What Drives Business, Branding Or Marketing?

Manufacturers drive awareness, distributors generate sales

As manufacturers and distributors begin preparing for 2002 joint planning, both sides need to first develop their own marketing and branding plans for 2002.

Manufacturers are now developing their marketing plans, typically using on advertising to end-users as a primary communications and marketing tool. While much advertising focuses on the product (promoting features and benefits) manufacturers also try to "create, enhance or reinforce" their brand(s), hence "you should stock our products and increase your commitment to us." Many manufacturers believe that customers request their products. The question is, *who has product "power" in the channel – manufacturers, distributors, or customers?*

Or another way of asking the question is "*Are manufacturer-marketing strategies focused on helping you "make the sale"?*

Studies show that distributors significantly influence the products that their customer's purchase – according to a 1999 TED survey, 78% of contractor purchases are influenced by distributors and 81.4% of MRO purchases are similarly affected. Additionally, when a distributor says that "If you look at the request for quotes we receive daily, 90% are generic …", you question the advertising ROI for manufacturers.

Don't get me wrong, advertising is important. It creates awareness of a product and potentially an application for the product. The challenge with most advertising is that there is not a "call to action". Questions like "Why buy? What is different about this item/ this company? Where is it available? What else do I need to know and where can I get the information that I need?" All of this is important to the ad reader. Also, depending upon the audience for the ad, the issues are different – different publications warrant different copy.

While there are some manufacturers who do a good job at promoting their company and their products, most lag in this area. In the opinion of one distributor, "manufacturers are usually good if they are more consumer-oriented." And in reality, aren't our customers consumers during their non-work hours?

One of the issues is identifying the difference between branding and marketing.

Branding, according to the American Heritage Dictionary, is "a trademark or distinctive name identifying a product or a company." **Marketing** is the "commercial functions involved in transferring goods from producer to consumer." While this marketing description is broad, in essence, it focuses on all of the touch points throughout the channel that are required to sell a product. In short, marketing is about integrating strategies and branding is about name awareness, or capturing mind share.

Many people have heard of the *Electrical Contractor* studies regarding brand awareness and name recognition. But is knowing, or recalling, a name, enough? Does it generate a purchase? No. The proof is that manufacturers lament the fact that customers will not pay a premium for the product. How many price increases "stick"?

What needs to change?

Manufacturers need to more fully develop integrated marketing strategies that incorporate branding efforts. Also, distributors need to look at themselves and say, "Why does someone buy from me?" and then develop strategies to promote their USP (unique selling proposition) to their customers. Once a distributor understands why people buy from them, they need to conduct joint marketing strategies with key suppliers. The concept of account-specific marketing has been successfully implemented in a number of industries, and can significantly impact distributor sales with participating manufacturers. The key is doing something, and there is manufacturer funding available to assist in these efforts.

Distributor efforts. Branding is a foreign word for most distributors. Most companies have not taken the time to determine why current customers buy from them and why prospective customers should buy from them. Yes everyone says relationship, quality of people, knowledgeable staff, and access to quality lines - but if everyone says this, doesn't this just level the playing field?

Yes this is a relationship business, but what happens when the people with the relationship leave the company. Distributors need to go beyond "thinking about marketing" and find ways to work with key suppliers to "implement marketing", and grow, their business.

Most distributors consider branding as usage of their logo. According to one distributor, "*branding means that when you see a company logo, or hear the name, you associate it with the company's product or service*." But branding needs to go beyond t-shirts, hats, mugs and golf balls. While all of these are elements of a branding strategy, more is needed, however, as branding as a standalone activity, will not impact sales or profitability – marketing will.

For a branding strategy to be successful, there must be a vision, a top-down commitment and a long-term financial investment to start, and keep, the effort alive. The first step is a willingness to understand the value you bring to your customers. Once a distributor begins this process there are a number of internal and external efforts that are essential to keeping the "brand" alive, one of which is developing a set of metrics to measure yourself against. Two concepts from the automotive industry you may wish to consider, and they are self-defining, are a Customer Satisfaction Index (for post-sale measurement) and a Sales Satisfaction Index (for the sales/quoting process).

Some independent distributors who, in the opinion of other distributors, do a good job of branding include Branch

Electric, Brook Electric, Roden Electric and Platt Electric

National chains have name recognition, but is that because of their size and naming consistency (WESCO, GE Supply andGraybar benefit from this, but do CED, Rexel, Sonepar and Hagemeyer?) or due to their efforts to build a brand? And what does their brand mean to customers? to manufacturers?

Overall, distributors do a poor job in branding themselves – most times due to lack of a commitment to market their company.

Manufacturers are not much better.

To the channel, manufacturers participate in marketing groups to achieve "preferential status" from the principal of the distributorship (a form of branding), conduct product advertising in TED and Electrical Wholesaling (and why would you place the same ad in two publications that reach the same target audience?), periodically offer distributor-oriented promotions and utilize their sales organization to varying levels of success.

To end-users, manufacturer efforts primarily focus on one-way communication – product advertising. Yes they participate in tradeshows, have sales organizations that call on end-users and some of them run end-user promotions, but with all of this "marketing", why do customers consider a manufacturer's brand as fourth on their purchasing criteria (after issues of price, availability, function)

I believe that there are two key reasons why manufacturer branding efforts are not as successful as desired.

