



Customer Branding of Commodity Products: The Customer-Developed Brand

by

Julie Pennington

University of Nebraska-Lincoln

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Definition of Customer Branding

- Customer branding is a process in which a customer, or customers define, label, and seek to purchase an otherwise undifferentiated or unbranded product.

Customer Branding

- Wine is one of the first products considered branded and has been heavily studied by researchers (Duguid 2003; Duguid 2005; Hancock 2005; Lopes 2005; Shaw 1864; Simpson 2005).





History of Branding

- Branding by manufacturers is considered to have originated in the late nineteenth century when long-distance trade in food and drink began (Johansson 1993; Wilkins 1994).
- Branded products can be traced back to ancient Greece, although some historians argue that brands were unnecessary when all transactions were conducted face to face (Wilkins 1994).

History of Customer Branding

- Some customer brands have evolved into corporate brands such as the famous Procter and Gamble Trademark (Schisgall 1981).



Customer Branding

- Only a few articles focus on the branding of undifferentiated consumer products such as the branding of commodity turkeys (Makens 1964), Soviet generic televisions (Levitt 1966), plywood (Sinclair and Seward 1988), soap and candles (Schisgall 1981), beef (Hayes et al. 2004), and onions (Clemens 2002).



Customer Branding

- The customer can be anywhere along the channel and may be an intermediate, industrial or end-user customer.





Key Questions

- How does the process of customer branding take place?
- When does differentiation take place in the market place and how can it be recognized by the producer, middleman, marketer, and consumer?
- What conditions must be present for customer branding to take place?
- How do these conditions interact to encourage customer branding?
- How does customer branding affect the various players in the channel?

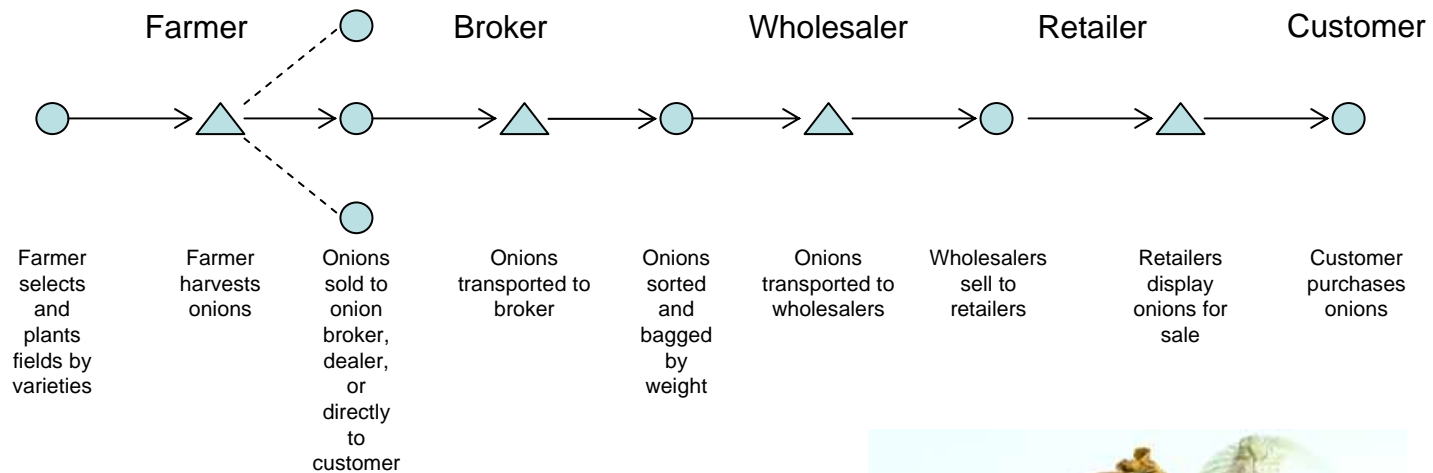


Practical Importance

- Undifferentiated and commodity markets include some of the largest industries in the world: agriculture, energy, metal, and lately even computer processing and bandwidth.
- By better understanding where a product is identified by the producer, middleman and customer, marketers can learn where the product is being view as a commodity and where it is being differentiated through the value chain.

