CHAPTER 5

THE ROLE OF BRANDS IN INDUSTRIAL MARKETING

In the preceding chapters we have discussed the concept of brands and branding. We now show some of the ways that branding can be effectively used in industrial marketing. Some of these themes are also developed in later chapters.

Creating trust, confidence and comfort through branding

Every time a buyer needs letterheads printing again, every time the stocks of machine oil require replenishing, every time a courier is needed to deliver a package, the buyer does not ask three companies for quotes – more often than not he goes straight to his usual source. The buyer has learned to trust his regular suppliers. They knows their prices, they have compared them to others in the past and found them to be competitive; they know that they perform as they promise and others may not. Inertia takes over.

As trust builds, the relationship between the buyer and supplier moves into a partnership which recognises that the goals of both organisations can best be met by working together. It is of course essential for the supplier never to abuse the close relationship. If there is ever evidence that this is the case, the trust which has taken so long to build can be immediately destroyed.

In the same way as friendships are built, first by acquaintance and then by greater familiarisation, so too a well-known brand becomes a friend. Have you ever been in foreign parts and passed a branch of a supplier you use back home? You feel as if you could pop in and get help if needed. You even feel as if you *want* to pop in and tell them about yourself.

When a strong relationship exists between two companies, it is at all levels. The buyer knows the sales team because they speak regularly. The switchboard operator knows the names and voices of the customer when they phone. The production personnel and technical teams are in touch with each other. The delivery people know the warehouse people and so on. The feeling of comfort with the brand is underpinned by friendships with the supplier's personnel.

Deep seated confidence takes time to build. It is based on repeated use and the assurance which comes from not being let down. It would be unrealistic to expect this confidence to exist just because a few orders have been placed and successfully delivered.

There is, therefore, a staircase of branding which begins with a bottom step at which there is simple recognition and awareness of a company and possibly its logo. As we go up the staircase, the next level is a more informed opinion of the supplier, perhaps arising from things which been read or seen or picked up over time. As we climb still further, we arrive at the next level which is one of experience, achieved following use of the product or possibly from anecdotal comment given by other people about their experiences using the product. As we get to higher levels of the staircase we reach a point where the relationship between buyer and supplier is extremely strong, satisfaction is high and there is a high likelihood that there is a favoured status given to that supplier. The very highest level on the staircase is one of advocacy in which the buyer not only stays loyal to the supplier but strongly encourages other companies to use it, telling people about its strengths and acting as a powerful endorsement. At each level of the staircase branding plays a role ranging from simple awareness on the bottom step to strong advocacy and loyalty at the top.

Brands versus personalised business

An old adage is “sell yourself first, then your company, then your product”. This has its advantages as there is nothing like personal relationships for creating bonds but it has its dangers, especially where personal relationships are the basis of the business.

Bill Atkinson, the manger of a road haulage operation in Derby operated a fleet of Volvo trucks and was asked why he chose this particular make. He reflected for while and then replied "I don't buy Volvo, I buy the dealer." As great as Volvo trucks are, the dealer had done a better job at selling himself. It was the dealer who got up from his Christmas dinner to drop off an urgent part and it was the dealer who drove miles on a dark winter evening to get a truck moving. It was the dealer with whom Bill Atkinson spoke every day and it was the dealer who became his friend. The relationship was such that if the dealer changed his franchise, Bill Atkinson may well have thought about changing his allegiance to Volvo. In this case, the brand had been overshadowed and the business had been left vulnerable to any changes in the dealership.

Many industrial companies recognize that their customers value personal relationships and as a result put 90% of their resources behind their sales force. There is no denying that the sales force plays a vital role in business to business marketing, but there are many other values that could be developed and built into a brand. For example, a supplier of photocopiers could concentrate its marketing efforts only on the sales force but in so doing it would put its business at risk if a salesperson leaves or is promoted. However, if the photocopy supplier takes the time and trouble to reinforce its brand by reminding the customer of its many services, the gap left by a salesperson will not be such a large one to fill. The technical support is still there, there is trust that invoicing will remain accurate and if there are any problems, a swift resolution will be received. The thesis of this book is to suggest that by setting out to build a brand based on many values, and by having a vision for the brand that makes sure the right values are communicated, changing a salesperson will never threaten an account. The brand will be much bigger and stronger than just the relationship between buyer and supplier.

