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INDUSTRIAL BRANDING – DOES IT PAY OFF?

Review Article

Keywords
Industrial branding,
Brand equity,
Brand positioning

JEL Classification
X00

Abstract

In a world characterized by the growth of global competition, a key question raised by business-to-business marketers is if brands in industrial markets really pay off, that is in which contexts and for what type of customers branding efforts are important and can bring competitive advantages for the companies owning those brands. The particularities and importance of branding in business has become a major field of scientific debate in the last years, but there are still questions unanswered and aspects unclear and under researched. Traditionally, B2B managers have been more skeptical about the benefits of branding, arguing that the organizational buying process is rational and focused on functional characteristics of the products and not based on the emotional values used in the B2C context. In this paper, we review the literature on brand equity in industrial markets and propose a synthetic conceptual model, with the purpose to shed more light on the issue of industrial branding.

INTRODUCTION

In industrial markets, brands represent multidimensional promises of value including elements beyond the promise of a physical product or service, such as supplementary services and company reputation (Brown et al., 2007).

Apparently, an industrial brand communicates value beyond the functionality of a particular product. McQuiston (2004) suggests that for industrial products, brand is a multidimensional concept that includes not only the customer's view towards the physical product, but also the logistics, customer support, corporate image and policy. Industrial brands can use points of differentiation based on a wide range of attributes, from tangible benefits as the functional performance of the products or services they sell to some more abstract considerations such as corporate image, credibility, reliability, trust, ethics, corporate social responsibility (Webster and Lane Keller, 2004).

If no other action will be taken, the company name will function as a brand, thereby the brand must be managed as a strategic asset, otherwise it will develop by every contact between the company and its customers in a more or less random manner.

Aaker (1996) defines brand equity on the base of four dimensions: brand awareness, perceived quality, brand associations and brand loyalty.

Kim and Hyun (2011) studied the influence of **logistics** and **channel performance** on brand loyalty, a component of brand equity. They found that there is a positive relation between these two variables and concluded that managers should broaden distribution coverage, facilitate purchase process, make delivery on time to develop their brands in an efficient manner. They also found that after-sales services positively affect the perceived quality of products, which determines the level of brand loyalty, a dimension of the brand equity. Another conclusion was that a good corporate image positively affects perceived quality of the products, which is a component of the overall value of brand equity.

Mudambi et al. (1997) stated that brand value is a construct composed of four performance elements, both tangible and intangible. **Product performance** refers to the physical product standing in the center of the brand's value. **Distribution performance** is the product's ease of ordering, speed of delivery, availability. **Support services performance** includes technical support, financial services, training of employees. The **company performance** includes the characteristics of the vendor, such as reputation, experience with different clients, financial stability, reliability.

Leek and Christodoulides (2012) reviewed the literature, establishing that B2B brands are composed of **functional** and **emotional qualities**. They found out that **quality** was the most important functional quality of the brand in order for the companies to increase the perceived value of their brand. The products and services are judged mainly on technical criteria.

After sales services are also perceived as an important functional brand attribute to clients**.**

Cassia and Magno (2012) studied the contribution of utilitarian and emotional components of the industrial brands on buyers' attitudes, finding that **non-attributes-based-brand beliefs** determine the buyer's affective link to the brand, while **attribute-based beliefs** do not. Previous studies within the business-to-business branding domain established that the presence of this high **attitudinal loyalty** is correlated to a buyer's willingness to pay a premium price and to longer relationships.

GUIDELINES FOR SUCCESSFUL INDUSTRIAL BRANDING

In this section, we group the reviewed literature on the contextual and psychological conditions in which the branding efforts and investments can result in increased industrial brand equity and propose a framework of industrial brand equity.

Branding strategy needs to be customized to the specific product type and customer type. Investments in branding should be put into practice in case the company has clients that are sensitive to this aspect of their supply offers.

Contextual conditions.

