Packaging and brand building in steel industry

Case Outokumpu Oyj

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ABSTRACT


This research examines the role of packaging in brand building and in customer satisfaction in business-to-business environment such as the market of Outokumpu. The aim of this research is to provide key insights from the brand building point of view to support the construction of the new package specification in Outokumpu.

The methodology used in this thesis is qualitative by its nature and the empirical study focuses on one case. A single case study is chosen as the main research method. The empirical part focuses to explore the current situation in the case company in which evidence relies on the use of multiple sources. The theoretical framework of the research is based on the theories of branding, packaging, purchasing, and customer satisfaction.

As a result of the research, the first proposal of a new package design is provided. The proposed package was designed to improve the appearance and protectiveness of a package in comparison with the current situation. In addition, the proposed package design is expected to better than now meet the customer needs. Overall, the new design matches better with the brand vision of Outokumpu and therefore leverages the brand equity.

This research found out that packaging has an important role in brand building and in customer satisfaction. In addition, the research points out the importance of brand equity in business-to-business environment. As a conclusion, the case company is suggested to implement the new packaging design.

The chapter 4 Case Outokumpu & 5 Findings and Discussions are not published in their full length in the Library version because the information in them is classified as confidential.

Keywords: packaging, branding, brand equity, brand building, customer satisfaction
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1 INTRODUCTION

The background and the objectives of this research including the research questions will be introduced in this chapter. Finally the outline of the study is described.

1.1 Motivation and background

Increased capacity has changed the nature of global competition and the functioning of markets in which the global competition takes place. De-regulation of international trade, technological development, availability of resources and new ways of working are examples of causes of an increased capacity. These causes have led to the situation that products and services of competitors tend to be the same. This commoditization makes competition in international markets increasingly hard. In order to compete in today’s environment, the producers need to focus on excellent internal and external performance (Harrison 2001, 2). The stainless steel industry is an example of the aforementioned phenomenon in which global competition plays a major role and has implications for the required performance of a company. Changing competitive environment is a reality and hence expected to remain. The case company, Outokumpu, operates in the international business-to-business (henceforth B2B) environment. The vision of Outokumpu is to become undisputed number one in stainless steel with success based on operational excellence. The industry leader in customer satisfaction is one of the key levers. In addition, Outokumpu strongly emphasizes in the strategy the importance of one company approach towards its customers. However, Outokumpu has been a loss making company over the past three years. (Outokumpu 2010). In addition, Outokumpu lags behind the competition in comparison with its major peers (Talouselämä 2009).

Due to the poor financial performance, fundamental market changes and position behind the main peers, Outokumpu has an urgent need for initiatives that help turnaround the situation. The sourcing of the products and services that are needed to run the production is one example of the levers to which Outokumpu has put more attention and expects to leverage the competitiveness. In connection with the 2010 internal strategy
process of Outokumpu, sourcing strategies for various packaging materials were revised and reviewed by the top management. One result of the review was the observation of different packaging designs that are used by different production units of Outokumpu. This is not only in contradiction with the One Outokumpu vision as laid down in the corporate strategy of Outokumpu. These differences of appearance also confuse the customers who have occasionally flagged these differences. Furthermore, Outokumpu has received feedback concerning the nature of the packaging materials and the poor quality of the packaging.

To answer to the customer feedback, Outokumpu’s management decided to launch a project that investigates several targets to establish a more harmonized specification of packaging and related materials. Rethinking the specifications of the packaging and related materials used by the different production units and developing the common approach to the One Outokumpu vision are the ultimate goals of the project. The implementation of the harmonized packaging specifications, especially its design, would enable Outokumpu to utilize the economies of scale approach. The result of the harmonized specification drives down the costs and allows for strategic pricing. In addition, a new package design is assumed to support the company in the brand building efforts.

The brand as a concept is wide and the common definition among the scholars does not exist. According to Von Hertzen (2006, 16-17), the common feature of the large amount of definitions is the differentiation. The author summarizes the different definitions of brand as follows: the fundamental purpose of brand is to differentiate from the peers by creating such associations and experiences that are appreciated by the receivers and therefore boosts the business and increases the value of the company. According to Kotler and Pfoertsch (2006, 12-21), branding is just as relevant in B2B, as the market of Outokumpu, as it is in B2C. Davies and Roper (2010, 568) and Baumgarth (2010, 653) share the concern that the literature on B2B branding have been scarce in comparison with what is available on consumer branding. Traditionally academic studies have argued that the role of branding in business-to-business context has limited practical relevance.

In contrast, the recent trend shows an increase in the role of branding in B2B context. A large scale study by McKinsey and Caspar and Hecker and Sabel (2002 cited in
Baumgarth (2010, 653) proves that the perceived relevance of branding in the B2B sector is only 0.3 per cent lower in comparison with the business-to-consumer (henceforth B2C) market. Baumgarth (2010, 653) argues that just since 2000, academic research and practicing managers have started to apply and focus on branding and brand management in B2B contexts to a large extent. The trend is based on the findings of empirical studies that emphasize the importance of branding to be almost equal in B2B in comparison with B2C environment as the example by Caspar et al. (2002 cited in Baumgarth 2010, 653) points out. Kotler et al. (2006, 34-43) argue that the main factors that emphasize the increase in the role of branding in B2B are similar to what actually leveraged the importance of brands in B2C context. Research has identified three important reasons for brand relevance in today’s B2B environment: commoditization of products and services, increasing complexity and incredible price pressure (Kotler at al. (2006, 34-43).

Increased importance of the role of branding and the role of packaging in brand building seem to relate to each other. The literature provides similar remarks that were done concerning the brand relevance in B2B context. According to Rundh (2009, 989-990), in a competitive business environment packaging has increased the role of integrated marketing communication for many consumer products. He argues that still a relatively few studies and little interest is shown for the packaging contribution in the marketing literature. According to him, especially low attention is paid to examining packaging design and its relation to marketing strategy. (Rundh 2009, 989-990.) Robben and Schoormans (1996, 271-287) for instance have examined the packaging contribution on B2C markets. They focused on the effect of package design on product attention, categorization and evaluation. One of the findings made was a positive correlation between the attention that a package gets and the degree of deviation of its appearance. The more a re-designed package deviates from the existing one, the more attention will be included. Furthermore, they found out that the enhanced package has a positive impact to the evaluation of the product, i.e. categorized higher in the product hierarchy, which in turn relates to brand. (Robben et al. 1996, 271-287.)

