Chapter 2
To Brand or Not to Brand

Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, it is a thing to be achieved.

William Jennings Bryan, former presidential candidate (1860-1925)

Millions of words, thousands of articles and hundreds of books have already been written on the subject of branding. How many of them have you read? Not too many, we suppose, since almost all of them are dedicated only to consumer products and markets. So when it comes to the decision of "to brand or not to brand" in a business-to-business environment, many marketers push forward the fundamental differences between industrial and consumer markets as justification for neglecting the relevance of brands and branding. But as William Jennings Bryan said, destiny is only a matter of choice. In this case we argue for the positive **B2B branding decision**.

If you take a look at the guiding principle graph (Fig. 3) it becomes quite clear what we mean. As indicated by the black arrows in the middle of the transition point, most B2B companies share a modest growth rate throughout their whole lifetime. Now, you might be thinking, "Well, that's probably just the way it is." Our theory is that by implementing a **holistic brand approach,** companies can accelerate and increase their overall success. Numerous, very successful B2B brands are the "smoking gun" for this theory. While some of them tapped into branding rather by accident, the majority made a conscious decision for B2B branding. They identified the great potentials that a well-managed B2B brand can offer them at an early stage.

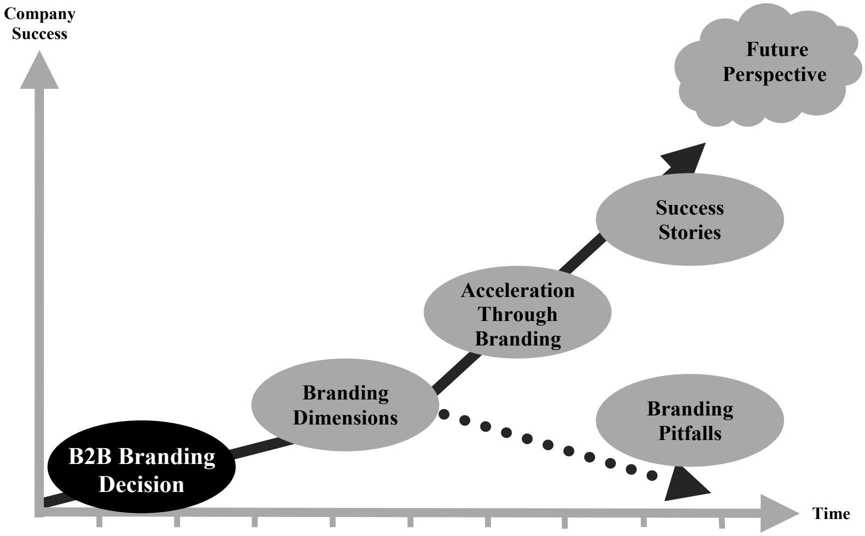

Fig. 3. Guiding principle B2B branding decision

Holistic Branding

If you are wondering what is meant by the holistic approach that we are advocating in this book, the answer to your question is as follows. Holistic means that everything from the development, design, to the implementation of marketing programs, processes, and activities is recognized as intersecting and interdependent. The days when each was handled separately are gone for good. Holistic marketing, just as holistic brand management recognizes that "everything matters". It is necessary to have a broad, integrated perspective to assure consistency of the comprehensive approaches. Relationship marketing, integrated marketing, internal marketing, and social responsibility marketing are components of a holistic marketing concept. It is thus an approach to marketing that is characterized by the strong alignment of all marketing activities to their overall scope and complexity.

Caterpillar

Let us take a look at *Caterpillar*. For eighty years now, the earth-moving equipment of *Caterpillar Inc.* has boldly shaped the world's landscape and infrastructure. It is one of the few high-profile brands that are prominent and successful in two very different fields: heavy machinery and clothing. In the B2B area, the stylish yellow-tabbed CAT logo is best-known as the symbol of the leading global manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines.

The history of *Caterpillar* dates back to the late 19th century, when Daniel Best and Benjamin Holt were experimenting with ways to fulfill the promise that steam tractors made for farming. The Best and Holt families collectively had pioneered track-type tractors and the gasoline-powered tractor engine. In 1925 the Holt Manufacturing Company and the C.L. Best Tractor Company merged to form the *Caterpillar Tractor Corporation*.

In 2004, the company gained sales and revenues of US$30.25 billion and a profit of US$2.03 billion. Today, CAT is a truly global brand. Approximately half of all sales are targeting customers outside the United States. The products and components of the global supplier and leading U.S. exporter are manufactured in 49 U.S. facilities and 59 other locations in 22 countries around the globe.

As a technology leader, the construction-equipment giant is represented worldwide by a global dealer network that serves customers in more than 200 countries. The mostly independent and locally owned dealerships provide CAT with a key competitive edge since customers deal with people they know and trust while benefiting from the international knowledge and resources of the company.

The company sets a strong focus on testing and quality processes that aim to secure its **reputation for reliability, durability and high quality.** Although *Caterpillar* products are highly priced, they are said to be more effective and money-saving in the long-term because their systems are proven to work harder and longer than their competitors'. Faced with the threat of potential brand erosion and customer confusion due to decentralized divisions the company decided to develop a program to secure and foster the integrity of their corporate image. The result was the *One Voice* campaign that put a strong focus on the corporate brand strategy.

The strength of this iconic American brand moreover was extended very successfully to the B2C area in 1994. To most consumers the brand is more familiar on a range of expensive heavy duty boots and associated apparel. The strength and extraordinary appeal of the *Caterpillar* brand in B2C lies in its brand heritage for rugged durability. CAT footwear, for instance, combines the rugged durability of work shoes with the easy comfort of casual footwear.[1]

MTU AERO

Here is another interesting example. *MTU Aero Engines* is a highly regarded brand in the global aircraft engine business. Headquartered in Munich, Germany, it develops, manufactures and provides service support for commercial and military aircraft and helicopter engines. Revenue wise, it is one of the largest aircraft engine module and component manufacturers delivering large parts for the new airplane titan *Airbus A380*. Technological leadership, excellent product quality as well as their highly regarded brands are the cornerstones of their **strong market position**. According to Hans-Peter Kleitsch, Vice President HR, *MTU Aero Engines* is continuously expanding its leading-edge position through cooperative efforts and joint ventures. Among its major partners are *Pratt & Whitney*, *General Electric*, and *Rolls-Royce*.

The company was founded in 1969, when the engine activities of *Daimler-Benz* were merged with those of *MAN*. Back then, the *MTU Group* (which stands for *Motor & Turbine Union*) included the *MTU Munich* as well as *MTU Friedrichshafen*. It is striking that the company stuck to its branding efforts although it had to go through various changes. In 1985, *MAN* sold its stake in the company to its partner, making it a wholly-owned *Daimler-Benz* affiliate. Only four years later the group became part of the just founded *Deutsche Aerospace (DASA)*. With the foundation of the *European Aeronautic Defense and Space Company (EADS)* in year 2000, there was another reshuffle. Again, it became a directly managed *DaimlerChrysler* affiliate, involving a comprehensive change in its corporate identity. This change included the renaming of *MTU Munich* into *MTU Aero Engines*.

The peak was reached when *DaimlerChrysler* sold its subsidiary to the private-equity investor Kohlberg Kravis Roberts (KKR) in 2004. Regardless of the split of the *MTU group* and its sale, *MTU Aero Engines* **never questioned its branding efforts**.[2] By 2010, *MTU* expects to be the most eligible subsystem supplier to system integrators, and consolidate its position as the world's largest provider of independent engine services. With its recent successful IPO it secured its financial future. *MTU Friedrichshafen*, the much smaller manufacturer of large diesel engines, went also through a branding exercise, and outperformed its competitors dramatically. Today when you want to order a stand-by unit for hospitals or a diesel for fast racing boats, there are only a few choices: one is *MTU Aero Engines*.

Accenture

Another successful company that never questioned the power of a B2B brand is *Accenture*. When *Andersen Consulting* had to change its name because of the split from its affiliate *Arthur Andersen*, it was never put into question whether **to brand or not**. After nearly three years in a courtroom squabble, they had less than five months left to come up with a new name and brand strategy that would fit their business strategy. What followed is considered one of the most ambitious re-branding efforts ever undertaken in the professional services industry.

Its main aspiration was to remain one of the world's leading consultancies. In the course of these changes the company intended not only to change its name but also to reposition itself in the marketplace to better reflect its new vision and strategy. By executing a new business strategy and refocusing its capabilities, *Accenture* wanted to become a market maker, architect and builder of the new economy. Six WPP agencies were assigned to assist in the **re-branding process**, among them *Landor Associates* and *Young & Rubicam Advertising*. The intensive three-month research and analysis process was definitely worthwhile. *Accenture*, the word that won the race was coined by an employee in Norway in an effort to denote the company's strategy of putting an *accent on the future.* Nowadays *Accenture* is a very successful global management consulting, technology services and outsourcing company, with net revenues of US$13.67 billion in 2004.[3]

The advertising for the re-branding effort required high investments. Created by *Y&R* New York, they were part of a US$70 million global brand positioning campaign by *Accenture* that ran in 31 countries. "I am your idea" was seen in leading business and news television programs, leading business newspapers and magazines and also appeared in airport posters and outdoor advertising. In addition to the *Accenture Match Play Championship*, the company leveraged sponsorship opportunities with institutions such as the Louvre, Spain's Info Forum, and the British Film Institute. A web cast featured various elements of the campaign was broadcasted to *Accenture's* more than 75,000 employees worldwide. Stephan Scholtissek, *Accenture's* Country Managing Director Germany is convinced that this was a viable investment.

