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Primer in B2B brand-building strategies with a reader practicum☆

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ABSTRACT

This primer examines the empirical evidence about business-to-business (B2B) brands and its implications for brand strategy. Some of world's most valuable brands are predominantly B2B in nature, however brand marketing texts typically assume a consumer branding (B2C) perspective. The question arises as to whether or not branding is important in B2B marketing. This primer considers the following question. How do B2B brands create and deliver value for firms in inter-organizational transactions? The paper begins by examining the relevance of current theoretical frameworks of branding to B2B value creation. Next the study considers the brand value chain and the contribution of extant B2B research at its various stages. The paper concludes by examining areas for future research in B2B branding and presents a reader practicum.

1. Introduction

Many entries in the Interbrand (2010) Best Global Brands list are business-to-business (B2B) brands including five of the top ten: GE, IBM, Intel, Microsoft, and HP. Looking further down this list, at least 21 other brands earn substantial revenue from B2B markets. These B2B brands are: Cisco, Oracle, SAP, JP Morgan, UPS, HSBC, Goldman Sachs, Thomson Reuters, Citi, Accenture, Siemens, Morgan Stanley, Axa, Xerox, Allianz, Caterpillar, Credit Suisse, Barclays, UBS, 3M and Zurich. The value of these B2B brands is greater than higher profile consumer brands such as Starbucks, Harley Davidson, and Campbells.

However, many researchers and practitioners regard brand management as being less important in B2B marketing. Early research shows that industrial firms had less brand value as a proportion of intangible asset value than did consumer goods firms (Simon and Sullivan, 1993). Later research calculates the average brand value as a proportion of market capitalization as being 37% (Madden et al., 2006). However Madden et al. (2006) data confirms that the average value of the top five B2B brands mentioned above is only 19% of market capitalization. Other research shows that the value of B2B brands varies within the same industry and some firms were using their brands more effectively than their competitors (Gregory and Sexton, 2007). Examples of industries where larger inter-firm brand value differences occurred were computer software, transportation and medical supplies.

An inspection of the *Interbrand* list shows that B2B brands are prominent in the high technology and financial services sectors. The size and diversity of the B2B firms means that many of these brands also operate successfully in consumer markets. Furthermore, some B2B brands such as Cisco, Xerox, and Caterpillar that do not have the end-consumer as their primary customer are also meaningful to consumer segments. Thus the traditional divisions between B2B and consumer brand (B2C) firms are blurred as firms use the brand equity created in one channel to leverage their business in other channels.

Although the *Interbrand* list demonstrates the importance of B2B branding, many commentators apply a B2C branding lens when examining branding from an organizational buying perspective. For instance, Lamons' book on B2B branding discusses brand architecture, brand personality and brand positioning which are all staple topics in consumer branding texts (Lamons, 2005). The disadvantage of applying a B2C brand perspective to B2B brands is that the specialized nature of business marketing and purchasing is sometimes ignored.

Business marketing and purchasing differs from end-consumer buying in many respects. First the value of the transaction is much larger involving raw materials and parts, capital items, operating supplies and maintenance items (Kotler and Pfoertsch, 2006). Second the complexity of the buying process often involves groups of individuals in the firm including buying committees and not just the purchasing manager. Third the buyer is often not the end user. Furthermore the customer firm's production process may incorporate suppliers' brands such as OEMs or the suppliers' brands may be resold by a distributor.

These differences mean that purchasing managers need to focus on the total value of the brand to the firm and its processes, rather than simply scrutinize the price of the goods or services purchased. B2B transactions are also motivated by derived demand, there are fewer customers and there is an emphasis on longer term partnerships. Thus the B2B brand purchase can be pivotal in terms of its financial importance for the selling firm and have considerable impact on the B2B customer's business. An example of such a purchase is the ordering of passenger aircraft by the airline industry.

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Business marketing texts including Anderson and Narus (2004) now emphasize the value of branding in inter-organizational exchanges. The benefits of B2B branding for the selling firm include better information efficiency particularly with complex products or services as branded products make information gathering easier. Brands also reduce the chances of a poor purchase decision and reduce business risk. Moreover brands can enhance the experience for the purchaser which is an image benefit (Kotler and Pfoertsch, 2006). These benefits focus on the purchaser. Such benefits are underpinned by the need of the firm to create value for the business customer (Anderson and Narus, 2004).

Creating such value for customers leads to encouraging selling opportunities, increasing likelihood of purchase, reducing time to close the sale, receiving a larger share of the purchase requirement, becoming less resistant to price increases and less willing to trial competitive offerings (Anderson and Narus, 2004). B2B brands also provide functional benefits to the selling firm, such as internal identification for inventory purposes and legal protection through trademarks. In addition, these benefits provide firms with reliable earnings and allow marketing expenditure to be directed towards these brands. Brands enhance the volatility and vulnerability of cash-flow within the organization and are an important firm resource. Thus these B2B brand benefits lead to more profitable business relationships.

