

Why B2B Buyers Care About Brands in Tough Economic Times

By Richard Crespin
 excerpts published in HRO Today magazine

Why should the business buyer consider brands when making purchasing decisions? In a tough economy shouldn't buyers leave softer issues like brand aside and focus on more tangible values? Our research shows smart B2B buyers do indeed consider brand in a down market. Some consider brand issues more seriously than in times of growth and prosperity, when riskier decisions - those that may not involve a well-branded company - are more easily accommodated. Why should any buyer - particularly a B2B buyer - care about and ultimately pay a premium for a better brand? Let's start by defining "brand."

"Brand Recognition and reputation, along with experience in our verticals are factors that help us make the purchasing decision." *Dennis Callahan, EVP and CIO Guardian Life Insurance*

A B2B Brand is about corporate character. Credibility and reputation play prominent roles, as does how an organization communicates through its materials and media, and through its sales and service people. Well branded companies put time and effort toward consistently and effectively communicating their value to the market. Keep in mind, there's a distinction between being well known and being well branded. Enron is well known. It is not well branded any more. Understanding the influence brand has on buyers sometimes seems like an exploration into the unknowable. Many buyers are not even conscious they use brand as a buying criteria, like the consumer who says, "I buy Coke 'cause it tastes better," not because of the nice red can. Some buyers deny outright brand has any influence, like the executive who claims, "We selected IBM 'cause they offered the best value," not because the last guy who didn't get fired.

To address the question of brand influence, we reached out to a cross section of buyers and sellers. We asked buyers to consider how they take intangibles like brand, client

references, and reputation into account. We also asked sellers to consider how they use brand in selling and delivering service. The answers proved insightful. We identified one main reason buyers invest in brands: they act like insurance policies. The brand on the side of a Coke can says, "I'm going to taste the same way every time." A designer tag sewn into a high-fashion shirt says, "You're in style, even if you lack taste." even if you don't know what you're buying." In short, a brand acts as shorthand for trust.

A B2B Brand says, "You're going to get a desirable result even if you don't know what you're buying."

But if we get under the covers of this insurance policy, we can come to understand, and ultimately place a more precise economic value on, why a brand is worth something extra. We identified three fundamental underpinnings of the "insurance policy":

1. Lower Acquisition Cost
2. Lower Dispute Resolution
3. Security of Investment

Lower Acquisition Cost

A brand lowers the costs that go into making a purchasing decision. As a buyer, the biggest concerns come down to:

- a) Does the firm understand my problem?, and
- b) Have they solved a similar one in the past?

Dennis Callahan, EVP and CIO at Guardian Life Insurance Company told us, "In selecting an outsourcing partner for any type of service, brand name recognition and reputation, along with experience in our verticals, are factors that help us make

a decision." Buyers like Dennis seek confidence in the delivery of value. Namely, that what the seller promises during the sale will actually be delivered after the sale.

Buyers also care about lowering their risk. Experienced buyers in particular know that often the lowest price carries hidden costs like lower quality, schedule delays, or cost over runs. As Dennis went on to say, "In my heart of hearts I'd always like to go with the low cost bidder, but there is such a thing as too much risk." So how does a brand increase the probability of picking the vendor that will deliver on its promise and incur lower risk at the same time? The answer depends on the cost of acquisition.

A brand reduces your cost of acquisition by providing you with reliable information up front.

Sellers spend a lot of time analyzing the cost of sales. Many track time and expense down to the quarter hour and paper clip to understand their costs to sell goods and services - both in hard costs and opportunity costs. Buyers, on the other hand, do not spend a lot of time calculating how much it costs them to purchase goods and services. Most buyers simply don't calculate the opportunity costs of acquisition. Acquisition costs - particularly in B2B - start well before you sign the contract or write the check.

A brand reduces your cost of acquisition by providing you with reliable information up front. In working with a well-branded company you know a bit more in advance what you're getting before you make the purchase. Buyers spend millions of dollars each year in market research, issuing RFPs, analyzing responses, qualifying vendors, and negotiating contracts. And it doesn't stop there. It continues on through delivery in the contract (more on that below).