The aforementioned findings justify Outokumpu management decision to launch the packaging re-specification project. Taking into consideration the literature observations in terms of brand relevance in business to business markets as well as the case company’s financial performance, the reasoning for the project can be seen very much relevant. Moreover, findings from B2C markets highlight the important role of
packaging in brand building. Therefore, the project offers an opportunity to carry out the research concerning the packaging contributions in brand building at the case company. This research gives to the author, that is managing the project at the case company, an opportunity to utilize and prove the gained knowledge on the studies of international business management. In addition, the research stretches the author to create a holistic approach to packaging. Therefore, the research enables the author to practice the holistic thinking which is one core competence in today’s business management. Furthermore, it is a first time when the case company is exploring this field across its business units. In addition, it is a first time when the role of packaging is examined covering the branding aspects. As was discussed, the literature provides an understanding that the relevance of branding in B2B marketing is increasing and indicates that the packaging has considerable role in the brand building at least in B2C context. Therefore, it supports and motivates the author to conduct this research in which the focus is on addressing the role of packaging on brand building at the case company.

1.2 Research objectives and research questions

The general aim of this research is to support the packaging re-specification project in the case company by providing key insights from the brand building point of view. The research objectives are to understand how packaging currently contributes to brand building and customer satisfaction, and what opportunities it may have based on the literature review. In a B2B environment, especially in such a heavy industry as stainless steel, a traditional approach towards packaging has been the fulfillment of the primary function of a package, such as protecting the product from material damages. This research gives an opportunity to review Outokumpu’s brand strategy implementation and provide suggestions based on the review findings.

Based on the previous introduction to the topic, motivation and objectives, this research focuses on finding answers to the following research questions:

1. How does packaging specification currently contribute to brand building?

The sub question deriving from the first research question is as follows:
- What is the function of packaging in the case company?

These questions will be answered in the empirical part of the research.


This question will be answered in the chapter of literature review and in the discussions of this research.

3. How does the Outokumpu brand vision impact on the process of construction of the new packaging specifications?

This question is answered in chapter 4, based on the conclusions made on the literature review by comparing the theory to the findings made in the empirical part of the study.

4. How could contributions of packaging be implemented and integrated in the branding strategy of the case company?

This question is answered in the discussions chapter 5 in which the proposal for the future packaging specification from branding point of view is justified.

These research questions are needed to be explored in order to be able to point out the relevance of packaging in brand building and its role in customer satisfaction in the business of Outokumpu. As this is a single case study, the generalization requires further support to the results. The expected output of the research provides the case company with valuable information regarding the comprehensive role of packaging in today’s marketplace. Furthermore, the expected output provides rationale for the decision making concerning the package design under development. In addition, the thesis provides a review to the implementation of current brand strategy from packaging point of view.

The most noticeable limitation in this research is the fact that the re-specified package will not be tested in a real life situation. Hence this research cannot deliver the answers if the suggestions have the expected contribution to the customer experiences. Therefore, it should be mentioned that the generalization of research findings needs further considerations. However, the study aims to provide also conclusions that are generalizable in a larger context of research.
1.3 Methodology

The methodology used in this thesis is qualitative by its nature and the empirical study focuses on one case. Thus, more precisely put: a single case study is chosen as the main research method. According to Zalan & Lewis (2004, 512), qualitative research could be seen as the most appropriate choice for methodology in order to provide holistic, dynamic and conceptual explanation to the phenomenon in question. In this research, holistic explanation means that the topic is examined in depth and is supported through the conceptual consideration. As the research studies the role of packaging in brand building and in customer satisfaction in the case company Outokumpu, the understanding of the phenomenon requires a holistic analysis of a real life situation. This provides support to the choice of qualitative research.

According to Ghauri (2004, 109), case study is one of the most commonly used methods for thesis in business studies. It is a method that suits well when the aim is to provide insights into an issue, a management situation or new theory. In addition, he states that a case study is appropriate in a situation where the topic of research is relatively unknown. (Ghauri 2004, 109.) Considering what is discussed earlier in this chapter, the topic of this research can be seen relatively unknown. This supports the selection of case study method.

The research comprises two parts: the theoretical part and the case analysis of Outokumpu. This research is carried out in parallel with the packaging re-specification project at the case company that is managed by the author. Hence, the research is development oriented by its nature and is expected to provide rationale for a decision making concerning the final design of a new package.

According to Yin (2009, 101-102), in case studies most commonly used sources for evidence are as follows: “documentation, archival records, interviews, direct observations, participant-observation, physical artifacts”. He argues that the use of multiple sources in the case studies is important and enables the findings and conclusions to be more convincing and accurate. Therefore, the use of different set of sources is strongly recommended. (Yin 2009, 101-102) In this research, data collection for the case company specific part, i.e. empirical part, is conducted through direct and participating observations, and through analyzing written documents. In addition,
focused interview is carried out with case company’s Marketing Manager. Data collection for the theoretical part is conducted through reviewing literature on brand building, purchasing, packaging and customer satisfaction. The research methodology is described and justified more precisely in Chapter 2.

1.4 Thesis Structure

This research is structured as follows. Chapter 2 discusses the research methods and presents the research data collection in detail. Chapter 3 reviews the relevant literature for this research. The section ends up presenting a theoretical framework for describing and understanding the relevance of packaging in brand building in B2B environment. The empirical part of the research is presented in chapter 4 in which the research relates the empirical findings to literature and suggests a recommendation for the case company re-specification project. In the last sections, chapter 5 and chapter 6, the conclusions and managerial implications are discussed as well as suggestions for further research and development.
2 RESEARCH METHODOLOGY

This chapter presents the methodological considerations of the research. The chapter describes the qualitative approach used in this research including the research method and selected techniques. Besides the aforementioned, the emphasis is put on to justify the relevance of the research method and techniques. In addition, the research process is described.

