

Critical factors of brand equity in HVAC industry in Iran

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Abstract

The situations of business in global market are changing rapidly and companies strive to differentiate themselves from their competitors. To achieve this goal, one of the most effective ways is differentiation through branding. While the brand and its management have dominated the consumer markets, business to business branding is in the infancy phase.

On the other hand, the amount of money being spent in HVAC (Heating, Ventilation and Air-Conditioning) industry is enormous in recent years in Iran. Furthermore, lots of foreign and local companies are performing in Iran HVAC market. Seeing that the purchasing these heavy industry equipments are intricate, brand plays a critical role in decision making process among buyers. However, the parameters which directly affect on HVAC branding were ambiguous.

Consequently, by discovering and extracting the essential factors of B2B branding, companies can invest on these parameters and bolster their brands. Inasmuch as the parameters are vague and this study is going to discover and rank them, the best research strategy was the Delphi method. It is noteworthy that two panels, Academians and Practitioners, have participated in conducting the Delphi method (totally 37 professionals). Then, the factors should be essayed in order to authenticate. Hence, I have selected six companies (3 local companies and 3 foreign companies) which performing in Iran HVAC market. Next, I asked 6 connoisseurs to rank the companies' brand according their perception. On the other hand, 2 other experts rank the companies according to the extracted factors from conducting Delphi method in previous stage. Seeing that the rankings of different methods were similar, it can be said that the extracted factors are acceptable.

Keywords: HVAC, Brand, B2B, Delphi, Factor, Experts

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Chapter One

Introduction

Chapter One: Introduction

This chapter will embark upon a preface about some specifications of HVAC industry, after that this section will present the problem definition of this thesis with a pithy theoretical background. In the last two sections of this chapter the research motivation and the importance of branding in every business will be illuminated.

1.1 Preface

HVAC means Heating, Ventilation and Air Conditioning. HVAC systems contains some mechanical equipments like pumps, chillers, boilers, condensers, cooling towers, valves, fan coils, splits, elevators, exhaust fans, tanks and exchangers. These equipments are being used in order to heat and cool different places. Also, freezers and chillers are supplied by the use of these tools. These equipments have been utilized in mechanical room of every building. Consequently, these items have a direct relationship with construction industry. By considering the fact that the amount of money being spent on construction industry in Iran is huge in recent years and the decision making process of purchasing these machines are carried out in a convoluted network; companies strive to differentiate themselves.

With the growth of electronic commerce and global competition, business-to-business (B2B) marketers want improve their competitive position in the new economy through the branding (Mudambi, 2002).

There are many companies producing, importing and selling mechanical equipments in Iran. Carrier, KONE, EBARA, SAMSUNG, GRANDFOSS, MITSUBISHI, BITZER, HITACHI and SPIRAX-SARCO and are international companies and PACKMAN, TEHRAN MOBADDEL, SARMA AFARIN, PUMPIRAN, ZAHESH, PARTO ABGARDAN and IRAN HAVASAZAN are well-known Iranian companies that trade in Iran HVAC market. It is noteworthy that most of foreign companies have an exclusive representative in Iran in order to supply Iran market. These representatives like Iranian manufacturers participate in exhibitions, sell the products, install and establish them, consult to the customers and support guarantee and warrantee.

1.2 Problem Definition

According to Kuhn et al. (2008) although the significance of industrial branding has increased, yet a comprehensive model of business to business branding does not exist. Also, Bendixen et al. (2004) said that brands have been built up by consumer firms but have been slow to develop in business-to-business area. While brands and their management have mastered the business to consumer market, the notion has been slow to take hold in business-to-business area (Bendixen et al., 2004).

3. What is the ranking of these critical factors in HVAC branding in order to invest by the managers?

1.3 Background and Research Motivation

Over the history of marketing, branding has been almost synonymous with consumer products, mainly the type of products which appear in supermarkets, such as toothpaste or coffee. A small number of recent papers have examined business-to-business brands. Since the literature is embryonic, so much remains to be done (Roberts and Merrilees, 2007).