A well-branded company has put forth the effort to explain itself up-front. They've put effort into explaining their products and services, communicating how they deliver value, and describing how they work with customers. The well-branded firm is the firm that's taken the time to tell you what you can expect. They've not just made a promise of delivery, they've backed it up with the readily accessible information you need to make a purchasing decision.

Minutes versus hours. Cents versus dollars. That's the difference a good brand makes.

This effort on their part may save you an hour or days in market research and pre-qualification. Of course a brand does not necessarily let you short-circuit the research and RFP process. You'll still need to research the lesser knowns and read through their poorly written materials. But where you might spend hours sorting out what the poorly branded companies do and what you can expect after you sign the

contract, with the well branded company you can spend just a few minutes refreshing your memory as you peruse their well written, cogent, easily understood materials. Minutes versus hours. Cents versus dollars. That's the difference a good brand makes.

Lower Dispute Resolution

A vendor's brand gives you an additional lever to use in resolving disputes. It also helps back up the promises made during the sale. As we've said, acquisition costs extend both before and after the signing of the contract. Once you select the vendor, you have to manage the vendor through delivery. Whether you're buying server software or outsourcing services, you have to manage until the software is installed or the services are transitioned.

A well-branded company is ultimately saying, "I care what you think of me."

In doing so, most of us operate below the "lawsuit threshold". In other words, most of our issues fall well below the level of intensity that would involve actually suing someone - regardless of whether there's a contract or not. Therefore, as buyers we need methods of resolving the disputes that come up during delivery short of going to court.

A well-branded company is ultimately saying, "I care what you think of me." Because they care, as the intensity of a dispute grows, the more likely they are to listen, step back, and try to fix things before it has an impact on their brand. In essence they're offering their brand as collateral to back up the promises they made. Failure to deliver forfeits at least a piece of that collateral.

"Our clients and what our services enable them to do is a critical part of our brand. So the stories that develop as we live our partnership with our clients become examples that we use to reinforce our brand." *Kevin Campbell, President and COO, Exult, Inc.*

Mistakes happen. Companies stumble. And they rely on their brands to help them recover. The vendor hopes their brand will act like a safety net, providing them with the permission to recover. They hope you'll say, "Oh sure they messed that up, but they're still a good company and we should give them the chance to make things right."

For his brand, Kevin Campbell the President and COO at Exult told us, "Our clients and what our services enable them to do is a critical part of our brand. So the stories that develop as we live our partnership with our clients become examples we use to reinforce our brand." Exult, as the market leader in the HR outsourcing space cares very deeply about its brand because it helps strengthen the Company's value in the market. Kevin cares about his brand and takes the necessary steps to make sure the Company upholds its brand promise.

When clients engage Exult, they know Kevin and his team will watch out for them - in part because it's in the best interest of maintaining the brand's market value.

A buyer cognizant of the importance of the brand to the seller can rely on the brand as a safety net as well. Knowing a company has a brand, continues to act as an insurance policy letting you know the vendor will stand by the promises made during the sale. Knowing well-branded vendors want to preserve their brand's value, you can use the brand to help resolve disputes - encouraging the vendor to listen, adjust, or otherwise solve your problem. Warning: don't cry wolf! A well-branded company values its brand and safeguards it from harm. They will listen, but they won't stand for idle threats.

Security of Your Investment

Brands give sellers power in the market. By definition, the more well branded a firm, the more likely customers are to place their trust in the company. This has a cumulative effect, acting like compound interest. With each successful transaction, the brand grows stronger adding to the market power of the branded firm. To the buyer, this can seem a bit threatening. And perhaps it is on some level.

Companies use their brands in negotiations and at other times to flex their muscles. At the same time, this market power translates into two advantages to buyers: 1. Assurance the selected vendor won't disappear tomorrow, and; 2. The ability to invest in standards.