2.1 B2B ≠ B2C

We must emphasize that there are many differences that have to be taken into consideration when thinking about building a brand in B2B. Before deciding whether to establish a branding strategy for a product, service or business you need to be well aware of differences relative to B2C markets. In the following section we will therefore address the most important distinctions of B2B and B2C markets.[4]

B2B Markets

Businesses that operate in industrial markets acquire goods and services to use in the production of other products or services which are sold, rented or supplied to other businesses. Even most manufacturers of consumer products have to sell their products to other businesses (retailers or wholesalers) first. In one way or another, almost all companies are engaged in business markets. Therefore,

fore, B2B sales far outstrip those of B2C. The main differences of business markets compared to consumer markets are found in the nature and complexity of industrial products and services, the nature and diversity of industrial demand, the significantly fewer number of customers, larger volumes per customer, and last but not least, closer and longer-lasting supplier-customer-relationships.[5]

The Complexity of Industrial Products

Ranging from pencils you use in the office up to turnkey operations for power plants – the variety of industrial products and services is so huge and complex that it is almost impossible to make universally valid statements about them. Researchers around the world have developed different typologies to reduce this immense complexity. In general, business markets can be broken down into these markets:

- materials and parts
  e.g. raw materials, manufactured materials, and parts
- capital items
  e.g. buildings/equipment used in buyer's production/operations
- supplies and services
  e.g. operating supplies, repair/maintenance item.[6]

These kinds of typologies are quite useful if you want to simplify a complex issue and still encompass the lot. This book is mainly written for practitioners and marketers in B2B; as such you are undoubtedly well-informed about the business you are in. *Jack Welch* from *GE* may have liked it, because he followed the B2B branding principle instinctively to lead his complex organizations with thousands of complex products. Many managers struggle daily to lead and motivate mere handfuls of people. Many CEOs wrestle to squeeze just average performance from companies a fraction of *GE*'s size.

As a result of this enormous complexity of industrial products is that the process of purchasing quite often requires qualified experts on both sides. In contrast, the purchase of consumer products can usually be accomplished with little or even no expertise. Unlike the often standardized consumer products, industrial products tend to be individual solutions that require high levels of fine-tuning. In many cases they even have to be integrated into larger systems which again imposes very specific requirements for certain product specifications. These factors have a great impact on the way industrial products have to be marketed.[7]

Derived Demand

Do you have a demand for silicon dioxide? Assuming you do not happen to be in the purchasing department of a computer chip manufacturer, we suppose you don't. Silicon is one of earth's basic inexhaustible chemical elements and it's quite unlikely that we will run out of this resource anytime soon. This is good news for us since it is in high demand for all kinds of high-tech products, for instance the omnipresent microprocessors.[8] These in turn are in demand for the production of PCs, cars, cellular phones, electric razors, and scores of other products.

Despite this apparent simplicity in the demand for silicon dioxide, the value chain of **industrial businesses causes enormous complexity**. Generally, the demand of B2B companies is derived demand pulled through the chain as a result of demand for the final end product. The demand for silicon dioxide only exists because of the demand for PCs and related products. Everything starts and ends with consumer demand.[9]

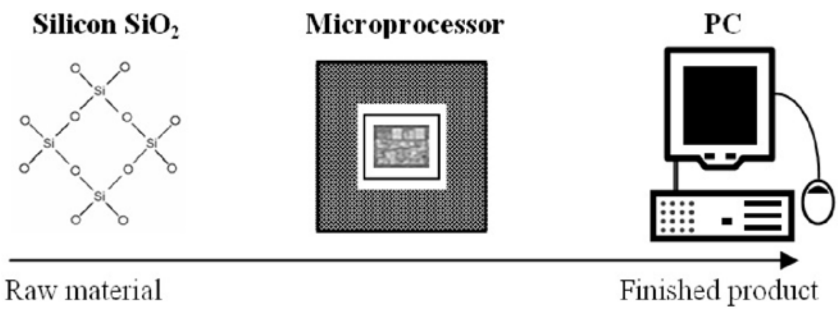

Fig. 4. Derived demand

Since most industrial businesses only produce a limited number of goods and services, changes at the end of the value chain can have serious repercussions on all the suppliers concerned. Industrial demand therefore tends to be **more volatile than consumer demand**.[10] This leveraged impact can cause wide swings in demand, sometimes referred to as the "bullwhip effect".[11]

Just imagine what would happen if a company discovered an even better material for the production of chips than silicon. At the end of the value chain there would probably be only a few changes – a microprocessor will still be a microprocessor, no matter what material the chips are made of. On the other end though, it looks somewhat different. Chip manufacturers just cannot convert their billion-dollar factories overnight. The implications there would be truly tremendous.[12] Moreover, **derived demand** is by nature far more inelastic than consumer demand. For a business it makes little sense to buy more of a needed resource, just because the price is temporarily low.[13]

Internationality

Because business markets are predominantly concerned about functionality and performance, industrial products and services are similar across the world. This stands in sharp contrast to the B2C markets, where **national differences in culture, taste, and values** can have tremendous implications on the way certain products or services are perceived and valued. Market offerings for business markets require much less adaptation in order to sell them across borders. In general, customers from all over the world – the United States, Asia, or Europe – are seeking essentially the same functionality and performance from industrial products and services. The ongoing worldwide globalization, liberalization of trade, innovation in logistics and transportation, as well as advances in communication and information technologies continue to erode the barrier of geographical distance between B2B companies in different countries. This implies that B2B companies should always pursue **global branding** in their market offerings.[14]

Organizational Buying

B2B companies usually have fewer customers than B2C companies. Most B2B companies have a customer distribution where a very small number of buyers is providing the vast majority of the turnover and sales volume. While businesses selling consumer products quite often have thousands or even millions of customers, it is not unusual for B2B companies to only have a hundred or fewer valuable customers. Customers for industrial goods can generally be classified into three groups: users, original-equipment manufacturers (OEM), and middlemen:[15]

- As the name implies, the **user** makes use of the purchased goods in their businesses. A manufacturer who buys a machine to produce parts for his finished goods, for instance, belongs to this group.
- **OEM**s on the other hand incorporate the purchased goods into their final products. In the automotive industry, for example, many parts of a car – sometimes even the whole assembly – are out-sourced by the car-manufacturers.
- The last groups of industrial **middlemen** are essentially composed of distributors and wholesalers who distribute industrial goods from the manufacturers to users, to OEM's, and to other middlemen.

How do organizations actually "buy"? As mentioned in the beginning, most people would respond that the industrial buyer would make the most rational, lowest-cost, most-profitable decision, based on price, features/functionality and service. We are not implying that this is not true; it is, but only up to a certain point. Any industrial buying decision is a complex process. Questions such as why buying occurs, when it occurs, how it is processed, how suppliers are chosen, who takes part in the buying process and why one product or a service is chosen over another, need to be considered.

Due to this **huge complexity**, an organizational purchase usually involves inputs from many different departments in the organization. People from different disciplines at many levels contribute their expertise to assure the selection of the best solution for the organization.[16]

Buying Situation

A business buyer has to face many decisions when it comes to making a purchase. The amount and complexity of these decisions depend on the respective buying situation. For almost four decades, marketing literature has persistently broken them down into three types of recurring buying situations: the straight re-buy, modified re-buy, and new task.[17]

- The **straight re-buy** is the most common buying situation and usually involves the least risk. Does your purchasing department compare the terms of all relevant suppliers of pencils every time you need new ones? Probably not. Ordinary, low-cost items like most office supplies are bought on a routine basis. Most companies have some kind of "approved list" that specifies adequate and preferred suppliers.
- The **modified re-buy** is a situation in which a company aims to satisfy an existing need in a modified way. Motivations for the reevaluation of alternatives can be, for instance, to simply reduce costs or to improve performance but also compulsory changes due to new regulations fall in this category.
- In a **new task** purchase situation, a company is confronted with a new requirement for a product or service. When you are about to buy something for the first time the lack of experience generally increases the level of uncertainty and risk involved in such a buying situation. The greater the cost and risk of a new task, the more people are involved in the buying decision and the longer it takes until they come to a decision. Ideally all information available is gathered, checked and evaluated to ultimately choose the best solution. Branding can speed up this process, which is especially important when under time pressure.

Buying Center

Depending on the respective buying situation, there are several participants involved in the purchasing decision, forming the so-called **buying center**.[18] Contrary to what the name implies, a buying center is neither a formal nor structured center. Its size and composition varies greatly depending on the complexity of the respective need that has to be satisfied.[19] In a straight re-buy situation, for instance, it is most likely only one individual – probably a purchasing agent, whereas the buying center for a new task can include up to 20 representatives from different levels and departments (finance, production, purchasing, engineering, etc.) within an organization.[20]

In alignment with the role each individual of the buying center can play, marketing literature generally distinguishes between initiators, users, influencers, deciders, approvers, buyers, and gatekeepers:[21]

- **Initiators** are generally those who detect that there is a need for something and subsequently request a product purchase. They may be front line employees or high level managers.
- No matter how complex the product or service to be bought is, in most cases there will be a **user** who – big surprise – will have to use it in the end. The influence of the user on the buying decision depends on the sector of activity and the corporate culture. Usually, the higher qualified the users, the more weight is given to their opinion.
- **Influencers** are people who have the power to guide the buying decision by defining specifications or providing further information for the evaluation of alternatives.
- The final decision of the purchase is made by the **decider**.
- Before the final decision translates into proposed action there are **approvers** who have the authority to approve or disapprove it.
- **Buyers** are the ones who are formally authorized to select the supplier and arrange the purchase terms.