Brands give promotions a focus

Daiwoo, the Korean conglomerate, began to make its presence felt in Britain in the 1980s. It had a peculiar name, one which no one had heard of and were unsure how to pronounce. It also had diverse business interests from finance to vehicles. It began its campaign with a series of adverts using the line "Daiwoo - who?". The first adverts featured mainly the brand but gave some clues on the pronunciation of the name through alliterative headlines. Only when the name was firmly lodged in people's minds did the campaign progress to communicating the complex details on the company. The company avoided the temptation to put too much information into its early adverts as this would have left the reader with information indigestion. The more measured way required patience but it established the brand firmly in people's minds at the start.

Brands are at the heart of advertising campaigns as it is the objective of most promotion to persuade people to ask for a specific brand and accept no substitute. Of course, focusing on the brand without giving people a reason to buy it is not enough but the building of brand awareness and maintaining the brand's position in people's minds should always be an important goal of any promotion.

A brand acts as an anchor, reminding people what the company does and what it stands for. Sometimes the anchor can be given a stronger hold if the brand is linked to a strap line - a sort of mission statement explaining the brand. These mission statements have a long life if they resonate. "You can be sure of Shell" from Shell Oil. "The ultimate driving machine" from BMW, "No FT, no comment" from the Financial Times, "Let your fingers do the walking" from the Yellow Pages.

Brands encourage buying

Most products and services in business to business markets are bought out of necessity – they are not bought for personal aggrandisement. However, necessity is not something that is always obvious; there are sometimes gaps in markets, pools of demand which have not been tapped. There are un-met needs. Marketing is concerned with spotting these opportunities and branding is the means by which they are made more tangible.

Strong branding can be a spur to buying, even if the product is as mundane as electric motors, compressors or metal pressings. The buyer may not buy more than is necessary for why should he? However, he could be motivated to place most of his available business with a supplier that he likes. As vendor rationalisation takes place throughout industry, it will be companies with the strongest brand identities which become stronger and they will win the larger contracts. A company doesn't necessarily have to be big to win the biggest contract, but it does have to have a big brand, one that carries the values that allows the buyer not to worry about having all his eggs in that one basket.

Brands give status

In consumer markets, branding is very often synonymous with status marketing. Luxury brands create a desire to own and a strong motive to buy, so strong they can command large premiums over and beyond their intrinsic worth. In industrial markets there are corporate events at Henley, Ascot and Wimbledon which confer a status on the companies which carry out the entertaining. Here it is the location itself that has the brand status but this is communicated to the company offering the corporate hospitality. Motorola wasted no time signing 17 year old Maria Sharapova, the hottest property in women's tennis after she hit the headlines for calling her mum from Centre Court using a borrowed Nokia. The banks are generous sponsors of the arts, tapping into the goodwill of well heeled directors of companies who are frequent patrons of theatres and art galleries.

Strongly branded companies carry far more credibility than those which are unknown. It is no surprise therefore that just four audit companies, PwC, KPMG, Ernst & Young and Deloitte, audit all but one of the FTSE 100 companies and more than 95 per cent of Britain's 350 largest firms.

A strong brand can imply that the buyer is discerning. For example, a small company may employ one of the first division accountancy practices to gain esteem and respect amongst the business community. The facilities and overheads of the large accountancy practice may be way beyond the needs of the company but the premium which must be paid for choosing it is justified by the status which is attached. Companies seeking a public quotation on the stock exchange choose well known advisors as much for the confidence their names bring to the floatation as for their advice.

Brands may be communicated by printing the logo on a gift such as a diary, calendar or ashtray. These gifts, emblazoned with company logos, find their way into employees' offices and homes on memory sticks, cork-screws, stress balls and mugs. They become unpaid billboards. Outdoor jackets are worn with the logo on the breast or sleeve. Umbrellas are raised with company names emblazoned across them. The T shirts given to the 35,000 entrants of the London marathon promote the name of Flora. It has become fashionable for people to identify with brands and, in so doing a sense of commitment is created.