During the last decade branding has expanded to be one of the main concentrated areas in consumer marketing; while in the industrial marketing area there has only been limited attention to this phenomenon (Bengtsson and Servais, 2005).

Astonishingly, the majority of research in branding has some focuses on companies which serving consumer markets while it is revealed that brands play a critical role in industrial markets (Martinez and de Chernatony, 2004).

Despite the fact that the concept of consumer brands has been broadly admitted, industrial or B2B brands have the need for acceptance (PFOERTSCH et al., 2007).

Even though the power of branding is broadly accepted in B2C markets, the nature and significance of branding in B2B markets is opaque and under researched (Mudambi et al., 2002).

In business-to-business (B2B), things are different – branding is not meant to be relevant. Many managers rest on the belief that it is a phenomenon restricted only to B2C markets. They justify that they are in a unique market and their customers are very professional and know a great deal about their products as well as their competitors' products. These managers should know that without great products, services and an organized company that can sustain them, they will be failed (Kotler and Pfoertsch, 2007).

It has been mentioned that B2B organizations do not have a tendency to utilize marketing directors and departments. In contradictory, B2C firms have a high level of marketing, and higher-ranking managers with a responsibility for marketing strategy. Many

It could be said that industrial purchasers do not solely buy a product from a manufacturer but builds up a relationship with the company. This implies that branding plays a more critical role in the industrial decision making than has generally been recognized (Bengtsson and Servais, 2005). Mudambi (2002) identifies two prototypes among industrial buyers: either to focus on the tangible aspects (best quality/best price) or to deliberate on the more intangible facets such as service quality and the image or the brand of the company. Oftentimes parameters like reputation and image outweighs tangible product attributes. Branding conditions must emphasize points of difference in service and other intangibles, such as company reliability and technical expertise, as the basis for separation and a superior value offering when the purchasing decision is taken (Mudumbi 2002).

If the customers have positive perception of what the company stands for, they will have confidence in it as a supplier (in its reliability, quality, integrity and ethics) and this will be a fundamental parameter in their choice of supplier. On the other hands, the employees feel they are working for a well respected, ethical, innovative dynamic company; this will improve their levels of motivation. In other words, corporate branding can be an important component for sustaining a positive corporate image and this image reflects what the firm stands for and delivers (Bengtsson and Servais, 2005).

Studies reveal that consumers who recognize a brand name are more likely to purchase that brand since familiar products are usually preferred to those that are less familiar (Hoyer, 1990, Macdonald and Sharp, 2000).

Meanwhile customers have a positive feeling of potential suppliers. Such an impression rests on the firm's reputation which in turn rests on the ability to communicate through corporate branding, public relations, and word-of-mouth communication (also from employees) (Butler, 2001). Besides, it can be said that those firms who have worked most intensively with corporate branding also are those who has the highest perceived quality by their customers (Stuart, 1998).

In order to reduce the uncertainty in purchasing situations with high perceived importance and complication, an industrial purchaser will have a tendency to opt a supplier that is already known. Therefore, a well-repudiated manufacturer on the market is regularly favored over a coincidental offer from an unknown actor (Michell et al., 2001, Mudambi, 2002, Mudambi et al., 1997).

Keep in mind that under high risk conditions, industrial personnel relied more heavily on manufacturer character than on the presentation (Mudambi et al., 1997).

Bendixen et al., (2004) rest on a belief that intangible attributes such as supplier's character and perceived product reliability are more important than a tangible attribute such as price.

In order to protect their products from converting to commodities, manufacturers want to differentiate themselves with company brand and services. Previous researches demonstrated that intangible features are momentous in business purchase decisions (Mudambi, 2002).

Buyers do not place equal emphasis on all attributes in decision making processes. Studies on business market showed that intangible aspects such as image and reputation can be of equal or greater than tangible and physical facets (Shaw et al., 1989).

