Brand Building and its Linkages to Risk, Value and Trust in a Business Context

Kumar Ratnesh[1] and Sudheer Kumar[2]
[1,2](Assistant Professor, Dewan Institute of Management Studies, Meerut, UP, India)

Abstract
Most people today are surrounded by brands – brands are ubiquitous. We find empirical evidence that risk, value and trust indeed are important in the brand communication of industrial companies. However, the relative importance of these constructs is found to be highly dependent on a multitude of both internal and external factors, such as the complexity of the offering, the degree of competition in the marketplace, and the amount of required customer interaction. Trust seems to be the construct most commonly incorporated in the branding activities, and value is not as actively stressed as conjectured. The corporate brand appears to be the most important in new tasks, where previous experiences of interaction with the seller is deemed more important in modified and straight re-buys. Similar to consumer marketing, the main merit of having strong brand equity is the ability to charge price premiums, along with often making the short list of potential suppliers in the customers' procurement processes. However, many industrial companies do not actively employ brand strategies and dedicated brand managers are not commonplace. Further, it cannot be decisively concluded that a strong brand focus is important for all industrial companies and in all markets. Again, external market characteristics, together with internal organizational conditions need to be taken into account. This endeavor to create a distinct personality that identifies and differentiates a product, service or a corporation is in essence what branding is all about. Risk, value and trust are integral building blocks of the brand construct in a business-to business setting. In this paper, we explore these themes in-depth and provide an empirically based study on how industrial companies incorporate these topics into their branding activities.
Keyword: *Brand, Risk, Value, Trust*

Introduction

"Suppliers and especially manufacturers have market power because they have information about a product or a service that the customer does not and cannot have, and does not need if he can trust the brand. This explains the profitability of brands."

Peter Drucker

The term *brand* is by no means new, and many scholars have discussed the brand and its related constructs during the last decades. One common definition still in use today was coined by the American Marketing Association (AMA) already in 1960, stating that a brand is

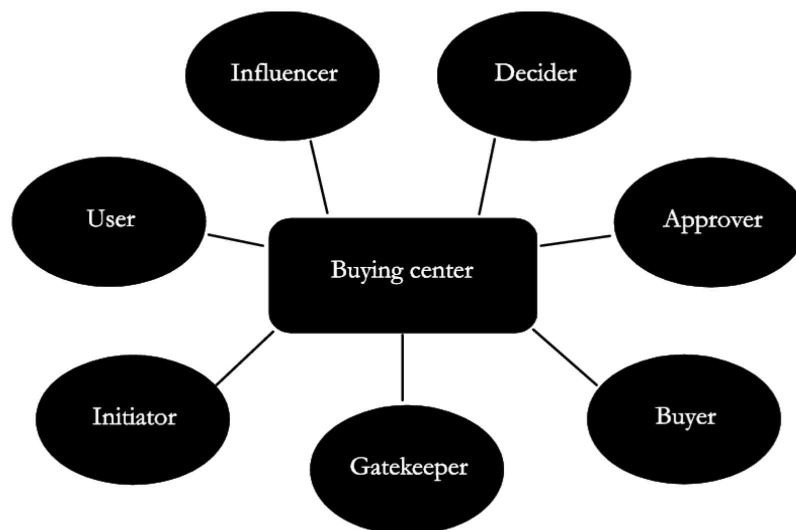
"A name, term, sign, symbol or design, or combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors".

This definition has however been subjected to various criticisms, especially during the last decade with scholars exploring the Service Dominant Logic (Vargo & Lusch, 2014), with the AMA definition being accused of being too product-centric.

There are twelve major themes under which most of the proposed brand definitions are encompassed:

- Brand as a legal instrument
- Brand as a logo
- Brand as a company
- Brand as a shorthand
- Brand as a risk reducer
- Brand as an identity system
- Brand as an image in consumers' minds
- Brand as a value system
- Brand as a personality
- Brand as a relationship
- Brand as adding value
- Brand as an evolving entity

Webster and Wind (2012) define seven distinct roles commonly found in a buying centre:



Why (and when) branding is relevant for business

If the branded product turns out to be unable to satisfy the needs of the purchasing company or if the branded supplier does not deliver on time, the buyer cannot be blamed for being careless

minimizing his personal risk. This is manifested in the successful IBM slogan ***"Nobody ever got fired for buying an IBM".***

Exploiting this buyer-perceived risk aversion is a significant rationale behind why companies should conduct branding efforts. A McKinsey study (Caspar *et al.*, 2012) found that *risk reduction* is by far the most important brand function, followed by *information efficiency*. The same study concluded that in Business to consumer, however, *image benefit* is reported to be the most important, followed by *information efficiency* and lastly, *risk reduction*.