This article examines the relevance of B2C branding frameworks to B2B brands together with some alternative perspectives. The article presents a brand value chain showing the stages in the brand building process. The article examines relevant literature for each of these key stages on building B2B brands and offers suggestions for future research. The end of the article includes a reader practicum. This practicum allows readers to apply the lessons from this study.

2. The relevance of B2C frameworks for B2B brands

Key issues for a B2B brand marketer include the following questions. How does branding benefit the firm? Are brand-building marketing expenditures justifiable? For consumer marketers, brands improve the efficiency of marketing expenditure, create more loyalty, allow a price premium to be charged and provide a platform for further brand extensions or new lines to be introduced under the brand name. Lee et al. (2008) investigate whether or not the existence of a brand management approach benefits B2B customers. Such a brand management system includes the CEO's interest in the brand, the brand manager's power, employee education and training. Their research shows that the effect of a brand management system was stronger for B2B brands on customer preference in comparison to B2C brands.

Kotler and Pfoertsch (2006) use Kevin Keller's customer-based brand equity (CBBE) model to explain the B2B branding process. Brand equity is the differential advantage of the branded product compared to the identical unbranded product. This differential is known as brand knowledge and consists of brand awareness and brand image (Keller, 2008). Brand awareness is whether a customer has heard about a brand, whereas the brand image consists of the attributes and benefits that buyers associate with a brand. Strong brands have a rational as well as an emotional appeal and the result of this brand building effort is customer attachment or loyalty to the brand. Another perspective is Erdem and Swait's model which focuses on the credibility of the brand signal sent to prospective customers. This signal consists of a brand's perceived quality, risk of purchase and information gathering costs. Many B2B brand researchers apply B2C frameworks for example Michell et al. (2001).

Some commentators however question the relevance of B2C frameworks to the industrial buying process with their emphasis on consumer psychology and information economics. Researchers suggest the applicability of the emotional and self-expressive dimensions from Keller's framework such as customer feelings towards a brand are less relevant to B2B brands (Kuhn et al., 2008). There are subtle branding differences in B2B marketing including an emphasis on corporate rather than product branding and more emphasis on risk reduction (Mudambi, 2002).

Researchers call for a better understanding of a broader process of brand equity development involving other stakeholders, rather than just focusing on brands and customers. The meaning of the term brand equity is much wider and includes relational, network (co-branding and alliances) and financial (Brodie et al., 2006). Similarly Anderson and Narus (2004) propose a broader perspective which includes brand equity (linking brands and consumers), channel equity (links with resellers), reseller equity (resellers' links with the end-customer) which together create market-place equity.

The framework of Srivastava et al. (1998) explains that brands are important market-based (intangible) assets which help build external relationships in the market-place. The market-based assets framework is based on the resource-based view of the firm and shows the effects of B2B branding among stakeholders. Resources are valuable to firms if they have value, are rare and not able to be imitated or substituted. Brands satisfy this resource criteria as they have value, are unique to the selling firm and are not easily substituted.

As a firm resource, brands influence external business relationships and enhance shareholder performance (Srivastava et al., 1998). For B2B marketers brands function as a resource tie between suppliers and customers (Ford, 1998). This resource tie determines the level of investment a firm can allocate to their brands. For instance a private label brand supplier does not have to support that brand with marketing expenditure, but the success of the brand depends on the retailer's efforts.

The resource-based view also underpins the service dominant logic which views the brand as an operant resource (Vargo and Lusch, 2004). An operant resource is one that firms can use to act on other resources. Here the provision of goods and services are seen as a distribution mechanism for service to the customer. Furthermore the industrial buyer co-creates value with the seller before the purchase through providing purchasing specifications or supplier briefings. This brand value may be confirmable through direct experience of the brand or indirectly through interaction or communication with other stakeholders (Ballantyne and Aitken, 2007).

In the service brand context, Brodie et al. (2006) also view the brand as a resource that facilitates and directs the relationship between its employees, company and its customers. Moreover these brand resource processes are dynamic and interactive and involve other stakeholders (Merz et al., 2009). These frameworks suggest that B2B brand researchers should consider wider perspectives than just the brand to customer linkage. The next section examines extant research which addresses how B2B brands are built within these broader value creation processes.

3. Building the B2B brand

To capture the value creation process for brands, Keller and Lehmann (2003) devise the brand value chain shown in Fig. 1. For B2B brands, the process begins with the firm's marketing program directed at potential customers. This marketing program affects the B2B customer mindset or brand equity. Success with customers or the creation of brand equity is reflected in an enhanced market performance. Superior market performance of the brand in turn creates shareholder value. An important aspect to note is that success at each stage may be either enhanced or inhibited by multipliers. Examples of multipliers include the quality of the marketing program which may build customer awareness of the brand, channel support and competitor actions which affect B2B brand market performance. Research shows that leading brands can deliver above average shareholder returns (Madden et al., 2006).