Researchers have revealed that strong brand build meaningful image in the minds of customers (Shocker AD. et al., 1994, Keller, 1993). In other words, companies invest in branding since image and fame bolster differentiation and can influence on buying behavior positively (deChernatony and McEnally, 1992).

Companies distinguish the worth of using components produced by outstanding suppliers to gain authenticity and approval for their own goods. In other words buyers can show off by purchasing from prominent providers (Mudambi, 2002).

A strong brand image and reputation boosts discrimination and has a positive impact on buying behavior (McEnally and de Chernatony, 1999).

Although the power of branding is extensively acknowledged in consumer markets, the nature and importance of branding in industrial markets remains under-researched (Kuhn et al., 2008).

Essayists discuss that branding and the concept of brand equity are increasingly critical in industrial markets, since it has been shown that what a brand means to a buyer can be a determining parameter in deciding between industrial purchase alternatives (Aaker, 1991 cited by Kuhn et al., 2008).

1.5 Abbreviation

ACCA	Air Conditioning Contractor of America
AMCA	Air Movement and Control Association
ASHRAE	American Society of Heating, Refrigerating, and Air-Conditioning Engineers
AHP	Analytical Hierarchy Process
B2B	Business to Business
B2C	Business to Customer
COO	Country of Origin
CEM	Customer Experience Management
CRM	Customer Relationship Management
HVAC	Heating, Ventilation and Air Conditioning
IS	Information System
IT	Information Technology
SMACNA	Sheet Metal and Air Conditioning Contractors' National Association
WWW	World Wide Web

1.6 Summary

In the most and the first chapter of thesis (chapter one), we have discussed about Heating, Ventilation and Air Conditioning systems. A table included some of important researches in Business to Business section has been showed in the problem definition section.

In the background and research motivation part, about the lack of research in B2B branding area has been discussed. The last section of chapter one talked about the effect of branding on every facet of business and the role of it as a competitive advantage for firms.

Chapter two

Literature

2 Chapter two: Literature Review

This chapter has been divided into six parts. First part explains about the necessity of brand. The second subdivision talks about the concept of brand equity and illustrates Aaker's brand equity model. In this chapter, one of the most rampant problems about branding has been interpreted. Indeed, this section gives some details about the branding in B2B environment. After that, some branding benefits have been mentioned. In the fifth division, some differences between B2B and B2C branding have been illustrated.

At the end of this chapter, we explained the branding issues which is the foundation of this research. In other words, we reviewed the papers about the industrial branding and extracted the substantial parameters. This section includes multifarious factors with absolute interpretation.

2.1 The Exigency of Brand

There exists a positive correlation between brand equity and a firm's performance (Park and Srinivasan, 1994, Aaker, 1996b). As Aaker (1996b) mentioned strong brands stand the test of time, are leveraged for decades and provide increases in revenue streams for the products sold under those brands.

A brand becomes the centre point in the whole planning process. In finding a competitive advantage in the marketing planning stage, the attitude towards the brand orientation plays a critical role as to whether a brand is to be utilized (Wong and Merrilees, 2008). Brand orientation was defined as "an approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands."(Urde, 1999) By using brands as a starting point in the formulation of company strategy, brand orientation should be created as a precondition, with unshakable brands able to enrich the ability of companies to compete as well as generating growth and profitability (Urde, 1994, Wong and Merrilees, 2005). Brand orientation is a choice of strategy that would determine firms' competitive edge with consequence of their future survival in the long term (Wong and Merrilees, 2008).

Brands become a substantial part of a firm's value and an important strategic asset. It could even be the driver of the whole marketing planning process. Going beyond a tactical level in the marketing planning process, a brand could become a competitive advantage for firms (Wong and Merrilees, 2005). Strategic decisions should be driven by the brand, which is a central focus of a firm. In fact, it is argued that senior management should be responsible as the custodian of brands (Capon et al., 2001).

In highly competitive markets with increasing volatility and decreasing product differentiation, brand loyalty is a central element of marketing strategies and tactics (Fournier and Yao, 1997). Brand loyalty generates benefits such as substantial entry impediments to