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Managing industrial brand equity: Developing tangible benefits for intangible assets

Judith Lynne Zaichkowsky *, Myles Parlee, Jeanette Hill

Faculty of Business Administration, Simon Fraser University, 500 Granville Street, Vancouver, B.C. Canada V6C 1W6

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ABSTRACT

Young and Rubicam's (Y&R) BrandAsset Valuator® (BAV), commonly used to assess brand equity in consumer markets, was applied to assess the brand health of an industrial B2B supplier. Customers were asked questions about perceived esteem, relevance, knowledge and differentiation of the company to find its strengths and weaknesses. The results were then plotted to reveal the overall customer perception of the company and also its competitors. Through this plot, the strategic direction how to improve the brand equity of the company became clear. Evidence suggests that the BAV can be used in industrial markets to assess the brand equity of the firm.

1. Introduction

The concept of brand equity, or the sustainable added value of a brand name, has been the focus of marketing since the early 1990s (e.g., Aaker, 1996a; Keller, 1993). Some of the major interdependent factors that contribute to brand equity in consumer markets are brand awareness, brand association, perceived quality, and brand loyalty. What every marketer is very interested in is loyalty. Measuring the equity of a brand and determining its value are a must for predicting the loyalty of one's present customers and also acquiring new ones. While most of the brand equity literature pertains to consumer markets, it is clear there is great relevance of the concept of brand equity to industrial markets (e.g., Rauyruen & Miller, 2007), as both types of marketing organizations are concerned about acquiring new customers and keeping current ones highly satisfied.

The B2B and buyer behaviour literature highlights the value of tangible and intangible brand assets in creating brand equity. Both types of assets affect the customer's perception in regards to product performance, distribution, services and company image. What differentiates companies in both markets goes far beyond the easily measured tangible dimensions of objective product quality and price (Frederick, 2004; Michell, 2001; Mudambi, 1997). The intangible concepts of relationship quality and relationship value are well articulated and integrated to the B2B literature (e.g., Walter, Ritter & Gemunden, 2001; Walter et al., 2003; Ulaga & Eggert, 2005). Capturing the value of these intangible assets and using that information in a concrete manner to improve the standing and perception of the company is a primary goal in industrial brand management.

The concept of branding B2B companies is not new (Mudambi, Doyle & Wong, 1997; Mudambi 2002), but prior studies have not measured the brand equity of the company as a whole, especially focusing on intangible assets. It is the purpose of this study to broadly measure the tangible and intangible assets that make up the brand equity of an industrial company in order to be diagnostic and predictive about how customers perceive the value of the firm. The tool that is chosen for this task is the Young and Rubicam (Y&R) model which valuates brand equity for thousands of consumer brands around the world, mainly in the consulting domain (Value Based Management, 2005). While brand valuation has been clearly established for consumer products through the Y&R BrandAsset Valuator® (Aaker, 1996b), a comprehensive approach to industrial brand valuation, including specific dimensions relevant to industrial brands, has not been established using this methodology.

Adapting the Y&R BrandAsset Valuator® (BAV) (1994) to measure industrial brand assets can help identify what makes the company distinct; identify the dimensions of the brand/company that help to differentiate it from competitors; and can help the marketing and branding efforts to identify strengths and improve weaknesses within the company. Using this brand diagnostic tool frequently can help monitor the progress of the branding efforts and manage the brand strategy accordingly. Identifying and managing a brand's tangible and intangible assets can help to increase company profitability, customer retention, and also affect brand perception in the community.

This paper presents an initial exploratory study which examines the application of the Young and Rubicam BrandAsset Valuator® to an industrial company in a B2B environment, in order to measure the company's brand assets and generate a brand management strategy to increase the strength of customer relationships. The manuscript outlines branding in the B2B literature, and then briefly reviews the concepts of tangible and intangible assets to B2B and how they may be measured. The Y&R BAV, as a measure of brand equity, and its relevant dimensions are discussed. The application to the B2B domain is then carried out

* Corresponding author. Tel.: +1 778 782 7710.
E-mail address: zaichkow@sfu.ca (J.L. Zaichkowsky).

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through a large scale data collection of those responsible for purchasing from an international company. The brand equity of the company and its competitors were derived from the analyses and plotted against each other to give insight to how customers perceive the options for sourcing. Finally suggestions for applications and future research are given at the end of the paper.

2. Literature review

2.1. Adapting brand equity to the B2B market

Keller's (1993) customer-based brand equity model was applied to measure brand valuation in a B2B context (Kuhn, Alpha, & Pope, 2008). The research found that, amongst organisational buyers, there is greater emphasis on the selling organisation including its corporate brand, credibility and staff, than there is on individual brands and their associated dimensions. In the B2B brand equity pyramid, customer feelings are replaced by sales–force relationships in accordance with the experience based focus of B2B brand equity. Also imagery is replaced by reputation, focusing on the intangible brand assets most relevant to B2B organizations. The current thinking about the B2B brand equity structure is shown in Fig. 1.

