

# Brand-Building and Partnership between ODMs and Contract Clients

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## Abstract

This paper examines the cases where original design manufacturers attempt to establish their own brands in the high-tech industries and how the contract clients, who outsource production to them, respond to these potential rivals. The analysis is based on a game-tree model and it is shown that with a positive and added contribution in the proxy production by ODMs, should they decide to build their own brands, whether the contract clients will continue or cease outsourcing to them is determined by the influence of the shift in their partnership on the probability of success in building new brands. Another finding is that there is equilibrium where the contract clients may try to bluff ODMs by threatening to cease outsourcing, but that threat is empty.

**Keywords:** Original Design Manufacturing; High-Tech Industry; Innovation; Strategies

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