2.1 Methodological choices

The methodology used in this thesis is qualitative, and the study focuses on one case. More precisely, a single case study is chosen as the main research method. According to Zalan et al. (2004, 512), qualitative research could be seen as the most appropriate choice of methodology in order to provide holistic, dynamic and conceptual explanation to the phenomenon in question. In this research holistic explanation means that the topic is examined in depth and is supported through the conceptual consideration. As the research studies the role of packaging in brand building and in customer satisfaction in the case company Outokumpu, the understanding of the phenomenon requires a holistic analysis of a real life situation. The real life situation in this research refers to the empirical part in which the holistic approach to research problem is used. Hence, the choice of qualitative research is justified.

According to Gummesson (2000, 80), the researcher’s role as an active participant is preferred in comparison with the role of an interviewer or an external observer in order to be able to develop a pre-understanding. Currently, the author works for the case company Outokumpu in the corporate function of Strategic Sourcing. My role as General Manager for strategic sourcing of packaging materials provides rather naturally the role emphasized by Gummesson. In addition, the author acts as the project manager in the case company’s packaging re-specification project. This enables to develop the pre-understanding of operating environment that supports the conduction of this research. However, the author understands that pre-understanding receive little attention in the assessment of the research quality as stated by Gummesson (2000, 81).
According to Ghauri (2004, 109) and Gummesson (2000, 83) for instance, case study is one of the most commonly used methods for theses in business studies. The master theses and doctoral theses that deal with marketing, strategy, organization and so forth often have case study basis. According to Ghauri (2004, 109), a case study is appropriate in a situation where the topic of research is relatively unknown. Considering what was discussed in the introduction chapter, the topic of this research can be seen relatively unknown. In addition, Ghauri (2004, 109) argues that a case study method suits well when the aim is to provide insights into an issue, a management situation or a new theory. In addition, Gummesson (2000, 87) shares a similar view: the relevance and particular value of case study is where research aims to provide tools and support for decision making. In this research the ultimate goal is to provide key insights, i.e. tools, for managerial decision making on a new package design. Therefore, the author sees that the research objectives fit well to what was argued by Ghauri (2004) and Gummesson (2000), and supports the choice of a case study.

According to Gummesson (2000, 86), case study offers an opportunity to build a holistic view of the process which he argues to be an important advantage of a case study. This is in line to what Zalan et al. (2004) argued about the appropriateness of qualitative research in the beginning of this chapter. Introduction chapter presented the observations boosting the need for this research from many aspects: packaging appearance deviations, negative customer feedback, economies of scale and brand building. In order to develop a new package design that takes into consideration the aforementioned observations, a holistic approach to study the phenomenon is required. Therefore, case study is a relevant choice as it provides a good opportunity for this.

However, the case study as a scientific method is challenged by many scholars. Gummesson (2000, 88) summarize the criticism under the following three themes: "case studies lack statistical reliability and validity, case studies can be used to generate hypotheses but not to test them, generalizations cannot be made on the basis of case studies". Yin (2009, 15) also points out that the major criticism regarding case studies relates to lack of scientific generalization. However, Yin argues against the aforementioned statements and emphasizes that case studies do not just represent sample. According to him, case studies are generalizable, as experiment research method, to theoretical propositions and not to populations or universe, and the goal of the case study should be in expanding and generalizing theories. Therefore, the primary aim in this research is to address the case company situation, not to generalize.
However, the basic theory and findings, and the research approach should be generalizable to similar kind of situations as the Outokumpu case.

2.2 Research design

The construct of this research was designed with the purpose to conduct an in-depth analysis of packaging at the case company that provides the rationale needed in the construction of a new package design and in the following decision making. The figure 1 illustrates the overall structure of this research. The first step in the research focused examining the current situation at the case company. Data collection for that purposes were collected by analyzing documents, customer feedbacks, claim database, and observations. The result of the data collection was analyzed and discussed with the case company experts. Furthermore, criteria for the packaging evaluation were jointly developed with the case company experts.

In this research the target was to assess and reveal the strength and weaknesses of current packaging specifications through an internal and external benchmark against the criteria established. The project team members were first asked individually to evaluate Outokumpu’s horizontal coil packages followed by the similar evaluation of the packaging of competition and industry peers. The benchmark method used in this research is one type of variation of mirror survey method that effectively points out the gaps to competition (Hill and Roche and Allen 2007, 268-281). The evaluation according to same criteria was conducted for both case company and competitor packages. The results pointed out well the gaps between the case company and competitor packages. The benchmark study provided tangible evidence for this research. The data for benchmarking the competitors were provided from internet documents. Moreover, the supplier dialogues were arranged in order to gain evidence for the benchmark results. In the supplier dialogues, the current trends of packaging were emphasized and the outcomes of dialogues were compared with the findings made in the benchmark study. The role of literature review in this research was considerable. At first, the theoretical framework provided understanding about the overall role of packaging and its relation with branding. Secondly, the literature provided validity to the findings made in the empirical part. Moreover, the interview carried out with
marketing manager at the case company, was used to validate the earlier findings made in the empirical analysis and in the literature.

Last phase in this research was to consolidate the lessons learnt from the previous phases. The proposal of a new package design is a result of the conclusions of analysis and assessments conducted for this research. Benchmarking provided the core evidence to the phenomenon and served as a basis for the development of a new package design.

Figure 1. Research design

2.3 Data collection and analyzing methods

Yin (2009, 101-102) argues the importance to use multiple sources in case studies. According to him, the use of multiple sources in the case studies is important and enables the findings and conclusions to be more convincing and accurate. Therefore, the use of different set of sources is strongly recommended. According to Yin (2009, 101-102), in the case studies most commonly used sources for evidence are: “documentation, archival records, interviews, direct observations, participant-observation, physical artifacts”. This research utilizes different set of sources as was pointed out in the discussion of research design. The author’s earlier experience and involvement in the case company project means in this context both direct and
participant observations. It gains central and strong importance in this research. Yin (2009, 102) flags the concern that in direct and participant-observations the risk for manipulation of events may increase. However the author argues that holistic consideration as such does not leave room for manipulation when the analysis is based on the framework drawn from the literature. In this research literature review has a significant role.

In order to be able to meet the objectives of this research, an analysis of the current condition of packaging requires an accurate understanding of the real-life situation. The author sees that the use of documents is the most effective way for that purpose. In addition, Yin (2009, 103) points out the relevance of documents when doing case studies. He argues that the documents have considerable role in any data collection. Therefore, number of Outokumpu’s internal documents relevant for this research is used: for instance the brand strategy document, claim database, current packaging drawings and pictures. As stated earlier, documents are the primary source in this research for understanding the current situation. In addition, some of Outokumpu’s sales offices have provided by e-mails written feedback concerning the packaging as well as providing their view on improvement needs.

