The "E's" of Business Branding

— Equity in complex markets
— eBusiness branding

A key points summary from the second meeting of the
ISBM Business Marketing Brand Consortium

Institute for the Study of Business Markets
Smeal College of Business
The Pennsylvania State University

November 30, 2000
Chicago, Illinois

compiled by
Bob Donath
Bob Donath & Co., Inc.

Contents: (in order of the conference agenda)

Introductory comments:

Brand Equity and the "E"-Space

Ralph A. Oliva

Executive Director—Institute for the Study of Business Markets
Smeal College of Business
The Pennsylvania State University
University Park, Pennsylvania

Key idea

- Brands, trademarks, and other intellectual property find great opportunities in eBusiness, as well as significant challenges and threats.

Brand equity

- The equity issue raises a key question: Who owns your brand?
- Equity defined:
  - The differential effect that your brand has on the customer response to the marketing of the offering.
  - It is tied to favorable, strong, unique associations with your brand.
- Brand equity can mean:
  - Earlier trials
  - Choosing you over alternatives
  - Higher margins
  - Greater propensity to buy at the same price
  - Lower cost of sales
  - Positive expectations enabling growth
  - Forgiveness/longer "last looks"
  - Advocacy/referral sales

New issue: "cybersquatting"

- Subject of much discussion among ISBM members.
  - Cybersquatting is taking ownership of domain names for fun and profit, hoping to sell rights to it in the future.
    - Short, descriptive names with "com" domain name extensions all rapidly taken.
    - Another tack is squatting on a well-known trademark and selling it back to its rightful owner for big bucks.
- Have you checked your brands/trademarks/company name?
- Good news: the "Anticybersquatting Consumer Protection Act" (ACPA) of May 2000.

- Prohibits the "bad faith intent to profit" from squatting on a URL based on an established trademark.
- Burden of proof is on the defendant.
- Damages can be up to three times the economic damage to the trademark holder, or up to $100,000 statutory damages.
- As cases are tried, cybersquatting should become less of a problem. But, small cybersquatters will still prey on big firms, hoping to win settlements from firms unwilling to incur legal fees to prosecute a case.

Protective measures

- ACPA makes managing, protecting, and registering your trademarks even more important.
- Trademark declaration using the "TM" superscript is a first step. Official registration, allowing use of the ® mark, is an important additional step.
- Be aware of frightening things possibly going on with your trademark on the Web.
  - Unofficial sites
  - Gripe sites. Check, for example, for "[companyname}_sucks" URLs.
  - Competitors squatting on your name or very similar names.
- Recommended article: Beth Snyder Bulik, "The Brand Police" *Business2.0* (Nov. 28, 2000), also at: http://www.business2.com/content/magazine/indepth/2000/11/20/22883
  - Article contains good defensive tips.
  - Article quotes "The 10 most common types of online brand abuse" cited by Cyveillance, a Web monitoring service (www.cyveillance.com).

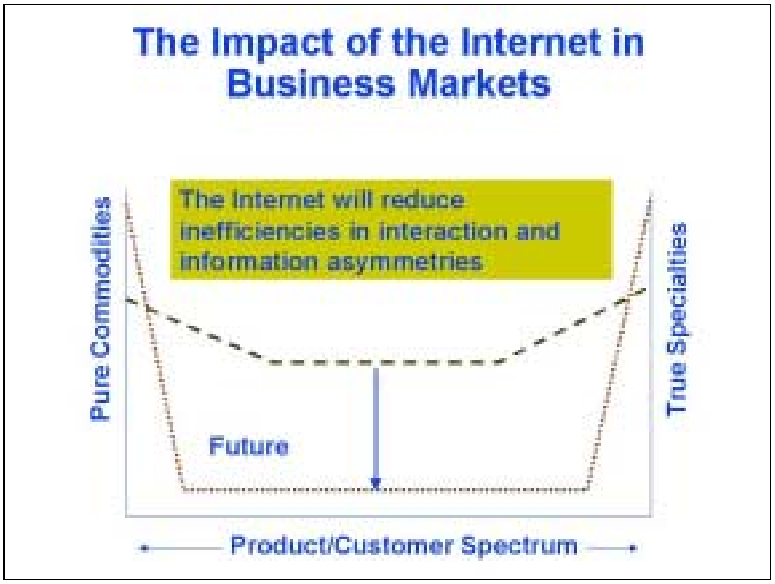
    1. Unauthorized use of logos and images
    2. Diverting users away from a Web site by hiding keywords in background text
    3. Unauthorized use of a company's name or product in metatags
    4. Software, music, and video piracy
    5. Unauthorized distribution or sale of consumer goods
    6. Unauthorized framing, where a Web site appears within another site
    7. Use of a company's name on a competitor's site
    8. Use of logos or images in a pornographic context
    9. Domain name abuse and parody sites
    10. Gripe sites and negative newsgroup postings

    Source: Cyveillance

Impact of the Internet

- Products range from pure commodities to fully differentiated specialties on a continuum.
- According to Harvard's Prof. Das Narayandas, the information made available on the Internet sharpens the commodity vs. specialty distinction, revealing the true nature of offerings in their competitive context (Exhibit 1).

Exhibit 1



Source: Das Narayandas

- Amid the information deluge of the Information Age, the scarcest of assets will be human attention. (See Thomas Davenport article reading recommendation about winning employee attention, below.)

Return to Table of Contents

“OPEN MIKE” ON MEMBER’S KEY ISSUES:

A summary of business brand and brand management key issues and comment meeting participants discussed in an open forum moderated by Ralph Oliva, ISBM executive director.

Branding ventures

- Branding services, service/product mixes, and intangibles.
  - Intangible as a “silent partner” differentiator supporting big brand.
- Making brands performance oriented.
- Branding non-profit ventures.
  - *(participant comment)* In my personal life, I run the branding effort for a national non-profit association. Non-profits are trying to catch up to profit-sector branding practices.

Managing multiple brands

- Channel issues.
- Retain or harvest individual brands.
- Brands acquired through acquisition.
- Competitive brand pressure.
  - *(participant comment)* We have a plethora of different brands in our line. We envy our chief competitor whose brand includes a complete line.
- Financial ties to the brand.
  - Determining ROI of branding programs.
    - *(participant comment)* B2B branding has changed dramatically, from a corporate advertising-based view to recognition that brands have equity value to the organization.
  - Winning financial support for branding.
  - Creating the balanced scorecard for brand management.

Brands in mergers, acquisitions, and divestitures

- Balancing the post-merger “parent” brand and “heritage” brands.
  - Heritage brand in mix? As a transition brand?
    - *(participant comment)* Our merger finds a lot of valuable “heritage brands” now overlapping in the new company.
- Brands in acquisitions.
  - The role of master brands.
  - Existing vs. acquired brands.
    - Combining multiple brands to one brand or one company approach.
      - *(participant comment)* We’ve acquired many brands through acquisition, and now have to consider whether we can consolidate them under an umbrella brand. We’ve done it in foreign markets when we enter them. There’s pressure for an umbrella brand in the U.S. where market-leading competition has a single, dominant brand. But can we jettison the established names?

    - Narrowing brand architecture to focus on "competency brands."
- New brands/corporate names for spin-offs.
- Timing for announcements.
  - When to start promoting new brand names?
    - Pre-launch
    - Coincident to launch
    - Post-launch
  - *(participant comment)* We spent $20 million promoting our merger strategy and new brand lineup well before our anticipated merger, which then fell through, sowing substantial confusion among customers, channels, and our staffs. Now we have to spend millions more to rebuild our brands externally and rebuild our engineering culture internally.
  - Identity crises.
    - *(participant comment)* The agreement granting us independence from our former parent requires us to drop all associations to the parent brand. Now we must build a new, totally unknown brand name and we can't cite our former identity. How can we make that transition? And personally, how can I think of myself as a staffer at an unknown company, no longer with the well-known outfit I worked for 10 years?
    - Effect on customers and channels.
      - *(participant comment)* We're working to build distribution and the service components we offer in our $1 billion company, a heretofore-unbranded spin-off from a well-known technology leader. Differentiating service components is the key to building our new brand.
    - Effect on employees.
      - *(participant comment)* Spinning off and assuming a new brand identity was tough for employees who are proud of the old, established brand and are loyal to it.
  - Which is the "real" brand?
      - *(participant comment)* Some employees were wedded psychologically to the old company and its name. But some wanted to jump to the spin-off, thinking it better represented the culture they'd worked in, and fearing that new management at the parent would change the culture there.
      - *(participant comment)* Although we're a spin-off, we tell employees that we are the "real" corporate culture, just smaller and more nimble.
  - Using an internally generated brand.
- *(participant comment)* Having merged two major chemical company brands, we are working on a new logo, competitive positioning, and a corporate communications architecture to deploy globally. As for overlapping product brands, which do we keep and which do we drop?

Brand advocates

- The customer "owns" the brand.
- Creating the "Web of inclusion" within the firm.
- Advocacy segments.

- Brand “terrorists” vs. “advocates.”

