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White Paper

B2B brands matter more than B2C

Brian Davies, Managing Partner

To stay alive and flourish in highly competitive environments, business-to-business (B2B) companies spend more time and money on R&D.

Suppliers focus on making their products smarter, faster, smaller and more reliable than the competition. They also find ways to improve and add services so that they provide customers with a complete and satisfying experience. Marketplaces are constantly changing, so companies have to adapt in order to stay ahead.

But how can these B2B companies truly differentiate their offering and be relevant to customers over the long term?

This is where brands come in.

Cut through clutter

Brands matter because the B2B marketing communications world is characterized by numbing sameness, commoditized feature wars and laundry-lists of product benefits. In other words, there is a sea of noise, parity, clutter and dullness. Branding — going all the way back to its origins with Norse livestock herders — allows a producer or owner to distinguish his/her goods or services. Branding today is a strategic tool that helps the supplier cut through the morass of the market, get noticed and connect with the customer on many levels and in ways that matter. A strong brand becomes the customer's 'shorthand' for making good choices in a complex, risky and confusing marketplace.

Tap into emotional drivers

Brands matter because companies act just like people when it comes to evaluating what products or services to buy. Along with a number of explicit rational criteria, a powerful irrational impulse is always present to influence the purchase decision. A strong brand with an effective positioning strategy speaks to and taps into the totality of these buyer needs.

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Facilitate delivery of promise

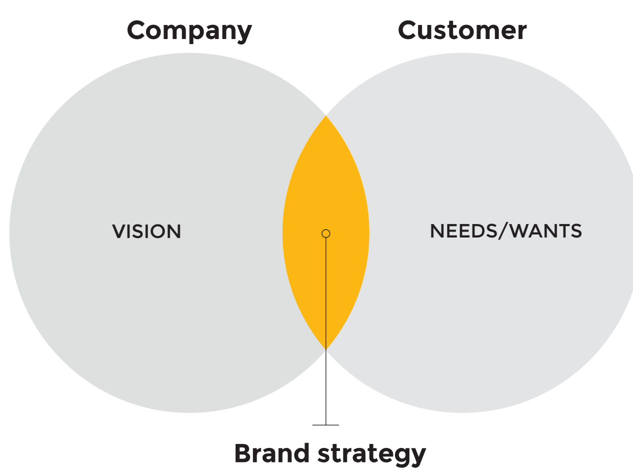
Brands matter when supplier teams are doing business with buyer teams. Through effective internal branding efforts, the brand becomes the "glue" that binds the supplier culture and organization together, enabling the brand to make good on its external promise. Enterprise customers will reward a brand which delivers a unified, consistent and satisfying brand experience with repeat business.

However, common beliefs in the B2B marketing universe overlook the importance of brands.

Consider the following thoughts:

- **Consumer brands are defined and presented largely based on emotive appeals — 'warm and fuzzies'. In B2B, products and services, rather than 'brands', are pitched, sold and transacted through cold logic.**
- **Consumers are drawn to brands' irrational benefits (status, prestige, affinity, self-security). Business customers specify and purchase based on rational drivers (pricing, product performance, metrics).**

Such thinking by B2B marketers is not only naive (and defies logic), but it also undermines their ability to drive incremental business value and ROI.



As the following examples show, brands drive B2B. Those who recognize this fact and leverage their full brand assets will create a true, strategic, competitive advantage.

Brands produce economic value in the B2B marketplace.

According to the Interbrand/ Business Week "Best Global Brands By Value" list, **IBM**, **GE** and **Intel**, largely B2B-focused brands targeting sophisticated enterprises and "technical buyers," are among the most valuable brands. Their intangible asset of "goodwill" drives billions of dollars in value and market capitalization. Their brands, not their products, are their differentiators that lead to competitive advantage. Brands drive value for small B2B companies, too (see Acme Brick story in Did You Know?).

Ironically, technology has led to brand importance in the B2B world.

The growth of the Internet and e-marketplaces, along with accelerating technological product obsolescence, has resulted in a hyper-informed and commoditized B2B marketplace. Buyers are overwhelmed with myriad logical choices — features, benefits, information, data, metrics — parity and clutter. They want to make an easy, safe and right choice. Thus, "brand" becomes the compass or default for navigating the purchase process.

B2B customers often evaluate potential suppliers according to numerous, rigorous criteria — a 'scientific' RFP process. But does anyone really think a multimillion-dollar decision will come down to a numeric score or check list? How does a supplier even make the RFP list? You guessed it — through their recognized brand.[1]

Strong B2B brands benefit from organically created, branded, Web-based communities of loyal customer advocates who evangelize the brand while providing it with new product or service ideas. As Chuck Feltz of Deluxe financial services notes, "if we can create more consciousness around the experience, it has ROI."