According to Yin (2009, 107-108), most case studies are about human affairs or behavioral events. He argues that interviews can increase the evidence of case studies by providing important insights into such affairs or events. However, the results of the interviews need to be considered with caution. Yin states that “interviewees’ responses are subject to the common problems of bias, poor recall, and poor or inaccurate articulation”. Therefore, he suggests that in the case studies the use of interview is most appropriate when the purpose is to validate certain facts that researcher have already established. A focused interview suits best for that purpose. By the nature it is a short interview and requires from interviewer a naïve approach to topic. That allows the interviewee to provide a genuine commentary about the topic according to Yin. In this research focused interview was carried out with the case company’s Marketing Manager. The intended purpose of the interview follows Yin’s (2009) suggestion: validate certain facts that the author has already established.

The output of the research provides the case company with valuable information regarding the comprehensive role of packaging in today’s marketplace. Furthermore, the output provides rationale for the decision making concerning the package design under
development. In addition, the thesis provides a review to the implementation of current brand strategy from packaging point of view. The author believes this research meets the objectives and provides enough evidence to support the results. Therefore, it proves the validity in the case company situation. As this is a single case study, the generalization requires further support to the results. However, the study aims to provide also conclusions that are generalizable in a larger context of research. In order to support the aforementioned, the author follows in this research the principle that another researcher exploring similar topic would end up to draw same conclusions. This is a good principle to follow and stretches the author to stay objective.

The most noticeable limitation in this research is the fact that the re-specified package will not be tested in a real life situation. Hence this research cannot deliver the answers if the suggestions have the expected contribution to the customer experiences. Another limitation is that research does not have the first hand information from the customers concerning the packaging performance and therefore a new package design does not necessarily meet the expectations of all customers.
3 LITERATURE REVIEW

This part of the thesis studies the existing literature and the prior studies in the field of branding in the B2B context. More specifically the target is to study:

- Value creation through brand building in B2B market,
- Contribution of packaging to brand building,
- Industrial purchasing behavior, and
- Customer Satisfaction.

These focus areas are considered to provide relevance for the research and enable answering the following research question: How does packaging impact on Customer Satisfaction in B2B markets? Furthermore, the main findings of the literature review are summarized into a theoretical framework that is presented at the end of the chapter.

The relevance of literature review for this research is considerable. Through an in-depth analysis of literature, I try to find support for the further analysis of case company’s situation as well as to assure the theoretical relevance and justifications for the recommendation and conclusions drawn from the empirical part. Branding is discussed first as a wider concept and the framework aims to address the branding from the packaging point of view.

3.1 Branding in Business-to-business context

In order to enable further discussion regarding branding, the definition of branding is introduced first. Branding is an intangible concept and therefore a common definition does not exist among scholars. In order to make it more understandable, branding is often equated with tangible marketing communications elements that are used to support the initiatives of branding, i.e. advertising, logos, etc. – however, the concept of branding is much wider (Kotler et al. (2006, 5).
Kotler et al. (2006, 5) suggest several aspects for defining the concept of branding as follows:

- “A Brand is a promise.
- A Brand is the totality of perceptions – everything you see, hear, read, know, feel, think etc. – about a service, product, or business.
- A Brand holds a distinctive position in customers’ minds based on past experiences, associations and future expectations.
- A Brand is a short-cut of attributes, benefits and values that differentiate, reduce complexity, and simplify the decision making process.”

According to Kotler et al. (2006, 44), strong brand is an effective asset that helps a company to face increasing competition. It can be actually only true differentiator in a highly complex environment. However, this is only true if the company succeeds to leverage continuously the brand promise of its brand. (Kotler et al. 2006, 44.)

Branding and brand management have been of importance in the marketing of goods to consumers. The recognition of B2B branding has been slow to take hold in such an environment. Due to the irrational and intangible nature of brands, it is believed to have less a significant role in the rational purchasing decision making process of B2B. (Rosenbroijer 2001 cited in Abratt & Bendixen & Bukasa 2003, 371.)

The discussion of branding is the primary justification used to explain the low attention of branding. The similar concern is shared for instance by Davies and Roper (2010, 568) and Baumgarth (2010, 653) that the literature on B2B branding is somewhat sparse by comparison with that available on B2C. In addition, academic studies have pointed out traditionally that the role of branding in business-to-business contexts has limited practical relevance.

The lack of research exploring purely B2B branding is remarkable taking into consideration that most of the businesses are engaged in B2B exchanges. Frauendorf et al. (2007) quote data concerning the average share of B2B production compared to B2C in the United States and European countries. U.S. production is shared almost equally between B2B and B2C, but on European markets 75 per cent in B2B. (Frauendorf et al. 2007 cited in Davies et al. 2010, 658.)
A large scale study by McKinsey and Caspar et al. (2002) cited in Baumgarth (2010, 653) proves that the perceived relevance of branding in the B2B sector is only 0.3 per cent lower than in B2C. They argue that since 2000, academic research and practicing managers have begun to apply and focus on branding and brand management in B2B sector more widely. The impetus is based on the findings of empirical studies that evaluate the importance of branding to be almost equal in B2B in comparison with B2C. (Caspar et al. 2002 cited in Baumgarth 2010, 653.)

According to Kotler et al. (2006, 12-21), branding is just as relevant in B2B context as it is on B2C markets. They share few examples of the world’s strongest brands that exist in B2B: SAP, Fedex and Siemens. However, the differences need to be understood between those two sectors. According to them, to draw a simplified description, the business markets differences are found in the nature and complexity of industrial products and services, the nature and diversity of industrial demand, the significantly fewer number of customers, larger volumes per customer, and closer and longer lasting supplier-customer-relationship. (Kotler et al. 2006, 12-21.)

