



# Branding in Business-to-Business Markets

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## WHAT DOES THE TERM BRAND MEAN IN INDUSTRIAL MARKETS?

A brand is so named following the distinctive ownership mark left by a scorching hot iron on the rump of cattle. It wasn't long before companies saw the opportunities for using similar kinds of marks to make their own products instantly recognisable to their target audiences. The logo was born.

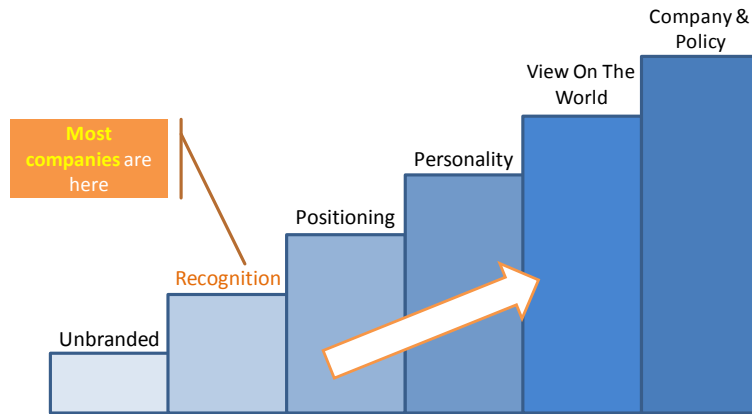
A brand has grown to mean much more than a logo. Branding begins with the consistency of presentation that becomes the identity of a company. Beyond this it represents a consistent value system that a company presents to the world and that is seen to be that company's way of doing things. On this branding ladder, the challenge is to move beyond the graphic symbols and metaphors to get to the more difficult cultural uniformity that customers and potential customers recognise and value.

A good test of branding uniformity is to collect business cards from everyone in a company and lay them on the table. Do the same thing with all pieces of stationery including compliment slips, letterheads and labels. Put all the company's adverts and sales literature on the table. What is the uniformity in layout and presentation? What variable images do they communicate? Do the presentations look messy and all over the place? The enemy of branding is the well meaning person within a company who believes that their concept of a design, image or brand is superior to all others. Within all of us there is a desire to fiddle with brands and layouts and so potentially, everyone is a branding terrorist. Whenever you see a good and strong brand you can be sure that behind it there will be a brand champion who is prepared to be unpopular if necessary in enforcing the branding rules of that company.

The starting point of a brand strategy is to work out what the company stands for. What is the single most important value that the company presents to the world? Think of it this way – if the company's back is to the wall, how would it react to a demanding customer? And, now think through every contact with the outside world and question whether or not it presents these values. What does it sound like when the phone is answered? What consistency of messages comes from the appearance of the sales and technical team? Do the cars that people drive when they visit customers, do their clothes and do the words that come from their mouths correspond with the values of the company? Does the response that a company makes to a customer or potential customer fit with the position it thinks it holds. These are the acid tests that a company needs to apply to determine where it sits on the branding ladder.



**Figure 1 - Where Do You Sit On The Branding Ladder?**



To finish this question about branding definition, we should consider for a minute the difference between a product and a brand. The two often get confused with many an industrial company giving names to their products, believing that these are brands that are recognised by the market. However, a product is only a brand if people think of imagery and associations when they think of that product. Most so called industrial brands are just labels for products which could just as easily be referred to by a generic description or a number or any other such code for the purpose of ordering.

It would be easy to generalise and to say that in most circumstances there are few real opportunities for product brands in industrial companies. The small and specialised nature of most industrial companies' markets means that they cannot support the cost and attention required for a number of such sub brands. Indeed, every brand promoted by a company needs strong promotional support and expense. The proliferation of brands end up either doing nothing useful (the more usual case) or sucking the blood from the corporate brand (less usual because brands are created on a whim and then not supported). In most cases, the corporate brand is the only one that really matters – e.g. Dow acrylic monomers or Lafarge plasterboard; the emphasis being on the corporate names of Dow or Lafarge. Such is the confusion about branding that most companies have a plethora of so called brands that do not pass the following test:

