The Role of Brands in B2B Procurement: An Australian Perspective

Introduction:

Does branding have a role to play in the Business-to-Business (B2B) or industrial purchasing decision-making process? What can supplier organisations do to enhance positive perceptions of their brands in B2B markets?

As shown by the growing power and brand recognition of some B2B brands such as IBM, GE, INTEL and SAP, gone and dead is the traditional view that branding has no role to play in B2B markets (see Table 1).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Value $m</th>
<th>Global Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IBM</td>
<td>100,849</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>GE</td>
<td>50,318</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>UPS</td>
<td>35,737</td>
<td>17</td>
</tr>
<tr>
<td>4</td>
<td>Oracle</td>
<td>26,948</td>
<td>22</td>
</tr>
<tr>
<td>5</td>
<td>SAP</td>
<td>26,078</td>
<td>23</td>
</tr>
<tr>
<td>6</td>
<td>ExxonMobil</td>
<td>16,973</td>
<td>41</td>
</tr>
<tr>
<td>7</td>
<td>Cisco</td>
<td>16,314</td>
<td>44</td>
</tr>
<tr>
<td>8</td>
<td>Accenture</td>
<td>15,427</td>
<td>49</td>
</tr>
<tr>
<td>9</td>
<td>Intel</td>
<td>13,904</td>
<td>58</td>
</tr>
<tr>
<td>10</td>
<td>Petrobras</td>
<td>13,421</td>
<td>61</td>
</tr>
<tr>
<td>11</td>
<td>Siemens</td>
<td>11,998</td>
<td>70</td>
</tr>
<tr>
<td>12</td>
<td>FedEx</td>
<td>11,759</td>
<td>73</td>
</tr>
<tr>
<td>13</td>
<td>PetroChina</td>
<td>11,291</td>
<td>78</td>
</tr>
<tr>
<td>14</td>
<td>Goldman Sachs</td>
<td>8,439</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Millward Brown BrandZ

Leading global players in B2B markets such as IBM and GE have come to acknowledge the importance of creating and sustaining strong and credible brands. While, there has been some focus on creating and enhancing brand equity in B2B markets, limited attention has been paid to the role played by branding in B2B procurement or industrial purchasing. Thus, the current Monash University study focused on investigating how industrial buyers’ perceptions of a brand influence the purchasing decision-making process.

Industrial Procurement in Australia:

To explore the role branding plays in the industrial purchasing decision, face-to-face in-depth interviews were held with procurement managers in the manufacturing sector in Australia (see Table 2 for participants and their organisation profiles). On average, participants had 14 years of experience as procurement managers, and all worked for medium and large organizations with over AU$100,000 purchasing budget per annum.

Table 2: Participants’ Profiles

<table>
<thead>
<tr>
<th>Manager</th>
<th>Industry</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Footwear</td>
<td>20</td>
</tr>
<tr>
<td>B</td>
<td>Automotive</td>
<td>9</td>
</tr>
<tr>
<td>C</td>
<td>Chemical</td>
<td>15</td>
</tr>
<tr>
<td>D</td>
<td>Metal</td>
<td>6</td>
</tr>
<tr>
<td>E</td>
<td>RV Manufacturer</td>
<td>3</td>
</tr>
<tr>
<td>F</td>
<td>Machinery and Equipment</td>
<td>15</td>
</tr>
<tr>
<td>G</td>
<td>Automotive Parts Manufacturer</td>
<td>13</td>
</tr>
<tr>
<td>H</td>
<td>Metal</td>
<td>26</td>
</tr>
<tr>
<td>I</td>
<td>Metal</td>
<td>12</td>
</tr>
</tbody>
</table>

Purchasing in B2B markets is classified into materials and parts, supplies and parts and capital items. The Monash University study focused on solutions (a combination of products and services) rather than pure services to make the findings more generalizable. Additionally, this sector is important for the Australian economy as over 70% of purchases in B2B markets in Australia are solution based (See Fig. 1).
Do brands have a role to play in B2B procurement process?

**Brand Perceptions:** Contrary to the traditional view that relationships in B2B markets are more important than branding in the supplier selection process, our study suggests that most procurement managers believe that prior positive perceptions about a brand come into play first and the “relationship comes after”. Prior positive attitudes about a brand give confidence to buyers to start working with a specific supplier and consider building long-term relationships with suppliers (see Fig. 2).

“Knowing the brand and having good perceptions, good attitudes, and associating to that brand all are prior to establishing relationship. The relationship comes after”. (Manager G)

“Brand awareness is important; I would not even let them through the door…” (Manager F)

Therefore, supplier organisations in B2B markets need to be aware that branding strategies are just as important as building and maintaining strong long-term B2B relationships.

