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Marketing antecedents of industrial brand equity: An empirical investigation in specialty chemicals

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Abstract

Industrial branding has emerged as an important issue, allowing firms to gain substantial competitive advantage, especially in markets where product commoditization and electronic procurement are on the increase. This article proposes, and empirically validates, a theoretically structured approach to measure brand equity, its antecedents and its consequences for industrial products. The model distinguishes between product and corporate brand equity, uses buyer perceived performance on the dimensions of the marketing mix as antecedents of brand equity, and relates them to re-purchase and loyalty intentions.

Keywords: Industrial brand equity; Marketing mix; Industrial relations

1. Introduction

Branding and brand management can no longer be considered the exclusive domain of consumer marketing. A recent overview of the world's 100 strongest brands not only lists Coca Cola, McDonald's and Disney, but also includes many renowned industrial brands such as Boeing, SAP, Xerox, Siemens, and GE (Interbrand, 2003). One of the reasons for the increasingly important role of industrial branding is the commoditization of many industrial products. Another reason is the growing importance of B2B buying and selling via the Internet. There is evidence that online buyers will use cues like the brand to reduce the risks involved in purchasing decisions (Hunter, Kasouf, Celuch, & Curry, 2004; Ulaga & Chacour, 2001). Analogous to consumer marketing, effective branding strategies for commodity-like products might therefore yield substantial benefits (Bendixen, Bukasa, & Abratt, 2004). For example, Dupont, an industrial company that brands almost all the products and ingredients it manufactures, has had considerable success with brands such as Teflon, Kevlar, and Lycra. Strong brands could therefore be considered a key source of sustainable competitive advantage in B2B environments (Gordon, Calantone, & Di Benedetto, 1993; Kumar, Bohling, & Ladda, 2003).

Despite these developments, and the total value of transactions in the B2B market, little empirical research has been conducted in the domain of industrial branding (Gordon et al., 1993; Low & Blois, 2002; Mudambi, 2002; Mudambi, Doyle, & Wong, 1997; Shipley & Howard, 1993). Driven by the recognition of a need for empirical validation, the present study will be guided by the following research question:

What is the role of brand equity in industrial purchasing?

The following interrelated sub questions have been formulated:

1) How can B2B brand equity be conceptualized and measured?

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2) What are antecedents of B2B brand equity?
3) What are consequences of B2B brand equity?

The present article is structured as follows. First, in a review of current research, indicators, antecedents and consequences of industrial brand equity are identified, and a number of hypotheses are derived with respect to their relationships. These are summarized in a theoretical model. Furthermore, a research design is presented and the structural model is validated by means of an empirical study. A presentation and discussion of the results follows. Next, the managerial implications of the findings are discussed. Finally, limitations of the research and suggestions for future research are presented.

2. Literature review and development of propositions

2.1. Customer-based industrial brand equity

So far, little explicit agreement exists as to the conceptualization of industrial brand equity. In consumer marketing literature, brand equity is generally defined as the added value endowed to a product as a result of past investments in the marketing of the brand (Keller, 1998). Added value of a brand is created in the mind of consumers, as a result of perceived performance on various marketing dimensions. Consequently, it has been argued that industrial brand equity could be conceptualized and measured from the perspective of the industrial buyer (Mudambi et al., 1997). Buyer-based brand equity seems a good starting point to assess industrial brand equity (Lassar, Mittal, & Sharma, 1995; Wood, 2000). Therefore, a customer-based method developed in consumer research will be adapted to the specific situation of the industrial buyer.

Differences exist between end consumers and industrial buyers, in terms of the process leading to buying decisions. On the one hand, industrial buyers are thought to be more rationally concerned with determinants like product performance, product quality, delivery, service and price, than end consumers (Shipley & Howard, 1993). On the other hand, conditions are said to exist under which industrial buyers appear to make a purchase decision on the basis of the brand name instead of price, or other factors. This may occur when failure of the purchased product would have dire consequences for the buyer's organization, or for the buyer personally; when the product requires substantial service or support; when the product is complex; or when the buyer is under time and/or resource constraints (Hutton, 1997). Although procurement in industrial markets is often rational and calculative, brands could play a significant role in this process under conditions of risk. Also, more and more industrial products are purchased online through specifically designed websites (Sharma, Krishnan, & Grewal, 2001). In such situations, brands could be important in establishing a consideration set of potential suppliers in the mind of the buyer.

Customer-based brand equity is said to exist in several interrelated dimensions: brand awareness, brand quality, brand associations and brand loyalty (Aaker, 1991, 1996; Keller, 1993, 1998). While several of these dimensions appear directly transferable to industrial branding, others appear irrelevant. Brand awareness, i.e. the ability to recognize, or recall, that a brand is a member of a certain product category (Aaker, 1991) appears very important in industrial branding. This is because often large numbers of alternative suppliers and products must be considered and compared (Michell, King, & Reast, 2001). Brand awareness thus reflects the ability to identify the brand under conditions of complexity and time pressure (Keller, 1998). Furthermore, perceived brand quality, i.e., a perception of the overall quality or superiority of a brand relative to alternative products (Low & Lamb, 2000), also seems an important indicator of industrial brand equity. Brand associations, reflecting non-product related associations evoked by the brand, play an important role in consumer branding and the facilitation of brand extensions. Industrial brands, however, are rarely if ever used to evoke non-product related associations. Therefore brand associations are not considered in this study.

Brand loyalty, although often viewed as a source, dimension or indicator of brand equity (Aaker, 1991; Keller, 1993, 1998), will be conceptualized as a desired outcome of brand equity. Brand loyalty refers to the tendency to be loyal to a brand, demonstrated by the intention to buy the brand as primary choice (Yoo & Donthu, 2001). Brand loyalty can be defined in either behavioral or attitudinal terms. Behavioral or purchase loyalty consists of repeated purchases of the brand. Attitudinal loyalty refers to the degree of dispositional commitment in terms of some unique value associated with the brand (Chaudhuri & Holbrook, 2001). Effects on loyalty and purchasing intentions of two related, though separable categories of brand equity can generally be investigated in an industrial context. Industrial products are often individually branded, i.e. the product brand is distinct from the corporate brand.

This leads to the following hypothesis:

H1. A direct positive relationship exists between product brand equity and repeat purchasing and loyalty intentions.

On the other hand, the company manufacturing the product will have built a corporate reputation and associated corporate brand equity. This is partially driven by factors independent of specific individual products (e.g. stock performance, corporate governance, and corporate promotional efforts), and partially driven by individual product brand equity. Corporate brand equity will directly influence repeat purchase intentions as a purchasing risk reducer. At the same time, product brand equity will also affect repeat purchasing intentions indirectly, through its effect on