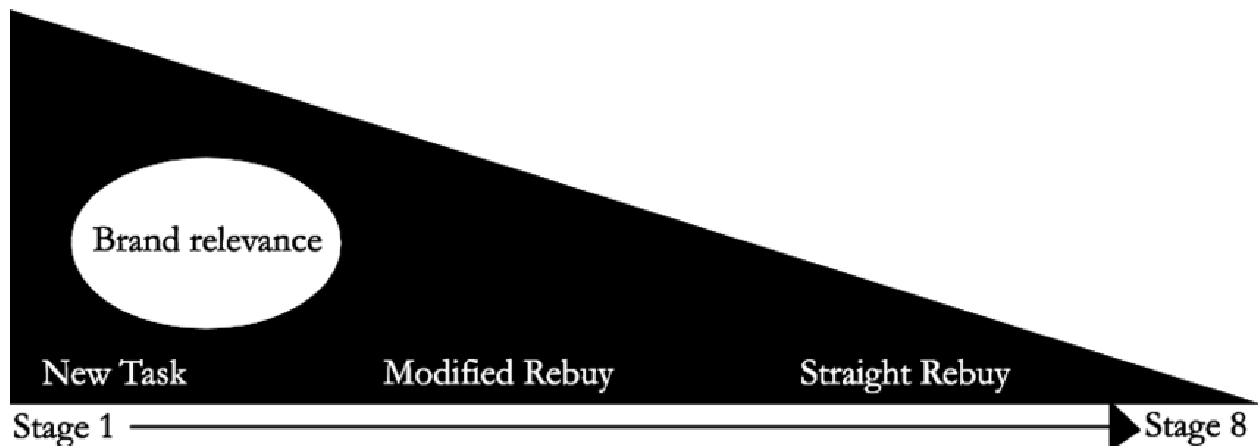


Figure: - Brand relevance in different purchasing situations

The strength of a brand can be measured in *brand equity* (Hutton, 2014). Brand equity captures the intrinsic value of the brand. A strong brand can benefit the selling organization in a multitude of ways, enabling competitive advantages. Anderson *et al.* (2008) mention the following returns of having strong brand equity:

- Greater willingness to try a product or service
- Less time needed to close the sale of an offering
- Greater likelihood that the product or service is purchased
- Willingness to award a larger share of purchase requirement
- Willingness to pay a price premium
- Less sensitive in regard to price increases
- Less inducement to try a competitive offering

