Brand Management in Business to Business Markets
- Particularities of Business to Business Markets, Branding and Brand Equity -

Lecturer Andrei BUIGA PhD
Assistant Raluca DRAGOESCU PhD Student
„ARTIFEX” University of Bucharest
Assistant Teacher Zoica NICOLA
Universitatea ARTIFEX din București
zoicanicola@yahoo.com

Abstract
Brands are often thought to be the preserve of consumer markets, but even for commodity products where products are apparently purchased on price, brands have a value in business markets too. In business markets purchasers are often buying the quality of supply rather than just the product itself and often pass on the quality of component brands as evidence of quality to their own customers. Establishing a brand and reputation for quality of delivery is an essential part of successful business to business marketing.

Key words: brand, branding, management, business to business

JEL Classification: M21, M31

Particularities of Business-to-Business Markets
Business and consumer markets have a great deal of similarities. In the end both types of markets try to create a profitable relationship with its customers by creating exceptional customer value. The B2B market is just the one that operates in the shadows and is not visible to a normal consumer. For example B2B organizations provide the raw-material for another organization that uses this material to create some product and then sells that forward again. It is a long process before the actual consumer gets his hands on it if it is a consumer oriented product. But the markets have also differences; structure, demand, buying unit and decision process. [Kotler & Armstrong, 2010]

Business buyers are most significantly affected by the current and future financial perspectives, demand and cost of money. However supplier’s offers are often quite similar and in such case there is no more usage for rational decision making because all of the suppliers fulfill the needs of the organization. Thus,
emotional buying decisions become part of the buying decision process. [Kotler & Armstrong 2010]

Now as the nature of the market is known the next part of this study explains the theoretical terms, brand and brand equity in B2B context.

**Branding and Brand Equity**

Business markets are all about providing good products and services to keep the competitive edge in the rapidly evolving market; the brand can help in this. There are three main factors that make B2B branding crucial for surviving in the market. [Kotler & Pfoertsch 2006] These three factors are explained in the following three paragraphs to give a clear image why branding is useful. The amount of suppliers for B2B buyers has increased rapidly during the last decade. The buyer has to select from a vast selection of similar products or services. The previous chapter explained that in situation like this the buying centers turn often emotional and the decisions are not anymore only rational. The buyer might feel another brand more trustworthy and select it over another brand. [Kotler & Pfoertsch 2006]

The trend is nowadays to provide packaged solutions for the customers. The purpose of this is to fulfill all the needs that customer has concerning a certain matter and not just to provide a product or service to fix a small part of the problem. More complex the products or services are it often means that the information happens to be like-wise [Protopopescu & Gresoi, 2012]. For example the brochures send to companies goes to everyone included to the buying center and the brochures include all the technical aspects of the product or service. All the participants are not interested in every small detail of the provided solution and therefore they face an overflow of information. Brands can help, in this complex environment, to clarify the range of products and services that are hard to identify and understand. [Kotler & Pfoertsch 2006]

Growing competition has affected also the pricing of products and services. Corporations try to sell their offering for cheaper price than the competitor. But is this efficient way to do business by continuous price competition? Strong brands provide corporations possibility to charge price premium from their customers and this way compete in the market with the brand. [Kotler & Pfoertsch]. These theories have shown that the markets have changed during time and there is a need for more deep information and this should be delivered to customers in a clear format. The following two chapters explain how brand can be used to meet the needs of the market. Studies show that the most important functions for a B2B brand are increased information efficiency, risk reduction and creation of added value or image benefit. These three points are similar compared to the three factors presented earlier in this chapter and it can be seen that brands are the most efficient tool to encounter them. [Kotler & Pfoertsch]

The factors presented above can be summarized into two important functions for B2B brands: Risk reduction and instrument of pride. Risk reduction means a way for the company to provide more secure option via quality parts in its product. As the brand is known to have high quality it is not as risky to be used as a
part of company’s own product. It is a chain of quality from the early beginning to the end of finalized product. Instrument of pride means that the brand’s product or service is selected because it is professional’s choice. This depends on how the brand is created and communicated to the market. Instrument of pride provides to the professionals more pride from using this product. [Kapferer 2008] A good example of instrument of pride is how Apple’s computers and handheld devices have become to a trademark of web designer and similar trendy jobs. The Introduction part of this study presented a short definition of the term brand equity. The following paragraphs will explain this term and its meaning for the brand to a greater detail. This part explains what brand equity is, where it comes from and what its benefits are.

