



Could a Contractual Manufacturer Become a World Brand? Challenges and Suggested Solutions

Sözleşmeli Üretici Dünya Markası Olabilir mi? Yaşanan Problemler ve Çözüm Önerileri

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Geliş Tarihi (Received): 11.04.2022

Kabul Tarihi (Accepted): 17.07.2022

Yayın Tarihi (Published): 31.07.2022

Abstract: Contract manufacturing is a supply chain arrangement by which a firm outsources some of its manufacturing processes to an outside supplier through a contractual agreement. The examined areas in this study are the reasons for contract production, the problems experienced by contract manufacturers in creating a brand, and the views of contract manufacturers. The literature review and the methodology of the research is discussed. Data were collected through semi-structured face-to-face interviews with seven contract manufacturers. As a result of the study, it has been determined that contracted manufacturers perceive marketing and branding as a separate area of expertise and they cannot invest enough for marketing and branding. Making incentives more accessible for contract manufacturers to develop brands, raising awareness about the importance of design, production standards, international fairs and exhibitions in addition to training on marketing are recommended.

Keywords: Contractual Manufacturing, Contractual Manufacturer (CM), Branding, Subcontracting Outsourcing

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Öz: Sözleşmeli üretim, bir firmanın üretim süreçlerinin bir kısmını sözleşmeye dayalı olarak yaptırdığı bir tedarik zinciri düzenlemesidir. Bu çalışmada sözleşmeli üretimin nedenleri, sözleşmeli üreticilerin marka oluşturmada yaşadıkları sorunlar ve sözleşmeli üreticilerin görüşleri incelenmiştir. Literatür taraması yapılarak, araştırmanın metodolojisi tartışılmıştır. Veriler, yedi sözleşmeli üretici ile yüz yüze yarı yapılandırılmış görüşmeler yoluyla toplanmıştır. Çalışma sonucunda, sözleşmeli üreticilerin pazarlama ve markalaşmayı ayrı bir uzmanlık alanı olarak gördükleri, pazarlama ve markalaşmaya yeterli yatırım yapamadıkları tespit edilmiştir. Sözleşmeli üreticilerin marka geliştirmeleri için teşviklerin daha erişilebilir hale getirilmesi, tasarımın önemi, üretim standartları, uluslararası fuar ve sergiler, pazarlama eğitimleri konusunda farkındalık yaratılması önerilmektedir.

Anahtar Kelimeler: Fason Üretim, Sözleşmeli Üretim, Markalaşma, Dış Kaynak Kullanımı

Atıf/Cite as: Kara, E., Ulaş, D. (2022). Could a Contractual Manufacturer Become a World Brand? Challenges and Suggested Solutions. *Abant Sosyal Bilimler Dergisi*, 22(2), 843 – 861. doi: 10.11616/asbi.1101971

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1. Introduction

Due to the increasing complexity of products and global competition, it is not possible for every company to perform all the activities in the value chain. Big businesses that has managed to become a brand in many different sectors since early 1980s, rather focus on product design and development, branding and marketing while getting their end products produced by contract manufacturers (Riley, 2016: 313). Contractual manufacturing has a low profit margin. Contractual manufacturers intend to increase their profits along with production capacity and get into the market directly.

Outsourcing is a business practice in which a company hires a third-party to perform tasks, handle business functions or provide services for the company. The external company, known as the service provider or a third-party provider, arranges its own workers or systems to perform tasks or services either at the facilities of the hiring company or at external locations. Textile firms having other textile firms do contractual manufacturing can be given as an example for outsourcing. Contract manufacturing can be described as a production work carried out by another manufacturer in line with the demands and the criteria of the hiring company. In this system, either the goods or some components of goods are produced by the outsourced firm in accordance with the principles presented by the hiring firm. In this case, the parties are the firm giving an order and the contractual firm which is responsible for fulfilling the order. These firms are in a relation with each other in different ways. As it is understood from the definitions, contract manufacturing in ready wear business is actually another name for outsourcing (Bulur, 2019: 159) and in this study both terms are used interchangeably.

In this study in-depth interview methodology was used. The empirical data were collected through interviews from seven contractual manufacturers that operate in theyarn, knitting and dyeing, textile, finished fabric, metal kitchen utensil sectorsin Kahramanmaraş.

The results are summarized in table 1 and table 2. There is limited Turkish publication on the branding of contract manufacturers in the literature. This research aims to contribute to the literature by investigating the challenges contract manufacturers face in creating their own brands.

2. Literature Review

This section presents a literature review about contract manufacturing. Contract manufacturing in its simplest term is delivering a product in high quality and with low cost under the brand name of an another company within the scope of a agreement (Rahim et al., 2016: 7; Gray et al., 2008: 8). Contract manufacturers generally play an important role in developing country economies. They produce goods in accordance with the criteria of large companies that operate in the market of the developing country and are in the leading position. In the international outsourcing relationship, they take place on the supply side by meeting the orders of large companies. As they are dependent on the resources of large companies, they have low market power (Sharma et al., 2018: 271). The leading company that gets the production done on the other hand, needs the contracted manufacturer much less. The reasons why this is the case is that contracted manufacturers are high in number, so there is an option to find another supplier by changing the contracted manufacturer in the event of any faulty production.

2.1. The Motivations of the Contract Manufacturers (CMs)

The main reason of contract manufacturing in terms of contractual manufacturer is to work as a supplier for large companies to fullfill their capacity. As branding is not easy for manufacturersand they are not attractive for final consumer, they workas raw material, parts and end-product supplier. Taking some specific orders under warranty, poor brand development are amongthe other reasons. Many of contractual manufacturing sites are established with the aim of manufacturing outside. Manufacturing firm can benefit from reputation of international company and use it as reference. As it is expected to manufacture in certain standards, it could manufacture with an increasing quality and get recognized.

The contracted manufacturing company can produce for more than one brand in order not to tie itself to a single company and to reduce the risk.