The characteristics of each context require customized marketing approaches and thus specific branding strategies.

a. product type

For many raw materials, components and subassembly, the product is tending towards **commodity** status because technology based differences disappear, thus buyers become more focused on price. Branding of such products must rely on points of difference such as services and intangible attributes as company's reliability and technical expertise. For more complex products, as **capital equipment**, the brand must focus more on the functional attributes of the product itself, its performances and on post sale service (Mudambi, 2002).

Blombäck and Axelsson (2007) studied the role brands play in the selection of **new subcontractors**. They found that the selection of new subcontractors of **strategic or leverage items** is more complex than considering functional elements such the price, quality and precision of delivery. The process of selection comprises several phases, the need to reduce the group of potential suppliers conducting to the consideration of both emotional and functional character.

The probability buyers would choose well-known brands increases when the product requires greater post-sales service and support, when the product is complex (the buyer is not familiarized with it or has not enough knowledge about the product) (Mudambi, 2002).

Mature or **commodity type markets** operating in price driven environments might emphasize the emotional characteristics of the brand.

In the industries with a high level of **customization**, branding is not a priority. On commodities' markets, the importance of brands in differentiating offers is higher. Also, a **more complex product** or service may rely more on differentiating itself through functional qualities (Mudambi, 2002).

b. the type of buying decision process

The buying process in industrial markets requires the involvement of a buying center, composed of several individuals with specific roles in this process. The need to achieve **consensus** in this buying process in order to arrive at a group decision is a major driver for branding in industrial markets (Webster and Lane Keller, 2004). Strong brands become important because the members of the buying center need to avoid risk taking.

They also found that buyers generally experience **limited time and resources**, which conducts to a **limited rationality** in making decisions. This allows factors such as reputation, product-peripheral factors and impressions to substitute more objective criteria to measure subcontractors' abilities.

Leek and Christodoulides (2012) found out also that **environmental factors** influence the buyers' purchase decisions. The recession influenced managers to take action in reducing their costs and sometimes avoid brands to buy products with lower costs with the same technical performances.

c. **the type of customer**

Industrial brands must comprise **affective dimensions** as trustworthiness, reliability and corporate credibility in the case of customer segments that are interested in long term relationships and partnerships. Transaction customers will be more interested in product performance, prices and tangible services.

Industrial buyers are frequently willing to develop a long term relationship with a reliable supplier. The characteristics of the supplier company - financial services, good reputation, reliability in performing their services and in respecting the delivery terms, the technical expertise, the innovation capabilities and so on are more important than the technical specifications of the products per se, because these are often the key differentiators on industrial markets.

Cassia and Magno (2012) also found that companies should differentiate their branding strategies depending on their target groups, high investments in branding activities being justified towards clients that do not have a high level of knowledge and expertise. Brands have the effect to bring reassurance to such customers and to decrease the level of the perceived risk.

Leek and Christodoulides (2012) stated that in **short term or transactional relationship**, the brand might have a higher significance because the interpersonal contact has a reduced level and the level of trust is also low. In the context of an already established **long term relationship,** commitment and trust development, thereby reducing the role of the brand.

Beverland and Napoli (2007) studied the key attributes that business marketers can use to build a strong brand identity and concluded that brand identity decisions should be made considering the **type of customer** utilizing the firm's products or services, and the **type of buying situation** they are in front of. The type of customer refers to the role the purchased product plays in the buyer firm's activity(Table 1).

Advice refers to activities that increase customer's understanding, helps decrease his uncertainties, may identify new business opportunities or new ways of solving problems. Advice implies adaptive selling and a dialog between buyers and sellers. The buyers preferring advice-led brands are those oriented towards long-term relationships, seeking partners to assist them in enhancing their competitive advantage.

Adaptation refers to the ability to offer adaptation of usually standard products, following individual requests from customers.

Logistics refers to the ability to minimize customer's production disruptions, provide traceability of the products, to apply just-in-time production schedules, and the ability to cooperate in networks with other business partners in order to deliver value to customers. Customers that value such a brand built on logistics are likely to be those for whom the purchased product is of strategic importance.

Services that augment the product**,** performed by suppliers or by the subcontractors are valued by business customers that buy products that need support services.

Products represent solutions or services for customers, in business marketing.

Psychological conditions

a. the perception of risk

Leek and Christodoulides (2012) analyze the influence of functional and emotional qualities on brands. Brands reduce buyers' **perceived risk.** In **high risk situations** buyers are more likely to consider the brand than in low risk purchase situations. The probability buyers would choose well-known brands increases when the risk associated with the purchase is higher (when the product failure would create serious problems for the buyer's organization or for him personally or under time or resources constraints).

The importance of the product for the production process - defined as the impact the purchased product has on buyer company's profitability and productivity- influences the perception of risk (Brown et al., 2007). The novelty of the purchase could influence the level of the buyer's risk.

The technical complexity and the value of the product is also correlated with the perceived risk.

In these cases, marketers have the occasion to leverage on the emotional aspects of the brand to reassure buyers and to reduce the level of risk they perceive.

The **company characteristics** may provide emotional reassurance to customers. The degree of experience, the period of time that company has run its business, the size of the company could also provide buyers with confidence.

Mudambi (2002) also emphasized the importance of branding in high risk perceived situations, established three clusters of buyers based on the perceived importance of brands: branding receptive buyers, found in more risky purchase situations, highly tangible buyers, found in situations of typical product-oriented modified re-buys and low interest buyers, characterized by straight re-buy procurements.

In business to business environments, buyers are normally interested in **long-term relationships** with their subcontractors, and also run their operations according to a **just-in-time** approach, meaning that they consider accurate deliveries a priority. Consequently, **the financial and logistics risks** are perceived as high and affect the selection of subcontractors. A way to avoid these risks is choosing subcontractors that have a good corporate image or with which the buyer already has a functioning relationship. This feeling of trust may prevent the buyer from taking into consideration another subcontractor, even if it has a less expensive offer. In the situation of new buys, the new subcontractors are assessed by focusing on trustworthiness than on their current manufacturing capacity alone (Beverland and Napoli, 2007).

b. **the perceived level of expertise**

In business markets, there is a higher probability that the purchase is influenced by opinion leaders and references groups, opinion leaders within the buying organization as well as in competing firms. The opinion leaders are those with a high perceived level of expertise and with a high frequency and exposure in trade journals. Thus, marketers should build an industrial brand by appealing to opinion leaders and to best-in-class examples for purchases in certain instances. Also, experts inside the buying firm should be co-opted by brand marketers to influence the purchase deliberations (Brown et al., 2007).

On the basis of this extensive review, we propose a more comprehensive model of industrial brands' equity, depicted in Figure 1. Industrial brand equity will be strengthened by emphasizing the functional or emotional characteristics of the industrial offer, depending on the product type a company is offering, on the conditions limiting the buying decisions, on the characteristics of the buyer and on the level of perceived risk devolved by the purchase.

CONCLUSIONS

Despite the argument that brand equity plays a less important role in industrial marketing than consumer marketing because the decision making process is more rational, more research indicates that brand equity is a significant competitive driver in industrial marketing, as well as in consumer marketing. Nevertheless, the level of investments in branding activity must be customized, depending on the impact the product has on the buyer's profitability, the characteristics of the purchasing process, the level of buyer's expertise, the type of customers (transactional/relational) and the risk they perceive, high branding investments not being always the trigger for an increased brand equity.

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Table No.1

Matching brand identity with customer type (adaptation from Beverland and Napoli [2])

Buying situation	Customer type		
	Expert buyer/commodity buyer	Customized products and services buyer/relationship buyer	Strategic products buyer
Straight re-buying	Product	Product/services	
Modified re-buying	Product	Product/services/logistics	Logistics/adaptation/advice
New buy		Logistics	Logistics/adaptation/advice

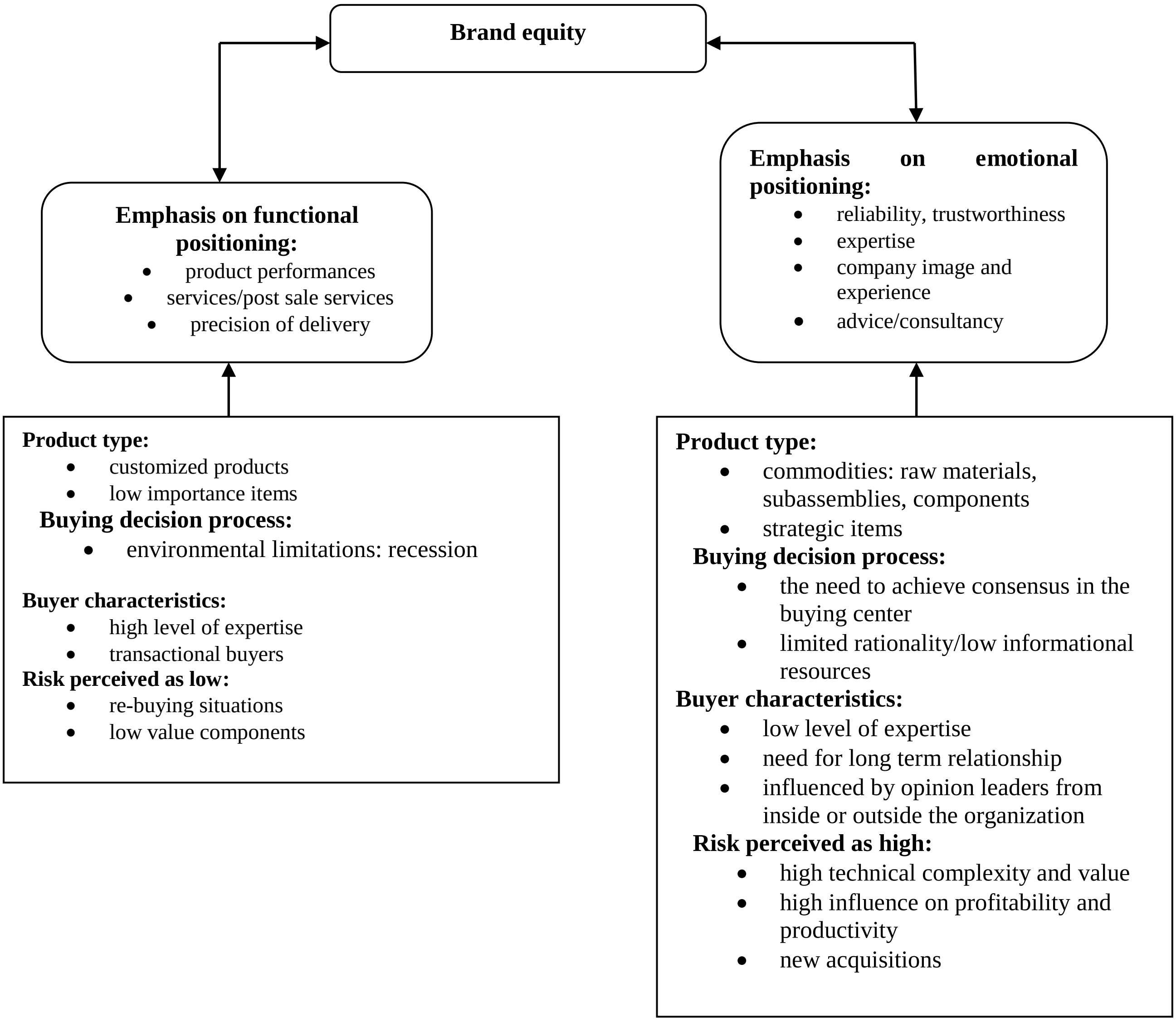

Figure 1. Model of industrial brand equity