BUSINESS MARKETING - TECHNOLOGY FOCUS
Prof. Jayanta Chatterjee
Department of Management
Indian Institute of Technology, Kanpur

Lecture 13 : B2B Brands - 2

Hello, welcome back to our session discussing brands in the context of B2B market with technology focus.

This will be a short session where we will discuss some of the concluding points with respect to branding. We discuss the importance of branding in the B2B market. That how it is similar in concepts to the core brand science, but there are some particular areas in the B2B market which we have to pay attention to. We discussed, for example, brand personality often confused with the personality of celebrity endorser can actually be an important aspect in B2B market if we think of personality in terms of ruggedness or stability or performance assurance and so on.

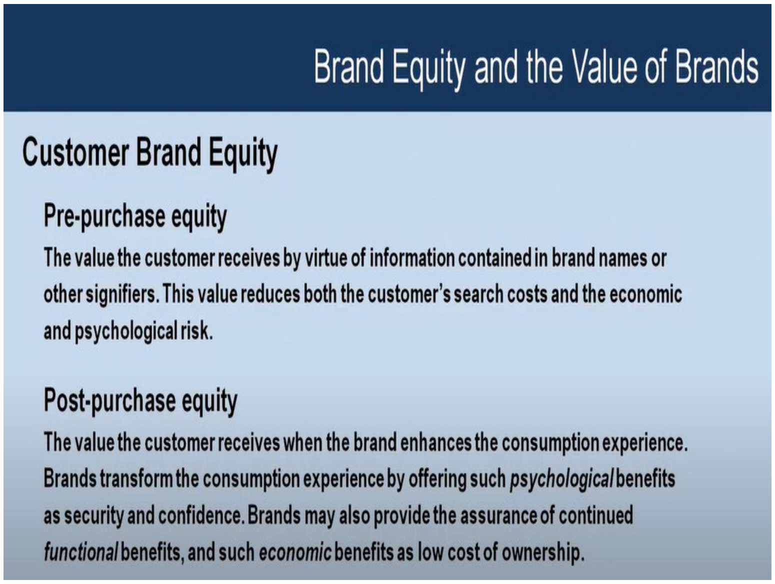
And we can utilize those to build B2B brands. And ultimately those will be helpful for our overall commercial success. So, to conclude some of the other key issues in the branding area, one is this whole concept of brand equity. So, brand equity is customer brand equity is the brand value to customers.

So, just like an equity value of in the share market, in the customer brand equity is the value of the brand in the customer's mind or to the customer. The value received by individual customers from a branded product service over and above the value received from an unbranded version of the same product or service. So, if you buy a handbag from a local company versus if you buy a handbag from Gucci or from VIP, then in the consumer market, you are getting some value in terms of your own image building or your own social positioning.

In the same way, if you buy automation from Siemens, or ABB, if you buy an electrical equipment from Crompton Greaves or from Siemens, then in a way you are also projecting that you as an industrial buyer go for the best. And that you are able to establish because of the brand value that has been created by Siemens or ABB or by Rockwell Automation. In the same way, the firm brand equity is by the ultimately measured by the cash flow streams resulting from the band brand ability to attract retain and grow customers.

So, you see this brand in this sense what we are saying is that it creates value for the customers that is the customer brand equity it creates value for the organization marketing organization for the firm because again in both cases In some cases, it has, in case of the firm brand equity, it is clearly measured by financial terms, by numbers. In case of customer brand equity, it is not necessarily by tangible numbers only, but it is also creating some kind of indirect impact on your financial result by some image building.

So, this in the B2B domain we have to therefore depend understand that we are looking for the firm brand equity but we achieve that by focusing on the customer brand equity. Because as we said in the beginning of last discussion, that the brand exists, brand is created by the marketer for their own purpose. But the brand exists in the customer's mind and in the customer's operation.



