

# Being known or being one of many: the need for brand management for business-to-business (B2B) companies

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## Abstract

**Purpose** – This analysis aims to examine the need of business-to-business companies for branding and analyzes the options for success by means of the stock performance.

**Design/methodology/approach** – The paper consists of a qualitative and quantitative pilot study and a quantitative main survey.

**Findings** – Long-term branding strategies, brand performance and firm's business performance are found to be positively correlated with stock increase. Current brand focus and use of guiding principles can lead to improved business performance.

**Research limitations/implications** – The study has possible location- and industry-specific limitations.

**Practical implications** – Managerially, the findings encourage firms to adopt a long-term branding strategy, focusing not only on brand development.

**Originality/value** – By systematically examining relationships between branding strategy and performance of the global firms, this study adds knowledge to the field of B2B brand research.

**Keywords** Business-to-business marketing, Brand management, Marketing strategy, International marketing

**Paper type** Conceptual paper

An executive summary for managers and executive readers can be found at the end of this issue.

## Introduction

When talking about brands most people think of Coca-Cola, Apple, Ikea, Starbucks, Nokia, and maybe Harley Davidson. These brands also happen to be among the most cited best-practice examples in the area of business-to-consumer (B2C) branding[1]. For these companies their brand represents a strong and enduring asset[2], a value driver that has literally boosted the company's success. Hardly any company neglects the importance of brands in B2C.

In business-to-business (B2B), things are different – branding is not meant to be relevant. Many managers are convinced that it is a phenomenon confined only to consumer products and markets. Their justification often relies on the fact that they are in a commodity business or specialty market and that customers naturally know a great deal about their products as well as their competitors' products. To them, brand loyalty is a non-rational behavior that applies to breakfast cereals and favorite jeans – it doesn't apply in the more "rational" world of B2B products. Products such as

electric motors, crystal components, industrial lubricants, or high-tech components are chosen through an objective decision-making process that only accounts for the so-called hard facts like features/functionality, benefits, price, service, and quality, etc. (Aaker and Joachimsthaler, 2000, p. 22; Pandey, 2007). Soft-facts like the reputation of the business, whether it is well known, is not of interest. Is this true? Does anybody really believe that people can turn themselves into unemotional and utterly rational machines when at work? We don't think so.

Is branding relevant to B2B companies? Microsoft, IBM, General Electrics, Intel, HP, Cisco Systems, Dell, Oracle, SAP, Siemens, FedEx, Boeing – they are all vivid examples of the fact that some of the world's strongest brands are B2B brands. Although most also operate in B2C segments, their main business operations are concentrated on B2B. Then why are so many B2B companies spurning their fortune?

Take Boeing, for instance. Only a few years ago a very interesting incident happened at the Boeing headquarters in Seattle. Shortly after Judith A. Muehlberg, a Ford veteran, started as head of the Marketing and Public Relations Department, she dared to utter the "B" word in a meeting of top executives. Instantly, a senior manager stopped her and said: "Judith, do you know what industry you're in and what company you've come to? We aren't a consumer-goods company, and we don't have a brand"[3]. Since then US aerospace giant Boeing has come quite a long way. Nowadays,

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Philip Kotler and Waldemar Pfoertsch have recently published *B2B Brand Management* (Springer, Heidelberg/New York, NY, 2006, ISBN 978-3-540-25360-0); parts of this paper are from this publication.

branding and brand management do matter in a big way to them. In 2000, the company's first-ever brand strategy was formalized and integrated in an overall strategy to extend its reach beyond the commercial-airplane business. Today, the brand spans literally everything from its logo to corporate headquarters. Even the plan to relocate its corporate headquarters from Seattle to Chicago has been devised with the Boeing brand in mind (Khermouch *et al.*, 2001). In 2005, Boeing introduced its new flagship aircraft. In a worldwide campaign with AOL, they searched for a suitable name and invented the "Dreamliner", which was inaugurated by Rob Pollack, Vice President of Branding for Boeing Commercial Airplanes Marketing[4].