**Strategic Importance of the Purchase**

While branding is important in the procurement process, its influence appears to vary with the type of product being purchased, as well as the size and volume of the purchase. In other words, buyers tend to choose well-known brands when procuring products that are critical to their business as indicated by Managers F and C (see Fig. 2). Additionally, the volume of the purchase emerged as major consideration during the purchase decision making process, as the higher the volume and the size of the purchase, the more likely a well-known brand is chosen as Manager D mentioned.

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**Figure 2: Role of Branding in B2B**

Manager F: If it is something like packaging, stretching, as long as the thing works, the brand is not important and I don't care, because it always works. Because it is not going to impact the business...

Manager G: We did consider the brand when I first approached the supplier.

Manager D: A supplier with lower brand equity, on a big job when making a big decision, certainly not. ... Then, in a bigger scale I would rather stick with a brand with high equity.

Manager E: A brand with high equity is probably the first one that's in my mind.

Manager C: There are some products that are crucial for our organization and brand becomes important in our procurement process. But there are some other materials that are not important, so we just use it daily ... we don't care about the brand for some of these products. So, it depends on the type of product we buy here.
What can suppliers do to enhance positive perceptions of their brands in B2B markets?

As branding emerged to be an important factor in the procurement process in B2B markets, the next stage of the study focused on how supplier organisations can enhance brand perceptions in B2B markets. Procurement managers indicated that recognition and awareness of a brand was the first step in the supplier selection process, especially when a large numbers of suppliers were being evaluated, and when decision-makers were under time pressures (see Fig. 3). Further, it also appeared that, industrial buyers that recognize a brand start attributing relevant meanings to and associating with that brand. In other words, buyers tend to form positive associations towards suppliers that have well-known brands in their supply chain.

Role of Emotions in B2B Procurement Process

The in-depth interviews also indicated that the procurement process is not purely objective, as buyers, to some extent, rely on their emotions to make purchase decision even in highly formalized B2B procurement processes. This could be as buyers may have inadequate capacity to process all information available, emotions, which are characteristics of all human beings, may come to play. This issue was well elaborated by one of the participants:

“There is an emotion, so, I’d like to say no, but in reality sometimes yes. I would like to say no because I’d like to think I am being objective, but the reality is there is a bit of emotion (in the purchasing process)”. (Manager A)

These findings suggest that the feel stage that has been identified in B2C markets at times also comes into play in the decision making process in B2B markets.
The findings of the in-depth interviews also suggest buyers that have a positive association with a specific B2B brand, tend to form favourable attitudes towards that brand. As a result relatively unknown and disassociated supplier may not be considered during the selection process.

**Purchase Decision and Brand loyalty**

This research further revealed that industrial buyers that seriously consider purchasing a brand tend to actually purchase the products, recommend the brand to peers and colleagues, and are more likely to be involved in repeat purchase in the future. As shown by the quotes in Fig. 5, buyers are more likely to stay with supplier organisations they believe are good ‘team’ players or supply chain partners. This was well articulated by Manager F:

“**If you are in a good team, stick to it. If I have a good experience with something then I’ll stick with that brand …. If I am happy with the brand I’ll stay with them, there is no reason why I should change**”.

**Development of Buyer-based Brand Equity**

The in-depth interviews suggest that the more loyal B2B buyers are to the brand, the less likely they are to consider competitor offerings and the more likely they add value to a brand, which is the primary goal of creating brand equity. According to Manager A:

“**Brand equity is the absolute confidence that a brand represents to the buyer**”.

Therefore, in B2B markets buyers’ brand loyalty can lead to the development of Buyer-Based Brand Equity (BBBE).

**Dimensions of BBBE**

As shown in Fig. 6, procurement managers indicated several features for buyer-based brand equity. These features can be classified into two dimensions including functional (as indicated by manager F and B), and emotional (as indicated by managers D and F). Thus, we therefore define Buyer-Based Brand Equity in B2B markets as a **set of functional and emotional attributes of the brand as perceived by industrial buyers. This includes the way buyers think, feel, and act toward the brand, which ultimately contributes to the value of that brand.**
The above definition is also reflected in some of the statements shown in Fig. 6. Therefore, both functional and emotional factors of the brand affect the purchase decision making in B2B markets. Functional factors identified include product and service quality, delivery, etc.; and emotional factors include reassurance, trustworthy, and confidence.

In summary, the findings of our study suggest that the initial development of BBBE may follow a sequential (Think-Feel-Do) path with the tripartite categorization of mental activity of cognition, affection, and conation as shown in Fig. 7 which has also been identified in B2C markets. However, other factors were identified to mitigate this process, which may actually lead to a different model for that in B2C markets.

