TAMK

BRANDING HEALTH INGREDIENTS

Strategic Management of Biobrands in International Context

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ABSTRACT

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BRANDING HEALTH INGREDIENTS
Strategic Management of Biobrands in International Context

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The aim of this thesis was to construct a theoretical framework for strategic brand management of health ingredient brands in international context. The purpose of this thesis was to provide insights to strategic brand management in field of health ingredients, and help the commissioner and other companies in the business sector in drafting brand strategies in varying organizational and international contexts, managing their ingredient and corporate brands, building brand equity, and protecting their intellectual property. The main outcome of this thesis was a brand management strategy for the commissioner.

The theoretical framework for the thesis was gathered through exploratory literature review. Further analysis was conducted by synthesizing general theory and industry-specific data. The theoretical section explores theory of Ingredient Branding, Corporate branding, branding in business-to-business context and their international implications. The empirical part consists of analysis of in-depth interviews conducted among commissioners' clients and situational analysis. The data was collected from eight cosmetic and food manufacturers. Evaluation of different strategic options was based on theoretical framework, empirical findings, and situational analysis. Brand management strategy was drafted based on the analysis.

In international context, companies need to choose whether to drive global convergence or local divergence in terms of their brand strategies. Brand policies and strategies should be aligned with organizational structure and overall business and corporate strategies. Strategies should promote integrity and consistency of brands, especially in Business-to-Business sector, which emphasizes relationships and corporate brands. Empirical finding supported idea of corporate brands at the core of commissioners' brand management strategy. In SMEs, limited resources restrain execution of multilevel branding strategies, but findings indicate SMEs can clearly benefit from strategic brand management and use brands to build sustainable competitive advantage in international markets.

Key words: strategic brand management, business-to-business branding, ingredient branding, bio-branding, corporate branding, branding health ingredients, ingredient brands, branding, brand management, strategy

CONTENTS

ABBREVIATIONS AND TERMS

TAMK	Tampere University of Applied Sciences
cr	credit
API	Active Pharmaceutical Ingredient
B2B/B-to-B	Business-to-Business
B2C/B-to-C	Business-to-Consumer
CBBE	Customer-based brand equity model
COBRA	Consumer's online brand-related activities
COO	Country of Origin Effects
CSR	Corporate Social Responsibility
DTC	Direct to Consumer
EMA	European Medicines Agency
EFSA	European Food Safety Authority
FDA	US Food and Drug Administration
HMPC	Committee on Herbal Medicinal Products
IP	Intellectual property
IPR	Intellectual property rights
MNE	Multinational Enterprise
OEM	Original Equipment Manufacturer
PLC	Product Life Cycle
RBV	Resource-based view
R&D	Research & Development
SMEs	Small- and medium sized Enterprises
USP	Unique selling point
eWOM	Electronic word of mouth

1   INTRODUCTION

1.1. Context

Health is a growing global concern. While quality of care and life expectancy are increasing in developed societies, at the same time population is aging and suffering from diseases associated with modern life-style. Informed consumers are increasingly interested in focusing on self-care and prevention, and together with favourable demographics as well as regulatory and economic development, health has grown to one of the megatrends of the 21st century (Blackett & Robins 2001). Strong development and growth has been observed during the past decade across the all categories in consumer health sector (Euromonitor 2014), creating a strong pull for products and innovations in health and nutrition.

Biotechnology inventions and products are changing the paradigms of healthcare and nutrition. The European Commission has classified biotechnology as one of the Key Enabling Technologies (KETs), which *"provide the basis for innovation in a range of products across all industrial sectors, underpin the shift to a greener economy, are instrumental in modernising Europe's industrial base, and drive the development of entirely new industries"*. Demand for biotechnological and medical innovations has grown rapidly, and ingredient manufacturers must constantly develop novel products to meet the requirements of growing and developing markets (Friedman 2014). Strong growth has been seen in B2B health ingredient markets across all the market sectors. Former niche-product have been adopted by big players, and as markets are maturing, competitive rivalry is intensifying, and the competitive landscape is changing rapidly.

Compared to many other industries, biotechnology and pharma sectors have been lagging behind in marketing (Friedman 2014; Blackett & Robins 2001). The traditional B2B brand strategy has targeted the marketing activities only towards the next link in the value chain. Several successful ingredient brands have demonstrated the potential of ingredient branding for both the ingredient creator and for the manufacturer of finished goods (Kotler & Pfoertsch 2010). The durability of brands compared to technological assets the industry leans on, such as patents which expire within a decade, makes branding an interesting and highly strategic tool when companies are pursuing sustainable competitive advantage (Blackett & Robins 2001). Production and R&D costs in Europe are high, and

European Ingredient manufacturers need to adjust to changing market conditions by increasingly differentiating from competitors. The field in Finland is fragmented and most of the companies are SMEs, which often lack strategic resources and competences for effective internationalisation and international marketing.

Health ingredient is an industry term, and unlike APIs (Active Pharmaceutical Ingredients) they lack official and legal definition. Ingredients referred as health ingredients are active ingredients which are somehow beneficial for human health or contribute to well-being. This category covers wide range of ingredients, which are used in wide range of product applications. Health ingredients as term covers natural ingredients, functional foods, sports nutrition, active food ingredients and active cosmetic ingredients. While ingredients classified as health ingredients and their applications may be divergent and field very heterogenous, these products share common industry platforms and marketing systematics, and fall under same regulations.

1.2. Commissioner of the thesis

The commissioner of this thesis is Fingredient Oy/Ltd, a health ingredients supplier and R&D service provider based in Tampere, Finland. Commissioner is focused on Finnish biomaterials in health applications and manufactures health ingredients for domestic and international distribution for food, cosmetic and pharmaceutical sectors. The commissioner is applying for growth funding for term 2018-2019, the initial project involves 350 000 € of total funding for new investments and internationalisation (processing unit, machinery, product development, international channel development). The outcome of this thesis, a brand management strategy, aims at supporting this project and the growth targets (100 000 € turnover increase in short-term, at least one new full-time position created in terms of work force, doubling the turnover in medium term).

1.3. Thesis purpose and objectives

The aim of this thesis was to construct a theoretical framework for strategic brand management of health ingredient brands in international context. The constructed brand strategy framework should be applicable in international markets, provide instrumental value for operators in the industry, and provide a brand strategy framework applicable for various products used in variety of health applications. The main outcome is a brand management strategy for the commissioner, which is constructed by applying empirical findings and theoretical framework of strategic brand management. The thesis outcome should support the business growth objectives defined in the introduction of this thesis.

The purpose of this thesis is to provide insights to strategic brand management in field of biotechnology and health ingredients and help commissioner and other companies in the business sector drafting brand strategies in varying organizational and international contexts, managing their ingredient and corporate brands, building brand equity, and protecting their intellectual property. The purpose is to provide information about strategic brand management especially for small and medium-sized (SMEs) companies in the field, help companies to allocate their limited marketing resources in optimal way, and improve competitiveness of their product offerings in global health ingredient markets. SMEs, such as the commissioner of this thesis, constitute a significant part of biotechnology sector in Finland, 40% of all R&D expenses in 2015 cumulated by companies with under 50 employees (Statistics Finland). The sector has been lagging behind in terms of marketing and branding. Strategic brand management could help SMEs capture markets shares on growing global markets.

1.4. Main research questions

The main research questions: *How strategic brand management can be utilized by the commissioner and other companies in health ingredient sector? How are these brands developed, managed, and monitored?*

Sub-questions:
What is the role of branding in B2B health ingredient sector?
How corporate and ingredient brands are interconnected?

What branding strategies health ingredient manufacturers can use?

What type of branding strategies have succeeded in global B2B arena?

What industry-specific factors affect brands and branding?

What are core values, potential unique selling points, and other attributes that form commissioners brand?

What kind of branding strategy could benefit the commissioner?

1.5. Thesis structure

1. Theoretical framework

Theoretical framework consists of two main outlines: First part of the thesis contains general brand management theory obtained through literature review. The second part consists of the theoretical framework of branding in business-to-business context, in international context, and finally in the context of the business sector.

2. In-depth interview results and summary

In-depth interviews were used for mapping positioning and attributes which form unique value proposition. This part contains the summary and analysis of collected data and provides supplementary and supportive data for branding strategy.

3. Situational analysis and evaluation of different strategic options

This part describes microenvironmental and macroenvironmental analysis describing implications that may affect branding strategy and aims at providing compressed situational analysis. It renders the current situation of the company and its operational environment by describing current marketing strategy and goals, and through SWOT and PESTEL-analyses. Strategic options based on theoretical framework are presented and analysed according to predefined methods obtained from the theory.

4. Brand management strategy for the commissioner

Final part and the outcome of this thesis is brand management strategy for the commissioner. This part is based upon theory, situational analysis, and empirical findings of branding research.

2 METHODOLOGY

2.1. Desk research

The first part of the thesis consists of theory of branding in B2B context, ingredient branding, corporate branding and theory of strategic brand management. The theoretical framework for the thesis was gathered through exploratory literature review. Further analysis was conducted by synthesising general theory and industry-specific data. Relevant literature was searched mainly through databases of University of Salford and Tampere University of Applied Sciences. Material was supplemented with industry-specific articles and journals (*Nature Biotechnology, News Medical, Nutraingredients*), and commercial market research (*Euromonitor, Mintel, Innova Insights, Marketsandmarkets*). Theoretical basis was composed by systematic research of literature mentioning in the title, the key words or the abstract the words and phrases *B2B branding, branding, strategic brand management, ingredient branding, corporate branding, brand management, intellectual property rights (IPRs) in biotechnology, intellectual property (IP), patents,* and *patenting biotechnology*. Inclusion criteria included publication date (relatively recent data), and relevancy when screened against objectives, purpose and research questions of this thesis.

While there is a relatively extensive existing body of literature of pharmaceutical branding, industry specific literature of branded ingredients not classified as APIs is lacking. Due to the similarities in marketing systematics between health ingredients and pharmaceutical ingredients, also noted in the literature, pharmaceutical industry is used as a reference in this thesis. Health ingredients and pharmaceuticals represent similar benefits for the consumer (while health ingredients may be focused on prevention and pharmaceuticals on treatment, they may be targeted for exactly same health problem), they have similar short PLCs, and they are typified by high R&D costs, dependence on clinical research, highly regulated marketing macroenvironment, intensified competition, highly informed and active consumer base. Health ingredient sector often draws marketing and branding strategies from pharmaceutical sector, and these sectors often overlap. Therefore, theoretical research of pharmaceutical industry was considered suitable reference point, despite partially different marketing systematics of these fields.

2.2. Empirical research

Qualitative data collection methods were used to obtain data from existing clients. Clients were asked standardised open-ended questions, themes were further discussed in structures interviews, and answers were coded according to which brand building instrument they represented. Answers were further analysed in relation with different strategic options. The questions concerned B2B clients' decision-making process and priorities post-purchase, and reasons why clients chose to purchase from the commissioner. Brand building instruments, presented in theoretical framework of these thesis were primary instruments: (1) Direct experiences (2) Marketing communications (3) Price (4) Distribution. Secondary association related instruments that affect brand image were: (1) Co-branding (2) Endorsers (Celebrities, opinion leaders) (3) Country-of-origin effects (4) Sponsorship. The aim was so gather clients' opinions and feelings about different brand-related aspects and understand them better from clients' perspective. Whether clients focus was on individual products or the organisation as a whole was also a point of interest. Clients were also asked about the media channels they use for obtaining information about health ingredients, and their purchasing process. List of questions can be found in Appendix 1.

 Inclusion criterion was more than one purchase in past 6 months, interviews were conducted in between November 2017 - January 2018. Clients were also asked about the media channels they use for obtaining information about health ingredients.

Representatives (managerial level and involved in purchase process) of eight clients from Europe, Canada and Japan participated. Client agreed to publishing their statements, their industry sector and home country. Interviews were conducted one-to-one by email, phone, or face-to-face, depending on clients' location. Questions used in in-depth interviews are presented in Appendix 1.

3   THE CONCEPT OF BRANDING

3.1. Brands as strategic assets

According to the American Marketing Associations definition, brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers, which close to a legal definition of brand, "*a sign or set of signs certifying the origin of the product or service and differentiating it from the competition*" (Kapferer 2008, 10). Keller & Kotler (2014) define brand as "*... a set of mental associations, held by the customer, which add to the perceived value of a product or service*", widely considered as a classical definition of brand in the branding literature. Kapferer (2008) also defines a brand as "*a summary of unique values and benefits*" and states that "*brand is a name that influences buyers*". In other words, brands are core values and benefits in concentrated, compressed form, clearly differentiated from competitors' core values and benefits with unique set of signs, but most importantly, they are what consumers think of them.

Managerial strategic view is naturally focused on creating value with strategic brand management, and the main managerial level question, as well as one of the core research questions in this thesis, is how to create and build value with strategic brand management. Despite some accusations of branding being outdated and overused tool, it remains highly strategic issue in all sectors, since there are only relatively few strategies that can provide companies long-lasting competitive advantage (Kapferer 2008, 1-2.). Brands are conditional assets, which means they must be aligned with what is tangible, but they have a potential to become distinctive and lasting strategic resources for a company. According to resource-based view (RVB) (Barney 1991), which argues that the strategic resources and capabilities are behind competitive advantage or disadvantage of a firm, distinctive strategic resources are the main reasons behind sustainable competitive advantage. To brand or not to brand is a first strategic question a company faces in terms of strategic brand management.

Companies with strong brands can benefit from price premiums, lower price elasticity, advertising effectiveness, better acceptance of brand extensions, and they can often extend product lifecycles and enjoy higher customer loyalty (Worm 2011, 51). Building brand requires both strategic resources and strategic capabilities – Financial resources are

needed, but are ineffective without strategic thinking, creativity, and competence. Investments always involve risks. So-called no-branding brand strategy has emerged as an alternative or an opposed strategic view. Not to brand is a perfectly valid strategic choice, but it needs to be justified one in an operating environment where brands have become threshold strategic assets. If a firm makes a conscious choice to go with a no-brand strategy, then no-brand strategy must be connected or at the core of unique values and benefits associated with the product and the one that differentiates the unbranded product from its competitors, which is the case for example with branded versus generic medicine. After the brand revolution, brands have become a norm, and deeply integrated to our daily lives. In post brand revolution era, branding may seem an obvious choice. The core idea of this work is that companies should critically assess their environment and their internal resources prior to deciding whether to brand or not, what to brand, and how to brand.

3.2. Brand equity

According to Interbrand Health Top 100 Pharma brand ranking in 2016 that quantifies the corporate brand's contribution to business performance in the biopharma industry, top 10 biopharma brands represent approximately USD \$129 billion in brand value (InterbrandHealth 2016). Brands are assets. While their value is difficult to measure, primary reason for their existence is their contribution to potential future profits. Value of a brand is measured as brand equity. Brand equity, added value that is generated through brand management process, consists, according to the consensus of current research literature, of interlinked dimensions of brand loyalty, brand awareness, brand associations (attribution), and perceived quality, as represented in Figure 1 (Aaker 2013).
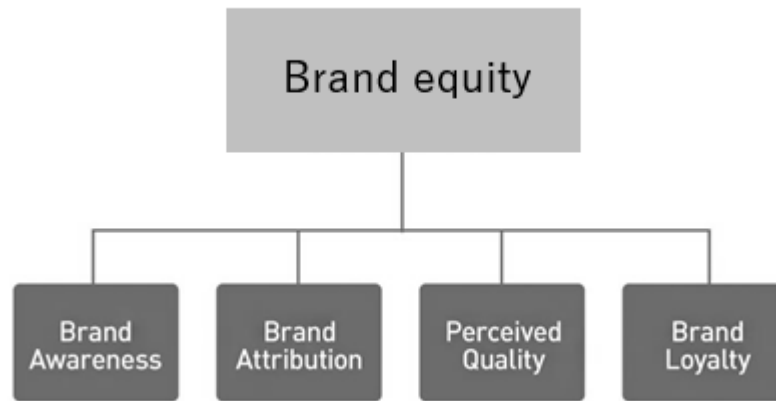
FIGURE 1. The four dimensions of brand equity – Awareness, Attribution (Associations), Perceived Quality, and Loyalty. Adapted from Aaker (2013).

