Industrial Marketing Management 39 (2010) 1269–1277

Contents lists available at ScienceDirect

Industrial Marketing Management

An exploratory investigation of the elements of B2B brand image and its relationship to price premium

Niklas Persson *

Department of Business Administration, School of Economics and Management, Lund University, Industrigatan 9, 112 46 Stockholm, Sweden

ARTICLE INFO

Article history:
Received 31 October 2008
Received in revised form 15 September 2009
Accepted 1 October 2009
Available online 30 March 2010

Keywords:
Brand equity
Industrial marketing
Buying behavior

ABSTRACT

Much of the extant work on brand equity in business markets has focused on predicting brand loyalty, as in what brand image elements that make buyers prefer to *buy* a brand. The question what drives buyers to *pay* more or less for brands has however been somewhat overlooked, despite price premium being a distinct and economically important outcome of a favourable brand image. In an attempt to answer this question, this paper suggests that the corporate brand image determinants of price premium can be conceptualised into six dimensions: brand familiarity-, product solution-, service-, distribution-, relationship- and company associations. Findings from a small-scale qualitative investigation, based on interviews with buyers of corrugated packaging, are used to illustrate this model as well as to explore its microelements and demonstrate why they can be assumed to be mentally related to buyers' willingness to pay.

1. Introduction

Brand image has been defined as the information linked to a brand in customer memory (Keller, 1993), a definition based on theories on psychology, and most importantly on the "associative network memory model" (see also Collins & Loftus, 1975). Basically *any* specific information that exists in the minds of customers with respect to a brand is relevant as an image element, regardless of whether it is related to tangible or intangible elements, or whether it is based on an actual experiences or expectations. In brand management literature, an underlying assumption has always been that a favourable, strong, and unique brand image constitutes a sustainable competitive advantage that will deliver attractive economic returns (Aaker, 1991; Keller, 1998). As such, brand image is a highly interesting concept, both from a managerial and theoretical perceptive. To understand how brand image is assumed to deliver profits, it can be put in a broader brand equity context.

The concept of brand equity has an explicit focus on extracting the tangible economic value from brands and is today a broad field that can be subdivided into a *brand equity chain* (see Fig. 1) with three components: brand image, brand strength and brand value (see similar chains in Srivastava & Shocker, 1991; Feldwick, 1996; Keller & Lehman, 2003; Kapferer, 2004). The visualised causal principle states that how target customers perceive a brand's specific attributes (brand image), will influence how they globally evaluate and behave towards the brand in the marketplace (constitutes the strength of a brand), which will influence the long-term economic value that the brand generates to the brand-owning firm (brand value). There are mainly two distinct dimensions of brand strength. The most common one is *brand loyalty*, empirically captured with such measures as preference and purchase intention (Yoo & Donthu, 2001; Taylor, Geluch, & Goodwin, 2004; Cretu & Brodie, 2007). Less commonly measured in business markets is *price premium* (customers *willingness* to pay for products or services from a brand compared to similar products or services from other relevant brands), although it is acknowledged at the conceptual level and used as a distinct and important brand strength indicator in several B2C studies (Netemeyer et al., 2004; Kalra & Goodstein, 1998; Sethuraman, 2000; Ailawadi, Lehmann, & Neslin, 2003).

When it comes to B2B brand equity, it is commonly assumed that branding is most relevant at the corporate level (Kuhn, Alpert, & Pope, 2008; Mudambi, 2002) and the body of research is rapidly growing. Important conceptual contributions have been made by Sharp (1995), Kim et al. (1998), Lynch and deChernatony (2004) and Beverland, Napoli, and Lindgreen (2007) among others, and a number of empirical studies (Gordon, Calantone, & Di Benetto, 1993; Firth, 1993; Hutton, 1997: Bendixen, Bukasa, & Abratt, 2004; Walley, Custance, Taylor, Lindgreen, & Hingley, 2007) have proven the existence of brand *strength* per se. These investigations have shown that also in business markets, a brand can build customer loyalty and price premiums. In addition, a few empirical studies have been conducted to explore and validate different brand *image* elements (Mudambi, Doyle, & Wong, 1997; Wiedmann, 2004; Kuhn, Alpert &, Pope, 2008; Van Riel, de Mortanges, & Streukens, 2005; Cretu & Brodie, 2007; Taylor et al., 2004; Han & Sung, 2008). These valuable contributions should definitely be built upon, but there is one question we do not yet have an answer to: what specific brand image elements are driving customers' willingness to pay a price premium? It is only recently that researchers have begun to causally link brand image to brand

* Tel.: +46 703 368 642; fax: +46 8 420 38 380.
E-mail address: niklas.persson@fek.lu.se.

0019-8501/$ – see front matter © 2010 Elsevier Inc. All rights reserved.
doi:10.1016/j.indmarman.2010.02.024

Fig. 1. The brand equity chain.

strength outcomes, but when doing so the focus has been on brand loyalty determinants only. As in why buyers "choose" (Mudambi, Doyle, & Wong, 1997), "select" (Kuhn et al., 2008), stay "loyal" (Van Riel et al., 2005; Wiedmann, 2004; Taylor et al., 2004) or "repeatedly purchase" (Han & Sung, 2008) a brand. Researches have to date not been able to provide rich enough data to adequately describe and understand what brand image elements are specifically driving price premiums in business markets.