So, in the industrial marketing aspect, the brand exists has a pre-purchase connotation as well as a post-purchase brand equity. So, pre-purchase is the value the customer receives by virtue of information contained in brand names or other signifiers. This value reduces the customer's search cost and the economic and psychological risk avoidance.

Now this is very important as we will see when we discuss more about pricing that this pre-purchase equity helps us in the industry domain to create non-price protective barrier against our price position and it in many ways helps us to create or retain distinctiveness in the face of relentless pressure for commoditization because of the intense competitive pressure in the B2B market.

So, the pre-purchase equity, the pre-purchase equity is the reputation, is the trust, is the confidence that is projected by a B2B product or service that allows the customer to make a quick decision without going through much of extensive search or the pre-purchase equity can even help us with a purchase decision in our favor beyond simple price comparison. Now, pre-purchase equity is in a way supported by the post-purchase equity.

The post-purchase equity is the value the customer receives when the brand enhances the consumption experience. So, the brand transforms the consumption experience by offering some security, confidence, in a way psychological benefit, but this no hassle, this fit and forget kind of slogan.

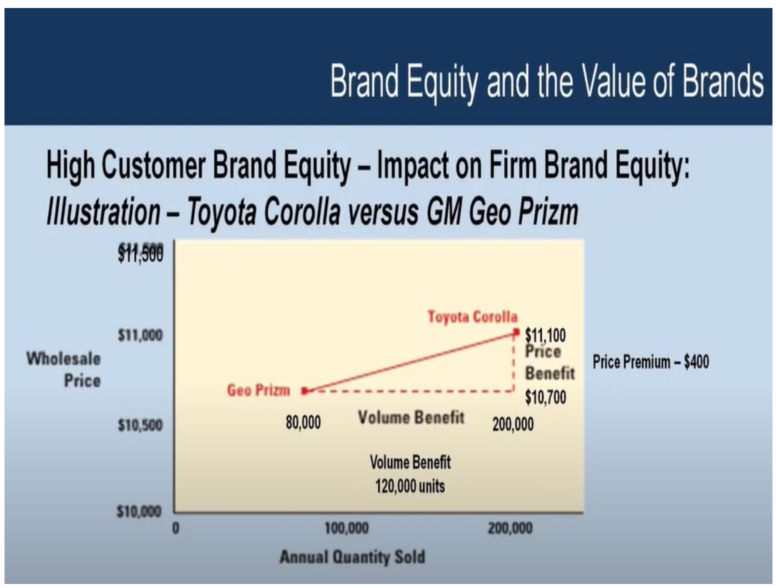
Use and forget type of that means you are you will not be bothered if you use a Siemens motor because it will keep on performing flawlessly hours and months together. So, this post purchase equity the comfort, the confidence that you feel after purchase and after use in a way adds or creates the pre-purchase equity. And the pre-purchase equity helps us to create better pricing strategy and more maintainable commercial position in the marketplace. It helps us against commoditization and helps us to retain our distinctiveness in the customer's mind.

So, high customer brand equity is a big advantage for the firm because as I have been saying again and again in this session and the earlier session that it can help us to set if not higher prices, but it helps us to protect our pricing objectives. And it also helps us, therefore, to get better margins. So branding, therefore, the post-purchase brand equity, building up the pre-purchase brand equity ultimately leads to better price performance. And it also helps us in the B2B sector particularly to come up with product line extensions more securely by using leveraging the existing brand success.

So, when you have the brand as Siemens, under that you can come up with different products industrial electrical electronic automation products in different industries from rail transport to high extra high voltage transmission from switch gear to small micro components. Because you have a strong customer brand equity. You can, at the same time, you can aim for better pricing levels because of that brand equity. Companies that I showed in the previous session, they have.

So, you can also use cross-selling to encourage your existing customers to buy your new offerings. You can pump newer products through your existing distribution channels. You can raise non-price barriers for your competitors and you can create different kinds of new commercial relations through licensing if you have a strong brand.