**Figure 2 - When Is A Product A Brand?**

A Brand Is...	A Product Is...
<ul style="list-style-type: none"> <li>• <i>Something customers ask for by name</i></li> <li>• <i>The name people use when talking about the product to someone else</i></li> <li>• <i>When people think of the brand rather than the product</i></li> <li>• <i>Something which has developed a personality beyond the product</i></li> <li>• <i>Something people would pay a premium for under that and no other name</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>A convenient locator in a product range</i></li> <li>• <i>Something which could just as easily be ordered by description</i></li> <li>• <i>A level which could be changed without any loss of loyalty to the customer</i></li> <li>• <i>A label which customers have to look up and don't really care about</i></li> </ul>



It bears repeating: in most business-to-business markets, the brand of any value is most often the name of the company itself and the product labels that try to pass as brands could just as easily be numbers or codes. The company name is the brand that customers think of. It is the brand that has a value. And more worryingly, it is the brand that is allowed to grow without direction, without support and without any recognition of its importance to the company.

## **WHY SHOULD WE BE INTERESTED IN BRANDING IN INDUSTRIAL AND BUSINESS-TO-BUSINESS MARKETS?**

You and I know of two companies whose products are virtually indistinguishable. In fact, the two companies compete in a large market in which there are dozens of competitors. However the two companies regularly obtain a 30% premium on their competitors.

This is because Coca-Cola and Pepsi-Cola have persuaded us that the phosphoric acid, the H<sub>2</sub>O, flavourings, colourings, sugar and what ever else they throw into the dark sticky brew is better than that mixed by others and indeed better than simple H<sub>2</sub>O itself.

So, if branding works for Coca-Cola, will it work for a manufacturer of industrial hose or a company pressing metal pieces? Of course! Branding is already working for industrial companies, but not with the efficiency it could. Many industrial companies have customers they have supplied for years. These loyal customers buy trust, they have friendships and are affected by any number of other intangibles that have a value as well as the functional properties of the product. Very few industrial buyers will change their supplier if an unknown somebody or other knocks on their door offering the same goods for 10% less.

## **WHAT EFFECT DOES A BRAND HAVE ON MOST INDUSTRIAL BUYING DECISIONS?**

There is no question that the essence of marketing is having the right product in the right place at the right price. Good marketing will ensure that customers and potential customers are aware of the product and, indeed, have been persuaded to want it to the exclusion of all others.

But, this simplistic view begs the question, “what makes someone want a product (or service) to the exclusion of all others?”. We would be naïve in believing that people drink Coke to quench their thirst or drive a Mercedes because it offers best value for money. Coke may be thirst quenching but so is water. Mercedes cars are good value but a second hand Ford could be even better value. Something else is going on.

These examples are taken from consumer products and our interest is in industrial markets. Let us consider for a minute someone who buys lubricants to go in the sump of a packaging machine. Can they really be influenced by the brand? When they are asked in a typical market research survey why they choose a certain supplier, they rationalise their decision with all the usual “hard” or tangible factors. They say it’s the performance of the product, its price, the availability, the guarantee etc. If this is true, how is it possible that most buyers of lubrication oils stay loyal to the brand they use for years and years? One reason could be inertia – like it isn’t worth the effort to change. Another could be trust in the product – like



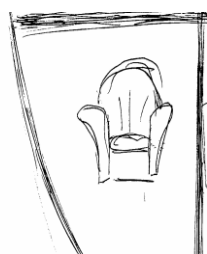
the present one works and another one may not? So why change if the price of the product in the context of all other purchases is so minimal? In other words, when you dig below the surface, the reasons for choosing a brand of lubrication oil may be something beyond the price, product and availability that were mentioned at first pass. This suggests that brands have a much greater influence than is initially acknowledged.