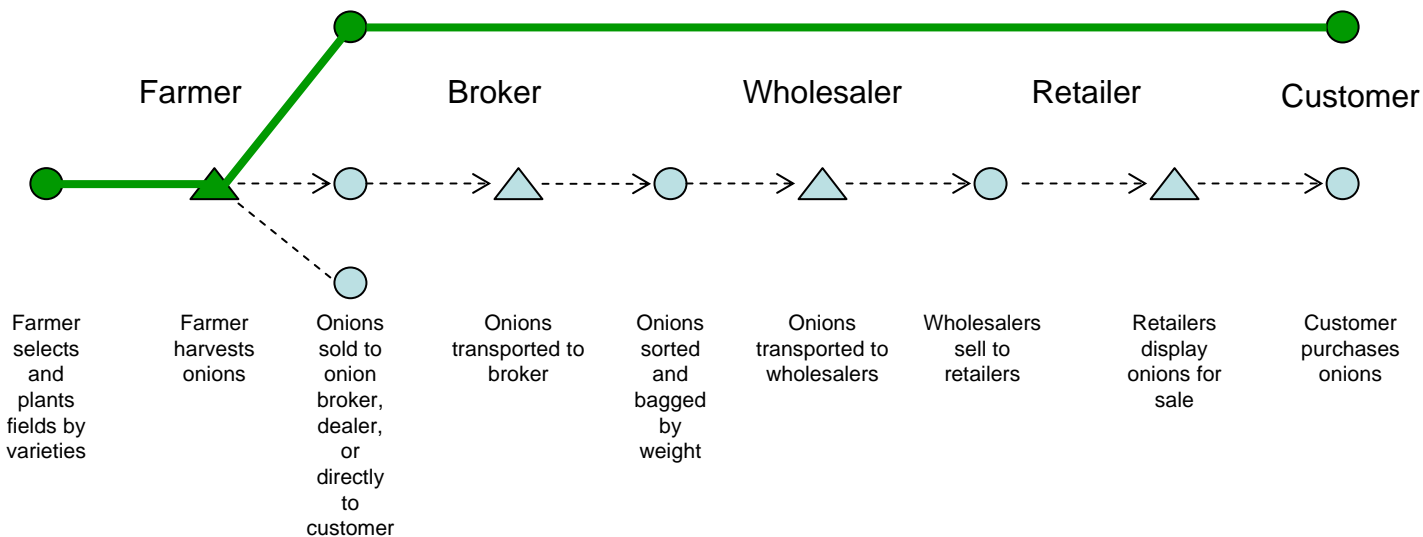
Example of a Transvection

Commodity Onion Transvection



Example of a Transvection

Customer Branded Onion Transvection





Essential Branding Activities

- The American Marketing Association (AMA 2006) defines a brand as “ a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers.”
- Although the definition of a brand varies by context and discipline (Aaker 1991; Aaker et al. 2004; Anderson and Carpenter 2005; Calkins 2005; Fournier 1998; Holt 2002; Keller 1998; Stern 2006; Tybout and Carpenter 2001) the brand's primary function is in **identification** and **differentiation**.



Essential Branding Activities

- The development of consumer brands by manufacturers and service firms has been the focus of numerous studies including articles on how to build brands (Aaker 1996; Brown et al. 2003), strategic brand management (Anderson and Carpenter 2005; Calkins 2005; Holt 2002; Keller 1998), and branding behavior (Baker et al. 2006; Chernev and Sternthal 1997; Fournier 1998).



Key Research Questions

- RQ1: How does the process of customer branding take place?
- RQ2: When does differentiation take place in the market place and how can it be recognized by the producer, middleman, marketer, and consumer?
- RQ3: How does customer branding affect the various players in the channel?
- RQ4: What conditions must be present for customer branding to take place?
 - Three conditions and their interaction are hypothesized.



H_1 : Must be Variation in Marketplace

- Variation in the marketplace is defined as the case in which the customer perceives the quality, price, and other attributes in the product being offered to them vary either positively or negatively.
- The customer views the market as heterogeneous versus a homogenous commodity market.
- Quality and attribute variation in the marketplace may not be a concern for all customers, but those that desire specific quality and attributes will seek it out.



H_1 : Must be Variation in Marketplace

- H_1 : As the level of customer perceived variation in the marketplace increases, then the intensity of customer branding increases.
- H_{O_1} : The intensity of customer branding is not effected by the level of customer perceived variation in the marketplace.



H₂: Delivery of General Product Unacceptable

- Unacceptable general delivery of product is defined as the case in which the customer perceives that the standardized product offered in the market does not meet his or her needs and is unacceptable for purchase.
- In Alderson's terms, the product has been sorted into a collection but the collection is not acceptable to the customer.



H₂: Delivery of General Product Unacceptable

- H₂: As the level of the customer's perception that the delivery of the general product is unacceptable increases, then the intensity of customer branding increases.
- HO₂: The level of the customer's perception that the delivery of general product is unacceptable has no effect on the intensity of customer branding.



H₃: Customer Able to Obtain Subset

- Identifying a subset of products is defined as the case in which the customer can find the desired differentiated product in the marketplace at an earlier point in the channel.
- The customer desires a product that has been sorted earlier in the channel and then later in the channel the product has lost the perceived desired characteristics through additional sorting or transformation.



H_3 : Customer Able to Obtain Subset

- H_3 : As the level of the customer's ability to identify and obtain a subset in the marketplace increases, then the intensity of customer branding increases.
- H_{O_3} : The level of the customer's ability to identify and obtain a subset in the marketplace has no effect on the intensity of customer branding.



H₄: Interaction

- In addition to the three conditions being present for customer branding to occur, it is also hypothesized that there is a significant, positive, three way interaction that occurs among the conditions.
 - H₄: Customer branding has a higher intensity of occurring if all three conditions are present (there must be variation in marketplace, the delivery of general product must be unacceptable, and the customer must be able to identify and obtain a subset in marketplace that meets their needs)
 - HO₄: There is no interaction between the three conditions and the intensity of customer branding.



Expected Contributions

- Extends current branding theory through broadening the understanding of the customer branding process.
- Provides insight on why the customer might feel the need to brand the product independently of the producer or manufacturer.
- Provides new insight into the process of customer branding.
- Builds on Alderson's theory of transvection and differentiation by including information on product identification at each product change along the transvection.
- Extends the use of current branding theory by viewing branding as part of a transvection versus the current trend of viewing branding only at one point along the channel.



Future Research

- How can a channel member recognize customer branding is taking place?
- When should the channel care about customer branding?
- How can a channel member gain from customer branding?
- How do brands evolve from a customer brand to a corporate brand?
- Under what conditions would it be worthwhile for a channel member to convert a customer brand to a corporate brand?
- What are the barriers to customer branding? May be informational, psychological, economic, or institutional.
- How does customer branding generalize to products beyond those usually considered to be commodities?
(Mittelstaedt)



Thank you!



Questions? Comments?
Suggestions?