Despite the differences, the relevance and increased importance of B2B branding is pointed out. Kotler at al. (2006, 34-43) argue that the main factors emphasizing the increased role of branding on B2B markets are similar to what actually leveraged the importance of brands on B2C markets. They see the following factors increasing the brand relevance in today’s B2B environment: commoditization, increasing complexity and incredible price pressure. Commoditization in this context refers to a situation in which similar type of products are increasingly available on the market place. Increasing complexity reflects the increased tendency of solution-based market offerings instead of selling a single product or service. In addition, incredible price pressure reflects the changed nature of market place in which more offerings are available due to increased capacity making competition increasingly hard, and thus causing pressures to compete with (lower) prices in order to be able to maintain the existing or to gain a higher level of market share. The factors are shown in the figure 2 below. This development can be seen to be driven primarily by the global deregulation of trade barriers and increased market offerings from emerging economies. (Kotler at al. (2006, 34-43.)

One of the recent studies conducted by McKinsey and MCM that is cited in Kotler et al. (2006, 43-46), examined the inherent brand functions with respect to their importance...
and relevance in a B2B environment. The findings revealed the most important brand functions (figure 2) as follows: increase information efficiency, risk reduction and value added or image benefit creation. A branded product can provide a guarantee in terms of expected product performance and therefore reduce buyers’ risk of making wrong purchasing decision. In addition, Kotler et al. (2006) argue that buyers in B2B have a tendency to avoid risk. Increased information efficiency means that brand creates value that enables customers to find trusted brands quickly and easily. Brand association helps to gather and process information about a product, e.g. on a changed market place. Positive contribution to image benefit creation is one of the main functions mentioned even though in B2B environment the additional value provided by brands is not greatly perceived as self-expressive value compared to B2C. (Kotler et al. 2006, 43-46.)

Risk reduction was identified to be the most important brand function in B2B area with 45 percent share, followed by information efficiency with 41 percent. The results are just opposite of those on B2C markets in which the image benefit creation has the leading position, in B2B only 14 per cent, according to study conducted by McKinsey and MCM. (Kotler et al. 2006, 43-46.) Also Kapferer and Laurent (2008, 114) conclude similar findings in their research: a brand has the most significant role as a reducer of risk in B2B.

![Figure 2. Brand relevance and brand functions in a B2B environment (Kotler et al. 2006, 45)](image)

Richter (2007) cited in Baumgarth (2010, 654) point out that the leading strategy in B2B context is corporate branding. This branding strategy embraces the total offerings of the company, not just a single product or service or business line of a company.
(Kotler et al. 2006, 79-80). According to Richter (2007) almost one third of all B2B companies focus on corporate branding, and almost half of the companies prefer a combination of corporate branding with other levels of the brand hierarchy, e.g. product or service. He identified two main reasons to explain the leading role of corporate branding: 1) the large amount and diversity of products and services, the high level of customized offerings, and short life spans, and 2) the increase in the role of brand management thinking and practice. (Richter 2007 cited in Baumgarth 2010, 654.) Thompson et al. (1997) cited in Davies & Roper (2010, 569) reinforce the importance that is put on corporate branding initiatives. They see it as an effective strategic choice enabling the differentiation from the peers on the increasingly competitive and challenging B2B markets. (Thompson et al. 1997 cited in Davies & Roper 2010, 569.)

The finding that company’s overall brand identity is the primary concern of industrial buyers reveal the relevance of corporate brand strategies, but also provide reasoning for the high attention it has (De Chernatory & McDonald 1998 cited in Abratt et al. 2004, 372).

Corporate brand strategy by its nature reflects that more brand attributes than product performance matters. Kotler et al. (2006, 16) argue that branding as a separate function within the company is gone for good. They emphasize the need for holistic approach in brand building. To simplify the holistic approach, they offer an explanation as follows: “Holistic means that everything from the development, design, to the implementation of marketing programs, processes, and activities is recognized as intersecting and interdependent”. In addition, they see that companies need to have the integrated and broad enough perspective in order to be able to ensure the consistency of the comprehensive approaches. (Kotler et al. 2006, 16.)

The discussion above about the role of corporate overall reputation and its appreciation by the industrial buyers supports the view concerning the importance of a holistic approach presented by Kotler et al. (2006). However, in B2B context especially, the risk reduction was identified to be the main function of a brand. Furthermore it was argued that buyers in B2B context have a tendency to avoid risks. These findings create a basis for the packaging consideration in the empirical part of this research: packaging can be approached in brand building as a mean to lower the buyer’s risk, as the package has an effect on how the buyer, e.g. perceives the product’s quality. Furthermore packaging has a direct impact on product quality, since its primary role is to protect the product and to enable the loading and transportation of the goods without product damages. Moreover,
the literature review pointed out an increase in the role of branding in the B2B marketing. This motivates and supports the author examining the topic in the case company context.

3.1.1 How branding creates value in B2B

According to Kotler et al. (2006, 66-67), at its best a brand enables building and maintaining a strong perception in the minds of the customers. The objective of branding is to create profitable growth by expanding customer share, increasing customer loyalty and capturing customer cumulative value. Moreover, they think that a company needs to integrate structures and concentrate resources and financial accountability around this asset in order to be able to utilize the opportunities offered by the brand in terms of competitive advantage. They argue that in the development of a holistic brand strategy the active involvement of all levels of marketing management is not enough. In order to give a chance for success, they think the active role and involvement of other relevant internal stakeholders and external agencies is a prerequisite. (Kotler et al. 2006, 66-67.)

According to Kotler et al. (2006, 67-68), a strong brand starts from the understanding of what values are already associated with the brand. To understand how customers perceive every aspect of what organization does is one fundamental step in this process. They suggest that to be successful in brand building, it is necessary to track and measure the strength of the current brand. In order to implement a market and customer driven perspective of the brand successfully all information needs to be utilized and all factors taken into consideration. (Kotler et al. 2006, 67-68.)

Brand equity is the concept used in this regard. It is meant to capture the value of a brand. Despite the fact that different definitions of the brand equity exists, Kotler et al. (2006, 70) argue that all end up with similar interpretation as follows: the drivers of brand equity consist of “perceived quality, name awareness, brand associations, and brand loyalty”. The quality perception is essential value driver of any product whereas name awareness is important but they think it should not be overestimated. Brand associations experienced by the customers are basically everything that is connected to the brand e.g. user imagery, product attributes, use situations, brand personality and symbols. However, they argue the brand loyalty to be the most important driver of
brand equity. In order to support the aforementioned definition, it is relevant to review another type of definition in terms of brand equity. (Kotler et al. 2006, 70.) According to Aaker & McLoughlin (2010, 176), brand equity is the set of assets and liabilities linked to the brand that are e.g. brand awareness, brand loyalty and brand associations. Hence, their definition ends up meaning exactly the same that was argued by Kotler et al. (2006).

