

When the Parts Become Greater Than the Whole: Fueling Growth Through Ingredient Branding

Contributed by Ray George

Ingredient branding, as the name suggests, is the strategy of both borrowing from and lending to the cachet of an end product by positioning your brand as one of the essential components that makes the end product worth purchasing. It can protect or grow market share, particularly during tough economic times, by developing an emotional bond between the brand and formerly unaware end-product users, opening up growth opportunities in new products, channels, and markets.

It can also create a win/win situation with end-product manufacturers. In the near-term, communicating the unique benefits the ingredient offers will differentiate the end product and help both businesses grab market share. And long-term, creating an understanding of the value that the ingredient creates can allow the manufacturer to command a premium price for the end product. For example, 66% of company executives will not buy a computer without Intel inside. Those who will accept computers containing processors manufactured by AMD — Intel's primary competitor — will demand a discount of several hundred dollars.

Three key principles guide the implementation of successful Ingredient Branding Programs.

Principle #1: It's a lot like building a brand from scratch

The same basic practices utilized to build a brand from scratch are applicable to building an ingredient brand, particularly when attempting to reach an entirely new audience.

- The ingredient brand must reflect a compelling and profitable business strategy that leverages the strengths of the organization. Software maker Inktomi, for example, has grown on the strength of its network infrastructure applications that enable end users to easily publish, retrieve, manage, and distribute information cost-effectively and efficiently. That strength is leveraged as its applications are marketed as ingredients enhancing the functionality of offerings by such brands as RealNetworks and Microsoft.



THE POINT

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- The customer must understand the functional benefits of the brand before deeper, more emotional associations are created. The functional benefits should be clear, credible, and easily identifiable, leveraging the ingredient to simplify a complex purchase process. Dolby technology has a functional benefit — it reduces background noises that interfere with the quality of recorded sound. That benefit was the basis of its “ingredient” launch in marketing high-end consumer audio equipment. Over time, the functional benefit has taken on a marketing life of its own. Simply put, Dolby equals “good sound.”
- All potential customer touchpoints for the brand must be anticipated; the brand must be represented consistently and compellingly at each point. This can be difficult for an ingredient brand as the number of touchpoints it controls is limited due to its role. The best solution may be to ensure a good working relationship with the end-product brand to ensure its touchpoints reflect or, at the very least, do not hurt the ingredient brand's equity.

Principle #2: Cultivate the middleman

The principle idea behind ingredient branding initiatives is to leverage the equities of the ingredient brand and of the finished product manufacturer as well as to create new positive associations for the combined entity. Ideally, these initiatives are based on a mutually beneficial relationship where market share and growth potential can be expanded for both brands. To get the most out of such relationships:

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- Provide a monetary incentive for the finished product manufacturer to adopt your logo and/or company name. One incentive is to provide an advertising subsidy based on purchase of your component. Intel, for example, offered a 3% advertising subsidy to PC manufacturers as a percentage of funds spent on Intel processors. Discounts on the ingredient product can also be offered to the manufacturer.
- Find the right partners. The right brand associations can be gained by partnering with the best the category has to offer. Dolby demonstrated the superiority of its product by licensing its B-type technology to such high-end tape recorder manufacturers as Fisher and Harman-Kardon. Partners with market leadership also are a sound bet — as Nutrasweet found with Pepsi and Coke. Another approach is to partner with companies that already have a close relationship with the end-customer.

Principle #3: Ensure end-customers can interact with and recognize your brand

Interaction, education, and recognition help ensure that the end-customer is aware of your ingredient and understands the associated benefits. How can this be achieved when your brand is just a piece of the puzzle? Some creative companies have experienced success with these techniques:

- Allow the end-customer to experience the brand visually. Most successful Ingredient brands have used a symbol — such as the Nutrasweet swirl and the Dolby “double D.”
- Encourage or underscore interaction with the brand. For example, Dolby noise reduction technology has to be actively turned on and off on a cassette player. Therefore, customers have for years actively engaged the Dolby brand with tangible proof of its benefits.
- Develop the brand as having an implicit seal of approval, which can be done visually. The Intel symbol looks like a check mark in circles as though to emphasize that a necessary component in the PC has been verified. It can also be done through associations of reassurance and comfort. The Good Housekeeping Seal of Approval has long been represented as standing for quality, for example.

Smart businesses understand the value their brand represents to the organization as a crucial asset — despite its intangibility vis-a-vis such other assets as equipment and employees. In that vein, they will seriously evaluate ingredient branding as an effective means of leveraging and extending their brand’s equity and enhancing its value over the long run.

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