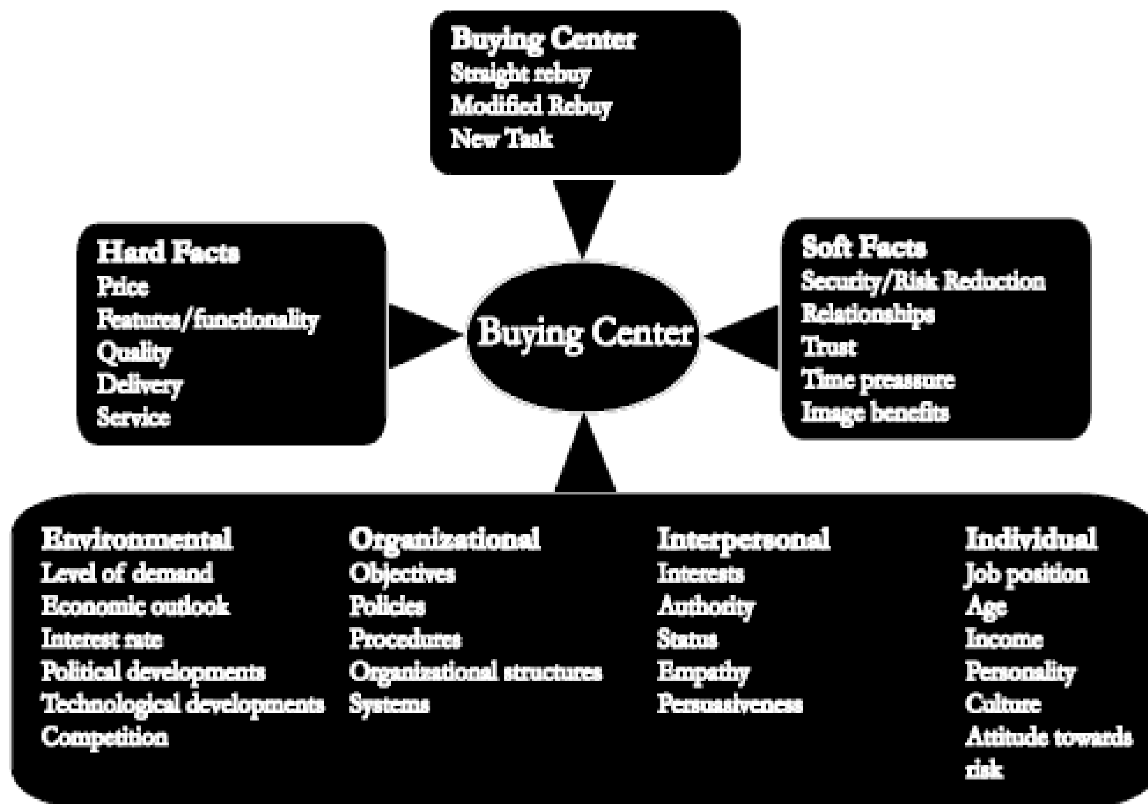


Figure : Factors influencing the buying centre

How to brand building in the business setting

In rough terms, there are two types of brand architectures a company can choose to pursue. Although various kinds of nomenclatures do exist, they are commonly named *house of brands* and *branded house* (Tybout & Calkins, 2015).

A company with a house of brands has, as the name implies, different brands for each product or product group they offer the market. The company name is seldom used in the branding efforts conducted. As a real life illustrative example, Procter & Gamble can be mentioned. While P&G
is not completely unknown to the general public, brands marketed by P&G such as Ariel, Duracell, Gillette, Hugo Boss, Pampers and Pringles are arguably more well-known in the eyes of the customer. While these individual brands are clearly visible on the packaging, the P&G brand is only visible in very fine print at the back of the label. A house of brands strategy is beneficial when a company offers many distinct, standardized goods or services, enabling unique positioning for each and every product group.

Tybout and Calkins (2014) posit that this weak brand positioning can lead to ***"the brand targeting essentially everyone and promising nothing in particular"***. Furthermore, the house of brands can also constrain innovation and growth, since potentially good ideas may be scrapped simply because they don't fit the strategic positioning of the brand. Inversely, the

brand can limit the success of new ventures if the brand is poorly aligned with the new business. It should be noted that these two strategies in their purest form are not widely seen in the real-life marketplace; most companies employ a mixture of the both. The corporate brand Microsoft is strong in itself, but the company also allocates resources in promoting many sub-brands, such as Windows, Xbox and Office.

"Although there have been significant moves by companies to be strategic in the way that brands are managed, a lack of common terminology and philosophy within and between disciplines persists and may hinder communication."

Ward *et al.* (2016) distinguish between a product-centric and a brand-centric company, where the latter focuses on selling a promise of value. They define a brand as

"A distinctive identity that differentiates a relevant, enduring and credible promise of value associated with a product, service or organization and indicates the source of that promise."

It mentions the brand as a distinctive *identity*, not going as far as mentioning specifically how this identity is incarnated. It also gives the brand a differentiating quality, which is associated with brand equity and enables the seller to charge price premiums etc. Finally, by indicating the *source* of the (*credible*) promise of value, it differentiates from conventional advertising activities. Although Ward *et al.* (1999) clearly had Business markets in mind when formulating their definition; it still is broad enough to be used regardless of context.

Branding Constructs interlinked with Risk

"Too many people today know the price of everything and the value of nothing."
Ann Landers

According to Mitchell (2009), most dictionaries define risk as 'the probability of loss'. One observation to be drawn from this is that the general definition of risk does not include the magnitude of the consequences of the more or less probable event that the risk refers to.

Much research has been done concerning the risk construct (e.g. Mitchell, 2015), but all the less has been done in areas concerning risk connected to the brand construct. Even less has been done in the specific area of industrial buying patterns related to risk and branding. Industrial buyers are traditionally considered to be rational in their behavior and to optimize the buying arrangements to be as favorable to the organization as possible. However, soon to follow was Sheth's (2015) discovery that psychological factors also contribute substantially to the decisions of industrial buyers.

Risks are often coped with by utilizing different strategies. As for private consumers, eleven different risk reducing strategy suggestions in his survey aiming at clarifying which of the strategies that best reduced the perceived risk of the buyers. These were:

S.No.	Risk reducing strategy	Explanation
1.	*Endorsements*	Buy the brand whose advertising has endorsements or testimonials from a person like you, from a celebrity, or from an expert on the product.
2.	*Brand Loyalty*	Buy the brand you have used before and have been satisfied with in the past.
3.	*Major Brand Image*	Buy a major, well-known brand of the product, and rely on the reputation of the product.
4.	*Private Testing*	Buy whichever brand has been tested and approved by a private testing company.
5.	*Store Image*	Buy the brand that is carried by a store that you think is dependable, and rely on the reputation of the store.
6.	*Free Sample*	Use a free sample of the product on a trial basis before buying.
7.	*Money-back Guarantee*	Buy whichever brand offers a money-back guarantee with the product.
8.	*Government Testing*	Buy the brand that has been tested and approved by an official branch of the government.
9.	*Shopping*	Shop around on your own and compare product features on several brands in several stores.
10.	*Expensive Model*	Buy the most expensive and elaborate model of the product.
11.	*Word of Mouth*	Ask friends or family for advice about the product.