Kotler et al. (2006, 70) argue that consistency is of crucial importance in B2B brand management. It can be even the most important factor in B2B brand management. They propose that companies pursuing to develop a holistic brand strategy need to put attention to the alignment between the promise outside and internally within an organization. According to them, the fit of corporate strategy and brand strategy is important in successful implementation of brand strategies: misalignments will be flagged first by employees, next by customers. (Kotler et al. 2006, 70.)

In order to confirm the consistent impression, Kotler et al. (2006, 72) claim that the holistic branding approach needs to be implemented at every point of touch to the brand. Figure 3 shows the wide scope of brand customer relationship, i.e. point of touch, from the pre-selection phase to ongoing relationship. Suggestion is that companies should know all of them. To manage the large amount of interactions, the stakeholders may have with the brand is a challenge to carry out and control. However, Kotler et al. (2006, 72) argue that there are businesses that prove by their branding strategies and implementation that it is possible to provide that consistent impression. (Kotler et al. 2006, 72.)

Figure 3 draws attention to the role of packaging in brand customer relationship. Packaging is a part of the purchase and usage experience section. Moreover, packaging creates a usage experience before the core product. Taking into consideration the earlier mentioned value drivers of brand equity, this interaction area of usage experience relates to the driver of brand association primarily and secondly to perceived quality, brand loyalty and name awareness. Hence, packaging creates a user experience that means the brand association in the context of brand equity.

Packaging has also a relation to quality perception, name awareness and brand loyalty of the core product. This contribution may be positive or negative. It is dependent on the performance of packaging in its primary function i.e. protecting the core product, but also the packaging appearance may have an impact on these.
Kotler et al. (2006, 68) argue the importance of understanding how customers perceive every aspect of what an organization does. According to them, not even the best advertising can create something that does not exist; the corporate statements of objectives or the use of logos as such definitely do not make a brand alone. The product quality, the reliability of deliveries and the value for money are all perceptions of what people normally associate with brand. Those are representing one part of equation that relate to associations of a brand. They emphasize that properly managed brand should not be disconnected from the world around. Hence, they suggest that continuous tracking and assessment of the strength of the current brand and the entire portfolio is needed. (Kotler et al. 2006, 68.)

This chapter has pointed out the key issues that a company needs to consider when branding is expected to leverage the competitiveness. It was argued that understanding the values that the customers already associate with brand is a prerequisite. Understanding how customers perceive every aspect of what an organization does is one fundamental step in this process and requires that the brand strengths are measured. Furthermore, the concept of brand equity was explained. It is a concept meant to capture the value of a brand. The value drivers of brand equity are perceived quality, name awareness, brand associations, and brand loyalty. Consistency was said to be the most
significant factor in B2B brand management. In order to be able to confirm the consistency, a company needs to make sure that the brand promise outside and inside the organization is aligned. This asks for holistic brand building approach that is implemented in every point of touch of a brand. Packaging is one point of touch customers have with a brand. More precisely, the packaging belongs to the interaction area of usage experience. Moreover, it was discussed that packaging contributes to all value drivers of brand equity. Especially, it creates a user experience before the use of the core product. In other words, the packaging contributes particularly to brand association in the context of brand equity.

3.1.2 The role of packaging and how packaging contributes to brand building

In this sub chapter the packaging and its functions are presented on a general level. Specific packaging requirements in the case company context are discussed in the empirical part of the research. Furthermore, the aim of the chapter is to examine through the literature review the contribution of packaging to the brand building.

According to Leppänen-Turkula & Ollila & Järvi-Kääriäinen (2007, 12), the primary function of packaging is to protect the product against the physical, chemical and biological stresses the product may face. In other words, the primary task of the packaging is to enable a product to arrive in a proper condition at the customer. The actual package can be considered as a part of the product since the packaging can contribute to the product’s benefits and in some cases be vital for the use of the product (George 2005 cited in Rundh 2009, 988). According to Korhonen & Ollila & Järvi-Kääriäinen (2007, 24), technical functions of packages are especially emphasized in B2B environment along with lowest possible total cost of packaging. Leppänen-Turkula et al. (2007, 12) state that mechanical stress is one type of physical stress as well as humidity and dust. In addition, most of the mechanical stresses are caused during the transportation and while the handling of a product. In those conditions the packaging needs to have an appropriate level of mechanical protection. Chemical and biological stresses are primarily important for food processing industries. (Leppänen-Turkula et al. 2007, 12.)
Robben et al. (1997, 272) argue that along with the number of technical functions like aforementioned protection of a product, packaging has a role on several communication functions, e.g. branding and product identification, price information and information on ingredients and product use. In addition, Leppänen-Turkula et al. (2007, 12) highlight the increased requirements for today’s packages from environmental point of view. They think there is more pressure on environmental aspects like the importance of recyclability of packaging materials used and a low waste load. (Leppänen-Turkula et al. 2007, 12.)

In the earlier discussion concerning branding in B2B context, it was pointed out that the amount of literature in B2B is somewhat sparse in comparison with B2C context. In addition, it was pointed out that branding and brand management have gained attention in the marketing of goods to consumers. According to Rundh (2009, 989-990), in a competitive business environment packaging has increased the role in marketing communication for many consumer products. He argues that still a relatively few studies and little interest is shown for the packaging contribution in the marketing literature. According to him, especially a low attention is paid to examining packaging design and its relation to marketing strategy. (Rundh 2009, 989-990.)

The author can share this concern regarding the low attention of packaging in B2B context from branding point of view as well. It is rather logical given the little, but slowly increased attention given to branding in B2B marketing among scholars and practitioners. According to Kotler et al. (2006, 34-43), the factors that emphasize an increase in the role of branding in B2B context are similar to what actually leveraged the importance of brands in B2C marketing. Therefore, this research follows the similar assumption as the literature concerning of packaging’s contribution to branding: the literature regarding B2C context is regarded relevant in B2B context as well. However, in order to be able to draw conclusions and recommendations purely based on that assumption requires careful attention from the author of this research.