What is branding all about anyway? First of all we can tell you what it is not: it is definitely not about stirring people into irrational buying decisions. Being such an intangible concept, branding is quite often misunderstood or even disregarded as creating the illusion that a product or service is better than it really is (Hague and Jackson, 1994). There is an old saying among marketers: "Nothing kills a bad product faster than good advertising" (de Legge, 2002). Without great products or services and an organization that can sustain them, there can be no successful brand.

Now you may wonder what branding really is all about. Scott Bedbury, author of the book *A New Brand World* puts it as follows:

Branding is about taking something common and improving upon it in ways that make it more valuable and meaningful (Bedbury, 2002, p. 14).

Brands serve exactly the same general purpose in B2B markets as they do in consumer markets: **they facilitate the identification of products, services and businesses as well as differentiate them from the competition** (Anderson and Narus, 2004). They are an effective and compelling means to communicate the benefits and value a product or service can provide (Morrison, 2001). They are a guarantee of quality, origin, and performance, thereby increasing the perceived value to the customer and reducing the risk and complexity involved in the buying decision (Blackett, 1998).

Brands and brand management have spread far beyond the traditional view of consumer-goods marketers. Brands are increasingly important for companies in almost every industry. Why? For one thing, the explosion of choices in almost every area. Customers for everything from specialty steel to software now face an overwhelming number of potential suppliers. Too many to know them all, let alone to check them out thoroughly.

For example, Pitney Bowes, one of the winners in Jim Collins's book *Good to Great* (Collins, 2001), has recently introduced a new branding campaign. After being on the success track for more than 15 years, they felt it necessary to educate their customers about all their new products. Chairman and CEO Michael J. Critelli explained on Bloomberg television how Pitney Bowes's new business-building brand campaign will fuel the company's long-term growth strategy, and his Chief Marketing Officer Arun Sinha elaborated that a brand is more than a product – it's a shorthand that summarizes a person's feelings toward a business or a product. A brand is emotional, has a personality, and captures the hearts and minds of its customers. Great brands survive attacks from competitors and market trends because of the strong connections they forge with customers.

And that is what Pitney Bowes wants to achieve with its B2B customers.

The internet furthermore brings the full array of choices to every purchaser or decision maker anywhere with just one mouse click. Without trusted brands as touchstones, buyers would be overwhelmed by an overload of information no matter what they are looking for. But brands do not only offer orientation, they have various benefits and advantages for customers as well as the "brand parents". They facilitate the access to new markets by acting as ambassadors in a global economy (Khermouch *et al.*, 2001).

Another important aspect of B2B branding is that brands do not just reach your customers but all stakeholders – investors, employees, partners, suppliers, competitors, regulators, or members of your local community. Through a well-managed brand a company receives greater coverage and profile within the broker community (Pandey, 2007).

Other than the biggest misconception that branding is only for consumer products and therefore wasted in B2B, there are other common misunderstandings and misconceptions related to B2B branding and branding in general. One frequently mentioned branding myth is the assumption that "brand" is simply a name and a logo. Wrong! Branding is much more than just putting a brand name and a logo on a product or service.

Take a moment and try to think about what "brand" means to you personally. Without a doubt certain products, brand names, logos, maybe even jingles, pop into your head. Many people think that this is all when it comes to defining brands. But what about the feelings and associations connected with these products, brands, companies? What about the articles you've read about them? What about the stories you've heard about them? What experiences have you had with those products, brands, companies? We could go on and pose more questions like these. A brand is an intangible concept. To simplify it and make it easier to grasp is quite often equated with the more tangible marketing communications elements that are used to support it – advertising, logos, taglines, jingles, etc. – but a brand is so much more than that (Dunn and Davis, 2004; Knapp, 2000):

- **a brand is a promise;**
- **a brand is the totality of perceptions – everything you see, hear, read, know, feel, think, etc. – about a product, service, or business;**
- **a brand holds a distinctive position in customers' minds based on past experiences, associations, and future expectations; and**
- **a brand is a short-cut of attributes, benefits, beliefs, and values that differentiate, reduce complexity, and simplify the decision-making process.**

Keeping all this in mind makes it clear that brands cannot be built by merely creating some fancy advertising. If you internalize the concept of "brand" as a promise to your customers it is quite obvious that it can only come to life if you consistently deliver on that promise. Of course, your brand promise needs to be clearly defined, relevant and meaningful, not to be mistaken with exaggerated marketing promises.

