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DYNAMIC CAPABILITIES AND B2B BRANDING IN INDUSTRIAL MARKETS

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Abstract: *Nowadays, change is an inevitable factor in the development of any organization. The dynamic business environment has brought new challenges for organisations, industries and countries. Success in such times demands new perspectives on competitiveness and performance. In the context of business performance, the focus should be on the dynamic capabilities and on brand strategies that contribute to the development of the organisations. In this paper we analyze the industrial B2B branding as a posible source of obtaining competitive advantage and business performance.*

Key words: *dynamic capabilities, B2B organisations, brand equity, performance, industial markets.*

1. Introduction

In the dynamic markets, competitive advantage focuses on the ability to develop capabilities [5], [21]. Competitive advantage refers to „a capability that is difficult to imitate and valuable in helping a firm outperform its competitors" [31, p.562]. Researches of marketing in technical fields focus on the performance characteristics of the product. Also, they focus in the process of decision making of buyers`needs „addressed by tangible features of the product" [3, p.371]. Business to business (B2B) branding has an important role in B2B markets. Key elements should be taken into account by marketing managers to obtain performance. They need to: ensure that the entire organization understands and supports branding and brand management, frame value perceptions, they should adopt a corporate branding strategy, create a brand hierarchy, segment customers carefully and find emotional associations for the brand [11, p.40].

2. Dynamic capabilities and B2B organisations

The dynamic capabilities approach was developed by Schumpeter [24], Penrose [22], Williamson [28-29], Cyert and March [4], Rumelt [23], Nelson and Winter [19] and Teece [25-26]. The original definition of dynamic capabilities refered to "the firm`s ability to integrate, build and reconfigure internal and external

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competences to address rapidly changing environments” [26, p.516]. Researches consider that dynamic capabilities represents „the firm`s processes that use resources … to match and even create market change” [7]. A dynamic capability is “the capacity of an organization to purposefully create, extend or modify its resources base” [10, p.4]. Dynamic capabilities increase performance through its competencies which are flexible to market changes.

The typologies of dynamic capabilities are different from one author to another. A typology of dynamic capabilities suggests operational (zero level) and dynamic capabilities [30]. According to Ambrosini et. al., [1] there are three levels of dynamic capabilities: incremental, renewing and regenerative. Organizations have different types of dynamic capabilities such as ”idea generation capabilities, market disruptiveness capabilities, new product development capabilities, marketing capabilities or new process development capabilities” [7, p.4]. Teece proposes three types of capabilities: „the capacity to sense and shape opportunities and threats, to seize opportunities and to maintain competitiveness through enhancing, combining, protecting and when necessary, reconfiguring the business enterprise’s intangible and tangible assets” [25, p. 1319]. In the industry, the competitive structure of the industry „ has shifted and now it demands that marketing capabilities are integrated into the product innovation process” [7, p.5]. The dynamic marketing capabilities involve „exchange processes with external experts in order to exchange knowledge about what is happening in the industry and with customers as well as cross-functional processes within the firms” [7, p.6].

3. Branding in the B2B sector

Business-to-business (B2B) organisations have generally regarded branding as „a secondary concern” because they focused on traditional managerial issues as manufacturing performance and because of the uncertainty about brand building pays of financially [16, p.830]. An important aspect for industrial sector to gain competitiveness in a turbulent business environment is the role of brands. For industrial markets brands have an important role to play in reducing risk and providing buyers with reassurance [32]. In the industry sector, it is very difficult for B2B enterprises to „satisfy the product development, specification, quality and delivery exigencies of its major customer” [17, p.29].

4. Brand orientation

Brand represents „the image that a company wants to depict to the customers, stakeholders, employees and to the public across the world, the personality and soul of a company by which employees are hired to how customers perceive the organization, company’s view point to reason, view, interrelate and serve the consumers” [15, p.193]. Brand orientation refers to “an inside-out, identity driven approach that sees brands as a hub for an organization and its strategy” [27, p.13] encouraging competitiveness. Brand orientation focuses on the brand to be “recognized, featured and favored in the marketing strategy” [31, p.374]. Brand`s orientation mission, vision and goal are concerned on the following principles: „the customer is always right” and “everything for the customer” [2, p.937]. Brand orientation should be implemented. Brand resources refer to „the money and time available for branding” [32].

Branding „encompasses the entire idea of putting emotional appeals, embodies a whole set of physical and social psychological attributes and beliefs as well" [15, p.193]. Developing and sustaining a brand require that B2B enterprises have the capabilities to support not only costs but also its brand on a long time to obtain performance. It means that „culture, management systems and working processes" are needed to obtain a strong brand [15, p.194].

5. Brand equity

Brand equity derived from brand image which was created by "the totality of brand associations, perceived by customers" [18, p.415]. In addition, there are four sources of brand equity as brand loyalty, brand awareness, perceived quality and brand associations [3, p.371]. The competitive advantage of firms that have brands with high equity present advantages such as: the company will be less vulnerable to competitive marketing actions; the company will have an attained price premium; increased demand by customers; brands can be extended easily; communications will be more readily accepted; there will be better trade leverage; larger margins could be obtained. [3, p.372], [26]. In industrial markets, the company itself represents the brand. In this markets branding depends on the distribution network in building equity [14]. According to Keller [11-12] brand equity referes to a brand that is known and it has strong, favourable and unique associations in a consumer's memory.

