



# Conceptualization of value creation process in brand alliances: Static and dynamic view

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**Conceptualization of value creation process in brand alliances:  
Static and dynamic view**

In this communication, we conceptualize the value creation process in brand alliances through an approach both static and dynamic. We analyse this process in the food market.

We show that some components explain the value creation process in brand alliances: context, actors, objectives, behaviors, resources, governance mechanisms. The impact of these components depends on the nature of organizations and the market.

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**Introduction**

To present a static approach of the value creation process, we mobilize literature on brand alliances as well as strategic alliances. We identify some components which influence value for the consumers and the organizations in brand alliances: context, actors (their objectives and behaviors), resources and governance mechanisms. Also, we show that these components can have negatives impacts on brand alliances.

We also present a dynamic approach of value creation in brand alliances. We show that the evolution of some organizational factors impact value creation in brand alliances: internal factors such as objectives and resources of actors, internal tensions (Das and Teng, 2000) and governance mechanisms.

With a qualitative methodology, we use case studies (Yin, 2003; Eisenhardt and Graebner, 2007) to apply the value creation process to two types of alliances in the food market: the alliance between a private certification brand and a private brand of banana, and the alliance between an ingredient food brand and a dietary food supplement brand.

Firstly, we analyse the value creation process in brand alliances with a static approach. Secondly, we explain a dynamic view of value creation in brand alliances. Finally, we apply the static and dynamic approach to the case studies and we compare the results.

**1. A Static approach of value creation in brand alliances**

We use research on brand alliances and strategic alliances to identify components which can explain value creation in brand alliances.

- **Context of brand alliances**

The context of alliances represents an external and internal environment of the alliances (Kumar and Nti, 1998). An external environment explains the economical, social and legal situation of alliance. An internal environment concerns for example communication on a product or strategy of commercialization adopted by organizations in alliance. According to Kumar and Nti (1998: 364), the internal and external environment can involve negative impacts on the relationship between organizations in alliance.

- **Actors in brand alliances**

Actors in brand alliances represent organizations which combine their brands and partners of these organizations (Golan, Kuchler and Krissoff, 2007). In the food market owners of brands exchange with their direct partners (producers, distributors, organization of control) and their indirect partners (government, public and private institutions). They note that all the organizations in brand alliances exchange activities and resources (Håkansson and Senhota, 1995) to create value for consumers and finally for organizations.

- **Actors' objectives, their resources and behaviors in brand alliances**

In brand alliances, actors (organizations) develop different (individual) objectives and/or common objectives. The objectives can be strategic: to realize benefit, to have legitimacy, and to reduce costs (Abratt and Motlana, 2002; Prince and Davies, 1999). The objectives can concern the brand image and the price of the product which represents the brands (Leuthesser and al. 2003).

In addition, organizations combine tangible resources such as cash flow, raw material, etc. and intangible resources for example brand, reputation, knowledge, etc. (Williamson, 1990; Gilbert and Strebel, 1987). So resources permit to create value for consumers (quality of product toward the brand) and organizations (reputation, benefit).

But, retention of resources involves dependence between organizations (Pfeffer et Salancik, 1978). And some organizations develop opportunistic behaviors because they want to improve rapidly their profit without other partners in the alliance (Williamson, 1990; 2002).

- **Using governance mechanisms in brand alliances**

Previous research on inter organizational relationship (IOR) and strategic alliances show that we can have formal and informal governance mechanisms in alliances. We have formal mechanisms such as contracts between actors in alliance (Williamson, 1990), social and environmental norms, shared knowledge (Doz, 1996) and coordination of activities (Mintzberg, 1982). We have informal mechanisms such as trust and informal agreement between organizations. All these mechanisms allow value creation for consumers (best image of product which represents the brands of alliance) and organizations (good relationship, development of activities and sales). However, governance mechanisms involve some negative impacts in alliance: costs to negotiate contracts, difficulties to respect norms, to collaborate, etc.

From these studies, we show that the context of alliance, the actors (organizations) which combine their brands in alliance and their partners), the objectives, the behaviors and resources of actors, and the governance mechanisms facilitate value creation in brand alliances. These components create value for consumers toward quality of product and trust of the brand. Then the components create value for organizations which combine their brands and their partners: they can increase benefit, allow access to new resources, improve trust with partners, have new knowledge, competitive advantage. However, organizations must support costs of contracts, management of relationship, respect of rules, etc.

## 2. A dynamic approach of value creation in brand alliances

We consider works on evolution of strategic alliances (Ring and Van de Ven, 1994; Das and Teng, 2000; Doz, 1996) to explain value creation in brand alliances on the long term.