A further misconception of branding is that it is seen as a small subset of marketing management. Wrong again! Since a brand is reflected in everything the company does, a holistic branding approach requires a strategic perspective. This

simply means that branding should always start at the top of your business. If your branding efforts are to be successful, it is not enough to assign a brand manager with a typically short-term job horizon within company (Aaker and Joachimsthaler, 2000).

Building, championing, supporting and protecting strong brands is everyone's job, starting with the CEO (Bedbury, 2002). Active participation of leaders is indispensable because they are the ones who ultimately will be driving the branding effort. Brands and brand equity need to be recognized as the strategic assets they really are, the basis of competitive advantage and long-term profitability. It is crucial to align brand and business strategy, something that can only effectively be done if the brand is monitored and championed closely by the top management of an organization (Aaker and Joachimsthaler, 2000, p. 19). To appoint a Vice President of Branding, someone who is responsible solely for brand management, would be an important step. No matter what the actual title, this person should be the one person taking the required actions for keeping the brand in line.

Strong leaders demonstrate their foresight for the brand, make symbolic leadership gestures, and are prepared to involve their business in acts of world statesmanship that go beyond the short term, and therefore require the sort of total organizational commitment that only the CEO can lead. Consider Nucor, America's largest steel producer today. In 1972, about five years after facing bankruptcy, F. Kenneth Iversen as President and Samuel Siegel, Vice President of Finance, renamed the company and announced "Nucor sells steel to people who actually care about the quality of the steel". This announcement and all steps that followed propelled the company to the top of its industry.

But do brands really pay off? Are they worth the effort and time? Evaluating and measuring the success of brands and brand management is a rather difficult and controversial subject. Moreover, it is not always possible to attribute hard facts and numbers to them, which most marketers certainly prefer. As a result, there are only a restricted number of research project and analysis dealing with the actual return on investment for brands.

Current research results[5] highlight the power of branding. To visualize the effect of brands and branding on share price, they compared the financial market performance of 23 of the 30 German DAX companies (see Figure 1). The obvious result of the enormous difference in performance accentuates the general importance of brands. Companies with strong brands have recovered significantly faster from the stock market "slump" in the wake of the 9/11 terrorist attacks than weaker brands. Strong brands provide companies with higher return.

Companies that once measured their worth strictly in terms of tangibles such as factories, inventory, and cash have to revise their point of view and embrace brands as the valuable and moreover equally important assets they actually are (along with customers, patents, distribution, and human capital). Companies can benefit tremendously from a vibrant brand and its implicit promise of quality since it can provide them with the power to command a premium price among customers and a premium stock price among investors. Not only can it boost your earnings and cushion cyclical downturns, it can even help you to become really special (Kherrmouch *et al.*, 2001). The analysis of the largest DOW

companies (see Figure 2) shows an even more drastic situation[6].

The stock market success of the "over performers" was even larger than in the first analysis. The top B2B brand performers were:

- Caterpillar;
- GE; and
- Hewlett Packard.

Caterpillar increased its position in an exceptional way. The "under performers" were:

- Intel;
- IBM;
- J.P. Morgan; and
- Microsoft.

It is worth mentioning that between 2002 and 2005 Microsoft continuously lost brand value. Even in 2002 when the crisis hit strongly the brand did not lose too much stock value (only – 6 percent, as compared with an average of – 24 percent, and – 36 percent for the "under performers"). These data stress the notion that weak brands particularly suffer in difficult times and do not recover as quickly as strong brands. These findings also suggest that the brand strength of B2B companies clearly has an impact on financial market performance.

Ongoing analysis of the largest global companies using the same methods suggests that the Interbrand value (see Figure 3) is positively correlated with market capitalization throughout the years 1999-2006[7], and that the Interbrand value is significantly positively correlated with income and net income. We also showed that market capitalization is significantly positively correlated with income and net income. Market capitalization is not correlated with advertisements.