Durak (2006) investigated the underlying reasons that encourage the textile enterprises of Denizli to contract manufacturing in the survey the author conducted with 83 textile business managers in Denizli. The main reasons for contract manufacturing have been determined as "weakness of competitiveness in terms of brand" and "difficulty of opening up to foreign markets with the brand". "Rapid market change, limitations on marketing and the easiness of contract manufacturing" appear as secondary reasons for why contractual manufacturing is carried out. "The least significant reason" is "rapid market change". Leading companies that have knowledge and technology power and have brands in the network give the necessary orders and instructions to the companies that they have outsourced production. And they significantly determine the strategic decisions of the companies they outsource production to. "Resulting low profit due to high competition amongst other manufacturers in Denizli", "the business' becoming dependent on the hiring company" and "the fact that alternative and promising opportunities are ignored" are stated as the disadvantages of contract manufacturing in this study. Establishing joint R&D with other firms and making joint investments will significantly reduce this dependency and will make significant contributions to Denizli textile enterprises in branding. Managers participated in research state that they demand the university to lead contractual manufacturers on especially quality and branding (Durak, 2006: 114).

Hobday (1995: 1190) found that contractual manufacturing or original equipment manufacturing (OEM) is an important mechanism for contract manufacturers to obtain technology and knowledge. Many studies show that knowledge and technical learning can be achieved through alliances or cooperation. Therefore, contract manufacturers can develop their competencies from manufacturing to product design and development by continually learning from their customers' (big brand businesses) previous experience and best practices. As the products of contract manufacturers become commercial, they begin to carry out activities with high added value. R&D and marketing gives them a space to develop their skills in ways that threaten their clients' brand names in the future (Liu et al., 2011: 60).

2.2. The Reasons of Contract Manufacturing for The Original Equipment Manufacturers (OEMs)

The reasons for the contracted production of well-known and successful large enterprises are to spend more time on their core competencies such as marketing and innovation and find the opportunity to develop these skills more (Bulur, 2019: 25), to enable them to focus, thus creating value (Gray et al., 2008: 5), to use their resources more effectively, low costs in labor, energy, transportation, logistics (Arrunada and Vazquez, 2006: 1), to benefit from the advantage of time arising from geographical location, fast delivery, quality production, to flexible organizational structure and more competitive power. In addition, contract manufacturing requires limited local investment. Having production outsourced, the company also saves on primary installation costs (Han et al., 2012: 161). If we look at other reasons; It can provide cost advantage on logistics activities, such as transportation, storage and stocking besides production costs. Locally produced image can also have a supportive effect on sales. It ensures to enter into market fast. Non-tariff and other barriers might be avoided. Firm getting into international market specializes especially in marketing instead of focusing on production. Control over R&D, marketing, sales and CRM activities belong to the firm that outsources the production. Firm having production made can avoid problems related to labor and social security law. Negative effects of social issues like unemployment can be diminished by generating employment in country in which manufacturing is carried out. It causes revival in the economy of the country where the production is made. Rather than undertaking great risks by making direct foreign investments, it will be more profitable to prefer outsourced production when it is at a level that does not require establishing a specific production facility

in the market to obtain market test data, by agreeing with a local manufacturer in the foreign market. In order to meet the changing demands in the foreign market faster, contract manufacturing could be benefited. Customer data could be gathered.

2.3. Challenges of Contract Manufacturing and Suggested Solutions

In outsourced production, the local company that will carry out the production should be able to meet the quality standards and have a certain financing and workforce infrastructure in place. Payment in contract manufacturing is generally determined as per unit. Contract-produced goods can be sold either in the country of manufacture or in other countries. This does not mean that those goods are certainly manufactured for that country's market. They can be sold to other countries' markets as well. Know-how transfer in production is more difficult than licensing. Outsourced manufacturing firm may be a potential competitor in the future because they acquire manufacturing know-how. Finding a local producer that is adequate in terms of production and quality standards is not easy. This obstacle can be overcome by market research. Because local manufacturer is preferred, profits made from manufacturing can be deprived. Low labor wages can lead to negative effects in worker-employer relations, causing decline in efficiency of production. Sometimes technical training regarding manufacturing needs to be provided to the local firm producing the goods. Besides, the international firm constantly has an authority over production costs of the local firm. This is a must for product quality. As long as, all these advantages and disadvantages are taken into consideration by firms having contract manufacturing in international markets, the basic requirements will be met for the investment to be successful.

Today, as a result of the rapid change in the expectations of consumers, network organizational structures that are open to the outside, flexible, and able to respond quickly to change, with flat organizational structures with no internal hierarchy are increasing in number. Network organization is defined in the literature as "the type of organization that distributes the work and activities that need to be done to produce a good or service, and the resources necessary for this, to different businesses instead of collecting them within a single business" (Koçel, 2005: 394). Contracted production enterprises are also enterprises in the network organization structure. It is not easy to distribute work to different businesses and to provide the same standard and quality production from different businesses for the same brand and manage it.

Brand management is searching for those working in line with the determined standards when choosing a manufacturer. According to the research available in the literature, there are various criteria when preferring a firm to outsource. These criteria are; quality, delivery, performance history, production site and capacity (Rahim et al., 2016: 78), physical conditions (location, hygiene), price, technical abilities, financial situation, procedure adaptation, organizational structure of the business (business mentality, positive intelligence, management organizational structure), communication system, market dignity, business appetite, management organization, impression, packaging skill, social compliance (occupational health and safety, decent remuneration, payments) employee-employer relations record, past workload, reliability, flexibility, environmental and social responsibility, product development, production quality systems (quality control systems, auditing systems, production technology, experience, production on time, consistency, sustainability of criteria, documentable working order, personnel satisfaction), and etc. These criteria can be also thought as conditions to perform contractual manufacturing. In Turkey, supplier firms make decisions pursuant to experience and personal attitudes instead of scientific methods when choosing which criteria they prefer and which contractual manufacturer they work (Tayyar and Arslan, 2013: 340).

2.4. Building Brand Process for Contractual Manufacturers

Outsourced manufacturing for world brands is carried out in many sectors in Turkey. Contract manufacturers focus on high quality production and delivery on time rather than product development

andmarketing. Added value of manufactured products is higher when brand is enclosed, and thus, business fulfilling branding earn more than contractual manufacturers. Products, manufactured by contractual manufacturers in Turkey are then imported in high prices after brand owners add the brand. Therefore, it will take time to focus on creating a brand and exporting brand. Emphasis should be placed on increasing the added value and branding in exported products. Businesses cannot become brands only by producing quality products. Production capacities and technologies must be sufficient. In the process of branding, especially the public, industrialists, manufacturers, non-governmental organizations and universities should work together and provide support. According to Liu et al. (2011: 60), brand creation of outsourced manufacturers depends on their ability to follow the growth target and have a purpose in this regard. Contract manufacturers can create their own brands by accessing their clients' resources such as research, development and marketing, and by improving their skills over time. The ones building their own brands do not just earn profit, but also have extensive market knowledge in product design and development. Talent plays an important role in the brand building process. Government policies also help companies develop their brands and innovative competitiveness. (Liu et al., 2011: 65).