Ring and Van de Ven (1994: 97) inform us on the steps of the evolution process of the relationship between organizations in alliance: negotiations (formal and informal negotiations), commitments (formal and informal contracts), and assessments and execution of commitments.

According to Doz (1996: 55), evolution of an alliance is impacted by initial conditions such as task definition, partners' routines, expectations of performance and behavior, etc.

Other researches give us information on the existence of contradictory elements during the evolution of an alliance. Indeed, Das and Teng (2000: 84-88) show that in alliances application of some decisions and activities cause modification of flexibility to rigidity. Then cooperation can be opposed to competition and in strategic orientation, short term can be opposed to long term.

From these researches we note importance of governance mechanisms (formal and informal), internal conditions (such as resources, objectives, their behavior) and internal tensions (degree of flexibility, degree of cooperation and strategic orientation) in the evolution of brand alliances. All of these organizational factors can impact positively or negatively on the value created in brand alliances. Finally interaction between actors in the long term can modify governance relationship in a market (Ritter, 2007).

## 3. Application of the value creation process to case studies in a food market

We use a qualitative approach applying case study protocol (Yin, 2003; Eisenhardt and Graebner, 2007) to present a static and dynamic approach of the value creation process in brand alliances in the food market. We worked on types of brand alliances in two markets during three years (Coulibaly, 2008; Sauvée and Coulibaly, 2008).

The first case study on a fair trade market concerns an alliance between a private certification brand: "Fairtrade" of Max Havelaar association and a private brand of banana: "Oké" of Agrofair's company.

The second alliance on dietary food supplements market relies on an alliance between a private ingredient brand "Svetol" of Berkem's company and a private dietary food supplement brand "ADIP'LIGHT" of Lierac's company.

To collect data, we conducted 26 semi-directive face to face interviews (14 in the fair trade market and 12 in the dietary food supplements market) with executive managers, sales directors of the organizations which join their brand and their partners. We sent 6 written questionnaires for additional details. We completed these data with annual reports, secondary data on markets and firms. We analysed data with the help of "QSR Nvivo 8.0" software.

### Case study 1



### Case study 2



We present in table 1 and table 2 data collected in a static approach and a dynamic approach.

**Table 1: Static approach of value creation process in food market**

<b>Case study 1: alliance between a certification brand and private brand of banana</b>	<b>Case study 2 : alliance between a ingredient brand and a dietary food supplement brand</b>
<b>External environment</b> Fair trade market: - Regulated market to reduce inequality between producers in developing countries and industrial in developed countries. - A high consumption of fair trade banana. <b>Internal environment</b> Promotion of two types of brand : "Fairtrade" and "Oké" on fair trade bananas "oké fairtrade".	<b>External environment</b> Dietary food supplements market: - Regulated market to control and preserve health of consumers. - Increasing of dietary food supplement particularly for thinness. <b>Internal environment</b> Promotion of two types of brand: "Svétoł" and "ADIP'LIGHT" on dietary food supplements "ADIP'LIGHT".
<b>Owners of brand</b> Company Agrofair: importer of bananas. Company Max Havelaar : association which promote marketing of fair-trade products. <b>Direct partners of Agrofair and Max Havelaar</b> Producers, Ripeners, distributors, certification. organization (FLO : Fairtrade Labelling Organization), consumers <b>Indirect partners of Agrofair and Max Havelaar</b> Voluntary, government.	<b>Owners of brand</b> Company Berkem: industry of food ingredients. Company Lierac: industry of dietary food supplements. <b>Direct partners of Berkem and Lierac</b> Suppliers of raw material to produce ingredients, distributors of ingredients. <b>Indirect partners of Berkem and Lierac</b> Research center, hospitals.
<b>Common objectives of organizations in the alliance:</b> - To ensure equality between organizations which exchange in a fair-trade market to sell bananas labeling "oké fair-trade". - To reduce problem of producers who produce bananas. - To protect environment. <b>Behavior</b> Opportunism of organizations in exchange.	<b>Common objectives of organizations in alliance</b> - To permit women to lose weight using a dietary food supplement "ADIP'LIGHT" containing ingredient "Svétoł". - Increasing of benefit. <b>Behavior</b> Opportunism of organizations in exchange.
<b>Resources</b> - Financial resources (subsidies). - Notoriety of "Fairtrade" brand. - Strategy of communication, schedule of conditions. <b>Governance mechanisms in alliance</b> <b>Formal mechanism</b> - Contracts between Agrofair and Max Havelaar : Max Havelaar give to Agrofair its agreement to put a fair-trade brand on the banana and Agrofair pay royalty to Max Havelaar. - FLO verify respect of standard in fair trade market by all the actors: socials and environment norms. - Cooperation et negotiation between organizations in applying standard and produce knowledge. <b>Informal mechanism</b> - Trust between Agrofair and Max Havelaar.	<b>Resources</b> - Clinical studies. - Communication in scientific journal on the food market. <b>Governance mechanisms in alliance</b> <b>Formal mechanism</b> - Confidential agreement. - Respect of socials and environment norms in a dietary food supplements market. - Exchange of Knowledge concerning specification of final product (dietary food supplement).
<b>Value creation in brand alliances</b> <b>Consumer value:</b> - Quality of fair trade banana "Oké-fairtrade": respect of environment rules, security, guaranty. <b>Financial value:</b> - Decrease of production costs, increase of benefit, investment in socials projects in developing countries. <b>Competitive value</b> - Notoriety, reputation, brand image of fair trade. - Qualified producers: they know process of production. - Communication around a fair trade concept. - Improvement of live conditions of producers. <b>Negative consequences in brand alliances</b> - Negotiation costs of contracts, constraints to respect social and environment rules.	<b>Value creation in brand alliances</b> <b>Consumer value:</b> - Quality of dietary food supplement "ADIP'LIGHT" : The product contains a thinness ingredient "Svétoł", respects environment rules. <b>Financial value:</b> - Benefit of Berkem and Lierac increase. <b>Competitive value</b> - Scientific team work in Berkem and Lierac: doctors, engineers. <b>Negative consequences in brand alliances</b> - Negotiation costs of contracts, constraints to respect social and environment rules. - The cycle of life of ingredients and dietary food supplements is short in this market.

