

FACHHOCHSCHULE DER WIRTSCHAFT

Master Thesis

To attain the academic degree of Master of Arts in Business
from the
Degree Program International Marketing
of CAMPUS 02 University of Applied Sciences

Ingredient Branding for Food Start-Ups

Success factors, possible risks, and overall effects on the brand

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Honorary declaration

I hereby declare that I have written the present work independently and without outside help, that I have not used sources other than those given, and that I have literally quoted the sources I have used, as well as marked out passages as such. The work or parts of the work have not been submitted in the same or similar form to this or any other examination authority and have not yet been published. The present version corresponds to the submitted electronic version.

Langenwang, June 29, 2022


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Abstract

Saturated markets, especially in the food industry with a large number of competitors and big players make it a highly competitive environment, particularly for start-ups. In order to be able to settle within the market and gain strength, it is necessary to have a unique selling proposition and competitive advantages to differentiate. Ingredient Branding offers this kind of advantage and is defined as the targeted marketing of a particular component/ingredient of an end product. The aim of this thesis is to provide a guideline for the food start-up Spirulix to use ingredient branding to their advantage together with the already existing branding strategy. It should therefore identify success factors, possible risks, and general effects of the concept on the brand image. To answer the research questions qualitative research was carried out, interviewing food start-ups already using ingredient branding as a strategy. In total eleven interviews have been conducted with persons in charge of ingredient branding resulting in the position of either head of marketing, CEO, or founder. The research results revealed the following success factors: choice of partners, quality, competitive advantages, communication, and brand orientation. Furthermore, the risks for the ingredient brand described in the literature have been confirmed throughout the interviews, namely loss of control and negative spillover effects. Anyways, the interviews could not prove the effects on the brand, as nearly no start-up made a market research or panel survey due to low budgets and a lack in personnel resources. In summary the literature research and the interviews point out the potential of ingredient branding for food start-ups and highlighted the positive impact it offers for start-ups in a highly competitive market.

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1 Introduction

The first chapter of the thesis is devoted to the initial situation, the problem statement, the objectives of this work, as well as the research questions in order to give a better understanding of the chosen topic, ingredient branding, and get an overview of the current situation on the market.

1.1 Initial Situation

Saturated markets, an oversupply of products, and increasing competition especially within the food industry cause brands to differentiate more from their competitors and create their unique selling proposition, as well as value for the consumers (cf. Hilton 2007, p. NS3). A well-known and highly debated concept regarding differentiation within the marketing world is ingredient branding. Branding concepts such as ingredient branding put their focus on gaining competitive advantages through targeted marketing of certain product components (cf. Baumgarth 2019, p. 435). Both, in consumer markets as well as in the industrial sector manufacturers, are increasingly implementing ingredient branding into their marketing strategies to escape substitutability and anonymity (cf. Mattmüller/Michael/Tunder 2009, p. 10).

Currently, the market trends in the food industry have shifted towards sustainability, waste reduction, and buying locally (cf. Market Research Reports 2021). Research has shown that consumers are placing more value on buying more sustainable and greener products. In the sector of food and beverage, especially, there is a high growth potential for purchase decisions based on the sustainability aspect. Those market developments on greener products and companies offer the opportunity to differentiate from competitors and stand out from the masses as a unique brand (cf. Head/Barnes/Shelton 2012, p. 132). Especially in the start-up scene, competitive advantages are crucial when competing against well-known brands within the industry, which makes ingredient branding even more attractive for start-ups (cf. Kotler/Pfoertsch 2010, p. 18).

This thesis is intended to give an insight into this branding strategy, identify factors that lead to successful execution, and analyze possible risks for the brand. The following

paragraph is dedicated to the problem statement and gives an impression of the planned structure of this thesis.

1.2 Problem Statement

As already described in the previous chapter, the strategy of ingredient branding has already been extensively researched and is being applied more or less successfully by many companies around the globe. Originally ingredient branding was created & traditionally deals with products within the business-to-business industry (B2B). Particularly in the sector of industrial goods (automotive, machinery, etc.) ingredient branding is widely spread, but in the food industry, especially in the start-up sector, research and literature are rather few (cf. Baumgarth 2019, p. 450). New trends and developments arose which are bringing this concept to the business-to-consumer markets (B2C) as well. In general, it is an interesting topic to research, as it is seen as a future trend in B2C markets by marketers all around the globe (Baumgarten 2007, p. 29).

Considering that ingredient branding as a strategy would be beneficial for start-ups, in particular, there is an increased need for research in this area, as there is not much literature regarding the food sector or start-ups. Therefore, already existing best practice examples, literature with a focus on specialized articles and journals as well as scientific publications are considered for this thesis. The emphasis hereby lies on a specific kind of company, namely start-ups. Those are defined as recently founded with high growth potential, which is currently in the first phase of their life cycle (cf. Business Insider 2019).

Consequently, the company which is the initiator of this thesis will be introduced, the current market position explained and possible potentials and opportunities for the start-up identified.

1.3 Company Presentation

Spirulix is an innovative start-up that produces algae products in Lower Austria since 2017. Spirulix emerged from a research project in which the farmer Karl Pfiel and the algae expert Elad Zohar met and together investigated the superfood: Spirulina. After almost two and a half years of research and experiments, in 2017, the first Spirulix

product was launched on the Austrian market (cf. Spirulix 2021). In the past years, the product range has been further developed and in addition to nutritional supplements, the start-up also launched healthy snack options like crackers, granola, and chocolate. The distribution is mainly performed via the online shop and focuses on the German-speaking market. However, after participating in the start-up show *2 Minutes 2 Millions* (cf. Spirulix 2021). Spirulix got to work together with the REWE Group and now offers parts of their product line in *Billa* and *Billa Plus* stores as well. In the upcoming years, new products are planned and listings in supermarkets and stationary trade are targeted.

Besides Ecoduna, Spirulix is currently the only company producing Spirulina algae for food consumption in Austria, nevertheless, the global competition in the market is high. Products from Asia with lower quality standards and cheaper prices are leading the sales. However, through the emerging trend of living healthier, more conscious, and sustainable, people are tempted to buy locally and pay attention to quality production. Globally, the algae market is booming and is expected to grow in the upcoming years (cf. Allied Market Research 2021). Even in Austria, the market for algae products and supplements recorded growth in the last years. Which began as a trend has become an integral part of the daily life of customers. Especially regarding forms of nutrition such as veganism or vegetarianism products and supplements containing algae are highly popular (cf. Spirulix 2021).

Regarding all those factors Spirulix has a high potential in such a growing market and already settled its position within the segment. Their Unique Selling Proposition (USP), as well as the centerpiece of their branding strategy, is the Austrian grown Spirulina and the story behind the production. Through handmade products by the Pfiel family and their employees, consumers can better identify with the brand and become part of the family when buying them. This brings Spirulix a big competitive advantage and contributes positively to its branding strategy.

However, Spirulix would definitely benefit from ingredient branding as the brand awareness of the start-up can be further increased and new customers can be attracted. This makes the strategy of ingredient branding quite appealing for the company, as it can be used as a second pillar in customer acquisition and becoming

better known in the consumer market (cf. Mattmüller/Michael/Tunder 2009, p. 10).

After the introduction, the next chapter is dedicated to the objectives of the company, the thesis itself, and resulting from that the research questions.

1.4 Objectives and Research Questions

This master thesis should develop a guideline for Spirulix which can be used to implement the concept of ingredient branding into its existing branding strategy. Especially in terms of marketing activities and sales promotion, to furthermore increase overall sales and brand awareness. The outcome of this thesis should therefore support Spirulix by adopting and improving the current ingredient branding concept by identifying success factors and risks of the strategy. Spirulix should then be able to allocate resources more effectively, which possibly leads to higher brand awareness and an improved position within the market.

However, the corporate objectives coincide with the overall aim of this thesis, which is to develop a guideline for Spirulix that provides the start-up with a concept to improve their brand around the specific ingredient: Spirulina. This guideline will furthermore identify and explain success factors, possible risks, and overall effects of the concept on the ingredient brand. Recommended actions, as well as best practices, will be included in the guideline.

From these aims and due to the current state of research in the field of ingredient branding, the following research questions are generated for the present work:

- Which success factors regarding ingredient branding for food start-ups like Spirulix can be identified?
- What are the overall effects on a food start-up like Spirulix that makes use of the concept of ingredient branding and how does this contribute to the brand image?
- What are the possible risks of ingredient branding for Spirulix that must be considered?

1.5 Frame of Reference

<p>Initial Situation Saturated markets, an oversupply of products, and increasing competition especially within the food industry cause brands to differentiate more from their competitors and create their unique selling proposition, as well as value for the consumers. ingredient branding puts its focus on gaining competitive advantages through targeted marketing of certain product components.</p>	<p>Problem Statement Particularly in the sector of industrial goods (automotive, machinery, etc.) ingredient branding is widely spread, but regarding the food industry, especially in the start-up sector, research and literature are rather few. Considering that ingredient branding as a strategy would be beneficial for start-ups, in particular, there is an increased need for research in this area, as there is not much literature regarding the food sector or start-ups.</p>	Introduction
<p style="text-align: center;">Research Questions</p> <ul style="list-style-type: none"> • Which success factors regarding ingredient branding for food start-ups like Spirulix can be identified? • What are the overall effects on a food start-up like Spirulix that makes use of the concept of ingredient branding and how does this contribute to the brand image? • What are the possible risks of ingredient branding for Spirulix that must be considered? 		
<p style="text-align: center;">Thesis Objectives</p> <ul style="list-style-type: none"> • Analysis of the existing scientific evidence of ingredient branding and resulting effects on the ingredient- and the host brand. • Developing a guideline that a start-up such as Spirulix can use to optimize the concept of Ingredient branding as an existing branding strategy. • This guideline will furthermore identify and explain success factors, possible risks, and overall effects of the concept on the ingredient brand. 		
<p>Brands What is meant by the term brand and how is a brand developed? What do they mean to consumers and companies and which roles do they serve?</p>		Theory
<p>Ingredient branding What is ingredient branding and what effects does it have on ingredient and host brand? What are possible success factors and risks of the concept?</p>		
<p>Ingredient branding for Start-Ups How can food start-ups profit from ingredient branding? What are important aspects of ingredient branding in the food sector?</p>		
<p>Summary of Theory Ingredient branding is a proven concept to differentiate from competitors and gain competitive advantages. If done properly ingredient branding has a positive effect on sales success for both, the ingredient supplier, and the host brand. The 'fit' of the allies is especially important for the general success of the strategy and lead to either positive or negative spillover effects. According to research ingredient branding is an optimal strategy for companies' operation in the highly competitive food sector as it positively influences the perceived quality and willingness to pay among consumers. However, literature on ingredient branding as a concept for start-ups is rare.</p>		
<p>Empirical Research</p> <ul style="list-style-type: none"> • Qualitative Research • Explorative interviews with food start-ups • Identifying success factors, possible risks, and overall effects of ingredient branding for food start-ups • Analysis an interpretation of data 		Empiricism
<p>Recommendations for action and Summary</p> <ul style="list-style-type: none"> • Deriving an ingredient branding guideline for food start-ups according to the results of the theoretical and practical part of the thesis • Summary 		Summary

Figure 1: Frame of Reference

2 Brands

The following chapter will define the term brand and give an introduction on how to develop a brand. This is necessary for a holistic understanding of ingredient branding and provides a theoretical basis for the following sections as well as for the practical part of the thesis.

2.1 Definition

“A brand is a name, symbol, logo, design or image, or any combination of these, which is used to identify a product or service and distinguish it from those of competitors” (Kotler et al. 2016, p. 423). It is a promise that offers added value to the customer in addition to its functional performance and is a valuable asset that provides growth potential for a company (cf. Kotler et al. 2016, p. 423). Brands are among the most important intangible value drivers for companies, often they are even considered as the most important intangible asset. Through the development of brands differentiation and profiling of a company can be supported and a value beyond the actual product benefit can be created (cf. Rühle/Völckner 2011, p. 15). A brand can serve as differentiation criteria to other products or services, although they satisfy the same needs, and evoke feelings like pleasure, belonging, or excitement inside consumers. The process of equipping products and services with brand power is called branding and aims to create mental structures in the minds of consumers in order to plant knowledge and awareness about the brand (cf. Kotler et al. 2016, p. 423).

According to Radtke (2014), a brand is the entirety of a name-based identity or a similar branding element that triggers images in the minds of the target group, offers the possibility to differentiate from competitors, and influence customers in their purchase decisions. A brand, therefore, consists of two major aspects, namely the brand identity and the brand image (cf. Radtke 2014, p. 1). Both terms will be explained in more detail in the subsequent chapter.

2.2 Development of Brands

Brand image, according to literature, is one of the most important aspects of the successful founding and management of a brand. It is defined as the entirety of

imaginings about a brand in the mind of stakeholder groups, that result from subjectively perceived attributes, benefits, and personality (cf. Radtke 2014, p. 2f). Brand image is the external perception (outside-in-perspective) that cannot be customized, as it is formed in the mind of the consumer with a time lag and indirectly as a reaction to brand management activities (cf. Burmann/Halaszovich/Hemmann 2012, p. 28; cf. Burmann et al. 2018, p. 14).

The brand identity on the other side is understood as the brand's self-image from the view of the institution bearing the brand (inside-out-perspective) (cf. Burmann/Halaszovich/Hemmann 2012, p. 28). The focus is the formulation of a consumer benefit that the brand should fulfill, which is anchored in the (core) competence of the brand. While the brand identity is actively constituting itself internally, the external image is formed later within the target groups and solidifies only over a longer period and reflects in the image of the brand. Brand identity is a customizable construct (cf. Radtke 2014, p. 5).

Brand identity and brand image are in a permanent exchange process. But in contrast to the brand image, which forms as a result of the brand policy measures, the brand identity is actively designed and planned within the company. The relevant benefit for consumers envisioned as a brand promise embodies a clear value proposition and is necessary to further develop a strong brand (cf. Burmann et al. 2018, p. 14).

Therefore, the following chapter is going into detail about the roles a brand has to fulfill and represent.

2.3 Roles of a Brand

Brands seek to fulfill many roles, but the most important ones are the functional and emotional roles. The functional role is related to the direct function and performance of a product or service. The focus hereby lies on the tangible, rationally evaluated performance that needs to satisfy the needs of the customers. Nowadays, many functions and benefits are similar and there is no major difference between them. Therefore, brand management concentrates more on the emotional connection to the customer and rather competes on this level (cf. Kotler et al. 2016, p. 424).

Regarding the emotional role of a brand, it is necessary to move away from functionality and build a connection with consumers on an emotional level. Big Players like Nike and Gymshark for instance do not sell the functionality of their products, they sell the feeling of performing and all the feelings that come along with it. Emotional benefits add diversity and depth to a brand regarding ownership and use (cf. Aaker/Stahl/Stöckle 2015, p. 51). Emotions are a strong tool in branding, as they are an affective state of consciousness and play a huge role in purchase decisions, satisfaction, and loyalty of a customer. According to research customers nowadays buy visions and experiences instead of only products or services. Emotional branding is about creating a holistic experience causing an emotional connection and functional satisfaction between the customer and the brand (cf. Kotler et al. 2016, p. 424).

“Marketing is not a battle of products and services, it is a battle of perceptions. The power of a brand lies in what resides in the minds of customers – what they learned, felt, saw and heard about the brand as a result of their experiences over time and how they feel about the brand” (Kotler et al. 2016, p. 424).

In general, the strongest brand identities offer functional- as well as emotional benefits at the same time (cf. Aaker/Stahl/Stöckle 2015, p. 51). This points out that in order to be successful a brand should have both functional and emotional components, or better said: brands should be appealing to the head and heart of the customer (cf. Kotler et al. 2016, p. 424).

After the detailed examination of the basic concept of branding, the following continues with a specific form of branding, namely ingredient branding.

3 Ingredient Branding

Brands are among the most important intangible value drivers for companies, which helps with differentiation and adds value for the consumer. Ingredient branding as a special form of branding offers a variety of opportunities for companies to increase brand awareness and step out of anonymity as a component supplier (cf. Rühle/Völckner 2011, p. 15). The following chapter is focusing on the terminological definition of ingredient branding, as well as the original purpose of the term. Furthermore, a clear delimitation to other branding strategies will be given, to assure the understanding of the basic principles of ingredient branding.

3.1 Definition

The concept of ingredient branding offers the opportunity to reach customers and market products in a completely new way. It can serve as a competitive advantage to differentiate from other brands and establish awareness in the customer's mind (cf. Mattmüller/Michael/Tunder 2009, p. 20). According to Norris (1992), ingredient branding can be defined as "the promotion of the ingredient to the final user" (Norris 1992, p. 20). This branding concept aims to build awareness among customers for the brand of an ingredient or component (cf. Norris 1992, p. 20). A more detailed way to describe ingredient branding reads as follows: the brand policy, consisting of goals, strategies, and instruments, of an ingredient or component that is representing the brand to the targeted consumer group (cf. Kotler/Pfoertsch 2010, p. 18).