Branding and the corporate culture

- Employee advocacy/brand evangelists.
  - *(participant comment)* We’re changing from being “logo cops” to creating “brand evangelists.”
  - New employee orientation.
    - “This we believe” inculcation.
    - Make the brand part of employee experience.
    - Who should handle employee education? Marketing? Corporate communications?
  - Effects of rapid employee turnover.
    - *(participant comment)* The key is having employees recognize their individual roles in a community, and what the brand means to their jobs.
  - The brand’s role in recruitment.
  - Brands as a tool for changing behavior.
- Brands and culture: a left-brain/right-brain mix.
- *(participant comment)* Our merger of two major corporations had us thinking hard about the brand’s new meaning. It gives us an opportunity to reinvent our image, aid recruiting, and educate employees about a more exciting and progressive company.

Participant Straw Poll

How many companies represented here have brand indoctrination programs for employees?

Yes	No
8	4

Brand management through channels

- Value of the master brand to channel.
  - *(participant comment)* Can we apply a master brand over our acquired brand names?
- Rebranding product for channel private label.
- Partnership through endorsement brands (e.g., “[store brand] made by [master brand].”
- *(participant comment)* Some of our recent acquisitions sell direct in institutional markets, some sell through distributors or manufacturers’ reps. How do we integrate them and rationalize out distribution?
- Getting dealers to accept a brand name change.
  - *(participant comment)* Having been spun off and adopting a new brand name, we’re asking some 1,200 dealers—business partners, we call them—to change to a new name. It’s scary. Our name is prominent in their signage and identities. We announced the spin-off three months before it occurred, to help them get ready. Will they become comfortable with the name change?

BC vs. B2B brands

- Moving the brand from BC to B2B.
    - *(participant comment)* Our corporate brand identity is fuzzy in key business markets, where our name is still associated with consumer products, our most-heavily promoted products under the brand for decades past.
- *(participant comment)* Some of our brands span our consumer and institutional businesses, which otherwise are separate.
- *(participant comment)* We're seeking business-branding insights. So much of the information on branding is consumer oriented.

Branding hierarchies

- Parent/corporate name.
    - Moving from corporate advertising to corporate branding
- New brand.
- Descriptor for product.
- Division brand/identity.

Remaking the brand

- Launching a new identity.
    - *(participant comment)* We've been sold, and our former parent is keeping, and might use, our old and well-known brand name to compete with us. Frankly, we've speculated about what we could do to poison the well and make our old name unusable.
- Spinning a government brand to private sector markets; e.g. Environmental Protection Agency's Energy Star initiative becomes an ingredient brand.
    - *(participant comment)* We're registering a government program brand to use at hundreds of non-profit consulting centers around the country. In effect it's a service ingredient brand. The brand helps us coordinate the identities and service standards at disparate offices. But, being a government organization, can we control the brand? Should we license it to a private manager?
- *(participant comment)* We're trying to reestablish central management over the corporate brand, particularly because 50 percent of the company is new through acquisitions.

Taking the brand to "dot-com"

- What's new in Internet branding?
- *(participant comment)* Taking our corporate brand to the Web means balancing flexibility vs. diversity from the brand's traditional meaning.

"Stealth brands"

- *(participant comment)* Our consulting company grew over the years, quietly keeping under the radar. Now we are ready to promote what has been our "stealth brand."

Ingredient brands

- Maintaining/building brand identity down the value chain, especially when your customers resist giving you the credit.
    - *(participant comment)* As a fast-growing new-market division within the well-established corporate parent, we are working to establish our brand as an ingredient brand that our OEM customers will promote. Should it be the corporate brand or a new brand? The corporate brand carries lots of weight, but we're considering a number of brand name variants that point to superior attributes of our offering.
    - *(participant comment)* Right now we have no identity in downstream products. Many of our customers using our products keep their formulations secret, do not patent them, and do not want ingredients divulged. How can we accommodate them and develop an ingredient brand strategy like "Intel inside," to protect us as our customers lose ground to a rival technology? We used to help those customers by cooperating with our competitors to ensure supply to our customers. But now, as those customers fade, we need to differentiate ourselves.
- *(participant comment)* We have been a silent partner to many companies building a presence on the Web, not promoting our own firm name. I am here to learn how to change that.

Global branding

- Capitalizing on leadership in some markets (e.g., Europe, North America) to sell to others (e.g., Asia)
- *(participant comment)* We have a globally recognized name, but we want to be known in certain markets for certain services, which can differ by market. How do we balance that with our global brand reputation?

Return to Table of Contents

Member case history:

Snap-on: Managing Brand and Channel Strategy

Michael G. Gentile

Director of Product Management—Hand Tools
Snap-on Tools Division of Snap-on Incorporated
Kenosha, Wisconsin

Key ideas

- Snap-on Tools has enormous growth potential within new market segments.
- Channel and brand strategy must be matched to the unique characteristics of each market segment.
- These elements of strategy must be tied to product, service, pricing, and other elements of strategy in order to achieve success in new markets.

Background

- Snap-on prides itself on legendary tool quality and strong brand equity.
- An 80-year-old company founded on the innovation of the interchangeable socket wrench sold door-to-door by mobile dealers presenting the tools on a green velvet cloth. “We don’t believe in tools as a commodity.”
- Sales $2+ billion with 40% non-U.S. (153 countries)
    - #1 mobile dealer van network worldwide
    - #1 in technician hand tools, power tools and tool storage
    - #1 or #2 in tools for professional users
    - #1 in repair and diagnostic equipment
    - #1 in repair information and software
- Acquisitions (Exhibit 2) brought many new lines, and different brand names to the company, expanding product lines well beyond the automotive repair market traditionally served.

Exhibit 2

Snap-on Incorporated

Business Units	Major Brands	Distribution	Customers
Global Transportation **Hand Tools, Power Tools, Tool Storage & Diagnostics and Equipment**	Snap-on, Sun, ShopKey, Blue-Point	Franchise dealers Tech reps Contract dealers Internet	Vehicle-service mechanics Vehicle-service shop owners Vehicle dealerships
Global Operations **Commercial and Industrial Tools**	Snap-on, Blue-Point, Williams, Lindstrom, ATI, Palmera, Sioux, Belzer, Bahco, Pradines, CDI Snap-on Eurotools, IRIMO, Kobalt (under contract), SandFlex, Acesa	Direct sales reps Independent distributors Hardware, home centers and specialty retail Internet	Industrial companies Manufacturing/assembly sites Government Construction, electrical, plumbing and HVAC trades
Diagnostics and Equipment	Sun, Balco, Mitchell Repair Hein-Werner, GS, Hofmann, John Bean, Blackhawk, Kansas Jack, Brewco, Shark, Cartec, Texa Equipment Solutions,		Vehicle-service shops and chains
Facilitation and Services	EquiServ/Training	Direct	Vehicle manufacturers Vehicle dealerships Equipment owners
Financial Services		Direct Dealers/tech reps Direct industrial sales reps	All of the above

Source: Michael G. Gentile

Strategy

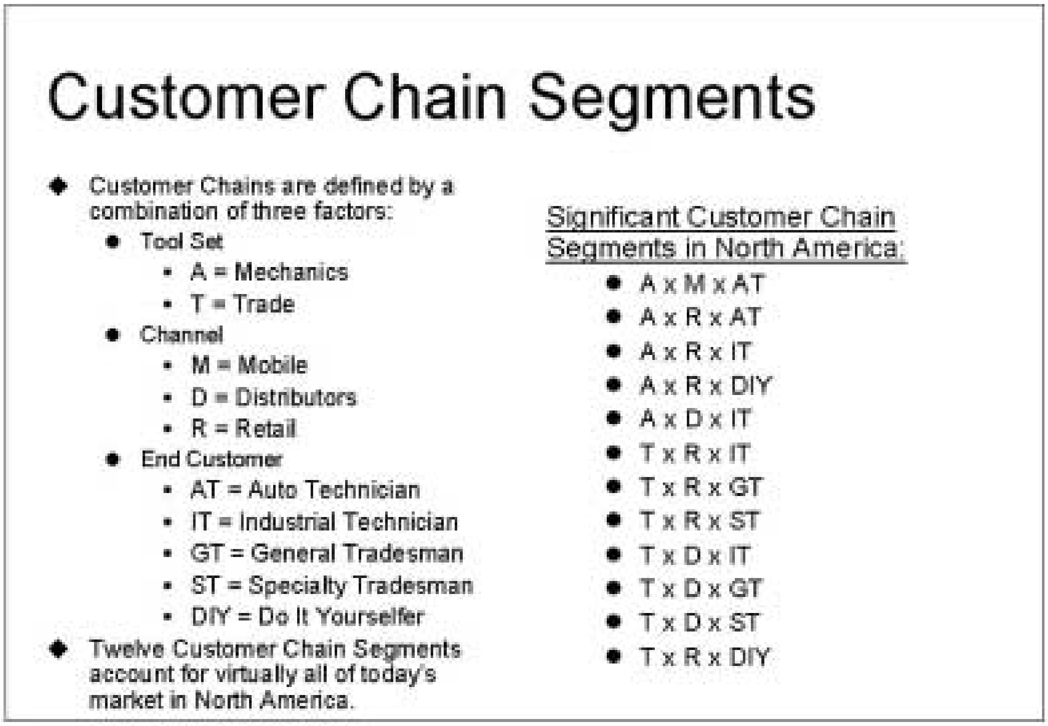
- Snap-on's strategic vision is to be a total solution provider to professionals.
  - Expand beyond mechanics to diagnostic equipment, including computer software and electronic equipment.
  - Line includes financial and business management products to enable customers to be fully qualified repair dealers. It behooves us to "infect partners" by becoming part of their bloodstream through training and certification programs. The more we ingrain ourselves in customer businesses by helping them solve problems, the better off we are.
  - We wanted to maintain a different identity to different market segments; e.g., one identity to the mechanics at Joe's Garage, another identity to the purchasing influencers at Ford Motor Co.
  - 1990s required broadening the customer base:
    - from 1992: automotive technicians …
    - … to 2000 and beyond:
      - Automotive technicians
      - Shop owners/ managers
      - New car dealerships
      - Vehicle manufacturers
      - Industrial technicians
      - Trade technicians
      - Other professional tool users