High levels of positive brand equity result in customers willingness to pay brand premium, recommend the brand, and consider brand extensions, which in turn provides the brand owner opportunities in revenue generation and opportunities to improve overall performance (Biedenbach, Benston & Marell 2015). Consensus in between different brand equity models arises from an idea that the true value of a brand lies in the relationship between the customer and the brand. This idea is expressed in Keller´s Customer-based brand equity model (CBBE). Customer-based brand equity can be built and managed through creation and administration of *brand knowledge structures* (Kotler & Keller 2012, 142), which refer to *brand equity dimensions* mentioned above. Simon & Kotler (2003) have drafted a bio-brand equity model (Figure 2), in which the authors emphasize importance of brand loyalty, note that attribution needs to be salience, and in terms of quality, emphasize clinical performance. Simon & Kotler (2003, 131-132) also propose other important quality attributes, including corporate innovation, industry image, and corporate accountability. Figure 2 gives insights to the industry specific factors that affect brand equity, while bio-brands equity still essentially constitutes of the same elements as the equity of any brand – awareness, loyalty, salience, and judgement of the customers.
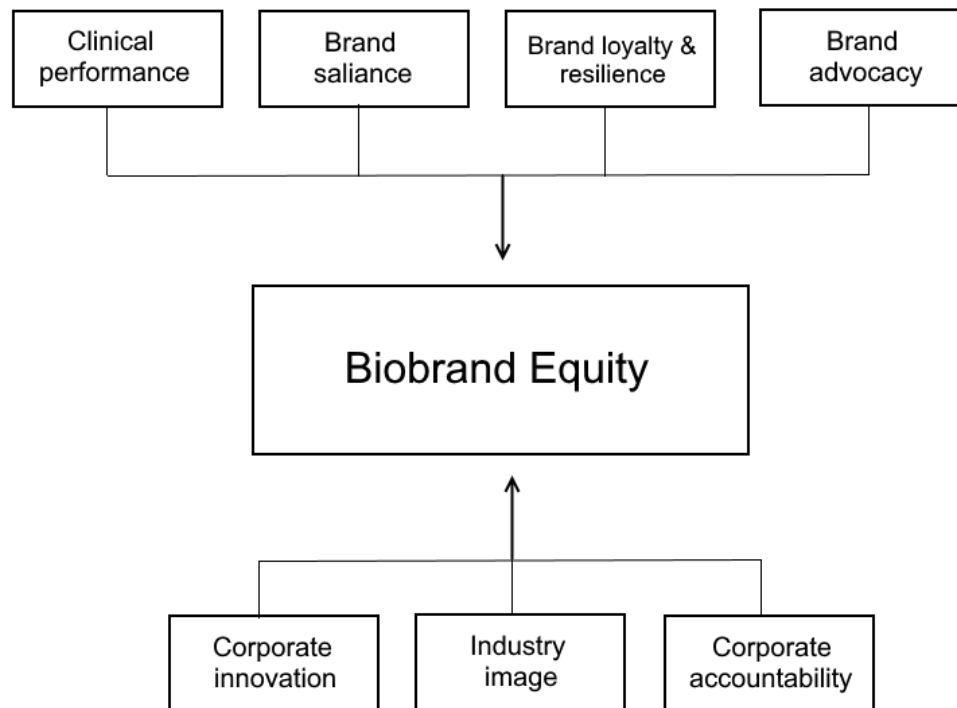
FIGURE 2. Bio-brand equity, adapted from Simon & Kotler (2003, 132), original version Simon /SDC Group, 2002.

There are two main paradigms for measuring brand equity, or in other words, strength of a brand: Customer-based view and purely financial approach (Kapferer 2008). Above example of biopharma industry not only demonstrates financial potential of brands as strategic assets, but also represents brand equity in dollars or euros. However, these dollars are generated through management of brand equity dimensions and customer knowledge structures. Brand equity may be somewhat complex concept and challenging to measure exactly, but there seems to be a strong consensus of one thing: Brands do have a real tangible effect on financial performance.

3.3. Brand architecture

The first part of strategic brand management process is whether to brand or not. If branding, based on careful consideration and assessment of company's resources and operating environment, seems like a fitting option, a next strategic decision is *what* to brand. Brand architecture is a fundamental and highly strategic choice: *"A coherent international brand architecture is a key component of a firm's overall marketing strategy as it provides*

a structure to leverage strong brands into other markets, assimilate acquired brands, and rationalise the firm's branding strategy." (Sanchez 2004). Aspirin® pain-killer is among the most recognised product brands of all time (Friedman 2014), but its manufacturers name (Bayer) is a well-known brand too. How are these brands interlinked?

Brand architecture can be defined "*as an integrated process of brand building through establishing brand relationships among branding options in the competitive environment*" (Sanchez 2004). The brand architecture structures the relationships between the brands within and organisation, e.g. how the brands are related or interlinked to each other, and how they are differentiated from one another. Brand architecture is a highly strategic structure because it helps rationalising the whole branding strategy, assimilating acquired brands, and managing brand portfolio. Brand architecture focuses on examining relationships between corporate and different product or sub-brands and optimising them. The degree of synergy between the corporate brand and the product brand depends on the brand architecture: A strong corporate brand may help in leveraging multiple product brands (Muzellec & Lambkin 2009).

Building brand architecture is an evolutionary process and the structures are shaped by competitive realities and past management decisions (Sanchez 2004). Muzellec & Lambkin (2009) propose two alternative approaches for brand architecture strategies: An integration strategy (strategy towards branded house) which seeks to achieve image alignment between corporate and product brands, and a separation strategy (strategy towards house of brands) which seeks to create separated and differentiated brands that are independent entities. Table 3 presents different strategic options for brand architecture as described by Kapferer (2008). These strategic options are further examined in Table 4, where their advantages and disadvantages are summarised. Integration strategy creates coherence, while separation strategies allow freedom (Table 3).

High degree of freedom
(house of brands)

High degree of coherence
(branded house)

Product brands	Umbrella brand	Masterbrand
One branding level Brand A	Brand B	Brand C — (Hidden corporate)	Brand or corporate — Product	Product	Product	Brand or corporate — Product	Product	Product

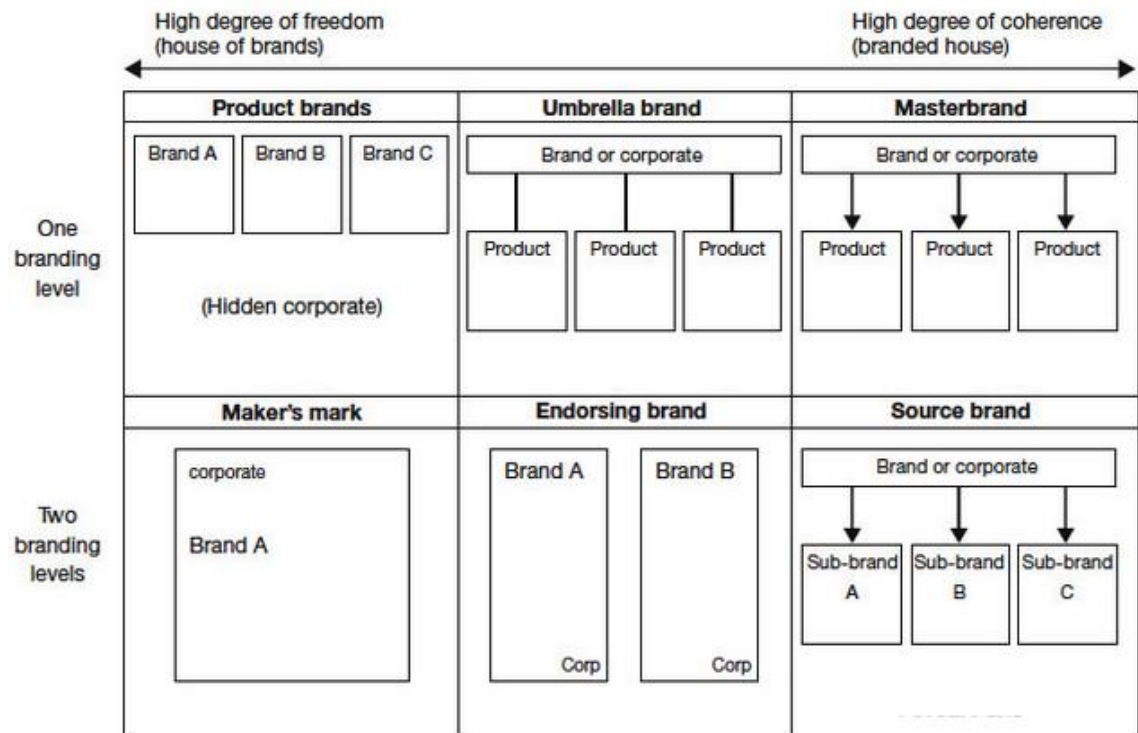| Maker's mark	Endorsing brand	Source brand
Two branding levels corporate — Brand A	Brand A — Corp	Brand B — Corp	Brand or corporate — Sub-brand A	Sub-brand B	Sub-brand C

TABLE 3. Brand architecture models, classified based on degree of coherence and branding level, Kapferer (2008)

Brand architecture type	Description	Advantages and disadvantages	Example
One Branding Level			
PRODUCT BRANDS	*Company is not identified at all, or it is very discreet. Individual products are branded.*	+ Enables differentiation + Competition in same markets + No negative spill-over - High costs - No positive spill-over effect	Pycnogenol® NutraSweet®
UMBRELLA BRAND	Umbrella brand is sometimes called a family brand. Single brand name is used for several products. Umbrella is typically a line brand, containing several complementary products. Products do not have their own brand names.	+ Allow different strategies + Positive spill-over within the line + Exploitation of successful concept + Reduces launch costs - Lines have limits - Innovations may not reach full potential is added to existing line	*Aligning:* Du Pond FloraFit® Probiotics / GUARDIAN® Plant extracts (Hybrid).
MASTER-BRAND	Corporate brand or corporate Masterbrand uses single brand for entire corporation and its product range.	+ Strong spill-over effect + Economic + Reassurance, source effects - Requires scale - Requires coherency and similarity (clear range)	Sigma-Aldrich
Two Branding Levels			
MAKER´S MARK	Manufacturers mark works as a seal for a product. Corporate brand is not enhanced. Aimed at distributors.	- Maker´s mark is not attached with values or identity, it works as an identification.	Horsphag Research
ENDORSING BRAND	Corporate brand reputation stretched to wide range of products with individual product brand.	+ Economic way to give company name and allow product a brand status - Little image transfer to the endorser	ICI Bayer Monsanto
SOURCE BRAND	Source brand strategy is like umbrella strategy, but products have their own brand names. Two branding levels, strong corporate brand and strong differentiated product brands.	+ Parent brand reassurance and values combined with differentiation + Parent brand strong incentive for purchase decision - Requires high coherency and consistency, a clear range of products	DSM

TABLE 4. Description or brand architecture types, advantages and disadvantages, and examples from the field, adapted from Kapferer (2008, 347-369).

Versatile brand architectures are present in the field, and both branded house (integration) and house of brand (separation) strategies are used. Big global suppliers, like Azelis, Du Pond (Danisco) (Figure 5) and DSM, typically go with integration strategy. Their brand portfolios contain ingredients for various segments. Integration strategy is also used by companies which have narrow or very integrated product brand portfolios, for example, UK-based Oat Cosmetics (Figure 5) has a clear corporate brand: The company is specialized in dermatological active ingredients derived from oat. As seen from the Figure 5, very different types of organisations from the field use integration strategy. It is important for companies to understand that there is not necessarily a one strategy that succeeds over another – It depends on the execution and the brand itself. In fact, diverse architecture types may work as differentiators: B2B client may purchase from a branded corporation it trusts (category-leading supplier) or choose a branded ingredient that is perceived somehow superior (category-leading product).
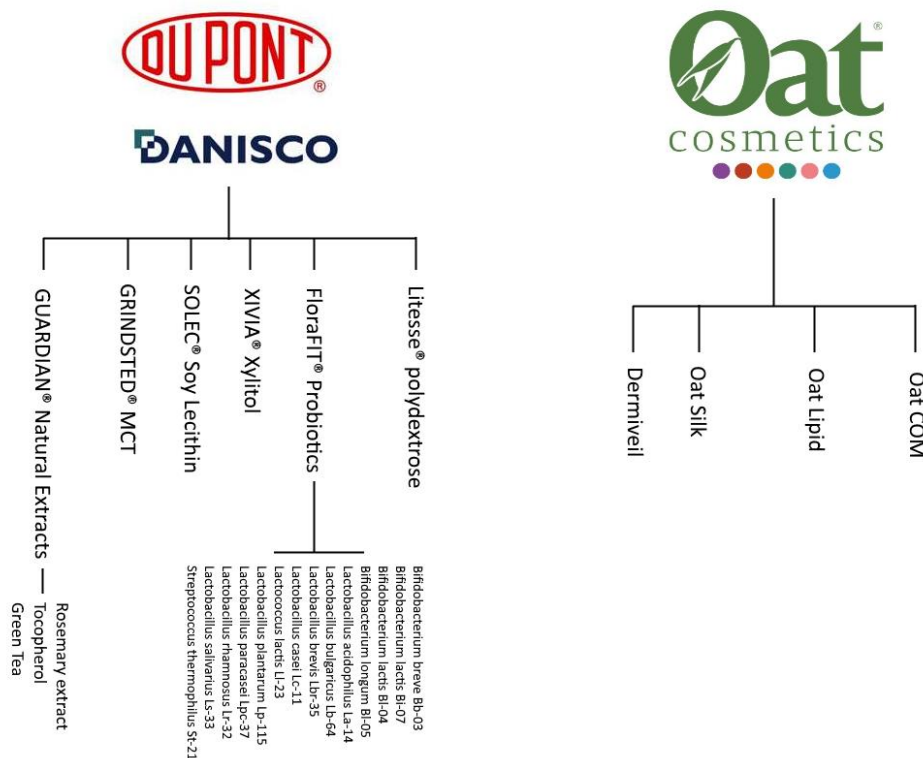
FIGURE 5. Different type of B2B heath ingredient companies that use integrated architecture.
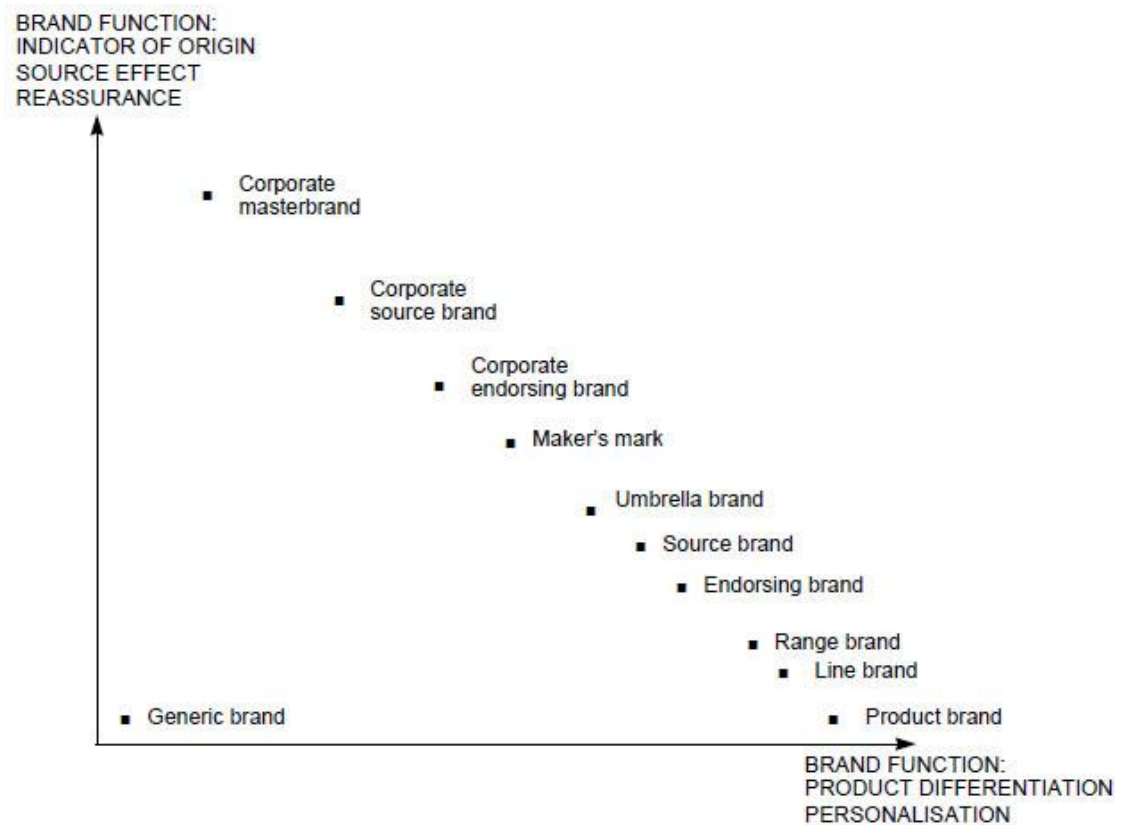
GRAPH 6. Positioning alternative branding strategies (Kapferer 2008, p. 352)

Key questions on brand architecture are how many branding levels there should be, how these levels should be linked, and what is the role or the corporate brand (Kapferer 2008, 351-352). The choice should be based upon in where exactly the value is located (Kapferer 2008). If a corporation has a single innovative bio-material, relatively obvious choice is to brand the product. If the corporation manufactures multiple ingredients, the choice becomes more difficult. In the field of health ingredients two branding levels are very typical – Trusted manufacturer reduces risks related to the product. Risk management has a central role in ingredient branding, yet ingredients still are highly differentiated. The choice also depends on the degree of consistency in the product portfolio, especially in between an endorsing brand and a source brand. High degree of coherency favours umbrella brand, masterbrand, or source brand architecture types (Branded house). Urde (2003) emphasizes the importance of shared core values when following two-level branding strategy (Figure 7): Corporate brand creates credibility, while product brand is the differentiating factor and brings added value.

FIGURE 7. Shared core values between corporate and product brand. Adapted from Urde (2003).

The brand architecture choice is naturally bound to strategic capabilities and resources of a company, since managing individual product brands along with corporate brand is very resource-intensive. However, it limits negative spill-over and thus reduces the risk associated with new product launches: If new product flops, other product brands remain relatively unaffected, whereas if the one product of a branded house is a failure, the reputation of the whole house suffers. Integration of brands is a safer choice also from financial perspective: If a new product fails, resources used for its marketing and branding are wasted, but if the failure brand capitalised mainly on corporate master brands reputation and financial resources were not used for its branding, the organisation suffers less financial damage. Organisation can start with one branding level and add another level later when it develops and grows. Brand architecture should be managed, and it is crucial to perceive brand architecture as a dynamic and evolving structure (Figure 8).

