

Business-to-Business Branding:

Building the Brand Powerhouse



CONSORTIUM LEARNING FORUM
BEST-PRACTICE REPORT

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ISBN 1-928593-47-X

STATEMENT OF PURPOSE

The purpose of publishing this report is to provide a reference point for and insight into the processes and practices associated with certain issues. It should be used as an educational learning tool and is not a “recipe” or step-by-step procedure to be copied or duplicated in any way. This report may not represent current organizational processes, policies, or practices because changes may have occurred since the completion of the study.

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Sponsor Organizations

American Century Investments Inc.

BMC Software Inc.

Electronic Data Systems Corporation

Exelon Corporation

HalDEX Midland Services

Johnson Controls Inc.

Motorola Inc.

Southern Company

Swagelok TELUS Corporation

Telus

TXU Corporation

Verizon Communications

Visa International

Waterdesk.com

Partner Organizations

Caterpillar Inc.

Cisco Systems Inc.

Dell Computer Corporation

Eastman Kodak Company*

Hewlett-Packard Company

Lucent Technologies Inc.

PPG Industries Inc.*

Rockwell Automation

** Site not visited; represented in quantitative data only.*

Executive Summary

For many business-to-business organizations, branding historically has been an uncomfortable subject. Such firms traditionally have been managed on the basis of the four “P’s” of marketing: product, price, place, and promotion. Organizations felt that if they built superior products at a low cost, managed the sales and distribution channel well, and promoted the product line, they would achieve marketplace success. Indeed, this has been the hallmark of marketing management for nearly 50 years. Senior management in business-to-business organizations apparently believed that all business purchasing decisions are rationally based. They feared that brand building was a topic suitable only for makers of toothpaste, automobiles, or luxury apparel; it was too emotional, too soft, or too squishy for products that sold through a buying process considered rational.

In recent years, however, a number of factors have contributed to changing this traditional point of view. Firms find it difficult to stand out among a crowded field of companies offering similar and increasingly commodified products and services. In many cases, the four “P’s” are no longer the key to sustainable competitive advantage. In fact, they now are simply the table stakes every company must leverage to simply stay in business. Furthermore, the advent of interaction and the Internet encourage a recognized name that is linked to specific capabilities, values, and competencies. And there has been considerable interest in how brand strength translates into increased shareholder value through enhanced cash flows, reduced costs, increased customer retention, and enhanced asset value.

This study is an examination of how eight business-to-business marketers have built strong brands. Each firm has arrived at its position of prominence through a different, sometimes indirect, path. However, each has a compelling story of how they grappled with the difficult issues of brand strategy, positioning, brand communication, and results measurement in an industrial or technological context. The organizations provide valuable lessons on how to build powerful and enduring business-to-business brands.

This Best-Practice Report is based on a multiclient benchmarking project conducted by the American Productivity & Quality Center in conjunction with the Business Marketing Association and the Institute for the Study of Business Markets. Heidi and Don Schultz of Agora Inc. and Northwestern University served as the subject matter experts (SMEs).

Twenty-two companies participated in the study. Among them were 14 sponsoring organizations that helped shape the areas of inquiry and select which companies would be asked to host site visits. The remaining eight organizations participated in the study as partners. These firms had been identified through expert research as leading practitioners in one or more of the five focus areas. Partners provide the best-practice benchmarks against which sponsors can examine and compare their own branding practices and policies.

This study is the latest in a series of investigations into best practices in marketing communication, branding, and customer relationship management that APQC has conducted in recent years. Some of the other include: *Integrated Marketing Communication* (1998), *Marketing and Sales Strategic Alliances* (1998), *Brand Building & Communication: Power Strategies for the 21st Century* (1999), *Internet Marketing and Sales Strategies* (1999), and *Leveraging Customer Information: Driving Strategic Direction and Marketing Profitability* (2000).

Brand Building & Communication: Power Strategies for the 21st Century is the platform from which this study was launched. This influential project examined branding practices in business-to-consumer and business-to-business marketing firms. Whereas that initial study established specific fundamental practices that are common to leading brand practitioners, the current study sought to examine those practices in greater depth and in the context of the special needs of business-to-business organizations. Additionally, the latter study sought to examine recent developments in cobranding and online branding and organize such practices into an overall conceptual framework of brand management.

FOCUS OF STUDY

This study sought to examine five key areas of business-to-business branding.

