

Chapter 1: Introduction

1.1 Overview

Branding for industrial products has not been receiving significant focus in the past as generally industrial buyers are deemed to be highly objective in their purchase decisions (De Chernatony & McDonald, 1998). Most procurement process in the business-to-business (B2B) context, including bid & tender process in selection of goods and services involves different internal and external parties with various responsibilities; purchase decisions are only made after careful evaluation of all possible options according to the required specifications, budget, suppliers' track records and other relevant and important factors. Hence, the purchase decisions are deemed to be highly objective and the influence of emotions and other subjective factors are minimal (Bonoma, Zaltman & Johnston, 1977).

As markets mature and competition intensifies, industrial marketing practitioners are increasingly leaning on branding strategies in recent years to help drive growth. To prevent the products from becoming commodities, B2B marketers seek to differentiate themselves with services, with the company brand, and even with brands at product level. However, branding in Business-to-Business (B2B) context has received little attention by academic researchers, and most available advice on branding and marketing is still focused on consumer (B2C) market (Bendixen, 2004; Mudambi, 2002).

Theoretically, strong brand can simplify buying decision in both consumer and business market, it give the product a visible presence in the market, and clarify the relevance of the brand in a category, helping to get it into the consideration set (Kotler, 2007; Keller, 2003). However, in view of the significant difference between the two circumstances, many branding theories that work in consumer market such as the Customer-Based-Brand-Equity (CBBE) model may have limited influence in the business market. Furthermore, inappropriately applying the techniques used by B2C companies to B2B companies can result in painfully expensive mistakes (Brown B.P., 2010). Consumer branding strategies are not directly transferable to industrial markets because they fail to take into account some important factors that are crucial in B2B purchases, such as:

- Organizational buying process (Wilson, 2000),
Individual has limited influence over the selection of products and services, the purchase decisions are usually made by a group of professional that responsible for various roles and functions after some extensive and systematic information search and evaluation process. Hence, the purchase decisions are often classify as “objective” and highly “rational”.
- Long term and more collaborative buyer-supplier relationship (Cannon & Perreault, 1999),
Industrial purchases are integral to the success of both the buying and selling company; wrong purchase decision might create a major performance and/or financial issue to the buying company. For example, untimely delivery of materials by the selling company may results in delay of project completion which in turn causing penalty charges, or possible

loss of business to the buying company. Hence, a long term and collaborative buyer-seller relationship that enable the selling company to familiar with the buying company's operation, and have an in-depth understanding of mutual expectation is critical for the success of most B2B transactions.

- Relatively high level of perceived purchase risk compares to B2C transactions (Newall, 1977)

Generally, a wrong purchase decision made in consumer purchase will only create minimal risks/ losses to the buyer. The potential risk would probably just lose the money spent on the item, and causing the buyer to never repurchase the same item again in future. However, the perceived purchase risk in an industrial purchase can be severe. Wrong purchase decision may create potential disruption to the buying company's production/ daily operation, causing high value vendors' claims, and possible terminal of contracts by the buying company's client.

No doubt B2B purchase decisions are often classify as highly "rational" and "objective" one, which does not allowed significant role for the "subjective" or self-expressive benefits that often associated with brand. The "objectivity" under the organizational buying context may not hold at all time, as most purchasing agents are bounded by their own limitation in term of knowledge and exposure (Newall, 1997; Puto, 1985). Furthermore, in view that in most cases, the purchasing agent is not the same person that consume/ use the purchased items, most purchasing agents will seek efforts to minimize perceived purchase risks, which might results in serious consequences in

term of performance and/or financial loss to the company, as well as psychosocial risks relates to the individual, i.e. loss of promotion opportunity and/or loss of respects from their peers causes by a wrong purchase decisions (Hawes, 1987). In fact, Puto (1985) suggests that individual risk avoidance is the key motivating factors in most organizational buying context.

As a marketing practitioner in B2B business for over 10 years, I am fully aware of the increase importance of branding in industrial market segment. However, due to the scarcity of academic research in branding for B2B segment, most industrial marketing managers receives little guidance in their efforts in building B2B brands to differentiate their products/ services in order to compete in a mature market environment.

My dissertation endeavours to this notion, is to conduct a study that is intended to examine the determinants of brand sensitivity in an organizational buying context, with a special focus on the construction material industry in Malaysia.