Brand equity is the financial value given to the product by the brand (Farquhar, 1989: 24-25), which cannot be captured by the functional features of the product and is associated with the brand name, the multiplier benefit of the product due to the brand name (Russell and Kamakura, 1994: 380). Brand equity is defined as brand value sources or brand value components of a brand's name or symbol which increase or decrease the value attributed to a firm by a product or a service (Aaker, 1991: 15; Kotler, 1995: 7; Czinkota and Kotabe, 1997: 230). Brand equity components are composed of intangible resources such as brand association, brand awareness, brand loyalty, perceived quality, patent, trademark and channel relationships. According to Aaker (1991: 60), these components are basic sources of competitive advantages and earnings in future.

The first step in creating a brand is to know who the target audience consists of and whom to appeal. It is important that the target market embraces and trusts the brand. Contractual manufacturer can choose a niche market where it will be competitive (Petelska et al., 2009: 55). It is required that the product is aligned with demands and expectations of target market, evaluation of competitors is made, marketing programme is planned (4P), accurate communication with target market (integrated marketing communication) is established, necessary budget for that is allocated and brand identity is clearly set. Brand identity is how businesses are perceived in the eyes of customers, and it is essential to determine the brand name, slogan, logo, brand hero and brand music correctly in order to create brand identity. Thus, the company is distinguished from its competitors and brand awareness is strengthened. Brand image is the result of customers' impressions of the brand in question. Although advertising comes first among the tools that enable communication between the brand and the customer, the brand image is also conveyed to the customer with other elements such as logo, price, packaging, and place of sale. Briefly, businesses desiring to create their own brands should consider all these communication studies and make the required investment. Building a brand is a long process that requires careful attention to every stage, from product design to procurement, after-sales services and employee satisfaction. In order for customers to buy a brand, they must first learn that the brand exists, recognize and remember it, and be aware of the brand. The main function of the brand management system is to help the company's marketing mix to be recognized by consumers, which is why brand management tries to make the brand durable by realizing brand awareness (remembering and recognition), creating a positive brand image and brand preference, and achieving brand loyalty. The brand promise describes the emotional and functional returns to customers from experiencing the business's products and services. Once the brand promise has been established, proper communication must be implemented to properly build the brand. The brand has become one of the most important elements of competition today. The recommendations of manufacturers who have succeeded in creating a brand in Asia are summarized in the Economist

Intelligence Unit magazine as follows; top management's desire to create a brand, leading brands to reflect everything the business does, knowing that it is a long process, knowing what value the business produces (many Asian companies compete for price, however the brand requires different thinking, emphasis should be placed on value competition such as design, reliability, service level, safety and security), emphasis on employee satisfaction, raising quality standards, focusing on innovation, establishing an emotional connection with customers (brands must build an emotional connection to Customers), keeping the brand promises, having positive connotations about the origin of the country (Governments have a great responsibility in this regard.), firstly creation of strong brands in the domestic market, targeting new markets in countries such as Latin America, Africa and Eastern Europe, giving importance to after-sales services such as maintenance and repair, and monitoring the development of the brand's strength and brand loyalty after the system is established (Economist Intelligence Unit 2010:7) The contractual manufacturer's desire to create her own brand may cause conflict with the company that produces the original product (brand business) For example, Apple has been in conflict with Samsung for a long time for copying its product design and patent. Another example; Korrun Co. Ltd., which makes contract production for Samsonite, a well-known brand all over the world, succeeded in creating its own brand (Shi, 2019: 9). Another Chinese telecommunications equipment supplier, Huawei, has managed to become a brand by investing in R&D centers, forming a joint venture with Siemens in 2003, and cooperating with Vodafone. Cooperation, risk sharing, new product development, emphasis on design, supply chain innovation, and increasing product quality have been influential in the creation of their own brands by Chinese contracted manufacturers (Sodhi and Tang, 2013: 17).

Lenovo is a Chinese company founded in 1984 to supply contract manufacturing for IBM and other companies. IBM had outsourced the production of the PC products and other items whose R&D was carried out by itself and all kinds of technology were determined by itself. Lenovo bought PC manufacturing of IBM by acquisition strategy in 2005. In the long run, it has succeeded in creating its own computer brand and logo (Arrunada and Vazquez, 2006: 1). Today, Lenovo is a known brand, while IBM pulled out of the personal computer market. The literature review and theoretical background on contract manufacturing is given in Table 1.

Table 1:Literature Review and Theoretical Background

Arruñada, B. and Vazquez Xosé, H. (2006)	According to the results obtained from this study, which deals with the advantages of companies that have contracted production on the example of IBM and Lenovo; Outsourcing the entire manufacturing of a product allows original equipment manufacturers (OEMs) to reduce labor costs, free up capital, and improve worker productivity. OEMs can then concentrate on the things that mostly enhance a product's value—R&D, design, and marketing, for instance. Facilitating these gains are the contract manufacturer's (CM) special powers, which may include location in a low-wage land, economies of scale, manufacturing prowess, and exposure to the engineering and development processes of products it conducts for other OEMs.
Liu, F. H., Chen, L. J. and Chen, H. H. (2011)	This research focuses on HTC, the leader in Taiwan smartphone (Note 3) market. He handles customer relationship management while creating HTC's own brand. The reason for choosing HTC is; this company has the equipment and competence to create its own brand. According to the results obtained: As contract manufacturers transition to owning their own brands, they are often challenged by brand-owning companies doing the outsourcing as brand-owning companies fear they are

