ISBM/BMA 2004 Business-To-Business Brand Summit

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Summary of Presentations

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Common Brand-Related Concerns of Attendees

1. Unfocused brand perceptions
Several participants wished to refocus or strengthen their company's brand perceptions to avoid misconceptions regarding previous joint venture partners, parent companies and/or product lines that had been sold or spun off. Others said their companies were putting new emphasis on branding to fuel growth and add new meaning to brands that had developed naturally without benefit of formal brand management programs.

2. Limited brand associations
While several attendees reported weak or unfocused brand perceptions, many more had problems at the other end of the spectrum related to brands that were strongly identified with one portion of a company's business, but did not adequately describe the organization's total offering. For example:

- Goodyear and tires
- Xerox and copiers
- Swagelok and fittings
- PPG and glass

3. Mergers and acquisitions
Seven attendees voiced problems related to brand confusion caused by recent mergers and acquisitions. This is especially relevant in organizations using master brand or over-brand architectures, where new products and services are now being identified with a company's existing (pre-merger or acquisition) brand.

4. Price competition
Several attendees described problems related to low-price, foreign competitors with non-branded or generic/commodity products. In this case, the challenge is to use branding programs to create value-added differentiation.

5. Internal branding programs
Considerable interest was expressed by attendees in putting more emphasis on internal communications for branding programs. Several said they had done a much better job launching branding programs externally, but failed to gain the total support and involvement of internal audiences.

6. Showing a return on investment
Attendees were also interested in ways to demonstrate a return on the investment in branding programs. Increasingly, top management is insisting on this and will not allocate funds for future programs if measurement is weak or nonexistent.

"Measuring and Valuing Brands: A Three Pathway Approach"
Don Schultz, President, Agora, Inc. and Professor of Integrated Marketing Communications, Medill School of Journalism, Northwestern University

Quantitative management systems (Six Sigma, EVA, Balanced Scorecard, etc.) are driving business decisions today. The problem is that marketing and branding models are allocation-based (we get money, we spend it) and not return-based (what did you get for the money that was spent?).

Brands typically are an organization's most valuable assets, yet we have not developed universally accepted methods of measuring brand value (equity).

Schultz described three "Brand and Marketing Measurement Pathways" currently in use, and discussed the advantages and limitations of each:

A. Customer-based Brand Equity models
Patterned after traditional attitudinal models (DAGMAR, Lavidge & Steiner). If you become aware, you can be moved to preference and purchase. Therefore, our job as communicators is to make more people aware. Schultz says the purchase connection has never been proved.

B. Measuring Brand Sales
Involves "marketing mix modeling" to determine ROCI (return on customer investment) and ROBI (return on brand investment). Advantage is the use of terms and language that top management appreciates/understands. Limitation is that historical data must be used to predict future behaviors.

C. Branded Business Value
Brand value contribution to short- and long-term income flows is estimated with net present value (NPV) models and brand scorecards. Marketing activities and marketplace factors are separated from total shareholder value to identify brand value and brand momentum.

Schultz concludes that a blend of these three approaches is ultimately the best solution, and presented a "General Model for Brand Valuation" that comprises financial forecasts (financial data, market data, brand forecasts and value-added estimates), Brand Value Added (BVA) Index (proprietary formula of demand drivers), risk factors (using

BrandBeta® analysis and discount rates), and a final valuation and sensitivity analysis. He then recommended this analysis be incorporated into a brand scorecard system.

"Extending the eBay Brand to the Business Trade"
Jay Fiore, Senior Manager of Marketing, eBay Business

Even though eBay is only seven years old, it has 95 million registered users and accounts for annual gross merchandise sales of $23.8 billion.

In April, 2000, eBay management recognized a growing trend among small business users to buy and sell office supplies, computers and capital equipment over the system. They also recognized that most business buyers would be confused or turned off by the site's primary emphasis on consumer goods and collectibles.

Therefore, in 2001 a decision was made to create a separate entry portal for business users (www.ebaybusiness.com) with specially designed navigation. A management team was assembled in early 2002 to address key branding issues like trust, safety, and perception of eBay as a destination for business products as well as consumer products.

An advertising campaign using both vertical and horizontal trade publications was launched in December, 2002. The result was that small business merchandise sales doubled in 2003 (from $1 billion to $2 billion).

The media program has been expanded in 2004 to include radio and special promotions involving the United States Postal Service and other partners.

"Launching a New Category, Product and Brand Simultaneously"
Patrick Kenny, Business Manager, Construction Market Team, PPG Industries

PPG was in the process of developing and introducing a proprietary "self-cleaning glass" technology in early 2001 when a major competitor scrambled the situation with a self-cleaning glass of its own. Suddenly PPG's orderly, scientific process was thrown into chaos, and the company was thrust into a catch-up mode.

The challenge was to quickly respond to this competitive situation without abandoning PPG's basic technology advantages (hydrophilic + photocatalytic + durability). In addition to explaining the complex "SunClean™" technology to thousands of window distributors and retailers as well as PPG's primary customers (window manufacturers), they had to deal with confusion in the marketplace caused by competitive claims – some of which were significantly exaggerated.