Organisations should also consider their stakeholders when making decisions on brand architecture. According to Muzellecs & Lambkins (2009) dynamic model of brand architecture management, different levels interact with different stakeholders. Corporate brand is channelled towards suppliers, investors, general public, government, and shareholders, while product brands are targeted towards consumers. (Muzellec & Lambkin 2009). This model is typical for publicly traded companies.
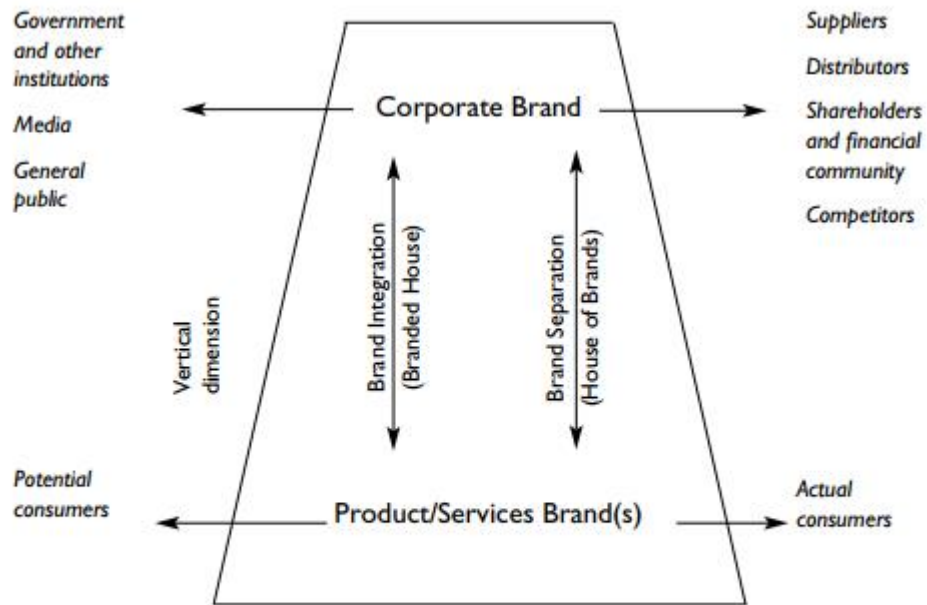
Figure 1

A dynamic model of brand architecture management

FIGURE 3. Muzellec & Lambkin (2009) Relationship between brand architecture and stakeholders.

3.4. Brand identity

When thinking of a brand, we often think about name or logo. The outward-focused expression of a brand – including its name, trademark, communications, and visual appearance – form the brand identity, which attempts to physically capture the way the organization wants the customers to be perceive the brand. Brand image is often used as a synonym for brand identity, but more holistic concept of brand identity was chosen for this work. Kapferer (2008) has created a famous framework for analysing different aspects of the brand identity: The brand Identity Prism (Figure 9), which is used in the branding strategy framework of this thesis. There are several similar frameworks with some variations, but brand identity is typically seen as a representation of corporate culture and its relationships with different stakeholders, presented through physical attributes and brand personality.
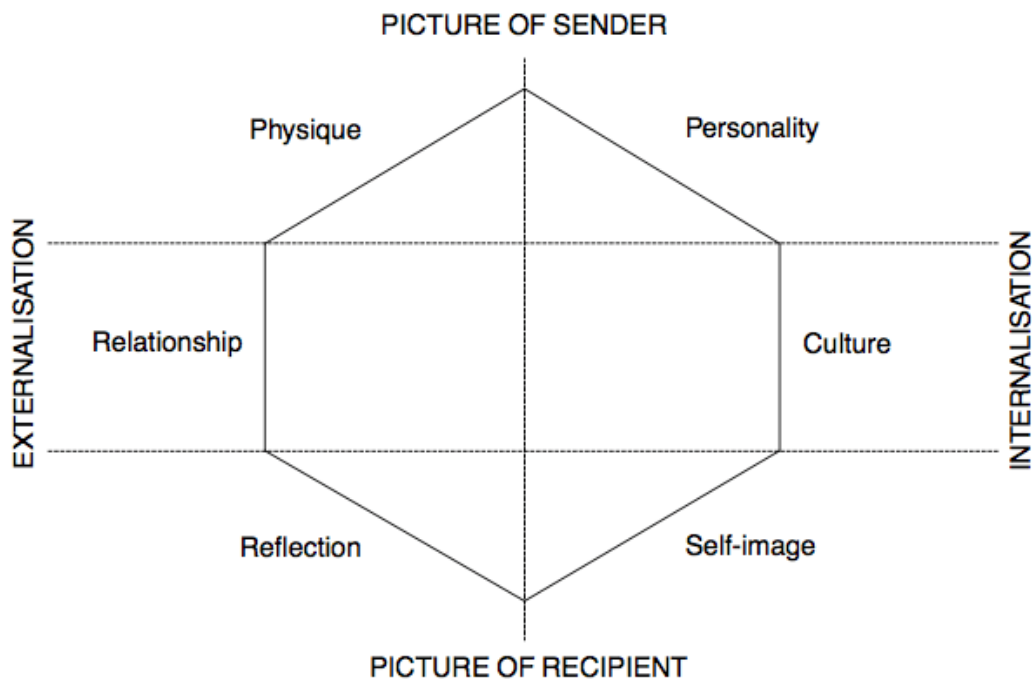
FIGURE 9. The Brand Identity Prism (Kapferer 2008).

3.4.1 Brand Physique

According to brand identity prism, brand consist, first of all, of Brand physique represented through various brand elements, like logo, name, colours, packaging etc. In B2B, brand physique is often less about the product, which in health ingredient sector is typically liquid or powder, often with neutral colour and odour, and more about marketing communications and visuals. In component sector, the product itself may not be distinctive itself. Logos and names are central parts in the bare and subtle world of Business-to-Business brands.

3.4.2 Brand personality

Brand personality reaches beyond these tangible characteristics, which can be analysed with human personality traits, one of the frameworks for this analysis being Aakers Brand Personality Dimensions (1997). In Business-to-Business markets personalities are perhaps more discreet, but they exist nevertheless, and there are brand personality differences, especially in terms of SMEs which may be focused on certain niche segments and have created brand personalities that work for their customers. There are companies who are innovation and technology driven (excitement, sophistication), while others may be looking for greener options (caring, sincere brands like Indena, AOM). Some nutraceutical companies imitate pharmaceutical sector and create brand personalities that signal competence (Azelis, BASF), while for example manufacturers specialized in cosmetic and dermal ingredients may come out as luxurious and feminine. Clear brand personality that is aligned with corporate values creates coherence.

3.4.3 Brand culture

In health ingredient sector, mainly functional values have been emphasized, particularly efficacy, safety convenience and cost-effectiveness. This doesn´t mean that technologically oriented field doesn´t have a culture. Nestlé, a former food ingredient supplier though nowadays more focused towards consumer segment, for example, struggles to convey messages of fun and energetic products because of what Kapferer describes as a puritan brand culture (Kapferer 2008).

3.4.4 Brand Relationship

Kapferer (2008, 185) describes brands as crux of transactions between people. Relationship, which describe the mode of conduct as Kapferer states, is especially crucial for service brands. In Business-to-Business, the focus is often on durability, trust, co-operation, timeliness and convenience (Worm 2009). Relationships are important, because many B2B manufacturers offer R&D services or contract manufacturing, and in a complex field services and co-operation is needed when incorporating ingredients into the end products.

3.4.5 Reflection

According to Kapferer (2008), brands are customer reflection: How she or he sees himself as a user of the brand. Reflection is how customers wishes to be seen as a result of using the product. In terms of health ingredients, this may mean being fitter, slimmer, having healthier skin or hair, being more energetic, more focused, happier, stronger, more agile, or just overall feeling better. It may mean being free of a certain condition. It is crucial that the brand enhances and encourages right kind of reflections. In B2B the question is does the brand need to resonate both for business client and the end-user of a finished product, and how another corporation reflects itself as a buyer of certain ingredient or component. Is the client organisation perhaps quality-conscious high-end corporation, when it buys certain ingredient from a certain manufacturer, or perhaps ethically conscious and down-to-earth?

3.4.6 Self-image

In general, people buying over-the-counter and preventive health ingredients and functional foods may identify as, for example, fit, healthy, responsible patients who are taking care of themselves, or as individuals who value wellbeing, a reflection which is enhanced through lifestyle media and public advocates of preventive health care. Younger consumers may seek optimal performance and reflect this through their consumption of health products and services. Brands must be able to support a positive self-image, even on individuals suffering health problems.

4   STRATEGIC BRAND MANAGEMENT PROCESS

Strategic brand management is used to build, measure, and manage brands to optimize their value (Kotler & Keller 2012, 140). The aim is to create brand equity (Kotler & Keller 2012, 140). The process outline, according to Kotler & Keller (2012), includes:

(1) Establishing brand positioning

(2) Planning and implementing brand marketing

(3) Growing and sustaining brand value

The essence of the branding process is creating differences – whether they are functional, rational, tangible, emotional or symbolic (Kotler & Keller 2007, 136). Keller, in his earlier works suggest CBBE approach (Customer-based brand equity) to brand management, customer-based brand equity defined as the differential effect that brand knowledge has on consumer response to the marketing of the brand (Kotler & Keller 2007, 137). The approach was discussed already when introducing the concept of brand equity. Kotler and Keller (2007, 137) emphasize that in order to generate customer-based brand equity, consumers must not think that all brands in the category are the same – In order to build CBBE, consumers need to acknowledge that there are meaningful differences between the brands. While these differences are often natural for innovative biotech products, in more crowded ingredient categories they can be built through e.g. sustainable or ethical sourcing of raw material, certifications or accreditations, patented or trademarked processes, services, co-branding or corporate branding.

Rosenbaum-Elliott, Percy, & Pervan (2011) use classical model of consumer decision making process with behaviouristic and socio-cultural theories that suggest distinctive brand management strategies for high- and low-involvement brands. Whether the brand is low-involvement or high-involvement (symbolic) is characterised by price, frequency of purchase, symbolic meaning, social visibility, time commitment, potential for harm, and technical complexity axis. The more involvement the greater potential for building brand loyalty. In B2B context of health ingredients, this typically translates to brand management according to the principles of high-involvement.

4.1. Establishing brand positioning

Kapferer (2008, 176) describes positioning as a two-staged process:

1. *Selection of competitive set against which brand is compared.*
2. *Indication of difference or raison d´étre in comparison to other brands.*

As discussed already, brands are core values and benefits in concentrated, compressed form, clearly differentiated from competitors' core values and benefits with unique set of signs. The first part is to identify what are the core values and benefits, and then find out what makes them different of competitors' values. In health ingredient sector, position is one of the core strategy choices. Ingredients may have potential applications in variety of sectors, which makes the analysis more complicated.

Phases for brand positioning according to Kapferer (2008):
1. *The evaluation phase* – Identifying all unique aspects of the brand
2. *The exploration phase* – Building scenarios: Is there global potential? Where would the potential buyers be?
3. *The test phase* – Elimination and then further refining scenarios
4. *The strategic evaluation* – Economic evaluation and comparison of scenarios against market forecasts
5. *Implementation and activation* – The platform, marketing and launch

Unique aspects for *the evaluation phase* could be, for example, origin of the material, locality, sustainability, innovative process, chemical profile, less side-effects compared to synthetic medicine, bioavailability etc. In the next phase, position scenarios for different sectors can be created: What is the return of investment if the brand is taken into a sector with higher regulation? What are the other solutions to same health issue, and how the brand relates to them? Which markets the brand could thrive? Kapferer (2008) suggests supportive questions for managers for positioning mapping (Table 10).

POSITIONING: Supportive questions for managers	
1. **Compatibility**	*Are the product´s current looks and ingredients compatible with this positioning?*
2. **Consumer motivation**	*How strong is the assumed consumer motivation behind this positioning?*
3. **Market size**	*What size of the markets are involved?*
4. **Credibility**	*Is this positioning credible?*
5. **Competitive aspects**	*Does it capitalise on a competitor´s actual or latent durable weaknesses?*
6. **Financial resources**	*What financial means are required by such a positioning?*
7. **Distinctiveness**	*Is this positioning specific and distinctive?*
8. **Sustainable competitive advantage**	*Is this a sustainable positioning which cannot be imitated by the competitors?*
9. **Possibility of exit in case of failure**	*Does this positioning leave any possibility for alternative solution in case of failure?*
10. **Price premium**	*Does this positioning justify premium price?*
11. **Growth potential**	*Is there growth potential under this positioning?*

TABLE 10. How to evaluate and choose brand positioning according to Kapferer (2008)

4.2. Planning and establishing marketing

4.2.1 Formation of brand identity

Brand identity was already described above in detail. In brand management process, brand identity works as the genetic code of the brand, and guides everyone involved in the process by answering the question "*what the brand should be like*" (Kapferer 2008). As Worm (2009, 46) states, there needs to be consistency in brand actions both over time and across the instruments of marketing mix. Brand identity is a very natural thing and begins from within the organisation. Halttu, Tähtinen & Juntunen (2009) note that in the beginning of SMEs organisational development, the owners and managers have huge influence and very often direct impact on core values, and therefore to the brand identity. Identity is often build on these constituents, and because it stretches to everything the organisation (or the product) is and does, it is challenging to manage. Worm (2009) and

Halttu, Tähtinen & Juntunen (2009) all emphasise the importance consistency over everything. Identity needs to be clearly defined and everyone within the organisation needs to have a clear idea what brand identity is to have a consistent outward expression of the brand. Corporate brand identity is formed by corporate culture, corporate behaviour, corporate internal communications and corporate design (Halttu, Tähtinen & Juntunen, 2009).

4.2.2 Selection of brand elements

Worm (2009, 45) suggest the following selection criteria for the brand elements:

1. *Conveyance of brands benefits and support to desired brand image*
2. *Memorability, recognisability, and ease of pronunciation*
3. *Likeability, aesthetics*
4. *Transferability to brand extensions*
5. *Legal protectability*

At the core of the brand identity is the brand name, with the brand mark or logo. Brand name can be either descriptive, associative (evocative) or free-standing (initialism like biotechnology MNE´s DSM or BASF, neologism, and combinations). A typical and similar feature for APIs and health ingredients in general is using both generic, descriptive name (commonly used in scientific publications) and the brand name, (which may be descriptive, associative or free standing), as Shuiling & Moss (2004) suggest. According to Schuiling and Moss (2004), while the pharmaceuticals with descriptive names there is a big risk of creating a generic association that will benefit the development of generics and make the brand name more difficult to protect legally (Schuiling & Moss 2004).

Visual symbols and logotypes are equally important and help in differentiating the brand. Looking at some of the well-known biopharmaceutical, food ingredient and biotechnology companies, visuals are dominated with texts, and neutral colours, as the Figure 11. demonstrates.

FIGURE 11. Brand elements of biopharma and bio-brands

4.2.3 Designing brand communications

As Kapferer (2008, 156) states, brand needs to create 360° experience. Brand communication is the tool that binds the gap between brand identity and brand image. Brand identity guides *how* the brand communicates, and brand elements provide a frame for the communications, the symbols and the visuals used in the brand communications (Kapferer, 2008, 156.). Employees are important link between the corporate identity and the corporate image (Halttu, Tähtinen & Juntunen 2009, 94), so brand communication planning should not only be focused on external, formal and structured communication. Brand communications is the unifying activity between all the other brand building activities (Halttu, Tähtinen & Juntunen 2009, 94), and both internal and external communications are needed.

IMC or integrated marketing communications is often referred as main strategic approach when planning brand communication mix. IMC relates to how a brand transmits a clear

consistent message to its stakeholders. The American Association of Advertising Agencies published the first definition of IMC, as follows:

"(IMC)… recognizes the value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines advertising, public relations, personal selling, and sales promotion and combines them to provide clarity, consistency, and maximum communication impact." (American Association of Advertising Agencies, AAAA)

More recent definitions by Percy (2008) describes IMC as follows: "*IMC is the planning and execution of all types of advertising-like and promotion-like messages selected for a brand, service, or company, in order to meet a common set of communication objectives, or more particularly, to support a single positioning'*" (Percy 2008).

Companies have myriad brand communication channels to choose from. New concepts that are relevant for business-to-business brands are emerging, such as electronic word-of mouth (eWOM) and consumer's online brand-related activities (COBRA). The IMC, when introduced, was seen to consist of advertising, sales promotions, personal selling, and public relations, but nowadays it is even more relevant with diverse online based channels being available. Touchpoints, connections between the organization and the audiences, express and promote the UVP (unique value proposition) of the brand, and each touchpoint needs to convey consistent brand message, each message reinforcing each other. There are several tools for optimising and analysing touchpoints that help in IMC planning, like service blueprints or customer journey matrices, but the core objective for strategic brand communications management is to identify the touchpoints and drive consistency over them. One model designed by Spengler, Wirth & Sigrist (2010) for B2B companies displayed in Figure 12.
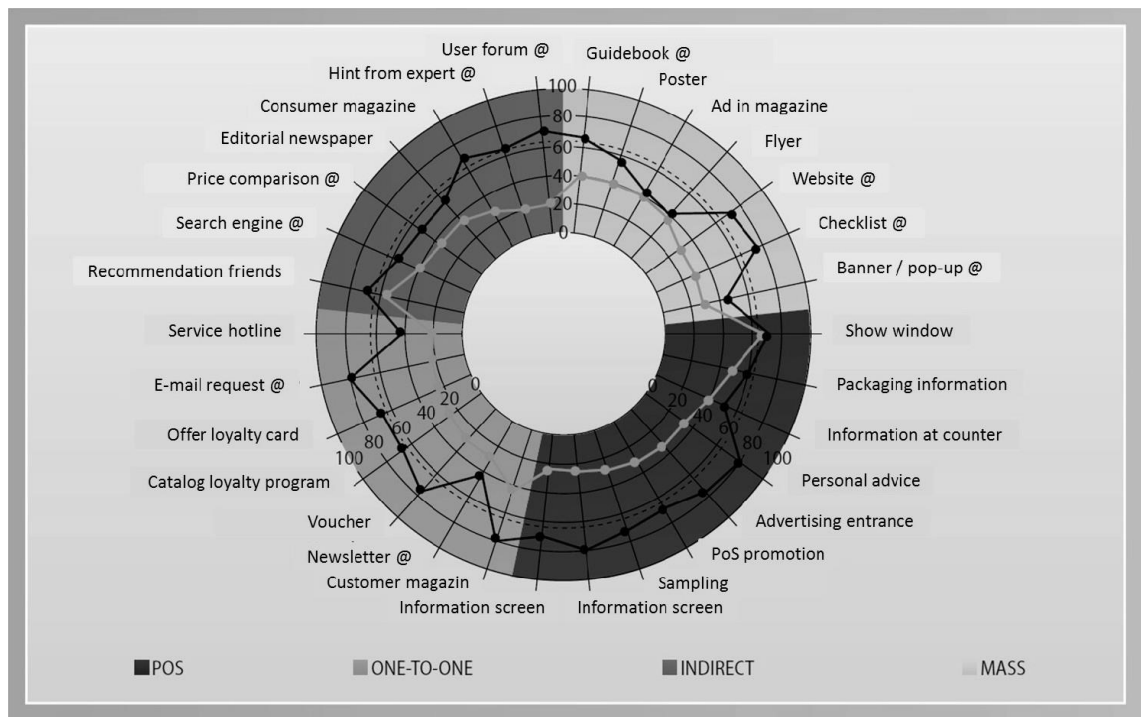
FIGURE 12. 360° Touchpoint Management adapted from Spengler, Wirth & Sigrist (2010).