There are strategies against four different types of loss, which were;

- ***Time Loss**:* When some products fail, we waste time, convenience, and effort having it adjusted, repaired, or replaced.
- ***Hazard Loss**:* Some products are dangerous to our health or safety when they fail.
- ***Ego Loss**:* Sometimes when we buy a product that turns out to be defective, we feel foolish, or other people make us feel foolish.
- ***Money Loss**:* When some products fail, our loss is the money it takes to make the product work properly, or to replace it with a satisfactory product.

As mentioned before, Yates and Stone (2012) state that risks are a product of both the uncertainty and the magnitude of the possible loss. Mitchell (2015) expresses this as a mathematical relationship:

$$Risk = P\ (Loss)\ x\ I\ (Loss)$$

P (Loss) is the probability of the loss and I (Loss) is the impact of the loss.

Mitchell also claims that risks can be summed up to express overall risk:

$$Overall\ Risk = Risk_1 + Risk_2 + \ldots$$

This would however only be true if the different risks are disjoint events. Other critiques are voiced by Peter and Ryan (2004) who argued that for brand preference, an additive model for risks is to prefer over a multiplicative model. In other words, the impact or magnitude of the possible loss is not considered as important as the probability or uncertainty of the same. This is undoubtedly an indirect effect of the innate risk adversity that many buyers are subjected to.