One may think of the bottom layer as 'what does the customer know about the company?', or the customer's objective knowledge of the corporation. The second layer of performance and reputation can be thought of the corporation and its reliability. The third and fourth layers of the pyramid may be the more intangible assets of relationships so often thought as vital to any B2B company. The value of the B2B brand pyramid may be in understanding that customers must know who the company is and what it stands for, before relationships can be built.

Mudambi (2002) demonstrated the relevance of industry segments to different branding strategies. A survey of industry buyers categorized respondents into three groups: highly tangible (47%); branding receptive (37%); and low interest (14%). The major finding of this classification is that branding is not equally important to all companies, customers, or in all purchase situations. The branding receptive cluster could be described as large volume, more sophisticated companies who viewed the purchase as highly important and risky. Therefore a branding strategy focusing on customers in this cluster might communicate the potential importance of the purchase decision.

A strategy for the low interest group might focus on attractive product catalogues and web sites in an attempt to increase buyer interest in the product and in the purchase decision. Branding strategies to attract more business from the highly tangible cluster may focus on the many tangible, quantifiable, and objective benefits of the product itself, and of the manufacturer behind the product. These findings are important to keep in mind for understanding why different marketing strategies may be needed for different types of customers.

2.2. Tangible and intangible assets create value and loyalty

The industrial brand management literature presents strong and consistent evidence for the role of intangible assets, such as competence, attitudes, and relationships in value creation for business-to-business firms (e.g., Baxter & Matear, 2004). Shifting trends in buyer–supplier relationships have transformed these intangible aspects of the firm into imperative sources of competitive advantage for distributors, particularly in terms of service support. The literature highlights the causal aspects of relationship value on relationship quality, illustrating how companies develop close buyer–supplier relationships to navigate increasing competition. Walter et al. (2001) find that both the direct and indirect functions of a customer relationship can create perceived value for the firm and Ulaga & Eggert (2006a) find that relationship value has a strong impact on customer satisfaction. Relationship value is therefore rooted in both tangible and intangible asset dimensions, and provides a basis for developing business with individual clients.

As for the lower layers of the brand equity pyramid (Fig. 1) service support and personal interaction have been shown to be strong differentiators, while product quality and delivery performance play a moderate role in helping firms to improve their brand equity. Most importantly price shows the weakest potential for differentiation in the study by Ulaga and Eggert (2006b), solidifying a renewed focus on intangible assets.

Relationship value in a business-to-business setting was found to be different between buyers and suppliers (Ulaga & Eggert, 2005). Suppliers tended to emphasize relationship benefits, while buyers focused on relationship sacrifices. And relationship benefits, in general, tended to be correlated with an overall value measure. Further research suggests that relationship value is an antecedent to relationship quality, indicating that relationship value has the potential to increase buyers' business with a supplier and to increase overall satisfaction (Ulaga & Eggert, 2006b). Counter intuitively, despite the results of relationship value on relationship quality, the impact of relationship value on both commitment and trust were shown to be weak. Another study, close to this area, on industry image and corporate branding found a connection to commitment and trust through perceived relevance of the company (Burmann, Schaffer, & Maloney 2008).

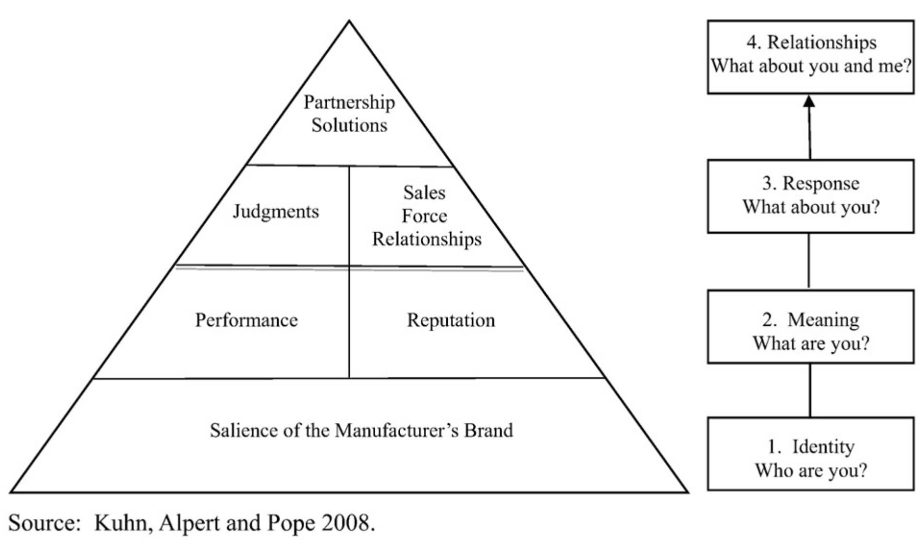

Fig. 1. A revised customer-based brand equity pyramid for B2B.
Source: Kuhn et al., 2008.