    - DIYers. (Not a tight fit with our strategy, but a market we need to play in.)
- Critical questions:
  - How can Snap-on achieve breakout growth?
  - What new customers can Snap-on reach?
  - What business strategy will succeed in new markets?
- Early 1990s situation
  - To the shop mechanic customer, the Snap-on van driver *is* the company.
  - Because of acquisitions, different salespeople called on the same customers, confusing the value proposition.
  - We recognized that conflicts over branding are more important to internal organizational issues than to the customer *if* you present a single image. Our growth had confused our customers.
- Resolution: Develop a three-tiered brand strategy:
  - Corporate brand
  - Endorsed brands
  - Private label

Customer chains

- Three years ago we began a strategic review.
- Consultants at Blue Canyon Partners (www.bluecanyonpartners.com) immersed themselves in our business. They taught us about customer chains and how to operationalize that knowledge.
  - Complex chains of manufacturers, channels, and end customers exist in the tool market. Blue Canyon identified more than 80 chains in the North American tool market.
  - We had inherited a mix of customer chains with our acquisitions.
- Our goal was to build on our 37 percent share of the $6.6 billion automotive mechanics tool market and pursue new opportunities in tools for other trade users such as plumbers, electricians, HVAC technicians, etc. We also had our eye on the retail market.
- We identified 12 customer-chain segments that matter in North America (Exhibit 3).

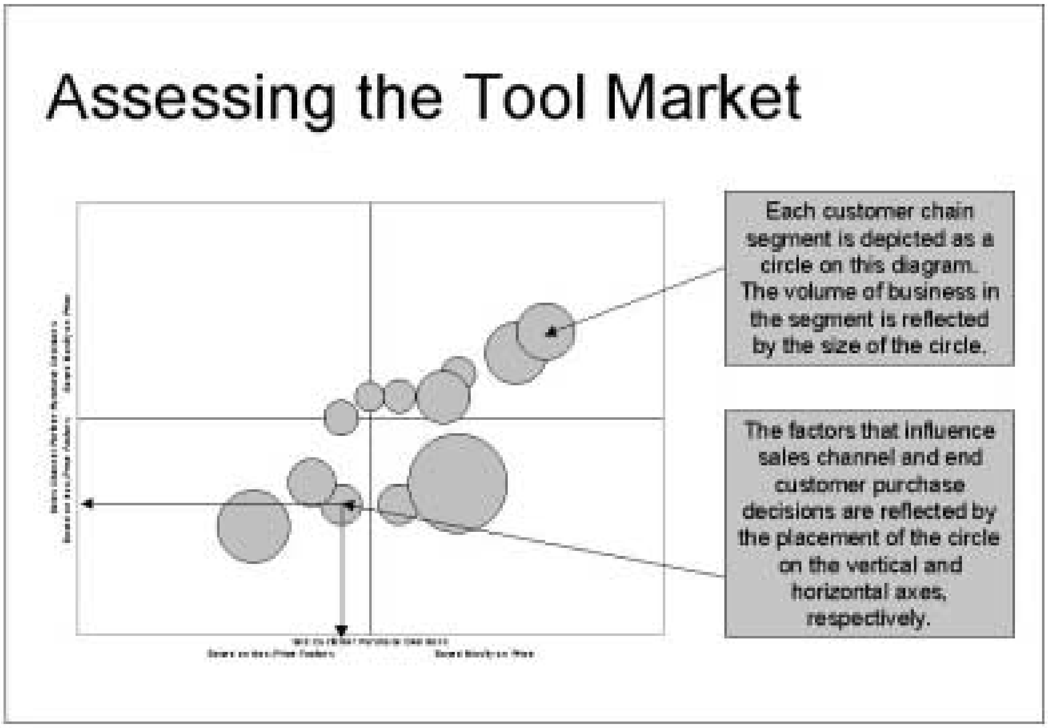
Exhibit 3



Source: Michael G. Gentile

- We depicted segment size and "channel intensity" (amount of service required for the offering to the segment) on a bubble chart (Exhibit 4).
    - The horizontal axis plots end-user segments, from segments making decisions based primarily on non-price factors at the left, to mainly price-driven purchase decisions on the right.
    - The vertical axis plots each segment according to channel intensity, from decision making based primarily on non-price factors at the bottom, to mainly price-driven decisions at the top.

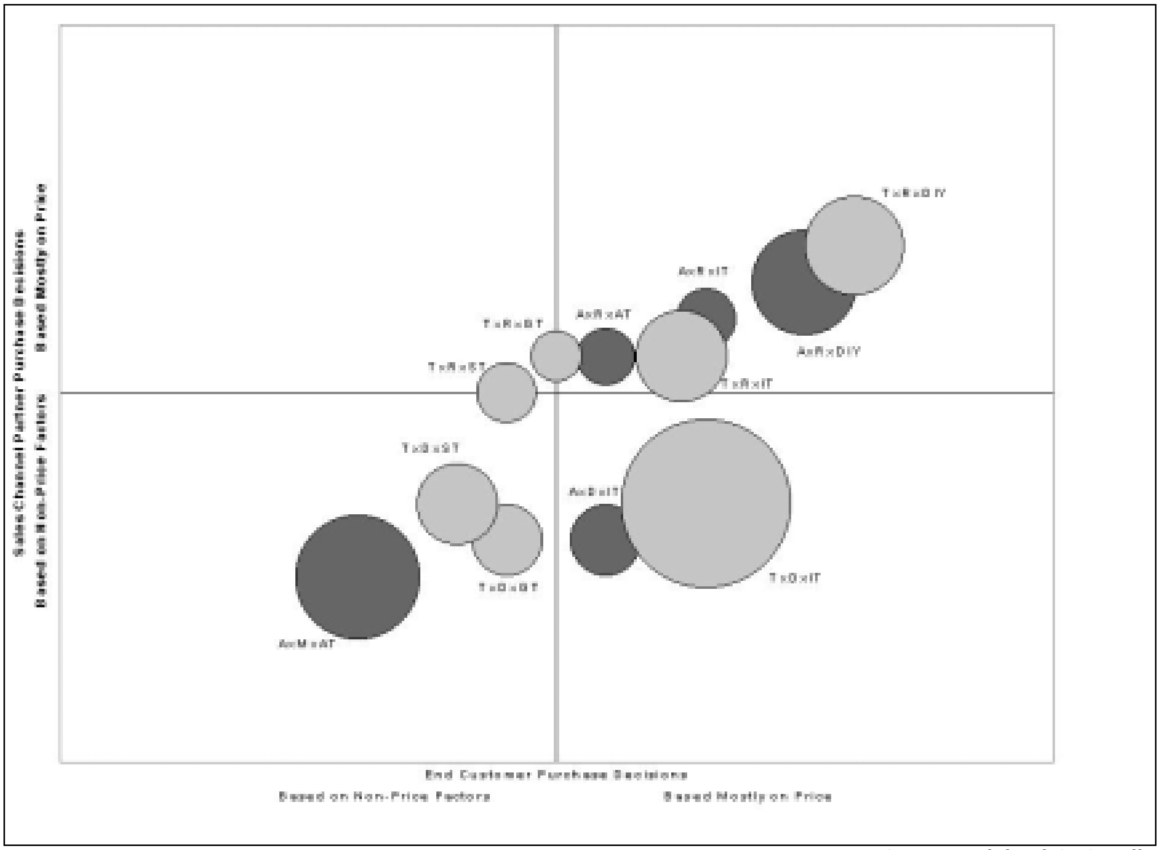
Exhibit 4



Source: Michael G. Gentile

- Plotting our 12 target segments on the bubble graph (Exhibit 5) indicated the relative position of our traditional market, at lower left, and other segments.
  - Darker circles indicate auto mechanics tools, the lighter circles denote tools for other trades.
  - We saw there is substantial diversity in the range of our offerings.
  - For example, the highly desirable segment of automotive repairmen buying at retail appears as a much more price-sensitive segment.

