership with the OEM. This feature is directly linked to the not respectively heavily imitable condition of an IB. Generally speaking, the organizational relationship with various network partners is critically important for IBs. Synergistic effects of the cooperation of various network participants also constitute a critical determinant for success. An IB therefore cannot be imitated without the interdependences within the cooperating companies. However, that is where path independency ensues. In order to be effective, a final demand on competitive efficient resources is needed, which is the claim for not being substitutable. As seen previously, substitution of strategic relevant resources faces different barriers and difficulties which originate in organizational routines. IBs cannot be substituted because of the brand-specific effects. The symbolic and emotional association that these brands as well as IBs provide exceed the basic functional aspects of the product. The final outcome of this argumentation is that IBs have to be seen as strategic valuable resources.

However, IB would be void without appropriate management. As shown, IB is proven to be a strategic resource and therefore a core competence which requires the management of such. IBs are proven to be core competencies due to the constant implementation of advantages. This begins as the brand develops and continues to the managing and controlling phases and finally until the adjustment to new market requirements. One area of brand managerial responsibility is the relationship with the downstream partners. Networks have to be generated and enhanced over time. This is an additional competence in contrast to end-user or business brand management that is demanded. It is not only IBs that require brand management competency, but also an IB manager, who would require some more specific skills, because of its complexity. This alone would not suffice to see IB management as core competencies. It is proven that IB management also accomplishes the requirements which are generally made on core competencies: utilization diversity, customer benefit, differentiation potential and future potential. IB management would then accomplish the required attributes which are generally made on core competences. With this paper we could illustrate, that, in the case of IB management, the RBV is an adequate management theory to explain the phenomenon IB as a strategic resource and therefore core competence.

As discussed in the introduction, research broached the issue of IB over a few decades without developing a management model or any useable approach that allowed transferring insights from research to real business. In many related disciplines, research had provided explanations of business phenomena which built the centre of strategy development and in the end to a derivation of action alternatives. This was the missing factor in the case of IB. Further research should close this gap by first developing a theoretical basis which should involve all aspects of IB such as the network, the information exchange, the partnership relation, the interaction of different brand profiles and so on. Without such a theoretical framework, the development of management strategies has to stay out of stable basic.

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