Industrial brands are also worn by people as symbol of their commitment to their own companies. Employees wear uniforms featuring the brand name and logo and, if the brand has any value, they are proud to do so. The employee may be inspired to act differently and `raise their game' just because they are wearing a uniform. Representatives occasionally have decals of the brand on their company cars and almost always company transport fleets are decked out with a branded livery.

However, the status of brands can only be used up to a point. It used to be said that "nobody ever got sacked for buying IBM". This may have been true, but where did it get IBM. Their brand may have been strong but it wasn't strong enough to stop them being driven out of the PC market by new and up-and-coming brands that stood for better value for money.

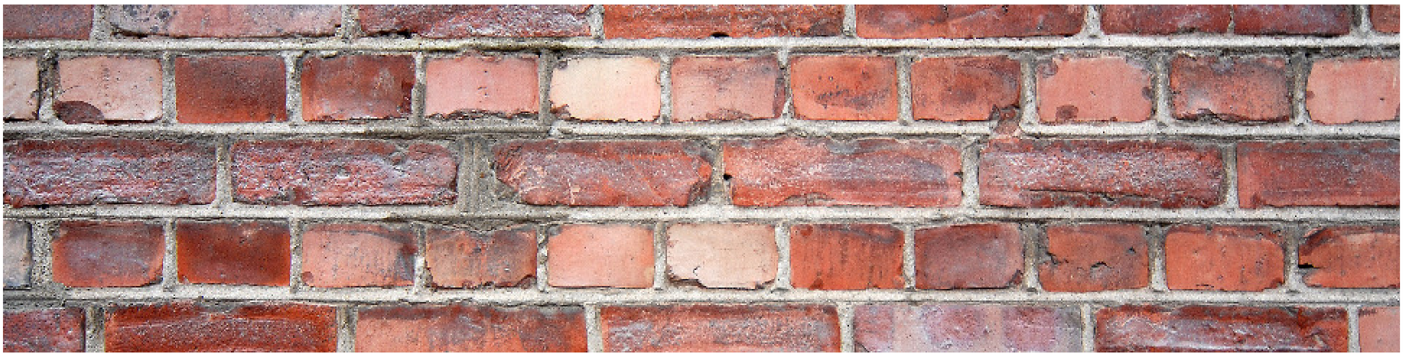
Also there are some brands which have a negative status association. Lada cars have been the butt of many a cruel joke which has devalued the brand. Skoda has worked on its image with the slogan "It's a Skoda. Honest." emphasising the quality of the car and poking fun at the brand values it has left behind. Whether we like it or not, perceptions and prejudices exist in relation to countries, companies and products. Such is the power of these associations, that they will attach themselves to products or services as if by some magnetic pull. It is the responsibility of the marketer to make sure that the associations are managed and directed so that they align with the value that is being sought for the product rather than finding its own ground. A brand that is left to drift will find its way somewhere and that may not be a place that does it justice.

Brands make it easy to buy

A brand which is well known is easy for a buyer to find. They jump off the page. A company that has achieved the position of favoured supplier may be put on a buyer's auto-dial so that the favoured company is always the one which is called and no others get a look in.

The buyer's perception of the brand is reinforced by the way he is treated. If the buyer's voice is recognised by the receptionist, it is a complement to his importance. If his buying requirements are known, there will be no explaining as to what is required, perhaps no paperwork to fill in. If there is a system or serial code for the product, the buyer will know it and this makes the ordering process smooth and uncomplicated.

All this is under threat if the buyer considers switching to another brand. He is not recognised over the phone and has to spell his name. The person at the other end of the phone, we must assume, will be extremely enthusiastic about the prospect of a sale and is likely to be immensely accommodating. However, this is a new customer and there could be some tough talking and initial screw ups before the supply is on an even keel. This time, hassle and risk means that for many buyers, switching to another supplier is not necessarily an easy option. In many business to business markets, once a brand is established with a buyer, another company will only be able to oust it by making a much more attractive offer or if the incumbent company does something very wrong.