This research has significant role in the packaging re-specification project at the case company, as the research aims to support the decision making concerning the packaging design by providing an understanding of the relation between packaging and branding on the B2B market. Robben et al. (1996, 271-287) for instance have examined the contribution of the packaging on B2C markets. They focused on the effect of package design on product attention, categorization and evaluation. One of the findings made
was a positive correlation between the attention that a package gets and the degree of deviation of its appearance. The more a re-designed package deviates from the existing one, the more attention will be included. Furthermore, they found out that the enhanced package has a positive impact to the evaluation of the product, i.e. categorized higher in the product hierarchy, which in turn relates to brand. However, it was suggested to avoid too strong deviation. Too strong deviation can lead to an unacceptable package. The tradeoff needs to be made between the capability of redesigned packages to get attention and to avoid negative evaluation of new packages. (Robben et al. 1996, 271-287.)

Rundh (2009, 988-1002) examined the role of packaging design in the creation of competitive advantage. The study was done in the food industry and the relevance of the findings for this research is considered with criticism. The study focused on to demonstrate the influences of external and internal factors on the design process of a package. (Rundh 2009, 988-1002.) The findings are somewhat similar to Robben et al. (1996, 271-287). Rundh (2009, 999) points out that packaging is often the last marketing communication lever for a company before the purchase decision in B2C. In B2B this could be translated as before the use of product. He argues that this emphasizes the important place of packaging in the communication mix of a company. He states that enhanced package, i.e. a new package design, contributes to the communication value: more attention is created. He also points out the importance to consider widely the internal and external influences for a package design. In order to carry out this, the large involvement of many stakeholders is needed, i.e. internal and external. Especially the importance to involve customers into a package design process was highlighted by Rundh. (Rundh 2009, 999.)

To conclude, package is seen to have an increasing role in brand building, at least in B2C marketing. The enhanced package gets more attention and has an impact on the evaluation of the product. To initiate a package re-design process requires thorough analyses concerning the internal and external influences, i.e. a holistic approach. To carry out the holistic analysis requires the contributions from many actors internally but externally as well. This also set requirements for the multinational companies in terms of organizational structure or a set up around the topic such as packaging. Especially this is relevant for companies that have multiple and similar business units such as the case company in this research. However, it should be remembered that the packaging needs always to fulfill its primary task i.e. to protect the product. The other elements of
a package design could be a trade-off between the priorities. Hence, it needs to be a starting point for any development initiative concerning packaging, to confirm the delivery of its primary function.

3.1.3 Influence of branding in B2B purchasing decision making process

For the theoretical framework of this research, it is important to understand how brands contribute to B2B purchasing process and what the role of packaging is in that. Therefore, the emphasis is on understanding the nature of industrial purchasing behavior, i.e. B2B buying. The approach to this chapter is that the purchasing process and related actors in the decision making process will be introduced first. It is followed by a discussion in which the aim is to provide a more in depth understanding to the decision making process. Especially the emphasis is on understanding what factors influence and have an impact on the decision making process. The author’s professional career in the global B2B purchasing at the case company creates a good pre-understanding for this part of literature.

Based on the author’s own experiences, companies consider today the role of purchasing more strategic than before. One reason may be the fact that competition is getting increasingly tight in the wide range of businesses. In those conditions, effective sourcing is an important lever for companies to keep up and increase their competitiveness. In addition, Harrison (2003, 67) points out that the share of purchasing spend from the revenue is considerable, i.e. on average more than 55 per cent. The author sees this significant share to be a reason for the increased attention as well: spend reduction has a direct impact on the bottom line of profit and loss account. Van Weele (2005, 254-255) defines the objectives of modern purchasing as follows: obtaining the right material, in the right quantity, from the right source, for delivery at the right time and right place, with the right service and right price, contributing to product and process innovation, and reducing company’s overall supply risk. The author can agree on those objectives of purchasing based on the gained experiences.
In this research the objective is to understand how the packaging contributes to brand building. By definition, branding is about differentiation among the peers that aims to attract the customers to place the orders to the company. In that regard, the brand needs to be able to make an influence to the buying process at the end of the day. Therefore, it is important to understand how the buying process is conducted on the B2B markets.

According to Dwyer et al. (2001, 72), the buy-grid model is offered as a general model to explain the organizational, e.g. B2B, decision making process that by the nature is rationale-basis. They point out that it is divided into two parts including the buy phase and the buy-class. The buy-phase is explained as a process that includes a number of different phases in the decision making. It starts from the arising need and recognition of need, followed by the development of specifications, evaluations of supply opportunities, final selection of a supplier and final phase lasts till the evaluation of product and supplier performance. In addition, they state that some companies may use this model as a procedure or policy for purchasing. (Dwyer et al. 2001, 72.)

Dwyer et al. (2001, 72) continue by sharing the observation that in the organizational purchasing decisions it is not always included all the phases or a lot of work and time. This is called the buy-class. According to them, it refers to the type of purchasing situation in which the buyer has earlier experience of a particular product or service. (Dwyer et al. 2001, 72.) The author has experiences on both, i.e. the buy-phase and buy-class. Even though the formal purchasing procedure exists following the buy-phase model, the author has identified that the gained experience helps to conduct the similar purchase in question on the second time: it is not always needed to collect all the information which in this regard reflects the buy-class situation. The above experience also reflects to the nature of buy-grid. Dwyer et al. (2001, 74) states that the buy-grid model describes how the buyer’s experience have an impact on the purchasing practices of a product or service.

In order to understand the buy-grid in more detailed, consideration to the differences between the buy-phase and buy-class and related buy situations is needed. The buy-phase process including all phases is normally used only in new buy situation, i.e. never purchased before. Respectively, the buy class identifies two situations. Firstly, straight rebuys in B2B means a procedure in which the replenishment may be fully automatic, not even a person is needed to place the orders. Secondly, the modified rebuy is the situation when the buyer has experience of the product since earlier and company
contemplates to rebuy. The purchasing practice can be similar to straight rebuys or the new buys situation including the complete process of purchasing according to buy-phase model. However, this depends on how specific the situation is. The only difference is the gained experience and the amount of information and time needed to conduct a purchase. (Dwyer et al. 2001, 73.) As stated above, in the modified rebuy situation the earlier experiences have an impact to the speed of the process. Based on the author’s experiences about the rebuy situation, the speed of the supplier selection process is strongly influenced by the earlier experiences about the suppliers. Taking into consideration the B2B buyers’ tendency to avoid risks, the suppliers that have strong brand equity, e.g. have excellent perceived quality, are naturally preferred.