**Table 2: Dynamic approach of value creation process in food market**

		<b>Case study 1: alliance between a certification brand and private brand of banana</b>	<b>Case study 2 : alliance between an ingredient brand and a dietary food supplement brand</b>
<b>Modifications in internal factors</b>	<b>Resources</b>	- Common communication of Agrofair and Max Havelaar to justify the price of « oké fairtrade » banana to the final consumer: write actions conducting by organizations to improve producers conditions, distribution of benefit between actors; - Augmentation des subventions	- To renew clinical studies and communication in scientific review
	<b>Actors' objectives and behaviors</b>	- Max Havelaar encourage companies to invest in a fair trade market - Common objectives : maintain alliance during a long time	No information
<b>Modifications on internal tensions</b>	<b>Degree of flexibility : flexibility versus</b>	Certification of Agrofair by the control organization / control of the Agrofair's activities by certification organization, payment of royalty by Agrofair.	No information
	<b>Degree of cooperation: Cooperation versus competition</b>	Common communication to promote banana "Oké fairtrade" / potential competitors on the fair trade market to sell banana	Common communication on an ingredient "SvétoI" in a dietary food supplement "ADIP'LIGHT" / communicate on others ingredients included in "ADIP'LIGHT"
	<b>Strategic orientation: short term versus long term</b>	Respect of producers's conditions, equality in the distribution of benefit between actors / Respect of the price of banana in the fair trade market	Using an ingredient "SvétoI" to produce a dietary food supplement "ADIPT'LIGHT" /to replace a "SvétoI" by other ingredient
<b>Modifications in governance mechanisms</b>	<b>Formal mechanisms</b>	- Reinforcement of standards, rules and norms - Increasing of appointments and exchanges between actors - Participation of producers at the decisions in fair trade market	No information
	<b>Informal mechanisms</b>	- Reinforcement of trust between actors	No information

### Conclusion

From the case studies in the food market, we confirm contribution of the literature on brand alliances and strategic alliances concerning impact of context of alliance, common objectives of actors, resources, behaviors and governance mechanisms on value creation in brand alliances. We note also existing of difficulties when organizations join their brands.

However, we note difference between objectives in the two case studies. Indeed in a fair trade market the main objective is to promote an equal trade of banana between developing countries and developed countries. In a dietary food supplement market, the main objective is to produce financial result. We note also the difference between governance mechanisms and modifications in resources, internal tensions, mechanisms during evolution of the alliance: in the case study 2, we don't identify informal mechanisms and modification

We conclude that value creation in brand alliances depend of factors such as nature of organization (commercial or non commercial) and the aspect of market (rules). These factors influence objectives, behavior of actors, exploitation of resources and governance mechanisms and finally value for the consumers and organizations.

So we advice managers to anticipate partners' behaviors in an alliance, to follow the evolution of environmental norms, to work and to exchange strategic information with the marketing board of the partners.

We also note two main limits in this communication. Firstly we apply a process of value creation only in two case studies and on the food market. Secondly we study dynamics on brand alliances only during three years.

We think that in future researches, it is possible to compare the value creation process in brand alliances in the food market and the industrial market.

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