	<p>helping potential competitors. This in-depth case study shows how an electronics contract manufacturer sustained its client relationships while building its own brand. The research framework consists of two subprocesses: competence leveraging and competence building.</p>
<p>Gomes, P. And Meneses, R. (2012)</p>	<p>In this study; twelve Portuguese offshore shoe suppliers, with and without their own brand, were interviewed. Multi-purpose sampling was applied to the participants. According to the results obtained: It has been determined that the companies producing their own brands focus on certain processes and thus the process progresses faster. When both types of companies are compared, it has been determined that there are differences in terms of administrative, absorptive capacity and versatility.</p>
<p>Riley, J. (2016).</p>	<p>In this study, David Aaker's brand equity building blocks were used and the effect of contract manufacturing on a company's brand value was examined. According to the research results: Current literature in the field focuses on the effects of contract manufacturing. Contract manufacturing arrangements may lead to a wide range of benefits to OEMs including cost reduction, improved delivery, quality, increased valued-added services, asset reduction, and improved collaborative communication. Contract Manufacturers are in a unique position to be a company's greatest asset, or a detrimental liability. CMs gain knowledge of a brand's intellectual property, possess production resources, and gain exposure to development processes.</p>
<p>Rahim, Z. A., Voon, B.H. and Mahdi, R. (2016)</p>	<p>In this study, the dimensions of the service quality of contract manufacturing were examined. Four focus group interviews (28 participants) were held using a semi-structured guide and they comprised 12 contract manufacturers and 16 business customers. According to the research results: Contract manufacturing services (CMSs) are growing globally in a wide range of industries, including electronics, pharmaceuticals, automotive, and food and beverage production. Both the process quality and the outcome quality are important in satisfying the business customer, thus portraying a positive image to the CM. Three stages of how customers evaluate the service quality of a CM are pre-engagement, post-engagement and after sales.</p>
<p>Sharma, R. R., Nguyen, T. K. and Crick, D. (2018)</p>	<p>Contract manufacturing exporters (CMEs) receive a meagre share of global value chain returns, primarily because of the mundane and exploitative nature of the activities they perform in their dependency relationships with lead firms. The findings are also supported and contextualized based on illustrative quotes from face to face semi-structured interviews with senior managers of 10 Vietnamese CMEs. The findings suggest that CMEs' that consciously capitalize on the exploitation strategy by seeking exploration opportunities while building their marketing capability exhibit enhanced</p>

	performance.
Shi, J. (2019)	This paper considers a supply chain consisting of a contract manufacturer and an original equipment manufacturer (OEM). According to the results obtained from the research: In the manufacturing industry, it is common for the original equipment manufacturers (OEMs) to outsource their manufacturing to contract manufacturers (CMs). Contract manufacturer's activity to build their own brands may cause intense conflict with OEMs. For example, Apple has been fighting with Samsung because of the latter's copy of product design and patent for a long time even though the legal proceedings are costly. Contract manufacturer's activity to build their own brands may cause intense conflict with OEMs.

Apple is an original equipment manufacturer (OEM) and Foxconn is the largest manufacturer of Apple, which performs the assembly line for Apple. Samsung Electronics is another contractual manufacturer which produces LPDDR 4 RAM for Iphone 6S, 6S Plus, Iphone 7 and 7 Plus. Recently, many more contractual manufacturers have been entering into the markets of original equipment manufacturers and producing and selling their own branded goods (Shi, 2019: 10). Total contractual manufacturing income of Acer decreased in 2000, because IBM cancelled a large order and this situation was disadvantageous for branding strategy of Acer. Motorola punished BenQ which was awarded in Chinese market for its branding goals and decided to work with competitor, Compal. Hence, there are a lot of challenges in the way of attempting to create a brand, and it seems that there is not one best strategy for dealing with this dilemma (Liu et al., 2011: 60). One of the subjects preventing manufacturer to build its own brand is that firms feel safe as a contractual manufacturer as a result of international stable demand. Brand development requires additional costs in terms of finance and time. When manufacturer creates its own brand alike customer's product mix, it is seen as a potential competitor and cannot have a long-term cooperation with customer.

As a result of in-depth interviews with twelve contract manufacturers working in the shoe industry in Portugal, Gomes and Meneses determined the reasons for not inclining to create their own brands. These are finding contract production more reliable, not needing to create their own brands when sales are good and business relations with their existing customers are good, avoiding conflict with customers, heavy workload, not having time due to hard work, not feeling ready to create a brand, feeling inadequate in terms of commercial knowledge, finding it risky, thinking the market is insufficient, decreasing consumption within the country, and financial crisis.

3. Research Method

A contact with Kahramanmaraş Chamber of Commerce and Industry has been made in order to determine contractual manufacturers. Managers from seven firms performing contract manufacturing for more than ten years in Kahramanmaraş were reached by snowball sampling.

Semi-structured interview, a qualitative research method, provides more systematic and comparable information from different individuals. The main purpose of the studies in which the interview method is used is not to generalize the information obtained from the sample, but to give information about the researched subject to the people who are similar or have the same characteristics to the people studied (Yıldırım and Şimşek, 2008).

The interviews are conducted with the companies that have been in contract manufacturing for more than 20 years, with over 220 employees, labor intense, with high production capacity. They all supply intermediate goods and 6 of them have their own brands, while one does not. The contractual manufacturers were called by phone; they were given information about the purpose of the study and

asked for an interview. The aim of research was explained on the phone call, semi-structured interview forms were sent via e-mail to the managers, an appointment was asked.

Two-hour face-to-face and in-depth interviews were conducted with the managers who accepted the interview and were available at the time of interview, in January 2020. The contractual manufacturers were informed that the information they provided would not be shared if they did not want. They were also advised that their names and the names of their enterprises would not be written on the report.

In order to ensure validity of the research, multiple sources of evidence were used to check the information from current publications that are related to the topic and the concepts retrieved from several contractual manufacturers. Afterwards these findings were shared with the interviewees and also the views of other researchers working on the same field were consulted. An interview form on which the research questions are clearly stated is prepared. Interviews were digitally recorded, transcribed and coded by using note-taking technique. First, the data were grouped into several categories. The researchers carefully read all the information and then classified the information obtained from interview into themes. The data gathered from the contractual manufacturers was directly quoted without any comments. This study requires ethical committee approval. Permission was obtained from the Social and Human Sciences Ethics Committee of Kahramanmaraş Sütçü İmam University, with the decision dated 18.02.2022 and numbered 2022-7.

3.1. Data Analysis

In the analysis of data, code number from 1 to 7 were given for each respondent. The views of contract manufacturer are presented by tables. In order to provide internal validity in research; expert opinions are given with direct quotations, findings reviewed and confirmed by contractual manufacturers, findings of research seem to be consistent with predictions, the data collection process is explained in details, the findings were compared with the literature and the facts in practice were tried to be explained, for the reliability of the research, it was recorded after obtaining approval during the interview.

