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When do B2B brands influence the decision making of organizational buyers? An examination of the relationship between purchase risk and brand sensitivity

Brian P. Brown [a,*], Alex R. Zablah [b,1], Danny N. Bellenger [c,2], Wesley J. Johnston [c,3]

[a] VCU School of Business, Virginia Commonwealth University, USA
[b] Spears School of Business, Oklahoma State University, USA
[c] J. Mack Robinson College of Business, Georgia State University, USA

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ABSTRACT

The dominant perspective on organizational buying behavior suggests that buyers tend to rely on objective criteria when making product choice decisions and that the potential influence of subjective cues, such as brands, on buyer decision making decreases with increasing risk. An alternative perspective, confirmed in this study by in-depth interviews with various managers, suggests that brands serve as a risk-reduction heuristic, whereby the influence of brands on decision making increases as a function of risk. Building on risk and information processing theories, this research builds on these complementary perspectives to propose that risk and brand sensitivity relate in a U-shaped manner, where brand sensitivity is highest in relatively low- or high-risk situations. The results of scenario- and survey-based field studies—involving 206 and 180 members of buying centers, respectively—suggest that both perspectives have merit and support the proposed nonlinear relationship. Moreover, the findings reveal that the risk-brand sensitivity relationship is moderated by competitive intensity, such that the linear (negative) and quadratic (positive) effects are stronger when competitive intensity is low.

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1. Introduction

While interest in business-to-business (B2B) branding continues to grow, studies within this domain have been slower to emerge than those that examine the roles of brands in consumer markets. To a large extent, this delay in academic research can be attributed to the field's organizational buying models, which portray buyers as being highly objective when making product choice decisions (e.g., Bonoma, Zaltman, & Johnston, 1977; Low & Mohr, 2001; Malaval, 2001). This view of organizational buyers as *objective* decision makers has not allowed a significant role for the influence of *subjective*, brand-based judgments on organizational buying deliberations. However, recent research suggests that brands can play an important, functional role in business markets, particularly as signals of product quality and of the overall relationship and experience a customer can expect from a supplier (Aaker & Joachimsthaler, 2000; Bendixen, Bukasa, & Abratt, 2004).

Despite growing empirical evidence suggesting that brands do influence organizational buying decisions, an understanding of when brands are likely to matter most in B2B contexts is still lacking (Zablah, Brown, & Donthu, 2010). A particularly important manifestation of this knowledge gap is the lack of studies examining the relationship between purchase risk and B2B brands' level of influence on the decision making of organizational buyers. This omission is noteworthy for the following reasons: (1) extant buying models suggest that purchase risk is a primary determinant of buyer behavior in organizational contexts (Johnston & Lewin, 1994; Newall, 1977); thus, the risk management implications of B2B branding needs exploration, and (2) based on existing theoretical models, available empirical evidence and insights gained from in-depth interviews with practitioners, it is unclear whether B2B brands are likely to be most influential under conditions of low, moderate or high purchase risk. For instance, recent studies find that brands can play a meaningful role in risky purchase situations (Homburg, Klarmann, & Schmitt, 2010; Mudambi, 2002). This finding, however, contrasts with the findings of established organizational buying models, which suggest that buyers offset heightened levels of risk by pursuing disciplined purchasing strategies built upon an extensive information search process. It is unclear whether the likely payoff from B2B brand-building investments is higher, lower or the same across conditions characterized by different levels of purchase risk.

This study examines the relationship between purchase risk and a buying center's level of *brand sensitivity*, which we define as the

* Corresponding author at: Virginia Commonwealth University, Marketing, 301 West Main Street, P.O. Box 844000, Richmond, 23284-4000, VA, USA. Tel.: +1 804 828 7144; fax: +1 804 828 200.
E-mail addresses: bpbrown@vcu.edu (B.P. Brown), zablah@okstate.edu (A.R. Zablah), dbellenger@gsu.edu (D.N. Bellenger), wjohnston@gsu.edu (W.J. Johnston).
[1] Tel.: +1 405 744 5089; fax: +1 405 744 5180.
[2] Tel.: +1 404 413 7657; fax: +1 404 651 4198.
[3] Tel.: +1 404 413 7851; fax: +1 404 651 4198.

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extent to which brand names receive active consideration in organizational buying deliberations (Hutton, 1997; Kapferer & Laurent, 1988; Zablah, Brown, & Donthu, 2010). Building on in-depth interviews with practitioners as well as risk and information processing theories, we propose and find that the relationship between the buying center's brand sensitivity and purchase risk is U-shaped such that brands serve as cues for choice simplification in low-risk situations and cues for risk-reduction in high-risk situations. Furthermore, we find that the relationship is: (1) moderated by the competitive intensity of the environment, (2) robust to our measure of brand sensitivity, and (3) may vary depending on the specific type of risk (e.g., social vs. performance) under consideration. Collectively, our study's results help bridge complementary perspectives regarding the relative influence of objective and subjective factors on organizational buying decisions.

