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A framework of brand value in B2B markets: The contributing role of functional and emotional components

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ABSTRACT

The creation of value is admittedly a critical task for marketers regardless of industry. This paper focuses on a type of value that has traditionally been perceived as irrelevant to industrial markets and argues that brand value facilitates the progression from goods and services value to relationship value. To address the limited amount of research on B2B branding from the suppliers' point of view, we complement insights gained from a literature review with ten exploratory interviews with B2B supplier managers, and develop a framework of brand value applicable to industrial markets. This identifies both the functional (i.e., quality, technology, capacity, infrastructure, after sales service, capabilities, reliability, innovation) and emotional qualities (i.e., risk reduction, reassurance, trust) important for the development of industrial brand equity. Situational (e.g. nature of the purchase) and environmental factors (e.g. the economic situation) affecting suppliers' perceptions of the importance of brand in a B2B context and the role of functional versus emotional brand qualities are discussed. The value of the brand as a driver for the development of business to business relationships is also highlighted. The framework provides a basis for B2B practitioners to build their brands in such a way as to make a functional as well as an emotional connection with buyers that is more likely to lead to a supplier–buyer relationship.

1. Introduction

The significance of creating value for buyers and other stakeholders is well documented in the marketing literature (e.g. Doyle, 2000; Lindgreen & Wynstra, 2005). Indeed, the creation of value is prominent in AMA's latest definition of marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” (Gundlach & Wilkie, 2010, p.90). The (added) value of a brand is widely accepted in the B2C domain (e.g. Aaker, 1991, 1996; Miller, 2007) and there has been a considerable amount of research identifying and measuring brand equity (e.g. Keller, 1993; Sinha, Ashill, & Gazley, 2008; Srinivasan, Park, & Chang, 2005) in different consumer contexts including tourism (Sanchez, Callarisa, Rodriguez, & Moliner, 2006) telecommunications (Turel, Serenko, & Bontis, 2007), not-for-profit (Sargeant, Hudson, & West, 2008) and e-tail (Christodoulides, de Chernatony, Furrer, & Shiu, 2006).

While in the past little attention was paid to branding in a B2B context, more recently there has been a surge in the studies addressing various elements of B2B branding including B2B brand equity (Kuhn, Alpert, & Pope, 2008; Lindgreen, Beverland, & Farrelly, 2010; Persson, 2010), internal B2B brand equity (Baumgarth & Schmidt, 2010), brand value and performance (Han & Sung, 2008), and global brand leadership (Beverland, Napoli, & Lindgreen, 2007). It is notable that although a considerable amount of this B2B stream of research has been carried out from the buyers' perspective (e.g. Bendixen, Bukasa, & Abratt, 2004; Cretu & Brodie, 2007; Zablah, Brown, & Donthu, 2010) there is little undertaken from the suppliers' perspective.

Research on B2B branding has yet to answer fundamental questions. B2B marketers have traditionally been more skeptical about the benefits of branding (Leek & Christodoulides, 2011) with the conventional view being that the organizational decision making process is rational and focused on the functional qualities with no place for the introduction of the emotional qualities used in the B2C context. This view has more recently been challenged by research showing that B2B brands also need to establish trust and develop affective as well as cognitive bonds with stakeholders (Andersen & Kumar, 2006; Lynch & de Chernatony, 2007).

With the exception of human intensive services, in a B2C context there is usually minimal personal interaction between the consumers and sellers. The situation is very different in a B2B context where there is an emphasis on interpersonal interactions (Håkansson, 1982). The value of relationships in B2B has been widely researched (e.g. Anderson & Narus, 1998; Lindgreen & Wynstra, 2005; Morgan &

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Hunt, 1994; Ravald & Grönroos, 1996; Ulaga, 2001; Ulaga & Eggert, 2006; Walter, Ritter, & Gemünden, 2001), however it remains unclear whether part of a B2B brand's value is driving the development of relationships.

While several criteria used during the process of organizational buying have been examined (e.g. Bendixen et al., 2004; Mudambi, Doyle, & Wong, 1997) there is little research investigating how situational factors such as risk (Bennett, Hartel, & McColl-Kennedy, 2005) influence the perceived value of B2B brands. Environmental factors outside of the organization may also affect the perceived value of a B2B brand. For example, a significant number of industrial organizations faced with the prospect of commoditization and increased lack of differentiation in their respective markets have deployed brand development strategies in an attempt to create a competitive advantage. This has led B2B brands such as IBM, Cisco, Oracle and Intel to be currently amongst the most valuable brands globally (Interbrand, 2010).

While other types of value including the value of goods and services and the value of buyer–seller relationships have been investigated extensively in the B2B marketing literature (for a review, see Lindgreen & Wynstra, 2005), brand value remains largely unexplored (Leek & Christodoulides, 2011). We argue, in this paper, that brand value in a B2B context facilitates the progression from goods and services value, which is predominantly associated with functional benefits to relationship value, which is closely associated with emotional needs. Brand value encompasses the value of goods and services and also some added values (functional and emotional) resulting from the brand name.