1.2 Significant of the Study

This study attempts to examine the determinants of brand sensitivity in an organizational buying context, and aim to provide some meaningful guidance to the B2B marketing practitioner in their brand building efforts. Build on the foundation of previous studies, this study will examine measures such as: “time pressure”, “purchase importance”, “purchase complexity” and “perceived

purchase risks” (both organizational & individual basis), and their influences to the level of brand sensitivity during an organizational purchasing process. The findings of the study are aim to enable the B2B marketing managers to better allocate the scarce resources in brand building strategy influence by: “What” (not all products require branding in B2B context), “When” (certain timing enjoys relatively higher level of brand sensitivity compares to other), and “Who” (individual purchasing agents will have various level of brand sensitivity due to their bounded knowledge and exposure)

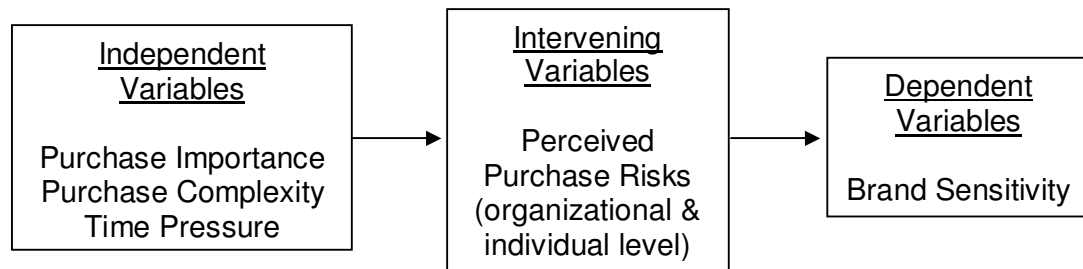
1.3 Research Objective

The research objectives of this study are as follows:

- i. To examine the relationship between “brand sensitivity”, “purchase importance”, “purchase complexity” and “time pressure”.
- ii. To examine the influence of gender toward perceived purchase risks and the level of brand sensitivity.
- iii. To examine the influence of differences in roles and functions of the purchasing agents toward perceived purchase risks and the level of brand sensitivity.
- iv. To investigate if “purchase importance”, “purchase complexity”, “time pressure”, and “perceived purchase risks” on both organizational and individual level can significantly determining the level of brand sensitivity in an organizational buying context.

The conceptual framework of this study is illustrated as figure 1 below:

Figure 1: Conceptual framework



1.4 Scope of the Study

The study is focus on the construction materials industry where the purchase decision process involves a wide range of internal and external individual. Despite the different roles of personnel in procurement, contract and construction functions of a construction firm (i.e. the end user of the construction materials). The purchase decisions are influence by a group of professional, which includes the developer, architects, consultants, quantity surveyors, contractors, installers, and the distributors of products/ services. Many industrial buying decisions are not solely in the hands of purchasing agents. Typically in a construction firms setting, there are at least three departments whose members are continuously involved in different phases of the buying process. The most common are the personnel from the purchasing, contracts, and construction site department. These individuals are identified in the organizational buying model as purchasing agents, engineers, and users respectively. There is considerable interaction among the individuals in the three departments continuously involved in the buying process and often they are asked to decide jointly. The success of recent

corporate branding campaigns by construction materials firms such as Nippon Paints, White Horse Ceramics, SRI fire extinguishers and many others suggest that B2B marketers who are willing to invest in their brands are rewarded with enhanced reputations and improved financial performance.

The scope of study includes studying of organizational purchasing decision related to products rather than services because these findings are likely to be more generalizable. This study do not focus on a specific product, but covers wider range of architectural ranges, such as: roofing, ceilings, flooring, sanitary-wares, ironmongeries, paints & coatings and etc. that are considered relevant to a general market of purchasers across the construction industries. Structural product ranges such as: cement, wire-mesh, long steel products, concrete, plywood, timbers and etc. that are classified to be “commodity” in nature is excluded in this study.

1.5 Organisation of the Study

The structure of the remainder chapters are organised as follows:

- First chapter briefly delivers an overview of the interest of the study, with regards to branding, the limitation of academic researches on branding for B2B segment and the recent trend that focus toward brand-oriented strategy to drive growth in the construction material sector in Malaysia. This chapter comprises the significant of the study, research objectives, scope of the study and ends with the organisation of the study.

- Chapter 2 outlines the literature fundamentals, commencing from the literature review which focuses on branding, business-to-business (B2B) marketing, market differences between B2B and B2C, organizational buying behaviour, buyer-seller relationship, and perceived purchase risks. Follows with the discussion on the dependent, independent and intervening variables in this study. This chapter ends with hypotheses development and the research framework.
- Chapter 3 explain the research methodology which consist of research instrument, sampling design, data collection procedures, data analysis techniques, selection of measures, and ends by reliability test of measures via Cronback's Alpha scores.
- Chapter 4 covers the research results, which comprises the analysis on the testing of hypotheses, discussions, summary of respondents' demographic profile, and summary of research findings.
- The final chapter begins with conclusion, follows with assessment of the limitation of this study, suggestions for future research, and ends with the implication of the study.