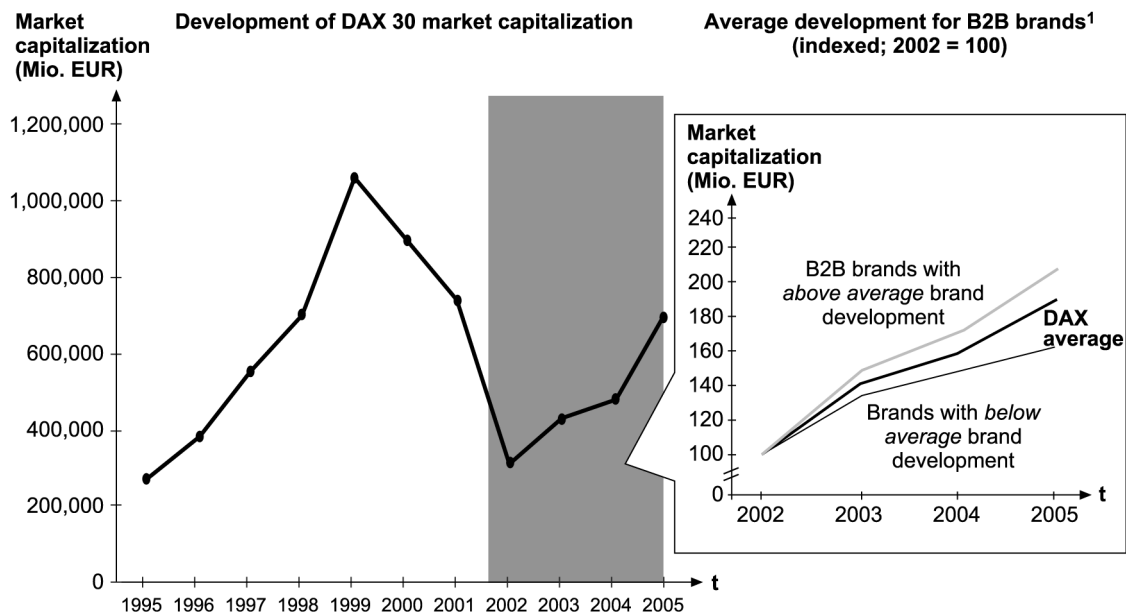
The definition, benefit, and functions of brands embrace every type of business and organization. In order to create and maintain the sustainable competitive advantage offered by the brand, companies need to concentrate their resources, structure, and financial accountability around this most important asset. Businesses with a strong brand positioning are benefiting from clarity of focus that provides them with more effectiveness, efficiency, and competitive advantage across operations (Clifton and Simmons, 2003).

B2B brand advocates underline that the real importance of brands in B2B has not yet been realized. McKinsey & Company is one of them. Together with the Marketing Centrum Muenster (MCM), one of the best known German research institutes, they investigated and analyzed the importance and relevance of brands in several German B2B markets. They revealed that the most important brand functions in B2B are (Caspar *et al.*, 2002, p. 13):

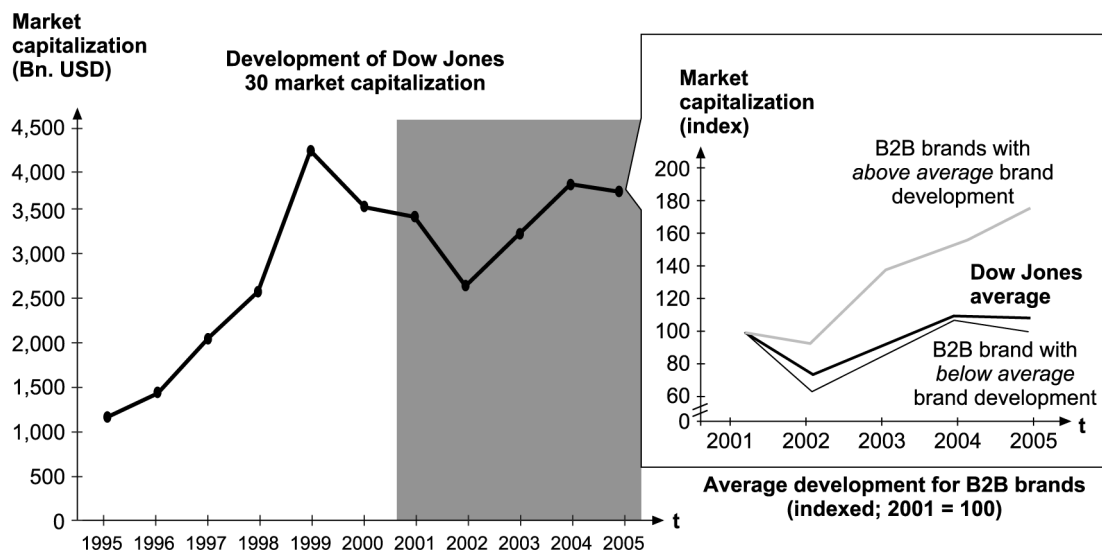
- increase information efficiency;
- risk reduction; and
- value added/image benefit creation.