Spengler, Wirth & Sigrist (2010) have also drafted managerial checklist for optimal marketing strategy mix, including following supportive questions for B2B companies:

1. *From the client perspective, which are the 30 most relevant contacts with the company or brand?*

2. *Which ten new types of contact points will be relevant for the company over the next two years?*

3. *Which activities should be re-examined, due to having insufficient breadth and depth of impact?*

4. *Which key contact points need targeted optimisation?*

5. *Which investments in which activities promise an optimal return on investment?*

6. *Which combination of activities has the greatest potential for successful marketing and brand management?*

7. *Which contact points can address and win new customers?*

8. *Which contact points are most effective at retaining customers?*

9. *Which contact points strengthen the brand-typical customer experience?*

Arruda (2009) has suggested "the Three Cs" as a basic underlining criterion when designing brand communications. The three Cs of Brand communication are clarity, consistency and constancy. Clarity means that brand message is clear, it is authentic, and is not too complicated. Consistency means driving coherence and uniformity across communication channels, stakeholders, and all brand communications. Constancy means exposure: Same uniform brand messages are constantly repeated. When brand identity and set of values attached to it are clear, and brand elements frame communications, communication strategy can mainly focus on channels, style, and whether brand is promoted independently or whether brand messages are conveyed through product campaigns (Kapferer, 2008, 210-211).

4.2.4   Brand-building programmes

Different brand building programmes can be drafted by creating a brand and unique marketing mix and using combination of different brand building instruments, presented by Worm (2009), below:

Marketing mix instruments that affect brand image (Worm 2009, 46-47)
   (1) Direct experiences
   (2) Marketing communications
   (3) Price
   (4) Distribution

Secondary association related instruments that affect brand image (Worm 2009, 47)
   (1) Co-branding
   (2) Endorsers (Celebrities, opinion leaders)
   (3) Country-of-origin effects
   (4) Sponsorship

The aim is to shape brand image and identity and affect how clients perceive the brand. Quality assurance can come from secondary associations, which organisations can utilise as branding instruments.

5 THEORETICAL FRAMEWORK OF INGREDIENT BRANDING

5.1. The concept of Ingredient Branding

Ingredient branding means creating a brand for ingredient or component, usually to project high quality or performance of the ingredient or component to enhance brand perception of the host product. In other words, Ingredient Branding is marking or labelling the component or other industrial goods (Kotler & Pfoertsch 2010, 16.). As a theoretical model Ingredient Branding or InBranding is relatively new. Ingredient Branding has only started to thrive since the late 1980s as an accepted marketing concept, but since then Ingredient Branding has been exploited in variety of product applications in various industries and accepted as a part of strategic brand management of components, materials, parts and services, and manufactured, more sophisticated applications (Kotler & Pfoertsch 2010, 17). Some of the best-known examples of ingredient branding can be found from the field of information technology, but the concept has also been very successfully utilized by food and nutraceutical industries.

Ingredient branding is a concept often placed under the umbrella of co-branding or brand alliance, where two or more brands work together in alliance and create marketing synergy. The concept should be distinguished from corporate branding (branding an institution or the manufacturing company), discussed in detail below, even there is a possibility that these two approaches often overlap. A classic example of the interlacing of corporate branding and ingredient branding is NutraSweet Inc. with InBrand NutraSweet, an artificial sweetener (aspartame) which can be classified as one of the health ingredient (low-calorie) success stories (Kotler & Pfoertsch 2010, 17.). Implications of ingredient branding are analysed in this thesis because in commissioners' brand architecture product brands would be replaced by ingredient brands, but their management differs.

5.2. Benefits and risks related to Ingredient Branding

Ingredient brand should increase host brands brand equity, and ideally create a direct consumer pull for hosts offerings with the creators' ingredients, which in turn helps to generate higher sales velocity, higher prices, greater loyalty, and greater propensity to advocate the product to others (Oliva et al. 2006). This includes brand equity effects for

both the user brands and the ingredient brand, according to the American Marketing Association Ingredient Branding Report (Oliva et al. 2006). In biopharma sector, where patenting often gains more attention than ingredient branding, a strong ingredient brand will benefit from high consumer loyalty and enable the brand therefore to be in a better position and sustain sales after its patent expires (Schuiling & Moss 2004). Patent-centred industry has traditionally given patented products relatively short product life cycle (PLC) (In general patented novel health ingredients will go off-patent after an average of seven years from when they enter the market) which has inhibited biotechnology industry's interest towards investments in branding (Schuiling & Moss 2004). However, ingredient branding can extend PLC, which provides long-term profits, and ingredient branding can also help increase profits because differentiated branded offerings can leverage from price premiums.

The benefits of the ingredient branding to the ingredient creator, according to Kotler & Pfoertsch (2010), include for example:

1. *Greater bargaining power over ingredient users and channel partners*
2. *Clarity and control of communication of the customer benefits*
3. *Downstream pull and higher prices*

The benefits of the ingredient branding to the host brand according to Kotler & Pfoertsch (2010):

1. *Management of risk related to ingredient purchase*
2. *Endorsement of weaker host brand through branded ingredient*

5.3. Conditions for Ingredient Branding in product level

There needs to be some basis for ingredient branding, and not all ingredient products are equally suitable candidates for implementation of ingredient branding strategy. Kotler & Pfoertsch have proposed different conditions required for Ingredient Branding in their book "*Ingredient Branding: Making Invisible Visible*" (2010):

1. *Ingredient is highly differentiated*
2. *The ingredient is central to the functional performance of the final product*
3. *The final products are not well-branded themselves*
4. *The final products are very complex*

Health ingredients are branded and are very potential targets for ingredient branding, since ingredients are typically highly differentiated, central or essential to the performance of the final products, and products themselves may be complex. In order for an ingredient to become a brand, ingredient needs to be highly differentiated (Quelch 2007; Kotler & Pfoertsch 2010, 3.). Differentiation is the very core of branding, and one of the most crucial elements for the creation of a successful ingredient brand is being able to provide unique value proposition for all parties involved in the process (Oliva et al. 2006). This means, in practise, that ingredient is not only an enhancement, but has a major effect on the performance of the final product and expresses clear functional benefits. It is crucial that the end-customer clearly understands the functions and benefits which the ingredient or component provides (Kotler & Pfoertsch 2010). This means the organization must possess certain strategic capabilities. Especially in terms of medicinal products, the organizations must be able to convert scientific results and clinical research data into a form in which the end-consumers are able to clearly see the value of the ingredient brand.

The most important functions brands provide are simplified decision making and reduction of risks (Kotler & Keller 2012, 140). Brand works as a symbol of confidence, a medium for a guarantee between the consumer and the producer (Chevalier & Mazzalova 2004). The aura of quality is the value that branded ingredients provide for their host brands. Pharmaceutical and nutraceutical industries are highly responsible for customer safety, so ingredient brands that succeed in communicating quality and cultivating confidence among buyers are the brands that thrive in global B2B arena.

5.4. Requirements for Ingredient Branding in Organizational Level

Component or ingredient manufacturers operate in very different business environment compared to manufacturers of finished goods. Ingredient Branding strategy often requires an extensive reorganization of the present marketing strategy, as ingredient manufacturers often use single-level B2B marketing strategies that must be expanded into multi-stage marketing strategies in order to create successful Ingredient Brands (Kotler & Pfoertsch

2010, 36.). In Ingredient Branding, marketing activities are directed towards subsequent stages of the value chain leading up towards the end customers (Kotler & Pfoertsch 2010). In practice, the creator of the ingredient brand must have resources needed for active strategic brand management, as the ingredient creator often needs to take more control especially of the communication to end-user (Oliva et al. 2006). The ultimate objective of the ingredient branding efforts is to achieve a direct pull-effect from the end-consumers. Ingredient Branding requires understanding of the value chain of the customer and knowing where the ingredient brand influences most. End-user relations are especially challenging for biopharmaceutical and nutraceutical manufacturers, because DCT (Direct-to-consumer-advertising) in the field is highly regulated.

5.5. Health ingredient brands in international context

While B2B context creates a different arena of branding compared to B2C, international context also requires strategic thinking in terms of branding. Divergent national contexts are a challenge for strategic brand management: Socio-economic differences, consumer behaviour and cultural interpretations of different component of brand identity may require high level of local adaptation of brand strategies. There is an on-going debate on to which extend MNEs can use global branding strategies (Schuiling & Moss 2004). Global branding involves offering a brand that has standardised a maximum number of elements of its strategy and marketing mix ideally to offer one standardised product to every international market (Schuiling & Moss 2004) According to Schuiling & Moss (2004), global strategy is gaining popularity due to the pharma sectors pressure to cut costs. Considering increasingly global trends in health, free flow of information and increasing health awareness resulting to increasingly uniform consumer bases across geographical regions, and the administrative efficiency global brand strategy offers, it is an attractive option for companies that have enough strategic capabilities for the execution. In pharmaceutical sector there are well-known global brands, such as Viagra from Pfizer, Vioxx from MSD, Nexium from AstraZeneca and Keppra from UCB (Schuiling & Moss 2004), while global strategy can also be observed in health ingredient category. Sweetener brands like NutraSweet® (sold in more than 100 countries) and stevia ingredients have been early adopters of global strategy (partly due to the co-branding efforts) – Their products are standardized and applicable for mass market, facing less regulation than targeted health solutions, which is why these products face minimal pressure for local adaptation. Some

natural ingredient manufacturers, despite nationally divergent regulatory systems and varying customer needs and perceptions, have been able to use global strategy. Among them, for example Pycnogenol® has been able to execute global brand strategy due to relatively wide consumer base and number of applications of the product.

However, even the mass-marketable health ingredients that address wide consumer or patient polls globally face widespread cultural variances (Simon & Kotler 2003, 150), and need to make trade-offs between driving global convergence or adapting to locally divergent cultural and regulative practices. In biopharma sector (APIs), the consensus of the best practise of international brand strategy among ingredient manufacturers is centrally planned global brand position, while packaging, channels, media use, and even brand name may be locally varied (Simon & Kotler 2003). Manufacturers need to address different consumer knowledge levels and adapt their brand communications accordingly (Simon & Kotler 2003, 43). Simon & Kotler (2003) have proposed four different approaches for internationalisation of biopharma brands, the same applies of health ingredients and APIs (Figure 13). Organisations can choose to drive global convergence (global reach and global integration strategies), or local divergence (local responsiveness and market focus strategies). In global reach, adaptation is minimal and single brand strategy reaches over all market areas. Global integration adapts and creates consistent global strategy. Local responsiveness means the brand is always adapted to new markets, and that the brand may be represented in very different manner in foreign markets compared to domestic markets. Market focus aims at catering most promising geographic areas or clusters and adapting brand for these predefined markets (Simon & Kotler 2003). How centralised or globally convergent the brand and its dimensions are, depends upon the choice of market entry, and should be aligned with corporate structure and international strategy. In practise, SMEs often do not possess strategic capabilities for wide international multilevel marketing campaigns, lacking both in financial resources and strategic competences international marketing.

**Global
reach**

↑ • Scale/scope economics

**Local
responsiveness** ←————————————————→ **Global
integration**

• Regulation variance   • Speed to market
• Local customer tastes   • Branding consistency
• Entrepreneurial drive   • Best practices transfer

↓

**Market
focus**

• Resources on top-tier markets
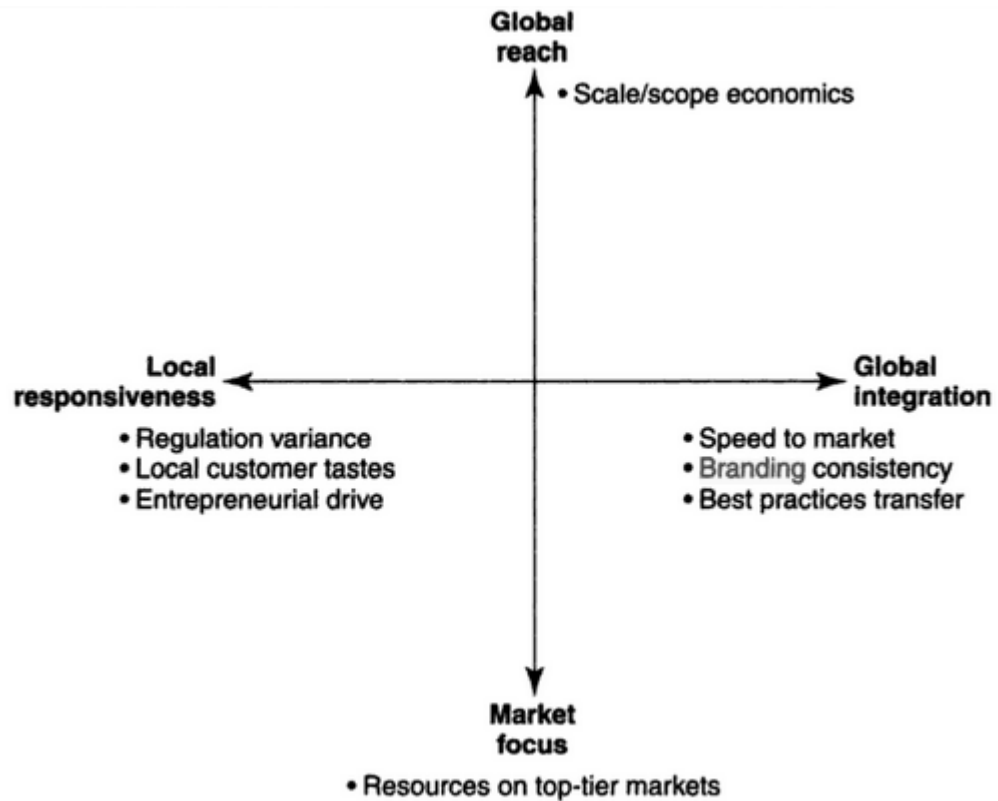
FIGURE 13. Global Marketing Trade-Offs for Biopharma by Simon & Kotler (2003), SDS Group

One of the factors to consider when taking brands to international level are country of origin effects. Several studies have investigated country of origin effects (COO) or product country image (PCI), and their effect on consumer perceptions on the imported product based on stereotypical image of the country where the product comes from. The COO effect is claimed to be stronger when the consumer has little or no knowledge of the brands from the exporting country (Melewar & Alwi 2015, 16). While the COO effect is not solely affecting consumer purchase behaviour, which in B2B arena is highly influenced by e.g. channel, sellers' technical skills, customer orientation, and innovation, according to La, Patterson, & Styles (2009), COO will fundamentally influence brand image, and therefore needs to be acknowledges when globalizing the brands.

The commissioner and several other Scandinavian companies in same category utilize COO effect in their marketing and attempt to enhance it, in fact, the COO being among

leading marketing statements, by using "*Arctic*", "*Scandinavian*" or "*Nordic*" COO marketing claims to promote origin of the raw material of botanical and plant-based ingredients. Scandinavian and European nutraceuticals category benefit from favourable COO effects in B2B arena, according to Meštrović (2015): "*New products from Europe are presumed to have passed stringent European development and quality requirements. As a result, European nutraceutical companies, which are generally considered leaders in innovation, enjoy a perception of producing the highest quality products*". European manufacturers can often benefit from *"a negative home-country bias"* phenomenon, if the export destination (consumers home country) is less developed than the counterpart (in this case European manufacturer) who produces the same type of product, valid for example in Chinese markets (Wong Jeong, Stoel & Chung 2012). Favourable perceptions are also driven by innovation in food and health sector, and the fact that European legislation is highly regulative for these sectors.

5.6. Ingredient branding case: Pycnogenol®

A case study from the field is used to illustrate the concept of Ingredient Branding. Pycnogenol® is a brand name for natural health ingredient OPC (Oligomeric proanthocyanidins) derived from French Maritime Pine Bark and manufactured by Horphag Research. This natural ingredient contains procyanidins, bioflavonoids and organic acids, and functions as an antioxidant and as an anti-inflammatory agent. Pycnogenol® also helps to generate collagen and hyaluronic acid, and aids in the production of endothelial nitric oxide which helps to dilate blood vessels. The multifunctional nature makes product marketable to wide customer bases. According to the Horphag Research, Pycnogenol® French maritime pine bark extract is available in more than 700 dietary supplements, multi-vitamins, cosmetics and health products worldwide, making it the key brand of the manufacturer. Horphag Research with Pycnogenol® was chosen in the same ingredient is manufactured by the commissioner, FLAVANTI® OPC Pine Bark Extract.

