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Branding importance in business-to-business markets
Three buyer clusters

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Abstract

With the growth of e-commerce and global competition, business-to-business (B2B) marketers are showing increased interest in the potential of branding, especially at the corporate level. This paper describes branding in the context of B2B markets, and examines its perceived importance to buyers. A review of relevant literature and the development of a conceptual model enables a cluster analysis of data from a survey of industrial buyers. The exploratory analysis examines to whom branding is important, and in what situations. Three clusters of buyers are found: branding receptive, highly tangible, and low interest. The practical implications for managers are explored.

Keywords: Branding; Industrial branding; Business-to-business; Cluster analysis; Industrial segmentation

1. Introduction

With the growth of e-commerce and global competition, business-to-business (B2B) marketers are asking whether branding, especially corporate branding, can help improve their competitive position in the new economy. Although the power of branding is widely accepted in consumer markets, the nature and importance of branding in business markets is unclear and underresearched.

The key question motivating the research is to whom is branding important in B2B markets. The assumption is that branding is important to some, but not all, business customers. As one manager interviewed in the study said, "Branding may not be important to everyone, but as long as it is important to some of our customers, we want to know about it." Price and tangible attributes of products in highly competitive markets often differ only slightly. To prevent their products from becoming commodities, companies seek to differentiate themselves with service, with the company brand, and with brands at the product level. Organizational buyers have long been known to consider service and other more intangible aspects of the offer, in addition to price and product quality. To Aaker [1], "Many industrial purchase alternatives tend to be toss-ups. The decisive factor then can turn upon what a brand means to a buyer." Some industrial buyers may be more receptive to branding than are others. This paper provides an exploratory study of to whom branding is important.

The paper begins by examining the marketing literature on branding and organizational buying behavior. Drawing from the literature, a conceptual model of industrial branding is introduced. Interviews with industrial marketers and purchasers, and a survey of industrial buyers, then enable a cluster analysis of firms by the relative importance of branding, service, and product attributes in the purchase decision. The cluster analysis provides an exploratory effort to identify to whom B2B branding is important, and in what situations. Characteristics of firms in the clusters are described. The final sections draw out the practical implications of the findings, discuss the limitations of the exploratory research, and offer ideas for future research into B2B branding.

2. Literature review

Organizational buying behavior research indicates that intangible attributes are important in business purchase

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decisions. The consumer behavior literature documents the importance of branding in consumer decisions. Between these research streams lies a gap in terminology and knowledge concerning the role of branding in B2B markets. The small body of research on industrial branding provides insights, yet does not sufficiently close this research gap.

2.1. Organizational buyer behavior

Organizational buyers differ in many ways, including what they perceive to be important, the decision processes they follow, and the purchases they make. Well-established models of organizational buyer behavior [2–5] highlight the importance of buyer characteristics, purchase characteristics, and decision process characteristics to the purchase choice. The models begin with the recognition of a purchase need, then link buyer characteristics, purchase characteristics, the perception of attribute importance, and the decision process to the final choice. Differences in customer and purchase characteristics provide the basis for meaningful customer segmentation and analysis [6–10]. Buyers do not place equal emphasis on all attributes in the purchase decision. Studies of business markets have concluded that intangible attributes such as reputation and image can be of equal or greater importance than tangible physical product attributes [11,12].

Benefit segmentation research assumes that buyers significantly differ in their evaluation of the importance of choice attributes. For example, analysis of the North American flat-rolled steel industry identified three customer segments: commitment, service, and price sensitive [13]. Customers in the commitment segments valued close relationships with stable suppliers with high levels of expertise. Customers in the service segment were primarily concerned with quality and delivery performance. The price-sensitive customers were concerned primarily with price and costs. These benefit segments have appeal, but illustrate the difficulty of identifying buyer segments that are distinguishable and truly meaningful to the vendor [14,15]. A critical managerial issue is whether the buyer segments can be described by discernible buyer characteristics.

Perceived risk is an important topic in the literature. Risk can be defined in terms of the perception of the uncertainty and adverse consequences of buying a product [16]. This can be from the perspective of the organization or of the individual buyer. For example, the classic model [3] considered new tasks to be the most risky, with straight rebuys the least risky. However, new tasks may involve more organizational risk, but less personal risk [17]. Buying top brands from reputable companies is one way of handling and reducing risk [18].

2.2. Insights from consumer branding

Consumer research has shown that powerful brands create meaningful images in the minds of customers [19,20]. Marketers invest in branding because brand image and reputation enhance differentiation and can positively influence buying behavior, as consumers choose among competing offers [21,22].

A product offer consists of three levels [23]. The basic product consists of the tangible features, the augmented product adds other features and services, and the potential product emphasizes the intangible features and benefits to customers. The potential level captures the idea of the real and untapped potential of branding [24]. Branding is powerful because it is associated with benefits to consumers, not just to marketers. Consumers perceive brands to have functional, emotional, and self-expressive benefits [1]. Aaker [25] also identified three key aspects of branding important to marketers: general name awareness, or how well known the brand is; the general reputation of the brand; and purchase loyalty, measured as the number of prior purchases of the brand. In contrast, Keller [19] defines brand equity in terms of brand knowledge and unique brand associations.

At the corporate level, reputation and corporate branding are closely related concepts [26]. Reputation addresses the image of the company to all its constituents, including investors. Branding focuses on the image of the company to its customers. Fortune magazine's annual Corporate Reputations Survey [27] considers both tangible and intangible aspects of reputation, as do analyses by Reputation Institute [28]. Reputation has a firm tangible foundation, with strong links to many intangible elements. Together they improve a corporation's credibility [25].

At the individual product level, consumer branding research has been especially extensive and varied. This reflects the availability of data and the large sampling pool of consumers. Research has examined the effects of coupons, advertising expenditures, and attribute importance on brand choice; explored brand image and personality; and measured brand equity [19,29–31]. Many of these studies offer insights into individual branding, but are not directly applicable to B2B markets, due to differences in market conditions.

2.3. Branding in business markets

The business literature, although limited, does include explorations of brand naming, industrial brand value, and brand equity. One study [32] found that industrial brand names have been commonly used, with examples such as Portakabin (portable offices) and Carryfast (road haulage). Others ([33], p. 29) concluded, "many basic materials producers have only a name, and are searching for a brand." Brand-naming strategies were found to have mixed effectiveness in the man-made textile fiber market for brands such as Dacron, Dralon, Lycra, and Orlon [34], and in the reconstituted wood product market for brands such as Waterwood, Oxboard, and Structurwood [35].

Beyond brand naming, industrial brand value has been described as a function of the expected price, the expected benefits of the basic product, the expected quality of the