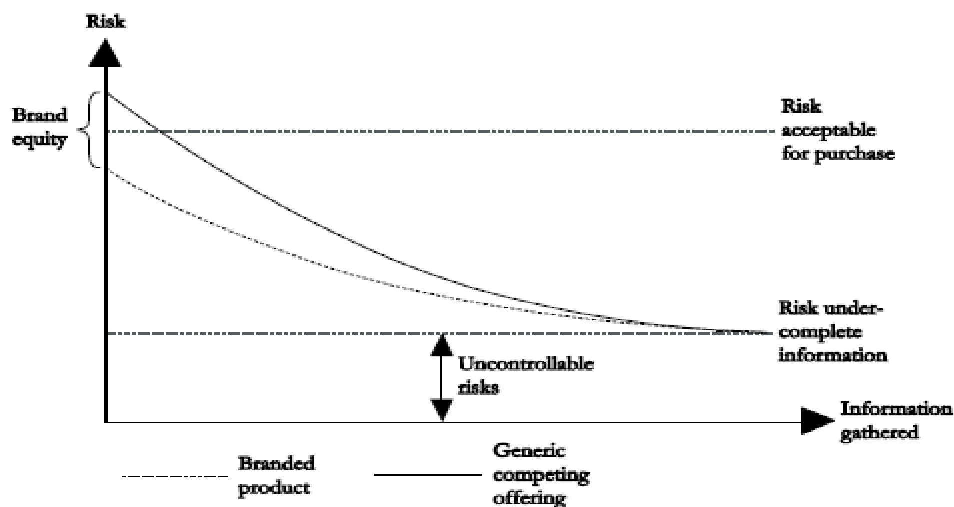


Figure: Low risk purchases and brand importance

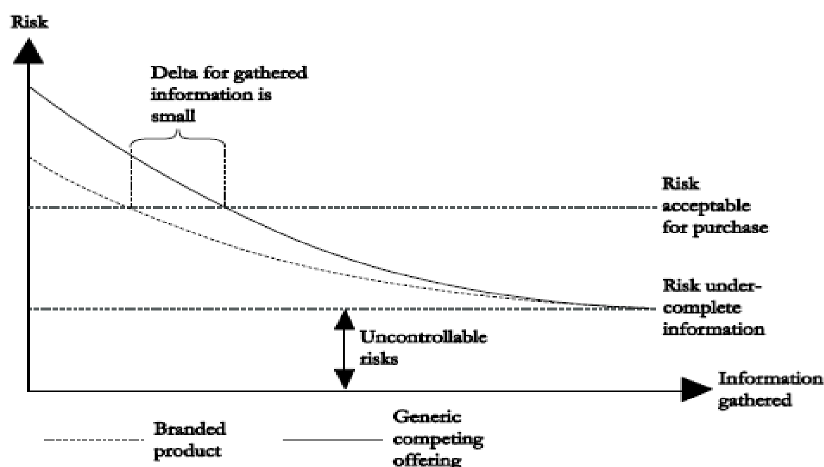


Figure : Medium risk purchases and brand importance

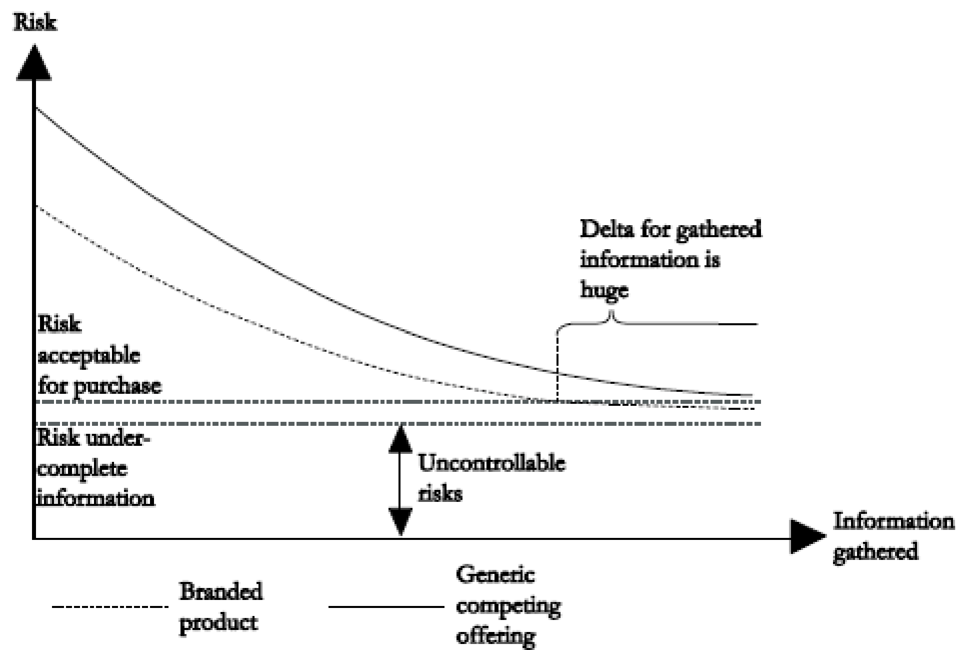


Figure: High risk purchases and brand importance

Branding Constructs interlinked with Value

The meaning of *value* has been widely elaborated upon and as of today, there is no common definition accepted as the gold standard. The discussion on the topic goes as far back as Adam Smith but the ambiguity and discrepancy of opinions on where value should come into the equations of economics make the subject ever-lasting.

Nevertheless, attempts to define and conceptualize value have been made by various authors. Smith and Nagle (2015) juxtaposed various types of value as described below:

S.No.	Types of Value	Explanation
1.	*Value in use*	This is the monetary worth of a product's set of benefits actually received by the customer as a result of using the product or service. Another word for value in use is utility gained.
2.	*Value in exchange*	A product's objective monetary worth to a customer adjusted for availability of competitive substitute products is called value in exchange, or economic value. Economic value is the price of the customer's best alternative (the reference value) plus the value of what differentiates the offering from the alternative
3.	*Commodity value*	The worth of the benefits associated with the features of a product that resemble those of competitors' products.
4.	*Differentiation*	The value associated with features of a product that are

	value	unique and different from competitors. This is estimated by quantifying the savings and gains that customers would realize by using the firm's product rather than the competitor reference product.
5.	*Perceived value*	The value buyers perceive the product to be worth. Sometimes this is referred to as market value.
6.	*Willingness to pay*	This refers to the price buyers are willing to pay to obtain the value buyers perceive the product to be worth.

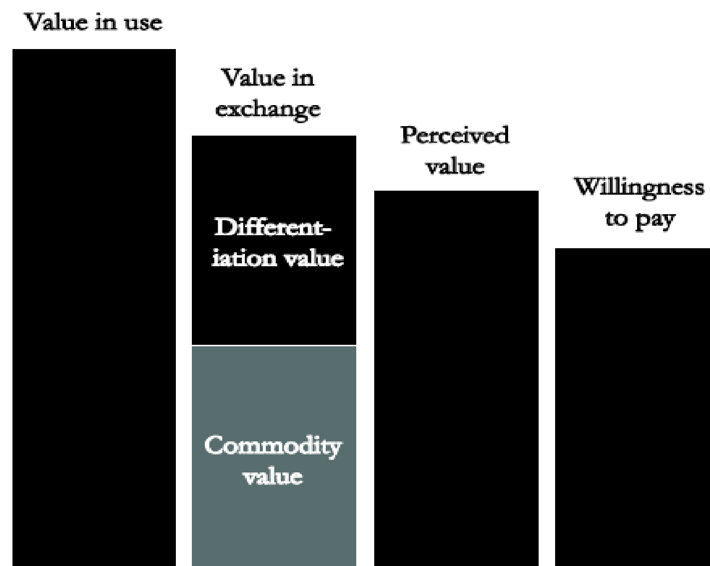


Figure 8: Different types of value

By grouping the respondents into four different clusters, Zeithaml was able to see similarities on how value was apprehended within each cluster:

- Value is low price;
- Value is whatever I want in a product;
- Value is the quality I get for the price I pay; and
- Value is what I get for what I give.

Each of these clusters has their own counterpart in the literature Common for all of the above four mentioned ways to look at value is that value is seen as a tradeoff between what is received and what is sacrificed.