Parts and components of ingredient branding can be unfabricated- or fabricated materials, as well as raw materials like wool or manufactured parts like sweeteners or microfiber. According to Kotler and Pfoertsch (2010), Consumer goods like food, clothes, and television are not included in the range of possible Ingredient brands, as they immediately serve the needs of customers (cf. Kotler/Pfoertsch 2010, p. 17). Ideal examples of ingredient branding within the food and beverage industry are NutraSweet and Wrigley's Airwaves which represent the successful use of the strategy in consumer markets (cf. Baumgarten 2007, p. 29). However, it is possible to use the concept of ingredient branding as part of a corporate branding strategy, which means that the manufacturing company itself is branded, instead of components or ingredients.

Neither ingredient- nor corporate branding is reciprocally exclusive, which gives the opportunity for a combination of both concepts. A practical example of this is NutraSweet marketing the contained material as well as the company itself through branding their products with the NutraSweet logo (cf. Kotler/Pfoertsch 2010, p. 17).

The following graphic (Figure 1) is giving an overview of the different possible application areas of ingredient branding and the general targets of the concept.

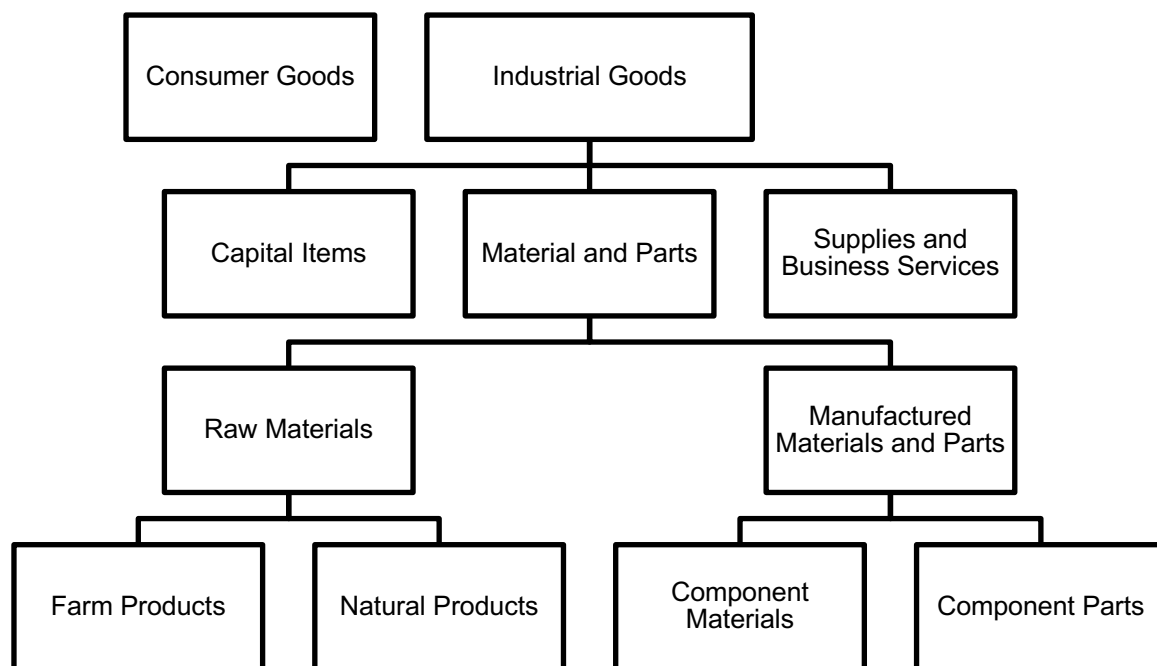


Figure 2: General Targets of Ingredient Branding (Kotler/Pfoertsch 2010, p. 18).

Taking those considerations into account, the term ingredient branding can be understood as a cross-market branding policy for materials or product components, that are combined with other products. Despite combining them, the purpose is to be perceived as an independent component by the customer. Although ingredient branding originated in the industrial sector, the concept is nowadays also used in consumer markets for instance the food and beverage industry, which is highly successful with it (cf. Mattmüller/Michael/Tunder 2009, p. 13).

However, the strategy of ingredient branding aims to raise awareness among end-users for special components/ingredients of manufacturers and avoid possible substitution by competitors. By creating brand preferences, the consumer will consciously pay attention to used components in the final product and demand exactly

those. As a result, the ingredient manufacturer can enforce price expectations more easily and differentiate from competitors (cf. Nufer/Kocher 2010, p. 3).

Now that the definition and aim of ingredient branding are clear, the upcoming chapter is dedicated to the delimitation of the term ingredient branding and points out the differences between related branding concepts.

3.2 Delimitation of the term

The term ingredient branding, within the marketing world, also known as InBrand or InBranding, is often used with other concepts like co-branding and inverse ingredient branding (cf. Kotler/Pfoertsch 2010, p. 7). Therefore, the following chapters are dealing with the delimitation of the term ingredient branding, the explanation of two concepts with high similarity, and will point out their major differences to the concept.

3.2.1 Co-Branding

Co-branding is defined as the branding of a product with two independent brands at the same time and focuses on both, the horizontal as well as the vertical level (cf. Tunder/Martschinke 2018, p. 344f). Co-branding on the horizontal level stands for the alliance between brands that have a complementary relationship but are marketed independently, like Nespresso and DeLonghi. The second form of horizontal co-branding is the so-called composite branding which represents the development of a new product comprising of at least two brands. A real-world example of this is the cooperation between Nike and Apple when it comes to fitness apps or wearables. The vertical form of co-branding is represented by the alliance of manufacturers of different levels (cf. Baumgarth 2019, p. 440).

Co-branding, as a strategy has gained in importance in the past years, as through these partnerships manufacturers, are aiming to improve their image and brand awareness among customers, as well as broaden their expertise (cf. Burmann/Halaszovich/Hemmann 2012, p. 136).

Co-branding contains four basic characteristics, which read as follows (cf. Burmann/Halaszovich/Hemmann 2012, p. 136):

- The connection of at least two brands,

- that work together perceptibly for the consumer,
- to offer a common bundle of services,
- but stay independent brands from the perspective of the consumer before and after the co-branding cooperation.

According to this, the main difference to ingredient branding is the broader orientation. Ingredient branding itself includes only the vertical orientation and forms a more comprehensive concept, as it embraces the isolated branding policy of a producer as well. Despite that, those two branding concepts overlap when it comes to a vertical brand alliance of production goods and end products. Possible examples are Gore-Tex & Schöffel (clothing) and Shimano & Giant (bicycles), which represent co-branding as well as ingredient branding (cf. Baumgarth 2019, p. 440f).

The following paragraph is dedicated to the second of the two concepts that have high similarity and are often used in connection to ingredient branding, namely inverse ingredient branding.

3.2.2 Inverse Ingredient Branding

The second form of partner marketing that is frequently described in the literature when speaking of ingredient branding is inverse ingredient branding. In contrast to ingredient branding, the driving force in this specific strategy is the product manufacturer, who tries to enhance his brand with an additional, well-known supplier/component brand. This option is recommended for manufacturers with low brand awareness and a relatively weak appearance on the market, which benefit from a strong ingredient brand (cf. Kotler/Pfoertsch 2010, p. 25f.). The goal is to strengthen the own brand by cooperating with another (cf. Freter/Baumgarth 2005, p. 464). Corresponding consequences like an improved market position and a possible differentiation from competitors can be a huge benefit for the overall success of the product manufacturer. Some best practices of inverse ingredient branding are for instance the Antilock Brake System (ABS) as well as the Electronic Stability Program (ESP), used worldwide by Continental, Bosch, and Delphi, as those components offer additional value for the consumer and are beneficial for the purchase decision (cf. Kotler/Pfoertsch 2010, p. 25f.).

Inverse ingredient branding is a win-win situation for both sides, the manufacturer who can invest in his specific know-how due to an increased market volume and attains competitive advantages, and the supplier/ingredient brand upgrades his component with an additional brand promise of the product manufacturer. This makes the concept of inverse ingredient branding attractive for both sides and provides the customer with added value (cf. Kleinaltenkamp 2001, p. 275).

The following paragraph gives an insight into the general basis of ingredient branding and serves as a knowledge foundation for upcoming chapters.

3.3 Multi-Level Marketing

Multi-level marketing is a special form of marketing. In contrast to classic marketing, everyone in the process chain must create a pull on the downstream market levels. It can be considered as the framework for ingredient branding, which therefore will be explained in the following paragraph. The main goal of multi-level marketing is to generate a demand-pull, better known as the pull-effect. This demand-pull ultimately occurs by the product manufacturer and causes an increased demand for the good in question by the end consumer. Through that, an increase in sales volume and/or a price increase can be achieved. Furthermore, it is more difficult for the end consumer to substitute the relevant product with another, if such a pull-effect exists (cf. Havenstein 2004, p. 65).

Another benefit of multi-level marketing arises through direct contact with the end consumer, which makes it possible to collect relevant and detailed information about this market level. This can result in further or new developments of the preliminary products, and thus achieve a higher level of acceptance among end consumers. In general, multi-level marketing will result in an improved market position, accompanied by stabilization of existing and possible establishments of new supply relationships (cf. Havenstein 2004, p. 65f).

After explaining the term multi-level marketing and its goal as a framework for the ingredient branding strategy the principles of push and pull will be explained and the connection between those two will be stated.

3.4 Combination of Push- and Pull-Principles

The basis of ingredient branding is the principle of push and pull that tries to influence the buying decisions of the customers and build the necessary brand awareness to differentiate from the competition in the market (cf. Pfoertsch/Müller 2006, p. 23). The combination of both also called double market marketing refers to the associated minimization of risks for the supplier (cf. Havenstein 2004, p. 67). The strategy of pull focuses on communicating directly with the end consumer, bypassing the product manufacturer. In the long run, the aim is to create a demand for the component/ingredient emerging from the consumer, create a high demand pressure for the manufacturer, and therefore avoid substitutability by competing products (cf. Kotler/Pfoertsch 2010, p. 26).

The push strategy, however, concentrates on the promotion of the component/ingredient on the immediately following level in the value chain (e.g., product manufacturers). This principle is recommended if the supplier brand is not yet well established on the market and a low demand is predominant (cf. Kotler/Pfoertsch 2010, p. 26). As part of its multi-level strategy ingredient branding makes use of both principles, the push, and the pull. Summarizing, the pull strategy is dedicated to convincing the end consumer, creating a direct demand, and avoiding substitutability, whereas the push principle is addressing the following market levels (cf. Pfoertsch/Müller 2006, p. 23).

Now that the principles of push and pull have been explained, the upcoming paragraph is dedicated to the different stages of ingredient branding, which are represented in the 4-Stage-Model by Kotler and Pfoertsch (2010).

3.5 Stages of Ingredient Branding

Kotler and Pfoertsch (2010) developed a 4-Stage-Model of ingredient branding for understanding the strategic implications that possibly occur during the implementation of the strategy. This model consists of four stages that unknown ingredient brands have to go through when establishing brand equity (cf. Kotler/Pfoertsch 2010, p. 20). The aforementioned model is shown in Figure 2 below.

1. **Building credit:**
Making use of already well-established, strong brands
2. **The Breakthrough:**
Stepping out of anonymity. Already well-known among customers
3. **The Payback:**
Giving back to the host brand. Both brands are equally important – synergy effect.
4. **The Fiesco-Effect:**
Ingredient Brand exceeds value of host brand. No more dependency on host brand

Figure 3: The 4-Stage-Model (cf. Kotler/Pfoertsch 2010, p. 20).

Stage one, building credit, represents the phase of an ingredient supplier entering a cooperative agreement with a product manufacturer as part of the ingredient branding strategy. The agreement consists of the assurance of labeling the supplier's ingredient on the end product and in return, the product manufacturer receives incentives like price reductions or subventions for advertising expenditures from the supplier. Both sides should profit from the cooperation. This first stage serves as building up credit and making use of already well-established brands (cf. Kotler/Pfoertsch 2010, p. 20).

The second stage is dedicated to 'The Breakthrough' of an ingredient brand. Through direct communication with the consumer, the benefits and advantages of the ingredient are promoted (cf. Pfoertsch et al. 2007, p. 8). In this stage, the ingredient brand is finally able to step out of its anonymity and is now well-known among end customers. Continual communication and advertising to the consumer as well as the ongoing cooperation with the host brand are essential in this phase (cf. Kotler/Pfoertsch 2010, p. 20).

In phase three, the payback, the ingredient brand is able to give back to the product manufacturer, who is now able to profit from the increased value of the ingredient brand (cf. Kotler/Pfoertsch 2010, p. 20). The relationship is managed by the ingredient brand to assure the success of all parties involved (cf. Pfoertsch et al. 2007, p. 9). At this point, both brands are seen as equally important, and the synergy effect occurs (cf. Kotler/Pfoertsch 2010, p. 20).

The final stage, the Fiesco-effect, represents the moment when the value of the ingredient brand exceeds the product manufacturer's brand value. The ingredient supplier is no longer dependent on the host brand, can choose direct buyers, and has the power to dedicate market prices for products in the respective sector (cf. Kotler/Pfoertsch 2010, p. 20). The ingredient brand is now well-known and serves no longer as a differentiation criterion, but even forces former supporters into price wars (cf. Pfoertsch et al. 2007, p. 10).

To summarize, the 4-Stage-Model of ingredient branding makes clear, that the brand value of the ingredient brand might exceed the value of the host brand throughout the cooperative agreement. Therefore, careful observation and monitoring are crucial to make ingredient branding possible at all, even if a long-term equal partnership is rather unlikely. Despite that, not every brand alliance has to end with a Fiesco-Effect – Intel and Microsoft are the ideal examples for this (cf. Kotler/Pfoertsch 2010, p. 20).

In order to understand the possible chances and pitfalls ingredient branding provides, the following chapter is dedicated to identifying them for the ingredient supplier, as well as for the product manufacturer.

3.6 Chances and Risks of Ingredient Branding

Ingredient branding offers various benefits for a company that implements this concept into its branding strategy. For instance, it can serve to create customer demand and use the pull-effect to its advantage. Consumers request an ingredient in their potential purchase if they are convinced of superior quality or performance, which offers a huge potential for companies who can create and communicate the value to the customer (cf. Kotler/Pfoertsch 2010, p. 8). The following chapters are giving an overview of the chances and risks for ingredient- and product manufacturers.

3.6.1 For the Ingredient Supplier

Especially for ingredient producers, ingredient branding offers the opportunity to step out of their anonymity and increase brand awareness among end consumers. Furthermore, it can serve as a stepping-stone in terms of substitutability and competitive advantages against market competitors. If product manufacturers, as well

as end customers, realize the additional value created through the ingredient the demand for this component will increase from which the supplier sustainably benefits (cf. Pfoertsch/Müller 2006, p. 35f). Another argument for ingredient branding from the component producer's side is the creation of the pull principle, which focuses on communication with the end consumer and causes a direct customer demand for the ingredient. This will increase the market power, strengthen the position regarding price negotiations and establish pressure on demand for the product manufacturer. For the customer relationship, ingredient branding can build loyalty, serve as a quality promise, and create competitive differentiation (cf. Kotler/Pfoertsch 2010, p. 45).

On the other side of the coin, there are also several risks for the component producer that come along with Ingredient branding. The biggest drawback for the supplier is the dependency on the product manufacturer, as the quality of the end product can also have negative consequences on the image of the ingredient brand. Other aspects to consider are the high costs as well as the time required to create brand value (awareness, reputation, trust), as in multi-level marketing the involvement of the consumer is connected to higher financial and time expenditure. Additionally, the supplier must assure product quality and an ongoing innovation process for the increased demand, which could lead to becoming a visible target for competitors and possibly causes an increase in competitiveness (cf. Pfoertsch/Müller 2006, p. 38). To sum up, the stakes for the ingredient supplier are high, but so are the benefits after establishing the brand into the value chain (cf. Kotler/Pfoertsch 2010, p. 47).

Considering those arguments, Spirulix as a start-up profits from increased brand awareness and finally leaves anonymity with the strategy of ingredient branding. Through the alliance with different strong host brands, the component Spirulina becomes better known among consumers, which possibly results in an increased demand for the ingredient. Additionally, through communication and promotion activities dedicated to the end consumer, Spirulix creates a pull-effect and therefore increases its power and position within the market. In terms of risks, like dependency on the product manufacturer, Spirulix has to evaluate and assess potential partners carefully to avoid negative spillover effects in terms of product quality. The resulting higher costs of ingredient branding and the multi-level marketing necessary could for instance kept smaller through the increased use of social media channels to directly

communicate with end consumers. However, through an effective communication concept, the costs remain clear, and resources can be used more efficiently.