- **Gatekeepers** are all people who have the power to control the information flow to the members of the buying center (purchasing agents, receptionists and telephone operators, etc.).

To get away from this rather theoretical explanation, let's have a look at an example. Take the case of the new super jumbo *Airbus A380* – already months before its virgin flight in April 2005, *Airbus*, based in Toulouse, France and a unit of *European Aeronautic Defense and Space Co. (EADS)*, had taken orders for more than 150 of the *A380s*. As the largest commercial passenger jet ever built, the *A380* can accommodate up to 555 passengers in a standard, three-class configuration – easily eclipsing its main competitor, *Boeing's 747*. What would a buying center for such a purchase look like?

Most probably the **initiators**, **approvers** and/or **deciders** in this case were high level managers of airlines who undoubtedly had their reputation as high-end service providers in mind. As proof are the orders of *Emirates Airlines* (45 planes), *Singapore Airlines* (10 on firm order with an option for 15 more), *Lufthansa Airlines* (seven planes), and *Atlantic Airways* (six planes).[22] To really provide high-end service, *Singapore Airlines* (SIA), for instance, will even have less than 500 seats in a three-class configuration. This way, *SIA* wants to ensure the highest quality flying experience for its customers.[23]

Cost efficiency, most probably also played a major role in the buying decision for **influencers**, notably the finance people of these airlines. The average costs per airplane are about 15-20% below *Boeing 747*. Moreover, since *Airbus* is using the latest state-of-the-art technologies, the *A380* has lower fuel burn and emissions.[24] The pilots, as the ultimate **users** of the airplanes, no doubt, were involved in the decision as well.

Another institution that also has the power to guide the buying decision is the scheduling department. With the increased number of seats, the *Airbus A380* is especially valuable for "thick" routes, which encompass both strong leisure and business markets.[25] The scheduling department is responsible for finding possible routes

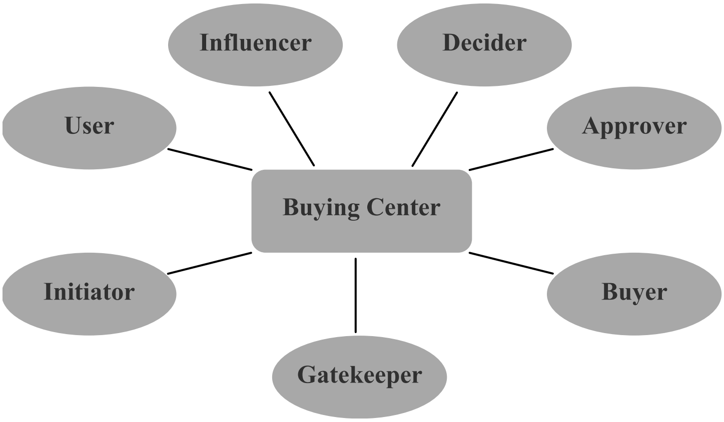

Fig. 5. Roles of the buying center roles

and therefore has major input as **influencers** on the total number of planes to be bought. Undoubtedly, there are many more buying center members in such a complex purchasing decision, but we think we have made our a point.

As shown above, buying decisions in an industrial context are substantially more complex than B2C buying decisions: More people, more money, and more technical and economic considerations, more risk. Due to this complexity, it became necessary to break down the organizational buying process into several stages. One of the most a common and accepted concept is the phase model of Robinson, Faris and Wind (1967) who distinguish between eight buying stages:[26]

Stage 1: **Problem recognition**: The first stage of the organizational buying process starts with the anticipation and recognition of a certain need. These needs can range from a trivial re-buy situation for office supplies up to the acquisition of a new machine, just about everything that is necessary to keep the business going. Customer needs, internal goals and/or objectives, and external environmental factors can be driving forces for the determination of a need.

Stage 2: **General need description**: After having the information of a new need, the next step is to outline the estimated quantity and timeframe for the procurement of the required products and services.

Stage 3: **Product specification**: In this stage, detailed specifications for the final products or services are defined. Contrary to the previous stage, it not only involves technical but also commercial terms clarifying payment, maintenance and after-sales service conditions.

Stage 4: **Search for and evaluation of potential suppliers**: The best case scenario for this stage is that the buyer uses various media to search for really all potential suppliers and then evaluate whether they are able to fulfill the expressed need.

Stage 5: **Proposal solicitation and analysis**: Besides obtaining proposals from qualified potential suppliers, it is also about defining important criteria for the latter evaluation and selection.

Stage 6: **Supplier evaluation and selection**: Which company will it be in the end? It is now time to weigh the different criteria established in the previous stage.

Stage 7: **Order-routine specification**: Depending on how the production of a company is organized the selection of an order-routine can vary greatly.

Stage 8: **Performance review**: Consequently, the organizational buying process is finished after the product or service has been received and checked by the company.

Human Factors in Business Decisions

Quite frequently, B2B transactions are described as being primarily technical selling. Logical benefits of a product or service are presented, and, provided that they are better than the competitive offering, a selection is made. This simplistic concept works in theory.

However, reality is actually far more complex in the majority of cases. Since business buying decisions are still made by human beings and not by unfeeling machines, they are subject to human factors which eliminate the probability of an entirely objective decision.

Individuals engaged in the buying center can be very different from one another. Every person is an individual who reacts to situations with a certain belief system – the **professional buyer**, though specifically trained, is no different. Individual and interpersonal factors can shape the decision making in different ways. Personality types and individual preferences, for instance, can have tremendous influence on the buying decision. Differences in authority, status, and interests are inevitable in a buying center. That people react to such differences may not be "rational" but perfectly human. Personal motivations, perceptions, and preferences of the buyer's are generally strongly influenced by their job position, age, income, education, personality, attitudes toward risk, and culture.

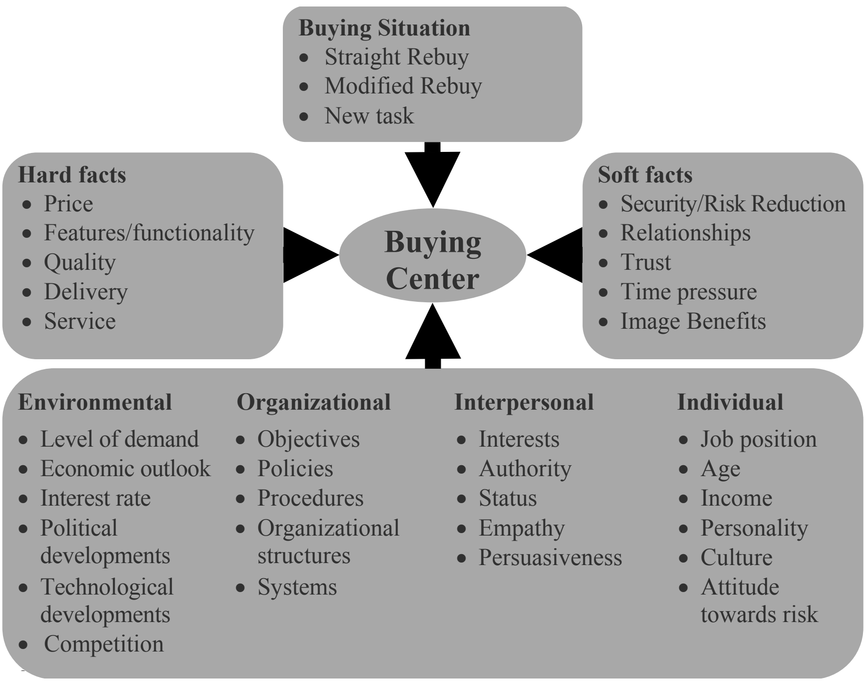

Fig. 6. Influential dimensions on the buying center

To understand aspects and implications of different social styles and human relationships can significantly contribute to the persuasiveness of a marketer's position. Therefore it is important for **business marketers** to search for any information available about individual, interpersonal, as well as organizational factors in relation to buying center members. As the following diagram shows, influential dimensions on the buying center are rather complex and intersecting. Depending on the buying situation the importance and influence of other factors vary greatly.

Airbus

Let's look again at the formerly mentioned example of the *Airbus A380*. In this case, **political influence** was especially strong since *Airbus* receives controversial start-up loans from the governments of France, Germany, Britain and Spain whenever it builds a new plane. Its main competitor Chicago-based *Boeing* has criticized the government loans to *Airbus* as being anti-competitive.[27] In May 2005 the situation grew even more acute when EU member nations made preparations to commit US$1.7 billion to *Airbus* for developing a new airplane, the *A350*. In the market for midsize, long-distance jets, this model would be a direct competitor to *Boeing's* new *787 Dreamliner*. After failed negotiations, the Bush administration decided to take the EU to a legal panel at the WTO. Instantly, the European Union filed a counter-complaint at the WTO saying that *Boeing* also receives illegal government aid.[28] By the way – no U.S. passenger airline has so far ordered the A380.[29]

The desire to get the most advanced state-of-the-art technologies, to have the world's largest airplane in its fleet, can also be traced back to certain image benefits. In 2006, SIA will be the first airline in the world to commercially operate the *Airbus A380*. To benefit from this event it even created a special logo with the taglines *First to Fly – the Singapore Airlines A380* and *Experience the Difference in 2006*.[30]

By being the first carrier to fly an *Airbus A380*, *SIA* underlines its commitment to remain the most innovative and service-oriented company in the air travel industry.