In examining the purchase risk-brand sensitivity relationship, we make several meaningful contributions to the literature. First, we directly respond to calls for research that articulates the roles of brands in organizational buying contexts (Webster, 2000), and we advance understanding of how buying groups evaluate multiple product attributes and ultimately make purchase decisions (Marketing Science Institute, 2008). Second, our research is the first to empirically examine the purchase risk-brand sensitivity relationship. Third, in addition to extending B2B branding theory, the results offer managerial prescriptions for the most appropriate strategies to pursue depending on the strength of an organization's B2B brand.

The remainder of this article is organized as follows: First, we build on insights from in-depth interviews with practitioners and relevant theory to advance the study's hypotheses. Second, we outline the details and report the results of two studies performed to test the proposed U-shaped relationship between purchase risk and brand sensitivity, one of which considers an important moderator (i.e., competitive intensity) of this relationship. Third, we conclude with a discussion of the studies' implications for future theory and practice.

2. Conceptual background and theory development

2.1. The risk-brand sensitivity relationship in practice

To better understand the role of brands in practice, we conducted exploratory, in-depth interviews with marketing researchers/consultants (n = 3), advertising executives (n = 2), and marketing managers/executives (n = 16). Twelve of the practitioners had significant experience in the B2B sector, and the advertising agency representatives had developed branding campaigns for clients in both sectors. The interviews consisted of a set of open-ended questions designed to explore the relationship between purchase risk and the role of brands in organizational decision making. The interviews lasted between 15 and 60 min and followed a semi-structured questionnaire or discussion guide. Consistent with existing guidelines (e.g., Willis, 2000), each participant was first briefed by the researcher and then interviewed in a precise manner and with ordered detail.

Despite the varied backgrounds of the practitioners who participated in the in-depth interviews, there was a great degree of consistency in their perspectives on the risk-brand sensitivity relationship. As the following excerpts strongly suggest, practitioners across various industries converged on one common conclusion: B2B brands are likely to matter the most in high-risk purchase situations, while the more objective factors (e.g., price) are likely to be more dominant in low-risk situations.

> From my perspective, the brand is a reflection of the confidence I have in the firm to execute, so it receives a higher weighting in the decision process as the risk grows.(ML, Insurance and Financial Services Executive)

> For a low-risk project, I would assign a heavy weight factor in my decision based on price, convenience—the economic impact to my bottom line—more so than brand. For a moderately risky project, I would do the same, with a slight increase in brand factor influencing my decision. However, for a high-risk project, I will rely heavily on the brand as an influencing factor for all the obvious reasons… High risk projects could mean my life savings, so price sensitivity diminishes and brand significantly influences my decision.(SW, Entrepreneur)

> I am very conscious of brands when it comes to high risk or high dollar spends. I want to know that the company I buy from is reputable and brand typically defines that.(CB, Shipping and Logistics Manager)

> Buyers are ambivalent to selecting the big brand because it sounds too easy…[but] in risky situations, brands are the sure thing.(SM, Brand Consultant)

> When customers in our industry place a medium to high coefficient in front of risk (i.e., they are somewhat concerned or very concerned with reliability, speed and damages), then they typically will only solicit bids from carriers whose brands are associated with those types of qualities.(CS, Shipping and Logistics Executive)

2.2. The risk-brand sensitivity relationship in academic literature

Purchase risk refers to the perception of the uncertainty and adverse consequences associated with buying a product (Dowling & Staelin, 1994). Business market scholars generally conceptualize purchase risk as the economic and performance risk to the organization as well as the psychosocial risk to a buyer or buying center (e.g., the fear of negative impressions of peers or adverse effects on promotion prospects if a poor product choice is made) (Hawes & Barnhouse, 1987; Henthorne & LaTour, 1992; Mitchell, 1995). Thus, in contrast to risk conceptualizations in the consumer context, risk in the organizational buying context is likely to involve consequences that affect buyer-seller relationships, service delivery and/or a buyer's job security (Mitchell, 1999; Webster & Keller, 2004).

The existing literature has sought to explain how organizational buyers manage purchase risk by characterizing decision-makers as either objective or subjective. The first, more dominant perspective is derived from the classic models of industrial buying behavior, which assume that choice processes and group decision making are objective, seek "optimality," and are based on systematic information processing (Bendixen, Bukasa, & Abratt, 2004; Bonoma, Zaltman & Johnston, 1977). An objective or rational decision style is deemed to be the degree to which a manager relies on deliberation and calculation in making decisions (Simon, 1987). In theory, the purchaser or decision maker somehow estimates the relative value of each alternative in the choice set and then makes the optimal choice in a systematic manner. The seminal models of organizational buying behavior (Sheth, 1973; Webster & Wind, 1972) are grounded in the assumption of buyers as objective decision makers. Furthermore, the buyclass model of purchasing (Robinson, Faris, & Wind, 1967) classifies certain purchase situations as riskier than others and suggests that organizational buyers manage increasing risk by pursuing disciplined, "rational" strategies, such that the amount of information that they use to evaluate competing alternatives increases directly as a function of the purchase risk. According to this decision-making paradigm, brands would be unlikely to matter in risky purchase situations, a conclusion which is in sharp contrast to the insights gleaned from our interviews with practitioners.

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