## HOW DO YOU MEASURE THE VALUE OF A BRAND IN INDUSTRIAL MARKETS?

If we are to attach a value to a brand, we need to know what the values are that are seen in that brand. The brand name and its associations are a shorthand for everything that is on offer. The product quality, the reliability of delivery, the value for money, are all wrapped up in people's perceptions of that brand. This means that when people say that a Mercedes offers good value for money, they really believe that this is the case and don't want or need to confuse the situation by weighing up the many alternatives that could be equal or better value. So too, someone buying a Shell lubricant is synthesising their decision to the point that they can think only Shell and worry no more.

Market researchers try to get beyond the obvious values attached to a brand by using projective questions in which the respondent is asked to think of a scenario outside or beyond the direct and obvious. Word associations using Freudian psychology are used to tease out simple brand values. Another favourite is to ask respondents to make an association between the brand and a car or the brand and an animal. Such associations can be pushed further by asking what music a brand would listen to, where the brand would go on holiday, what job it would do. In a recent study which tested the brand values attached to a university, people were asked to sketch something that represented how they saw that University. There were many portrayals but most suggested warmth, comfort and security as represented by the three following examples of the armchair, the foetus and the home. Simply asking the question "what does the name of this university mean to you?" would not have flushed out the same depth of answer.

Figure 3 - Psycho Drawing As An Aid To Understanding A University's Brand Values

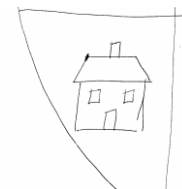


### The Armchair

- Comfortable
- Soft
- Cosy

### The Foetus

- Developing
- Yet to be fully shaped
- Embryonic Stages



### The House

- Homely
- Friendly
- Welcoming



Working out what people associate with a brand is only one part of the equation. It is necessary to go a step further and put a monetary figure on those brand values. In consumer markets there are many sophisticated attempts to get at these values because to do so enables the owner of the brand to include the figure on the balance sheet. This is more difficult in industrial markets because the principal brand is the name of the company itself and one measure of this value is the premium that someone will pay for the company beyond the tangible assets and beyond the “typical” price earnings multiple in that sector. The complications arise when the premium is partly due to the brand and partly due to patents or a charismatic CEO or some other intangible but valuable issue.

## HOW CAN COMPANIES BE POSITIONED TO ACHIEVE A SUSTAINABLE COMPETITIVE ADVANTAGE FROM THEIR BRAND NAMES?

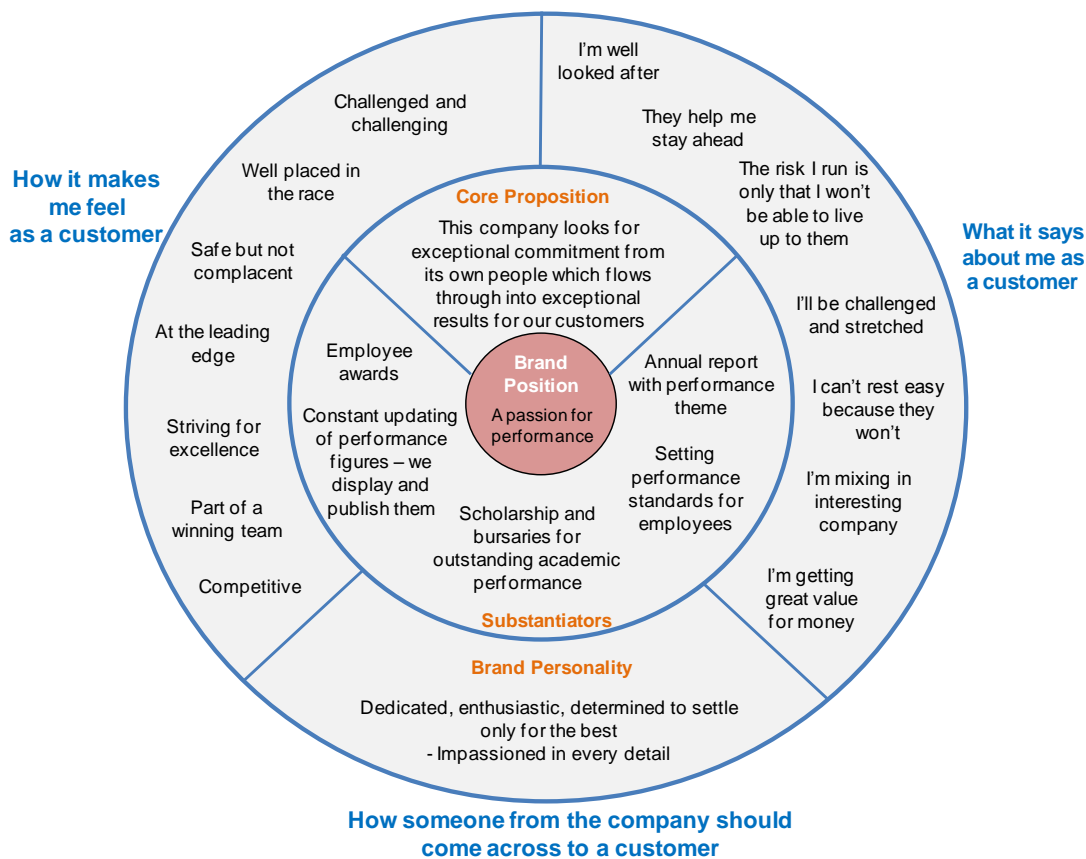
Take three brands of computer – Dell, Sony and IBM - each does the same thing. However, prospective buyers may see one standing for flexibility, another for innovation and yet another for quality. All of them possess all three values but the high ground for each value is owned by just one of the companies. This provides them with the opportunity for gaining a competitive advantage. Three different trucks, three different packaging machines, three different brands of polyurethane. In each case the brand will be seen to be different and therefore it could form the centre piece of a differentiating opportunity.