When it comes to marketing technology products, marketers all too often ignore the full package of customer benefits, and instead, focus only on rational product features. Mohanbir Sawhney, Professor of Technology at Northwestern's Kellogg School of Management, argues that there are three dimensions of benefits that technology firms should build positioning platforms on:

1. **Functional (what the product does)**
2. **Economic (what the brand means in time and money)**
3. **Emotional (how the brand makes you feel)**

Brands that deliver beyond the functional and economic levels with emotional benefits will command an incremental price premium and create strong competitive advantage and customer brand loyalty.

> **"Strong B2B brands benefit from organically created, branded, Web-based communities of loyal customer-advocates...**

Emotive propositions resonate in B2B markets whether customers admit it or not.

People say that they are not influenced by advertisements, but data and client spending suggest otherwise. In the early-to-mid 1980s, **IBM** did not have the best computer systems or pricing. “Big Blue,” however, became the enterprise systems market leader because you never got fired for buying IBM (same with **Cisco** today). IT Directors “bought” a relationship, company, reputation, service, people, assurance. In other words, they bought goodwill, or the brand.

Recent advances in neuroscience support the notion that buying decisions in B2C and B2B spheres are largely based on irrational impulses often unknown to the buyer. For example, the IBM customer was strongly motivated by job security and peace of mind. Today’s B2B customers may articulate their need for ROI, higher performance, a better mousetrap. Yet, they really want:

- **To avoid doing business with “an Enron”**
- **A name or people they can trust**
- **To buy from a “leader”**

Strong brands play to these important drivers.

Successful B2B brands require one voice.

B2B transactions often involve large amounts of money, complexity and people. Corporate teams sell to corporate teams. OEM engineer or professional services clients interact with an array of supplier professionals (sales to marketing to senior management to support). Customers who have a brand experience that is integrated, consistent, easy and expected will more likely become customers again. Loyalty drives brand economic value, according to leading marketing and brand valuation experts. With the objective of unifying the brand and improving the customer experience, Caterpillar has educated and trained over 10,000 employees through its “OneVoice” program on how to communicate and demonstrate CAT’s singular brand personality and values to the marketplace.[2]

Strong B2B brands are branded from the inside-out, top-down and bottom-up.

Aligning the whole organization — from customer-facing reps to factory floor employees — with the corporate brand strategy is crucial to driving brand value and customer loyalty, especially in the B2B world. For example, if every employee at a $500 million electronic component manufacturer or mid-market professional services firm did not “live” the brand strategy, then the firm may face lost sales and unhappy customers. On the other hand, if every Procter & Gamble employee who worked on Ivory Soap did not understand its brand promise, there may be minimal negative impact on sales and consumer satisfaction.

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> **“ Brands drive B2B. Because not all B2B marketers embrace or grasp this notion, there is a real opportunity for the enlightened B2B brand strategist and marketer to achieve real impact. As technology improves, the production value of content goes up.**

Infineon, a German-based semiconductor company spun out of Siemens, recognizes the power of branding as a guiding principle for both internal and external audiences. Led by their CEO, over 25,000 Infineon employees were engaged in the process of the initial brand launch. The company continues to conduct periodic studies to chart perceptions of both employees and customers in order to make sure the Infineon brand promise is fulfilled by the organization, and that the brand is aligned with market values.[3]

There is a proven link between internal branding and the bottom line — across B2C and B2B markets. Companies like **Pitney Bowes**, **Wachovia**, **Symbol Technologies**, **Itron**, **Hewlett Packard** and **William Blair** have implemented CEO-sponsored "brand assimilation" programs that resulted in improved performance in internal and external brand measures. Effective internal brand-building and communications efforts result not only in higher employee job satisfaction, improved morale, lower turnover and enhanced productivity, but also increased worker motivation, focus, engagement and conviction in the brand organization — all of which leads to higher employee and organizational performance. A Watson Wyatt study showed the earning per share performance of companies with high employee trust levels outperformed companies with low trust levels by 186%.

Did you know?

There is a direct and positive relationship between brand image and financial performance.

Acme Brick:

Small brands can achieve great impact

Founded in 1891 and based in Fort Worth, Texas, Acme Brick is a manufacturer of bricks that are sold largely through the building trade. A good portion of their $1.5 million marketing communications budget goes into image building and strongly branded tactics, including partnerships with professional sports celebrities and teams, PR, charity events and outdoor boards. In 1995, they introduced an unheard-of 100-year product guarantee (3-5 years had been the industry standard) to further differentiate Acme. Their brand-building efforts have paid off. Acme is the dominant brand in the area for both homebuilders and buyers. A 1998 survey of homebuyers showed Acme had achieved 84% brand preference when no other supplier was above 10% in their regional market. In fact, Acme estimates:

- **Their brand is worth an extra 10 cents for every dollar's worth of Acme brick sold and $250 in incremental revenue per home.**
- **Approximately $20 million of Acme's annual $200 million brick sales is a return on the investment that Acme makes yearly in brand-building.**
- **There is a 13-fold return on an average annual budget of $1.5 million.**[4]