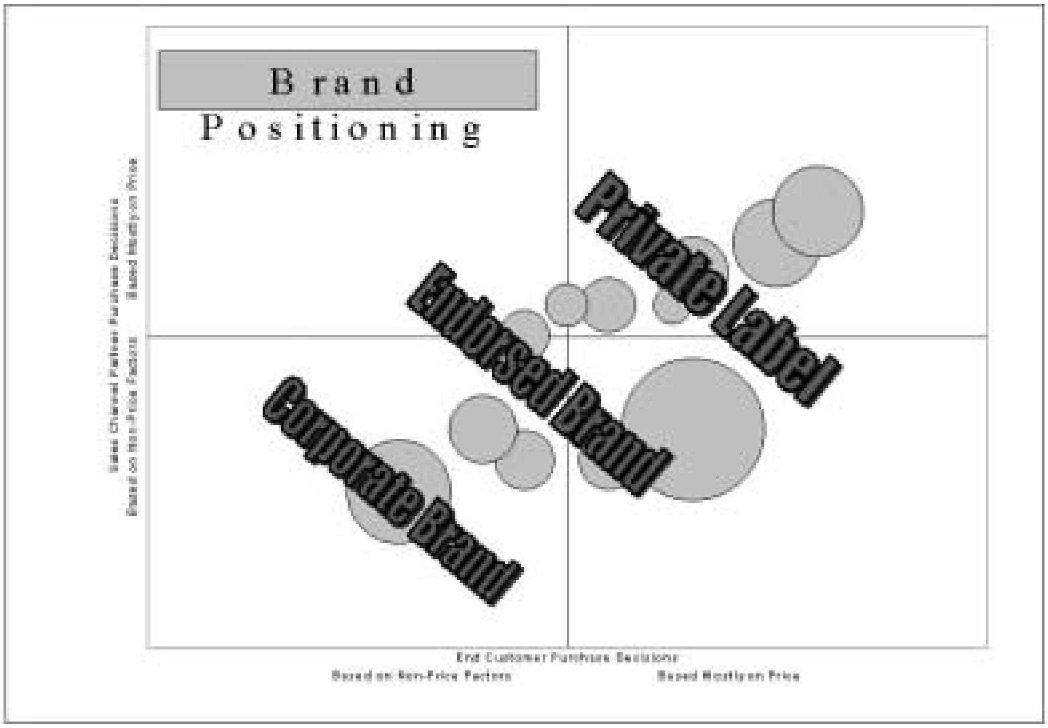
Exhibit 5



Source: Michael G. Gentile

- Acquisitions had us stuffing the wrong products into the wrong segments, because we did not understand the market.
- Then we researched and determined that four criteria differentiate segments:
  - Imagery appropriate to company and customer
  - “Cost value”: Does the company’s cost structure allow the company to provide an appropriate price value?
  - Core competency.
  - Willingness of end-user to accept the value proposition.
- Mapping the brand space finds that segments group into three brand positioning strategies (Exhibit 6):
  - Corporate brand
  - Endorsed brand
  - Private label

Exhibit 6



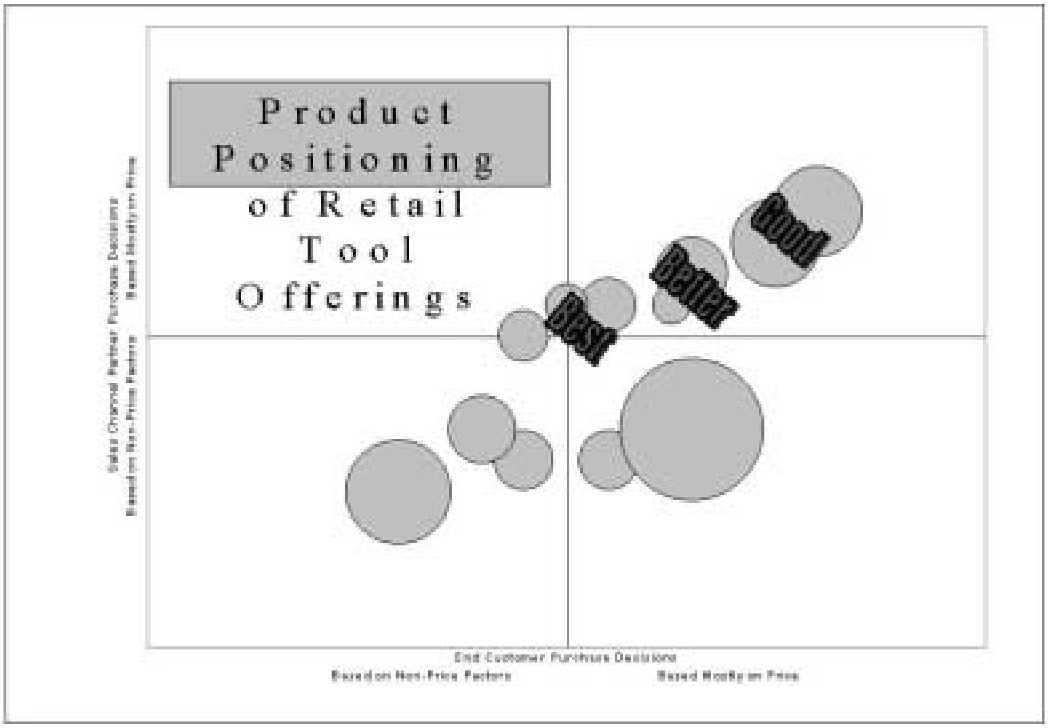
Source: Michael G. Gentile

- The corporate brand, our traditional market, has a nearly cultic following. But we do not have the capabilities or cost value to serve the retail market with the corporate brand.
- The Snap-on brand is a global brand for highest quality, highest price products bundled with solutions sold directly through a high-intensity channel.
- We could not sell the Snap-on brand through distributors, but instead sold other brands as regional or segment-specific brands, as appropriate. For example, market-leading brands we acquired in Spain and the Nordic countries continued with their regionally relevant brand names.

Retail example

- The retail market offers dramatic potential, across tool sets and end customers with a good, better, best approach to low channel-intensity segments (Exhibit 7).
- The retail channel includes home centers (e.g., Home Depot, Lowe's) and other retail stores (e.g., Sears, Ace).
- Five distinct customer chain segments represented attractive targets that could be reached through the retail channel.
- The elements of go-to-market strategy varied across these targeted segments, but builds from some key common foundations.

Exhibit 7



Source: Michael G. Gentile

- Lowe's example.
  - Lowe's sought an endorsement brand affiliation with the Snap-on name to bolster its store brand for tools, Kobalt, to attract professional buyers (e.g., contractors, plumbers, etc.).
  - We wouldn't provide a "Kobalt by Snap-on" endorsement brand.
    - For one thing, focus groups indicated the Snap-on name was not recognized by retail DIY market segment.
    - The Snap-on brand sold at retail would undermine our 5,000 mobile van distributors, 4,000 franchisees in the U.S. alone.
  - We did agree to a compromise, a back-of-package notice: "Manufactured by JHWilliams, a division of Snap-on."

Snap-on online

- We launched our online store, www.snapon.com
- We needed the site to support our industry image as a leader and to allow us to serve currently non-served customer groups.
- Handling channel conflict.
  - Our National Dealer Advisory Council at first protested, fearing a devaluation of the franchise. But they soon agreed that the Web could actually support the Dealer Franchise.
  - We worked toward compromise with our dealers by developing a "pre-qualification" before order submission to qualify buyers at the Web site. We ask each visitor if they have a Dealer or would like a Dealer to call upon them.

- We found new market opportunities that our dealers did not call upon; e.g. mechanics working off-hour shifts and affluent hobbyists.

Return to Table of Contents

Featured research summary:

Brand Valuation in Business Markets: Some New Thoughts/Insights

Don E. Schultz
President, Agora, Inc.
&
Professor of Integrated Marketing Communications
Northwestern University
Evanston, Illinois

Key idea

- Business-to-business branding, which is distinct and different than consumer product branding, receives inadequate attention from corporate management.
- A new view of B2B branding is emerging, stressing shared values with customers rather than gaining competitive advantage.
- A soon-to-be published study by the American Productivity and Quality Center (at http://www.apqc.org/proposal/6570/)—conducted by Agora and co-sponsored by the ISBM and the Business Marketing Assn.—indicates best brand-building practices (seven best-practice firms profiled) and trends among 22 major business organizations.

What is changing

- Management traditionally has mismanaged B2B branding.
  - Logo cops defined management's view.
  - The branding community describes brands in terms of spending, not branding's return and strategic value to the company.
- But much has changed in B2B branding in the past year.
  - Business-to-business has emerged the winner in the electronic marketspace, although that hasn't prevented some once-promising dot-coms from going under: Pets.com; Living.com, Garden.com, etc.
  - We've learned that traditional brand-building approaches don't work very well. Plastering edgy creative everywhere doesn't really work. Advertising isn't the problem; delivering on the brand's promise is.
  - Intangible assets, particularly brands, continue to grow in value.
    - U.K.-based consultancy Brand Finance (www.brandfinance.com), a leader in brand valuation, estimates that 80-90 percent of a brand's value is intangible, accounting for as much as 30 percent of some B2B companies' values.
  - CRM (customer relationship management) has become the "hot topic of the day." The real brand builder is the customer.
    - In the U.S., CRM is mainly an IT solution in which branding is not important.

    - In Europe and Asia CRM is a true relationship management issue in which branding is critical.
- We continue to struggle with "new economy" business models.
  - Intangible, not tangible assets
  - Cash flows, not book value
  - Shareholder value, not market share
  - Market capitalization or earnings per share
  - Brand value and relationships, not just price
  - Shared values among firms, not just competitive advantage. B2B branding strength is based on creating shared values, not just being better than the competition.
- We're seeing a change in corporate focus.
  - Trend toward customer retention, not just continuous acquisition. This is a radical change in U.S. company thinking.
  - Greater focus on finding and retaining key employees. "Brands are terribly important to employees. They want to work for organizations they believe in and other people know."
  - Movement toward globalization. American companies need to learn that they cannot simply plug their systems in elsewhere.
  - Increasing interest in intellectual property as primary competitive differentiator.