Since these functions are essential determinants of the value a brand can provide to businesses, they are crucial in regard to determining brand relevance in certain markets (Caspar *et al.*, 2002). The above mentioned brand functions are also vital to B2B markets.

Nobody can guarantee that a business will realize immediate benefits after implementing an overall brand strategy. Since branding requires a certain amount of

**Figure 1** Branding's effect on DAX companies' share price

**Note:** The BBDO Brand Equity Evaluation System was used to determine the brand performance; see BBDO Brand Excellence Band 1: Brand Equity Review 12/2006

**Figure 2** Branding's effect on DOW companies share price

investment, it is more probable that it will see a decline in net profits in the short run. Brand building is aimed at creating long-term non-tangible assets and is not meant for boosting short-term sales. Michael J. Critelli, CEO of Pitney Bowes (Sinha, 2003) is aware of this and ran re-branding efforts over a period of many years to ensure his company's future success.

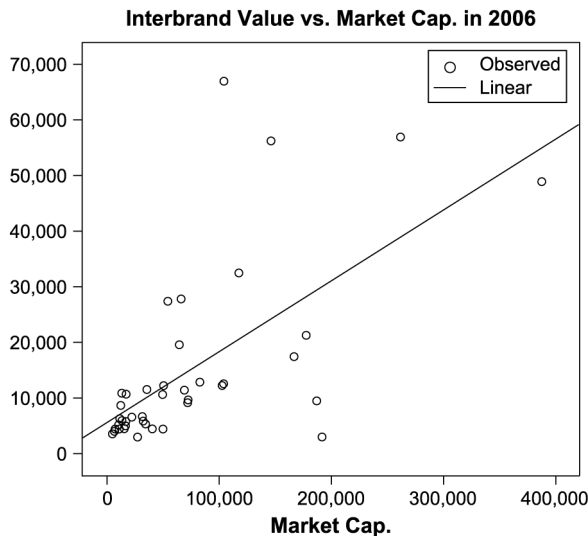
In the 1980s, personal computers gradually entered the homes of consumers. At that time the highly recognized brands in the industry were those of computer manufacturers like IBM, Apple, and Hewlett-Packard. Back then, only the most sophisticated computer users knew what kind of microprocessing chip their machines contained, let alone who made them. All that changed in 1989, when Intel decided to

brand its processors. Because of the accelerating pace of technological change as well as constantly growing sales rates in the consumer market, the company decided to focus on end users. They realized that establishing a brand was the only way to stay ahead of the competition. Today, Intel is a leader in semiconductor manufacturing and technology, supported and powered by their strong brand, an almost unbeatable competitive advantage, due to the ingredient branding approach and the "Intel Inside" campaign, an approach which will be important for increasingly sophisticated customers (Kotler and Pfoertsch, 2007).