A special website (www.ppgsunclean.com) was created to provide training and education for sales people and distribution channel personnel. Marcom sales support material, including POP displays and in-home demonstration tools were produced.

A major P.R. opportunity occurred in March, 2002 when Good Morning America offered to show a side-by-side comparison on live national television. Stories have also run in major market newspapers and national news magazines.

The result is that PPG has regained its market leadership in the self-cleaning glass category (the competitor is still active, but has severely reduced its level of promotion). After fifteen months, PPG has two national window fabricators using the SunClean™ glass. The PPG products are available through Sears and Home Depot. Ten regional window fabricators are offering SunClean™ windows, primarily for remodeling applications. And the company is reviewing other low-maintenance, self-cleaning glass opportunities.

"B-to-B Brands Down the Value Chain: Building and Harvesting Value"
Rajendra Srivastava, Roberto Goizueta Chair in e-Commerce and Marketing, Goizueta Business School, Emory University

Srivastava started with an example of "decomposing stock value" to demonstrate the importance of intangibles. His example was 3M, which as of April, 2004 had a market value of $85 (per share), a book value of $10 and a market-to-book ratio of 8.5. This shows that roughly 88% of 3M's shareholder value cannot be accounted for by conventional accounting methods. He attributes this to their "Market-Based Assets" – Brands and customer relationships.

Srivastava made the following points about marketing and brands:

- Strong brands give you more control over distributors
- The role of marketing is to make markets imperfect
- Brands can get customers (people) to do things they might not otherwise do
- It's best to attack during bad economic times, because even though strong brands are hurting, the weaker brands are even more vulnerable
- Private labeling strategies in B-to-B marketing are good for OEMs and retailers, but will "drown" component suppliers by squeezing out profits
- A 2% price premium can translate into a 20% profit premium

He named the four quadrants of "Emerging Competitive Environments" as "death valley" (long product development, short product life), The Valley (short product development, short product life), Napa Valley (long product development, long product life) and Happy Valley (short product development, long product life).

“Inward Marketing – An Imperative for B-to-B Marketers”
Robert Lauterborn, James L. Knight Professor of Advertising, University of North Carolina

Six attendees indicated they have internal communications responsibility. Eight said they did not.

Lauterborn defined Inward Marketing as:

> An integrated marketing communications program designed to ensure that:
> - *All* of a company’s employees are aware of a particular marketing effort, and can articulate the customer value propositions(s)
> - Each employee understands how he or she *personally* can contribute to the effort’s success, and is committed to doing his or her part enthusiastically.

He provided two examples of Customer Value Proposition statements:

> If the price is equal, certain specific customers will buy our products rather than competitive products because they value _________.
>
> If the price is equal, certain specific customers will pay a *premium* for our products because they value ________.

Lauterborn identified four steps in installing a B-to-B Inward Marketing program:

1. Examine the effect of employee behavior on customer satisfaction and customer perceptions of the brand
2. Identify customer “brand contact” points
3. Explore how to set Inward Marketing objectives and measure success
4. Learn how to use the Behavioral TimeLine® to develop an Inward Marketing plan

Behavioral TimeLine planning identifies each group or person whose participation is necessary for achieving objectives.

He also listed five factors for successful change with Inward Marketing:

1. Visible commitment at all levels
2. Single-minded communications
3. Specific, measurable, attainable goals
4. Frequent feedback
5. Team-based recognition of achievement

“Keeping Your Brand Momentum – Balancing Product Promotion and Brand Communications”

Michael W. Hensley, Executive Vice President and Director of Integrated Marketing Communications, HSR Business To Business Inc.

Hensley presented a case study for Hobart Corporation, a leading manufacturer of food service equipment. In 1998, Hobart began working with HSR to capitalize on its broad portfolio of food service products and find a unique brand position that would move the company above price issues and product features.

Following a research study with Technomic Inc., it was determined that Hobart could fill a leadership void in the food industry by focusing on issues that were major concerns to its customers (e.g., food safety, shrinkage, labor costs, new technology, etc.).

A brand character profile was formalized that would enable Hobart to speak as an inspirational, authoritative leader and source of best practices information for the food industry. A tracking study in 2000 confirmed the program's initial effectiveness in establishing Hobart as a highly visible, worldwide food expert and technology leader.

During the next two years, the leadership brand-building continued with trade advertising and a very successful promotion soliciting more than 1000 customer testimonials for public relations use and subsequent development as case histories for the Hobart website.

However, in 2003, facing economic downturn and dropping sales, Hobart management took its eye off the leadership branding ball. Issue-oriented advertising and public relations was replaced by one-off, short-term product and sales promotions designed to stimulate sales. For example, a 0% financing program was offered.

As a result, a 2004 image tracking study showed that Hobart leadership scores had dropped in every category. The company has since renewed its commitment to the leadership branding program, and has placed responsibility for all future communications programs under the Brand Marketing Director.

For more information about the sponsors of this Brand Summit, please contact:

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