Keller [11] proposed six brand building blocks to obtain a powerful brand and also to ensure the correct brand identity. This blocks are connected to salience, performance, imagery, judgments, feelings and resonance. The salience building block refers to the need satisfaction and to the category identification of the customers. Brand performance represents the success of a brand in a dynamic market. Keller`s model can be applicated in B2B organisations [14]. It subsumes brand image, brand awareness, brand relevancy, brand consistency, brand portfolio, brand reputation, customer brand loyalty and brand sustainability [31, 15, 32]. In addition, to obtain performance B2B enterprises should use branding as a source of competitive advantage. Brand meaning is connected to the functional (brand performance) or abstract (image-related) associations. Functional attributes are: primary ingredients and supplementary features; product reliability, durability and serviceability; service effectiveness, efficiency and empathy; style and design and price. Image is related to the properties of the product: user profiles; purchase and usage situations; personality and values; history, heritage and experiences [12]. The block focused on judgements, feelings and resonance involves the sales force that represents an important tool for B2B marketers because judgements include quality, credibility and superiority. Brand feelings are "customers' emotional responses and reactions to the brand": warmth, fun, excitement, security, social approval and self respect [12], [14].

6. Research methodology

The paper is based on a descriptive research [20]. Quantitative research was conducted among customers from Romania. The research sample selected was based on a probabilistic method that generates representative samples in terms of population statistical investigated. It is based on customers of three industrial brands companies from Brasov. They have different age, education, gender and job attributes. The questionnaire has twenty questions focused on customers` perceptions and behavior.

The research objectives

The research objectives expressed in measurable terms for research purposes are:

1. To identify if B2B branding represents a key source to obtain competitive advantage in industrial markets.
2. To determine if brand equity has a positive effect on B2B enterprises performance.
3. To identify if dynamic capabilities influence the process of building the brand strategy.
4. To measure consumers` perceptions about the role of industrial brands.

The research design

The research design follows the next steps [9], [17]:

1. Choosing the method of research: Type of research: descriptive research.
2. Questionnaire design:

Types of questions used: closed questions with answers such as yes or no; open questions; questions with multiply answers.

3. Determining the sample

Studied population and its size: The population researched consists of consumers of industrial products from Brasov.

Determining the sample size: To determine the sample size for the random sampling, a level of error of ± 5% was considered and a confidence level of 95%. According to the z distribution table, the value of 1.96 corresponds to these values. Due to the lack of information about the p value, it will be considered 50%, which leads to the maximum standard deviation that can be obtained for percentages (binary scale). The size of the sample is represented by 320 customers.

Data analysis and processing

The statistical analysis and processing focus on ”the primary data obtained consisted of the following: main questions statistics; estimation of population parameters for two important variables of the research (indicators of descriptive statistics and estimation of the population mean - for the interval scale - and indicators of descriptive statistics and estimation of the percentage - for binary scale; hypothesis testing; connection between variables” [9, p.33].

Research findings

After analysing and processing the data from the quantitative research, there are some important conclusions. The results offer an image of the current situation of the customers` perceptions about industrial brands. In a turbulent business environment, B2B branding represents a key source to obtain competitive advantage in industrial markets. The results show a positive effect on business growth.

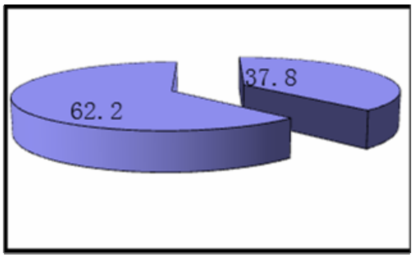

Fig. 1. *Consumer*s*` perceptions*

Consumers` perceptions about the industrial brands show that 62,2 % of the respondents choose products due to their brand and 37,8 % of respondents consume industrial products that are ”no name”.

Brand equity has a positive effect on B2B enterprises performance.

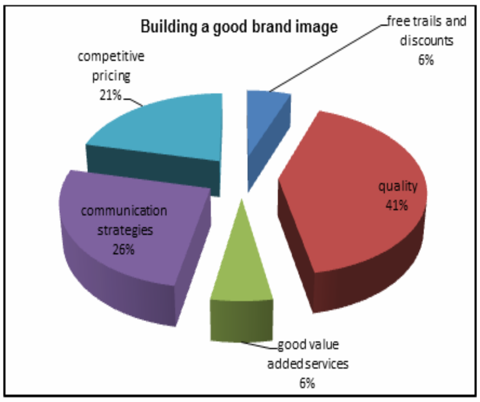

Fig. 2. *Perceptions about brand image*

Consumers` perceptions suggest that quality is the most important element in the construction of a brand image (41% of the respondents).