The brand has developed own multi-level marketing concept that leans on brand communication. The R&D budget for the company in 2015, according to the CEO was over 1.7 million euros. Scientific evidence around the ingredient is exclusive and versatile: There are 340 published studies and 134 clinical trials conducted about safety, toxicity and clinical efficiency of Pycnogenol®. This has helped the company to expand their customer base during and after the global roll-out, following optimisation strategy of biobranding

suggested by Simon & Kotler (2003) (the strategy is targeted mainly for APIs), which is presented in Figure 15. The strategy benchmarks from pharmaceutical sector and is applicable to health ingredients that are (or resemble closely) pharmaceuticals, as the case suggests. The company has its roots and legacy in pharmaceutical research, and therefore the ingredient, even not classified as API but a nutraceutical, follows a marketing strategy of biopharma sector, which has allowed development of a strong international ingredient brand.
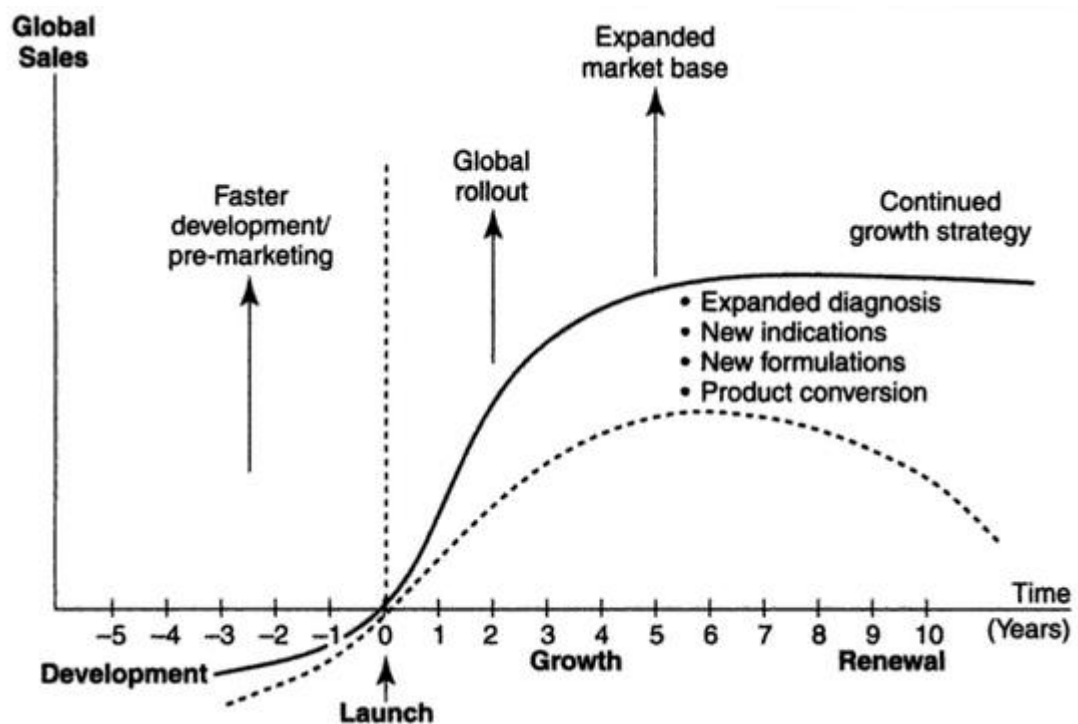
FIGURE 14. Optimized biobranding, by Simon & Kotler (2003)

The brand relays highly in integrated marketing communications (IMC) and multi-level communication strategy which uses high levels of content marketing. The core of Pycnogenol® brand communication strategy is to ensure that scientific research related to the product is communicated to the end customers efficiently: Horphag Research CEO, Victor Ferrari, stated in NutraIngredients-USA interview that the aim is not to market for the consumers, but to educate them. In 2015 the company executed this strategy by publishing a book "The Pycnogenol Phenomenon: The Most Unique & Versatile Health Supplement". The 196-page book written by Richard A. Passwater (PhD, a research biochemist also known for his role as a science editor for WholeFoods Magazine) and Peter

Rodhewald (Phd and a head of R&D in Horphag) contains combined study observations and anecdotal information, and is sold through Amazon, Adlibris and Walmart, along with number of other retailers. The book is targeted for retailers and end-consumers, and is part of multi-level marketing efforts that aim at creating a direct consumer pull. Horphag Research also utilizes variety of other communication methods, such as seminars and social media advertisements, for transferring scientific messages to the end-consumers. In 2015 the company launched a web campaign "*Join the Conversation*", where recognized physicians and consumers discuss about their experiences with ingredient and products containing the ingredient. While the communications follow multilevel strategy, the company behind the brand has done very little corporate branding – In practice, the ingredient only has one effective branding level. Instead of the corporate branding, the company uses, in a way typical for French wine makers as Kapferer (2008) stated in his work, other signs of quality instead of the corporate brand. In all the brand communications, even on scientific publications, "*French Maritime Pine*" origin statement is included. Strong customer-based equity building model has enabled brands success story.

What makes the case very interesting is that the similar materials are abundant in Finland. Finland as a country has a comparative advantage in biomasses derived from plant based sourced due to the strong forest industry, which is built on sustainable basis, and the fact that 80 % of the country is covered in forest. Despite the limited size, the country has strong knowledge-based economy, rich and clean raw material sources, and technologies and skills to exploit these resources. Creation and promotion of bioeconomy are part of public strategy. Universities and research institutes also play a significant role, and several biotechnology enterprises have started as spin-offs from the different biomedical research projects, such as Biotie Therapies Oyj (acquired by U.S based Acorda), Forendo Pharma Oy, Herantis Pharma Oy ja FIT Biotech. An example of novel biomass innovator is Montisera Ltd, which bought a patent from forestry giant UPM for extraction of bioactive molecules from spruce (picea abies) that have potential pharmaceutical applications. Systematic strategic approach is needed if the commissioner and other Finnish SMEs aim at global arena.

6 THEORECTICAL FRAMEWORK OF CORPORATE BRANDING

6.1. The concept of Corporate Branding

Corporate brand and corporate branding are still emerging concepts in academic literature (Knox & Bickerton 2003). Hatch & Schultz (2003) have suggested seeing corporate branding as constituting of processes linking strategic vision, organizational culture and corporate images. Knox and Bickerton (2003) suggest definition of corporate brand as "*the visual, verbal and behavioural expression of an organisation's unique business model*". Corporate branding reduces need of a firm to promote individual product brands (Hetrick & Martin 2006, 19). Biotechnology enterprises have not engaged in corporate branding efforts as widely as pharmaceutical sector, according to Simon & Kotler (2003), due to the smaller budgets but also due to the specialist audiences the products are targeted. InterbrandHealths CEO Jane Parker commented the importance of corporate branding on the success of the top 10 ranked biopharma brands in 2016:*"These 10 biopharma brands are embracing a strategy that is somewhat new to the health and life sciences sector: they are effectively leveraging their corporate brands and, in doing so, they are growing their businesses, fuelling innovation, and developing meaningful solutions for patients on a global scale."* (InterbrandHealth, 2016). Kay (2006) suggests that socially responsible firms often create strong corporate brands.

6.2. Benefits and risks of Corporate Branding

Benefits of corporate branding adapted from Simon & Kotler (2003) and Hetrick & Martin (2006):

1. *Better differentiation in crowded products brand categories*
2. *Consistency of an umbrella brand, prevailing over products obsolescence*
3. *Clinical data can be supported by trust in the manufacturer*
4. *Aiding customer purchasing decisions and promoting customer loyalty*
5. *Promoting corporate culture*

Within branded health ingredients, companies tend to be highly specialized and level of diversification of their product portfolios relatively low comparing to, for example, retail sector. Many of the companies are SME´s, and offering expertise services, contract man-

ufacturing or private label are not uncommon among this strategic group, making corporate branding a natural option that can offer SMEs much needed means to differentiate. Especially in the field of natural ingredients, generics are common – Standardized extracts, with easy global access to raw material supply – Ingredient branding may not always make sense regarding these types of products which may experience price retaliation, but corporate branding can distinguish the products of a trusted branded manufacturer from those of a competitor. For example, French Mascuelier´s OPC extracts follow purely monolithic (branded house) brand architecture. With many SMEs, corporate brand and reputation play a bigger role than ingredient branding.

Corporate brands also have important internal implications. The concept of internal branding has been explored in recent literature (Kornberger 2010; Hetricks & Martin 2006). As Kornberger (2010) states: "*Brands transform how we manage an organization´s identity, how we think of its culture and how we organize innovation*".

6.3. Requirements for Corporate Branding

While all corporations can essentially be branded, the strength of the brand depends on convergence and consistency of its brand values, identity, image and brand communications. If the corporation has only one of few very distinctive products that are potential candidates for product or ingredient branding strategies, the allocation of resources between the corporate brand and potential product brands needs to be considered. In B2B, especially SMEs tend to focus on corporate branding. "Big Bioharma" like Pfizer, Wyeth, Merck and Astra-Zeneca have critical mass for execution of international corporate branding campaigns (Simon & Kotler 2003, 129), similarly food giants dealing with health ingredients like Cargill, nutraceutical ingredient distributor/manufacturer like DSM, or chemical giant BASF SE all are corporate brands "too big to fail", while corporate branding still gives leverage also for agile SMEs, who may not have resource for multilevel ingredient (product) brand strategies. SMEs with innovative products should considered is the real value in the organisation itself, or in the actual product, because while corporate branding is often economic option, it may not be optimal if corporation itself offer little value compared to its product.

6.4. Development of Corporate Brands

While the core brand development process follows uniform principles as suggested by Kotler & Keller (2012), academic literature has suggesting few specific implications. Corporate brand building emphasises internal processes and inclusivity. Urde (2003) discussed the importance of core values as a unifying common thread in relation with brand orientation: According to Urde (2003) a successful brand building process is based on core values. Because corporate brands are based on core values of the corporation, Kay (2006) suggests that socially responsible firms often create strong corporate brands. While these values may not be unique, their expression should be (Halttu, Tähtinen & Juntunen 2009). Halttu, Tähtinen & Juntunen (2009) have suggested distinctive measures for corporate branding in different growth stages of SME growth, starting for pre-establishment. Inception and survival are early stages where company is just beginning the operations and is not necessarily yet profitable, resources are scarce, and operations are not clearly defined. During the early phases Halttu, Tähtinen & Juntunen (2009, 51-52) suggest clarifying values and corporate identity where the brand is based on, and inclusive corporate culture. This is the critical stage where corporate brand should be formed and shaped. In later stages (from survival to success and maturity), the main objective is to maintain the brand and promote consistency for all stakeholders.

6.5. Branding in Business-to-Business context

Academic literature of Business-to-Business (B2B) branding has been limited, partially due to the heterogenicity of the B2B as a context (Kapferer 2008, 113). Due to the diversity of sectors, markets, and activities that are grouped below, the whole concept of B2B Branding as a branding approach can be questioned. Because the companies operating in B2B basis are diverse, there are only few generic principles that apply to majority of them. However, there is substantial amount of evidence demonstrating the potential of B2B branding, while at the same time rivalry is pushing more and more component manufacturers (OEM´s) to pursue B2B branding strategies – Component manufacturers face strong competitive pressure within the industry, but also pressure by their buyers who demand standardised products and components that match their own specifications, making differentiating the product offering more difficult (Worm 2011). What is certain is that there are successful B2B product, ingredient, and corporate brands.

B2B Branding follows the same principles as B2C branding, but there are some differences: Buyers primary interact and have relationships with the company, and individual product brands may therefore carry less meaning. "*Other than in commodities market, people do not buy a product but rather a supplier, with a view of durable joint development*", as Kapferer (2008, 117) states. This requires high consistency and brand integrity, which companies need to actively build not only through external means, but from within (Worm 2011, 66-67; Webster and Keller 2004, 390). Kapferer (2008, 114) states that "*in B2B, every ingredient forms an integrated part of the offer that the purchasing company makes to its own clients*". Therefore, risk management has significant role in B2B contexts. While B2B clients are typically perceived to base their purchasing decisions on rational factors (price, product specifications, lead times, etc.), research on the subject has demonstrated that reputation, in practice corporate brand, still plays a major role (Kapferer 2008, 115). Kapferer (2008, 114) states, that price is an important consideration for B2B buyers, and therefore there is usually always some pressure on costs. Because B2B clients are driven by price considerations, mainly measurable or tangible product qualities, and have limited interest to individual product brands - which leads to a trend of using substituting brands in industrial contexts – strong end-consumer pull must be created in order to attract B2B buyers.

Differentiating factors in B2B branding

(1) Several individuals involved in decision-making process (prescribers)
(2) Pressure on costs
(3) Emphasis on corporate brand (reputation)
(4) Emphasis on risk management

Worm (2011) identified the above factor as differentiators between B2B and B2C purchase and decision-making processes. B2B branding has traditionally gained little attention in biotechnology and pharmaceutical sectors. According to the Blacklett & Robins (2001) from Interbrand Healthcare, the restrains of B2B branding were related to supply-driven and highly governed characteristics of these sectors. Specifications and strength of clinical evidence often define the strength of a product against competition. However, in more consumer-driven category of cosmeceuticals and nutraceuticals consumer pull plays a major role, often even against the clinical rationales. While the branding itself

follows the same principles as B2C branding, it needs to focus on prescribers and follow the supply chain all the way to the end-consumer and focus on de-commoditising the products, without forgetting the importance of the corporate brand.

7   SITUATIONAL ANALYSIS

7.1. Microenvironment – Strategic resources and capabilities

The commissioner company is relatively new, founded in 2013. Company has operated profitably for the first 5 years of operation. Based on SME growth stages used in theoretical framework, the company is hindering between Inception and Survival. Revenue has remained on steady level, but there has not been new much anticipated growth during the past two years. The company is serving multiple fields and has increasingly participated in product development as a consulting partner. The international entries are made mainly through distributors and agents, and through direct sales. Main export destinations are Japan, Korea, European countries (UK, Belgium, Germany, Sweden), and Canada.

The company is currently seeking growth funding, estimated need is 350 000 € which will be allocated to new production facility, machinery, product development and internationalisation. The aim is to increase turnover 100 000 € in short term (by 2020) and double it in medium term. The project will emphasise importance of strategic planning.

Table 15. SWOT-analysis

Strengths	Weaknesses
• Unique product offering in global scale • Expertise and network • Flexibility and ability to serve different kind of customers • Ethics and sustainability	• Consolidated client base • Limited production capacity • Limited resources for branding
Opportunities	**Threats**
• Growing market • Increasing consumer interest towards health and wellbeing	• More players in the field • Maturing markets • Continuous R&D in the field, new technologies emerge

Products	Health ingredients
Category	Cosmetic ingredients, Food ingredients, Food Supplements
Customers	**Category 1.** Distributors **Category 2.** Manufacturers of food supplements/food products Main sub-segment: Natural food supplements **Category 2**. Manufacturers of cosmetic products: Main sub-segment: Organic / Natural Cosmetics Main application category: Anti-aging
International entries	International sales: Distributors/agents and direct sales for individual clients
Competition	Few direct competitors; Substitutes a major threat
Current branding	Products are not branded. There is no formal strategy in foce.
Mission statement	*Expert in Arctic Ingredients*
Vision statement	*Sustainable and natural health and wellness*
Corporate objectives	Maintain the full control over the business and preserving family-business values. Improve and promote ethical business practises and CSR.
Financial objectives	Steadily increase revenue and promote sustainable growth Avoid heavy investments that have no long-term viability. Increase revenue 100 000 € per annum in short-term (2019), double revenue in medium term.
Marketing objectives	Explore untapped existing marketing opportunities in domestic markets and in Asia. Expand to Europe by finding new European distributors to promote stability and expand the business. Increase brand awareness and promote products more actively.
Scope	Distributors and manufacturers in Europe and East Asia in food, pharmaceutical and cosmetic sectors

TABLE 16. Strategy summary

7.2. Macroenvironmental factors affecting branding

Macroenvironmental factors analysed by using PESTEL-framework (Appendix 2.) that affect marketing environment are summarised in Table 17. The field is growing rapidly, and plant-based solutions processed by using so called mild or green technologies are among the fastest growing individual sectors. Biomaterials are expected to project CARG (compound annual rate growth) of 16% by 2020 (Marketsandmarkets, 2013). Traditional industry lines are becoming more and more blurred in terms of operators involved, products that are developed, and from regulatory perspectives: Mainstream players are entering former niche segments, nutraceutical regulation is increasingly starting to resemble pharmaceutical regulation and legislation is in many ways tightening. Consumers want data and are becoming more critical (Simon & Kotler 2003). Product and corporate brands need to demonstrate high level of regulatory compliance and credibility, mainly through verifications from third parties. The role of consumer pull as a result from DTC brand communications is high but restrained by health claim regulation. Bio- and plant-based materials are among most rabidly growing segments, and therefore branding is becoming more relevant than ever before.

TABLE 17. Summary of PESTEL-analysis (Appendix 2.)

Political factors	Economic factors
• Pharmaceuticals, chemicals, food, cosmetics and nutraceuticals are all highly regulated. Safety is one of the main political concerns. • Regulatory bodies in EU level ECHA, EFSA, EMA, European Commission • SCCSs Opinions • National differences in EU, but efforts for uniform legislation are being made • Biotechnology sector subject in political debate (GMO, Genetechnolgy)	• Market growing and maturing • Industry lines becoming blurred, for example superfood trends > cosmetics, nutraceuticals > foods and beverages • CARG biomaterials 16% to 2020
Social factors	**Technological factors**
• *High-tech medicine* to *high-touch care* – New era of consumerism in health care sector. • Increased focus on preventive medicine. • Food increasingly seen as medicine, role of nutrition recognised as studied. • In cosmetic sector, consumer interest towards natural alternatives instead of synthetic chemicals. • Fitness and wellness trends. • Consumers are environmentally conscious, increased demand in free from and plant-based categories. • DTC advertising and multilevel promotion needed. Brands are expected to have research behind them. Health ingredients used as substitute for medicines, which increases need for regulation.	• Research plays a fundamental role in health ingredient field, and the sector is technology-intensive and very research oriented. • Technological development in the field has been revolutionary, marked by genomic and proteomic revolution, nanotechnology innovation, and better means for identifying and analysing new chemical entities, such as high-performance liquid chromatography and mass spectrometry. • Role of nutrition researched extensively • Ethical ways to test cosmetic safety instead of animal testing • Brands need to communicate innovation and simplify complex scientific messages.
Environmental factors	**Legal factors**
• Increased interest towards sustainability • Environmental impact of chemical products • Consumers want to buy "natural" • Increasing interest towards plant-based products • New interest bodies to verify sustainability, e.g. Fair Wild organisation	• Highly regulated sectors • Marketing claims regulated • Some companies have capitalised on vague unscientific claims, resulting to increasing consumer criticism and regulation. Brands need to demonstrate high level of regulatory compliance.