Development of a new "management credo"

- The "1-2-3-4" management approach.
  1. Grow the business; management's top priority for Wall Street.
     - Meet customer expectations
     - Meet shareholder expectations
     - Meet employee expectations
     - Meet market expectations
  2. Two yardsticks, though they cannot accommodate the intangible value in brands. Brands should be linked to the value of relationship building rather than be tied to costs and net present value of:
     - Cash flows
     - Shareholder value
  3. Three growth alternatives.
     - Invest in new products and product improvements. More money to R&D, where management traditionally invests.
     - Invest in supply chain improvements to reduce friction; bring savings to the bottom line.
     - Change the organization - become "customer-centric" - spend more money on marketing, communication and branding
  4. Measure success in four ways that branding has to address:
     - Increases in short-term cash flows - new products, new customers or more from both
     - Accelerate cash flows to meet NPV/DCF requirements - moving purchases up

        - Reduce volatility of cash flows - increase customer loyalty to stabilize income flows
        - Increase shareholder value through greater EPS, stability or share price
- Where do brands fit in all this?
    - Brands create value by …
        - Creating awareness, recognition and trust.
            - Brands encourage short-term new customer acquisition
            - Branding must be tied to cash flow from customers, the only source of revenue.
        - Encouraging present customers to trade-up, migrate through the product portfolio, add-on purchases, accelerating cash flows
        - Building long-term customer loyalties and relationships, reducing the volatility of cash flows that scares management.
        - Generating shareholder value by creating customer and marketplace equity. We need to link attitudinal equity to dollar value.
        - Helping management move from a focus on tangible to intangible assets. Most senior managers know there is value in intangibles, but they only want to measure the dollar value of them.

Observable differences: B2B vs. B2C brand and branding

- B2B brands really are different. The worst thing a B2B company can do is hire a B2C branding expert.
    - There is a closer relationship between the corporate brand and the product brand.
        - Consumer brands hide the corporate owner.
        - In B2B, the customer’s relationship is with the corporate brand. Corporate reputation is what matters.
    - There is greater customer expectation of performance, much greater involvement and commitment. A total and on-going customer experience is key
    - B2B brands generally provide more stable and greater long-term value to both the buyer and seller.
    - B2B brands rely more on performance than persuasion.
    - B2B brands more closely reflect the culture and on-going beliefs of the organization.
        - Brands begin within the organization, delivering on the brand’s promise.
        - Brands personify what employees think the organization is.
- Therefore, B2B brands require different forms and approaches to development and maintenance over time.
    - Some key brand-building tools identified in the APQC study:
        - Clarity of purpose and concise value propositions. Companies in trouble cannot describe their value propositions.
        - Senior management as champions, the key to success. The CEO as champion makes it possible for people responsible for the brand to succeed
        - Clearly defined brand architectures; a clear idea of the brand identity and branding process—“How we do it.”
        - Relevant measurement tools, primarily financial as needed.

    - It's disappointing to find few companies managing the financial value of their brands.
    - Typically, companies get all tied up in tracking attitudinal measures
- Co-branding is a key ingredient in many B2B brands. This is a big issue for the 22 companies in the APQC study. Companies must have a policy on it.
- Must build enduring and compelling leadership, authority, and brand uniqueness.

Q & A

Q: What is a "brand"?

A: It's "the experience the customer has doing business with the firm." The brand encapsulates the relationship between buyer and seller. Think of the brand as an intellectual property asset.

Q: How can you valuate a brand when it's the customer's perception, not the company's?

A: You can valuate the branding tools, the logos, colors, etc. Do not look at the brand simply as an image created by the company. The reality is, the brand is the image created by each customer. It's up to the company to find out what those images are.

Part of the problem is that marketing departments are not used to listening to customers, only telling. And, as customer control over the brand image increases in the information age, marketing loses power.

Return to Table of Contents

Member-based insight:

‘e’ and Business-to-Business Brand Strategy”

George F. Brown, Jr.

CEO
Blue Canyon Partners, Inc.
Fairfax, Virginia

Atlee Valentine Pope

President
Blue Canyon Partners, Inc.
Skokie, Illinois

Key ideas

- Strategy, ‘e’ strategy, and brand strategy must all be focused on specific market segments
- All the elements of strategy must be consistent and reinforcing
- New markets, with different critical success factors, may require different ‘e’ and brand strategies than those, which exist in current markets.

The Internet legacy

- The Internet burst onto the U.S. business scene and, after a while, generated two obvious and well-focused ‘e’ strategies:
  - e-Retail
  - e-Procurement
- Each of these opportunities took companies into a new territory, which they could explore with very familiar maps and compasses. Each also created a legacy for brand strategy.

e-Retail

- Like a vacant lot nearby a new superhighway, the Internet quickly attracted retailers with the idea that they “could lure away customers from other retailers who were in less convenient locations.” Location, location, location success stories were quickly evoked.
- Shortly thereafter, familiar “maps” from consumer marketing programs were brought to bear:
- Can we sell our products at a lower price because we have less overhead?
- Can we stock more products because we have a bigger warehouse and a better inventory system?
- Can we do a more efficient job of promotion by taking advantage of technologies that allow effective targeting of customers with tailored messages?

- Retailer.com ‘brands’ defined a new convenience – shopping from their computer – for customers.

e-Procurement

- Like market makers of the past, the Internet attracted intermediaries who believed that they could create a more efficient market that would attract buyers and sellers. “More Opportunities to Do Business” banners advertised this exciting new market environment.
- Compasses that had worked in earlier environments were brought to bear in the context of this new market:
  - *Convenience and access* were enhanced to make it possible for buyers and sellers from wider and wider markets to find one another.
  - Qualifying processes and communications systems were introduced to *take costs out of the purchasing process* and allow participants more room for financial success.
- Auction.com ‘brands’ defined a new economic incentive – more competition and lower prices – for purchasing managers.

The ‘DotCom’ brand

- The business-to-business supplier that develops an ‘e’ strategy must recognize that e-retailers and e-procurement sites have created a ‘DotCom’ image – with important expectations – that must be addressed.
- Blue Canyon Partners research has identified five characteristics of best-in-class Internet sites, which will be used to judge the quality of a business-to-business supplier’s ‘e’ initiative.
- Simply stated, whether a business-to-business supplier wants it or not, an ‘e’ strategy requires that they accept the ‘DotCom’ brand as one that is linked to their own brand. The first requirement for a business-to-business supplier, therefore, is to make sure the ‘DotCom’ expectations are met.

Attributes of strong DotCom brands

1. Rich with Information
   - Visually welcoming and friendly
   - Dynamic and easily searchable
   - Customer ‘question’ oriented, a quality not often seen.
   - Compelling and thought-provoking
   - A storehouse of problem solving techniques. Komatsu (http://www.komatsuamerica.com) does this well.
2. Intelligent
   - Memory and history (e.g., order entry, ship to, payment, last transaction, etc.)
   - Incorporates productivity tools
   - Access to ‘account’ information
   - Offers constant new ‘bells and whistles’ (e.g., buying groups, discussion groups, virtual communities)—a powerhouse of opportunity for B2B.
   - Maintains security

3. Integrated
    - One-stop ‘window’ for all interactions and transactions
    - Combines interlinked processes
        - order entry
        - inventory control
        - transaction tracking
        - logistics
        - payment
    - Customer service remains ‘on-line’ and ‘real time’
4. Interactive and Proactive
    - Dialog through e-mail
    - Reminders, adjustments, updates
    - Offers ‘technology’ tutorials
    - Builds relationship ‘post transaction’
    - Facilitates problem-solving
    - Focuses on value-added opportunities
5. Linked
    - Hyperlinks to other related sites and information resources
    - Links to research articles, training, documentation, case studies, other information, etc.
    - Offers looks at ‘near-by’ sites
    - Allows users to order information in other media – CD-ROM, manuals, etc.

- DotCom presence is integral to the brand.
    - Corporate Brands are typically linked to a firm’s most differentiated products.
    - Unless the DotCom offering meets best-in-class standards, it – like product and service deficiencies – can hurt the brand.

B2B ‘e’ and brand strategy

- B2B ‘e’
    - As new DotCom startups tested the e-Retailing and e-Procurement waters, established business-to-business suppliers began to assess their opportunities within the ‘e’ world. Many quickly found some value from e-Procurement and incorporated this technology into their ‘Supply Chain Management’ practices.
    - Most noticed some significant challenges in going beyond this:
        - It was unlikely that they would find ‘new’ customers previously unknown to them – especially new large customers. The customers and prospects were already well known, whether they were current customers or the customers of competitors.
        - They were reluctant to embrace any new technology that would force them to sell at even *lower* prices than before – and that trend was certainly evident in the e-Retail and e-Procurement worlds.
- B2B ‘e’ strategy
    - The question: When developing strategy, the business-to-business supplier now asks: “Can ‘e’ strategy help our firm grow its revenues?”