After having a closer look at the chances and risks of the ingredient supplier, the following paragraph will focus on the perspective of the product manufacturer regarding possible benefits and risks when it comes to ingredient branding.

3.6.2 For the Product Manufacturer

Ingredient branding is a strategy that offers the chance to differentiate from competitors and gain competitive advantages within an industry. The product manufacturer is able to increase the brand value and trust among customers through which both the supplier and manufacturer benefit (cf. Pfoertsch/Müller 2006, p. 40). Ingredient branding enables the manufacturer to inform customers about the received benefits of superior components from specialized brands and therefore increase the perceived value of the product (cf. Kotler/Pfoertsch 2010, p. 44). Competitors might need years of research and development to catch up and increase their brand value. The additional know-how brought into the production by a superior component brand also allows savings in production and development costs for the manufacturer (cf. Pfoertsch/Müller 2006, p. 40).

Despite the positive aspects of ingredient branding, the concept also bears risks for the product manufacturer, such as the dependency on the ingredient brand when it comes to quality aspects. In this case, a quality weakness can immediately lead to a negative impression of the product brand and the end consumer switching to competing products from another brand. In contrast, the possibility of overshadowing the own brand with the ingredient brand exists, which leads to a decrease in brand value. However, the strategy of ingredient branding is only successful, if involved parties are working together and can benefit from the entered relationship (cf. Pfoertsch/Müller 2006, p. 39f).

The following graphic (Figure 3) gives a summary of the mentioned functions and benefits of ingredient branding for involved parties, like the ingredient brand, the host brand, as well as the end consumer.

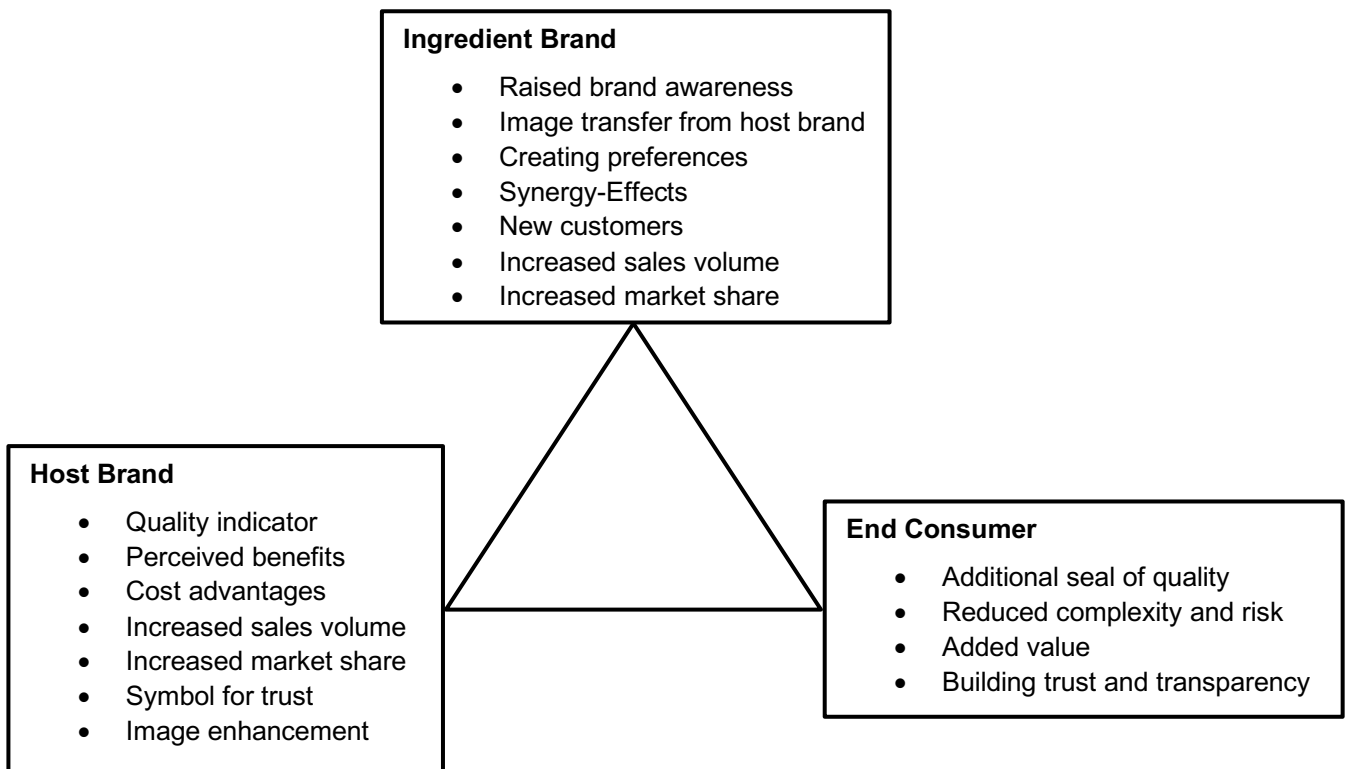


Figure 4: Benefits and Functions of Ingredient Branding (cf. Tunder/Martschinke (2018), p. 349)

The ingredient brand profits from increased brand awareness, an image transfer from the host brand, as well as an improved sales volume and market share. The host brand on the other hand serves as a quality indicator for consumers and symbolizes trust. Furthermore, the image of the host brand benefits positively from the brand alliance if it is successful. Also, the end consumer profits from an ingredient branding strategy, as it reduces complexity and risk during the purchasing process. It adds extra value to the end product and builds trust and transparency in the eyes of the consumers (cf. Tunder/Martschinke (2018), p. 349).

Now that the opportunities and risks for the parties involved have been dealt with, the chapter on the effects of the ingredient branding strategy will follow.

3.7 Effects of Ingredient Branding

Regarding the effects of ingredient branding a division into two different categories can be made, which are direct effects and spillover effects. As the name already tells, the direct effects stand in relation to the direct impact of the brand alliance. Those are caused by the resident brands and the brand cooperation with the consumer and have a direct impact on the economic success. Direct effects can furthermore be

differentiated into short- and long-term according to their temporal scope. Short-term direct effects have an impact on customers' buying behavior, the willingness to pay, as well as the evaluation of the brand alliance. Long-term direct effects on the other hand side rather go in the direction of brand associations and attitudes towards them. The second kind of effect that has to be distinguished are the so-called spillover effects that refer to the brand cooperation on the constituent brands, but also on the caused effects between those brands (cf. Schlüter/Villeda 2011, p. 97). Various studies prove the success of ingredient branding on sales and highlight the occurring effects, described above, therefore, some of the most relevant studies for this thesis will be presented in the following paragraphs.

According to the findings of Rodrigue and Biswas (2004) ingredient branding as a form of brand alliance positively influences the attitude of consumers towards the products of the host brand and furthermore increases the willingness to pay, perceived product quality, and purchase intention. Additionally, it could be stated that each of the involved brands achieved spillover effects and therefore a positive attitude from the consumer side, because of the brand alliance (cf. Rodrigue/Biswas 2004, p. 485). Another similar approach was taken by a study by Helmig, Huber, and Leeflang (2007) which also confirmed a generally positive attitude towards products from the categories of co-branding and ingredient branding. It could also be shown that products are rated higher and are more likely to be bought if the ingredient brand and the host brand are fitting together in terms of quality and content (cf. Helmig/Huber/Leeflang 2007, p. 295).

Those findings suggest that a higher fit positively influences, besides the willingness to pay, also the strength of the spillover effect. Which in reverse leads to a decreased willingness to pay and the opposite effect if the ingredient brand and host brand do not fit in the eyes of the consumers (cf. Helmig/Huber/Leeflang 2007, p. 295; cf. Venkatesh/Mahajan 1997, p. 147). In this context, the term fit-construct is used for the examination of the product- and brand-related compatibility of the brand alliance. The word 'fit' hereby describes the perceived consonance of the product categories and brands involved (cf. Schlüter/Villeda 2011, p. 101). When entering a brand alliance, a detailed analysis of the product fit of the constituent brands is crucial, as such a strategy can only be successful if the product categories fit in the perception of the consumer (cf. Helmig/Huber/Leeflang 2007, p. 295). The positive consequences of a

high 'fit' in ingredient branding are proven in the already mentioned studies, as well as in further research (e.g., Simonin/Ruth 1998; Baumgarth 2004).

Through the study by Washburn, Till, and Priluck (2004), it is shown that if two brands with high brand equity form an alliance, a higher and more positive evaluation through consumers can be achieved which is beneficial for both brands participating in the cooperation. The best-case scenario therefore occurs, when positive spillover effects increase the brand equity of both partner brands. Moreover, connecting brands with each other does not only influence the individual brand perception of the consumer but also has a positive impact on the brand alliance itself (cf. Washburn/Till/Priluck 2004, p. 504).

Further research also indicates that especially weaker, unknown brands profit from positive spillover effects when forming brand alliances with stronger, well-known brands. However, it also points out the negative side effects of a cooperation between a weaker and a stronger brand, as if the alliance fails this could cause negative spillover effects on the stronger brand (cf. Yung-Chien/Meng-Chun/Xiu-Hua 2007, p. 232). According to Baumgarth (2004), the logical 'fit' regarding the image of two cooperating brands is more important than the strength. The choice of allies should therefore be based on matching quality and content (cf. Baumgarth 2004, p. 128).

The available research indicates that ingredient branding and brand alliances, in general, offer great opportunities for companies if the existing conditions are favorable. Summarizing the studies described above the following statements can be generated:

- Alliances with other strong brands are favorable for the positive perception of the cooperation from a customer's point of view.
- A strong 'fit' between the host and ingredient brand is necessary to be successful with this branding strategy.
- A higher 'fit' also positively influences, besides the willingness to pay, the strength of the spillover effect.
- Positive spillover effects increase the brand equity of both brands and lead to a positive perception of the involved brands themselves, as well as the brand alliance.

- If the alliance fails, it could cause negative spillover effects for the stronger brand.
- A well-balanced common appearance is beneficial for the judgment of the alliance through the consumers.

The benefits of implementing ingredient branding as a branding concept are high, especially for food start-ups like Spirulix that have a rather low level of brand awareness and are not yet established on the market. For those, an alliance with a strong brand is an opportunity to become well-known, gain the trust of consumers, and profit from mentioned spillover effects. A high 'fit' is, however, necessary to positively influence the perception of the cooperation in the eyes of customers. This will lead to a higher willingness to pay and help Spirulix to keep the price levels stable in the long term. Furthermore, positive spillover effects of a brand alliance with a suitable brand will help with awareness and trust of new and already existing consumers.

After having a deeper look at the effects of the ingredient branding strategy success factors for establishing and managing a brand that makes use of the concept are going to be identified and described in more detail.

4 Success Factors of Ingredient Branding

The following chapter of the thesis is concentrated on the identification of success factors for the establishment and management of an ingredient brand. Unfortunately, there are hardly any reliable findings in literature, although ingredient branding has been around the marketing world for numerous years now. There have been several studies on the impact on consumers (e.g., Havenstein 2004; Simonin and Ruth 1998), or the buyer level (e.g., Worm 2012), whereby the main focus was on the effects of co-branding. Even though management-oriented research about the success factors of ingredient branding is lacking so far, Baumgarth (2019) was able to derive seven success factors. Those could be identified through theoretical considerations, practical reports, and reassignments of impact studies in management (cf. Baumgarth 2019, p. 445).

Brand orientation and management skills

Building brand management skills and high brand orientation are fundamental for

successful ingredient branding and are therefore forming the first success factor. Brand orientation in this context means a special form of corporate culture, that is characterized by strong brand values within the top management level and among employees. Furthermore, there is a special way of thinking and acting at the top management level, that allows an inside-out-orientation. Management skills on the other hand side for the internal capabilities of a company to create a strong brand with a combination of accessible resources (cf. Baumgarth 2019, p. 446).

Assessing the potential of Ingredient Branding

Another factor for successful ingredient branding is the overall potential for building and implementing an ingredient brand. Not every component is equally suitable for a branding strategy like this. Through the development of catalogs based on ingredient branding potential and plausibility, it is possible to assess different components beforehand and make decisions based on those catalogs. A high ingredient branding potential arises when the following conditions are met (cf. Baumgarth 2019, p. 446f):

- Performance advantages (specific, innovative, defensible)
- 'Mass' character of the component (no one-off production necessary)
- Part character (rather than raw materials)
- High value for the end product
- Low number of competitors
- High demand (markets with growth potential, multiple areas of application)
- Weak brands at the end-product level
- Dominance of the specialist departments
- Identification and mark of the ingredient.

This catalog of ingredient branding potentials can be adapted to the relevant branch and can serve as the first evaluation of an ingredient branding concept (cf. Baumgarth 2019, p. 446f).

Understanding of customers and partners

Relevant tools to understand certain elements of the vertical chain are for instance market research, cooperation, and partnerships. Those tools and the resulting knowledge across all levels about customers and partners represent another success factor of ingredient branding. Especially when it comes to shifting the focus from a Business-to-Business context to a Business-to-Consumer stage (cf. Baumgarth 2019,

p. 447). Furthermore, all involved parties need to be equally committed to the brand alliance to provide necessary resources for a successful partnership and convey a uniform image regarding quality, vision, etc. (cf. Baumgarten 2007, p. 28).

Planning of Co-Branding and Co-Marketing

The systematic planning and implementation of this multi-level cooperation are crucial for the success of ingredient branding and require a careful selection of partners, realization, and control. Especially cooperations with downstream levels are decisive for success, for this both, long-term and short-term co-marketing activities can be used (cf. Baumgarth 2019, p. 447).

Setting quality standards

Through ingredient branding, the component supplier becomes visible and as a result vulnerable at the following levels. Therefore, and with giving up anonymity, the ingredient brand is also responsible for the quality of the end product. This applies in particular to quality aspects of the ingredient brand, which from a customer's point of view are related to the performance of the end product. Regardless of whether this is correct or not, the ingredient supplier has to ensure consistent quality (cf. Baumgarth 2019, p. 447). This is especially important in a premium price sector, as the customer needs to be convinced about the reasoned higher price (cf. Baumgarten 2007, p. 28).

Communicating successfully

Communication is key, especially for the concept of ingredient branding it is necessary to successfully communicate with product manufacturers as well as the end consumers in order to build a strong brand and create awareness (cf. Baumgarten 2007, p. 29). Parts of cost-efficient communication are for instance the branding, product design, and the effective use of communication instruments (Influencer-, Guerilla-Marketing, events, etc.) (cf. Baumgarth 2019, p. 448). If the component provides health benefits, those must be proven by research and studies in order to gain the trust of the consumers (cf. Baumgarten 2007, p. 29). However, there are no limitations when it comes to raising brand awareness and building a strong brand, the higher the budget, the greater the opportunities (cf. Baumgarth 2019, p. 448).

Making it visible and experienceable

Traditionally, consumers do not know or even care what makes a product function, as long as the products fulfill their expected role, no questions are asked, or concerns are

made (cf. Baumgarten 2007, p. 28). Successful ingredient branding is therefore only possible if the end consumer is able to identify and notice the ingredient. This is possible through highlighting and labeling (etiquettes, logos, stickers, etc.) as well as communication and advertising. However, the first and more important form is only possible if the product manufacturer allows the additional marking. Whereby this should definitely be part of a general contract between the ingredient supplier and the product manufacturer to assure that both partners benefit from the relationship (cf. Baumgarth 2019, p. 448f). *“Success does not come without detailed preparation, the careful selection of partners and ongoing effort”* (Baumgarten 2007, p.29).

Regardless, the visibility and experience depend on the basic characteristics of the ingredient brand and the end-product performance. The following factors are intended to increase the visibility of the ingredient brand (cf. Baumgarth 2019, p. 449):

- Solid services of the ingredient brand
- No loss of the ingredient brand throughout the production process
- Additional design features to promote the visibility of the ingredient brand
- Willingness to attach markings (logos, stickers, etc.) of the ingredient brand

The success of ingredient branding depends on certain requirements, like the potential of the ingredient, the purchase relevance of the ingredient advantage, and the communicability of the relevant customer benefit (cf. Kleinaltenkamp 2001, p. 269). Furthermore, the marking of preliminary ingredients only makes sense if it is an essential component of the end product which is also of high quality (cf. Nufer/Kocher 2010, p. 5). Making the ingredient brand visible and experienceable contributes to the success and is best done by labeling at the end product (cf. Baumgarth 2019, p. 449). The needs and desires of the end consumers at different market levels have to be clearly identified in order to communicate the product benefits of the marked ingredients (cf. Nufer/Kocher 2010, p. 5).