Value = f (Benefits, Costs)

"…Perceived value is the consumer's overall assessment of the utility of a product based on a perception of what is received and what is given"

Not only the definition of what value is but also the way to assess its true quantities for a certain offering has been debated. Smith and Nagle (2005) argue that EVM (Economic Value Modeling) is to prefer over CVM (Customer Value Mapping):

- **CVM** views value in terms of the ratio of what you get divided by what you pay. Pricing is suggested to be done in a way that keeps the ratio for the differentiated product the same as for the competitors' products.

- **EVM** decisively uses the value in exchange and distinguishes between positive and negative differentiation value. By encouraging buyers to pay for what they receive, a higher price is often suggested than when using CVM.

Looking at value from a brand perspective, some of the questions that come to mind are: "Does the brand affect value or does it add value?" or; "What types of value does it affect?" Just like the degree of how informed – or uninformed – the buyer is, brands can make a buyer *perceive* the value of something differently than he or she would otherwise.

"Customers' perceptions of the value of a good are based on their beliefs about the goods, their needs, unique experiences, wants, wishes and expectations."

It is important to realize that the brand is not the only factor that explains the difference between economic value and perceived value. How well the customer is informed about the value of the product as well as other factors such as urgency to use the product can influence the perceived value as well. To summarize:

Perceived value = Economic value * Brand * Other Factors

*The * in the above expression is symbolizing a multiplication-like operator. Consequently, a new definition of brand is born:*

$$\text{Brand} = \frac{\text{Percieved Value}}{Economic\ Value * Other\ Factors}$$

A brand is the quotient between perceived value and the economic value affected by other factors. In other words, a brand is making the difference between what a product actually (i.e. objectively) is worth and what the customer perceives it to be worth. The "other factors" in the model explains why the brand strength varies in different situations. For example, imagine having to choose between two taxi companies when you are already late for your airplane. The brand would presumably play a smaller role in this situation than normally.

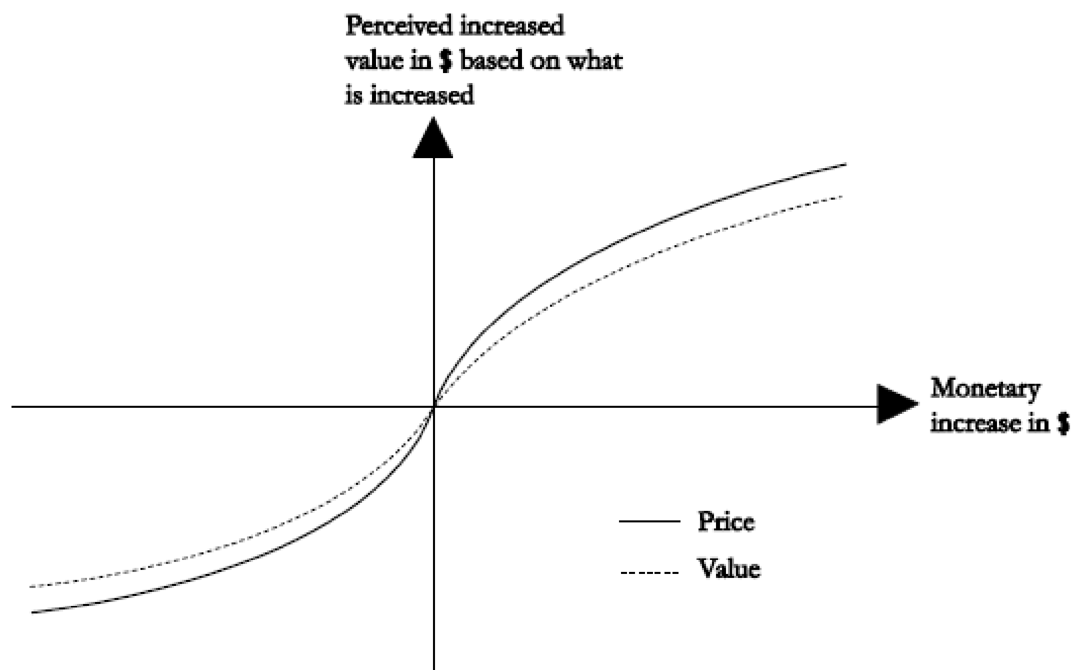


Figure: Perceived value change based on actual price- and value changes

Branding Constructs interlinked with Trust

Das and Teng (2010) make a notable effort to reach a useful definition of the concept of trust from a marketing perspective. They claim trust to be "… a multilevel phenomenon that exists at the personal, organizational, inter organizational, and even international levels", but at the same time they conclude that despite trust being an important factor, it has not been properly researched yet.