    - It’s not just a matter of following B2C eBusiness models.
    - eBusiness should be just another arrow in your quiver.
  - The answers: Blue Canyon’s research indicates that four themes are pivotal in answering the B-to-B ‘e’ strategy question:
    - (1) ‘e’ strategy must be explicitly targeted at specific market segments within the supplier’s customer portfolio, and don’t waste effort on less receptive segments,
    - (2) ‘e’ must be integrated with all of the other elements of strategy,
    - (3) ‘e’ must itself become a competency that creates value throughout the customer chain, and
    - (4) the DotCom brand must be carefully woven into the overall brand portfolio and strategy.

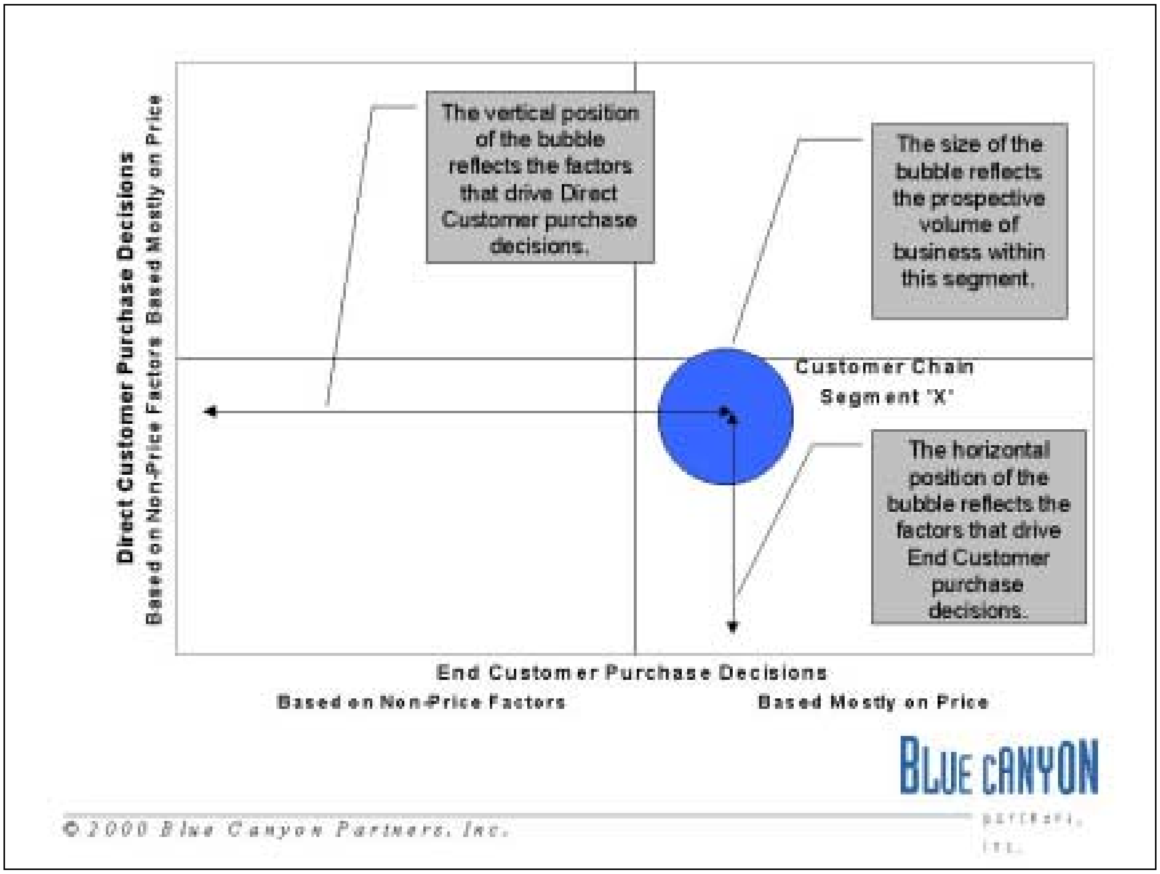
Customer chains

- B2B suppliers must serve two distinct groups of customers.
  - Direct customers
  - End customers
- Which benefits most from your branding?

The Blue Canyon framework

- Plotting end customer and direct customer segments (Exhibit 8).

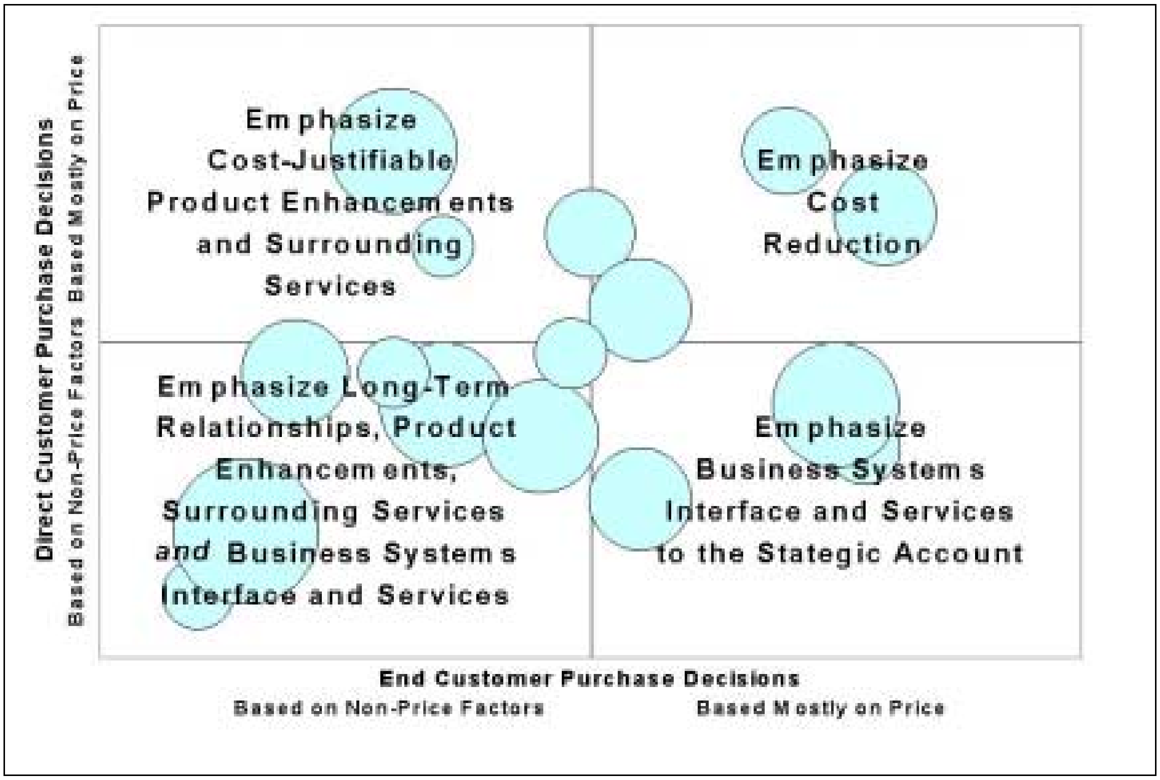
Exhibit 8



Source: George F. Brown, Jr.

- Customer chain assessment can create knowledge. All of the customer chain segment within a business-to-business market can be systematically assessed in terms of size and growth and the factors that drive the purchase decisions along the customer chain.
- Customer chain assessment can create action and results.
    - Blue Canyon research identifies four distinct business-to-business environments (Exhibit 9), each dominated by a clear, focused business strategy.
    - Once customer chain segments are 'mapped,' this research foundation can be used to define a Go-to-Market Strategy.