3.2. Findings

The names of firms participated in research, their sectors, their operating period in contract manufacturing, their capacities, number of employees, brands for which they do contract manufacturing are given in table 2.

Table 2: Contract Manufacturers Sectors, Operating Periods, Capacity and Number Of Employees, Their Own Brands And Brands for Which They Do Contract Manufacturing

Contract Manufacturer	Sectors, Operating periods, capacity and number of employees, their own brands, brands for which they do contract manufacturing						
CM1	Yarn, Knitting and Dyeing, main raw material supplier	Yarn and Knit Dyeing, Primary raw material supplier	25 years	1400ton/month	1240 employees	They have 11 registered brands.	Zara, The Whole, Inditex, Nike, Hugo, Boss, Versace, Cavalli, Moschino, Mudo, LCW, Mavi Jeans, Defacto, Adidas
CM2	Textile, dye, yarn, finished	Textile, dyeing, yarn, processed	20 years	20.000m	250 employees	They have had their own	Zara Hugo Boss Beymen Vakko,

	fabric	fabric				brand for about 15 years.	H&M, Pierre Cardin
CM3	Yarn dyeing	Yarn dyeing	24 years	35 ton	220 employees	They do not have their own brand.	LC Waikiki, Armani firm, the fabrics of Versace, Levi's Kipaş Holding, many brands in Germany.
CM4	Metal kitchen utensil	Metal kitchenware	21 years	70 000 pots	1000 employees	They have 3 registered brands.	90 countries, 5 continent, %30 of manufacturing is contract.
CM5	Apparel	Clothing	20 years	1200 suits-1500 shirts	600 employees	They have 4 registered brands.	They manufacture for 2 domestic businesses and 3 businesses abroad
CM6	Textile and yarn production	Textile and yarn manufacturing	21years	40-50 ton	480 employee	They have one brand.	Ikea, Zara, Hamam
CM7	Metal kitchen utensil	Metal kitchenware	10 years	10 000 pieces	250 employees	They have 3 registered brands.	Schafer, Nehir, Nekno

3.2.1. The Reasons of Conducting Contract Manufacturing from the Point of Manufacturer and Brand Businesses, Advantages and Disadvantages

The reasons why they conduct contract manufacturing, advantages and disadvantages of contract manufacturing are asked in semi-structured interview form. Answers are given below.

CM 1 mentions that they are supplying for large brand companies, for that reason branding cannot be realised. They do not struggle with any problem, such as filling the capacity which is an advantage doing contract manufacturing for brands, with this answer, s/he states that they achieve filling the capacity and focus on manufacturing which can be seen as an advantage. "For example, when you catch the standards of Zara, your business is never out of job, is always in production. You always have products." is indicated as an advantage. "The fact that the client can return the product, or do not want us to produce for another brand" is indicated as a disadvantage.

CM 2: "It spreads the risk. Our founding purpose is to conduct contract manufacturing. We use the capacity remaining after sale as contract. There is no meaning on branding because we do not manufacture for the final customer. If I just make my own product, I will produce five colors and become blind. But when we do contract manufacturing, everything changes. Customer brings a piece from Italy. We make investigations and work hard. We try five systems to attain that. We succeed in the 5th one. But our benefit is not the one that we achieve, but all our efforts in the first four trials. When a new order is given, we use one of these methods and we manufacture the order quickly and by that way we finish first

among others. Because we tried that before and got the results. Thus, we win the client. So we are constantly following the market." By this answer, s/he states that their firm heads for R&D, is able to follow developments in market. As a disadvantage, they indicate that loss of reliability or order is possible when bad quality products are released. CM2 suggested that "No brand produces its own product. They outsource the production. Because everyone has their own expertise. While Vakko has the opportunity to buy the best material from the best supplier and get it manufactured in the best possible way, could they guarantee that they can provide the same production inhouse? For instance, the speciality of Vakko is pretty designs. Outsourcing the production prevents them from investing capital while letting them get it done with ease."

CM3; "Recent changes, developments in market can be followed by making contract manufacturing", by that answer, she states that they can see how the customers' demands can change. They also indicate the disadvantages, such as that each brand has a different demand (some giving importance to colours, some demanding softer or longer etc.) and meeting all these can be hard.

CM4; The advantages of contract manufacturing are explained by that answer, "The strategy of entering into the market, cooperation for network, for know-how transfer, customer variability, reducing risk". It has been stated that there is no problem for the main company and the disadvantage is that the contract manufacturer can be left with no work.

CM 5; The advantages of contract manufacturing are clarified by the following answer "Being able to pay our labor costs. Along with these labor costs, being able to meet the minimum wages, insurance costs and energy costs". As a disadvantage they say, "When the brand business says one day " If you sew a product worth 10 liras for 8 liras, I will give it to you, otherwise I won't." you will close down your workshop, factory, your workplace. When you have your own brand, you do not need to accept such terms at all."

CM 6; Explained the advantages of contract manufacturing by saying "We produce, sell and get paid without the hassle of going into stores and branding. There is a serious unemployment in the country and these factories provide employment". Regarding the disadvantages she says, "Dependency on the client, If the client says I want this production to be stopped, the contract you made for a certain period of time and all my one-year trips will be completely wasted".

CM 7; "People want to work with a company that can carry that brand. Outsourcing the production to a company that has gained the trust of the consumer. You are producing in a certain number and it is not your concern whether the company that demands manufacturing it sells it or not. That man may not be able to sell, may not be able to make it in the market. He created a concept, made a dowry set, puts a teapot, puts glasses, cookware, he can sell it or not. If he can't sell, I have no loss. He performs a quick release. We do business not only with certain brands like Karaca, but also with markets (supermarkets). Markets demand in high numbers and they buy. The market is fulfilling a month, bringing speed to its business." She clarifies the advantages of contract manufacturing with this answer. As a disadvantage, "I can say those; because firm that we work for does not share its know-how, we do not have any advantages on that issue and also in terms of network. Finally, we print their brands, so consumer assume that final product is made by that brand, they are unaware of the contractual manufacturer".