7.3. Summary of in-depth interviews

Supportive information for brand strategy was gathered through in-depth interviews among existing clients via phone, email, or meetings. Inclusion criteria was more than one purchase in past six months, interviews were conducted in between November 2017-January 2018. Eight clients from Europe, Canada and Japan participated. Following questions (Appendix 1.) were asked:

Q1: Where do you get information of new ingredients or services related to them?
Q2: Would you be able to describe the information search and purchase process in your company?
Q3: Can you identify the factors your company's purchase decisions are based on when you are buying active ingredients / health ingredients?
Q4: What motivated your company to use Fingredients products / services?
Q5: In your purchase decisions, which one you emphasize more: the supplier or the ingredient? Why?

Clients were asked standardised open-ended questions, and answers were coded according to which brand building instrument they represented. Brand building instruments, presented in the theoretical framework of these thesis were primary instruments: (1) Direct experiences (2) Marketing communications (3) Price (4) Distribution. Secondary association related instruments that affect brand image were: (1) Co-branding (2) Endorsers (Celebrities, opinion leaders) (3) Country-of-origin effects (4) Sponsorship. The aim was so gather clients' opinions and feelings about different brand-related aspects and understand them better from clients' perspective. Whether clients focus was on individual products or the organisation as a whole was also a point of interest. Clients were also asked about the media channels they use for obtaining information about health ingredients, and their purchasing process. The questions concerned B2B clients' decision-making process and priorities post-purchase, and reasons why clients chose to purchase from the commissioner.

Clients identified several reasons why they chose to use commissioners' services. Findings from customer in-depth interviews indicated that secondary brand building instruments had an important role for existing clients. All clients mentioned one secondary

brand building instrument that impacted their motivation to purchase. Sustainability, expertise, origin, and natural ingredients were identified by the interviewed clients as the main reasons for purchasing from the commissioner. Direct experiences and marketing communications were also mentioned by few clients. Direct experiences were most important for domestic clients, while marketing communications were brought up by international clients.

".. I guess it is a bit of all, a combination. The origin, that the ingredients are sustainable and plant-based ... I think it is all important". (Distributor, Japan)

"*Expertise is very important, and that the material is natural and comes from Finland"* (Cosmetic manufacturer, Finland)

Endorses are third-party quality assurance was seen as important and brought up by many different clients even more frequently than primary brand building instruments like price, distribution, or marketing. Internationally recognised certificates were mentioned by nearly every interviewed client.

".. *We rely on third-party quality assurance rather than brands."* (Food manufacturer, Finland)

".. For now, this version of Ingredient X is fine, but I am thinking I would like to have all my products to be organic-certified in near future." (Cosmetic Manufacturer, Canada)

Another important observation was that most of the clients described whole product portfolio or the organisation instead of individual products. This is in line with the idea from B2B branding theory that B2B clients primarily interact with the corporate brand instead of product brands.

Scientific research and analysis was another theme that several clients claimed to be a vital part of their decision making. Some clients noted that the scientific messages are sometimes too complex for their end-clients and hoped manufacturers would provide ready-made health claims and supportive materials the distributors would be able to use.

"Customers are looking for different certificates, even if they do not always know what the certificate is about. Also, some department stores want the products with ECOCERT or organic certificates, so pressure comes from there. We do personal selling, and we must be able to explain to our staff what the benefits of using the product are. Sometimes it is difficult to understand for sales personnel and customers. Benefits need to be clear. I want to be able to explain why this ingredient is better than competitors." (Cosmetic manufacturer, Japan)

Online-based communication channels were identified as the most important source of information by majority of interviewed clients. Only one client stated that the information was sought from scientific publications, most of the clients said they would get information about new ingredients from online articles and different media platforms, through direct experiences, and sometimes they would get interested to other products from the same distributor. Purchasing processes varied greatly in between organisations. For SME clients it was often described as informal and decisions were made only by few individuals, but some distributors described standardised processed where decisions were by a department or by some other body that consisted of several individuals, and these decisions required authorisation from higher level.

8 STRATEGIC OPTIONS & KEY ISSUES

8.1. Main strategic options on branding level

As discussed, one of the main choices regarding brand architecture is whether to implement branding in one or two levels. Should only the corporation (manufacturer) be branded, and products (ingredients) be regarded as generic? Should ingredients be branded, and manufacturer diminished, or should both corporation and its products be branded? Implementing two-level branding strategy requires more strategic capabilities and resources in terms of finances and in terms of brand management efforts. However, one-branding level may simply not be enough in business environment where branding efforts are intensifying.

Scenario analysis and key issues with two branding levels: Two-branding level strategy requires lots of resources and consolidation of product portfolio, because small company will have limited resources for implementing two level branding effectively. This would lead to a scenario where branded corporation offers few branded ingredients. Two-branding level strategy requires, that requirements both for strong corporate brand and strong ingredient brands can be fulfilled, which is the case in terms of differentiation and uniqueness. This strategy could be beneficial in terms of internationalisation, since products would be standardised, well documented, and each ingredient would have clearly defined brand. This strategy could attract bigger clients and international distributors, who require high level of research, documentation, and quality assurance. The major trade-off would be high costs.

Scenario analysis and key issues with one branding level: One branding level leads either to a scenario where corporation is branded and supplies range of ingredients under corporate brand, or to a scenario where few ingredients are branded and corporate brand non-existent or diminished.

The main benefit of one branding level with strong corporate brand would be that the corporation can flexibly market tailored services and wide range of ingredients without increasing efforts on product branding. Socially responsible firms often create strong corporate brands. Corporate branding is a key in B2B sector.

Developing strong corporate brand would require deeper involvement in different projects, co-branding with other corporate brands, and active participation in the field, as well as focus on customer service. Internationalisation of corporate SME brand may be difficult. Internationalisation may be sales driven, and customer relationship management and behavioural differentiation would play a bigger role in terms of international success. Corporate brand may remain local despite branding efforts in international level.

Product or Ingredient Branding without corporate level would allow differentiation of products, targeted marketing, and this strategy might release resources for implementing multilevel marketing strategy (DTC-marketing). However, this strategy may not be well in line with principles of Business-to-Business branding and utilise expertise and flexibility that the commissioner would be able to provide for its clients. Ingredient branding level would clarify where the products stand in terms of competition. It is also a riskier strategy, because it reduces agility to switching from one products to another in case a product is underperforming – A very plausible scenario in a field that is driven by novelty. Clients require extensive amount of technical and clinical data of the products, and products clearly fulfil basic criteria for Ingredient Branding: They are highly differentiated, central for the functional performance of finished product, final products would benefit for co-branding, and finished products are typically complex. The source is an important factor in terms of unique value proposition (UVP), which suggests that one-level branding strategy may not be optimal in terms of differentiation and in terms of establishing unique positioning.

8.2. Main strategic options on brand architecture

Brand architecture is linked with the choice of branding levels. Organisation would benefit for two branding levels, as concluded above, but management of two-level brand strategy requires lots of strategic capabilities and resources, which are typically scarce in SMEs. The structure of the brand architecture is therefore highly strategic choice, which will guide the allocation of these resources. Strategic options are visualised in Figure 18.

CORPORATE MASTERBRAND   **F**INGREDIENT   Products: Pine Bark Extract

SOURCE BRAND   **F**INGREDIENT FLAVANTI®

ENDORSING BRAND   **F**INGREDIENT ⟶ FLAVANTI®

PRODUCT BRAND   FLAVANTI®   (Manufactured by Fingredient Ltd)

FIGURE 18. Visualisation of brand architecture options

Brand architecture should represent value distribution, as discussed in theoretical framework of this thesis. Therefore, the organisation needs to map where the value is located. According to insights from existing clients obtained during the in-depth interviews, most of the clients spoke about the organisation instead of describing features of an individual ingredient, which indicates that clients primarily interact with corporate brand. This idea is supported by the B2B branding theory and would guide towards corporation-centric architecture.

8.3. Main strategic options on brand positioning

In theoretical framework of this thesis positioning scenario mapping was suggested by Kapferer (2008) as part of brand development process. Eleven key aspects were listen on theoretical framework, they were: (1) compatibility *(how compatible said positioning is with the overall business strategy?)*, (2) consumer motivation (*does it motivate buyers to purchase*?), (3) market size *(potential market size when positioning is achieved?)*, (4) credibility *(is the positioning credible, does it represent the product or corporation? Can it be trusted?),* (5) competitive aspects *(who are the competitors if this positioning is achieved, and can organisation compete against them?),* (6) financial resources *(does the organisation have enough financial resources to achieve this positioning?),* (7) distinctiveness *(does positioning support differentiation?)* (8) sustainable competitive advantage (does this positioning provide sustainable competitive advantage?) (9) exit in case of failure (can the organisation exit the positioning if it not working?) (10) price premium (does the positioning justify price premiums?) and finally, (11) growth potential (are there growth opportunities if this positioning is chosen?). Scenario analysis was conducted by using these eleven aspects and analysing them in three different branding scenarios: Positioning as unbranded supplier, positioning as multi-segment branded supplier, and positioning as branded supplier of highly differentiated branded products.

Scenario 1. *Company remains as manufacturer of generic products (No branding or only minimal corporate branding).*

Compatibility	Not compatible with overall business strategy (differentiation). Does not support core strengths (SWOT).
Consumer motivation	Consumers motivated by lower price compared to branded offerings, alternative to branded products "non-branded" strategy.
Market size	Limited, because European manufacturers cannot compete with Asian manufacturers in terms of costs.
Credibility	Built case-by-case basis with each customer. Does not
Competitive aspects	Competition with Asian low-cost manufacturers, while material quality clearly differs.
Financial resources	Minimal resources needed in terms of branding.
Distinctiveness	Products not differentiated by marketing or branding, distinctiveness on functional qualities. Distinctiveness communicated separately to each client. Company not differentiated or minimally differentiated.
Sustainable competitive advantage	No, unless low-cost business strategy is used.
Possibility to exit in case of failure	Little investments made, exit is easy.
Price premium	Position does not justify premium price.
Growth potential	Limited.

TABLE 19. Scenario 1 – Non-branding strategy

Summary: This scenario describes current situation. Orientation is in existing consumer relationship. Brands discreet, reputation-based. Products are differentiated, but marketed as generic, which puts them in the same line with lower-quality products. Strategy is does not provide sustainable competitive advantage, because it is relative easy to imitate.

Scenario 2. *Branded supplier of generic health ingredients.*

Compatibility	Compatible with business strategy. Basis for corporate brand exists (logo, COO, reputation built in first five years of operation, visuals, etc.). Capitalises on core strengths and in line with strategic resources and competences.
Consumer motivation	Consumers motivated by price and corporate brand (reputation, service, experiences with the company, word-of-mouth).
Market size	Market focus (Most important markets), allows local responsiveness in terms of products when they are not branded.
Credibility	Favourable source effects (COO), expertise, and specialised processed justify positioning.
Competitive aspects	Differentiated products compete may be placed in same line with low-cost options due to lack of product brands.
Financial resources	Not as resource intensive as two-level branding strategy, low risk of investment going to waste in case of individual product fails.
Distinctiveness	Distinctive corporate brand. Undistinguished products. Distinctiveness does not necessarily flow through whole value chain to end-consumers or finished product manufacturers, since distributors interact with corporate brand.
Sustainable competitive advantage	Based on corporate brand.
Possibility to exit in case of failure	Allows flexibility in terms of products portfolio, minimal investments on product brands = Easy to add new products under corporate umbrella and discontinue with unsuccessful products.
Price premium	Corporate brand justifies price premiums, but product price premiums not on same level with category leading ingredient.
Growth potential	SME may not be able to capitalise corporate brand in international scale.

TABLE 20. Scenario 2 – Positioned as trusted supplier of generics

Summary: Branding the corporation but not product allows services for several segments. In international scale, this strategy allows local responsiveness. It allows flexibility in terms of product portfolio, justified price premiums to some extent, and is compatible to overall business strategy. However, the main challenges are that creation of truly international brand may be difficult, and the consumer pull -effect not achieved. The strategy works well with service concept, which makes it a suitable option for the commissioner.

Scenario 3. *Branded supplier of branded ingredients for targeted segments.*

Compatibility	Compatible with business strategy (differentiation). Basis for corporate brand exists (logo, COO, reputation built in first five years of operation, visuals, etc.). Ingredients fulfil basic criteria for ingredient branding. Ingredients are differentiated. Positioning capitalises on core strengths and in line with strategic resources and competences.
Consumer motivation	Consumers motivated by corporate brand (Source effects, COO, service, expertise) and ingredient brands.
Market size	Global reach, globally standardised branded product (branding requires resources, little resources available for local reposiveness)
Credibility	Favourable source effects (COO), expertise, and specialised processed justify positioning. "*Natural*" and "*Green*" product alternatives.
Competitive aspects	Differentiation from generic / low-cost manufacturers and products.
Financial resources for strategy implementation	While this positioning is very resource intensive, it protects investments made in terms of product quality.
Distinctiveness of the strategy	Distinctiveness in level of each product, distinctive against other suppliers.
Sustainable competitive advantage	Strategy offers sustainable competitive advantage against competitors in each product category.
Possibility to exit in case of failure	Investments on product brands mean consolidation and heavier specialisation are required, since exiting becomes more difficult.
Justification of price premium	Justifies price premiums and promotes price elasticity.
Growth potential	Positioning aims at tapping core opportunities and growth in the field.

TABLE 21. Scenario 3. – Branded niche supplier

Summary: Corporation has distinctive corporate brand, positioned to serve certain segments. Ingredients are branded, and brands are targeted for niche-audiences, each product will need to have individual brand positioning. When resources are scarce and developing brands binds resources, company may need to consolidate product offerings. Higher investments mean higher risks. This positioning is highly sophisticated and would work best with innovation driven company with heavy R&D investments.

8.4. Main strategic options on brand identity

Corporate brand identity is formed by corporate culture, corporate behaviour, corporate internal communications and corporate design, according to theoretical framework of this thesis, and should be based on the core values of the company. Corporate culture is family-business oriented and emphasises long-term orientation and partnerships, which represent the core values and goals. According to the theory, SMEs in early growth stages often have very lean structure, and corporate culture and internal communications are informal and formed in day-to-day operations of a firm, which may lead to inconsistency

in terms of brand identity. Structured reflection of identity is important at this early stage, because the company can adopt brand-oriented thinking early on, and drive consistency over the corporate brand. Figure 22 is a mind-map of the core elements of corporate self-identity.
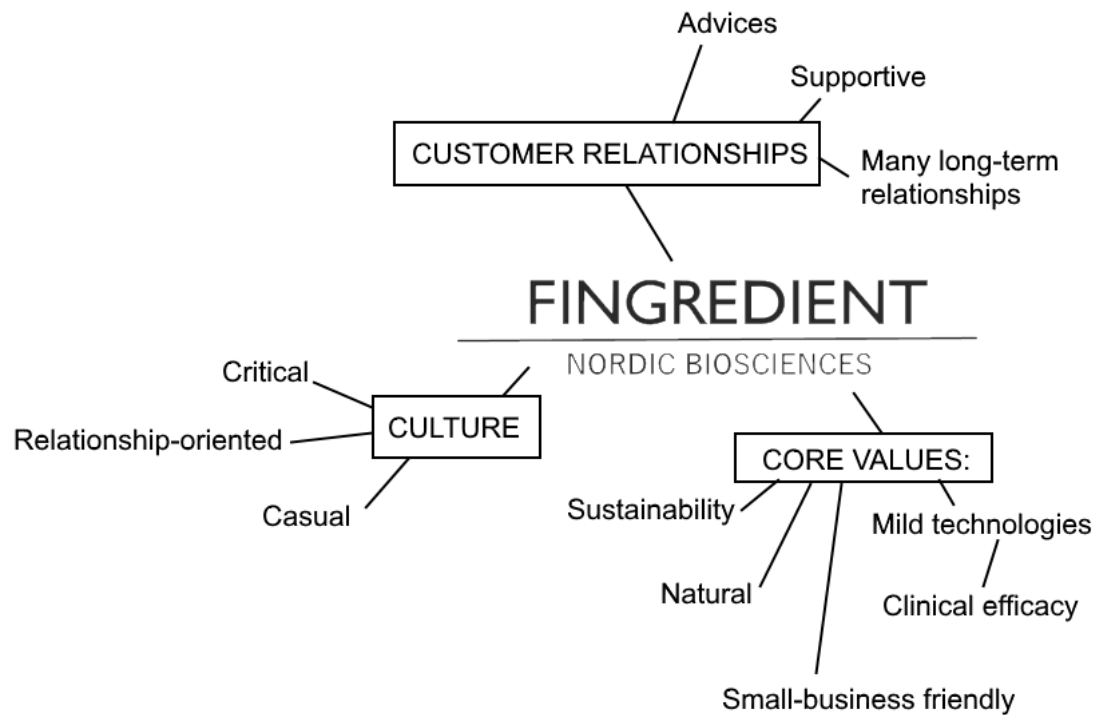

FIGURE 22. Identity mind map based on self-image.