Fig. 7. *SIA's Airbus* logo, source: www.singaporeair.com

Now try to imagine what would happen if there was a big disaster involving the *Airbus A380*. Such an event would certainly weaken the brand image as in the case of the Air France jetliner that burst into flames after skidding off the runway in Toronto's Pearson International Airport. Although this was actually the first A340 plane to crash since *Airbus* introduced this series more than a decade ago and the cause was due to natural weather conditions, the accident definitely gave a negative image to the brand. This example shows how hard-earned image can be destroyed by things entirely out of the company's control.

To bring up another example, let's turn to the common lubricants that go in the sump of any kind of machine. Can buyers of these materials really be influenced by a brand? Usually, when asked in a typical market research survey why they choose a certain supplier, company employees tend to rationalize their decision with all the usual hard or tangible facts like the performance of the product, the price, the quality, the availability, etc. But if this were really true, why do most buyers of lubrication oils stick to the brand they use for years and years? Of course it could be habit, keeping it the way it is because it actually isn't worth the effort to change. The money spent on lubricants does not have a high enough impact in the context of all other purchases. But what does this say about the initial justification of the buyers?

Klueber Lubrication

A strongly branded company in this special area is *Klueber*. It is one of the world's leading lubricant suppliers, backed by more than seventy five years of research and development experience. *Klueber* offers a comprehensive range of specialty lubricants for all kinds of machines and components in various branches of industry. The range of highly cost-effective lubricants includes such well-known and universally trusted brands as *Barrierta, Isoflex, Hotemp* and *Staburags*. Today, *Klueber Lubrication* has become synonymous with competence and experience in all matters regarding lubrication and turbo-engineering.[31]

Is it possible after all that the brand of the product may be something beyond the hard facts? Could it have a much greater influence than is initially acknowledged? The truth is that the brand encompasses everything, conscious or unconscious. Fig.6 illustrates that the brand is present in every influential dimension affecting the buying center.

Soft facts like security, risk reduction and trust are the most susceptible to brand and brand message. Brands reduce risk; if a buyer

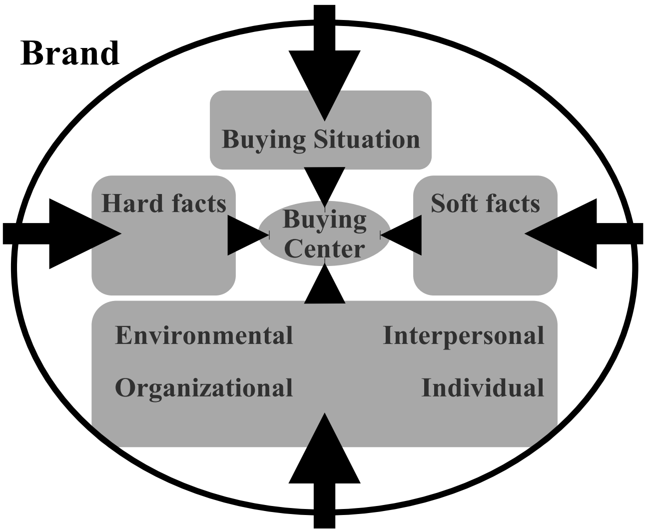

Fig. 8. Brand influence on buying decision

chooses a well-known brand he thinks he is on the safe side. Best example: "Nobody ever got fired for buying an *IBM*". Brand influence doesn't stop there, unconsciously, it can also heavily impact the way a person perceives hard facts like price, quality or service as in the case of *IBM* – *IBM* products are generally not cheap, nevertheless, quite often; a higher price is regarded as acceptable because people automatically associate high quality and service with it. What do you expect – it's an *IBM*!

2.2 B2B Brand Relevance

Many B2B marketers consider the development of a brand only as a variable marketing expense with a high risk of failure. Whether to brand an industrial product, service or business quite often doesn't even come into question for many companies. But do they really have a choice? Hasn't branding in the B2B context become just as important as it is in B2C? The industrial marketing environment is changing so rapidly that businesses, failing to adapt to these new circumstances will inevitably drop out of the race. Industry consolidation, a **tepid global economy and exchangeable market offerings** are driving competitive forces. In such an increasingly competitive environment, it is not enough anymore to just offer great products and services. By establishing a brand and gaining a favorable competitive position in the marketplace, businesses can successfully set themselves apart from the pack.

There are numerous powerful forces that are making B2B brand building a crucial factor. It is interesting that the main factors that leveraged the importance of brands in B2C are also quite evident in B2B, which makes it even more puzzling that the importance of branding is still being neglected in B2B:[32]

- Proliferation of similar products and services
- Increasing complexity
- Incredible price pressure.

- Before we delve deeply into these three main factors, we would like to first walk you through the general market trends, developments and changes that have generated and facilitated them in the first place.

Globalization

Driven by the ongoing globalization in sales and procurement markets, global **transportation and logistic networks** are constantly improving their performance. Whether it is about the distribution of a tiny part or a huge machine – through the ever faster and even more effective transportation and logistic networks, it is becoming possible to send anything to almost any place in the world at even decreasing costs.[33] Especially, the so-called containerization of cargo and inter-modal transportation, along with further innovation in logistics and transportation, enable companies to reach foreign markets more efficiently and cheaply.[34]

Another result of the globalization trend is the **worldwide assimilation of technical norms and standards** which is especially important in the B2B context. The ongoing reduction and elimination of these and other trade barriers as well as tariffs are pushed particularly by the World Trade Organization (WTO). The further liberalization of trade also backed by the worldwide expansion of free trade areas results in decreasing restraints of competition. This literally opens the door for small and midsize companies to sell their products worldwide thereby increasing competition.[35]

In recent years the number of **mergers & acquisitions** (M&A) as well as **strategic alliances** increased considerably in almost all industry sectors. The above mentioned liberalization of trade is driving consolidation in many industries. It also enabled businesses at a progressive rate to break into new markets. Nowadays, national differences in labor costs and resources are of major importance, especially when it comes to the choice of new production or development locations.[36] It is not surprising, that much of this merger and acquisition activity has involved brand-owning businesses.

Because of their durability, quality of earning power, and their widespread appeal, brands have become highly desirable properties.

While globalization trends mainly concern product-based businesses, some service companies are also strongly affected. Take the international shipping industry as an example. They are not only facilitating and expediting the globalization processes and the implications involved, they are also affected by it themselves. With the increasing importance of container transportation grew accordingly the number of competitors as well as the M&As. The industry as a whole had to find solutions to meet the increasingly complex transportation needs of customers while continuing to flow their cargo efficiently.

Neptune Orient Lines Limited

One of the world's largest container shipping lines was created with the merger of the container transportation division of the Singapore state enterprise *Neptune Orient Lines Limited (NOL)* and *APL Ltd.* of the U.S. (formerly American President Lines). The new entity continued to operate under the *APL* brand name. With the *APL* buyout, *NOL* obtained a strong logistics brand and presence, and used this opportunity to refocus its business strategy to become an **integrated logistics service provider** that covers all parts of the supply chain spectrum. Moreover, through strong brand management the company wanted to differentiate itself as a provider of high quality and value-added transportation and logistics services.[37]

A great brand always starts with great products and services. Consequently, the next step is to constantly innovate and improve your offerings in order to keep your brand where it is. *APL*'s strong customer focus and commitment to provide innovative solutions has led to several industry firsts. In 1995 it was the first container shipping company to launch a Web site, and four years later it introduced the first customizable online portal for customers.[38] Due to its commitment and continuous investment in new technologies, *APL* enjoys a strong reputation for quality customer support and service innovation in the industry. Their efforts are regularly recognized with industry and technology awards. Today, *APL* is one of the global top-10 container transportation businesses.

The container shipping industry saw phenomenal growth in 2004, strengthened especially by the continued growth of the Chinese economy. Actual developments and the severe cyclicality of the industry are now further pushing industry consolidation since this would bring greater stability to the liner trades. *A.P. Møller-Mærsk A/S*, the parent company of the world's biggest container line, *Mærsk Sealand*, unveiled a €2.3 billion bid for Dutch rival *P&O Nedlloyd* in May 2005. Should the merger go through, it would increase the market share of *Mærsk* from 12% to 17 or 18% and create a fleet that would be more than twice as large as its nearest competitor.[39]

Hypercompetition

The ongoing globalization is the driving force of another factor that increases the importance of B2B brands: hypercompetition. Hypercompetitive marketplaces are characterized by **intense and rapid competitive moves**. Competitors have to move very quickly, constantly trying to erode any competitive advantages of their rivals in order to stay ahead of them.[40] Beside globalization trends, the phenomenon of hypercompetition can be attributed to appealing substitute products, more educated and fragmented customer tastes, deregulation, and the invention of new business models. Hypercompetition generally leads to structural disequilibrium, falling entry barriers, and sometimes even to the dethronement of industry leaders.[41]

In such a dynamic competitive environment, ever faster business and production processes together with the continuous development of new technologies lead to ever **shorter product life cycles** (PLC). In many industries, especially high-tech industries, the time period from the development of a new product up to its market saturation spans sometimes only three to six months. An important implication of this trend is that the increasing costs for research and development have to be amortized in ever shorter time periods.