Communication strategies (26%) and competitive pricing (21%) are elements that represents key factors in obtaining competitive advantage.

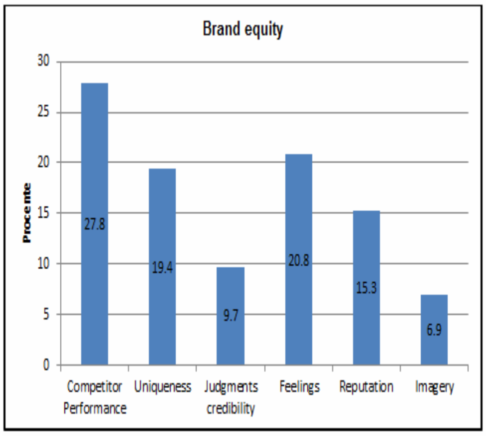

Fig. 3. *Brand equity*

The equity of a brand is represented in the consumers` perceptions by the following elements, in this order: competitive performance (27,8%), their feelings about the brand (20,8%), the uniqueness (19,4%), the reputation (15,3), judgements and credibility (9,7%) and imagery (6,9).

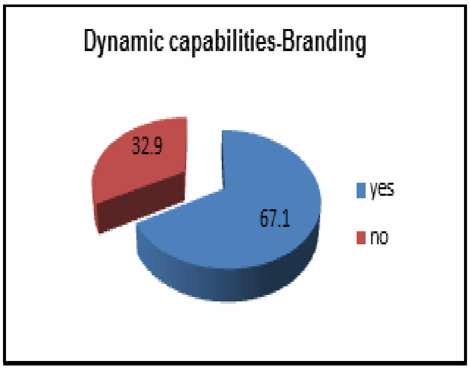

Fig. 4. *Relationship between dynamic capabilities and branding*

Dynamic capabilities influence the process of building the brand strategy. Hence, the rol of leaders and managers is important. As the figure shows, in a turbulent business environment dynamic capabilities of leaders and managers can represent a source of competitive advantage.

Conclusion of the research

The respondents of the study consider the manufacturers' corporate brand names more important than the individual product brands. The feelings, emotions and experience conveyed by a product represent a key aspect for the customers. Industrial marketers gain competitive advantage by investing into building a credible, strong and positive brand image among all the stakeholders. Branding has a positive effect on market performance. In addition, market performance has a positive effect on economic performance. The results indicate that brands in industrial markets and in B2B enterprises have a positive impacts and they should be used by the managers for obtaining performance.

Limits of quantitative research and further research

The quantitative research offers information and relevant results but it has some limit: high costs, long research duration, insufficient data and erroneous data [9]. Further research should integrate additional types of organisations and the sample should be extensive. New research should focus on different tools and instruments for the fostering of brand equity and its effective implementation in industrial B2B organisations.

7. Managerial aspects

Brand management is a particular aspect that should be taken into account. In this context, it is necessary to develop a branding model that should be used by B2B enterprises to gain performance. The authors propose a model that helps marketing managers in the process of decision making (fig.5). The model has elements suggested by Keller.

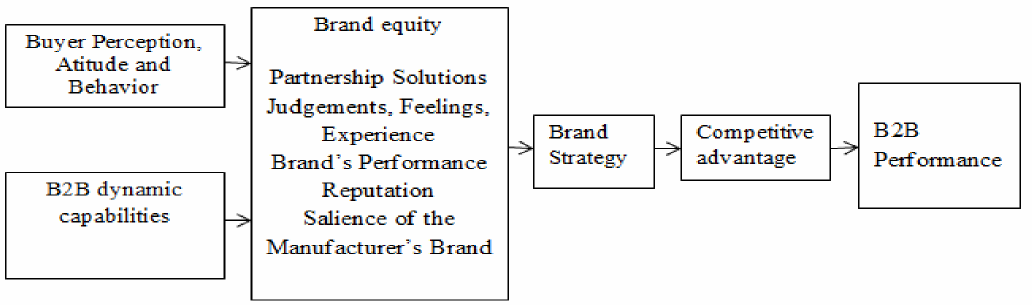

Fig. 5. *Business Model*

Fig.5 illustrates a business branding model that the authors suggest to managers. This model represents a tool for obtaining competitive advantage in a dynamic business environment.

It is focused on the B2B dynamic capabilities and buyer perception, attitude and behavior according to the results obtained through a research. The research confirms the model proposed. The model emphasizes the importance of brand equity is the process of elaborating the strategy. All this elements conduce to the competitive advantage and in the end they are important for B2B performance.

8. Conclusions

The paper offers a framework about dynamic capabilities, B2B organisations, brand equity and branding. Also, the paper provides a useful model for marketing managers. The model is based on the results of a quantitative research. The study offers insight into how dynamic capabilities and B2B brands contribute to the growth of an organisation in a turbulent business environment. The results suggest that B2B organisations should focus on improving the capabilities of managers and they should focuse on branding to achive competitiveness. The study reported here focuses on one key element of branding necesary to obtain business performance.

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