9   BRAND MANAGEMENT PLAN

9.1. Branding levels

In the inception or survival phases of SMEs organisational development process the commissioner should focus on corporate branding based on research findings and situational analysis. In practice this may translate to one branding level. This is the brand that B2B clients and other stakeholders in B2B sector primarily interact with, it resonates favourable source-effects and can cover agile, wide, and rapidly changing product portfolio. This enables flexibility in terms of products. Figure 23 represents branding levels and brand architecture as an evolving construct. Phase 1. represents short-term goals for branding strategy, where there is only one branding level and main objective is to create a strong corporate brand. Phase 2. represents next level where organisation is in a phase where it has strategic resources and capabilities for implementing tow-level brand strategy, and where strong corporate brand has already been established.
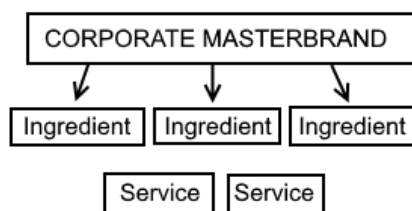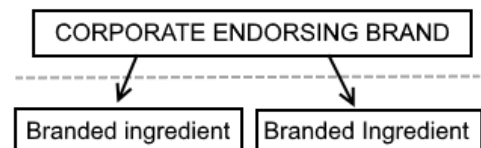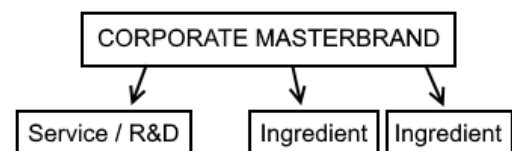

FIGURE 23. Branding levels as evolutionary process

Branding levels and brand architecture are evolving and dynamic structures. Second branding level can be implemented when organisation grows, after the situation is reassessed and product portfolio refined. Products fulfil basic requirements for ingredient branding, but two-level brand architecture is a heavy construct for a small operator. Two-levelled structure would optimally support differentiation and thus the overall business strategy. Second level becomes easy to build after corporate brand is able to work as a real endorsement for product (ingredient) brands.

Second branding level (Ingredient brands) may require portfolio refining and consolidation towards the most promising core products. Trade-offs may be necessary. Ingredient products that are potential candidates for branding can be selected based on growth in their respective category, current sales value, sales potential, uniqueness, and potential positioning among number of factors.

9.2. Brand Architecture

Corporate Masterbrand is suggested as a brand architecture type based on situational analysis as well as theoretical and empirical findings. Corporate brand should be strongly connected to its geographic origin (favourable COO-effects) and built on core values of the business. Focus should be on driving consistency, creating clear corporate identity and developing brand-oriented corporate culture. Commissioner can offer R&D and tailored services for clients. Strategy allows local responsiveness in international markets. Figure 24 represents proposed brand architecture.
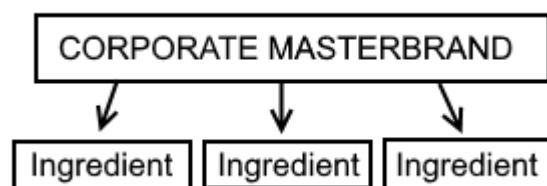

FIGURE 24. Proposed brand architecture model

9.3. Positioning

Based on scenario analysis, organisation should focus branding efforts towards corporate brand. Company has already pre-established a very niche position in terms of the products and services. Positioning is, in the end, formed through customer perception, so the company can only select a target positioning. Position target was selected through a two-staged process which was described in theoretical framework of this thesis. The first stage is *the selection of competitive set against which brand is compared.* Since the organisation has already established niche-positioning, set was selected from within this positioning. Looking at the direct competitors in service and product level, they differ firstly from where their services and products are located in the value chain – While all organisations supply ingredients, some are positioned towards private label – services or have own finished consumer brand along with their ingredient business.
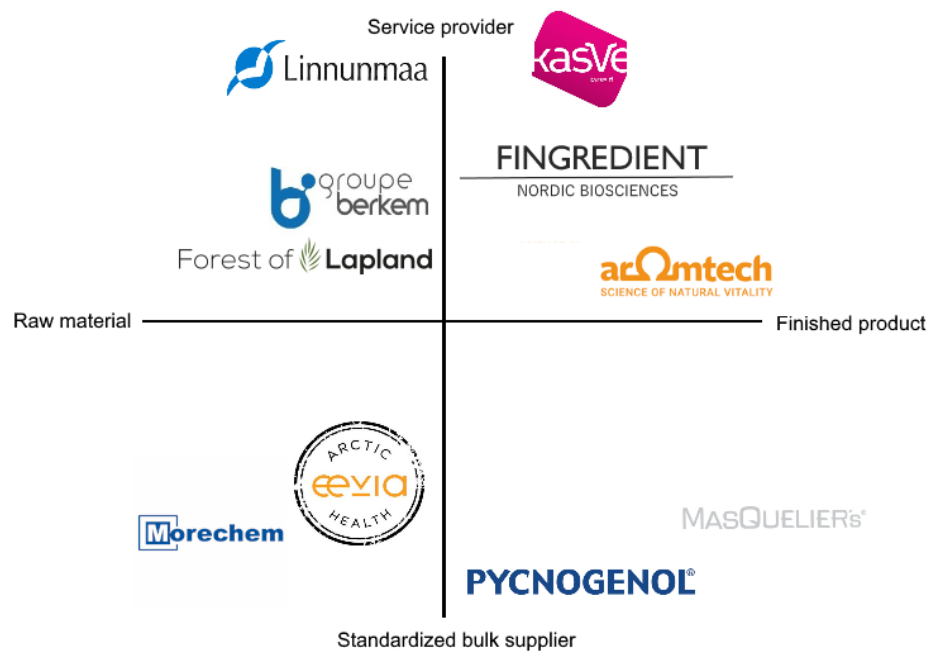
FIGURE 25. Position mapping among industry peers and competitors

A competitive set was selected among companies which work with same products. Most of these operators, like the commissioner, cater several industry sectors (medical, cosmetics, foods, nutraceuticals), but some are more focused towards certain sectors. There are several companies working with same bio-materials and services as the commissioner. Some operators have positioned more towards the end-product and may be even manufacturing consumer products along with extracts. These operators have vertically integrated business models. Another axis (graph 25) is level of R&D and services, which many operators in technologically oriented and complex field provide along with bio-materials or extracts. This axis can also be thought as axis of flexible vs. standardised products. At the other end there are purely service businesses who a set of field-specific B2B consulting and R&D services, and in the other end there are suppliers who are purely focused on their own production and materials. In between there are operators who provide both materials and services related to their field of expertise.

The second stage of positioning is *indication of difference or raison d´étre in comparison to other brands.* Corporate brand is differentiated from other similar manufacturers in its service-approach and flexibility in terms of processes, expertise, analytical approach, and service models. The expertise and in the other hand sort of a pilot R&D plant format should be emphasised, these form *raison d´étre* of the corporate brand. There are corporate brands which are purely R&D and consulting firms offering very specialized marketing-oriented services, so the corporate brand needs to be able to offer more practical and holistic approach compared to these brands.

Product differentiation is based on sustainability and origin. This differentiates the ingredients clearly from synthetic chemical, and creates a positioning where CSR plays a central role. Products differ from vast amount of bio-based materials through their origin. Product brands should be further differentiated from other bio-based ingredients by clinical and science-based approach.
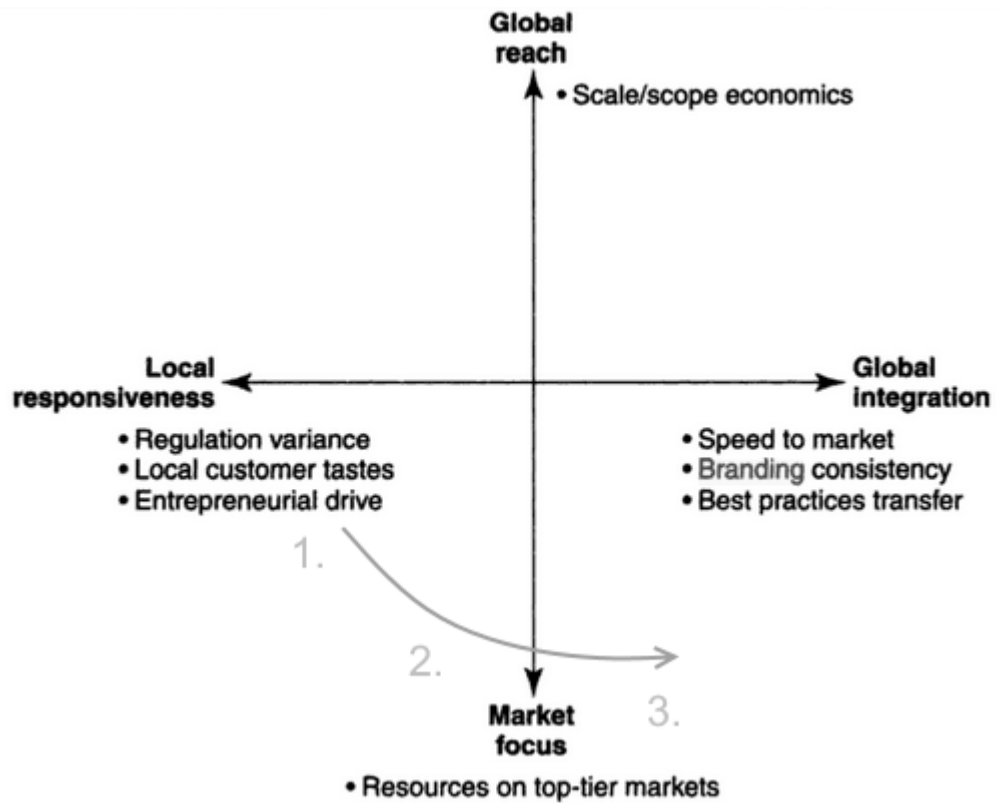
TABLE 26. Evolving international strategy and positioning

9.4. Identity

Brand identity should be based on core values. Based on in-depth interviews, most of the customers identified expertise and sustainability as the most important reasons for their purchase decision, and these were also identified by the commissioner as the core values (Mind map of Figure 22). Because the corporation is R&D-oriented, customer relationships should be driven by customers business growth. These are among the core values which can be used as foundations for value-based corporate brand.

PICTURE OF SENDER

Physique
- Represents natural values
- Professional

Personality
- Sincerity, competence
- Beyond just "natural"
- Reliability

EXTERNALISATION

Relationship

Holistic, long-term oriented. Honesty and partnership, information shared in good faith.

Modest, science over hype, safety and health over "trend". Co-operation.

Culture

INTERNALISATION

Reflection
- Sustainable and caring company
- Greener and safer products

Self-image
- Expert, advisor, down-to-earth
- Family values

PICTURE OF RECIPIENT

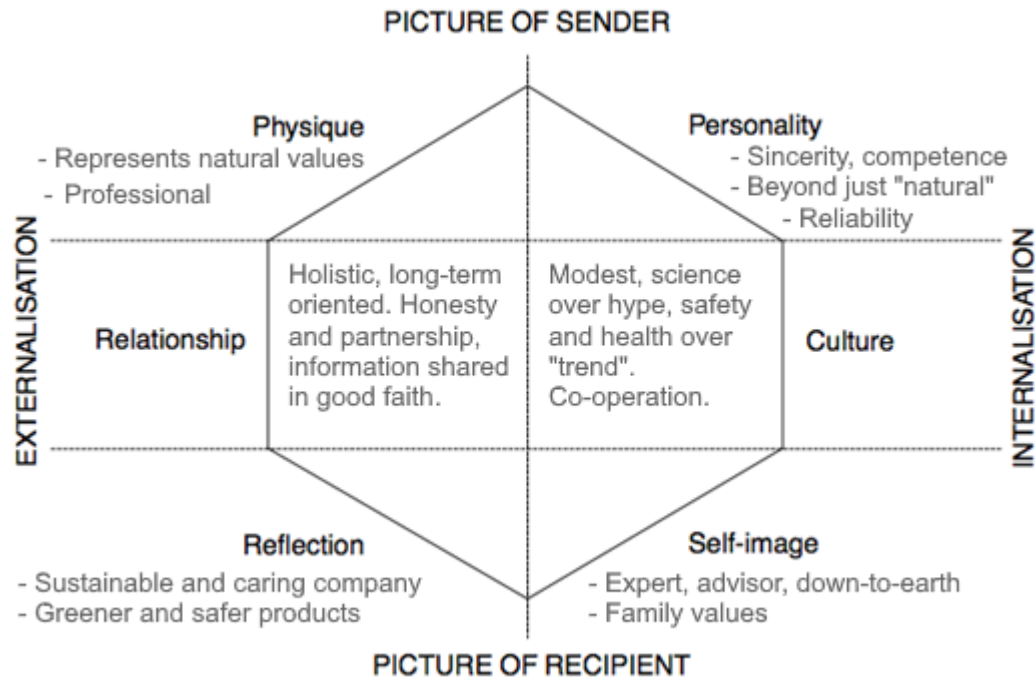FIGURE 27. Corporate brand identity prism, adapted from Kapferer (2008).

The commissioner has kept apart from hype and trend-driven business approach which is typical in B2C health and wellness sector. Because the company provides different expertise services related to documentation, safety, and regulations, compliance and science based-approach are important for business integrity.

9.5. Brand communications

The company currently has a corporate website and is listed in few industry channels. Advertising is mainly done through corporate website. Direct sales, sales promotions and personal selling has not been used proactively. Corporation has participated in some events in domestic market and visited international events. After the brand management strategy implementation, brand communication mix should be more proactive and brand-oriented. Online-based channels are emphasised because of their cost-effectiveness, international coverage and ability to reach B2B clients that are smaller and do not necessarily operate in international scale themselves.

BRAND COMMUNICATION MIX	Current situation	After the strategy implementation
Advertising	Company web-site is the most important advertising channel. Listed in few supplier catalogues online.	Company website remains an important channel, but industry channels and platforms will be taken to more active use, and advertising done mainly through them.
Sales promotion	No sales promotions.	Sales promotions in forms of samples of new products which may be interesting for existing clients.
Events & Experiences	Limited participation.	Active participation, event participation also in international level in core market areas.
PR & Publicity	Reactive, few inquiries responded every now and then.	Proactive, corporate brand driven approach.
Direct marketing	No direct marketing.	Direct marketing for existing clients in forms of information updates and content marketing.
Interactive marketing	LinkedIn and Facebook as interactive social media channels that are used for brief news updates.	LinkedIn and Facebook as interactive marketing channels and main communication channels for brand and content marketing.
Personal selling	No personal selling.	Personal selling for intermediates in regular intervals (follow-up meetings and product development discussions).

TABLE 28. Brand Communication Mix

Corporate website remains as one of the cornerstones for brand building after the strategy implementation and should communicate values and brand identity. Based on client insights from in-depth interviews, online-based brand communications do have an important role in customers decision making. Clients opinions suggested online-based channels may be the first customer touchpoints in the purchasing process. Therefore, online-based marketing is emphasised in Brand Communications Mix. Online-based communication provides several cost-efficient media channels, including industry platforms, which offer readily-targeted audiences (Brandedingredient.com, SpecialChem, Nutraingredients etc). This is important for an SME with little resources for data collection and online segmentation. Online-based communications should be monitored – This is easy since there are several tools available. When listings are done, channels should be compared and once there is enough data visibility increased in channels which generate

the highest number of online leads. Most of the industry channels provide different visibility options or ready-made marketing packages which can be utilised.

Another objective is to increase presence in the field by increasing participation. This means active event and seminar participation, which from the brand management perspective communicates expertise and helps in building brand reputation. Participating as an expert or a speaker could be seen as a form of content marketing. This will also help in building network and creating a positive brand image.

One of the brand communication instruments that could provide real value for the commissioner is content marketing. Several industry channels support content marketing approach, and it can be implemented as part of social media marketing. Other manufacturers provide, for example, formulating tutorials, marketing tutorials, and distribute third-party publications like blog posts.

9.6. Tactical decisions & Marketing Mix

Main tactical decisions are increasing presence in most important industry channels, implementing brand-oriented thinking throughout the operations and starting to both proactively promote the products, as well as collecting and analysing feedback from the strategic business environment. Product portfolio should be consolidated and products more standardised to ensure consistent quality. Stronger online-based presence should be built, especially in industry channels. Promotion should be proactive instead of reactive, and direct sales and personal sales implemented as parts of routine marketing processes. Online-based promotion should extend to industry channels of all key segments, and content marketing approach should be implemented for new leads. These channels should be monitored for their efficacy and coverage.

Tactical decisions

1. **Products**
   I.   Corporate logo should be attached to all products.
   II.   Product portfolio should be assessed and then consolidated
   III.   Products should be standardised for consistent quality. IV.   Products should be third-party quality verified.
   V.   Quality signs (certifications) should be attached to products.

2. **Price**
   I.   Pricing tactics should not entirely be cost-based and should be more reactive to market prices.

3. **Place**
   I.   Stronger presence in industry channels.
   II.   Brand needs to visible in expert channels.
   III.   Internationalization both directly and by increasing co-operation with key distributors.
   IV.   Mapping co-operative internationalization schemes.
   V.   Increasing co-operation in local business networks.

4. **Promotion**
   I.   Marketing materials should be updated, each product should have a consolidated, consistent information package.
   II.   Active sales approach instead of passive reactions.
   III.   Online-based promotions and advertising should be updated to increase visibility. Key channels should be mapped and then evaluated. Channels should be monitored, and easy-to-use analytics implemented.
   IV.   Content and social media marketing not as news updates, instead a structured individual marketing plans for interactive media.
   V.   Direct sales and personal sales (meeting clients, discussing, analysing and informing) should be routine marketing operations.
   VI.   Implementation of marketing analytics especially in digital environments.