1. **Brand architecture**—how best-practice organizations balance and manage corporate, divisional, and product brands and leverage brand equities across the organization
2. **Cobranding**—how business-to-business organizations build brand value through initiatives such as ingredient branding, licensing, composite branding, and sponsorships
3. **Development of the brand-value proposition or brand promise**—how business-to-business firms use tools and processes to distill the brand to its essential values and articulate a memorable and compelling brand promise to external and internal audiences
4. **Integrated brand communication**—how leading practitioners plan, budget, and execute brand communication programs across the full spectrum of communication venues to customers, prospects, employees, investors, and other relevant stakeholders
5. **Measuring success**—how organizations monitor brand equity and determine the return on investment of their branding activities

OVERVIEW OF REPORT FINDINGS

Business-to-business organizations face a variety of challenges that distinguish their marketing activities from those of their consumer counterparts. They often face

long buy-in periods and complex buying processes in which purchasing decisions are ostensibly made using only rational, objective criteria. Furthermore, rapidly changing technology means that products may be obsolete within a few weeks or months of leaving the factory floor. Perhaps most daunting of all, some firms have a traditional managerial mind-set focused on products, production, and distribution rather than creating perceptual value in the minds of customers.

In spite of the unique nature of commercial and industrial marketing, brands are built in the business-to-business arena in much the same way as they are established in the consumer marketplace. Branding is about establishing trust and credibility. Strong business-to-business brands create an intellectual and emotional bond with customers, prospects, end users, channel partners, employees, and other stakeholders. And strong business-to-business brands are clearly delineated from their competitors.

The best-practice partners detailed in this report have established unique and distinctive presences in their respective markets. In most cases, these brands have successfully extended their reach from the bricks-and-mortar world to the Internet. Partner firms are far more likely than sponsors to report they have a clearly differentiated brand identity, report much higher levels of immediate recall, and believe they have achieved higher rates of customer retention than have their competitors. Furthermore, most are able to command a premium price for their products and services.

Brand Architecture

Traditionally, business-to-business organizations have been highly product-focused, with less focus on brand identity. In such organizations, marketing activity was often spread across a wide, disparate line of products and services, with little forethought given to creating a unifying or enduring identity in the minds of customers. As was mentioned earlier, in recent years a number of leading business-to-business marketers have begun to reconsider the importance of branding in commercial and industrial markets. At the same time, they have recognized the critical link that must be maintained between the firm's branding strategy and its overall business strategies. Frequently this has led to redefining the relationship among corporate, divisional, and product-level brands (brand architecture). Such changes have important implications for the roles and responsibilities of those who are tasked with brand identity management. Additionally, brand architecture policies and standards must be developed in a way that fosters the firm's future growth, its entry into e-commerce, and its ability to adapt rapidly to changing market conditions and organizational forms.

The report explores three key findings related to issues of brand architecture.

1. Effective business-to-business branding establishes a strong corporate or competency platform that supports multiple products and audiences and links to the organization's business strategies.
2. Business-to-business brands need high-level champions.
3. Brand architecture provides a solid but flexible framework for future growth, easing the introduction of new offerings and the absorption of acquisitions.

Cobranding

Business-to-business marketers increasingly are joining with other organizations to leverage the value of their brands. This might be done through joint marketing alliances, market development partnerships, or cobranding relationships. This section examines practices in the latter category by focusing on four primary types of cobranding relationships: licensing, ingredient branding, composite branding, and sponsorships. Best-practice organizations have pursued cobranding relationships of all types more aggressively and successfully than have the sponsor firms.

The report examines two key findings related to cobranding programs.

1. Strong business-to-business brands leverage their strength through cobranding relationships.
2. Cobranding relationships must be carefully developed and managed to ensure consistent and appropriate portrayal of the brand.

Development of Brand-Value Proposition or Brand Promise

In the 1998 study *Brand Building & Communication: Power Strategies for the 21st Century*, one of the most important characteristics that differentiated best-practice organizations from sponsors was the extent to which the partners had articulated a clear, concise, and compelling statement of the brand's essential value proposition or promise. The goal of the current study is to examine how business-to-business organizations successfully create industrial, commercial, or technology brands. What processes are used? What research is conducted? Who is involved? And what outside resources provide guidance or assistance? Partner organizations invest significant resources in understanding the brand from the standpoint of its many customer segments, as well as from the perspective of employees, channel customers, and even the financial community.