1. Assurance. The more customers, the more revenue. The more revenue, the greater assurance. Certainly the past few years have shown us that even the biggest companies fail. Size is no guarantee, and history is only prologue. At the same time, most companies that continue to earn trust are rewarded with the revenues they need to continue operating. Therefore, the well-branded company translates often to the successful company. Buying a product or a service is an investment on your part in the vendor. By choosing to invest in the well-branded company, you have a greater level of assurance that the company will be around to support your purchase in the future compared to the next, lesser-branded alternative.

2. Standard Setting. Particularly in B2B services and products, standards become paramount. We want interoperability. We want to exchange data, files, hardware, ideas, concepts, etc. with our suppliers, customers, partners, and colleagues. Doing so requires standards. We need file exchange standards. We need data storage standards. We need accounting standards. We need project management standards. The well-branded company is the only company given permission to set standards. You don't want to be on the wrong side of new standards. You want to make sure the products you buy and the services you use comply with the

newly set standards or you risk losing your entire investment. Through each successful sale a company adds to its brand. As the brand grows it can come to represent the de facto standard for the industry. Very few brands reach the level of a Microsoft, Sun, or Cisco where they can dictate standards for the industry. Even fewer reach the level of a Coke or a Kleenex where the brand becomes synonymous with the category. But the pathway to that level of success must pass through good branding. These powerful brands were granted permission by the market to set standards. In new and emerging markets there are other companies vying for this same level of permission. All the cumulative buying decisions (including yours) will dictate whether they reach the level of the standard setter. The stronger the brand, the greater assurance you have the vendor will not end up on the wrong side of the standard.

Conclusions

So why should buyers care about brands? One big reason: the brand acts like an insurance policy protecting your purchasing investment. Specifically, the better branded the company, the:

Lower the cost of acquisition: great brands tell you in ways that make sense to you why they provide value, which reduces your costs to research and understand what they do, how they work, and what you can expect.

Lower the cost of resolving disputes: well-branded companies offer their brands as collateral during delivery. Failure to deliver on their promises forfeits a portion of the collateral. Buyers can rely on the brand to back up the promises the company makes and use it as a lever when resolving the inevitable disputes that come up.

More secure investments: often times the wellbranded company is the more successful company. The vendor's success translates into the buyer's success by ensuring the vendor will be around to support the purchase later. Also, in rare cases, the really great brands become the standards for their industry, truly guaranteeing the purchasing investment.

Buyers are investors. Buyers should care about brands because the brand protects their investment, reduces their costs, or makes their jobs easier.

About the Author

Richard Crespin is one of the founders and managing directors of The Delve Group, Inc. Throughout his career, Mr. Crespin has gained extensive experience assisting clients to improve the way they interact with customers and the market as a whole to increase profitability, customer loyalty, sales, and operations. Founding Delve caps an over 13-year career consulting to organizations in the public and private sectors. Delve dedicates itself to working with clients to build their organizations to last, around strong brands, taken to market across all customer touch points. Immediately prior to founding Delve, Mr. Crespin served as a Senior Principal at American Management Systems where he headed the company's Customer Relationship Management Practice. Mr. Crespin is an alumnus of both the George Washington University and the Harvard Business School. At Harvard he graduated from the School's prestigious General Managers Program. At George Washington, he graduated from the Elliott School of International Affairs with a degree in International Affairs. He has completed post-graduate work at the Elliott School focused on international economics and global security policy. Mr. Crespin is also an active member of the community serving on the executive committees of several associations and philanthropic organizations.

About The Delve Group, Inc.

The Delve Group specializes in positioning and perception for business-to-business companies. Using its industry expertise and strategic creativity, Delve creates positioning and perception for its branding, marketing, & communications clients. With comprehensive competitive and market intelligence services, Delve measures and analyzes how effectively companies achieve their desired positioning and perception among target audiences. The combined value ensures Delve's clients accelerate growth, strengthen brand awareness, and create lasting advantage.

Headquartered in New York City, Delve operates throughout the United States and in the European Union. Learn more at www.delvegroup.com