Exhibit 9

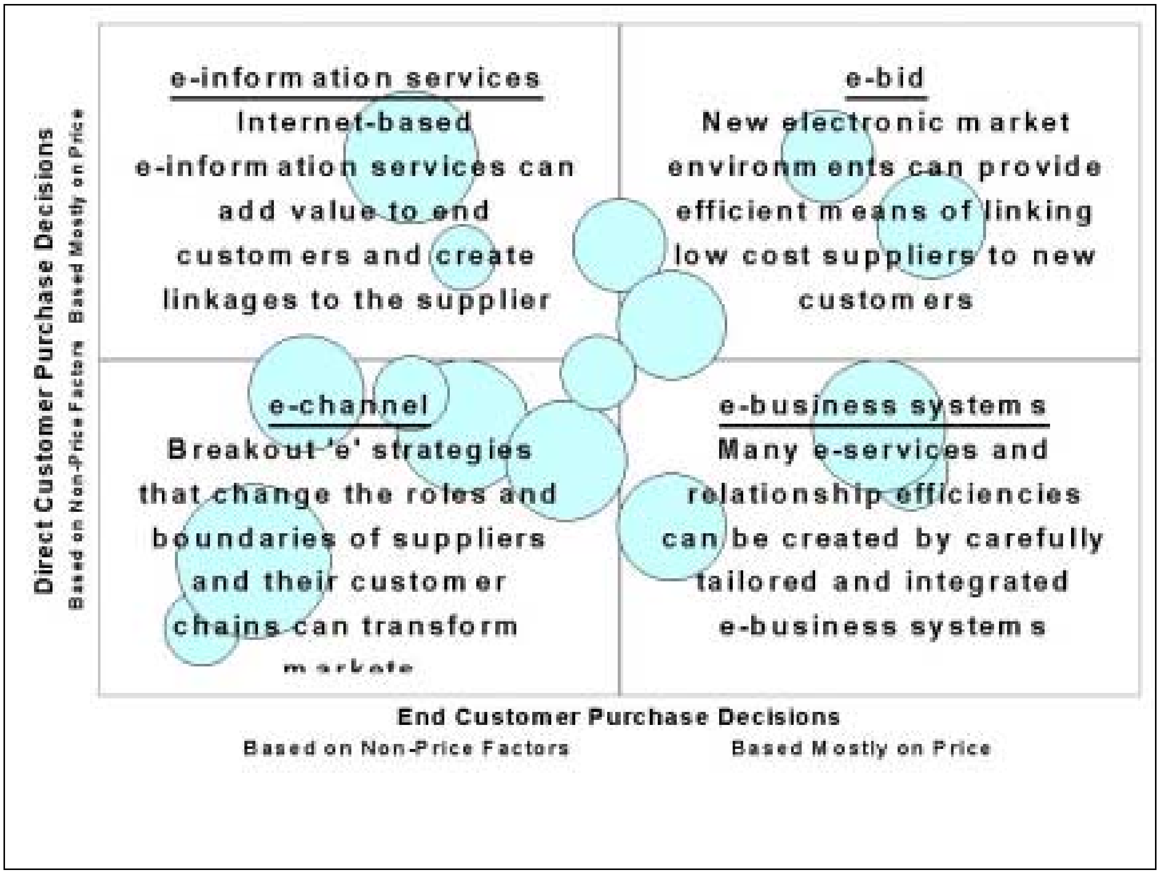


Source: George F. Brown, Jr.

'e' opportunities

- 'e' can be used to as a strategic tool to reach target market segments not currently served by traditional channels – or to augment the current Go-to-Market strategy for existing customers.
- The competitors – and the basis of competition – will vary from one customer chain segment to the next.
- The role of 'e' will vary significantly across these customer chain segments.
- Each of the four business environments in the framework creates a distinct B2B e-strategy opportunity (Exhibit 10).

Exhibit 10



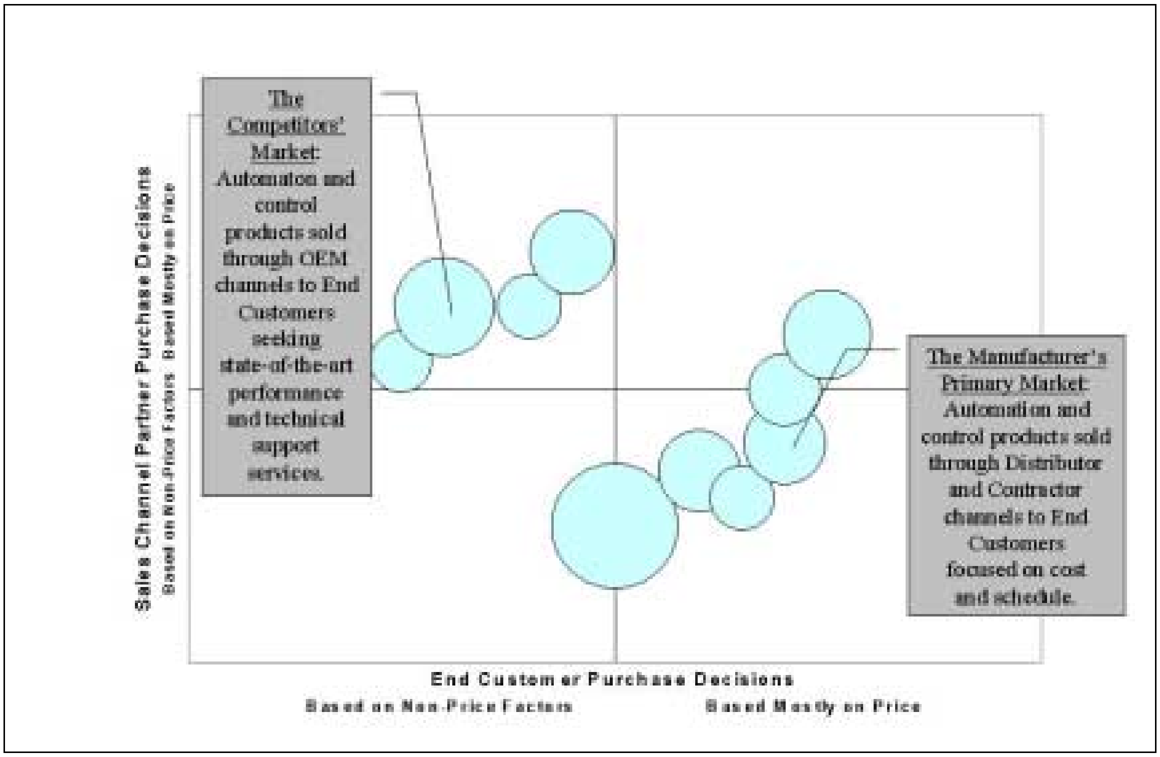
Source: George F. Brown, Jr.

- Moving from "globalization" …
  - Key elements of successful Business-to-Business Globalization Strategies that create value for both the supplier and its customer:
    - Customers, not Countries
    - Customization
    - Competitive Advantage
  - Source: "Three C's of Global Account Management," *Velocity*, Summer 1999.
- … to "global 'e' zation
  - B2B 'e' strategies should link to the 'e' strategies of the supplier's major customers. "Follow the customer" applies as well to e-strategy as it does to global market strategies.
  - e-business systems, e-information, and e-services should be tailored to each major customer relationship. The most effective 'e' initiatives are ones that grew out of an understanding of the complete Supplier-to-Customer chain.
  - 'e' should become a competency that creates value within the context of major customer relationships.

A control equipment case study

- A major business-to-business supplier sold automation and control equipment through distributor and contractor channels. Its success in these segments was based largely on cost advantages and services to its channel partners.
- This company's competitors were successful in selling through OEM channels, with their automation and control products 'embedded' into systems by various OEMs. Many of these OEM products were viewed as high-end, 'state-of-the-art' technologies and commanded premium prices (Exhibit 11).

Exhibit 11

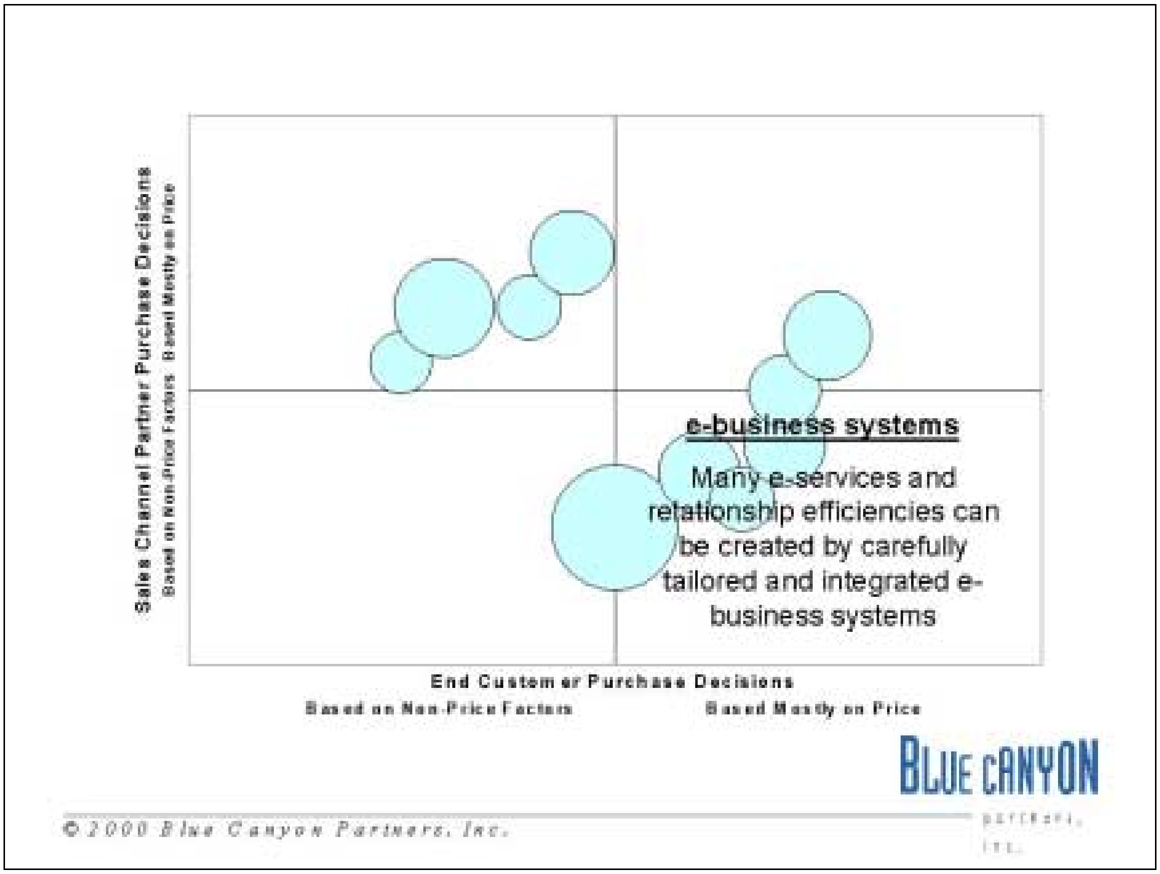


Source: George F. Brown, Jr.