It is possible that those brand image elements that have been shown to drive brand loyalty also drive price premium, in the exact same way. Then again, as there is plenty of extant work to suggest that price premium is a distant form of brand strength (Netemeyer et al., 2004; Kalra & Goodstein, 1998; Sethuraman, 2000; Ailawadi et al., 2003) it seems unwise to make this assumption without empirical support. Identifying the brand image drivers of price premium should therefore bring us closer to a general theory of B2B brand equity and provide guidelines for firms striving for higher margins rather than only large volumes. Particularly in markets where price pressure rules, differentiation and branding can work as possible strategies to avoid price war. Research to date, with its focus on determinates of purchase decisions, is in contrast more closely linked to low-cost or volume focused strategies. *The purpose of this paper is to enhance the conceptual understanding of corporate B2B brand image as a determinant of price premium in business markets.* This is achieved by developing a detailed conceptual model, including a set of propositions about the brand image–price premium relationship. First, six main brand image dimensions are established based on extant literature on B2B brand equity as well as on adjacent work on business relationships. Then, findings from a very qualitative small-scale case investigation, based on interviews with professional buyers, are used to illustrate the model as well as explore its microelements and how they can be assumed to determine brand strength in the form of price premium.

2. Theoretical framework: B2B brand image and price premium

2.1. Brand familiarity

Brand familiarity has always been seen as a fundamental brand image dimension (Aaker, 1996; Keller, 1993). In business markets, it plays at least two roles. Obviously a buyer must be aware of a company in order to consider it, but what is more important perhaps is how buyers perceive less risk and tend to prefer well-known suppliers and producers (e.g. Dowling & Staelin, 1994; McQuiston & Dickson, 1991; Hutton, 1997). A well-known supplier may therefore have an advantage both when the buyer is considering different suppliers and then function as a deal-breaker when the choice is about to be made (Malaval, 2001).

2.2. Product solution

In B2B brand equity literature, the product dimension is most commonly conceptualised as the physical core of a firm's offering, or the "thing" a firm produces. In more detailed terms, product *quality*, *value*, *features*, *innovation*, *reliability*, *proven*, *consistency*, *performance as well as easy to install and upgrade* (Beverland et al., 2007; Mudambi, Doyle, & Wong, 1997: Kuhn, Alpert, & Pope, 2008; Van Riel et al., 2005) appear to be relevant elements. A view emerging in adjacent fields is however that focus should be the customer problems a product is solving, rather than on the physical product as such (Vargo & Lusch, 2004; Beverland et al., 2007; Ballantyne & Aitken, 2007). This view implicates that customers are not buying separate products or services, but total *solutions* in the form of bundles of products and services that solve their problems rather than provide benefits or features. Both customisation and value-in-use are also at the core of this thinking, and to emphasise how this paper subscribes to this view, the product dimension is labelled product solution (rather than only product, as in most previous B2B brand image models such as Mudambi, Doyle, & Wong, 1997 and Van Riel et al., 2005).

2.3. Service

Perhaps as a consequence of the heavy focus on industrial products in empirical B2B brand equity research, most B2B brand equity writers seem to conceptualise the service dimension as mainly being an offering augmented to the core physical offering (Mudambi, Doyle, & Wong, 1997: Van Riel et al., 2005; Kuhn, Alpert, & Pope, 2008). A number of more specific service offerings appearing in the literature are technical support, design, training, financial services, staff training, development support, information services, after-sales services (Kuhn, Alpert, & Pope, 2008; McQuiston, 2004; Mudambi, Doyle, & Wong, 1997, Van Riel et al., 2005). In addition, more intangible service elements such as expertise and advice have also been mentioned (Mudambi, Doyle, & Wong, 1997; Beverland et al., 2007).

2.4. Distribution

Distribution associations deal with everything from delivery speed and lead times, to reliability, availability, ease-of-ordering and payment (Wiedmann, 2004; Mudambi, Doyle, & Wong, 1997 Van Riel et al., 2005; Han & Sung, 2008; Blombäck & Axelsson, 2007). Distribution reliability is a highly critical element, as it relates to a suppliers ability to minimise costly disruptions in the customer's production line (Beverland et al., 2007).

2.5. Relationship

What we know from a well-founded body of research on industrial marketing (e.g. Doney & Cannon, 1997; Moorman et al., 1992) and business relationships (for example from the IMP group, Ford, 2002) is that notions such as trust, mutuality, interpersonal relations, flexibility, information sharing, cooperation, partnership and commitment are crucial in buyer–seller relationships. Also researchers within the narrower field of B2B branding have addressed the importance of relational concepts, but not always described them as distinct brand image elements. Instead, relationship concepts have been conceptualised as outcomes of brand image (Han & Sung, 2008), as sub-elements to other