This makes it also even more difficult to differentiate products or services based only on features or functionality.

Intel vs. AMD

The best example for this kind of development can be found in the computer components industry: microprocessors. The life expectancy of personal computers (PC) computer hardware is generally quite short, since technology is changing and improving rapidly. The two major players in this field are *Intel* and *AMD* and they both are introducing "new" processors every 2-4 months. The market structure of the industry requires Central Processing Units (CPU) manufacturers to obsolete their own products in a relatively short period to maintain profits. As newer CPUs are introduced for the desktop market, production of the current chips is discontinued in short order.

Although the change in one product generation to the next is rather minor or evolutionary (e.g. changes in chip speed, or memory size), major technological changes or innovations take more time to develop, and therefore involve larger time intervals between the introductions of products with these changes.[42] The new dual core chips for desktop PC's as well as servers released in April/May 2005 are more or less representative of such a major technological change.[43] It is beyond question that *Intel* and *AMD* are trying constantly to stay ahead of each other. While the *Intel* brand is one of the top ten known-brands in the world, *AMD* is still rather unknown to the majority of PC users.

An obvious source that has, without question, dramatically increased the amount of choices for industrial buyers is the **Internet**. This global marketplace cuts the costs for searching and comparing product and service offerings to near zero. The Internet and further developments in the information technology made all kinds of information easily accessible. Just like their opposites in consumer markets, buyers in B2B markets are faced with a continuously increasing number of potential suppliers for covering all different kinds of needs. The more potential suppliers, the higher the costs for information gathering and the longer the time needed for evaluation. When **marketplace choices** increase, buyers undoubtedly have an increased preference for companies and brands they already know because it saves research time and limits their exposure to risk.[44]

This is the right time to throw in another catch phrase: **time pressure**. Businesses generally face time pressures in two main directions – competition and innovation. Actually, they are not really completely separate from each other but rather intersecting. Competition is especially fierce in respect to newest technology, cooperation, channels of distribution and the acquisition of **best talent**. *IBM*, for instance, created strong pressure on themselves. To increase their service levels they engaged in various alliances in this area. Later on, when the cooperation stopped, they had to buy into these segments in order to be able to continuously meet the new and self-imposed service requirements.

Nowadays, businesses, especially in the high tech sector, have to be one step ahead of competitors. One way to accomplish this is to innovate constantly products and services, assuring their relevance and up-to-date-ness. If a company fails to respond respectively to these kinds of time pressures it may have to face severe consequences. A great example in this respect is *Siemens AG* with its segment mobile communications which encompassed both business and consumer applications. The company failed to respond to certain pressures and literally overslept important trends in the fast moving mobile market. This considerably weakened their position even before the disastrous software-related defect in the summer of 2004.

The newly released 65 product series had an acoustic issue which could arise when a telephone call was automatically cut off because the battery had run down. If the mobile phone was held up directly to the ear while the disconnection melody started to play loudly, the volume was loud enough to lead to hearing damage. The launch of the highly innovative *Siemens SK65*, a high performance business phone that incorporates BlackBerry Built-In™ technology (the first handset to offer complete e-mail management), also came far too late to save the business segment.[45] In June 2005 *Siemens* finally announced a hand over of their ailing mobile communications division to the Taiwanese technology group *BenQ*.[46]

Another aspect in this matter is **individual time pressure**. Let's be realistic – quite often, B2B buyers just don't have the time or even resources to thoroughly check and evaluate all potential suppliers. The companies that end up on their short list of potential sources will undoubtedly encompass many well-known businesses and brands. So, how can you break through the clutter, become heard and at least get on their short list? Right, by establishing a strong brand!

Now you might be thinking "**Globalization**, better transportation and logistic networks, shortening product life cycles, hypercompetition, etc., are they anything new?" Well, they may not be new discoveries, but these developments are the results of still ongoing and very current processes that change the market environment of all businesses every day. They may not be surprising novelties but they also definitely are not diminishing in importance. In the following section, we will delve more deeply into the three main factors that leverage the importance of brands in B2B.

Proliferation of Similar Products and Services

An overabundance of choices is not only prevalent in B2C. It is nowadays also more than true for B2B markets. The proliferation of similar products and services leads to **increasingly interchangeable offerings** across industries. Merely innovating products and services won't necessarily achieve a long-term, sustainable competitive advantage since these functional advantages are usually quickly imitated and therefore rare and short lived. Technical superiority is no longer the only crucial factor to success. In markets where products and services are becoming more and more conformed to each other, almost identical, a strong brand may be the single characteristic that differentiates a product or service from competitive offerings. *IBM* is a special kind of best-practice in this case. Although many *IBM* products don't provide a distinct functional advantage, professional buyers may select *IBM* over lesser-known competitors merely because it is a "trust" brand. *IBM* has managed to offer additional value beside technical performance.

Increasing Complexity

Today, almost all businesses are confronted with a strong tendency towards complex solution-based market offerings. Companies have stopped selling a single product or service, they sell solutions. These solutions can encompass a whole bunch of different products and services and due to their complexity; they tend to be quite the opposite of self-explanatory. Given this, brands can be a very helpful tool in reducing the complexity involved and for communicating pivotal and relevant information.

SAP

Who can think of a more complex product than *SAP*? The huge complexity of this enterprise resource system and related software solutions such as supply chain management (SCM), customer relationship management (CRM), product life-cycle management and supplier relationship management is bundled in one single word.

Founded in 1972, *SAP* is the world's largest inter-enterprise software company. Its solutions meet the challenge of aligning the unique business processes of more than 25 distinct industries, including high tech, retail, public sector and financial services. The variety of solutions offered by *SAP* ranges from individual solutions that address the needs of small and mid-size businesses up to enterprise-scale solutions for global organizations. Today, more than 26,000 customers in over 120 countries run more than 91,500 installations of *SAP*® software. This sheer enormity clearly demonstrates the huge complexity involved in such a product.[47]

An important implication of the increasingly complex market offerings is the **information overload** B2B buyers are confronted with. To communicate their solution-based market offerings, industrial businesses tend to inundate customers with loads of information. Whether that may be through brochures, specifications sheets, catalogs, websites, etc., the buyer gets confronted with information about technical specifications or features, whether they asked for it or not. In such a complex world, B2B marketers have to recognize the need to simplify their offerings to customers. Not all information available about a complex offering automatically concerns all members of a buying center to the same degree. This could be helped by bundling all relevant information in the brand.

Magna International

Not only have suppliers' market offerings increased in complexity, the **suppliers themselves have become more and more complex**. *Magna International* for instance, the most diversified automotive supplier in the world has a decentralized multilayer operating structure. The huge complexity is due to this breadth of capability. Its automotive divisions are arranged along seven global automotive systems groups that provide full service systems integration with more than 250 different products and services on offer. Each division is focused on a specific vehicle area.

Magna Steyr, for one, provides complete vehicle engineering and concept development and is the world's leading supplier of OEM contract vehicle assembling. Exterior and interior mirrors, as well as engineered glass systems for instance, are the sectors of Magna Donnelly. Cross-division coordination of all seven groups guarantees an optimization of meeting customer needs. Hence, it is not surprising that you can find all the major original equipment manufacturers (OEM's) of cars and trucks in the world among *Magna Steyr's* main customers: *DaimlerChrysler*, *General Motors*, *BMW* and *Ford*. In 2004 it had record sales of US$20.7 billion, an increase of 35% over the previous year.[48]

High Price Pressures

In a hotly contested environment, businesses are also confronted with enormous price pressures. Businesses cannot realize higher prices for their products by merely offering special functional advantages. Brands can provide an additional value for customers, for they incorporate and communicate both tangible and intangible factors. *Mercedes-Benz* trucks, for instance, are generally sold at a much higher price than *Volvo* trucks. Their resale value is about 20% higher than for a comparable *Volvo* truck. The market position of *Mercedes-Benz* trucks in Europe corresponds approximately to the one of Freightliner in the States.

B2B marketers need to start thinking outside the box. Brands have to be recognized for the great potential they can offer them. They differentiate market offerings, reduce the associated complexity and offer an additional value by communicating tangible as well as intangible factors. Now you might be thinking "Okay, the market environment changes, competition increases, but why should I get on the branding bus? Aren't other marketing tools like CRM much more important in B2B than building a brand?" Of course they are important – but incorporated into a **holistic branding** strategy, they can be even more effective. The brand should be the thread and marketing the subject that surrounds it. Why should you get on the branding bus? Simply because branding is probably one of the best solutions to counter the above mentioned market changes and increased competition.

Recent research studies conducted by *McKinsey* and *MCM* demonstrate and underline the importance and relevance of brands in various B2B markets. They examined the inherent brand functions with respect to their importance and relevance in a B2B environment. They revealed that the most important brand functions are:[49]

- **Increase Information Efficiency**. Branded products make it easier for the customers to gather and process information about a product. Bundling information about the manufacturer and origin of a product in the form of a brand helps them to find their way in a new or confusing product environment. Moreover branded products have recognition value: customers can repeatedly find trusted brands quickly and easily.