Other Factors that affect the B2B Procurement Process

While above findings point to a sequential relationship to explain the role of branding in B2B procurement process, other factors that procurement might consider in making purchasing decisions emerged during the in-depth interviews are shown in Fig 8.
Given the circumstance in the procurement process, these factors might either strengthen the sequential relationship discussed above, or be part of the sequential relationships identified above. These factors are discussed below.

**Brand Representatives**

Most managers believed that the way representatives of a brand convey the brand message (both technical and non-technical) could promote positive and favourable attitudes that affect the purchase decision-making process. This was well articulated by some of the procurement managers:

"It’s important that the brand representative reflects the brand values”.
(Manager A)

"... we (procurement people) do look at the people (brand representative) and take all that into account: the presentations, the technical knowledge, are they trying to sell me the product or are they trying to sell me the company (brand)?... I’d prefer someone to try and sell me the company (brand) first”.
(Manager I)

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Figure 8: Other factors that influence supplier selection in the B2B Procurement Process
These findings imply that two characteristics of a brand representative including technical and non-technical aspects could help in developing positive attitudes in buyers. Thus, we believe that both knowledge of and trust in brand representative influence the creation of high brand equity, and also affects B2B purchasing process.

Country of Origin Effect

Another factor that procurement managers indicated to be important in the purchasing process was the brand’s birthplace or what is commonly referred as country of origin image. It appeared that buyers in B2B market are concerned with the origin of the brand. This emerged as one of the factors that were used in narrowing down alternatives, as brands from western and advanced countries seemed to be more preferable than those from non-western and developing/emerging markets.

Social and Environmental Responsibility

Almost all participants indicated that given the increased recognition of social and environmental issues, it was critical that their supplier brands were able to meet specific environmental and social standards, as well as recognised as good corporate citizens. Thus, having a supplier that was viewed by end-consumers as an environmentally and socially responsible brand was an important selection criterion.

Corporate Image and Corporate Reputation

Corporate image and reputation were viewed as crucial selection criteria factors in B2B purchasing decisions, as all participants indicated that a brand’s historic performance are reliable indicators of its image and reputation. Most participants indicated that an impeccable history of a supplier brand could ensure maintenance of their own corporate image and reputation.

Geographic Closeness of Supplier

Given the distance between Australian and other developed countries and the short lead-times in the manufacturing industry, participants indicated preference to purchase brands that have local manufacturing site or active sales office. This reduced the lead-time and also facilitated more effective after sale service.

The Proposed Model of Buyer-Based Brand Equity in B2B Markets

Based on the findings of this study discussed above, it seems that the factors included in HOE (Hierarchy-of-Effects) sequence in B2C markets might not hold in B2B markets as other factors appear to influence the creation of buyer-based brand equity. How these newly emerged factors influences the HOE model requires further calls for further research.
Summary of Findings:

This study affirms the importance of branding in the B2B procurement process, and uncovers other factors that contribute to the creation of buyer-based brand equity in B2B markets. Whilst the cognition, affection, and conation stages that have been identified in B2C markets contribute to the building of high equity brands. Other factors that emerged in this study imply that the traditional HOE model applicable to B2C markets might not hold in B2B markets. The additional factors that were identified to be important in supplier selection were the supplier’s country of origin, geographic location, corporate reputation and image. Additionally, the ability of the supplier to meet industry environmental and social responsibility standards as well as the technical and relational capabilities of supplier’s representatives also played a crucial role.

Implications:

- As brand awareness, recognition and attitude emerged as important factors in B2B purchasing process, managers in supplier organisations should focus on developing branding strategies to promote their products to industrial buyers.
- Our study not only acknowledged the importance of branding in B2B markets, but also revealed the stages through which industrial buyers go through to reach a purchasing decision. As buyers
pass through a hierarchical ‘Think-feel-Do’ sequence, each component in this hierarchy ultimately contributes to the building of brand equity in B2B markets. Awareness of this process can provide some insights to managers in both supplier and buyer organisations on how to effectively manage the timing and sequencing of the various factors that contribute to the development of brand equity in B2B markets. For instance, if a supplier brand is not recognized in the market, the supplier could focus on enhancing brand awareness and recognition instead of just focusing on selling the product or solution.

- Managers in both supplier and buyer organisations need to take cognisance of the other factors that emerged as being important in the B2B purchasing process. Adherence to acceptable social and environmental practices, developing a positive corporate image and reputation in the marketplace, supplier’s country of origin, as well as the ability of brand representatives to conveying the appropriate brand messages can also positively impact purchasing decisions and ultimately lead to buyer-based brand equity (BBBE).

About the authors

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Zahra is currently a doctoral candidate at Monash University. Her research topic is on B2B branding and how buyer-based brand equity can be measured and managed. She has worked in different purchasing and procurement positions. In her last position prior to joining Monash, she was the category manager responsible for overseas procurement in the automotive industry.

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