In the case of Spirulix, the potential for ingredient branding has to be assessed before any alliance is formed. This means the already mentioned catalog of conditions has to be checked and analyzed, which could be done by a potential analysis, that examines the specific characteristics and competencies necessary for a successful ingredient branding. After that, the optimal partner for the strategy has to be found, as all parties

involved have to pull together in order to be successful in the market. Through the high-quality standards of Spirulix regarding the production of Spirulina, every ally, as well as customers, profit from superior component value. This would, especially, in a higher price segment increase the reasonability of the selling price for consumers. However, to achieve all this, an effective communication strategy is necessary to convince end customers of the benefits Spirulix offers and to make the brand visible and experienceable for them.

The following chapter is going to deal directly with ingredient branding in the food industry and thus give an insight into special features of the concept in this specific branch.

5 Ingredient Branding in the Food Industry

Although ingredient branding originated in the field of production goods and is traditionally a branding concept for the Business-to-Business (B2B) sector it is used more and more in different industries and branches around the globe. For instance, in areas of Business-to-Consumer (B2C), like the food industry (cf. Baumgarth 2019, p. 450). The subsequent paragraphs will give an overview of the current trends and conditions regarding ingredient branding in the food industry.

Early adopters in the industry already recognized the potential of communicating specific benefits of components in the 1990s and through that added value to their ingredients for end consumers (cf. Baumgarten 2007, p. 18). Customer's purchase decisions, especially in the food sector, often depend on brands. That is why food products are becoming more and more branded in recent years and consequently influence the buying behavior of consumers. Research has shown that customers prefer buying products of brands with high brand equity, as they feel more confident about product quality and trust in the product itself. This leads to a competitive advantage in the market and increases the customer's willingness to pay. Therefore, developing brand equity contains many benefits for a company and should become a priority. Ingredient branding for instance is one possible option to do so and offers a variety of possibilities to enhance the brand image and increase awareness (cf. Abhilash/Sreejesh/Balaj 2015, p. 523).

Regarding further benefits of ingredient branding in the food market, it can be said that this branding strategy can enhance the differentiation of the host brand and create a greater value proposition. The branded ingredient, if it is of high quality, enhances the perceived quality for the customer, has a positive effect on the willingness to pay, and contributes positively to the purchase decision, as Rodrigue and Biswas (2004) demonstrated in one of their studies. Furthermore, the spillover effect of the ingredient brand to the host brand might lead to positive customer feedback and vice versa lead to a possible expansion of the ingredient brand into additional product categories (cf. Abhilash/Sreejesh/Balaj 2015, p. 523). Although the number of Ingredient brands is still quite low, several reasons like higher margins, long-term relationships, shared promotion costs for advertising, and a staple demand encourage suppliers to implement this concept into their branding strategy. Well-known ingredient branding companies in the food and beverage industry such as NutraSweet, Splenda, and Beyond Meat show how it is done (cf. Aljafari/Brown 2020, p. 1023). The success stories of those examples are going to be described in further detail in chapter six.

A study by Kanama and Nakazawa (2017) with the aim to understand ingredient branding in the food industry, regarding suitable products showed that, especially functional foods profit from this specific branding strategy. The term functional food is defined as foods that have additional nutritional values, remove, reduce, replace, or enhance a component by another effective ingredient. Functional foods are one of the major trends in the food market and become more and more popular among customers (cf. Kanama/Nakazawa 2017, p. 129).

5.1 ‘Corporate Social Responsibility inside’

The concept of corporate social responsibility inside as a special form of ingredient branding sets the focus on features of sustainability of an end product through sustainable ingredient brands – particularly found in areas of Corporate Social Responsibility (CSR) and sustainability. The product manufacturer integrates the sustainability-oriented ingredient into the primary (production) or secondary (office, IT) value chains (cf. Baumgarth 2019, p. 452). In terms of consumer goods, more precisely food, a current prominent example is the company Beyond Meat, which is labeled as a branded ingredient on numerous restaurant dishes and food products (cf.

Bornkessel/Smetana/Heinz 2019, p. 3).

The trend towards healthy, functional, and sustainable foods among consumers has increased in the past years and offers various benefits in combination with an ingredient branding strategy. Besides the fact that the 'fit' of ingredient brand and host brand has to be high in order to gain the trust of consumers, communication is another important aspect of the successful use of ingredient branding in the food industry (cf. Bornkessel/Smetana/Heinz 2019, p. 3f).

Communication with the consumers is key to being successful with an ingredient branding strategy. Especially in the food sector targeting the purchasing factors related to food, such as quality (impact on health), price and regionality are crucial in order to reach the end consumer. The direct communication of nutritional and health benefits will raise awareness among end customers and serve as a solid basis for ingredient-branded products. Through that, the acceptance among consumers of products containing the ingredient is higher, and the willingness to pay increases (cf. Bornkessel/Smetana/Heinz 2019, p. 4).

Summarizing, ingredient branding is a great chance to communicate nutritional and sustainable product components to consumers. The approach of 'nutritional sustainability inside' provides ingredient suppliers as well as product manufacturers with a competitive advantage in the highly competitive market of food, which can contribute positively to the success and prominence of a product in the long term (cf. Bornkessel/Smetana/Heinz 2019, p. 3f).

Building on this, in the subsequent chapter, the use of ingredient branding in the food start-up scene will be discussed in more detail to provide a theoretical basis for the following chapters of the thesis.

5.2 Ingredient Branding for Spirulix

According to the Austrian Startup Monitor (2020) a company is defined as a start-up when certain criteria like the degree of innovation in technology, product, service, or business model are fulfilled. Furthermore, the company should not be founded more than ten years ago, and a certain growth potential regarding either employees or sales

volume must be shown (cf. Austrian Startup Monitor 2020).

Especially in the food start-up scene, the competition is rather high, and consumers have numerous options and brands to serve them. Additionally, most of the time customers are too busy to source the market for new products and brands. Therefore, it is necessary to direct their attention to the functional and emotional benefits of a brand and its products (cf. Tai 2014, p. 26). The general idea behind ingredient branding for start-ups is to spread distribution and gain brand awareness to make the component widely available. Through that, start-ups, as well as product manufacturers a higher business performance can be achieved, and the chances to succeed, are more likely (cf. Baumgarten 2007, p. 29).

Regarding the case of Spirulix, the start-up has already settled its position in the market, but there is still a lot of potential untouched when it comes to brand awareness. Especially through the sustainability aspect, Spirulix operates on the pulse of time and current market conditions are in their favor. For this reason, ingredient branding is a huge opportunity for Spirulix in terms of increasing the customer base, becoming well-known, and gaining competitive advantages. When it comes to suitable partners Spirulix has a larger network of possible candidates. For instance, the start-up is already giving the first try on ingredient branding with the company Haubis, a traditional Austrian bakery with a long tradition and history. The fact that Haubis is on the market for more than a hundred years makes it a strong host brand and an ideal ally for Spirulix. The so-called 'fit' between the brands is also high, as both are family-owned businesses, operating on a high-quality level and representing a common appearance. This creates a stable basis for the concept of ingredient branding (cf. Spirulix 2022).

The cooperation between Spirulix and Haubis is currently in the testing phase and one first product is already available on the market, the 'Haubis Algen-Vitalbrot'. Consisting of the ingredient Spirulina it is the prototype for a future cooperation between both companies. The product is already available in Haubis- and also in Billa-Plus stores. It has to be said though, that Haubis is not yet branding its products with the Spirulix logo. Anyhow, this is planned and aimed for in the future to assure that both parties profit from the cooperation (cf. Spirulix 2022).

Spirulix is dedicated to improving its market position through ingredient branding in the upcoming years. Research on ingredient branding for start-ups, especially in the food industry is lacking so far, there is nearly no existing literature, nor research about the usage of the concept in this specific branch. The results of this thesis should consequently provide insights into success factors, possible risks, and general effects on start-ups in order to provide a knowledge base for the future as an ingredient brand. Therefore, the upcoming chapter is dedicated to already existing success stories in regard to ingredient branding and gives an overview of the companies as well as the possible reasons for their success.

6 Success Stories of Ingredient Branding

The following chapter shows practical examples of how successful ingredient branding in different industries can be. For this purpose, three companies with high relevance for the thesis were chosen in order to analyze and evaluate their concepts of ingredient branding. The first one of them is Intel, a chip manufacturing company, that was the first firm in computer technology to use ingredient branding successfully. Secondly, the story of Coca-Cola and NutraSweet will be discussed, followed by the success story of Beyond Meat, representing the food and beverage industry.

6.1 'Intel Inside'

Intel Corporation was founded in 1968 by Robert Noyce and Gordon Moore. The original focus of Intel was the integration of transistors into silicon chips to make semiconductor computer memory (cf. Intel 2021). During the 1980s there was a shift from the personal computer industry towards the mass-market which made Intel move to a pull- rather than a push strategy. They started to address their advertising efforts directly to the consumer instead of only targeting the manufacturers. The breakthrough from an anonymous chip manufacturer to a well-known brand happened in 1991 when Intel launched the 'Intel Inside' program as a promotion of their ingredient branding strategy. The goal of the campaign was the shift from the image of a chip manufacturer to an industry quality bearer (cf. Keller 2008, p. 2f). The purchasing decision should no longer depend on the computer manufacturer, but on whether it contains an Intel processor or not. An increase in the customers' demand should be reached in order to prevent substitutability (cf. Pfoertsch/Müller 2006, p. 44).

The campaign was run for around two years, worth US \$ 250 million in total. After the first year, Intel recorded a worldwide growth in sales of 63 % amounting to US \$ 4 billion. Additionally, the preference of customers towards buying a computer containing an Intel processor rose from 60 % to 80 % (cf. Pfoertsch/Müller 2006, p. 45).

The reasons for the successful ingredient branding are due to the fact that Intel and its products meet the necessary requirements for this type of strategy. The processor is ideally suited for marking and consumers are able to clearly identify it because of the logo on the computer. Furthermore, Intel is constantly improving and innovating its processors in order to develop its competitive advantages and keep its position as a market leader. As a result, the willingness to pay among consumers is higher, because of the brand promise regarding quality and performance, which makes the price no longer decisive for the buying decision (cf. Pfoertsch/Müller 2006, p. 45f).

Through ingredient branding, and the 'Intel Inside' campaign Intel created brand awareness in the minds of the end consumers and achieved a customers' demand on its processors. Intel managed to shift its image from an anonymous chip manufacturer to an industry quality bearer (cf. Keller 2008, p. 2). In the end, the use of ingredient branding led to an increase in market share that makes Intel Corporation one of the most successful and famous companies in the world (cf. Pfoertsch/Müller 2006, p. 47).

Up next is the success story of a well-known company called NutraSweet that represents the food and beverage sector and is a prominent example when it comes to ingredient branding.

6.2 NutraSweet™

The NutraSweet Company is the world's largest manufacturer of sweetener, known as Aspartame. It was discovered in 1965 by researcher James Schlatter and revolutionized the sweetener industry. NutraSweet is the brand name of the company manufacturing Aspartame, which is found in over 500 different products reaching 250 million customers all around the world. Known as the sugar substitute it is mostly used in the food industry and requires specific labeling (cf. NutraSweet 2021).

Together with Coca-Cola the success story of NutraSweet began and innovated the market with Coke Light, the first low-calorie drink. The global consumption of sweeteners rose by over 70 % in the first year. NutraSweet as a brand was highly successful on the market and recorded rapid growth after the launch. As a result of the boom in the food industry and the multiple promises of producers (low-calorie, fat-free, sweeter than sugar) consumers started to pay more attention to the ingredients of various products. NutraSweet benefit from the change in consumer behavior and became a synonym for low-calorie (cf. Kotler/Pfoertsch 2010, p. 144).

The success behind NutraSweet as an ingredient brand was the focus on a single main target group: soft drink manufacturers. Through the Coca-Cola company, which is the market leader, NutraSweet managed to get a foot in the door and benefited from their success and fame. NutraSweet was leading the market back in 2010, controlling approximately three-quarters of the sweetener industry (cf. Kotler/Pfoertsch 2010, p. 145). Recently, the global market of Aspartame is booming and will grow approximately 4.94 % during the next two years, the top players in the market are the Ajinomoto Group, Niantang Chemical Ltd., HYET Sweets, Hermes Sweetener Ltd. Among others (cf. Research and Markets 2018).

The last and final success story is the one of Beyond Meat, a company built from the ground up, working its way to the top of the global food market, representing the concept of ingredient branding very successfully.

6.3 Beyond Meat

When it comes to ingredient branding concepts in the food start-up industry Beyond Meat cannot be overseen. Founded in 2009 by Ethan Brown with the concept of producing vegan alternatives to meat products it shortly became a highly successful brand. Since the beginning ingredient branding is one of the key elements in their branding strategy and leads to alliances with McDonald's, Subway, and many other well-known brands. The company serves as an ingredient for dishes in numerous restaurants and food chains around the globe. Kentucky Fried Chicken for instance offers vegan Chicken-Nuggets, McDonald's advertises a vegan burger containing a Beyond Meat patty, Dunkin Donuts offers vegan sandwiches and even Pizza Hut is

selling dishes with Beyond Meat products nationwide in the United States (cf. Beyond Meat 2021).

Possible reasons for the huge success of Beyond Meat are the favorable market conditions and trends concerning sustainability and alternative lifestyles, as well as the unconventional marketing strategy. The following elements give an overview of why Beyond Meat became more successful than any other producer of vegan food products to date (cf. Indigo9 Digital 2021).

Expansion of the defined target group

By avoiding the term 'vegan' the company keeps the target group broader (cf. Indigo9 Digital 2021). Its approach is to provide tasty alternatives to meat for everyone, no matter if vegan, vegetarian, or meat-eater and to redefine the best source of protein (cf. Beyond Meat 2021). Additionally, Beyond Meat fought for the placement within the meat section of the grocery stores which also contributed to the success of their products (cf. Indigo9 Digital 2021).

Tackling customer stereotypes

The connection between meat and masculinity is firmly anchored in human history. It is used in numerous advertising campaigns and keeps the stereotype of strength and power through eating meat alive. Beyond Meat took those typical associations and stereotypes and used them for promotion and advertising. With testimonials like National Basketball Association (NBA) players, the company convinced even hard-core meat lovers to try its products (cf. Indigo9 Digital 2021).

Alliances with Big-Players of the industry

Through the cooperation with Whole Foods Beyond Meat firstly reached its market potential and gained awareness among consumers. Part of the following marketing steps was the formation of alliances with strong brands like McDonald's, Pizza Hut, and Kentucky Fried Chicken (KFC). The ingredient branding approach was what Beyond meat needed for its breakthrough and what made the brand the top of the mind in the customers' heads (cf. Indigo9 Digital 2021).

Producing great products

The last element regarding the success of Beyond Meat is that the company creates

products that people like and are willing to purchase. In the end, it does not come down to sustainability-, plant-based- or meat-alternative aspects, but the simple fact that the products taste good, and people actually want to eat them (cf. Indigo9 Digital 2021).

To summarize, Beyond Meat chose a rather unconventional strategy for marketing and branding its products, however, the success of the company speaks for itself. It showed that ingredient branding, especially for food start-ups provides numerous possibilities to gain brand awareness, become well-known and trusted among customers, and profit from spillover effects.

The subsequent chapter is now going to summarize the theoretical part of the thesis and point out key findings from the secondary research and define further research needs in order to prepare for the empirical part of this work.

7 Summary and further research needs

The following chapter will summarize the literature-based findings from previous chapters and accordingly identify further research needs.

For the concept of ingredient branding, numerous definitions in literature can be found, but in general, the term describes the promotion of a component or an ingredient of a product to the end consumer (cf. Norris 1992, p. 20). Similar concepts like co-branding and inverse ingredient branding are often used in the context of ingredient branding.

The aim of ingredient branding can be defined as raising awareness among end consumers for specific product components and preventing substitution by competitors. Through the creation of brand preferences, the consumer demand will adapt, and the position of the ingredient supplier will be strengthened in terms of awareness, market power, and differentiation (cf. Nufer/Kocher 2010, p. 3).

Originally the branding strategy was planned and used around the industrial sector and should support component suppliers to promote their ingredients to the end consumer. Nowadays ingredient branding is no longer only used in industrial marketing but also consumer markets like the food and beverage industry (cf. Baumgarten 2007, p. 29).

Prominent examples in this context are NutraSweet, as well as Beyond Meat, which both are highly successful on the market.

The framework for ingredient branding is multi-level marketing, with the purpose to generate a pull-effect. Through that, the product manufacturer is put under demand pressure by the end consumers and has to react in a certain way. This causes an increased sales volume for the ingredient supplier and strengthens its position within the market, which also leads to more power in terms of pricing. As part of the multi-level strategy, ingredient branding also makes use of the principles of push and pull. The pull-principle is dedicated to creating a direct demand by the consumer, whereas the principle of push is dedicated to the use of sales-promoting measures to build up pressure on the following market levels (e.g., product manufacturer) (cf. Pfoertsch/Müller 2006, p. 23). Multi-level marketing, therefore, helps to improve the market position and gain a higher level of acceptance and awareness among consumers (cf. Havenstein 2004, p. 65f).