- **Risk Reduction**. Choosing a branded product reduces the customer's risk of making the wrong purchasing decision. Brands create trust in the expected performance of the product, and provide continuity in the predictability of the product benefits. Especially in B2B, brands can help to ensure and legitimate buying decisions, since B2B buyers have a real penchant for avoiding risk.
- **Value Added/Image Benefit Creation.** For consumers, the value added/image benefit usually lies in the self-expressive value that brands can provide them. In a B2B environment the additional value provided by brands is usually not anchored in purely self-expressive values. Nonetheless, it can be very important. Through a brand you do not only present your employees to the world but also the whole corporation.

Placed against the three main factors that leveraged the importance of brands in the B2B environment it becomes strikingly obvious that brands are among the best solutions for businesses to counter them.

Brands are an **effective and compelling** means to differentiate your offerings from competitors. They help businesses to counter the increasing proliferation of similar products and services. While products or services can be easily imitated a brand cannot. Sometimes a brand can be the only true differentiator in a highly complex environment. The brand is the one thing that can break through the clutter and get companies to be recognized and heard by prospective customers. The higher risk involved in today's increasingly complex world can be countered by building a strong and trustworthy brand. Brands reduce risk because they convey a certain picture of what the product, service or company is about. Of course, this is only true if the company succeeds in continuously delivering on its brand promise.

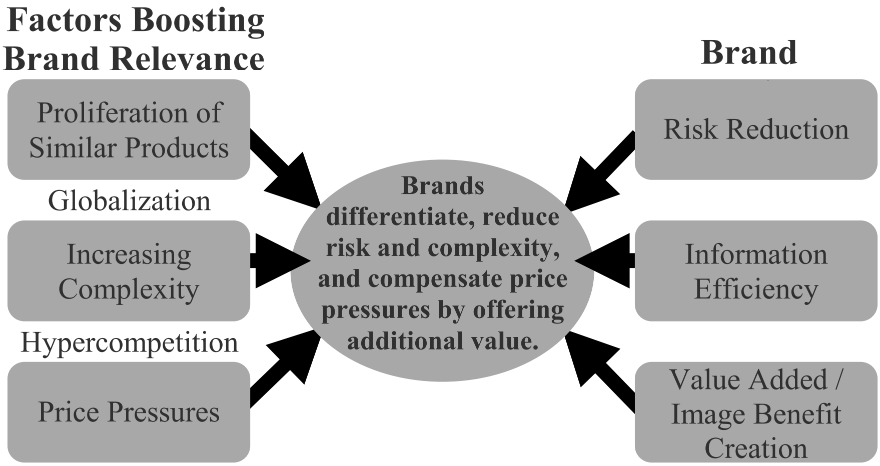

Fig. 9. Brand relevance and brand functions in a B2B environment

The penchant of buyers to reduce risk wherever possible makes them even more susceptible to brands. After all factors have been considered and two or three equivalent market offerings have made it to the last short list, buyers will most probably choose the branded one because it provides them with the feeling that they can be sure of what they get. Obviously, this hypothetical talk really proves nothing in the end, but just take one moment and look around you in your office. How many branded products do you use? How many brands do you incorporate in your operations?

Take the above mentioned example of *SAP*. Do you use one of their installations or did you choose to employ a less well-known equivalent software for your ERP, CRM and SCM?[50] From the view of your employees, *SAP* is a huge and complex system that needs a lot of training. The employer's perspective is not really different but *SAP* is nonetheless seen as a valuable means to get all relevant and important information in your business systematically consolidated. Anybody who ever used a no-name business software knows that they are not less complex or easier to handle. The real point of interest here is your expectations of them – the no-name or the brand.

The importance of brands generally depends on one main circumstance: Do they generate a positive and quantifiable profit contribution? Businesses don't run their operations in the dark. Since implementing a holistic brand approach does require a certain amount of investment, it is absolutely justified to ask for appropriate results. Isn't that what companies usually are all about – making money? To guarantee that your brand does pay off you first have to find out whether brands do actually matter in your respective market. This is the case if the brand represents a relevant factor in the buying process – it has to generate an additional value of some kind. Since buying processes can vary greatly across different industries and product markets it is indispensable to discuss them separately.[51]

Based on an empirical survey of more than 750 deciders and applying a comprehensive valuation system, *McKinsey* and *MCM* have determined the relevance of brands in 18 representative business markets. Although the overall survey was conducted in the German market, the approach and its general implications can be applied on an international level. They examined the inherent brand functions and the discussed brand functions formed the basis for the valuation system.[52]

One of the major findings of the study is that **Risk Reduction** is by far the most important brand function in the B2B area with 45 percent, closely followed by information efficiency (41 percent). Value added/image benefit creation (14 percent) is less distinctive in B2B. It is interesting that these results are just the opposite of those in consumer markets where Value Added/Image Benefit Creation captures clearly the leading position (40 percent).[53] These results provide valuable information about where the brand relevance actually originates from:

- To reduce risks involved in the buying process is especially important when buying complex high-profile products.
- Information Efficiency is of particular importance for the purchase of very complex and capital-intense items and systems.
- The importance of Value Added is highest for publicly visible products and services.

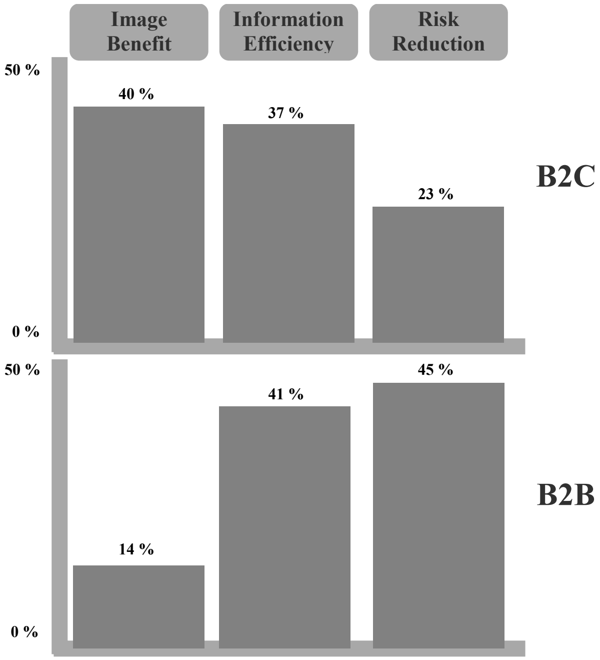

Fig. 10. Importance of brand functions in B2C vs. B2B

Along with *MCM*, *McKinsey & Company* developed a method that allows us to make profound statements about brand relevance. Through this method it is possible to determine the brand relevance of any kind of B2B market. The evaluation is based on certain context factors:

- Supplier structure in the market
- Number of competitors
- Complexity of the buying process
- Size of the buying center
- "Public" visibility of the brand

These criterias are crucial in the determination of the relevance of brands in different markets. Altogether they provide information about whether or not investments in branding efforts are "making sense" or not. Of course these are only general rules and implications, acting as a guide and not as the one and only truth. It is important to recognize them as the general statements that they are and to accept that exceptions can occur. In the following, we are going to exemplify the effectiveness of these context factors in relation to brand relevance.

- The more fragmented a supplier market, the more difficult it is for one brand to stand out. The situation of the European market for specialty tools for car repair only a few years ago can be used as an example. The highly fragmented market was less competitive because of the very specialized nature of the required tools for car makers like *DaimlerChrysler*, *BMW* and *VW*. *Star Equipment* was supplying *DaimlerChrysler*, *CarTool* to *BMW*, *Matra* to *VW*, and so on. Hence the brand relevance of each supplier was quite low. But when the *SPX Corporation* entered the game by M&A they turned everything upside down. Their actions literally de-fragmented the market step by step.

  ➔ **Highest brand relevance in monolithic markets with a low or medium number of competitors.**

- In a very complex buying process the final decision usually is the result of many preceding partial decisions. That radically reduces the possible impact of the supplier brand. An example would be the product markets of automotive parts and supplies like screws, batteries, and similar items. The buying process is relatively simple compared to those of systems and modules. The brand relevance therefore is quite high, which is the case for highly branded products like *Varta, Bosch* or *Wuerth*, to name a few.

  ➔ **Highest brand relevance in product markets with simple buying processes.**

- The more people are involved in the buying process, the higher the importance of brands. Large buying centers are usually involved in purchasing decisions of products with a very long life expectancy, fast changing technologies and when selling to commercial and government institutions.

  ➔ **Highest brand relevance in purchase decisions involving a large buying center.**

- If a product or service and its inherent brand are clearly visible to the user, other stakeholders and the general public, brand relevance increases significantly. This is probably self-explaining – branding can only be effective if it really reaches the customers and stakeholders.

  ➔ **Highest brand relevance in product markets where the brand is clearly visible.**

Of course these results are not linear and mathematical solutions that cannot be applied without making any amendments or adjustments. Just take the first one – a completely monolithic market with a low number of competitors has the highest brand relevance. Mathematically, the lowest number would be one, and it makes absolutely no sense to speak of high brand relevance for a monopoly. If people don't have another choice than buying from you or leaving it out, your brand is probably not very important to them. So it is important to regard these results as general guideposts that aim to point into the right direction but nevertheless can differ tremendously when analyzing certain industrial markets directly. The following graph summarizes the findings.