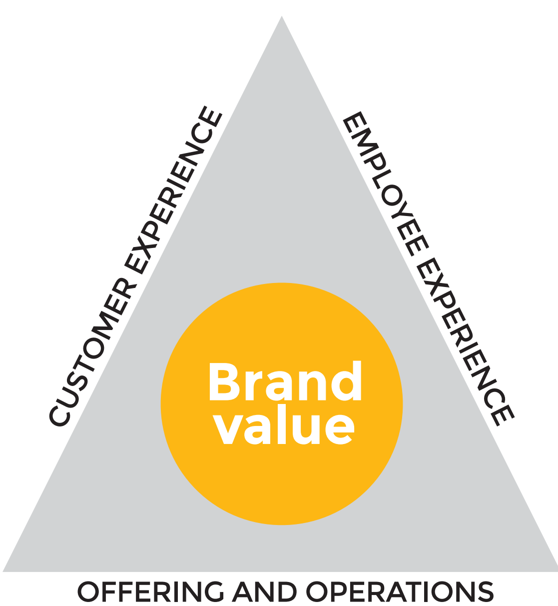
If a brick can be successfully differentiated, then almost anything can be branded to create value.

Did you know?

Techtel:

Tech brands generate financial returns

Since 1984, technology consultant Techtel has been measuring the relationship between brand-building in the high technology arena and stock performance. Merrill Lynch and Fidelity Investments use Techtel's research in forecasting tech stock movements. On a quarterly basis, enterprise customer respondents are queried about whether they have a positive, negative or neutral opinion of a technology brand. Over 100 brands spanning more than 40 technology categories including **Apple**, **EMC**, **Intel**, **IBM**, **Freescale Semiconductor**, **Cisco**, **Accenture**, **Toshiba**, **Hewlett Packard**, **Fujitsu** and **Oracle** are part of the study's database. Based on empirical research in the finance world, marketing ROI strongly correlates with stock return. Over the last decade, the Techtel study has consistently found, on average, a 70% correlation between brand equity and stock performance. Thus, there is a direct and positive relationship between brand image for technology companies and their financial performance.[5]



Intel:

An unseen commodity produced BIG money

Before the 1990s, Intel, a second-tier electronics player lagging well behind Texas Instruments in microprocessor sales, was an undistinguished brand. Few people (PC manufacturers, buyers or users) knew or cared about specialized "386" components, let alone if one brand name was different from another. In 1991, Intel launched a $100 million cooperative "Intel Inside" brand campaign with PC makers to differentiate computers built with its chip "ingredient" and build "consumer pull" for the Intel component. At the time, Intel's market capitalization was $10.2 billion. By 1998, its market cap had grown to $208.5 billion. It is estimated the brand itself contributes about $2 billion annually to Intel's market value. Today, the Intel brand, based on a commodity product, is the 8th most valued brand in the world.

General Electric:

Trust is worth billions

Richard Costello, General Electric's former Manager of Marketing Communications, and others including former CEO Jack Welch and current chief Jeffrey Immelt, attribute much of GE's impressive growth and success to the cultivation of intangible brand value, or the GE "trust factor." In fact, for a number of their flagship offerings like aircraft engines and medical equipment, GE makes more money and achieves greater differentiation through its value-added intangibles, in the form of its "branded" offering (services, assurance, solutions, people, etc.) than its "parity products."[6] (Much like GE, IBM in the 1990s, under the skilled leadership of Lou Gerstner, created transformative growth and value, reengineering itself with a customer and brand-centric offering and culture, eschewing its product-focused legacy in favor of value-added services.)

Did you know?

Customers buy in a blink

Malcolm Gladwell's best-selling book, "Blink: The Power of Thinking Without Thinking," asserts that customers make most buying decisions (and the best choices) by relying on their 2-second first impressions (or their "adaptive unconsciousness") versus a long, drawn-out process involving lots of rational, yet extraneous information. Gladwell and others have exposed a dirty little secret known in marketing research circles that "customers" usually cannot articulate how they really feel, what they actually think or why they buy a particular brand of product. The driver of their real feelings, thoughts and actions according to Gladwell, neuroscientists and new wave market researchers is their unconscious. Buyers make split-second decisions ("thin-slicing") based on stored memories, images and feelings — which is what a brand is all about. A strong brand equals a strong 2-second impression, whether you're buying potato chips or specifying microchips.

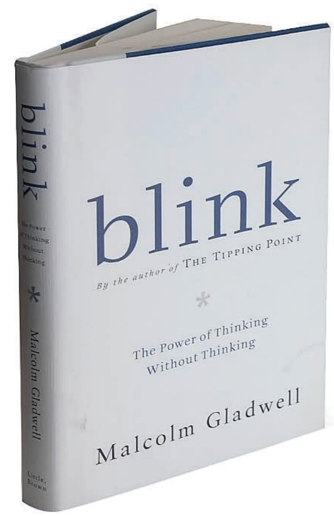


Image source: whohastimeforthis.blogspot.com

1. Mia Pandey, *Brand Channel*
2. *Harvard Business Online*
3. James C. Anderson and Gregory S. Carpenter, *Kellogg on Branding*
4. *Marketing News*
5. David Aaker, *Techtel*
6. Robert Lamons, *Marketing News*

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