Brands block out all others

We have argued in an earlier chapter that people hold only a limited number of brands on the shelf space of their minds. This means that once a brand occupies a slot, it acts to keep others out. Brands occupy more than a slot in the mind, they also take up space on distributors' shelves. Wholesalers and distributors of industrial goods have to achieve a balance between holding an adequate range of brands to keep customers happy and at the same time ensuring their own inventories are in check. Typically they will carry a couple of the market leaders' products and possibly a `fighting brand' for those customers who will not pay the premium. Once the wholesaler has made the decision which brands to stock, he will be loath to change. Defaults on the part of one of the established suppliers may open an opportunity for another brand to move in but a company hoping to break into the account could wait a long time if the incumbents never make a mistake. The most positive thing a would-be supplier could do to win entry to an established distribution network would be to try to pull demand through by creating such a strong brand that people repeatedly ask wholesalers for it. This can be an expensive task.

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 energy to receive five calls per week from suppliers who are full of promises about how they can offer better service and cheaper prices for gas or electricity. Each of the would-be suppliers is presenting its best case in an attempt to win custom 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 mean that his existing suppliers have to keep in line with the competition. A new supplier may make an extra effort to begin with, perhaps a gesture on price or a special endeavour when it comes to service, but will they sustain it? There will still be another five people knocking on his door next week saying that they can do better and he has neither the time nor the inclination to constantly be reviewing his suppliers.

Brands make buying safe

Market leaders in every field have an advantage in that they can be assumed to offer good products; otherwise they wouldn't be market leaders. All those other people who have placed their faith in the company have acted as the proving ground and taken the risk out of the decision. A market leader's products usually carry a premium but this is a small price to pay for safety. The higher price can be offset against the saving in time and money which would otherwise be spent looking around at the alternatives.

If you are unsure about which product to buy, surely you can’t go far wrong making the same choice as a million other people. There is an assumption that leading brands have withstood the scrutiny of many buyers and as such are probably a safe buy. Remember what we said, in the early days of computers it was thought that you would never get sacked for buying IBM.

Using brands for joint ventures and licensing

If a company has technology which it seeks to sell, a strong brand will help it find and secure licensees. A brand with a high level of awareness and a good reputation carries an image which `warms' the potential licensees even before negotiations have begun. A well known brand communicates important messages about the company in shorthand without the necessity to make a strong justification for the licence. Companies only feel comfortable creating joint ventures or taking licences from companies with strong brands.

Dow Chemical and Corning Glass recognised that the value of their independent technologies in silicone which lead to the creation of Dow Corning, a silicone specialist leveraging the established brands of its parents. Much of the profits from Pilkington, the glass manufacturer, comes from its world-wide licence revenues. Pilkington was helped in marketing its technology by its strong brand name in the UK and it has enabled it to access international markets with a minimum of capital expenditure or risk.

Using brands for pulling demand downstream

In the first chapter of this book we saw how industrial companies sit somewhere in a chain of demand which is determined by purchasing decisions downstream. It is the hope and wish of every industrial marketing manager that someone downstream will insist on his brand. Intel exploited the significant role played by its microchips with its Intel inside campaign. Experienced walkers know the value of W L Gore's breathable Goretex fabric which is often considered more important to the final customer than the company which actually fabricated the garment. However, to achieve this pull through, the co-brand must contribute to at least 15%-20% of the value of the product in the customers' mind. In truth there aren't many components that can make this claim.

Summary of Chapter 5

Brands create trust and confidence in industrial market and have come to symbolise a strong and on-going relationship between customers and suppliers. In the long term, branding is a far better approach than building business just on personal relationships.

Brands provide a focus for promotion and help build continuity. Effective branding encourages buying; either choosing one supplier over its competitors or stimulating interest and demand for novel products. Branding can also stimulate demand downstream and encourage final buyers to specify products that contain branded components.

Many consumer brands communicate status. Status is seldom a driver in the selection of brands in industrial markets but there is a strong propensity to go with the flow and choose the brand that is market leader.

Branding is an effective competitive strategy in industrial markets. A strong brand blocks out competitive penetration.