The relevance of a brand in B2B **buying decisions** also varies greatly depending on the different buying situations that a company

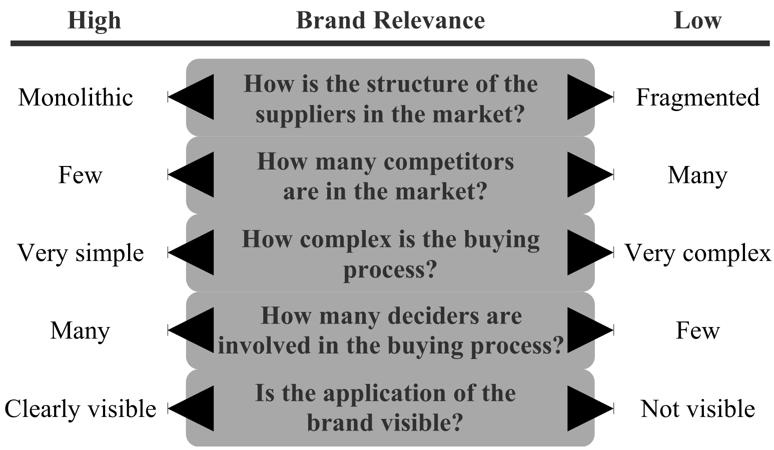

Fig. 11. Brand relevance according to context factors

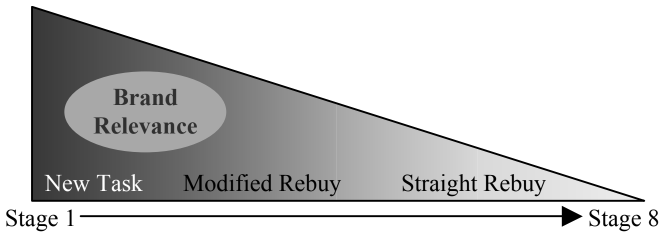

Fig. 12. Brand relevance in relation to the buying situation and the stages in the organizational buying process

faces. It is quite obvious that the brand of a new potential supplier is not very important in the case of a straight re-buy, whereas the brand relevance is at the highest for new task purchasing decisions. In relation to the stages of the organizational buying process it is vice versa. In the beginning of the purchasing process the brand relevance is very high and decreases from stage to stage.[54]

2.3 Power of the Business Brand

Though still neglected as irrelevant and unimportant by many B2B marketers, establishing brands for B2B companies and products is not really a new invention. Many industrial brands actually have a long history:[55]

Table 1. B2B Brand history

Saint-Gobain (1665),	Daimler (1901),
Siemens (1847),	General Motors (1908),
Bosch (1886),	UPS (1913),
General Electric (1892),	IBM (1924),
Ernst&Young (1894),	Caterpillar (1925),
Goodyear (1898),	Hewlett-Packard (1939),
	Tetra Pak (1951),
	FedEx (1973),
	Microsoft (1975)

These companies and their corporate brands have been around for decades. However, age alone doesn't make a brand successful. Shooting stars like *Grainger.com*, *Intel* along with its *Pentium*, *Tyco* in the United States, or *Wuerth* in Germany have shown that it is also possible to create strong brands in a short period of time. They are also living proof of the increasing use of branding in industrial markets. However, it is crucial to understand that these rocket-like successes are not easy if not impossible to imitate. Even in the hyper-speed online world we live in today, brands cannot be built overnight.

While products or services can become outdated or easily get imitated by competitors, a successful brand is timeless and unique. It not only simplifies the **decision-making process**, it also affords the opportunity for premium prices. Why has branding been overlooked by many suppliers? One reason may be that their executives are often engineers who have spent almost their entire careers in B2B.

The power of a business brand, measured in brand equity, lies in the fact that it can be one of the most important assets a company owns. It is a huge mistake to consider the **development of a brand**, or rather a positive perceived image of a brand, only as a variable marketing expense. Building strong brands is an investment, aimed at creating long-term intangible assets thereby ensuring the future success of the company. Capitalizing on strong brands facilitates a business to achieve its long-term growth objectives not only more quickly, but also in a more profitable way. Brands are not only what a company sells, they represent what a company does and, more significantly, what a company is. Actually, most brands are the reason why a business exists, and not the other way around.[56]

Enduring brands can give businesses more leverage than any other asset, serving as an emotional shortcut between a company and its customers. A differentiated "ownable" brand image can build an emotional and rational bridge from customers to a company, product or service. A **brand's personality and reputation for performance** can distinguish it from the competition, engendering customer loyalty and growth. Truly successful brands most often occupy unique positions in the consumer's mind. A strong and motivating identity that customers know and trust can be elevated above price and feature competition.

Yet, there are still only a few successful B2B brands that already prove the potential in that area. In many industries there are still no brands at all, leaving a gap with huge **unrealized brand potential**. Not only could companies profit from a tremendous first mover advantage by deciding to jump onto the brand wagon, future oriented companies may even be able to set the business standard with their brands. The role of brands in B2B can be summarized as follows:

Fig. 13. The role of B2B brands

- **Differentiate** – Brands are an effective and compelling means to "decommoditize" product categories that are highly undifferentiated. Examples include *Intel*, *IBM*, and *General Electric*.
- **Secure Future Business** – Quite often it is important to establish brands for your products or services in order to prepare for the future. There are many business areas where only those companies survived that chose to brand their products from the beginning. Take for instance the well-known brands *Caterpillar* and *Komatsu*. Some years ago there were many companies in this business segment especially in Japan – today these two

are more or less the only ones that have survived. With a strong brand it is much easier to withstand any kind of crisis and the brand is moreover appealing to financial and investor markets.

- **Create Brand Loyalty** – Brands assist companies in transitioning from a transaction-based selling model to one that is relationship-based. The customer always comes first. Brand loyalty is created when the business manages to consistently deliver on what its brand promises. *HSBC* with its campaign, "The Worlds Local Bank," is one of the big winners according to *Interbrand*. As one of the companies with the biggest increase in brand value in the 2005 ranking they are benefiting from higher brand loyalty.
- **Differentiate Marketing Efforts** – Businesses with strong brands can benefit from increased communications effectiveness. Marketing efforts will be more readily accepted than those of complete no-name products and services.
- **Create Preferences** – Brand preferences at its best lead to the rejection of competitive brands. Though this may sound a little too B2C it also does happen in B2B markets. A strong brand will act as a barrier to people switching to competitors products. *Shimano,* the world-leading Japanese bike component manufacturer, managed to create strong preferences for its hub gears among bikers.
- **Command Price Premium** – A business with well-known brands can command premium prices for their products and services. It makes it automatically less susceptible to competitive forces. That B2B brands are valuable resources is also reflected in the acquisition prices. Brands can balloon these prices tremendously.
- **Create Brand Image** – Brands enable companies' value propositions to be more emotive and compelling. Above all a positive brand image also appeals to all other stakeholders – it makes it even easier to recruit and retain talent.

- **Increase Sales** – The main goal of most businesses is naturally to make money. Companies with strong brands can benefit not only from higher margins but also from higher sales volumes.

Not only are there considerable benefits for industrial companies in building strong brands, there are serious penalties for those who do not. The alternative is to rely on price cutting, discounts and cost reduction programs.

Creating Trust, Confidence and Comfort Through Branding

As trust builds, the relationship between the buyer and supplier moves into a partnership which recognizes that the goals of both organizations can best be met by working together. In many industrial markets, buyers are inundated by suppliers trying to get a foot in the door. It is not unusual for a buyer of bearings to receive five calls per week from suppliers who are full of promises about how they can offer better service, cheaper prices and a bigger range of products. Each of the would-be suppliers is presenting its best case in an attempt to win a customer and yet the buyer knows that much of what he hears cannot be true. The chances are that the company is not much better than the suppliers already used, after all, the **competitive influences of the market place** cause his existing suppliers to stay in line with the competition.

A new supplier may make an extra effort to begin with, perhaps a gesture on price or a special endeavor when it comes to service, but will they sustain it? There will be five more people knocking on his door next week saying that they can do better but he has neither the time nor the inclination to constantly be reviewing his suppliers. A strong brand provides companies with far more credibility compared with those which are unknown. In a **critical investment decision** chances are high that businesses may choose a better known brand. Brands act as a short-cut of attributes, benefits, beliefs and values. They incorporate literally everything a company and its products or services stand for.

The **branding triangle illustrates** visually the marketing-related connections between a company, its collaborators and its customers. Collaborators refer not only to employees but also to wholesalers, dealers, ad agencies etc. (Collaborators) It aims to act as a principle of the intersecting market participants. It is essential to provide a consistent picture of the company and its brands across all different media and to all stakeholders. Only then is it possible to guide their perception throughout the huge flow of different information. Nowadays brand management – especially in B2B – is not only related to one product, service or market offering but rather to the whole company itself. Therefore it is important to recognize the value that a comprehensive brand portfolio together with a corporate brand can provide. In this respect it is important to find the right combination of presenting your company geared to the respective target groups and stakeholders while keeping the necessary consistency outside as well as inside the company.

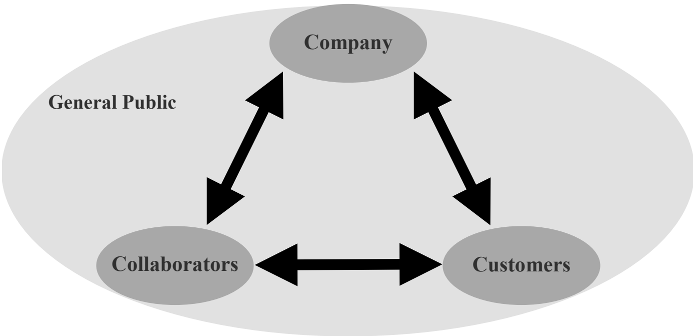

Fig. 14. The branding triangle

The company stands for everything, the tangible and intangible, whether it is service or product, it incorporates the history as well as the prospective future. The image of the company, from its foundation to the present, is usually mainly formed by **external marketing communications**. Few customers or other stakeholders deliberately make efforts to find out everything there is to know about a company. They usually only know what the company "tells them". Not less important of course is the performance of the employees and other related co-operators. What picture are they drawing in the customer's minds? If they internalized the message of the brand they are representing, guided by **effective internal marketing communication**, that necessary consistency is assured. So you see the brand is the one thing that connects everything across all touch points.

