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Branding a B2B service: Does a brand differentiate a logistics service provider? ☆

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Abstract

Existing research has shown that strong brands serve as an important point of differentiation for firms, assisting customers in their evaluation and choice processes. Although there is considerable research on the branding of consumer goods and an increasing literature on industrial and service brands, little is known about branding in the context of business-to-business services. This research extends existing brand theory to a new setting, namely B2B services. Drawing on the results of two mail surveys, we examine B2B services branding in the context of logistics services. Findings suggest that brands do differentiate the offerings of logistics service providers and that brand equity exists for this commodity-like B2B service. Findings also support the extendibility of Keller's [Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, *57*(1), 1–22] brand equity framework into the logistics services context. However, results of this study show that; logistics service providers and their customers have different perspectives on the relative influence of brand image and brand awareness on brand equity. Implications of these findings for managers and directions for future research are offered.

Keywords: B2B brand equity; B2B services; Services branding; Logistics services

All eyes were focused on the Gulf coast as Hurricane Katrina raced toward the shores of Louisiana, Mississippi, and Alabama in the fall of 2005. Businesses across the United States prepared to aid in recovery efforts. Workers at a Wal-Mart distribution center located 130 miles north of New Orleans loaded 45 trailers with bottled water and other emergency supplies for delivery as soon as the storm subsided. FedEx prepared 60 tons of Red Cross equipment for delivery to strategic locations (Inman, 2006). The swift, efficient logistical response of corporations was judged to be far superior to the capabilities of essential emergency service providers such as the Federal Emergency Management Association (FEMA) and the Red Cross. The mayor of one city hit by the storm noted "The Red Cross and FEMA need to take masters classes in logistics and mobilization from Wal-Mart" (Inman, 2006, p. 28).

As exemplified by Wal-Mart and FedEx, logistics can serve as a means for firms to differentiate themselves via the superior distribution of goods or the delivery of outstanding customer service. However, many firms lack the resources needed to meet customers' increasing expectations for logistics services. Companies are under constant pressure to provide not only reliable, timely deliveries, but also increasing levels of shipment tracking and delivery information. Outsourcing logistics services is an attractive solution, especially when companies experience changing requirements due to growth or special needs (Malykhina, 2004). For example, toy manufacturers have a very compressed shipping period, with 45% of sales related to the holiday season. Relatively small manufacturers such as Pressman Toy Corporation, with annual sales of $50 million, as well as industry giants such as Hasbro use third party logistics service providers to realize opportunities for gaining competitive

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advantage through improved logistics (Bonney, 2005; Malykhina, 2004).

There are hundreds of thousands of logistics service providers in the United States (i.e., carriers, warehousing firms, and third-party providers), and marketplace competition is fierce (Fuller, O'Conor, & Rawlinson, 1993). As firms continue to reduce the size of supplier bases to gain cost efficiencies (Baker, 1984; Burt, Dobler, & Starling, 2003; Ulaga & Eggert, 2006), logistics service providers must find ways to distinguish themselves from others offering similar services in order to improve their chances of being included in potential customers' consideration sets. One way firms have distinguished themselves from competitors is by developing strong brands. Linking a brand with consistent, positive customer perceptions about a market offering increases customers' confidence in their expectations being met and reduces decision-making uncertainty (Riley & de Chernatony, 2000; McDonald, de Chernatony, & Harris, 2001). This is especially critical for firms offering services, which primarily exhibit experience attributes that can be discerned only after purchase or consumption (e.g., banking services) or credence attributes that are difficult to evaluate even after purchase or consumption (e.g., legal services) (Blankson & Caliphates, 1999; Kamakura & Russell, 1989; Krishnan & Hartline, 2001; Nelson, 1970; Park, Jaworski, & MacInnis, 1986).

Although there is considerable research on consumer brands and an increasing body of literature on industrial and service brands, there are few studies of brands in the context of B2B services. The purpose of this research is to explore B2B service brands, specifically examining logistics services, in order to answer our research question: "Does a brand differentiate a logistics service provider?" In the following section, we describe the logistics services context. Then, we review industrial and services branding literatures. This study employs the often overlooked technique of theory elaboration (Lee, 1999), which involves applying and extending existing theory into new settings or contexts. We adopt Keller's (1993) brand equity framework and propose hypotheses to explore relationships among basic branding concepts in the context of logistics services (Fig. 1). We then describe our research method and report results from surveys of logistics service providers and their customers. We conclude with implications for managers and directions for future research.

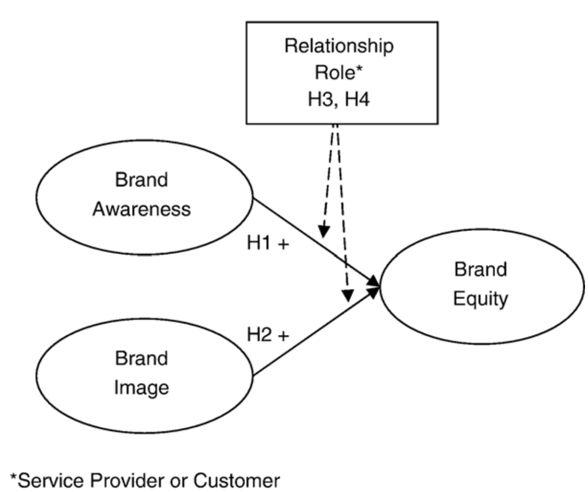

Fig. 1. Conceptual model.

1. Logistics services context

In 1962, Peter Drucker prophesied the rising importance of logistic services when he suggested distribution was "one of the most sadly neglected and most promising areas of American business" and an area that provided substantial opportunity (p. 3). Since Drucker's prognostication, logistics services have indeed evolved into an infrastructure supporting not only the United States' economy, but also the world's economy. Its relative importance can be captured economically, where 2004 U.S. logistics costs represented 8.6% of the total U.S. GDP (Wilson, 2005). These costs increased more than 100% between 1983 and 2004, from $472 billion to over $1 trillion, reflecting the enormous opportunity to gain competitive advantage through logistics service improvements.

During the latter part of the 1980's and the early part of the 1990's, firms across various industries began strategically focusing on their core competencies in order to better compete in their respective markets. This led to the realization that many were lacking in logistics expertise which, in turn, increased the outsourcing of distribution functions. The surge of new customers shifted demand, and hundreds of thousands of firms in North America – both existing and new – began offering logistics services. Studies have shown that individual firms typically engage a small number of providers for logistics services (Baker, 1984; Fuller et al., 1993; Gordon, 2003). As a result, the industry is highly competitive with firms routinely matching competitors' services and/or lowering prices to obtain customers.

Consequently, logistics services tend toward commodity status as innovations are quickly imitated and buyers become more knowledgeable and focused on price. This is an industry in which strategic marketing is not a priority for most firms. Executives generally attribute this to a lack of understanding regarding fundamental marketing concepts as well as a lack of financial resources. These executives acknowledge that the idea of building a brand is important, but resources committed to marketing and branding must be diverted from funds that would otherwise support labor costs and the acquisition of physical assets. Thus service providers in this industry often compete on price to win customers. Logistics literature has discussed the importance of marketing (for example, see Baker, 1984; Bowersox, Mentzer, & Speh, 1995; Stenger & Beier, 1976); however, this literature has not considered the branding of logistics services.

2. Business-to-business service brands

Levitt (1980) is perhaps the earliest author to consider the importance of brands in commodity B2B markets. He noted that when a product is marginally differentiable, sales power shifts from what he called the "generic" product to the intangibles of the offered product: