

## CHAPTER 1

# Being Known or Being One of Many

*"It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts."*

Sir Arthur Conan Doyle (1859-1930), Sherlock Holmes

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. For these companies their brand represents a strong and enduring asset, 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.<sup>1</sup> 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 Electric, 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 they also operate in B2C segments, their main business operations are concentrated on B2B. Then why are so many B2B companies spurning their fortune?

Take for instance the *Boeing* company. 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.”<sup>2</sup> Since then US aerospace giant *Boeing* has come a long way. Nowadays, 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 headquarter from Seattle to Chicago has been devised with the *Boeing* brand in mind.<sup>3</sup> 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*.<sup>4</sup>

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 illu-

sion that a product or service is better than it really is.<sup>5</sup> There is an old saying among marketers: “Nothing kills a bad product faster than good advertising.”<sup>6</sup> 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:<sup>7</sup>

**“Branding is about taking something common and improving upon it in ways that make it more valuable and meaningful.”**

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.<sup>8</sup> They are an effective and compelling means to communicate the benefits and value a product or service can provide.<sup>9</sup> 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.<sup>10</sup>

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’ book *Good to Great*,<sup>11</sup> 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*’ new business-building brand cam-

paign 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”, the originating company. They facilitate the access to new markets by acting as ambassadors in a global economy.<sup>12</sup>

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.<sup>13</sup>

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 one 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 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:<sup>14</sup>

- 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 customer's minds based on past experiences, associations and future expectations.
- 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.<sup>15</sup>

Building, championing, supporting and protecting strong brands is everyone's job, starting with the CEO.<sup>16</sup> 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.<sup>17</sup> 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-run, and therefore require the sort of total organizational commitment which only the CEO can lead. Consider *Nucor*, America's largest steel producer today. In 1972, about 5 years after facing bankruptcy, F. Kenneth Iverson as President and Samuel Siegel, Vice President of Finance, renamed their 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 results by *BBDO Consulting Germany* 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 DAX companies. 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

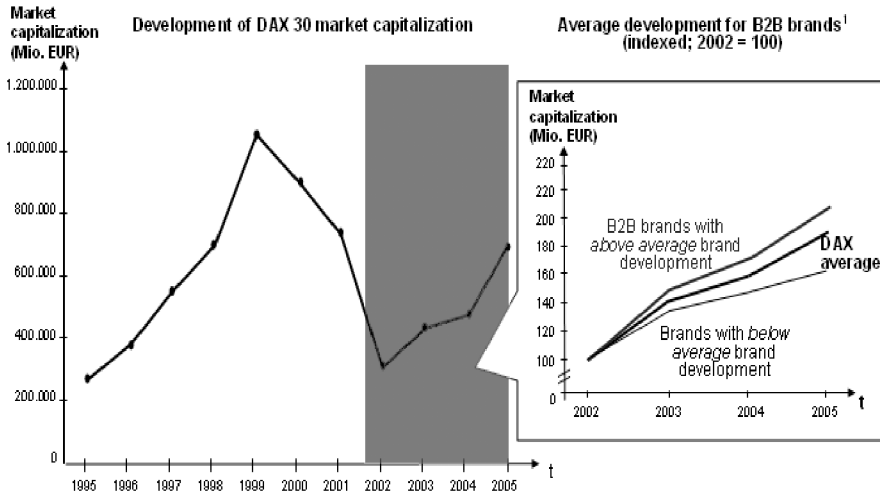


Fig. 1. Branding's effect on share price<sup>18</sup>

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.<sup>19</sup>

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.<sup>20</sup>

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)*, a German marketing research institute, 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:<sup>21</sup>

- Increase information efficiency
- Risk reduction
- 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.<sup>22</sup> The above mentioned brand functions are also vital to B2B markets. They will be discussed in connection with brand relevance in chapter 2.

We cannot guarantee that a business will realize immediate benefits after implementing an overall brand strategy. Since branding requires a certain amount of investment, it is more probable that it will see a decline in profits in the short run. Brand building is aimed to **create long-term non-tangible assets** and is not meant for boosting your short-term sales. Michael J. Critelli, CEO of *Pitney Bowes* is aware of this and plans to run the current re-branding efforts over a period of many years.

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 micro processing 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 competition. Today, *Intel* is a leader in semiconductor manufacturing and technology, supported and powered by their strong brand, an almost unbeatable competitive advantage.

Along with the Dot Com boom came companies that seemed to prove the opposite – they managed to establish strong and successful brands within a very short time. Many mistakenly saw the shooting star-like success of *Yahoo!* and *AOL* as a sign of enduring changes in marketing management and practices. Some even argued that this “is the new reality”. We maintain that they were just exceptions to the rule. Establishing brands does take time. There is no worse mistake one can make than to expect immediate and fast results from branding efforts. Brands are built over time.

It is also not our intention to claim that B2B branding is the answer to all your company’s problems. We are not trying to create just another management fad that is going to disappear in a few years. Just as there are limitations in the B2C branding world, limitations also exist in B2B. These restrictions will be identified and examined thoroughly in the following three chapters as we substantiate the importance of B2B brands accompanied by numerous examples from various industrial areas.

To lead you through this book we have created a **Guiding Principle** in chapter 4 that illustrates visually different stages on the branding ladder.<sup>23</sup> It can literally be seen as the path you have to follow in order to achieve brand success. You will see that there are many things you have to consider in order to successfully climb the ladder to 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. 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.

What would a book on **brand management** be without presenting a number of success stories showing the potential rewards of holistic branding efforts? Chapter 5 provides illustrative brand success stories. At the same time it is important to be realistic and acknowledge that there are many things that can go wrong – so be aware of branding pitfalls! Chapter 6 focuses on five pitfalls of branding. Finally, the future perspective will be dealt with in chapter 7. Key trends and developments related to B2B branding and branding in general will be discussed.

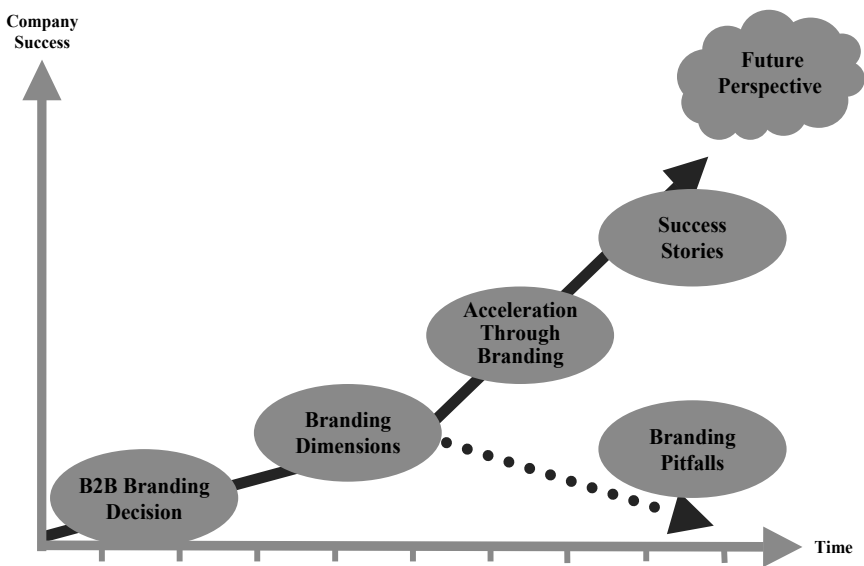


Fig. 2. Guiding principle (structure of the book)

**B2B Branding Decision** – First of all, we are going to bombard you with arguments and evidence that clearly highlight the importance and relevance of brands in B2B markets whether you already have brands or if you are looking for guidance with the decision to brand. Brands cannot be created over night. The decision to brand a product, line of products, or company needs to be based on evidence that brands do actually matter in the respective area. The environment for establishing and managing brands is complex and

dynamic. Brand management is challenging – whether you are in the consumer goods, services or industrial products sectors. Therefore, we will provide you with insights about actual brand relevance in your area.

**Branding Dimensions** – Since nothing can be done without knowing the fundamentals, this stage is to give you an understanding of the general branding dimensions especially aligned to cover the B2B area. Furthermore, we will point out factors that are necessary to accelerate the success of a company through branding efforts. As a foundation, you need to know the basics and understand what a holistic branding approach can accomplish if soundly realized.

**Acceleration Through Branding** – This is finally the “How to do it” chapter in this book. Here you will learn how to plan, create, implement, and manage your brand strategy. Moreover you will find examples of the first branding steps of other companies.

**Success Stories** – No book on branding is without success stories neither is this one. Without the living proof that branding efforts in B2B can be successful some business companies would probably never think of creating brands themselves. In this chapter we will provide you with some insights into strongly branded B2B companies from various industries. Although no company can be successful by imitating the brand management of another business it can gain valuable information and hints for their own brand. Important questions related to the point of differentiation, factors of success, and even similarities can be answered.

**Branding Pitfalls** – Branding in general is a delicate matter. Branding in B2B can be even more delicate if one doesn’t understand what it is all about. There are some general pitfalls generated by common misunderstandings related to branding. We deliberately dedicated a whole chapter to branding pitfalls in order to demonstrate the importance of taking careful and well considered actions related to brand management. Brands are just as fragile as they are profitable if well managed.

**Future Perspective** – In this chapter we will try to provide you with some outlook into the future. We will concentrate on depicting general implications rather than making specific predictions of the future. Future trends towards Corporate Social Responsibility and Design emphasis for instance are important developments that can change and redefine brand management of the future.

The essence of this book 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: 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 other sources 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.

## Summary

- **Branding is just as relevant in B2B** as it is in B2C. Brands like *Microsoft, IBM, Intel, Dell, SAP, Siemens, FedEx, Boeing* are vivid examples of the fact that some of the world's strongest brands do exist in B2B.
- Branding is not about stirring people into irrational buying decisions – it is rather an **effective and compelling means** to communicate the benefits and value a product or service can provide.
- Branding is about **taking something common and improving upon** it in ways that make it more valuable and meaningful.
- **Trusted brands act** as touchstones, offering orientation the flood of information, and many other benefits and advantages to buyers.
- **A brand is much more than a product**, a brand name, a logo, a symbol, a slogan, an ad, a jingle, a spokesperson; these are just tangible components of a brand – not the brand itself!

- “Brand” comprises various aspects. **A brand is a promise, the totality of perceptions** – everything you see, hear, read, know, feel, think, etc. – about a product, service, or business. It holds a distinctive position in customer’s minds based on past experiences, associations and future expectations. It is a short-cut of attributes, benefits, beliefs and values that differentiate, reduce complexity, and simplify the decision-making process.
- **Branding should always start at the top of a business.** Building, championing, supporting and protecting strong brands is everyone’s job, starting with the CEO.
- **Brands do pay off.** Companies with a strong brand can benefit tremendously from it. A vibrant brand and its implicit promise of quality can provide businesses with the power to command a premium price among customers and a premium stock price among investors; it can boost their earnings and cushion cyclical downturns.
- The most important brand functions in B2B are **increased information efficiency, risk reduction and value added/image benefit creation.**

## Notes

- <sup>1</sup> David A. Aaker and Erich Joachimsthaler, *Brand Leadership*, 2000, p. 22; Mia Pandey, “Is Branding Relevant to B2B?,” *brandchannel.com* (27 January 2003).
- <sup>2</sup> As quoted in Gerry Khermouch, Stanley Holmes and Moon Ihlwan, “The Best Global Brands,” *Business Week* (6 August 2001).
- <sup>3</sup> Gerry Khermouch, Stanley Holmes and Moon Ihlwan, “The Best Global Brands,” *Business Week* (6 August 2001).
- <sup>4</sup> Web site of *The Boeing Company*, Chicago, IL, cited August 2005.
- <sup>5</sup> Paul Hague and Peter Jackson, *The Power of Industrial Brands*, 1994.
- <sup>6</sup> Peter de Legge, “The Brand Version 2.0: Business-to-Business Brands in the Internet Age,” *Marketing Today*, 2002.
- <sup>7</sup> Scott Bedbury, *A New Brand World*, 2002, p. 14.

- <sup>8</sup> James C. Anderson and James A. Narus, *Business Market Management: Understanding, Creating, and Delivering Value*, p. 136.
- <sup>9</sup> Dan Morrison, "The Six Biggest Pitfalls in B-to-B Branding," *Business2Business Marketer* (July/August, 2001): p. 1.
- <sup>10</sup> Tom Blackett, *Trademarks*, 1998.
- <sup>11</sup> Jim Collins, *Good to Great. Why Some Companies Make the Leap and Others Don't*, 2001.
- <sup>12</sup> Gerry Khermouch, Stanley Holmes and Moon Ihlwan, "The Best Global Brands," *Business Week* (6 August 2001).
- <sup>13</sup> Mia Pandey, "Is Branding Relevant to B2B?," *brandchannel.com* (27 January 2003).
- <sup>14</sup> Michael Dunn, Scott M. Davis, "Creating the Brand-Driven Business: It's the CEO Who Must Lead the Way," in *Handbook of Business Strategy* (Vol. 5 No. 1, 2004), pp. 241-245; Duane E. Knapp, *The Brand Mindset*, 2000, p. 7.
- <sup>15</sup> David A. Aaker and Erich Joachimsthaler, *Brand Leadership*, 2000, p. 8.
- <sup>16</sup> Scott Bedbury, *A New Brand World*, 2002, p. Intro.
- <sup>17</sup> David A. Aaker and Erich Joachimsthaler, *Brand Leadership*, 2000, p. 9.
- <sup>18</sup> Source: *BBDO Consulting Analysis* 2005 – reprinted with permission.
- <sup>19</sup> Gerry Khermouch, Stanley Holmes and Moon Ihlwan, "The Best Global Brands," *Business Week* (6 August 2001).
- <sup>20</sup> Rita Clifton and John Simmons, *Brands and Branding*, 2003, p. 5.
- <sup>21</sup> Mirko Caspar, Achim Hecker, and Tatjana Sabel, "Markenrelevanz in der Unternehmensfuehrung – Messung, Erklarung und empirische Befunde fuer B2B-Maerkte," 2002, p. 13.
- <sup>22</sup> Ibid.
- <sup>23</sup> We understand the Guiding Principle as the leading idea and guiding help to follow our thinking and the structure of the chapters.



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