5. **Physical evidence**

    I.   Physical evidence needs to project high-quality and sustainability.

    II.   Physical evidence needs to present the brand.

    III.   Biodegradable packaging alternatives

    IV.   Brand symbols attached to packaging.

    V.   All documents should contain logo and visuals.

6. **People**

    I.   Everyone needs to commit to brand values.

    II.   Employees should be developed in their field of expertise.

7. **Process**

    I.   Service process should be more agile and faster.

    II.   Information readily available clients in clear form to spare time spend on customer service.

    III.   Project management tools implemented for consulting and R&D pro- jects.

    IV.   Feedback and references gathered after purchase or completed project, analysed, and process developed.

Marketing Mix is summarised below in Table 31, where both current marketing mix and marketing mix after the tactical decisions have been implemented are compared. Table 29 summarises how brand management strategy for 2018 will transform company's marketing mix and what are the most important changes after above described tactical decisions are implemented.

MARKETING MIX	Current situation	After strategy implementation
Product	Not branded, wide portfolio. Based on own production and distribution.	Branded, narrower portfolio, consolidated to core products. Based on own production.
Price	Cost-based pricing.	Cost-based pricing.
Place	Dependent on online environment. Manufacturing sites not accessible.	Dependent on online environment. More transparent manufacturing. Presence in trade-fairs and events.
Promotion	Little promotion; Mainly online-based. Limited amount of product information openly available. Clients are provided samples and product data, which is mainly technical. Little sales promotion. Promotion is targeted for manufacturers, no promotion for end-consumers or other links in supply chain.	Each individual product brand has own information package where all data is combined, and brands have own online-based promotion sites which are connected with the corporate site. More information is openly available. Content marketing, participation in research, and networking events should be used for promotion corporate brand. Inclusion of direct sales to clients. Inclusion of multilevel brand communications where applicable. Corporate branding for clients, ingredient branding for whole chain.
Physical Evidence	Product samples. Industrial packaging. Printed, no visual brand signs attached.	Product samples packed in biodegradable branded package. Increasing biodegradable packaging alternatives. Brand visuals attached.
People	Skilled and academic workforce, but no personal branding. People behind the company are not actively promoted. Roles are sometimes unclear.	Highly skilled and academic workforce, "experts". Certifications and additional education should be accessible and encouraged. CBBE mindset. Personal branding to support corporate brand. Clear roles.
Process	Product information fragmented, composed based on technical standards. Process is sometimes slow. Project management tools not in active use.	Brand information consolidated to help sales. Combined based on technical standard and customer needs. Clinical information and research is made easily available and linked with marketing claims clients may be able to use. Ready-made sample and brochure sets ease sales, sample delivery should be prompt and fast, within few business days. Project management should be actively implemented in R&D projects.

TABLE 29. Marketing Mix

9.7. Summary

The commissioner is applying for growth funding for term 2018-2019, the initial project involves 350 000 € of total funding for new investments and internationalisation (processing unit, machinery, product development, international channel development). The brand plan aims at supporting this project and the growth targets (100 000 € turnover increase in short-term, at least one new full-time position created in terms of work force, doubling sales revenue in medium term).

Brand plan emphasises corporate brand, which has a central position in Business-to-business arena. Corporates identity should be based on its core values: Sustainability, sincerity, and competence. The brand should be able to capitalise on favourable COO-effects. Corporate brand should be positioned as a specialised niche supplier: The greenest alternative, an R&D service provider and industry expert. In operational level, emphasis is on increasing presence – Both in online-based environments and in industry channels. Another important aim is to cultivate trust. This should be done through third-party verification (certificates, other quality-signs), through testimonials and references, and by keeping production chain and operations transparent.

Annually, corporate branding expenses and marketing expenses are estimated to be close to 7% of total turnover (median 2014-2016), but this includes trade-show participation and some non-recurring costs associated with strategy implementation. However, there are internationalisation schemes and collaborative internationalisation projects to support internationalisation of SMEs. Prioritisation over of quality assurance -related costs are suggested over heavy IPR Management strategy.

10 CONCLUSIONS

Situational analysis, supportive empirical findings and theory stressed the importance of a strong corporate brand. Two-levelled brand architecture would be optimal for highly differentiated organisation which manufactures highly differentiated products, but SMEs like the commissioner may need to focus on their corporate brand. Focusing on corporate brand helps maintaining branding costs at tolerable level, management of multiple brands does not employ unreasonable amount of resources, and risks associated with investing on single product brand can be avoided. Effective ingredient branding would require multilevel approach to marketing, since the consumer pull effect is in the heart of this strategy. When organization develops and grows, more globally integrated strategies can be implemented, and multilevel marketing may become more realistic strategic choice.

Brand policies and strategies should be aligned with organizational structure and overall business and corporate strategies. Strategies should promote integrity and consistency of brands, especially in Business-to-Business sector, which emphasises relationships and corporate brands. Based on all available evidence, business-to-business companies can still benefit from diverse branding strategies, and there is not necessarily a single strategic solution that would fit to all – Strategy needs to be adjusted for each growth stage, it needs to be a dynamic and evolving structure that is always questioned, reassessed, and adapted to its changing environment. Companies should adopt brand-oriented thinking early on and focus on driving consistency and continuously analysing their environment, brand, positioning and customer and stakeholder perceptions.

Brands are based on value, and branding decisions are guided by the location of the real customer value – Whether it is the product, its component, the manufacturer or the seller. Well-managed brands generate brand equity and help in building sustainable competitive advantage: They extend product life cycles, lower price elasticity, allow price premiums, increase customer loyalty, and built corporate reputation. Brands can neither be empty and separate from the tangible aspects of the products. They are highly strategic assets, and even though they have become integrated part of both D2C and B2B sales arenas both in local and international levels, brand management strategies should be based on critical analysis and assessment.

Collecting and analysing feedback is essential to further brand development. Constant analysis helps keeping the corporate brand relevant and up-to-date in changing business environment. The commissioner needs to develop a monitoring system for analysing and collecting feedback on brand awareness and perceptions. Conducting situational analysis on frequent intervals helps in detecting and predicting changes in operational environment and enables development of agile brand strategies. Because this thesis was entirely focused on developing brand plan and a brand management strategy for the commissioner, brand monitoring systems were not included within the scope of this work despite their importance. Brand and marketing research is recommended in regular intervals.

11 DISCUSSION

The biopharma and health ingredient sectors are at turning point, and companies need to rethink of their business models. Branding may be a part of the solution, and manufacturers have diverse strategies to choose from. Brand policies and strategies should be aligned with organizational structure and overall business and corporate strategies. Strategies should promote integrity and consistency of brands, especially in Business-to-Business sector, which emphasises relationships and corporate brands.

Intellectual property management has a central role in the field, and the complex issues related to it are interesting prospects for future research. Brands may not work without other quality signs in health ingredient field, and quality signs should be used as brand building instruments. Third-party verified signs of quality have central role for SMEs in reputation building. The brands are not all powerful, they are just a set of signs which signal uniqueness: Without real tangible value and meaningful difference brands will fail.

There is still only limited amount of scientific publications of B2B branding and Ingredient Branding. Further studies are needed to fully understand systematics of branding in these fields. Another question is whether these are valid starting points for research, and whether a versatile and heterogenous group of OEMs can be or should be generalised. Clients in in-depth interviews described their internal purchase processes very differently based on mainly the size of their organisation. SMEs and MNEs may have very different systematics, and brand development and branding strategy may be something very different in highly innovative start-ups compared to corporate giants. While fundamental principles of branding remain uniform no matter the sector or whether the brand is B2B or B2C, processes and outcomes may vary.

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APPENDICES

Appendix. 1. In-depth interview questions

In-depth interviews were conducted by using semi-structured questions, in which following questions were used:

Q1: Where do you get information of new ingredients or services related to them?

Q2: Would you be able to describe the information search and purchase process in your company?

Q3: Can you identify the factors your company's purchase decisions are based on when you are buying active ingredients / health ingredients?

Q4: What motivated your company to use Fingredients products / services?

Q5: In your purchase decisions, which one you emphasize more: the supplier or the ingredient? Why?

Appendix 2. PESTEL-analysis

PESTEL or PESTLE is a framework used for the analysis of different macro-environmental factors, used in strategic analysis for scanning external environment. PESTEL analysis covers political, economic, social, technological, environmental and legal factors that create the external environment where organisation operates in. The analysis conducted here is focused on branding perspective.

Political factors affecting marketing macroenvironment in European Union

Regulation has a huge impact on the market – Pharmaceuticals, chemicals, food, cosmetics and nutraceuticals are all highly regulated. Safety is one of the main political concerns. Main regulatory bodies within EU are:

ECHA – European Chemicals Agency
ESFA – European Food Safety Authority
European Commissions Cosmetic Directive – Cosmetic Ingredients
EMA – European Medicines Agency

In European Union, when preparing policy and proposals related to consumer safety, health and the environment, the Commission relies on independent Scientific Committees to provide it with sound scientific advice and draw its attention to new and emerging problems. There are two important committees:
- Scientific Committee on Consumer Safety (SCCS)
- Scientific Committee on Health, Environmental and Emerging Risks (SCHEER)

EFSA European Food Safety Authority is another body giving scientific advice for the European Commission, the European Parliament and EU Member States. Political landscape is not uniform at the moment, and national authorities have lots of power in enforcing the regulations.

Economic factors affecting marketing macroenvironment in European Union

The biomaterials market is projected to reach USD 149.17 Billion by 2021 from USD 70.90 Billion in 2016, at a CAGR of 16.0%, according to Marketsandmarkets, (2016) market research. The market is segmented into four main regions in this market research: North America, Europea, Asia Pacific and Rest of the World, out of this North America accounting for the largest share but Asia Pacific projecting strongest growth. Health ingredient markets are expected to grow to 101.32 Billion USD by 2022 (Marketsandmarkets 2016). The plant segment accounted for the largest share in the health ingredients market, in terms of value, in 2016, and Europe was the most lucrative region while Asia-Pacific protected the highest CARG in 2017. Plant-based ingredient sector has grown massively in the past few years. This has intensified the competition in the field and strategized branding. Companies now need to carefully consider their positioning and differentiate their offerings.

Social factors affecting macroenvironment in European Union

Social factors highly influence the demand (consumer pull) of health ingredients, among the following factors.

1. How strong is the consumer pull (demand) for the products?
2. What societal factors create/restrain pulling effects
3. How sensitive consumers are for branded offerings?
4. What societal factors affect brand image and brand perceptions?

Information revolution, globalization and internet technology, rise of consumer activism and pharmaceutical and cosmetic industries failures to acknowledge and address some of the side-effects and ethical issues have created a base of critical, informed, and active consumers. Some patient-organisations have been known for aggressively lobbying in biopharma sector for the favour of innovative health ingredients, while cosmetic and food ingredient consumers are active advocates and spread messages in favour of natural, sustainable, ethical and environmentally friendly solutions, creating driving forces for brands that are able to cultivate confidence and trust among the buyers and communicate safety,

efficacy, and sustainability. Simon & Kotler (2003) propose paradigm shift from *high-tech medicine* to *high-touch care* – New era of consumerism in health care sector.

While marketing communications used to be a communication process between active sender (manufacturer or seller) and passive receiver (the customer), this approach to marketing communications have become obsolete as consumers have become powerful agents in forming brand perceptions (Percy & Elliot 2005). These social trends question traditional DTC-approach, and Simon & Kotler (2003) proposed already ten years ago inclusion of quasi-professional level in communications targeted for consumers with different knowledge levels. Markets are becoming fragmented, as we have entered in an era of choice economy (Kapferer 2008, 149): Consumers are highly involved in decisions concerning their own health. Informed consumers are sceptical, and often want reassurance from other quality signs besides the brand, in natural ingredient sector for example there is an increasing demand from free from- and clean label products with quality certificates: In a survey of 1,300 consumers across Europe, North America and Asia-Pacific by Ingredient Communications -Agency, 76 percent of respondents said they would be more likely to buy a product that contained ingredients they recognized and trusted, and over half of the respondents was ready to spend more on a product which ingredients they were familiar with (Bizzozero 2017). As a conclusion, societal changes in macroenvironment have intensified consumer pull effect and emphasize the importance of DTC communications.

Technological factors affecting macroenvironment in European Union

Research plays a fundamental role in health ingredient field, and the sector is technology-intensive and very research oriented. Technological development in the field has been revolutionary, marked by genomic and proteomic revolution, nanotechnology innovation, and better means for identifying and analysing new chemical entities, such as high-performance liquid chromatography and mass spectrometry. These analysing techniques have fed ethnopharmacological research together, which, together with better understanding of the dangers of synthetic chemicals, has created a strong body of research around

natural ingredients and substances, which in turn has led to expansion of botanical ingredients market. At the same time, better understanding of function of human bodies and role of nutrition is pushing continuous innovation in the field of food and nutrition science. In the last century, probiotics for example, were relatively unknown (Probiotics are "*live micro-organisms that when administered in adequate amounts confer a health benefit on the host*", according to World Health Organization 2001). Over the past decade, research on human microbiome and benefits of probiotics have soared, and so has the market growth, raising probiotics the fastest growing ingredient category in 2017 (marketsandmarkets 2016). While the research started from yogurt and fermented milk products, nowadays technology allows manufacturing and storage of micro-organism strains, which can be incorporated into food or cosmetics, or used as drugs. There are several branded probiotics in the market.
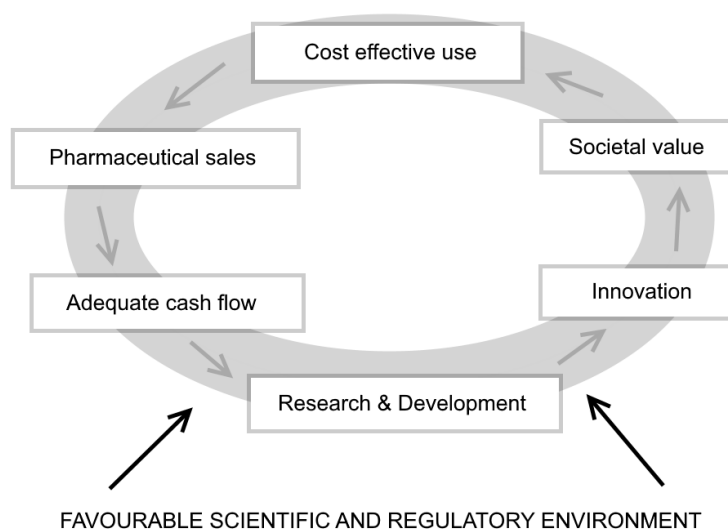

FIGURE 1. Favourable scientific and regulatory environment feeds innovation

Environmental factors affecting marketing macroenvironment in the EU

Natural and plant-based ingredients are rapidly growing market segments driven by environmental concerns. Humans have increasingly started to recognise how environment and health are linked with each other, and how consumption patterns affect the environment (Notarnicola et al. 2017). Driven by these concerns and overspill from the food industry, plant-based alternatives have risen as a health ingredient trend in recent years, aligning with increasing number of consumers choosing a vegetarian and flexitarian lifestyle and turning towards greener options.

Legal factors affecting marketing macroenvironment in the EU

While new product and technologies emerge in accelerating speed, regulation follows closely behind. Health ingredient field is highly regulated by national and international legislation. Legislation regulates marketing from the following perspectives:

1. *What products can be marketed?*
2. *What applications the products can be marketed for?*
3. *What documentation or marketing approvals are required?*
4. *What marketing claims can be made?*

Health ingredients may fall under cosmetic, medicine and food safety regulations. Legislation differs by country. In European Union, the main regulatory bodies for health ingredients are EFSA (European Food Safety Authority) and EMA (European Medicines Agency), while Cosmetic Ingredients are regulated by European Commissions Cosmetic Directives. In USA, the corresponding body is FDA (Food and Drug Administration). Among with European legislative framework, national law is applied. Legislative framework will depend on with category the health ingredient falls, as the legislation differs based on whether the products is classified as cosmetic ingredient, food ingredient or pharmaceutical ingredient, while botanical ingredients can in theory fall to all of these categories and may be considered under different categories in different member states due to divergent national legislation, until uniform European legislation is enforced.

Some EU member states have already started to work for uniform legislative framework, Italy, France and Belgium for example have cooperatively created BELFRIT-project designed to provide a common approach to regulate use of botanicals in food supplements.

The General Food Law created a European food safety system in which responsibility for risk assessment (science) and for risk management (policy) are kept separate. EFSA is responsible for the former area, risk management, and has a duty to communicate its scientific findings to the public. EFSA regulates health claims, based on regulation (EC) no 1924/2006 of the European parliament and of the council of 20 December 2006 on nutrition and health claims made on foods. A health claim is any statement on labels, advertising or other marketing products that health benefits can result from consuming a given food, for instance that a food can help reinforce the body's natural defences or enhance learning ability. Not limited only to B2C, the health claim regulation concerns also B2B manufacturers (ESFA, 2016). Health ingredients cannot be market without authorised claims, so health claim regulation has significant effect both on markets and marketing communications. Companies can apply for health claims, but approval requires substantial amount of scientific research supporting the claim, and the process is costly for SMEs. While there may be a limited body of research supporting certain health claims for the ingredient, unless authorised, the marketing claims cannot be made in B2C or B2B marketing communication, which directly affects different brand identity components and consumer perceptions of the products. According to Bech-Larsen & Scholderer (2007), the fact that the European markets for functional foods generally are less developed, compared to the US and the Japanese markets, has often been attributed to a restrictive and inconsistent health claim legislation in and between the European countries. EFSA also regulates novel foods, which require marketing authorisation. Novel food legislation affects several biotechnology and health ingredient products intended as functional foods or supplements, and especially highly innovative companies may face challenges regarding novel food regulation, and it practically works as a trade barrier.