"Trust is only possible in a familiar world; it needs history as a reliable background"

As there is a plethora of ways to divide and define trust, a summary is presented below with some of the most common and academically widespread approaches:

S.No.	Definition of Trust
1.	Trust is the degree of perceived validity in the statements or actions of one's partner in a relationship
2.	Trust can be in (1) weak form, (2) semi-strong form, and (3) strong form
3.	Trust is a person's willingness to be dependent on another party in the belief that the party will not intentionally disappoint them
4.	Trust refers to a party's expectation that another desires coordination, will fulfill its obligations, and will pull its weight in the relationship
5.	Trust is cooperation or commitment to a mutual cause
6.	Trust is a type of expectation that alleviates the fear that one's partner will act opportunistically

7.	Trust can be (1) cognition-based, and (2) affection-based
8.	Trust is cooperation that emerges from mutual interests with behavior standards that no individual can determine alone
9.	Trust can consist of (1) predictability, (2) dependability, and (3) faith
10.	Trust is faith in the moral integrity or goodwill of others
11.	Trust can be (1) fragile, and (2) resilient
12.	Trust is a social relationship in which principals invest resources, authority, or responsibility in another to act on their behalf for some uncertain future return
13.	Trust can be (1) deterrence-based, (2) knowledge-based, and (3) identification-based

"When extending transaction oriented definitions to include elements of goal orientation and risk reduction perceived value goes beyond the past experience perceptions inherent in satisfaction surveys to a more futuristic calculation of how well the service provider is likely to satisfy future expectations relative to alternatives."

Following schematic of value-adding strategies in a long-term relationship:

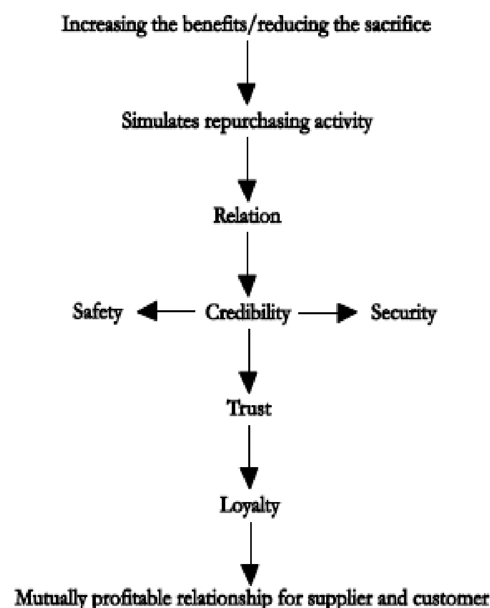


Figure: The effect of value-adding strategies in a long-term relationship

The honeycomb model

As shown in the previous context, branding is closely interlinked with the constructs risk, value and trust. By letting the brand act as a promise of value, trust in this promise (and consequently in the brand) can reduce customer-perceived risk.

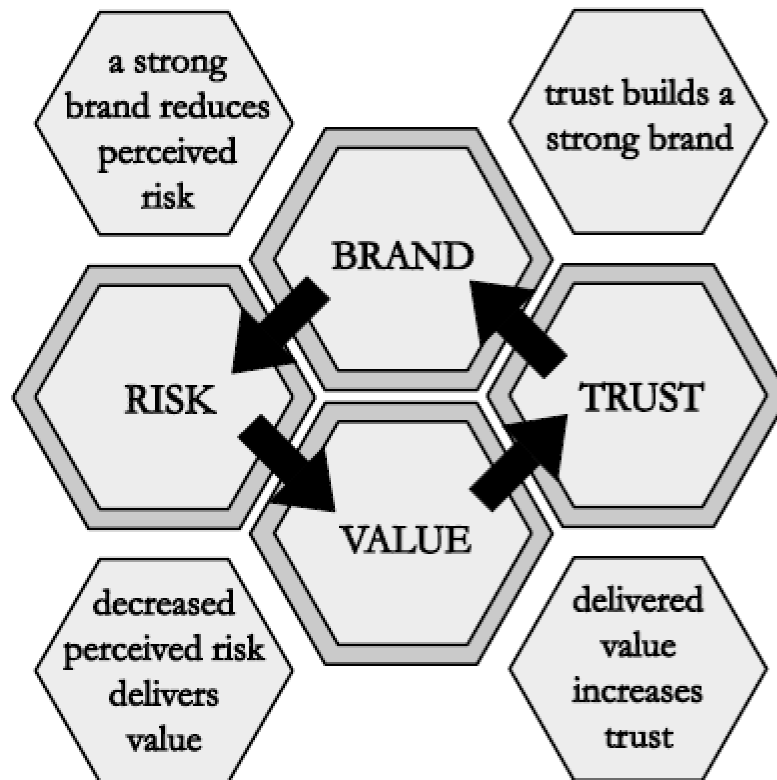


Figure: The Honeycomb model of brand-risk-value-trust relationships

As for low risk situations, rather than lowering the perceived risks of huge negative economical impacts and consequences, the brand is frequently used as a choice simplifier to reduce time waste associated with screening for alternatives. Risk reduction is done on both organizational as well as personal levels and includes strategies such as trusting an umbrella brand or spreading the risk across many choices. Organizational risk is mostly associated with time- and money losses whereas the people within the organization also can suffer from ego- and hazard losses . Definition of risk reads as:

"Potential losses, significance of those losses and uncertainty of those losses".