When they are asked why brand businesses prefer contract manufacturing, CM 1 says "It is not possible for a single company to produce this many products Because it has to employ thousands of people." CM2 replies, "No brand produces its own goods, it makes the confectioners produce. Because everyone is an expert in their own field. The confectioner does his job better. The brand makes his own brand better and is an expert in branding". CM3, "If everyone specializes in their own job, the job will be faster, more controlled and of higher quality. Therefore, when the confectioner does the garment job properly instead of dyeing and the dyer does the dyeing job properly, the product comes out faster." CM 4 says, "Since main brand itself does not manufacture, it has contract manufacturing done. This is a marketing

strategy. It creates collections from companies that know the job. Our duty is to produce in accordance with the technical specifications. Companies such as Nike and Adidas do not have a single production facility. The firm either turns to production or to branding and marketing. It can't do both, there's not enough energy, focus and money for that. Our job is to produce according to technical specifications. CM 5 says, "It doesn't matter where you make the production because they have created their brand. They have certain standards and can produce anywhere in the world. No matter where they produce, thanks to these standards, the goods are the same, the quality is the same. They just work on the design. They focus on this and sales." CM 6 says, "The reason why they have contracted production is that it provides a certain price advantage throughout the year. They know the price of the product they buy. Adjust themselves accordingly and reduce the risk". CM 7 answers "There are brand firms in Istanbul. They have not invested in manufacturing themselves. They have invested only in marketing. They also do not have powers like the machine building here. They used the powers they will use here, in advertising, storage, marketing and variety. There is no company in the world that can produce and sell them all together. They procure some of the goods from China, some from companies in Istanbul, and others from Europe, from all over the world.

3.2.2. Subjects to Take into Consideration on Branding and The Reasons not Branding

Contract manufacturers were asked questions about why they could not become a brand and the issues they should pay attention to. The answers are as given below:

According to CM 1: "Even if you manufacture a product in good quality and you do not present it as a brand, you do not have a chance to sell it in its value. There have been such products in Turkey, which cannot realize branding. Most of the confectioners in Turkey make contract manufacturing for world brands. We are doing the production; they are putting their labels on it. I visited large confectioners in İstanbul the other day. Products worth 550£ or 4000\$ abroad are sold for one-tenth price here (Kahramanmaraş). The real profit, the main added value is in the brand and they are the ones who skim the milk of it. We, as Turkey, need to get rid of contract manufacturing as soon as possible. We need to create our own brands, we also need to buy the brands sold in the world. In Turkey, both garment manufacturers and textile manufacturers are making a great effort in this direction. There are those who buy brands, there are those who create their new brands in Turkey. I believe that in 10 years, Turkey will also come to a very good point with the brands they buy or the brands they create. Since Europe got industrialized before us, they created these brands and introduced them to the world." The reasons why they cannot realize branding are given as; " Foreign countries put taxes, while special discounts are given to some countries, foreign trade sanctions for some countries are high. Businesses fulfilled branding over the world work with each other and do not allow new businesses to enter this network. Also Turkey started industrialization much later compared to Europe (after 1980) with the support of government incentives."

According to CM 2; " Branding is a motivation. Because with branding, the factory may not be able to maintain its own power, it has to be channeled to a completely different place. Because what you call branding is about establishing 150-200 dealers across Turkey. New productions are required constantly. You will follow their stock, you will take their risks and you will support them financially. It's a big job in itself. It is not a very right thing to be channeled there at the same time. The factory business is a business in which tens of millions are invested and people have to protect this capital. See the histories of world brands in Italy and France. Let's take a look at the history of the confectioners in Maraş, Turkey. There is 10 years between them. When you look at the Burberry brand, it is the brand of the pants Atatürk wore. It has been more than 100 years since the brand was established. How will you deal with it? It is very difficult, it's not that easy. There are good brands in Turkey. There is Koton, there is LC Waikiki, we see their stores when we go abroad. This is a process, it still needs time." The reasons for not being able to

make a brand according to CM 2 is “Entering the clothing business means that you will establish the dealer foot of it, you will learn how to make ready-made clothing, you will get a designer, and the designer will go into the market, find the goods and you will sell the goods. You will open stores all over Turkey, when you think about all this, it is not something that will happen in 1 year, in 3 years, or 5 years. The branding process will take maybe 15, maybe 30, maybe 40 years, and you can't guarantee success at the end of it. There is Damat Tween as a brand. These men do not manufacture. They do not have a factory. When they set up their own factory, their product range is limited and they have to focus their attention on the factory, but they focus on their own business and they do it best. Almost none of brands have production facilities except for apparel. Zara has no factories. Because it's a separate business.”

According to CM 3, for branding; “In developed countries, the industrialist supports the university financially and research is carried out at the university. It has gained importance to support universities to carry out the right research. We do not have the power to establish a laboratory in each university. It is a must to establish laboratories in universities. Although Kahramanmaraş has a say in the world in textile, we cannot reach the world because we are far from the market. We cannot reach in ready-wear. We are selling our products to a German. This businessman has his own work too. When he comes for meetings, he spares almost all his day. He comes to Istanbul, runs check and controls, and gets on a plane in the evening and sleeps in his own bed. But when you do this in Maraş, he needs to find flights to Maraş and will lose 3-4 days for flights and will go back to İstanbul, which means a loss of 3-4 days for him. People do not tolerate this. Even turning on the computer for 10 seconds cannot be tolerated, it feels cumbersome. That's why they don't come here. He needs to check his work. Because even a small detail, sewing a button incorrectly can cause that product not to be sold in that country. He doesn't have time to make a new one. Season products must be ready when the customer arrives. If not, he will go to the neighbor next door. Maybe he'll always take it from there now. Our flights are also not sufficient, so we cannot create our brand here. While very good brands can come out, unfortunately they do not. This is mainly due to the fact that university-industry cooperation is not realised. There is a problem of not being able to get together with the university and not being able to get to know each other. Therefore, there is such a lack of communication and not being able to meet on the common grounds. In other words, the one who manufactures cannot write, the one who writes cannot manufacture. Although everyone investigates the same thing they don't come together, for one reason or another.”

The respondent elaborated the reasons why they cannot become a brand: “Unfortunately, we do not have a brand because you are not the final product, I do the dye work, we do not do design. One reason for the lack of branding is that university-industry cooperation is not realised. There is a problem of not being able to get together with the university and not being able to get to know each other. We do not have the power to establish a laboratory in each university. When I have a situation in my business, I will tell this to the lab as in I have so and so problem. The lab will investigate this situation on behalf of my business. They will give the report to us, they will not share it with anyone else and will not sell it. Both the university and my business will use this result. They are working on this, if we can do that, it will be great for Maraş.” In developed countries, the industrialist supports the university financially, and research is carried out at the university with the financial support of the industrialist. Universities should be supported to conduct research. Whether the research results may or may not be applied to the industry, will be determined at the end of the research.