Two major key findings are used as the basis for understanding how organizations determine and express the heart of the brand.

1. The brand promise is not a catchy slogan or tag line. It must be grounded in customer needs and linked to value delivery.
2. Powerful brands create an enduring and compelling aura of leadership, authority, and uniqueness.

Integrated Brand Communication

A key challenge facing branding organizations is how to project a consistent, coherent, and compelling brand identity using an expanding list of offline and online communication tools. Such firms are faced with coordinating brand messages across different communication functions and venues (advertising, public relations, trade exhibits, sales literature, online efforts, etc.) and must ensure that messages from different levels and divisions portray the brand appropriately and consistently. Increasingly, smart business-to-business marketers are not stopping at communicating the brand's values and attributes only to customers and prospects. Rather, they recognize the importance of internal brand communication. They align the promises

to customers with the internal policies and procedures that enable employees to meet their commitments.

Best practices regarding brand communication are grouped under four primary key findings.

1. The most important characteristics of brand communication are: sufficiency, consistency, stability, and focus.
2. Strong brands adapt and refine external communication elements over time but remain true to their heritage.
3. External brand communication must portray the brand's strength, image, and leadership across a variety of vehicles and audiences.
4. Great brands are built from the inside out.

Measuring Success

Measuring the success of branding programs is a challenging and complex task. A model of brand equity is presented that includes five primary components: awareness, brand identity and image, retention and advocacy, perceived quality, and financial values. These components are measured in regard to the firm's competitors and its various constituencies (customers, employees, investors, etc.). The model forms the basis for a recommended brand metrics framework. However, it is noted that the metrics for some areas are far more developed and well-established than for others. For example, a number of well-established and useful tools measure aspects of brand awareness, brand identity and image, and perceived quality. Metrics of customer retention and brand valuation, however, have only recently gained a degree of prominence, and their use is not yet widespread among the study participants.

Best practices regarding measuring success are compiled under one key finding.

1. Success metrics must integrate multiple components of brand equity in a robust model encompassing qualitative, quantitative, and financial measurement.

**APQC's Benchmarking Model:
The Four-Phased Methodology**



METHODOLOGY

The APQC consortium benchmarking methodology was developed in 1993 and serves as one of the premier methods for successful benchmarking in the world. It is an extremely powerful tool for identifying best and innovative practices and for facilitating the actual transfer of those practices.

Phase 1: Plan

The planning phase of the study began in the spring of 2000. During that period, an expert panel was assembled and polled to identify organizations that were believed to have demonstrated excellence in one or more of the five areas of the study's focus. This list was expanded to include input from the Business Marketing Association, the Institute for the Study of Business Markets, and from secondary research sources. Each identified company was invited to

participate in a screening process. Based on the results of the screening process, as well as company capacity or willingness to participate in the study, the final list of eight partners was developed.

A kickoff meeting was held in June 2000 during which the sponsors refined the study scope, provided input on the data collection tools, and indicated their preferences for site visits to partner organizations.

Finalizing the data collection tools and piloting them within the sponsor group concluded the planning phase.

Phase 2: Collect

Two tools were used to collect information for this study.

1. **Detailed questionnaire**—quantitative questions designed to collect objective, quantitative data across all participating organizations
2. **Site visit guide**—qualitative questions parallel the areas of inquiry in the detailed questionnaire, which serves as the structured discussion framework for all site visits

All partners and sponsors completed the detailed questionnaire. Additionally, five partner organizations (Caterpillar, Cisco, Hewlett-Packard, Lucent, and Rockwell Automation) were selected to host half-day site visits attended by sponsors and members of the study team. Furthermore, an extended telephone interview using the site visit guide was conducted with Dell Computer. The APQC study team prepared written reports (case studies) of each site visit and interview and submitted them to the partner organizations for approval or clarification.

Phase 3: Analyze

The subject matter experts and APQC analyzed both the quantitative and qualitative information gained from the data collection tools. The analysis concentrated on examining the challenges organizations face in managing, leveraging, communicating, and tracking their brand and the policies and processes that appear to be associated with successful branding practices. The analysis of the data, as well as case examples based on the site visits, is contained in this report.

Phase 4: Adapt

Adaptation and improvement stemming from the best practices identified through a consortium study occur after the sponsor organizations begin to apply key findings to their own operations. APQC staff members are available to help sponsors create action plans appropriate for the organization based on the study.