So, as I am mentioning again and again and emphasizing at this concluding session on branding that brands are creative in terms of value proposition. Brands are often intangible in its projection, but you are doing all that for very tangible benefits which are exemplified by this particular slide in front of you.

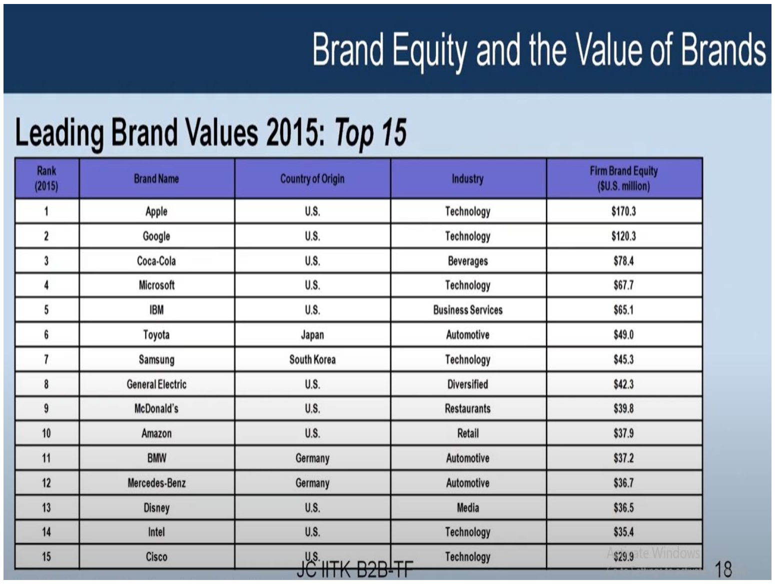


And I will go into this example which will, I have chosen an automotive product, cars, two cars mainly, similar cars. But the automotive cars are high value consumer durables, so they are almost at the borderline of B to C and B to B. They are definitely have many characteristics that we assigned to B2B products, long price, long purchase cycle, high value purchase, intense involvement of the buyer and so on and so forth. So, this example can be applied for ease of understanding, immediate understanding I have used this example of two cars. So, we are looking at the comparison between Toyota and GM in the American concept.

This is borrowed from some American paper. So, you see here the GM Geo Prism usually sells for about $80,000 and no, we are looking at volume benefit. from 80,000 to 200,000 and we are looking at pricing benefit from 10,700 to 11,100 in the general market place. So, because of Toyota's stronger brand, because of the many promises that are embedded in that term Toyota. And remember Toyota's pre-purchase equity is actually enforced or rather strengthened by their post-purchase equity in terms of the service confidence that the customer has that they will receive from Toyota.

Very excellent hassle-free service, very assured maintenance level, etc., that allows Toyota that for almost equivalent car to charge $400 more. And because of Toyota being Toyota and Toyota Corolla being Toyota Corolla, it also sells many more number of units compared to its competitor GM's geoprism. So 80,000 versus 200,000, 10,700 versus 11,100.

Now, these two things together, because of this multiplying factor, This 120,000 multiplied by 400,000 price premium and 120,000 more units being sold because of this Toyota brand, you are making a gain, looking at a gain of 48 million dollars. So, this is the key point that is important for us to understand in the B2B context that Strong brand means immediate reflection on strong financial performance by way of better pricing and better volume.