- 'e' opportunities with current customers.
  - This automation and control products supplier recognized that its current customers were focused on costs, and were looking for strategies to 'take costs out of the system'. The supplier's 'brand message' had been focused on its direct customers (distributors and contractors), emphasizing the firm's support of their cost competitiveness.
  - Any initiatives that helped to reduce the costs of doing business for these customers were welcome and likely to be embraced.
  - The supplier recognized that its 'e' strategy for these current customers must complement the other elements of strategy, which are tailored to the particular, targeted customer chain segments.
  - Recognizing the opportunity, this supplier implemented a new set of 'e' business systems that streamlined ordering, facilitated order and inventory tracking, and eliminated numerous 'paper' and 'people-intensive' transactions. This 'e' strategy

fit naturally with the brand image presented by the supplier to its current customers (Exhibit 12).

Exhibit 12



Source: George F. Brown, Jr.

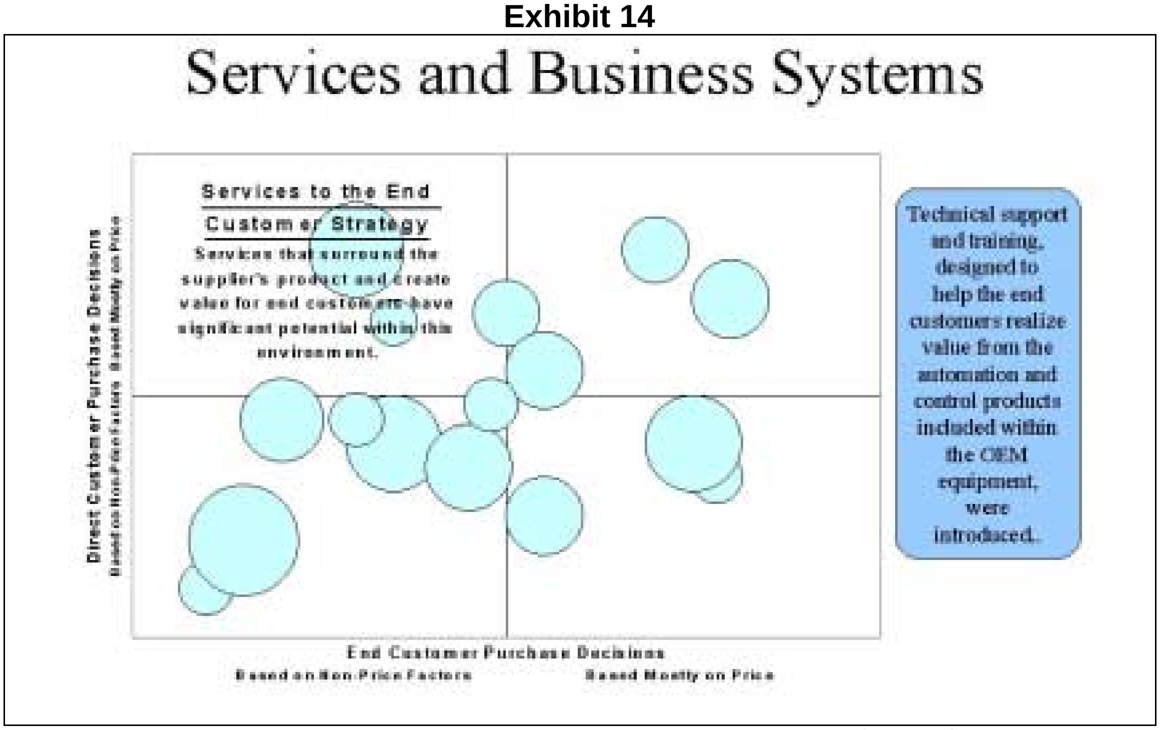
- ‘e’ opportunities with prospects
  - This automation and control products supplier was attracted to the sizeable, growing market served by its competitors.
  - It recognized that the business strategy relevant to this market was fundamentally different from that relevant to its current markets.
  - In these OEM markets, the end customers were focused on state-of-the-art products and advances in technology, almost to the exclusion of cost. The OEMs themselves, however, were focused on enhancing margins through aggressive supply chain management (Exhibit 13).

Exhibit 13

Source: George F. Brown, Jr.

- The supplier knew that to succeed in this target market, it would have to create a brand preference for its products among end customers, much as has been done with various ingredients brand strategies (Exhibit 14)

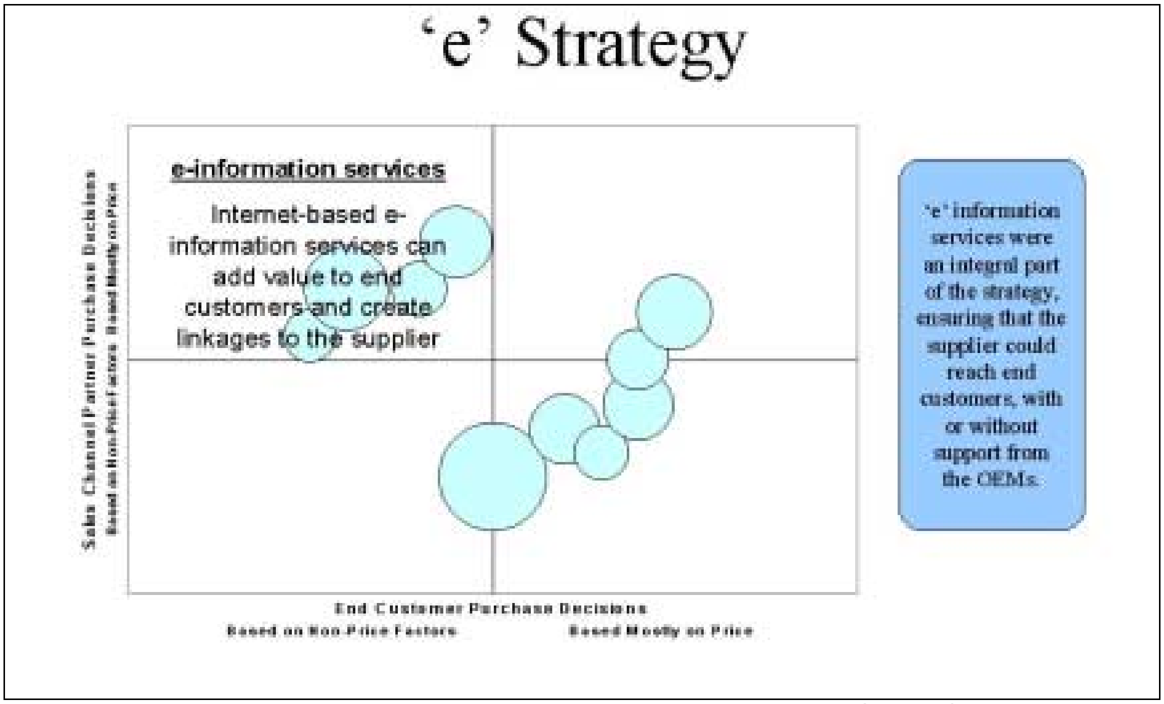
Exhibit 14



Source: George F. Brown, Jr.

• The ‘e’ components of this strategy would have to further this overall strategic positioning. All elements of the strategy would have to be integrated in order to make inroads in this target market (Exhibit 15).

Exhibit 15



Source: George F. Brown, Jr.

• Essentially every element of strategy for this target market would be different from that which had been so successful in this supplier’s current markets. The brand strategy – including the target audience and the brand communication – would be among the elements of strategy that would have to change.

Return to Table of Contents

RECOMMENDED READING

Resource recommendations from meeting participants.

- Tim Ambler, *Marketing and the Bottom Line* (Financial Times - Prentice Hall Publishing, 2000) *(Recommended by Kim Ashton, Johnson Wax Professional.)*

- Beth Snyder Bulik, "The Brand Police" *Business2.0* (Nov. 28, 2000), also at: http://www.business2.com/content/magazine/indepth/2000/11/20/22883 *(Recommended by Ralph Oliva during a discussion of brand perils on the Internet.)*

- Thomas H. Davenport and John C. Beck, "Getting the Attention You Need," *Harvard Business Review* (Sept.-Oct. 2000).*(Recommended by Ralph Oliva.)*

- Amir Hartman, John Sifonis, John Kador, and John Chambers, *Net Ready: Strategies for Success in the E-conomy,* (McGraw-Hill, 2000). *(Recommended by Ralph Oliva.)*

- Sally Helgesen, *The Web of Inclusion* (Currency/Doubleday; 1995) *(Recommended by Sanford C. Schulert, Marketing & Communications Diagnostics, during a discussion of creating brand advocates among employees.)*

- Jeffrey Rayport, and Bernard J. Jaworski, *E-commerce*, (McGraw-Hill, 2000). *(Recommended by Ralph Oliva.)*

- Don E. Schultz, Jeffrey S. Walters, *Measuring Brand Communication ROI* (Assn. Of National Advertisers, 1997). *(Recommended by Ralph Oliva.)*

For additional recommendations, visit the ISBM Selected Reading Book List at http://www.smeal.psu.edu/isbm/publications/readinglist.html

Return to Table of Contents