In what has been stated so far, it has become clear that ingredient branding is a rather complex interplay between the ingredient supplier and the product manufacturer, which offers various opportunities when used correctly but also carries some negative aspects for the involved parties, if managed laxly (cf. Havenstein 2004, p.117). For ingredient suppliers, the concept of ingredient branding offers the possibility to step out of anonymity, increase brand awareness among end consumers and help with substitution as well as competitive advantages. The pull-principle furthermore supports direct communication with consumers and leads to a strengthened position within the market (cf. Kotler/Pfoertsch 2010, p. 45). In contrast to that, there is the dependency on the product manufacturer and a possible negative spillover effect when it comes to product quality. Furthermore, the high costs necessary to create brand value and carry out multi-level marketing also have to be considered (cf. Pfoertsch/Müller 2006, p. 38).

For the product manufacturer, there are also some chances and risks when it comes to ingredient branding. First of all, the opportunity to differentiate from competitors and therefore gain competitive advantages is rather high, which will increase the value for both, ingredient- and host brand. Through the increase of the perceived value in the eyes of the customers the willingness to pay rises. The mentioned reasons make the

concept of ingredient branding quite appealing for product manufacturers, but some risks have to be considered (cf. Pfoertsch/Müller 2006, p. 40). On the one hand, the product manufacturer depends on the ingredient brand in terms of quality aspects, which in the worst case could lead to a negative impression of the host brand among end consumers. On the other hand, an overshadowing effect through the ingredient brand can occur and decrease the brand value of the product manufacturer (cf. Pfoertsch/Müller 2006, p. 39 - 41).

However, ingredient branding can only be successful if ingredient- and host brand are pulling together as a unit, then both parties will benefit from the concept and cause positive effects on both brands (cf. Pfoertsch/Müller 2006, p. 39 - 41). Differentiating between two categories of effects, namely direct- and spillover effects ingredient branding offers a variety of positive outcomes for involved parties. Direct effects hereby are caused by the brand cooperation itself and directly impact its economic success. Spillover effects on the other side refer to the caused effects of the cooperation as well as the caused effects between the two brands (cf. Schlüter/Villeda 2011, p. 97). Different studies showed that ingredient branding can positively influence the perception of the products through customers and increase the willingness to pay, the perceived quality, and the purchase intentions itself (cf. Rodrigue/Biswas 2004, p. 485; cf. Helmig/Huber/Leeflang 2007, p. 295). Furthermore, the fitting together of the ingredient- and host brand influences positive spillover effects and points out the importance of matching the quality and content of the allies (cf. Baumgarth 2004, p. 128). The available research, therefore, indicates that ingredient branding and brand alliances, in general, offer great opportunities for companies if the existing conditions are favorable.

Although ingredient branding has been researched for multiple years now, there are hardly any findings in literature about specific success factors of ingredient branding. Through theoretical considerations, practical reports, and reassignments of impact studies in management Baumgarth could nevertheless identify seven success factors of ingredient branding. Brand orientation and management skills as being the first one with a focus on strong brand values and a special way of acting and thinking on the management level. Followed by a detailed assessment of the potential and plausibility of building an ingredient brand with a certain component. Relevant conditions vary

among branches but serve as a first evaluation of the ingredient. Another factor identified is the understanding of customers and partners in regard to market research and a uniform image (cf. Baumgarth 2019, p. 446f).

Furthermore, the systematic planning of this multi-level cooperation is identified as essential for the success of ingredient branding. Superior quality standards of both ingredient- and host brand is another identified success factor. However, communication is one of the most important aspects regarding ingredient branding, as it assures the creation of a strong brand with high awareness among customers. The seventh and last factor of success for ingredient branding is the visibility and experienceable for customers, which can be achieved through labeling, marking (etiquettes, logos, stickers, etc.), and advertising the product ingredient (cf. Baumgarth 2007, p. 446f).

As already mentioned, ingredient branding is no longer only used in the field of production goods but has also made its way to the consumer markets around the globe. Especially the food industry has recognized the potential of ingredient branding in recent years and applied the strategy multiple times. Prominent examples of success in the food and beverage industry are NutraSweet and Beyond Meat, which both are highly successful through ingredient branding. Relevant literature is often limited to a description of best practice examples of ingredient branding without explicitly addressing questions of success factors or effectiveness. As a result, few studies and research about ingredient branding in the food sector have been done and already provided some insights into the effective implementation and use of the concept.

Despite that, research on ingredient branding for start-ups, especially in the field of food is lacking so far, there is nearly no existing literature, nor research about this branch. Against this background, a research deficit can be stated for ingredient branding strategies in the area of start-ups. From the perspective of start-ups, the question arises as to whether a strategy like ingredient branding could be beneficial for the establishment on the market as well as the further expansion of the brand and whether this is a suitable concept for start-ups in general.

For the reasons mentioned, the following research will concentrate on the usage of ingredient branding for food start-ups and identify success factors as well as possible risks of the concept. Therefore, the following chapter is dedicated to the research design planned for this thesis.

8 Research design

The following chapter gives an overview of the research design of this thesis and the methods used to collect the necessary data, evaluate the obtained results, and answer the research questions formulated in chapter one.

A distinction between two different collection methods is made in the primary research: quantitative and qualitative data collection. The former relates to empirical findings from surveys, experiments, and observations, which can be determined using inferential statistics in person, by telephone, in writing, or online (cf. Oberzaucher 2017, p. 21). Qualitative data collection deals with analysis motives, correlations, and causes of behavior, and interpretative and hermeneutic procedures are increasingly used (cf. Oberzaucher 2017, p. 31). Due to that, as well as the fact that guidelines for implementing ingredient branding as a brand concept, should be developed, this will be the primarily used method for this thesis.

Based on the desired output of the thesis, a qualitative survey, using online interviews, was chosen for the empirical part of the present work. The choice of the survey method is based on the positivism approach that certain behaviors are brought about by certain causes (cf. Wichmann 2019, p. 8). Furthermore, a deeper insight into the topic can be achieved by a qualitative survey and the interview partners have the opportunity to go into more detail during the conversation. Additionally, observations and behavior throughout the interviews can be included in the research as interview notes and show another perspective regarding the topic (cf. Carson et al. 2001, p. 71).

8.1 Recruiting and Sample

The population of this study consists of start-ups that operate in the food sector and the interviews are conducted with people in charge of ingredient branding. Defined by the European Start-up Monitors a company is counted as a start-up when it is working innovatively, has a growth potential regarding sales or employees, and is on the market for no longer than ten years (cf. Wirtschaftskammer Österreich 2021, n. p.). Companies outside this framework that do not count as a start-up are excluded from this study and will not be interviewed for this thesis.

The qualitative survey on the topic of ingredient branding includes a sample of eleven start-ups operating within the food sector in Austria. The selection of companies has been made in consultation with Spirulix to guarantee valuable and relevant outputs for them. For the selection of interview partners, three screening criteria have been defined: the interviewees had to be in charge of ingredient branding in a food start-up, the start-up had to fulfill the criteria defined by the Chamber of Commerce, and also be located in Austria. The majority of the interviewees work in the position of head of marketing and are responsible for ingredient branding, additionally, some interviewees were the founders themselves or work as Chief Executive Officer (CEO) within the start-up. The average age of the respondents is 33 years ($\bar{x} = 33$, $SD = 8,84$), and the gender distribution results in four female and seven male interviewees. The interviewed start-ups also fulfilled the classification criteria defined above regarding the founding time and employ on average ten employees. For the number of cognitive interviews ($n = 11$), the criterion of theoretical saturation was used, according to which the survey phase in the field and thus the conducting of the cognitive interviews is ended when a further interview does not lead to any new knowledge or new results (cf. Strübing 2008, p. 32). In order to convince as many participants as possible Spirulix offers everyone a goodie bag filled with products as a sign of thankfulness and respect.

8.2 Research Instrument

In particular, the success factors and risks of ingredient branding should be identified and further investigated with the help of qualitative interviews. The focus hereby lies on food start-ups and their ingredient branding concepts. Therefore, start-ups within the food sector were chosen as interlocutors for the interviews of this thesis. An interview guideline served as a framework for the conversation and ensured the comparison between the different interviews. The interview questions were separated into different categories, such as biographical information, warm-up questions, main questions, and so on. The background for this is to gain the trust of the interviewee and create a pleasant atmosphere for the conversation, this makes it easier for the interviewer to get to the relevant information. As the common volume lies between eight to fifteen main- and sub-question (cf. Sarstedt/Mooi 2019, p.78f) the guideline was developed with a total of 15 to 18 questions and consisting of around six different categories. The categories targeted various aspects influencing and concerning ingredient branding to get a good overview of the taken measures, activities, and

background to the strategy of the start-ups. The questions were posed rather openly to prevent short answers like yes or no in order to not disturb the flow of the conversation and give the interviewee the chance to answer in a more extensive and detailed manner.

8.3 Field Research

The interviews have been conducted from the end of February to mid-March and spread over a period of three weeks. The interviewees have been contacted with the support of Spirulix either by telephone or e-mail. All of the interviews have been carried out online via Microsoft Teams, due to the current Corona situation as well as the measures resulting from it. The aim was to keep the period of interviewing as compressed as possible, to make transcription and evaluation of data as efficient as possible. The interview partners have been selected and contacted through the network of Spirulix and some contacts that already existed were used for generating partners for the qualitative research. Before the first dialogues with the start-ups, the interview guideline has been tested two times in advance and necessary changes like the length and the type of questions have been made based on the pre-testing results. Furthermore, the interviews have been documented via voice recording in order to summarize the gathered information and make the transcription as detailed as possible. For that, all participants have been sent an e-mail containing a declaration of consent, which they had to sign in advance, in which they agreed that the interview is recorded.

8.4 Evaluation and Interpretation

For the evaluation of the qualitative data, the voice records of the interviews have been transcribed by hand, as automated tools are not yet reliable enough to do that on their own. The transcripts have been saved as separate Word files and were prepared for importing them into MAXQDA. The evaluation of the interviews took place with the already mentioned tool MAXQDA, which is a special software used in qualitative research. The interviews have been evaluated with the qualitative content analysis according to Mayring (2019), which focuses on the category definition (aspects of categories) and the level of abstraction (a generalization of the categories) (cf. Mayring/Fenzl 2019, p. 42). Through coding the transcripts, it was possible to compress and interpret the gathered data and give corresponding derivatives. Based

on those interpretations and the comparison with the researched scientific evidence the results can be discussed and recommendations for actions can be made.

The subsequent chapter is dedicated to the presentation of the results from the empirical research and will summarize them by forming suitable categories, empirically substantiated by key passages from the interviews.

9 Presentation of Results

In the first step, the transcripts of the conducted interviews were worked through using the line-by-line method (Chenail, 2012) and suitable categories were formed. For this reason, the tool MAXQDA was used, as it enabled clear and structured working with the qualitative data material. The resulting categories were then summarized and displayed visually in a diagram. A total of six categories could be found, which are visible in Figure 4: (1) Reasons for Ingredient Branding, (2) Choice of Partners, (3) Communication, (4) Success Factors, (5) Risks, as well as (6) Controlling and Key Performance Indicators (KPI's).

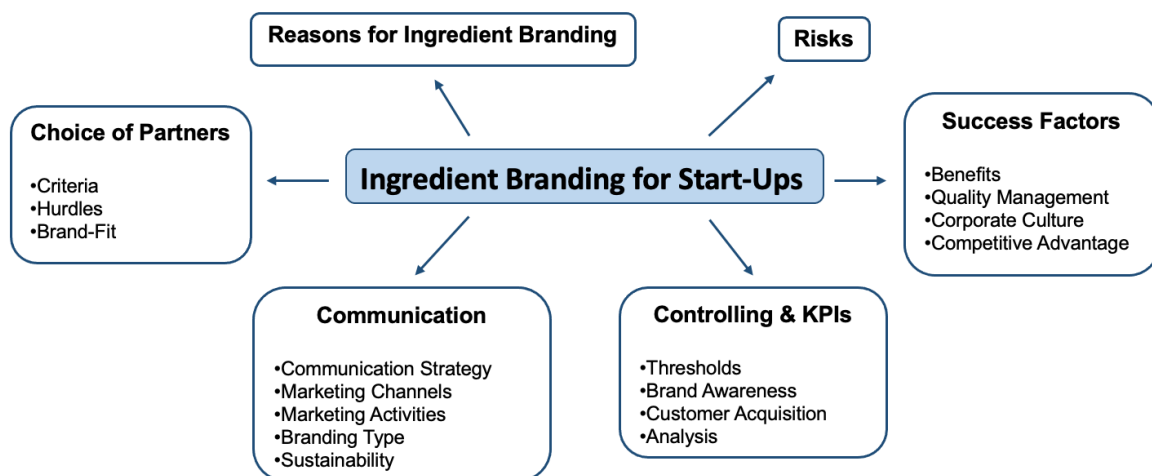


Figure 5: Representation of the category system (Source: Own)

The individual categories will be described in more detail in the following paragraphs and will also be empirically substantiated by key passages from the interviews.

9.1 Reasons for Ingredient Branding

The category of 'Reasons for Ingredient Branding' describes the motivation and background of the start-ups to choose ingredient branding as a branding strategy and

furthermore gives an insight into factors of the decision-making process. This category includes all matters of aspects that in the end contributed to the decision of the start-ups to use ingredient branding. This category does thus not include the advantages or benefits resulting from the concept, as these were queried specifically and have been together with other factors assigned to the category 'success factors'

Referring to the description of the content, the following empirical text passages can be used to justify the category '*Reasons for Ingredient Branding*':

"Since we are a start-up and have relatively little brand awareness, it is easier to use larger brands, for example, to enhance your own image" (Company 3, line 5-7).

"In principle, it grew almost organically for us because we have our own farm, and we produce one of the main characters ourselves" (Company 4, line 5-6).

"Of course, it is easier when we are working with a big brand that's already established in the market and that has already established itself. You can learn a lot, especially as a start-up. In particular, the management and the marketing activities themselves. In addition, you can also use the partner's network to a certain extent, which means that already developed networks such as suppliers or sales partners, you can also simply get an insight" (Company 7, line 8-15).

9.2 Choice of Partners

On the basis of the statements in the interviews, the category '*Choice of Partners*' could also be found. The focus hereby lies in the selection criteria of partners for the concept of ingredient branding and contains subcategories like 'hurdles in the choice of partners', 'conducted analyses', 'brand fit', and also the 'selection criteria' itself that are crucial for the selection of the right partner. However, this category only focuses on the aspects regarding the choice of a partner, therefore it is not relevant for this category how the communication is planned or which marketing activities the host brand initiates to be successful.

The focus of 'hurdles in the choice of partners' lies in identifying various uncertainty factors, difficulties of finding a partner, as well as learnings resulting from those

hurdles. Taking those factors into account, the following statements from the interviews are resulting:

“It was rather difficult because we have a very special topic and not everyone is with you immediately and you have to convince people first. There is often hate against our product and there is a lot of doubt in society” (Company 3, line 18-21).

“This means as a start-up you have to do a lot of convincing and really convince the desired host brand why, what for and how this cooperation is good and valuable for both sides” (Company 10, line 55-58).

“At the beginning, we have been a bit concerned about finding partners because our product is relatively special, which means it is not a thing for everyone. And we thought, why should big names actually work with us, why should they work with us as a start-up? There was an element of uncertainty at the beginning” (Company 11, line 24-29).

Besides the mentioned hurdles when it comes to the selection of partners, the category also includes the set criteria of the start-ups to find a host brand that fits their own requirements and wishes. In order to give an impression of why those factors fit into the mentioned category, statements from the interviews are presented below:

“That the partner represents a certain image, values certain values, that you simply have a good partnership on an equal footing” (Company 1, line 21-23).

“Trust is the be-all and end-all” (Company 2, line 18-19).

“With us, let's put it this way, there are factors that are important to us. That the partner is working with high quality because if the end product contains our brand this is crucial. If that was someone who already has a bad reputation regarding quality, then they won't fit” (Company 4, line 36-39).

9.3 Communication

In literature, communication is recognized as one of the most important influencing factors when it comes to the success of ingredient branding, therefore the following

category 'Communication' serves as an umbrella term for 'the communication strategy', 'marketing channels and activities, the 'form of branding' and also the 'sustainability aspect'.