It is also not the intention to claim that B2B branding is the answer to all your company's problems. Just as there are



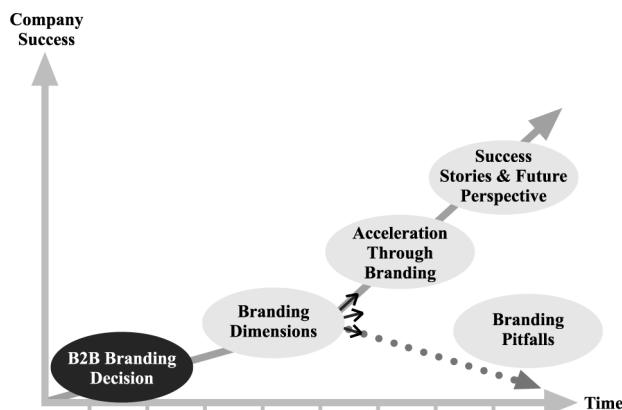
**Figure 3** Correlation between Interbrand brand value versus market capitalization of DOW companies



limitations in the B2C branding world, limitations also exist in B2B. These restrictions still have to be identified and examined thoroughly in the following years.

To lead you through B2B branding exercises we suggest a set of “guiding principles” (see Figure 4) that illustrate visually the different stages on the branding ladder[8]. It can literally be seen as the path companies have to follow in order to achieve brand success. The beginning of the path is marked by the decision whether or not to brand your products, services, or business. If a company, especially the people at the top, is not convinced that it is the right thing to do, it doesn’t make any sense to continue (“B2B Branding Decision”). After making the decision to brand, you have to figure out how you are going to do it. But deciding on the best brand portfolio that fits your respective business/industry is not enough to ensure your company’s brand success. Therefore, the next stage addresses all the factors in practice that make branding successful (“Branding Dimensions”). If the right decisions are not taken (“Acceleration through Branding”) or the execution falls short, branding pitfalls can occur! But there could also be future perspectives.

**Figure 4** Guiding principles for B2B brand development



The essence of this concept is to infect B2B companies with the branding virus – empowering them to make the leap to becoming a brand-driven and more successful company. There are many ways to measure overall company success, such as sales increase, share value, profit, number of employees, mere brand value (index), etc. To keep it simple and to limit alterations that may have been influenced by various sources other than the actual brand, we chose sales over time as measurement for a company’s success in our Guiding Principle. The transition point represents a company’s rise to the challenge of building a B2B brand.

In our constantly changing business environment of new technologies, globalization and market liberalization, alert companies are presented with great opportunities. Winning companies will discard old practices and innovate new practices to exploit the major trends. With no thought B2B branding and brand management will become increasingly important, and the future of brands is the future of business – probably the only major sustainable competitive advantage. Companies who are driving in this direction are on the right track. Other future aspects are branding and social responsibility. Also, branding in China is in a stage of leapfrogging into the world market. For decades, China has enjoyed a dominant place in world manufacturing because of its low-cost labor. Chinese businesses today are pursuing aggressive branding strategies involving internal growth or acquiring foreign brand icons and managing them. Both approaches could lead to world success. Consider design and branding as an increasingly important tool for differentiation. Relevance, simplicity, and humanity – not technology – will distinguish brands in the future.

To be successful in the B2B world, a holistic branding approach is required that covers everything from the development and design to the implementation of marketing programs, processes, and activities that are intersecting and interdependent. Marketing and brand management will be critical to a company’s success in the future.

## Notes

- 1 B2C companies have for years dominated the Interbrand ranking of the 100 best global brands by more than 80 percent, and most of the article is about them (see Berner and Kiley, 2005).
- 2 According to our calculations, in 2005 the total brand value for all 100 best global brands reached more than \$1 trillion.
- 3 As quoted in Kherrmouch *et al.* (2001).
- 4 The Boeing Company (internet), cited August 2005.
- 5 In 2005, a qualitative and quantitative pilot study was conducted with the 30 largest German DAX companies; of these, ten were B2B companies.
- 6 For this analysis the Interbrand Global Best Brand data were used to characterize the brand performance.
- 7 The Interbrand brand evaluation started in 1999 and is available annually. In our research we compiled all internationally available data, which led to a total of 130 companies. Further research is needed to qualify the findings.
- 8 We understand the Guiding Principle as the leading idea and guiding help to follow our thinking and the structure of B2B brand management.

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