The paper opens by reviewing the literature on brand equity, a concept developed to tap the added value endowed by the brand to the product (Farquhar, 1989). We review relevant models and discuss the role of functional and emotional qualities and the importance of relationships in the creation of industrial brand equity. We then explain the methodology followed by the findings of the interviews with the B2B managers on the supplier side culminating in the presentation of a framework of brand value applicable to B2B markets.

2. Literature review

2.1. Industrial brand equity

Brand equity is a concept developed in the 1980s to denote the added value given to the product by the brand (Farquhar, 1989) or an intangible market-based relational asset that reflects bonds between firms and customers (Christodoulides & de Chernatony, 2010). One of the most widely cited definitions of brand equity is from Aaker (1991) who defines it as “a set of assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or that firm's customers” (p.15). This definition implies that brand value can be examined from two perspectives depending on the beneficiary of value who can be either the customer or the firm. Research on firm-based brand equity has focused mainly on placing a financial value on the asset, whereas customer-based brand equity has focused on customers' perceptions of the brand (Keller, 1993) and brand utility (Erdem & Swait, 1998). Within customer-based brand equity, it is notable that the large majority of studies have focused on consumer markets (e.g. Pappu, Quester, & Cooksey, 2005; Yoo & Donthu, 2001) and only little research has hitherto explored industrial brand equity (Beidenbach & Marrell, 2010; Bendixen et al., 2004; Jensen & Klastrup, 2008; Kuhn et al., 2008; van Riel, de Montagnes, & Streukens, 2005; Zaichkowsky, Parlee, & Hill, 2010). While a number of the studies in brand equity adopt the buyers' perspective (e.g. Bendixen et al., 2004; Cretu & Brodie, 2007; Zablah et al., 2010) it is necessary to also examine the suppliers' perspective to understand how B2B branding is perceived and being implemented.

Research has identified a number of benefits of industrial brand equity to the supplier company. Branding has been found to have a positive effect on the perceived quality of the product (Cretu & Brodie,. 2007). It provides the product with a unique identity and a consistent image (Michell, King, & Reast, 2001). A strong brand is more likely to be placed on a bid list and the demand enables the company to command a premium price (Low & Blois, 2002; Michell et al., 2001; Ohnemus, 2009; Wise & Zednickova, 2009). The increased demand for a strongly branded product is also likely to result in competitors' offerings being rejected (Low & Blois, 2002; Ohnemus, 2009). Positive perceptions of a product's brand may lead to transferral of these evaluations to other product categories (Low & Blois, 2002; Ohnemus, 2009). High brand equity can effectively act as a barrier to entry for other competitors (Michell et al., 2001). Brand equity conveys a number of intangible benefits to buyers; it can increase both the buyer's confidence in (Michell et al., 2001) and their satisfaction with their purchase decision (Low & Blois, 2002) and reduce the level of risk and uncertainty in the purchase decision (Bengtsson & Servais, 2005; Mudambi, 2002; Ohnemus, 2009).

Although researchers of brand equity agree about its importance in industrial markets (Bendixen et al., 2004), research so far has produced mixed results regarding the composition and drivers of industrial brand equity. Kuhn et al. (2008) tested the applicability of Keller's (2003) consumer based brand equity pyramid in a B2B setting. Keller's (2003) pyramid identifies six building blocks of brand equity that need to be achieved in a hierarchy of stages starting with salience, performance, imagery, customer judgments and feelings and ultimately brand resonance. Their findings highlighted a number of adjustments required to render Keller's (2003) consumer based framework appropriate for industrial markets. Imagery, for instance, was replaced by supplier reputation in Kuhn et al.'s (2008) revised model. It was suggested that, brand associations in B2B are predominantly focused on product performance features than on personality traits and values. They also concluded that the B2B purchase process is more rational than the B2C purchase process and emotions and feelings are not so relevant. This contradicts research which has found that in a B2C context brand relationships are determined by rational and emotional evaluations of the brand (Jensen & Klastrup, 2008; Lynch & de Chernatony, 2007).

Keller's (2003) “feelings” building block was replaced in Kuhn's (2008) model by salesforce relationships. Relationships with employees are more important in a B2B setting than in a B2C one. A substantial amount of research has been conducted in business to business marketing confirming the value of developing relationships with B2B buyers (e.g. Ford, Håkansson, & Johanson, 1986; Håkansson, 1982; Walter et al., 2001). The nature of the link between the brand and the relationship with the buyer company needs to be determined.

2.2. Functional and emotional qualities of B2B brands

Kuhn et al. (2008) state that value derived from a B2B brand is predominantly through the functional qualities of a product, the product performance features. It may also encompass other tangible features including the range of after sales service, the size of the supplier's profits and lead times (Mudambi et al., 1997). This is linked to the idea that the purchasing process in the B2B context is more rational than emotional. In purchasing a product, buyers require tangible features that they can use to justify their purchase decision and the importance of product performance features has been confirmed by various studies (e.g. Aaker, 1991; Abratt, 1986; Bendixen et al., 2004). However, while research is beginning to acknowledge that emotional qualities contribute to B2B brands, their relative importance in the creation of brand value remains elusive. Jensen and Klastrup (2008) have found that customer brand relationships (which they used as a proxy to measure brand equity) are determined