Brand Equity and the Value of Brands

Leading Brand Values 2015: *Top 15*

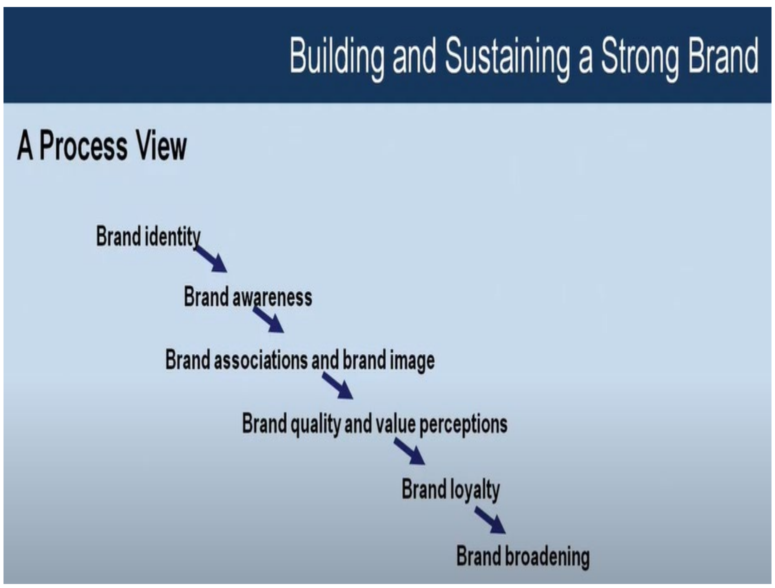
Rank (2015)	Brand Name	Country of Origin	Industry	Firm Brand Equity ($U.S. million)
1	Apple	U.S.	Technology	$170.3
2	Google	U.S.	Technology	$120.3
3	Coca-Cola	U.S.	Beverages	$78.4
4	Microsoft	U.S.	Technology	$67.7
5	IBM	U.S.	Business Services	$65.1
6	Toyota	Japan	Automotive	$49.0
7	Samsung	South Korea	Technology	$45.3
8	General Electric	U.S.	Diversified	$42.3
9	McDonald's	U.S.	Restaurants	$39.8
10	Amazon	U.S.	Retail	$37.9
11	BMW	Germany	Automotive	$37.2
12	Mercedes-Benz	Germany	Automotive	$36.7
13	Disney	U.S.	Media	$36.5
14	Intel	U.S.	Technology	$35.4
15	Cisco	U.S.	Technology	$29.9

This particular chart which is now in front of you, it shows leading brands. This is a 2015 chart. But if you take, if you can easily Google, which incidentally is the second on that list of leading brands, if you Google and search for the leading brands of 2024, if you later on search after years, I am sure you will find these two aspects prominently visible to you.

One is that number of B2B bands in this list will be as significant if not more significant compared to the consumer brands. So, you see here Apple the top brand is a B2C brand as well as a B2B brand because of the nature of Apple as a multifaceted platform that we discussed in the in a previous session. So, it is Apple is as important to sellers as it is to buyers and maybe because of that reason it is also the top brand. Similarly Google it's a free service mostly to the consumer which like honey attracts a large number of businesses to plug into Google to get to a large number of consumers.

So, here these are examples that great brands are often merging of B2C and B2B brands as will be say for example Microsoft or will be Toyota or Samsung. Now some of the brands relative positioning would have changed 10 years later and will continue to change but the overall pattern many of these names will be there if not in the top 15 but in the top 25. Interestingly about 30-40 years back there were major shakeouts and many of the top brands like US Steel or General Motors or Ford they were slipping out. And today if we take a top brand list, we will find them, some of them we will not find. But over the last 10-15 years, we are observing that these electronic high-tech B2B multifaceted brands have good durability. So, there may be a new entrant like Nvidia, which is a semiconductor company today, coexisting with Intel.

But Intel has been there as a strong brand for the last, as a top brand for the last two decades if not more. So, there is some amount of stable strength which can be seen in the technology focused, technology enhanced, technology dominant B2B brands. Because of the reason that we discussed just a little while back that this pre-purchase equity which is built upon the success of the post-purchase brand equity creates strong commercial performance by giving better volume as well as better price.



So, I will therefore conclude with this particular slide that this brand identity, brand awareness, brand association and brand image, creating brand quality and value perception leading to brand loyalty and brand broadening, this entire waterfall is driven by the attraction that all organizations are seeking, which is an enduring superior financial commercial performance.

Thank you.