According to CM 4, “It is necessary to allocate costs and budgets for branding. For this, it is necessary to compromise on production. Firms focusing on branding stay behind in innovation and technology. Owing to these reasons, firms focus on either production or branding. There are very few companies that run both together. For example, Torcu or Korkmaz kitchenware started to focus on branding. For electrical home appliance sort of products, they have reduced the weight on production and started to

compromise on production. The firm either turns to production or to branding and marketing. It can't do both, energy, focus and money are not enough for that. Our job is to produce in line with technical specifications. The manufacturer who wants to build its own brand, should create its own design, determine the sales channel, and advertise to increase awareness." The reasons for not becoming a brand are as follows: "We could not position Turkey as a brand. This should be a state policy. Just efforts of the companies themselves will not be enough. It is the state that will create this perception. As far as promotion is concerned, it should position the country at a point and work on this issue. In other words, "Made in Turkey" should be created and work in line with this perception. Turkey should be positioned wherever it is good in terms of machine or design. If Korea can produce brands such as Kia and Samsung, this is due to government policy. Korean state put their companies forward as innovation. Ours should put the focus on whichever sector Turkish companies are good at."

According to CM 5: "Today when you say I am a brand, you don't become one. You need to have a serious advertisement expense and a perception. Whichever of the two products is more expensive, then that is the brand. It is the feeling of trust in people. Suppose there are two products, of the same pattern and of same quality, but people choose the expensive one because they think when there is a problem, they can change it; the brand is really important because of the trust given by the brand. Branding is hard and its challenges are that it is now monopolized in today's world. When you want to open a store in a mall, the condition is that you got to be A, B and C brand. Because, the mall wants to create a brand concept that attracts consumers. They will attract customers with this. The more people visit the mall the more it will increase its added value. Mall value will increase. When you apply to a mall, how many stores you have, which segment you are in are enquired. These are the significant parameters." The reasons why they cannot become a brand are as given; "Imitation, the production of the same product by everyone, the absence of innovation and originality. Not investing enough in the brand. Being a difficult and demanding process, when we look at Kahramanmaraş, we have very serious exports, but it is low-tech. Technology and brand are equivalent. When we change the yarn we make today technologically, we can sell the yarn that we sell for 1 dollar for 10 dollars. The problem is not being able to turn the product to a state with high added value. If the product you have produced does not match what you promised or with your slogan, then your brand is already born dead."

According to CM 6, "Be it IKEA, Zara or H&M, they have no production as a brand. They do not want to deal with production alone. On the other hand, we enjoy producing. They create a large store network, designer team, etc. As soon as you become a brand, your structure needs to be changed from top to bottom. You need to open a store. But when you do contract work, you know what you buy, what you sell; you sell that product to that firm. The rest is not your business. "Our job is to maintain and even improve our quality standard. Continuously launching new products and presenting them to the market"

The reasons why they cannot realize branding are as follows; "Branding is a long and costly process. Turkey's transition from agriculture to industrialization took about 20-30 years. It is not much time. It has been just one generation that has passed from craftsmanship to industrialization. Perhaps the next step after industrialism will take place. We'll get there after one generation. We currently do many things more professionally than our peers around the world. But we are behind in branding, it has a political leg, it has various reasons. Maybe we are in the natural selection, maybe we are where we need to be right now, we will see if the next generation will move on to the branding process or not. We can examine how the companies in Europe went through this process we went through and get a clearer information on this issue."

According to CM 7; "It is necessary to invest and work harder to become a brand. When they come here, Karaca takes the pot from me, buys the porcelain from someone else, buys linens from the bed linen maker, and buys textile products, they don't produce any of it themselves; so it is impossible for a manufacturer and a factory to do all of these things. It is not possible in terms of both knowledge and

capital. There is no such a thing in the world. If it does not exist here, they go to China to buy the missing items from there. They gather products from approximately 100 different manufacturers. They advertise, open stores in shopping malls, invests in the brand, even if it is not sold in shopping malls, they bear the expense. In order to produce without a factory, it is necessary to invest in marketing and branding.”

The reasons why they cannot build a brand are “Inadequacy of government support, problems in entering different countries' markets due to commercial arrangements between countries. And the fact that branding also requires expertise, advertising, dealer network, financial investment.”

4. Conclusion

Branding requires research and development, investment, close follow-up of fashion trends. Businesses cannot become brands only by producing quality products. When it is investigated how the big companies have succeeded in becoming a brand, it is understood that they see contract production as a tool to strengthen their brands, they leave the production to the contract manufacturer who produces within the framework of certain quality standards, they focus on their branding activities and they make financial investments by giving importance to this issue.

The demand for branding should come from the top management. Branding should be part of government policy. This cannot be achieved by the efforts of companies alone. It is the government that creates this perception. In other words, “Made in Turkey” should be created and action should be taken in line with this understanding. Turkey should position itself where it is good both in terms of machinery and design. Turkey has come to a certain level in fashion and design with the help of universities, non-governmental organizations, industrialists, business world, many institutions, consulting firms. While contract manufacturers tend to produce in accordance with quality standards and specialize in production, they cannot make the necessary investment for marketing and branding. Marketing and brand building require a separate expertise and financial investment. In the branding process, especially the public sector, industrialists, manufacturers, non-governmental organizations and universities should work together and provide support. Buying brands could be considered. Contract manufacturers are seen as “manufacturer brands” with a strong organization, integrated facilities and high production capacity, producing for world-renowned brands and are preferred.

The reasons for not being able to become a brand are explained as “The high level of foreign trade sanctions in some countries, the fact that branded businesses work with each other and a new business is not included in this network, branding requires long-term investment and not investing in advertising, communication and creating a dealer network, the lack of communication between the university and the industry, not implementing the results of the research into the industry, the market being far away, the customer turning to the markets of nearby countries due to time constraints, no turning to branding as they don't produce the final product, the absence of a state policy on branding.”

Reasons for turning to contract production are; “The management's lack of interest in building a brand, the fact that those who provide raw materials and raw materials to the brand and produce products for the industrial market, not for the final consumer, are not recognized by the final consumers, lack of knowledge about being an industrial brand, focusing on the production area, thinking that branding and marketing require expertise and also capital investment, being distant from the market, the existence of trade barriers in the market to be entered, the lack of public support, the inability to make sufficient university-industry cooperation, that the production for famous brands is considered sufficient and prestigious enough.”