SUBJECT MATTER EXPERTS

Don E. Schultz, Ph.D.

Don E. Schultz is president of Agora Inc., an Evanston, Ill.-based consultancy specializing in integrated marketing and brand communication. He is also a professor

of integrated marketing communications at Northwestern University and a well-known author, consultant, and speaker on integrated marketing communications (IMC), marketing, advertising, sales promotion, and brand communication management in Europe, South America, Asia-Pacific, the Middle East, Australia, and North America. His articles have appeared in *Advertising Age*, *Journal of Advertising Research*, *Journal of Advertising*, *Marketing Communications*, *Business Marketing*, *Journal of Direct Marketing*, *Journal of Business Strategy*, *Journal of Database Marketing*, and *Marketing News*. He is author/co-author of nine books, including *Integrated Marketing Communications*, the first text in this emerging field; *Measuring Brand Communication ROI*; and his most recent book, *Communicating Globally*.

Schultz was the first editor of the *Journal of Direct Marketing*, served as associate editor of the *Journal of Marketing Communications*, and serves on the editorial review board for a number of trade and scholarly publications. His column on integrated marketing is a regular feature in AMA's *Marketing News*, and he writes a regular article on brands and branding for *Marketing Management*. In 1998 *Sales and Marketing Management* magazine named Schultz one of the "80 most influential people in sales and marketing history."

Heidi Schultz

Heidi Schultz is executive vice president of Agora Inc. She is a frequent speaker on branding and integrated marketing communications and works globally with clients in such diverse areas as travel, insurance, pharmaceuticals, publishing, banking, tourism, and business-to-business marketing. Prior to joining Agora she spent almost 10 years at *Chicago*, the nation's largest monthly city magazine. Schultz was the first woman publisher of *Chicago* and was responsible for all publishing activities.

Schultz began her professional career as a promotion copywriter for CNA Insurance before moving to McGraw-Hill as a research and promotions manager for the company's institutional publications group. In 1975 she joined Crain Communications, where she held positions in promotion, market research, and circulation management for such publications as *Advertising Age*, *Business Marketing*, and *Modern Healthcare*.

Schultz teaches a graduate-level course in building brand equity at Northwestern University. She has conducted executive training seminars on branding for organizations such as the American Marketing Association and the Direct Marketing Association. Additionally, she teaches a two-day brand building and communication course that is offered through APQC at training meetings and as a customized on-site course for members.

Don and Heidi Schultz have served as subject matter experts for three previous APQC benchmarking studies: *Integrated Marketing Communications* (1997), *Brand Building & Communication: Power Strategies for the 21st Century* (1998), and *Leveraging Customer Information: Driving Strategic Direction and Marketing Profitability* (2000).

ABOUT APQC

Founded in 1977, the Houston-based American Productivity & Quality Center provides organizations with the knowledge, training, and methods to help them improve productivity and quality. A nonprofit organization and a recognized leader in benchmarking and best-practice information, APQC serves its nearly 500 members in all sectors of business, industry, education, and government.

ABOUT BMA

Founded in 1922, the Business Marketing Association serves the professional, educational, and career development needs of business-to-business marketers: advertisers, agencies, media, and their partner suppliers. BMA helps members improve their ability to manage business-to-business marketing and marketing communications for greater productivity and profitability by providing unique access to information, ideas, and the experience of peers.

ABOUT ISBM

The Institute for the Study of Business Markets is a center of excellence in the Smeal College of Business Administration of Penn State dedicated to improving the practice of business-to-business marketing in industry and to expanding research and teaching in business-to-business marketing in academia. The ISBM was founded in 1983 and is supported by more than 50 major corporations.

ACKNOWLEDGMENTS

The project team and APQC would like to thank the study participants. Throughout the study, the sponsor representatives provided valuable input into the data collection tool and site visit guide design, partner company selection, and site visit participation. The enthusiasm and dedication of the sponsor group ensured a successful study.

A special thanks is extended to the partner company representatives who have taken time out of their busy schedules to participate in this study. Each member of the partner group has gone out of his/her way to ensure the success of this study.

Additionally, we would like to thank representatives of the Business Marketing Association and the Institute for the Study of Business Markets who supported this study throughout. They helped introduce the study team to prospective participants, provided additional review of the study scope and data collection tools, and participated in key milestones during this project.

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