At the same time, brands are opalescent but fragile figures. It is much easier to dilute or even to ruin a brand than to build one. Yet, many business decisions on a daily basis are based on opinions that do not precisely reflect the real situation of the brand. In times where marketplaces change so rapidly it is absolutely crucial to base every important decision on accurate, current, relevant and objective information in order to protect the brand. To ensure consistent performance, some kind of **brand checklist** can be very helpful. If you are about to make extensive decisions in which the life of a brand is at stake you should rigorously stick to that checklist.

Branding Commodities

What are businesses about? Making money – except, of course, for non-profit organizations. Not surprisingly, many people equate price/monetary terms with value. If you think you are selling commodities you probably also assume that your **customers perceive value** to mean lowest price. Such a marketing position though, is usually the most difficult to sustain. And they are right; the only distinct point of differentiation of commodities is price. The solution for such a dilemma is: stop thinking of your products and services as commodities! A strong brand that customers know and trust can be elevated above price and feature competition. Just about every brand in existence today could be reduced to commodity status if it does not successfully evolve its products, services, and marketing communications.[57] Put it the other way around – commodities can be branded successfully – just don't let anybody know that you are selling one!

Acme Brick

Acme Brick of Fort Worth, Texas, is a perfect example for how to brand a commodity. What else could be perceived more as a commodity than a plain brick? Nonetheless, *Acme* has managed to brand its bricks very successfully, targeting homeowners as well as architects. Through their brand they are able to charge a premium price of 10 percent and enjoy the largest market share in several of their main markets.

They are not only producing high-quality bricks, they also provide a 100-year guarantee while the norm is five years. In addition, the company shows a strong commitment to the communities it is active in. For instance, every time a house is built with *Acme* bricks, the company contributes to the Troy Aikman Foundation for Children. Furthermore, local and regional Acme offices support charities such as Habitat for Humanity, Ronald McDonald Children's Charities, American Cancer Society, American Red Cross, National Multiple Sclerosis Society, and many others. That branding efforts are really paying off can also be highlighted by the results of a telephone survey in four major *Acme* markets that revealed an 84 percent preference for *Acme* bricks, leaving all of its competitors far behind.[58]

Tata Steel

Another pure commodity that seems to be impossible to brand is steel, but contrary to this assumption, *Tata Steel* is highly branded. Facing an industry trend towards over-supply, the management acknowledged that the only solution was to move away from selling commodities into marketing brands. *Tata Steel* started to brand their products in 2000. Meanwhile it introduced various brands like the product brands *Tata Steelium* (the world's first branded Cold Rolled Steel), *Tata Shaktee* (Galvanized Corrugated Sheets), *Tata Tiscon* (re-bars), as well as the family brands *Tata Pipes, Tata Bearings, Tata Agrico* (hand tools and implements) and *Tata Wiron* (galvanized wire products).[59] You will find a more detailed presentation of *Tata Steel* in chapter 5.8.

The Role of Emotions in B2B Branding

Forget about the entirely rational and perfect "business" person. They no longer exist if they ever did at all. We are all human beings with emotions and feelings and this makes us automatically susceptible to branding whether we are at home or at work. If your neighbor tells you about his experiences with a certain brand, you won't forget that conversation as soon as you get to the office. We are all subject to a **great deal of information** across a range of social strata, embedded in multitudinous emotional contexts. This literally opens the door for branding in B2B markets.

The most emotional decision in a CEO's life will probably be the decision of what kind of corporate jet to buy. He has the choice between *Lear Jet*, *Falcon*, *Bombardier*, etc. **Rational factors** are usually used only to legitimate their decisions. The main reasons for deciding on what corporate jet to buy are generally to be found in the CEO's ego. Of course we cannot deny that there really is a justifiable business purpose for corporate jets, but there are quite a few companies that probably wouldn't have bought their own aircraft in the first place if it wasn't for the CEO's ego and the desirable toy factor.[60]

Emotions are not only triggers that can make us laugh or cry. They are also vital to our decision making. Countless studies have proven that if the emotion centers of our brain are damaged[61], we are not only unable to laugh or cry anymore, we also lose the ability to make any kind of decisions. While reason does lead us to conclusions, emotions are the ones that lead to action. This should ring the alarm bell for every business.

A few years ago, when Waldemar Pfoertsch was working for *IBM*, he participated in a study that sought to determine the ideal brand attributes that would tip the scales in favor of one middleware vendor over another. They were surprised by the results. Conservative IT B2B decision makers consistently **identified emotional brand attributes** as determining factors. Of course, the products needed to be reliable and secure. But for those vendors that met the rational criteria, the emotional connections were pivotal.

This probably doesn't come as a surprise. After all, we *are* human. And even the most rational person (whether he or she admits it or not) **is influenced by emotion**. In his book, Kevin Roberts, CEO of Saatchi and Saatchi, argued even more strongly for the connection between emotion and the success of certain brands. He illustrated how some brands command **greater loyalty**. He calls them "Lovemarks" and describes them as brands that inspire loyalty beyond reason. Interestingly, out of his list of 200 Lovemarks several industrial brands such as *AMD*, *Caterpillar*, *Cessna*, *IBM* and *Zeiss* are mentioned, too.[62]

Caterpillar, for instance, is a great industrial and yet **very emotional brand**. There are only few brands that evoke the pride of ownership quite like *Caterpillar*. The strong emotional appeal and passionate loyalty fostered by the CAT brand addresses both the employees who design, build, sell and support CAT machines, and those who own or aspire to own CAT machines.[63]

Summary

- **Establishing brands in a B2B environment is different** from branding to the general public. The role and the mechanism of an industrial brand strategy have to be more focused than those pursued and implemented in consumer markets.
- The main difference between B2B and B2C markets can be found in the **nature and complexity of industrial products and services**, the nature and diversity of industrial demand, fewer customers, larger volumes per customer, and last but not least, closer and longer-lasting supplier-customer-relationships.
- A **holistic branding approach** is required, that everything from the development, design, to the implementation of marketing programs, processes, and activities is recognized as intersecting and interdependent.
- The **buying situations of B2B companies** can be broken down into three recurring types: the straight re-buy, modified re-buy, and new task.

- The **members of the buying center** can be classified according to their role in the buying decision: the user, buyer, decider, and influencer. They all have to act considering the complex influential dimensions on and in the buying center.
- An **organizational buying process** can encompass the following stages: problem recognition, general need description, product specification, search for and evaluation of potential suppliers, proposal solicitation and analysis, supplier evaluation and selection, order-routine specification, performance review.
- **Interpersonal and individual factor** of the buying center members are human factors in business decisions.
- **Establishing B2B brands** encompasses creating trust, confidence and comfort for all partners in the buying process
- **Even commodities can be branded** as our examples of *Acme Brick* or *Tata Steel* show.
- **Emotions in B2B Branding** play a major role in business decisions, even if they are easily recognizable.

Notes

1 Web site of *Caterpillar Inc.*, Peoria, IL, cited August 2005.

2 Web site of *MTU Aero Engines GmbH*, Germany, cited June 2005.

3 Web site of *Accenture*, New York, cited June 2005.

4 If you desire more detailed information on this subject we recommend reading Philip Kotler's book *Marketing Management* or *Business Market Management* by Anderson and Narus.

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6 Robert P. Vitale and Joseph J. Giglierano, *Business to Business Marketing: Analysis and Practice in a Dynamic Environmen*, 2002, pp. 37-38.

7 Paul Hague, Nick Hague, and Matt Harrison, *Business to Business Marketing*, White Paper, B2B International Ltd.

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[9] Paul Hague and Peter Jackson, *The Power of Industrial Brands*, 1994.

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[13] Philip Kotler and Kevin L. Keller, *Marketing Management*, 2006, p. 211.

[14] James C. Anderson and James A. Narus, *Business Market Management: Understanding, Creating, and Delivering Value,* pp. 15 and 213.

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[22] David Armstrong, "A Whole New Magic Carpet Ride: SFO up and Ready for 2006 Arrival of Airbus A380," *San Fransisco Chronicle* (27 January 2005).

[23] Web site of *Singapore Airlines Ltd.*, cited June 2005.

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[25] David Armstrong, "A Whole New Magic Carpet Ride: SFO up and Ready for 2006 Arrival of Airbus A380," *San Fransisco Chronicle* (27 January 2005).

[26] Philippe Malaval, *Strategy and Management of Industrial Brands: Business to Business Products and Service*s, 2001, pp. 18-21; Robert P. Vitale and Joseph J. Giglierano, *Business to Business Marketing: Analysis and Practice in a Dynamic Environmen*, 2002, p. 62.

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50 ERP, CRM and SCM stands for Enterprise Resource Planning System, Customer Relationship Management, and Supply Chain Management Systems.

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53 Ibid., pp. 38-43.

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