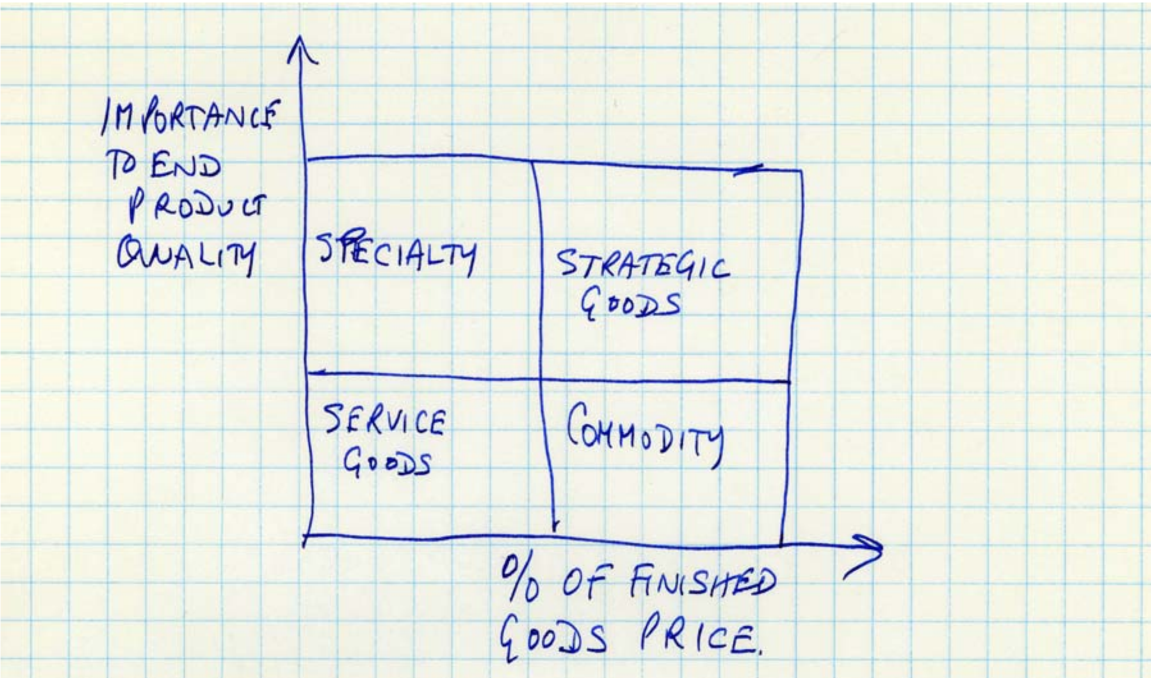
Max Brand Equity

How to Build Brands in a B2B Environment

Often people believe that brands do not matter as much in a B2B environment as in a consumer one. In fact, the opposite is often true. In a consumer environment, the buyer is using his or her own money, so it is a major factor in the buying decision. In a B2B environment, the buyer is using the company's money, and the key driver may be career advancement or even job protection. This means that avoiding making a mistake may be more important than making the best decision. As the old saying went, "no one ever got fired for choosing IBM." So there are many B2B brands which have achieved and retained a status which justifies a price premium. Strong ingredient brands are among these. So Nutrasweet became a brand which justified a premium, as did Intel. However, these brands cannot simply be exploited without being nurtured. Just as with consumer brands, these brands can die or be superseded. Splenda came along and took much of the same space as Nutrasweet. The fact that it is both an ingredient and stand-alone brand gave it a stronger presence in the mind of the end-user.

In B2B giving a product a name is easy, but that does not necessarily mean a brand in the customer's mind. The key factor is whether, when we use the B2B grid, the use of the brand is compatible and enhancing to customer perception.



All too often, in B2B, companies sabotage themselves. They focus on price, and in fact draw attention to it. Perhaps, if their costs are lowest, this may give the company leadership for a while. However, they end up placing themselves in the worst quadrant – the commodity segment, such as wheat or iron ore. Second worst is "service goods," where price is the most likely distinguishing feature, but where the goods are so unimportant that the buyer may ignore price. Such examples are paper clips and cleaning supplies. Following this is the strategic goods quadrant, where price is secondary, even if high. High grade steels in the manufacture of jet aircraft are examples of this. The most envied position is to be a specialty product. An example may be a high priced additive or processing aid. Price is relatively irrelevant if it ensure top quality. When Richard Guha of Take Control Of was CMO of the enterprise software business at Remedy/BMC, he spent much time positioning the product in this way through its brand. The brand was positioned to be the only safe choice to make, but the name was not changed as change was unneeded. It was also priced so that customers could buy on an a la carte basis for modest increments or on a prix fixe basis for a complete turnkey product. In the energy business also, while more difficult, this is still the objective. When energy deregulation started, Houston Industries, the third largest combination utility was faced with the fact that it provided services well beyond Houston, and that, although its name implied it, it manufactured nothing. Thus it rebranded itself as Reliant Energy very successfully. This brand was used in consumer and B2B markets equally.

The challenge which use of branding faces is to add perceived value to the product. Instead of merely "steel" a company such as Mittal Steel has to be perceived as providing some added value to the buyer. In each market, this may be different. The most extreme situations are when a product or service is "clearly" a commodity. One of the most obvious commodities is rigid metal packaging, aka, cans! Yet, can manufacturers have succeeded in differentiating themselves on the basis of service, technological innovation, and end-user sensitivity. Often, adding service to product can add perceived value.

In B2B companies it should be far easier to measure and control the value of a brand. Usually, there is a direct connection to the customer. CRM systems, if well managed (another story), can identify them, and allow the company to understand the meaning of the brand, and the difference it makes to the price realized vs. an unbranded alternative. The sum of these differences is the effective Brand Value. Knowing all the levers to pull makes is possible to enhance it in far more direct ways than for a consumer brand.

In short, we have seen that in B2B markets, a brand can go even further in adding value to a product or service than in a consumer market.

Max Brand Equity works with corporations, turnaround managers, and private equity firms to understand and maximize the value of their brands – often the most valuable part of a business.