Every brand has equity, it can be positive or negative or in other words it can be added or subtracted value to or from company’s products and services. The equity is affected by how the consumers feel and respect the brand [Nastase, 2012]. Market conditions have an effect to the brand equity by the means of price, market share and profitability. These factors all together define if the brand is strong or weak. [Kotler et al. 2009]

David A. Aaker lists four different asset categories concerning customer [Aaker 2002: 8]:

- Brand name awareness
- Brand loyalty
- Perceived quality
- Brand associations

Kevin Lane Keller points out that the source of brand equity is following [2008]:

Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favorable, and unique brand association in memory. The brand awareness defines if the customer recognizes the brand or not. Can the customer recall the brand on the moment of purchase or not? It can be created or managed by continuous exposure to brand. Brand awareness has several advantages but basically it could be said that the awareness is crucial as it makes your brand to be learned and kept in mind of a consumer. It obviously affects to every purchasing process if it is well known it will pop-up to the mind of customers among the first brands. This can be vital if a customer is looking for a product and contacts a supplier. [Keller 2008]

Brand loyalty is not always thought as a part of brand equity but it is a part of it. A company that has loyal customers can more easily achieve lower marketing costs compared to another company but the loyal customers should not be though as a self-evidence. The relationship should be kept ongoing and developed all the time. Another parts of the brand equity can help to achieve more loyal customers but it can be pushed forward by customer loyalty programs, clubs or by effective database marketing. [Aaker 2002]. Perceived quality means the quality of organization’s product or service has. It has a major effect on the customer
satisfaction and has - as a single factor - most effect to an organization’s return on investment. It has been studied that perceived quality affects the stock return of a company and therefore it is not a big surprise that it is the goal of many quality management methods. Perceived quality is important for companies which have corporate brands that represent all of the company’s products. The quality of product or service can be managed by numerous ways but the most important thing to remember when managing the quality is that it should not be done for the sake of the organization but for the sake of the customer. [Aaker 2002]

Brands can be associated to many things depending of the consumer. The problem is that the consumers do not only create their associations through provided communication by marketers, but the associations are shaped by word-to-mouth, product experiences, etc. The goal is to achieve strong and unique associations to be able to create a successful brand. The associations are strengthened by personal relevance and consistency on how the brand is represented long-term. Organizations can provide positive information in form of marketing communications but it provides only weak associations and needs elaboration from the customer’s side to keep it strong. [Keller et al. 2008]

The previous studies have covered the customer aspect in brand equity and how it should be nurtured. The brand has to be managed also inside the company. It is crucial to remember that the branding is not just about the customers. Marketers need to market the image of the brand also inside the company, internal branding, to develop the brand. Depending on the company type it might even need distributor and other network motivation to reflect the brand to all the actions concerning company’s brand. [Grönroos 2007]

The terms brand and brand equity were discussed in the previous chapter. The goal of brand management is to create high brand equity but the brand equity provides benefits to the organization. Organization holding high brand equity will have plenty of competitive advantages. Strong brand will have high brand awareness and loyal customers. This makes the consumers to choose the brand over others. On the other hand when customers are looking for a certain brand strong brand will have more leverage in the negotiations with resellers. [Kotler & Armstrong 2010] Studies show that the extremely strong B2B brands not only hold high brand awareness but they also have high understanding and positive feelings about their products or services in their key audiences [Carney 2004].

The research conducted in the B2B field indicates that strong B2B brands and B2C brands have similar benefits for the organization concerning brand equity. It has been proved that B2B companies are willing to pay the price premium for strong brands. This willingness to pay price premium and noticing strong brands over weaker ones shows that brand equity exists also in the B2B markets. [Tran & Cox 2009]

References


Keller, K. *Brand Planning. Shoulder of Giants*. Cape Town, 2009;

Nastase, D. *Notiuni de marketing*. Editura Axioma Print, Bucuresti, 2012