Co-branding that complies with certain standards require strategic partnership. In the branding process, especially the public sector, industrial partners, manufacturers, non-governmental organizations and universities should work together and provide support to vocational education, training of qualified personnel and research & development. It is also important to raise awareness towards the benefits and

implementation of electronic commerce including usage of virtual design platforms and following the mega-trends such as smart clothing and adopt personalized production and value creation while adhering to production standards. The following suggestions can be made further for the brand development of contracted manufacturers:

Making incentives more accessible, gathering and promoting them on a single portal, developing mobile applications. Awareness about the importance of design, innovation, informative meetings, trainings. Professional skills development, design thinking trainings. Explaining the importance of production in accordance with the standards. Creating awareness on the consumer side, demanding products that meet the standards. Giving incentives to enterprises that produce in accordance with the standards. Informing the manufacturer about the standards, developing mobile applications. R&D is important to improve design and production standards, increase quality and reduce costs. Therefore, companies should be provided with financing in this regard. Since the R&D activities of the sector are not supported, original design and technology cannot be produced. Marketing and brand building training, promoting e-commerce, micro-export, web page creation, e-marketplace sales, social commerce, mobile commerce trainings. Marketing on the Internet, social media, using mobile marketing, creating brand awareness, e-export, micro export training. Finding the target country market, benefiting from fair support, product standards training in different country markets. Exhibition support on mobile phones, better promotion of easy support platforms, podcasting, short video presentations, informing all manufacturers. Participation in international fairs and exhibitions. Providing support for the purchase of technological machines/equipment, joint purchase and joint use opportunities.

The following recommendations can be made for future work: More comprehensive quantitative research which can include this subject, and others such as electronics, spare part industry, drugs, detergent, food can be carried out in the future. Capital intense industries, which require advanced technology, such as automobile, heavy machinery and have more control of leader firms can be chosen. How contract manufacturing strategy is used as strategy for entering into international markets can be extensively searched.

Discussion

This study aims to determine why contract production companies can not realize being branded ones and to offer solutions to them. For this purpose, in-depth interviews were executed with seven companies engaged in contract manufacturing from different sectors. The findings obtained in the study generally subsidize other studies in the literature. Considering the studies on this subject; In the study of Arruñada and Vazquez (2006); They argued that the companies that have contract production recede their labor expenditures, they use the capital in branding activities instead of attaching them to production, and they reduce worker costs. Original equipment manufacturers (OEMs) reported that by contracting production, they focused on intangible features such as R&D, design, and marketing that increase the product's value more than production. In our study, interviewers commented that the companies engaged in contract production focus on production, directing their capital flow and focus on production. They also remarked that companies that focus on production could not focus on intangible elements such as marketing, R&D, and branding. Accordingly, the results of the two studies show equivalency with each other.

Gomes and Meneses (2012) researched contract manufacturing companies that develop their own brands and those that do not. The traits of the participating companies consisting of two groups and the companies that created and did not develop their own brands were examined. According to their results, it has been deduced that the companies that create their own brands have a higher absorptive capacity and that they create their own brand's thanks to the knowledge they have acquired. The companies that initiated their brands stated that it is necessary to get technical information from the customers, have the

power to make significant decisions, and take risks in long-term decisions. In our study; Among the seven companies interviewed, companies that create their own brands and those that do not are included. The results we reached in the study are in parallel with the study of Gomes and Meneses (2011). The interviewed companies remarked that they have expanded their knowledge thanks to the technical information they have obtained from the customers and that they have reached the level to operate globally. While the companies that create their own brands say that customers are protected from decision changes, they describe branding activities as a long-term and costly investment.

Liu et al. (2011) conducted another study examining contracted manufacturers. This study focuses on HTC, the leader in the Taiwanese smartphone market. It deals with customer relationship management while creating its own brand as a contract manufacturer in the electronics sector. According to their results, as contract manufacturers create their own brands, brand owner companies are challenged by outsourcing brand owner companies for apprehension of creating potential competitors. Based only on subcontractor manufacturers (CM), brands share a limited amount of information and place confidentiality clauses in their contracts. In our study, Customer relations were not examined individually, whereas unlike the results obtained by Liu et al. (2011), they stated that they did not have a problem in sharing information with original equipment manufacturers (OEMs).

In Riley (2006)'s study on contracted manufacturing, David Aaker's brand value building blocks were used and the effect of contract manufacturing on a company's brand value was examined. According to the research results, contract manufacturing provides original material manufacturers with cost reduction, improved delivery, quality, high value-added services, and improved collaboration services. In our study, matching results were obtained, and it was determined that original material manufacturers benefited from many points. Rahim et al. (2016) examined the service quality dimensions of contract manufacturing. Four focus group interviews (28 participants) were conducted using a semi-structured guide. It has been deduced that both process quality and result quality are essential factors in satisfying the commercial customer. In our study, according to the opinions expressed by the contract manufacturers (CM); Original equipment manufacturers (OEMs) stated that they work with companies that work under the quality standards and the standards they have determined when choosing the contract manufacturer and deciding to work again.

Shi (2019) considers a supply chain consisting of a contract manufacturer and an original equipment manufacturer (OEM). According to the research results, it is common for original equipment manufacturers (OEMs) to outsource their manufacturing (CM) in the manufacturing industry. The contract manufacturer's own branding activity may result in intense conflicts with OEMs. For example, Apple has long struggled with Samsung over Samsung's product design and patent copy, despite the cost of legal action. It has been concluded that the activity of the contract manufacturer to create their own brands can cause intense conflicts with OEMs. Our study determined that the original equipment manufacturers (OEM) outsource their production to the contract manufacturers (CM), which is widely preferred for the main reasons such as focusing on branding and reducing costs. In the study of Shi (2019), the differences in research purpose, conflicts between original equipment manufacturers (OEM) and contract manufacturers (CM) and their causes were reached.

According to the results, the firm that has contracted production reduces its labor activities and focuses more on intangible brand elements such as R&D, marketing and branding. It was concluded that they directed their capital towards branding instead of production. It has been determined that it is challenging to carry out production and branding activities in terms of cost and focus. Firms need to

decide whether to focus on branding or production. In order to become a brand, long-term investment, knowledge, determination, and developed business relations are required.

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