In this context, the 'communication strategy' describes how ingredient- and host brand are planning their communication. Whether this happens together, every brand does it on their own, or if it is a combination of the two options mentioned before. In this regard, the empirical results show different images:

"There are situations where we say they do it the way they want and are allowed to communicate that, but there are also special rules that have to be considered" (Company 3, line 53-56). "Normally, an attempt is made to develop a united communication and then represent it on both sides. But there are also cases when you really say good, they communicate it the way they want, because of course some things are more important for our brand than others" (Company 3, line 58-61).

"The host brand also said they are more or less taking matters into their own hands, but to be honest, we simply had different experiences from our previous experiences on the market, where you make the decision in marketing, for example, which we don't make like that, because we know, for example, that communication is not necessarily optimal" (Company 4, line 112-117).

"On the one hand, they do a lot themselves, so they also promote it themselves. But we also do tastings, for example, and then we cross-promote each other" (Company 6, line 63-65).

Referring to the 'communication strategy, the category 'marketing channels and activities,' gives an impression of the different channels the start-ups use to communicate with either their customers, but also the consumers of the host brand. Furthermore, the category provides an insight into the actual marketing activities used by the different start-ups. The results in this regard are actually quite similar and differ only in minor details like the type of created content.

"Performance marketing very strongly in the direction of social media. So TikTok,

Facebook, Instagram, email marketing, display advertising on Google Search Engine Marketing um yeah. In the end, you can say the whole online range” (Company 4, line 131-134).

“So, I think we've found a good average of online and offline activities where we can reach and use a relatively large number of our target group. There are, for example, things like mailings, sometimes newspaper ads, i.e., articles or something like that and online like Instagram, Facebook, even TikTok and yes, things like Google Ads or something similar” (Company 5, line 63-68).

“So, basically the idea is to create a community that understands the lifestyle that we're trying to convey and that's how we build a community and not just win customers. We want to inspire people to eat healthily, to just live a more conscious life and that's the spirit behind it” (Company 8, line 44-48).

9.4 Success Factors

The category ‘Success Factors’ is oriented on the positive advantages start-ups achieve with the concept of ingredient branding, but also focuses on factors influencing the success. Therefore, subcategories like ‘quality management’, ‘corporate culture’, ‘advantages’ as well as ‘competitive advantage’ could be assigned to the category and linked to the success of ingredient branding.

According to the interviews, the quality of the ingredient is an essential factor when it comes to the success of ingredient branding, as it is the flagship of the brand and makes the difference between victory and defeat. It can serve as a competitive advantage within the branch and creates a basis of trust between the ingredient- and host brand, as well as with the customers buying the end product. However, most of the start-ups are pioneers in their field and currently have little to no competition within the Austrian market, which is also reflected in the individual conversations.

“That’s for sure. We don’t have much competition because we are one of the pioneers in Europe. We are positioning ourselves a little more in this ecological area, so there is an advantage, but it is not that dramatic for us” (Company 3, line 130-133).

“Yes, of course, we are the pioneers in the industry, we don't have that much competition within Austria, and it still takes us to the next level, I would say. And yes, you simply have big brands that you already work with, and they know you” (Company 7, line 146-154).

“So, you benefit, and you also have a competitive advantage, because the more broadly you are positioned, the less replaceable you become” (Company 11, line 161-163).

Furthermore, the empirical results also show the relevance of the corporate culture when using a concept like ingredient branding. In this context, terms like shared values, and making a change are used again and again in nearly every interview and highlight the importance even more.

“It's just a young team that wants to make a difference and they have the feeling that they are up to date and can also contribute by taking us on board. So, I do believe that this is a relevant point for many” (Company 1, line 167-169).

“It's quite clear that both the start-up and the host were more or less willing to say hey, we're the big brand, among other things, or the big company, and we're going to hit it anyway a smaller brand on the product. Then there has to be a certain openness. But you also have to have a general interest in doing something innovative, because Start-Ups do innovative things at best” (Company 4, line 225-231).

“So, as a first step, I would say yes. In the end, it's all about that, especially for start-ups, they're mostly small teams and it's really about why we're doing it all, so to speak, and not just because we should earn money as quickly as possible. But you somehow want to change something in the world, or you are dissatisfied with the current situation. And it's really about bringing this feeling into the company to a certain extent. The reason why the company even exists. And that's where I think it's important, the company values, working hours, and everything else” (Company 6, line 171-180).

9.5 Risks

Similar to the ‘Success Factors’ the following category ‘Risks’ aims to identify

disadvantages, negative aspects, and of course also the risks that ingredient branding poses to start-ups. Regarding this context, there were relatively few negative experiences and associations addressed during the interviews. This could be due to the fact that the partners were selected very conscientiously, and that in general, start-ups actually only benefit from the concept of ingredient branding. However, the following text passages of the interviews will justify the category 'Risks'.

“Based on our experience I can say there are no negative aspects. Of course, if the product that contains your brand does not correspond to your brand in terms of quality, taste or health or other aspects, then, of course, that also has a negative impact on us” (Company 4, line 164-170).

“I would actually say no, I know who my partner is and what they do with my ingredient. That means I also check that the quality and things are right and that it always fits” (Company 5, line 83-85).

“The only major downside would be if the host brand were to go into some sort of massive crisis that would also sweep me away as an ingredient provider” (Company 10, line 115-116).

9.6 Controlling and KPI's

The last category '*Controlling and KPI's*' includes all measures that prove the success of ingredient branding and are conducted in order to identify positive effects the concept entails. Additionally, this category contains possible thresholds agreed on between the ingredient- and the host brand in order to manifest criteria for maintaining the partnership.

In general, the interviews revealed, that in most of the start-ups almost no survey panels or market research have been conducted in order to demonstrate the actual impact of ingredient branding on the brand awareness, the enlargement of the target group, or new customer acquisition. This might be due to the limited budget, as well as the limited human resources and the lack of time.

“Yes, definitely noticeable, but no, not measurable. We are still relatively small, so there

are no data pools and analyses that we do in such a targeted manner. But what we do notice is that new customers who come to us often say yes, I know you from here and there and you are working with this and that brand and so on. So, already increased, but not measurable, at least not yet” (Company 5, line 92-96).

“Absolutely. I mean, I can't prove it to you statistically or numerically, but we often hear from customers that they know us from here and there and yes, that's how they came across our products or our brand in general” (Company 5, line 43-45).

“I would answer the question by saying that as an ingredient brand you can probably reach new target groups in a shorter time” (Company 10, line 81-82).

In summary, all of the described categories are interrelated and can influence each other (see Figure 5). On the one hand, the choice of partners leads to either success or failure of the concept of ingredient branding, finding a suitable partner in terms of brand fit, values and goals is therefore crucial to be successful. However, positive learnings can also be drawn from it. If all factors and categories are taken into account, it is obvious that they interact with each other and influence the success of ingredient branding.

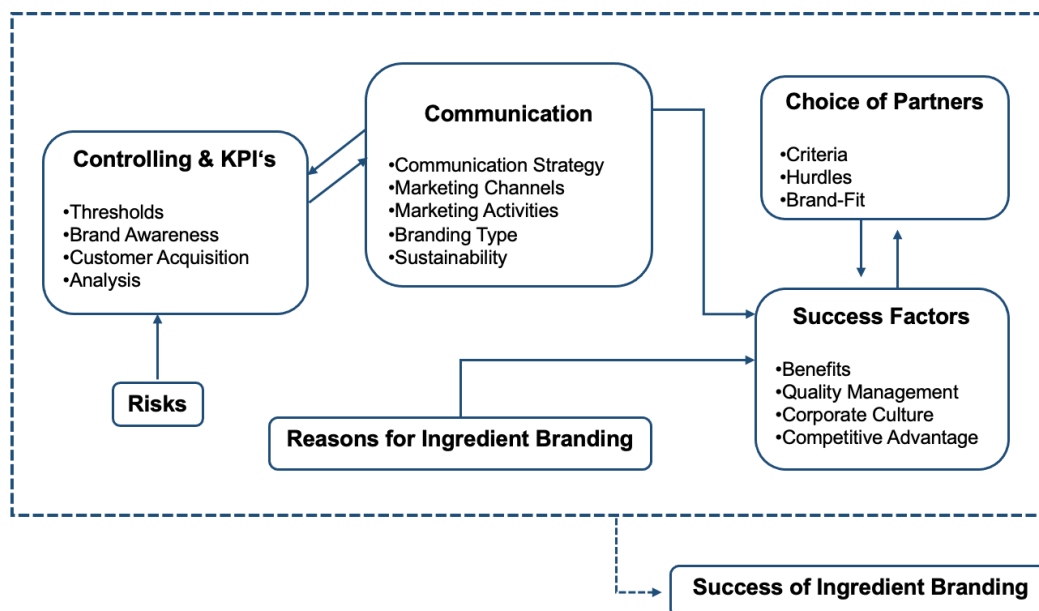


Figure 6: Linking categories with each other (Source: Own)

The following chapter gives a more detailed view of the results of the conducted interviews based on the described categories.

10 Empirical Results

The following chapter will now present the results from the empirical research based on the generated categories in the previous chapter and describe them in more detail in order to make them comprehensible for the readers of this thesis.

10.1 Reasons for ingredient branding

Most of the start-ups are producing the ingredient themselves, therefore it was obvious to make use of the concept of ingredient branding and team up with a strong partner to additionally promote the brand. However, the start-ups also sell their own products containing the ingredient or even sell the ingredient as an own product. Company four declared that ingredient branding came into play after a certain time, as the ingredient is produced on their own farm, but it was not part of the branding strategy from the beginning (e.g., Company 4, line 7-9). Additionally, some other start-ups as well started around one to two years ago, like the companies 5, 7, and 9. Ingredient Branding is therefore mostly used as a second business pillar and is not explicitly the main business focus of any of the companies. It is mostly used to gain brand awareness develop the own image. Most of the interviewees mentioned this at least once in the interview which makes them part of the key reasons for start-ups to use the concept of ingredient branding. Company 3 summarized the main points in the following statement: *“Because we are a start-up and have relatively little brand awareness, is easier to use larger brands, to improve your own image. So, to create awareness and to have your own image as a testimonial at the same time”* (line 5-8).

So, in general, the motives using ingredient branding are the possibility to improve the own position within the market, increase brand awareness and promote the own brand with the support of a partner-/host brand. Furthermore, the reach is increased which might result in an enlargement of new customers as well as the target group. Throughout the interviews, these were the terms and aspects mentioned the most and represent the reasons for choosing the concept of ingredient branding according to the results.

10.2 Choice of Partners

Regarding the criteria of the start-ups when looking for a host brand the most frequently

mentioned terms have been, for instance, trust, values, and goals, as well as the fit of both brands. Most of the interviewees said that they attach great importance to the host brand matching their own brand, this in more detail relates to factors such as values, quality, spirit, and sustainability. Throughout the interviews, it became clear that nearly every start-up expects the same from a host brand and assumes key criteria in order to start a cooperation. Company 4 (line 69-72) mentioned terms like quality, taste, and innovation, which was also a topic during the interviews with companies 1 (line 19-21), 3 (line 26-28), and many more. This makes the answers regarding the posed statement of the interviewer, that the higher the brand awareness of the host brand, the more the ingredient brand benefits from it even more comprehensible.

The referring question if the size and brand awareness of the host brand have been considered during the selection of partners has actually been answered quite similarly. In general, the strength and size of the host brand are secondary for most start-ups, it is much more important to them that the partner fits the values, spirit, and quality expectations. This is also confirmed by company three, which stated that for the founders a similar point of view and a fitting image is more dominant than the fact that it is a super big brand (Company 3, line 38-40). Furthermore, the interviewed start-ups suppose cooperativeness and the willingness to make a change from their host brands, in order to be successful and guarantee a long-term relationship with each other.

When it comes to hurdles arising when looking for a partner, the opinions and experiences are nearly the same for the interviewed start-ups. Most of them mentioned the fact that they had to do a lot of persuasion to convince the desired host brands to work with them. Especially company 3 and 11 reported the importance of suitable arguments for the host brand, as the various ingredients are unconventional and special in some kind, which requires more openness from the host and some more persuasion from the ingredient provider (Company 3, line 21-22; Company 11, line 24-29). Company ten argued that as a start-up the negotiation positioning is not the best, and it is, therefore, necessary to have good arguments and reasons why every party would benefit from a partnership like ingredient branding (Company 10, line 91-93). *“So, the point is, as an ingredient brand, I have to present concepts to the host brand, I can't expect the host brand to create a concept together with us. So, you have to think for yourself how can I make the concept appealing to the host brand or potential host*

brand." (Company 10, line 91-93).

To summarize, the selection of partners and the criteria used during the selection process have huge impact on the future relationship of host- and ingredient brand and also influence the success of the branding concept. Anyways, the start-ups have to be prepared for the negotiations at the beginning and should develop a strategy on how to persuade the desired host brand of the concept. Above all, this requires a good and well-structured communication concept, which will be further explained in the subsequent paragraph.

10.3 Communication

The category communication is dedicated to the items communication planning, marketing channels, and activities, as well as the relevance of sustainability and the form of branding on the end product. The results regarding the communication strategy of ingredient- and host brands differ from start-up to start-up and show that the communication is planned rather differently.

On the one hand, many of the ingredient providers are using a unified, collective communication strategy that is developed together. For this case the ingredient- and host brand are getting together in order to develop a concept, that suits both sides and is feasible for the brands, which was also mentioned in the interview with company nine. On the other hand, some brands are using a mix of individual and collective communication strategies to keep creativity and flexibility. Such as companies 4 and 11, which are both planning the general strategy together with the host brand, but are doing the designs, and contents of communication individually (Company 4, line 109-111; Company 11, line 124-126).

Although the communication planning varies, the channels used are closely the same throughout the start-ups. This means social media channels like Instagram, Facebook, and even TikTok are counting as the most popular communication platforms used. However, many of the start-ups also rely on direct exchange with customers at fairs, expos, and tastings. Company six for instance stated that contact with their community is one of the most important resources and that the entire brand is based on it (Company 6, line 77-78).

Another item is the relevance of sustainability for the concept of ingredient branding according to the interviewees. The results show that this aspect is named numerous times as an important influence on the success of their ingredient brand. Every start-up attributes a special value to sustainability and in most cases, it is part of the company philosophy. Company 4 and 11 have nearly the same view regarding the aspect of sustainability and mentioned that without this factor their whole branding concept would not work (Company 4, line 215-129; Company 11, line 175-177).

The summary of start-up two also demonstrates the scope of the term throughout their company culture, as it is not only a commitment but a lifestyle that positively contributes to the overall success as a brand (Company 2, line 122-124). However, there are more factors influencing and affecting the success of ingredient branding, all summarized in the following chapter.

10.4 Success Factors

Regarding advantages and benefits for the start-ups arising through ingredient branding terms like increased brand awareness, more touchpoints, benefits from existing networks, and know-how, as well as predictability of selling units and reaching new customers, have been mentioned multiple times. The opinion of company one is, that the more touchpoints and sales channels are used, the better it is for the success of the company (Company 1, line 123-124). Some interviewees also stated that they benefit from the insights into already established companies with a developed network in terms of suppliers, logistics, and so on. This highlights the benefit for the start-ups regarding know-how and general learnings. Furthermore, aspects like easier access to consumers are provided regarding product tastings and buying products from the ingredient brand. Company six described that through the cooperation with the host brand, the start-up is taken more seriously, and customers already have some sort of touchpoints with the ingredient brand (Company 6, line 60-62). Also, during the interview with company seven, it was stated that it is easier to convince consumers to try the products if they already know it from the cooperation with another brand (Company 7, line 81-84).

Furthermore, referring to the success of ingredient branding the quality aspect of the

ingredient and the measures taken to ensure the optimal quality for the host brand were expressed quite often. Most interviewees stated that they use a quality management system in order to monitor the quality of the ingredient in order to be able to intervene in an emergency. Furthermore, some start-ups said that the quality of their ingredient is a huge factor when it comes to competitive advantages and influences their position within the branch. *“And you can also see that in the ingredient branding, or in the end products themselves, so the customers see this transparency in a very positive way in contrast to other providers on the market”* (Company 6, line 127-129).

Besides the quality, competitive advantages arising through ingredient branding have only been mentioned in regard to a broader standing within the market and more touchpoints with the consumer. However, the culture of the start-up is seen as a success factor by all interviewees with the background of understanding why the concept of ingredient branding was chosen and that employees recognize the values that come with it and are motivated to contribute. Company five for instance summarized that the start-up wants to make a change in the world and that there has to be a full commitment in order to be successful and spread this message (Company 5, line 117-119). Also, the statement of company six sums up the facts in an understandable way: *“At the end of the day, it's all about, especially for start-ups, they're mostly small teams and it's really about why we're doing it all, so to speak, and not just because we should earn money as quickly as possible. But you somehow want to change something in the world, or you are dissatisfied with the current situation. And it's really about bringing this feeling into the company to a certain extent. Why the company exists so to speak, and I think that's important for the general success”* (Company 6, line 171-179).