General conclusions

As expected, the results are highly dependent on a multitude of factors, such as market characteristics, industry, product attributes, customers, competition, etc. No industrial market is the other one alike, and so is the viability of different marketing and brand strategies. Also, in some cases branding simply doesn't seem to be important. As has been previously suggested, branding and brand strategies are not as highly developed in industrial markets as in consumer markets. Many corporations do not have an active brand communications platform and only the largest multinationals have an executive responsible for branding and brand management. It seems that the bigger the company, the bigger the branding maturity. This is suggestively due to the ability of large companies to allocate resources in sales,

marketing and branding. Large corporations also seem to at a relatively larger extent stress the importance of a holistic brand approach, not leaving branding entirely to the marketing department.

Suggestion & Recommendation

There are a number of hands-on implications suggested by this study and these are briefly discussed below.

In branding activities, it is important not to view the brand merely as a logo. The brand may in some cases (especially in the case of very strong and well recognized brands) be incarnated by the logo or the graphical communications platform, but the meaning of the brand goes far beyond. The brand message needs to be consistent throughout the organization, imbuing all points of contact between the seller and the buyer. In offerings characterized by a high degree of customer interaction, we stress the importance of internal (i.e. employee) branding.

The brand message needs to be consistent, and while branding might start in the marketing department, it certainly cannot end there. All employees, especially those with some kind of customer contact, need to be well-aware of the brand message and its utilization. A strong brand should address the specific needs of each and every customer. While this might seem like an impossible task, the aspect of customer centricity is as important in branding as it is in other areas of contemporary industrial marketing. Customer centricity stems from understanding the customer, and the brand should ideally convey that the organization is capable of understanding the customer and living up to – or even surpassing – its needs.

References

- *Assael, H. (2015). Consumer behavior and marketing action. South-Western College Publishing, Cincinnati, OH.*

- *Bagozzi, R. (2002). Marketing as exchange. Journal of Marketing, 39(4), 32-39.*

- *Aspara, J, & Tikkanen, H. (2008a). Significance of corporate brand for business-tobusiness companies. Marketing Review, 8(1), 43-60.*

- *Aspara, J. & Tikkanen, H. (2008b). Adoption of corporate branding by managers: Case of a nordic business-to-business company. Journal of Brand Management, 16(1/2), 80-91.*

- *Blackston, M. (2009). Observations: building brand equity by managing the brand relationships. Journal of Advertising Research, 32(5-6), 79-83.*

- *Blackston, M. (1993). A brand with an attitude: a suitable case for treatment. Journal of theMarket Research Society, 34(3), 231-241.*

- *Blombäck, A. & Axelsson, B. (2007). The role of corporate brand image in the selection of new subcontractors. Journal of Business & Industrial Marketing, 22(6), 418-430.*

- *Prabhu, J.C. Chandy, R.K. and Ellis, M.E., "The impact of acquisitions on innovation: poison pill, placebo, or tonic'', Journal of Marketing, vol. 69, no. 1, pp. 114-30, 2105.*

- *Kapferer, J.-N., ''the New Strategic Brand Management: Creating and Sustaining Brand Equity Long Term'', 2014.*

- *Aaker, J.L.,"Dimensions of brand personality", Journal of Marketing Research, vol. 34, pp. 347-56, 2017.*

- *Keller, K., ''Conceptualizing, measuring, and managing customer-based brand equity'', Journal of Marketing, vol. 57 , pp. 1-22, 2014.*

- *Gajjar. ''Factor affecting consumer behavior'', vol. 1, no. 2, April, 2013.*

- *Moor-Shay, E. S., ''Intergenerational influences in the formation of consumer attitudes and beliefs about marketplace: Mothers and Daughters'', Advances in Consumer Research, vol.15, pp. 461-467, 2016.*

- *Kilsheimer, J., ''Status Consumption: The Development and Implications of a Scale Measuring the Motivation to Consume for Status'', a dissertation submitted to the Marketing Faculty at Florida State University, FL, 2013.*

- *Shermach, K., ''what consumers wish brand managers knew'', Marketing News, vol. 31, no. 9 June, 2017.*

- *Barsky, J., World-class Customer Satisfaction, 2014.*

- *Roselius, T., ''Consumer rankings of risk deduction methods'', Journal of Marketing, vol. 35, pp. 56-61, Jan, 2016.*