First is distributor support. As the TED survey previously mentioned shows, distributors significantly influence end-user purchases, so if a manufacturer does not reinforce their value-added throughout the channel, the distributor will sell the customer what they either stock, make more money on or know the best. Distributors have the power in the channel as they determine what is sold in a local marketplace.

The second reason is that most manufacturers do not have a communication channel to customers. For a communication channel to exist there must be two-way communication. Granted distributors do not want customers to interact with manufacturers, however, manufacturers that are well regarded as marketers have strategies to communicate directly – mostly focused around a strong sales organization. If manufacturers want to influence the customer, they must "talk" to them.

From a manufacturer's viewpoint, there are two ways to enter a market, either develop a "low price" branding strategy or a "name recognition" strategy. Many small companies and foreign companies, especially if they sell "commodity" items, take the low price route, putting pricing pressure on larger manufacturers. Many of the larger manufacturers take the name recognition approach. This is the "high road" and can be profitable, but to have breakaway growth, manufacturers must become more holistic in their marketing strategy.

By becoming more integrated in their approach, manufacturers must involve the channel into their strategies, provide support to distributors (more than co-op dollars), develop better tools to facilitate communication within the channel and identify vehicles that support customer-to-manufacturer communication (and perhaps provide distributors with assurances of not selling direct).

Until manufacturers identify ways to create a "relationship" with end-user customers, and be able to culminate that relationship with a purchase (which won't happen for a long time, if ever for a variety of reasons) distributors will continue to retain power of end-user purchases and limit the growth of manufacturers So what should a manufacturer do?

1. Every manufacturer desires a few marketing-oriented distributors in a given marketplace to help them market their products. Will all sales go through these distributors? No, but these distributors receive the benefit of additional manufacturer marketing and the manufacturer benefits with heightened product interest within the marketplace. Additionally, the manufacturer gains increased sales through these distributors.

2. Manufacturers need to consider integrated strategies that involve their distribution – again this may not involve all of distributors, perhaps a regional approach or strictly for their "preferred" distributors.

3. Manufacturers should consider their rebate programs as a component of their branding strategy. Do these programs deliver the necessary trade marketing ROI that is required in today's business environment?

Today, about one-third of distributors belong to a buying/marketing group, representing over $6 billion in purchases to a select group of manufacturers (about 100-110). This represents about $180 million in rebate income, not counting "street"/standard incentive programs, other programs that distributors have access to or the deals that national chains receive.

These programs should be viewed as branding strategies to senior distribution management. Additionally, manufacturers should consider these programs as entrees into a distributorship and develop additional programs to further leverage their investment. If a manufacturer does not "work" the marketing group, what benefits do they receive?

Additionally, in reviewing these programs, manufacturers should consider how these programs (or their "street" programs) can be developed into business building programs and incorporate a number of the activities that drive business. Through such an approach, support can be channeled; mutual expectations can be set and a trade marketing ROI per distributor can be established.

4. Manufacturers should consider advertising and awareness as a

component of their branding strategy. Why should someone buy your products? Why should they buy from your company? The answers to these questions also need to be marketed to the distributors that represent the brands.

Branding Questions to Ask

Earlier in the year, *Construction Distribution* ran an article on how to build a brand and posed four "brand-defining" questions. They are:

1. What are the tangible characteristics of your product and/or services?
2. How do customers benefit by doing business with your brand?
3. What emotional benefits result from using your products / services? How does this make the customer feel about your brand?
4. What does "value" mean to your customer?

These questions focus on understanding the customer's needs (be they distributors or end-users), not perceiving what "you" feel the customer should need.

In speaking to one manufacturer, "Branding is one of the outgrowths of a strong marketing or strategic planning direction. A marketing plan will be full of action steps that will also develop the brand of the company."

Who are some manufacturers that are good "branders"? (defined as the customer requests their product) – according to an informal survey of distributors: Leviton, Lutron, Wiremold, Erico/Caddy, Crouse-Hinds, Panduit and Hubbell Wiring Devices to name a few. Does this mean that others are bad? Not necessarily, it just means that other companies did not capture mind share with distributors I spoke with (a branding issue?). But in the words of one manufacturer, "…as a whole the industry would get a 5 on a scale of 1-10. Everyone does name identification but beyond that there are only a few who understand and practice brand marketing."

Bottom Line

For manufacturers who believe that they offer a competitive difference to distributors and end-users, reevaluate your marketing strategy. Does it integrate distribution? Do you effectively communicate to your customers? Who do you feel are your customers? Do you have vehicles in place to develop two-way communications with every audience base? Are you getting the ROI from your rebate programs?

For distributors consider:

1. how you can measurably differentiate your company from your competition
2. invest in understanding your customers' desires
3. develop strategic marketing plans
4. identify those manufacturers who will support you in multiple ways.
5. measure the overall value of a manufacturer to your business (perhaps a manufacturer support index?)

Remember, branding is not just logos on line cards and t-shirts. Branding is about defining yourself, determining the customer experience and promoting your values.

Through effective channel marketing strategies, distributors and manufacturers can together grow their businesses, and in an economy where everyone is looking for the upturn, statistics, and history, show that those companies that maintain, or increase, their marketing efforts typically come out of a downturn sooner and experience significantly higher market growth.

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