Taking those factors into account the concept of ingredient branding becomes more understandable in terms of success factors, however, it also bears risks for the host-as well as for the ingredient brand. Those have to be considered as well and it should be weighed if the benefits or the risks prevail before entering a partnership. Therefore, the following chapter is dedicated to identifying the potential risks for the ingredient providers.

10.5 Risks for the ingredient brand

The empirical results show that when it comes to negative aspects or risks most of the interviewees have not made any bad experiences yet. Nearly everyone mentioned the fact that in the end, they have no influence on the processing of the ingredient and that it is somehow a loss of control. Company three stated, that as an ingredient provider, the product is handed to the host brand, and one has to entrust them unconditionally, as there is no way to intervene anymore (Company 3, line 90-91). However, it was also said that normally the trust between the ingredient and host brand is given and that the selection of the partners happens with conscientiousness. The interview with company five revealed the importance of the choice of partners, as it is the basis of successful cooperation without issues and the foundation of a high-quality end product (Company 5, line 109-111). Another risk mentioned by company ten was the case of a huge crisis of the host brand, which could eventually lead to an existential threat for a small start-up. *“You carry the success, but of course, you also carry the failures!”* (Company 7, line 138-139).

Summarizing, according to the interviews, there are not a lot of downsides for start-ups when it comes to ingredient branding and the mentioned benefits are outweighing them. However, there is always the possibility of negative side effects when the quality of the end-product is lacking or if the host brand gets into a scandal, which both could be threatening the existence of the start-ups in the worst case.

10.6 Controlling and Key Performance Indicators

Most start-ups are not using analyzes regarding the selection of a partner, respectively a host brand. However, some of them reasoned that they do not have the data, staff, and time resources to carry out such analyses and that they rely on certain selection criteria when it comes to selecting host brands. Furthermore, company six mentioned that in nearly every selection process the direct discussions with the potential host brands provide the best insight, into whether the spirit and values fit or not (Company 6, line 17-19). Another company stated that it is most important to think in scenarios and consider the further growth path with the potential host brand, including the budget situation, as well as the reach itself (Company 10, line 30-32).

To summarize, the majority of ingredient brands did not use analyzes like market

research, industry analysis, or something similar. According to the interviews, there are points that are more important than analyses when it comes to choosing the 'right' partner, for instance, special criteria like values, trust, and brand fit, as well as scenario thinking and direct conversations.

10.7 Summary

As far as literature goes, the concept of ingredient branding might attract new customers and enlarges the target group. Therefore, the interviewees have been asked about key figures regarding brand awareness and customer acquisition that prove this in practice. The results show that the majority of the start-ups argued that they definitely feel an increase in brand awareness and gaining new customers, but none of them was able to prove these assumptions using key figures. Anyways, the assumptions of the start-ups are based on customer feedback during fairs, expos, and tasting, which means that these are justified in some kind of way.

According to these results, there is no clear assignability whether the brand awareness and the target group could be increased, or if it can be attributed to the ingredient branding. However, the resources of the start-ups, as well as the budget are limited and were mentioned as the main reason why there are no number-based evaluations at the moment. This also reflects when it comes to thresholds agreed between host- and ingredient brand the results show a tendency to leave out contracts and agreements like those. A few start-ups mentioned minimal purchase quantities and told that with most of their host brands there is no agreement on thresholds in terms of turnover, profit, or sales volume. Company ten declared that as a start-up certain things like thresholds should be avoided, if possible, as those increase the risk of being kicked out if the expected targets of the host brand are not achieved. However, it was also stated that a compromise on this might be an agreement on exclusivity with the host brand for a limited period of time. Both brands would benefit from this, and a solid basis of trust can be created with it as well. (Company 10, line 135-142).

In the subsequent chapter, the results obtained from the qualitative research are interpreted in the context of the already existing scientific evidence and in the context of the described literature in the theoretical part of this thesis. Based on these findings, recommendations for actions respectively a guideline for the start-up Spirulix for the

successful use of ingredient branding are to be derived.

11 Discussion

The following discussion is broken down into various relevant aspects regarding the successful use of ingredient branding and compares whether the literature corresponds to the results of the empirical research. The presentation is already based and oriented on the research questions.

11.1 Chances and risks for the ingredient brand

According to literature, ingredient branding bears various chances but also risks for the ingredient provider. It gives for instance the possibility to step out of anonymity, increase brand awareness and decrease substitutability for the ingredient brand. However, in order to be able to achieve the mentioned advantages, the value of the ingredient has to be made clear for consumers as well as the host brand (cf. Pfoertsch/Müller 2006, p. 35f). This was also mentioned in the majority of the interviews and strengthens the statements of Pfoertsch and Müller in practice. In general, the start-ups named reasons like an improved market position, raised brand awareness, and an increased reach through ingredient branding as the main motives for using this branding concept. Company 3 for instance stated, *“Because we are a start-up and have relatively little brand awareness, is easier to use larger brands, to improve your own image”* (Company 3, line 5-8).

When it comes to persuading a potential partner respectively host brand of ingredient partner the interviews made clear that the negotiation position of start-ups is not optimal and in order to be taken seriously it needs good arguments and reasons why involved parties benefit from the concept. Considering those results, the assessment catalog of Baumgarth (2019, p. 445) could be helpful, as it evaluates various components like performance advantages, growth potential, and so on beforehand. This might be beneficial when negotiating with a potential host brand and serve as a demonstration of the suitability and fit of the ingredient.

However, the interviews also revealed some risks and uncertainties for the start-ups occurring through the partnership with a host brand. Some start-ups mentioned the

loss of control in terms of handing the ingredient to the manufacturer, not being able to intervene when it comes to quality issues. The statement of company 3 highlights those concerns, as it tells that as an ingredient provider, the product is handed to the host brand, and one has to entrust them unconditionally, as there is no way to intervene anymore (cf. Company 3, line 90-91). This situation is also described in literature by Kotler and Pfoertsch (2010, p. 47) and reveals the possible consequences for the image of the start-ups. Preventative actions taken by the start-ups are regular tests and quality controls which are carried out in the course of their quality management. The most important point, nonetheless, for preventing these situations is the choice of partners, as described in most interviews. The interview question about the selection criteria of partners provided detailed information about this and points out that most start-ups have certain requirements and factors to choose their potential host brands. The most frequently mentioned terms in this context have been, trust, values, and goals, as well as the 'fit' of both brands.

According to literature, especially the 'fit' of the ingredient- and host brand is necessary to increase the purchase probability, the willingness to pay, and the positive perception in the eyes of the consumer (cf. Helmig/Huber/Leeflang 2007, p. 295; cf. Venkatesh/Mahajan 1997, p. 147). It is described to be crucial to analyze the product fit before entering a partnership with a host brand (cf. Helmig/Huber/Leeflang 2007, p. 295) as the 'fit' in terms of compatibility and consonance results in a strengthened spillover effect for weaker, unknown brands. Comparing those statements with the results of the interviews, the definition of the term 'fit' is for start-ups somewhat different from the description in chapter 3.7 of the theory part. Although smaller brands with a lower brand awareness profit from alliances with stronger, well-known companies, the interviews showed that for the interviewed start-ups the popularity or size of a host brand is de facto not decisive for a partnership. Moreover, factors like trust, value, spirit and sustainability weigh more regarding the decision. This highlights that in the case of start-ups, representing innovation, and having a certain mission and vision the findings from the literature only apply to a limited extent.

11.2 Effects on the ingredient brand

Regarding the overall effects of ingredient branding on the ingredient provider, the answers of the interviewees were quite similar. Most start-ups could achieve an

increase in brand awareness and also enlarge the customer group according to the interviews. Nearly every start-up admitted that they cannot prove those statements based on key figures, as they do not have data pools or resources for doing market research or a panel survey. However, an increase in sales volume could be proven, based on sales figures from the geographical areas in which the host brands are operating. This confirms the statements of chapter 3.7 which describes short- and long-term effects of ingredient branding such as willingness to pay and actual sales (cf. Schlüter/Villeda 2011, p. 97).

Additionally, some studies found out that a high 'fit' of ingredient- and host brand positively influences the perception of both brands by the customer (cf. Rodrigue/Biswas 2004, p. 485) which was part of the interviews as well. Some start-ups for instance mentioned that at events and fairs visitors already have a quite positive attitude towards the brand, even though they have not yet tried the own products of the ingredient brands. Of course, this evens the path for direct communication with the potential customers, as there already have been touchpoints with the brand, which gives the start-up a competitive advantage over other brands. This example demonstrates what a positive influence ingredient branding can have on the image of smaller companies like start-ups and also confirms statements from the literature regarding positive spill-over effects for the ingredient brand.

11.3 Success Factors

Comparing the results from the qualitative interviews and the finding from the literature research shows that the success factors defined by Baumgarth (2019) merge strongly with reality. According to the author, a number of seven factors can be identified in order to be successful with the concept of ingredient branding (cf. Baumgarth 2019, p. 445). One of the fundamentals is seen in the brand orientation, characterized by strong brand values within the management and among employees (cf. Baumgarth 2019, p. 446). This item was questioned in the interviews through the influence of the corporate culture on the success of ingredient branding. As described in chapter 10.4 all companies agreed that the corporate culture influences the success of ingredient branding. *"You should always stand by the brand and communicate your vision and values, it simply doesn't work any other way"* (Company 3, line 138-139) this statement of company 3 points out, that literature and empirical results agree on this point.

Furthermore, the start-ups mentioned the importance of high quality, from both the ingredient- and host brand, and described quality as an opportunity for competitive advantages within the market. This confirms the statement of Baumgarth (2019, p. 447), who also described quality as a contributor to the success of ingredient branding. Although the author related the aspect of quality to the performance of the end product, in the case of the food start-ups it would rather refer to the taste of the end product. However, there are visible similarities between what Baumgarth (2019, p. 447) found out and which experiences the start-ups have made. This is also reflected in the communication that according to literature is a key element for the success of ingredient branding, as it is necessary to build a strong brand with high brand awareness (cf. Baumgarth 2017, p.27). In this regard, different approaches were mentioned by the start-ups, on the one hand, many of them are using a unified, collective communication strategy together with their host brands. On the other hand, some of them are using a mixed approach of individual and collective communication to sustain creativity and flexibility. Anyways, the literature did not mention a certain way in which the communication has to be done, as long as the communication is effective and helps to achieve the set goals, namely increase brand awareness, and build a strong brand, the manner may vary as the interviews have shown.

Although many of the named success factors in chapter 10.4 could be strengthened through the output of the empirical research, there is one aspect that especially in the start-up scene could not be fully confirmed. This one was 'understanding customers and partners', referring to doing market research or panel surveys in order to collect knowledge across all levels about customers and partners (cf. Baumgarth 2019, p. 447). According to the interviews, the majority of start-ups did not do any market research at all before they started to do ingredient branding. A reason for this mentioned various times are the immense costs, personnel shortages, and time resources research like this would need. The only thing the start-ups do is to communicate directly with their customers in order to get feedback about products and services. Those results reveal that Baumgarth (2019, p. 447) related this success factor to larger companies with better networks and more resources and did not take smaller companies like start-ups into account.

As literature and empiricism were now brought into relation, the upcoming chapter gives concrete recommendations for actions for Spirulix and provides some sort of a guideline for the start-up in regard to successful ingredient branding.

12 Recommended Actions

Based on the interpretation and discussion of the results in the previous chapter, recommendations for actions respectively a guideline is formulated for the start-up Spirulix in order to get the most out of the concept of ingredient branding.

12.1 Selection criteria and scenario thinking

The interviews, as well as the literature research, made clear how important the selection of partners for the success of ingredient branding is. Therefore, the first recommendation for Spirulix is the collection and definition of several criteria in terms of selecting a host brand. The selected criteria should precisely reflect the requirements and wishes of Spirulix when it comes to the 'right' partner and serve as some kind of support and guidance in order to facilitate the selection process for the start-up. Additionally, a catalog of selection criteria offers the opportunity to make rational decisions and decide on the same basis as far as possible. "Success does not come without detailed preparation, the careful selection of partners and ongoing effort" (Baumgarten 2007, p.29). Furthermore, it is recommended to think through the business scenario with the potential host brand before potential partners are considered and before a partnership is entered. In the case of Spirulix that would mean looking at the further growth path together with the host brand, including the budget, reached target group, branding on the end product, and so on. In summary, this gives Spirulix the opportunity to view the scenario of the partnership from different angles and allows an objective decision.

12.2 Company culture and spirit

As mentioned in the literature, as well as during the interviews, the importance of company culture and values became clear. A clear definition of the vision and mission of the start-up ensures that employees stay intrinsically motivated and makes sure that the message of the company spreads. This is not only important for the success of ingredient branding, but also for the overall success and survival of the company. Statements from company 8 and 10 highlight that as well: "*In the case of a start-up company in particular, I would even say that the basic brand idea influences the corporate culture more than the other way around*" (Company 10, line 166-167); "Yes,

not just for ingredient branding, I would say in general. (...) So, we make sure that we also involve the employees in the company and thus naturally bind and motivate them. So, I think that's a success factor for us."

Spirulix should therefore define a solid mission and vision statement, that is understandable for all employees, and which symbolizes a goal for them to work towards. Additionally, it would be beneficial to define company values that have the greatest value for Spirulix and that contribute to that mission and include employees in decisions and management processes. This will motivate employees and also points out that they are valued for what they do and contribute to reaching the defined goals. Furthermore, for a start-up, it is easy to implement those suggestions since flat hierarchies usually ensure greater flexibility.

12.3 Conviction concept and added value

Due to the frequently mentioned hurdles when choosing a host brand, the following recommendation for Spirulix refers to the preparation of arguments for convincing potential host brands. Therefore, as a start-up that wants to work with larger brands already having a good position within the market, it is necessary to develop a concept for persuading potential partners of the strategy of ingredient branding. Otherwise, the host brand might get the impression that ingredient branding helps and supports the start-up more than the own brand. This means it is advisable to demonstrate the host brand the added value of the ingredient, which they cannot provide themselves. In the case of Spirulix, it would be the health benefits the Spirulina naturally offers, the regionality, as well as the aspect of sustainable production of the ingredient. These aspects were also mentioned by Bornkessel/Smetana/Heinz (2019, p. 3f) who argued that the trend of functional and sustainable foods has increased and should be communicated to the customers. Furthermore, Spirulix as a traditional family business also has a certain image among consumers and is thus perceived positively in the eyes of customers as well which might cause positive spillover effects on the host brand. With arguments like that the benefits of a partnership can be highlighted for potential host brands and serve as a basis for further negotiations. Summing up, a concept on how to convince potential partners of benefits and advantages is necessary in order to be successful as an ingredient provider, especially as a start-up.

12.4 Communication and positioning

Another important aspect of successful ingredient branding that emerged from the literature as well as from the conducted interviews is communication planning. The way in which this is done is not prescribed and may vary in different situations depending on the host brand. Anyways, for this reason, Spirulix is advised to set smart goals that are specific, measurable, achievable, relevant, and time-bound in order to keep an eye on the output of the communication activities and be able to make adaptations if necessary. A concrete plan concept with the host brand is advisable as well as through the interviews it became clear that if it comes to special ingredients like Spirulina the host normally has no experience regarding the optimal communication strategy. Spirulix should therefore already be able to present a prepared communication concept and then optimize and adapt it to the needs and wishes of the host brand. This shows not only professionalism but also enables the host brand to benefit from already made experiences, prevent failure and mistakes, and consequently improve the success of the partnership.

Additionally, to the communication, the positioning of the ingredient brand was topic of some interviews and is, therefore, another aspect Spirulix should keep in mind. This specifically refers to the positioning regarding the added value for the host brand but refers also to the visual positioning. In order to be able to label the end-product with the own logo the harmony of host- and ingredient brand on the product is crucial, as an inadequate appearance of the end-product could be a killer argument of the host brand in the end. Therefore, in addition to already named criteria such as values and quality of the host brand, also visual congruence should be considered in the selection process of partners which is also mentioned as a success factor in literature (cf. Baumgarth 2019, p. 448f.). Spirulix, in this case, has a big advantage regarding the logo, as it is black and white it will to a large extent be compatible with other logos and packaging. However, should the case arise that the logo does not fit the host brand, alternatives like stickers or letterings should be sought in advance to prevent to avoid last-minute cancellations of the partnership in this regard.

12.5 Controlling and Key Performance Indicators

Since hardly any start-up could accurately quantify the actual benefits of ingredient branding the last recommendation relates to key figures and controlling. As Spirulix

and the interviewed start-ups only use ingredient branding as a second business pillar, it is difficult to make exact statements about the aspects of brand awareness, customer acquisition, or brand image. It cannot be clearly differentiated where new customers come from and through which marketing activities they have been reached. To that end, market research with image analysis would be necessary to make the actual effects of ingredient branding measurable. However, since the high costs, staff- and time resources were mentioned as a background, it is difficult for start-ups to carry out these analyzes on a regular basis.