This is almost self evident and yet so few industrial companies have strategic plans for managing their company brand. Returning to one of the first issues we discussed in this white paper, most industrial companies are low on the branding ladder, struggling to ensure a common template for its stationery and adverts, let alone having a brand essence that is reflected in every thing that the company does.

This is not always easy. Inside the company some people will suggest values or a position that is aspirational while others will want something that is more reflective of the here and now. Some will want a complicated essence while others will try to find simplicity. Some will be happy to run with internal opinion while others will insist on an independent view. A company that gets this wrong will lose its single most important differentiating opportunity.

In arriving at the brand essence of a company, it may be helpful to use a “bull’s eye” tool. This sets the brand essence in the context of what customers say and think about a supplier, what evidence there is that the essence is being delivered and the personality of the company. The diagram below shows a worked example.

Figure 4 - A Bull's Eye Tool For Arriving At A Company Brand Essence



In a world where everything increasingly looks the same, brands are one of the few opportunities for making a difference. When industrial companies benefit from branding, it is often by accident rather than design. However, with a little extra effort and cost, the effect could be much improved loyalty and greater profitability. Let's imagine that the effect of the brand could be separated out from the utility of an industrial product, we could find that it accounts for only around 5% of the influence to select a supplier. Now let's also imagine that with a little bit of pushing, shoving and promotional effort the brand could be more precisely positioned. With this positioning, the influence of the brand on the selection of the supplier would surely be increased. Assuming this repositioning of the brand resulted in raising the brand influence by a modest 2% points to 7%, this would enable the supplier to achieve an increase in price or, if the price remains the same, a larger market share. This has got to be worthwhile.

Some companies have been highly successful in this mission. RS Components, suppliers of thousands of electronic, electrical and mechanical products from its CD-ROMs, catalogues and web site obtains a high premium for products because it offers one stop shopping with unfailing delivery to your door in the morning post. Dow Chemical has built a brand with a reputation for high technology and a low cost to serve in a wide range of plastics. Eddie Stobart used to operate an ordinary trucking company until he ensured that the reliability of his operation is always supported by clean trucks and smart drivers. His drivers green shirts and their mandatory ties have become hallmarks of the brand which justifies a substantial premium over Joe Soap Transport.



Branding is certainly not the holy grail. It is not the be all and end all of a successful business. Branding is just one aspect of marketing. But if a company gets its branding right, the likelihood is that all the other parts of the marketing mix will fall into place. Branding sits at the core of a company's philosophy because a company's brand is what that company is.



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