For this reason, cooperation with universities and universities of applied sciences such as Campus 02 would be a compromise. These institutions offer companies annual market research projects to agreed topics that are carried out by students in order to gain experience in the field of marketing. Through that, market research regarding ingredient branding effects could be carried out without greater personnel expenses and only moderate costs in order to gather information about the extent to which the concept of ingredient branding affects the start-up positively or negatively. Of course, this does not replace professional market research by an institute but would still be at least a first step for Spirulix to determine the direct effects of ingredient branding.

In summary, ingredient branding offers a huge opportunity for start-ups to step out of anonymity, increase brand awareness and benefit from a strong partnership with a host brand. However, there are certain aspects that have to be prepared and considered as mentioned in this chapter in order to be successful with the concept of ingredient branding. If Spirulix will include and consider the described recommendations in their decisions and processes in the future, this paves the way for a successful existence as an ingredient brand.

The following chapter will now summarize the results of the theoretical and empirical part and answer the research questions formulated at the beginning of the thesis.

13 Conclusion

Through the results of the literature research and the qualitative interviews, the formulated research questions can be answered as follows:

Research Question 1: Which success factors regarding ingredient branding for food start-ups like Spirulix can be identified?

Both in literature as well as during the interviews the success factors of ingredient branding have been described in a fairly similar way. Most of the factors mentioned in the literature could also be found in practice which clearly shows that the most important factors for success are for instance brand orientation, which relates to the values and corporate culture of the ingredient- as well as the host brand but additionally refers to the 'fit' of host- and ingredient brand regarding image, values, and quality. This leads to another success factor which is quality, among consumers mostly perceived through the taste of the end-product and honored by the host brand through purchase quantity and price. Furthermore, communication as in terms of how the cooperation of the host- and ingredient brand is brought to the end-consumer but referring also to the image and vision of the ingredient brand. And last but not least the aspect of sustainability can provide added value for the host brand and the consumer but is not a direct requirement for the success of ingredient branding.

Research Question 2: What are the overall effects on a food start-up like Spirulix that makes use of the concept of ingredient branding and how does this contribute to the brand image?

Answering this question is rather difficult, as the interviews revealed that none of the start-ups can prove any positive effects caused by ingredient branding based on numbers or key figures. This is reasoned by the high costs, personnel- and time resources market research or image analysis would entail. However, literature describes consequences like an increase in sales, brand awareness, and also positive spillover effects. According to the interviews, the sales of the start-ups increased, but it is not clear if it is due to the ingredient branding or a result of a marketing activity like ads. Additionally, some start-ups mentioned the customer feedback at events and fairs which suggests that the first touchpoints with the brand have been made through ingredient branding. This means that some statements from literature can be confirmed

to a certain extent, but the research question cannot be fully answered.

Research Question 3: What are the possible risks of ingredient branding for Spirulina that must be considered?

In general, the results from the interviews differ to a certain extent from the risks presented in the literature. However, this might be the case as literature often only considers large companies with a better position in the market and does not take smaller businesses like start-ups into account. The risks mentioned for the ingredient provider are either getting into trouble due to negative spillover effects resulting from a lack in quality or brand fit, becoming a visible target for competitors, or being caught up in a possible scandal of the host brand. The hypothetical risks named by some interviewees were for instance the loss of control regarding the quality of the end-product and the possibility of getting caught in the gunfire due to an image crisis of the host brand. Anyways, the interviews revealed that nearly no start-up has made any negative experiences yet concerning ingredient branding. This suggests that ingredient branding has nothing but advantages for start-ups.

Outlook and further research

In summary, the results of the thesis show that ingredient branding offers various benefits for start-ups and is a promising concept to increase brand awareness and the own image through positive spillover effects of the host brand. This might be an indicator of the potential of ingredient branding, especially for start-ups and might initiate further research on this topic. Maybe even quantitative research in terms of turnover, growth potential and sales volume would be beneficial in order to achieve number-based results in this regard, as this thesis concerning key figures and controlling could not achieve clear results. Therefore, it might be interesting whether quantitative research can provide better insights and provide even more understanding of the numerical effects of ingredient branding. And additionally, if the findings of this qualitative research can be proven and supported by the outcome of a quantitative research.

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Appendix 1: Milestones

Milestone	Scheduled Deadline	Adapted Deadline	Actual Deadline
Choice of Topic	SS 2021	-	-
Master Thesis Mentor	Sept. 13 th	Sept. 13 th	Sept. 13 th
Literature Research	From September	-	Ongoing
Master Thesis Seminar	Sept. 10 th	Sept. 10 th	Sept. 10 th
First Meeting with Mentor	Sept. 29 th	Sept. 29 th	Sept. 29 th
Kick-Off SPIRULIX	Oct. 6 th	Oct. 6 th	Oct. 6 th
Deadline MS 1	Oct. 18 th	Oct. 14 th	Oct. 14 th
MS Agreement	Nov. 19 th	Nov. 18 th	Nov. 18 th
Theoretical Part	Mid-Jan.	Jan. 17 th	Jan. 17 th
Meeting with Mentor	End of Jan.	-	End of Jan.
Research Design	Beginning of Feb.	-	Feb. 16 th
Fieldwork	Mid-Feb.	-	Feb. 18 th
Evaluation of Data	March	-	March 20 th
Proofreading	Mid-April	-	Mid-April
Adaptions/Corrections	End of April	-	April 22 nd - 25 th
Thesis Submission	May 9 th	-	May 9 th

Appendix 2: Interview Guideline

Hallo, mein Name ist Annika Donner und im Zuge meiner Masterarbeit am Campus 02 möchte ich heute mit dir über das Thema Ingredient Branding sprechen. Danke, dass du dich dazu bereiterklärt hast, mich dabei zu unterstützen und du dir die Zeit für dieses Interview genommen hast.

Du hast bereits im Vorfeld ein Informationsblatt bezüglich der Datenverarbeitung erhalten. Ich möchte an dieser Stelle auch nochmals darüber informieren, dass deine Aussagen pseudonymisiert in die Auswertungen miteinfließen werden und die Tonaufnahme lediglich der Transkription dient und im Anschluss dazu direkt gelöscht wird.

Bei Fragen kannst du mich jederzeit gerne unterbrechen, falls etwas unklar sein sollte. Gut, dann starte ich jetzt die Tonaufnahme.

Zielsetzung & Fokussierung:

- Beispiele aus der Praxis
- Erfahrungsberichte
- Situationen aus dem Arbeitsalltag

Kategorie	Interviewfragen
Einstieg	Bevor wir mit der Befragung beginnen, möchte ich Ingredient Branding kurz noch einmal definieren, damit alle von derselben Grundlage ausgehen und die Interviews vergleichbar werden. Man spricht beim Ingredient Branding generell von der Bewerbung einer Zutat/Komponente beim Endverbraucher.
Themenblock 1: InBranding Allgemein	Aus welchen Gründen habt ihr euch als Start-Up für Ingredient Branding entschieden?
Themenblock 2: Auswahl der Partner	Welche Erfahrungen habt ihr bei der Suche nach Partnern für das Konzept des Ingredient Branding gemacht?
	Anhand welcher Faktoren habt ihr die Partner ausgewählt?
	Wurde dafür zuvor eine Analyse durchgeführt? (Marktforschung, Konkurrenzanalyse) Wenn ja, welche?

	<p>Welche konkreten Hürden haben sich bei der Auswahl der Partner ergeben?</p>
	<p>Je höher die Markenbekanntheit der Host Brand ist, desto eher profitiert die Ingredient Brand davon. Inwieweit wurde dieser Sachverhalt in den Auswahlprozess der Partner miteinbezogen?</p>
	<p>In welchen Bereichen empfindet ihr es als sehr wichtig, dass Ingredient Brand und Host Brand harmonisieren? (Image, Design, Kultur)</p>
<p>Themenblock 3: Kommunikation</p>	<p>In welcher Form wird eure Ingredient auf dem Endprodukt gebrandet? (Sticker, Logo, etc.)</p>
	<p>Wie ist das Feedback der Konsumenten zu eurem Konzept des Ingredient Branding?</p>
	<p>Inwieweit habt ihr durch Ingredient Branding neue KonsumentInnen erreicht, die nun zu eurem Kundenstamm zählen?</p>
	<p>Gibt es hinsichtlich der Kommunikationsstrategie eine gemeinsame Planung mit der Host Brand? Wie gestaltet sich diese?</p>
	<p>Welche Marketingaktivitäten setzt ihr, um KundInnen zu erreichen? Welche Medien-Kanäle werden dafür genutzt?</p>
<p>Themenblock 5: Vorteile & Nachteile</p>	<p>Beschreibe bitte welche spürbaren Vorteile das Konzept des Ingredient Branding für euch gebracht hat? <i>Woran könnt ihr diese erkennen?</i></p>
	<p>Welche negativen Aspekte ergeben sich für euch durch Ingredient Branding? <i>Welche Lösungsansätze verfolgt ihr diesbezüglich?</i></p>

Themenblock 5: Vorteile & Nachteile	<p>Inwieweit habt ihr das Gefühl, dass Ingredient Branding euch einen Wettbewerbsvorteil gegenüber Mitbewerbern verschafft?</p>
	<p>Welche Schwellenwerte müssen eurer Meinung erreicht werden (Umsatz, Gewinn) um die Zusammenarbeit mit der Host Brand aufrecht zu erhalten?</p>
	<p>Gab es in der Vergangenheit Zusammenarbeiten, die beendet wurden? <i>Wenn ja, was waren die Auslöser dafür?</i></p>
	<p>Welche messbaren Ergebnisse belegen, dass die allgemeine Brand Awareness durch Ingredient Branding gesteigert wurde?</p>
	<p>Auf einer Skala von 1-10 (wobei 10 die größte Wichtigkeit besitzt), für wie wichtig empfindet ihr den Nachhaltigkeitsaspekt für die Strategie des Ingredient Branding?</p>
	<p>Welche Maßnahmen werden bei euch gesetzt, um die gleichbleibende Qualität zu sichern?</p>
Themenblock 6: Persönliche Erfahrungen	<p>Beeinflusst die Unternehmenskultur deiner Meinung nach dem Erfolg von Ingredient Branding?</p>
Demographische Daten:	<p>Wann wurde das Start-Up gegründet? Wie viele MitarbeiterInnen beschäftigt ihr aktuell? Wie lange arbeitet ihr bereits mit Ingredient Branding? Wie viele Ingredient Branding Partner habt ihr?</p> <p>Was ist deine Position im Unternehmen? Wie lange arbeitest du bereits im Unternehmen? Wie alt bist du? Männlich/Weiblich</p>

Interview Abschluss:

Wir sind jetzt am Ende der Befragung angekommen, gibt es von deiner Seite noch Dinge, die wir im Interview nicht angesprochen haben, die du gerne hinzufügen möchtest?

Vielen Dank für Ihre Zeit!

Appendix 3: Letter of Consent

Einwilligungserklärung zur Verarbeitung personenbezogener Daten

Die Fachhochschule Campus 02, Graz, nimmt den Datenschutz sehr ernst und behandelt Ihre personen-bezogenen Daten vertraulich und entsprechend den gesetzlichen Vorschriften. Diese Datenschutzerklärung soll Sie als interviewte Person des Campus 02 gem. Art 12 und 13 DS-GVO über Zweck, Rechtsgrundlage und über Ihre Rechte iZm der Verarbeitung personenbezogener Daten durch die Fachhochschule Campus 02, Körblergasse 126, 8010 Graz, informieren.

Zweck und Umfang der Datenverarbeitung: Im Zuge der Masterarbeit „*Ingredient Branding for Food Start-Ups*“ von Frau Annika Donner werden Daten und Informationen, die auf die praktische Anwendung von Ingredient Branding abzielen leitfadengestützt mit Hilfe von Interviews gesammelt und analysiert. Die Ergebnisse werden in einer Guideline zusammengefasst und dienen als eine Art Manual für die erfolgreiche Anwendung von Ingredient Branding.

Im Zuge dieser Studie werden folgende demografische Daten mit erhoben: Alter, Geschlecht, Dienstjahre, Aufgabenbereich. Ihre personenbezogenen Daten werden ausschließlich im Rahmen der Erstellung der Masterarbeit von Frau Annika Donner sowie ihrem Betreuer Herrn Mag. Bernd Hartweger verarbeitet. Die Weitergabe an externe Empfänger*innen oder Veröffentlichung im Zuge der Masterarbeit erfolgt ausschließlich in aggregierter und anonymisierter Form der Daten.

Der Zugang zur Tonaufnahme des Interviews unterliegt ausschließlich Frau Annika Donner, welche direkt nach der Transkription des Interviews gelöscht wird (spätestens Ende März 2022). Es hat somit niemanden Zugang zu der Tonaufnahme und könnte diese auch nicht mit der schriftlichen Transkription in Verbindung bringen. Jegliche personenbezogenen Daten werden in der Masterarbeit nicht erwähnt oder angeführt. Eine Veröffentlichung inhaltlicher Aspekte der Erkenntnisse aus den Interviews kann ebenfalls ausgeschlossen werden (siehe Verschwiegenheitserklärung).

Rechtsgrundlage: Die Teilnahme am Interview erfolgt freiwillig und es entstehen in keinem Fall (z.B. Verweigerung der Teilnahme, Widerruf, vorzeitigem Abbruch) Nachteile, womit die Durchführung des Interviews auf der dafür erteilten Einwilligung basiert (Art 6 Abs 1 lit a DS-GVO).

Speicherdauer: Ihre personenbezogenen Daten werden von uns nur so lange gespeichert, wie es unter Einhaltung der einschlägigen gesetzlichen Bestimmungen zur Erfüllung des jeweils genannten Zwecks notwendig ist.

Die Einwilligung ist grundsätzlich jederzeit frei widerrufbar. Es wird jedoch darauf hingewiesen, dass der Widerruf der Einwilligung nicht notwendigerweise mit einem Recht auf Löschung der Daten verbunden ist. Ein Recht auf Löschung besteht nicht, soweit dies die Erreichung des Forschungsziels gefährden würde oder die Speicherung der Daten anderweitig gerechtfertigt werden kann: Soweit zum Nachweis guter wissenschaftlicher Praxis erforderlich, bleiben die Daten 7 Jahre ab Veröffentlichung der Forschungsergebnisse auf gesicherten und haltbaren Datenträgern der Fachhochschule gespeichert.

Für die Einwilligungserklärung verarbeiten wir Ihren Namen. Diese Daten werden zum Zwecke des

Nachweises Ihrer Einwilligung bzw. Ihres Widerrufs für die Dauer von 3 Jahren ab Widerruf gespeichert. Der*Die Unterzeichnende hat außerdem das Recht, den Zweck dieser Einwilligungserklärung nicht zuzustimmen. Die Einwilligung zur Datenverarbeitung ist für den Zweck der empirischen Erhebung im Zuge der Masterarbeit von Frau Annika Donner freiwillig. Die Nichtzustimmung schließt die Teilnahme aus.

Hiermit versichert der*die Unterzeichnende, dass er*sie der Datenerhebung und Datenspeicherung seiner*ihrer personenbezogenen Daten zum Zwecke der empirischen Erhebung der Masterarbeit von Frau Annika Donner freiwillig zustimmt. Eine ordnungsgemäße Belehrung über das Widerrufsrecht fand statt.

Ort, Datum

[Name, Vorname]

[Unterschrift Interviewpartner*in]

Ihre Rechte:

Im Zusammenhang mit der Verarbeitung Ihrer personenbezogenen Daten verfügen Sie jederzeit über die folgenden Rechte, welche bei der Fachhochschule Campus 02 als Verantwortlichem, Mailadresse: s43742@edu.campus02.at geltend gemacht werden können:

- Recht auf Auskunft über die betreffenden personenbezogenen Daten (Art 15 DSGVO),
- Recht auf Berichtigung (Art 16 DS-GVO) oder Löschung (Art 17 DS-GVO) oder auf Einschränkung der Verarbeitung (Art 18 DS-GVO),
- Recht auf Datenübertragbarkeit (Art 20 DS-GVO),
- Recht auf Widerspruch (Art 21 DS-GVO),
- Recht auf Widerruf der Einwilligung (Art 7 Abs 3 DS-GVO), wodurch die Rechtmäßigkeit der bis zum Widerruf erfolgten Verarbeitung nicht berührt wird,

Darüber hinaus besteht das

- Recht auf Beschwerde (Art 77 DS-GVO), welches bei einer Aufsichtsbehörde, in Österreich ist dies die österreichische Datenschutzbehörde, Barichgasse 40-42, 1030 Wien, Telefon: +43 1 52 152-0, E-Mail: dsb@dsb.gv.at, einzubringen wäre.

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