Along with the buy-grid model, brand’s and packaging’s influence to the purchasing decision making process requires a more in-depth consideration. The understanding of purchasing process concerning the different buying situations discussed before is not enough. Structured purchasing process, such as the buy phase for instance, reflects the rational nature of B2B buying. However, it is still the people who run these processes. Therefore, it is of importance to understand what the individual roles involved are and how the decision making process works in a reality. Dwyer et al. (2001, 100) offer four theories to explain the buying behavior: “the buyer behavior choice theory, the reward-measurement, role theory and the buying determinants theory”. Based on the author’s gained knowledge, the role theory is seen most relevant for this research. It is explained through Dwyer et al. (2001) and Rope (1998). According to role theory presented by Dwyer et al. (2001, 106), “people behave within a set of norms or expectations of others due to the role in which they have been placed”. Most often the organizational buying involves more than one person to run the process of purchasing. When the purchasing situation is handled by more than one person, the group is called the buying center or decision making unit. (Dwyer et al. 2001, 106-107.)

The members have different roles in these groups and the role theory offers an explanation to the identified roles in the groups, i.e. the buying centers or decision making units. The roles identified are: user, buyer, influencer, decision maker and gatekeepers. Users often initiate the purchasing process by recognizing the need and defining the specification. They have normally a strong role to play in the development of the specification since the substance is based on the previous experiences. Influencers are most often the company’s specialist of the topic in question. Influencers are seeking to affect the decision maker’s decision by proposing which suppliers to approach or
which products perform best and fits to the needs. Sometimes users are part of the buying group and therefore have the influencer role. (Rope 1998, 24-27.; see also Dwyer et al. 2001, 107.)

Even though the user is not a group member, he influences on the decision when the decision maker considers the user’s need or feasibility of the decision. Influencer’s role is strongest when the nature of purchasing need is demanding and complex, and it requires special knowledge. The role of the buyer is to conduct commercial activities that are the placing of orders, carrying out the negotiations and contracting for instance. However, a buyer can play several roles in a purchase. The buyer’s competencies, size of the company, the way the purchasing is organized within a company are few examples of factors that determine the buyer’s role in overall purchasing process. The decision maker does not necessarily participate actively in the purchasing process. In that case the participants of the buying center needs to present to the decision maker the proposed decision and offer alternatives from which to decide. To conclude, the decision maker gives the final approval to the purchase in question. Gatekeepers have the power to control the information flow, into and out of the buying center or between the members. (Rope 1998, 24-27.; see also Dwyer et al. 2001, 107.)

In addition to the identified roles and their influence on the purchasing process, the human factors have also an impact to the decision in the B2B. The buying center members can be very different as individuals from one another. Individual and interpersonal differences are inevitable in a buying center. (Kotler et al. 2006, 30.)
The Figure 4 below describes the influential dimensions on the buying center as Kotler et al. (2006, 30) see it. The figure 4 points out the large amount of factors that have an influence to the purchasing process in the B2B. Earlier in the literature review concerning the branding, the most important brand functions in B2B context were discussed. Risk reduction, increased information efficiency and image benefit creation were identified to be the main contribution of brand in B2B environment. Reflection to influential dimensions on the buying center points out that the brand can relate to all dimensions. Even if the buying center acts just on a rational basis which does not happen as long as human beings are involved. (Kotler et al. 2006, 30.)

![Figure 4. Influential dimensions on the buying center (Kotler et al. 2006, 30)](image)

To conclude, this chapter has pointed out the B2B purchasing process is most often structured but the type of purchase defines the speed and complexity. Based on the author’s experiences the earlier experiences and especially strong brand equity have an impact to the purchasing decision making process. Normally the purchasing process is carried out by a buying center which means a group of people that have different roles and interest. Despite the structured processes, the human beings are running these buying centers and hence the purchase decisions are not always purely objective and rational. Actually the buying centers are influenced by a large amount of factors in
which branding can have an impact. The author is running buying centers in daily work, and can confirm the role theory to be valid as well as the large amount of factors influencing the process. Packaging performance for instance is one factor influencing to the decision making process based on the author’s experiences.

3.1.4 Customer Satisfaction

The last part of the literature review presents the concept of customer satisfaction. The fundamental purpose of any brand or brand building initiative is to pursue the customer satisfaction, which fact makes this a relevant concept for this research. The emphasis is on understanding the satisfaction-loyalty relationship and how the level of satisfaction can be developed. In addition, the chapter provides a view on what the role of internal actors is within a company when it is pursuing to increase customer satisfaction or aims to create more customer orientated behavior.

Hill et al. (2007, 2) offer a review on recent discussion about the concept of customer satisfaction. They share examples amongst the most common phrases and descriptions used in this context, e.g. customer loyalty, customer experience, customer focus, and the loyalty effect. They argue that it is just semantics which describe the same phenomenon: the feelings or the attitudes that customers have based on the experiences with an organization. Therefore, they see the satisfaction to be convenient word to be used. It combines the aforementioned feelings and attitudes. They also present that the feelings and attitudes, i.e. customer satisfaction, appears in the customers behavior. (Hill et al. 2007, 2.)

Consequently, it is of importance for companies to understand the behavior that determine and drive the future orientation of customers, according to Hill et al. (2007, 2). Monitoring the customer satisfaction enables the companies to get the indication about the future purchase behavior. However, the recent reports from some companies point out that the companies may switch the supplier even though they were satisfied with their previous one. Reports have identified that from 65 per cent to 85 per cent of companies switching suppliers were satisfied. Hill et al. (2007, 3) argues that the aforementioned findings as such do not devalue the concept of customer satisfaction.
They state that customer satisfaction is still the leading indicator to determine the future behavior whereas the reported findings are seen to reflect the non-reliability of the current customer satisfaction measures in the efforts to provide reliable information for forecasting purposes. (Hill et al. 2007, 2-3.)

The finding that so many of satisfied customers still switched to another supplier increases the author’s interest to understand the phenomenon in-depth. Jones and Sasser (1995) quote relevant findings for this research. According to Jones et al. (1995, 3), most often organizations do realize that the more competitive the market, the more important the degree of customer satisfaction is. In contrast, organizations do not understand the extent to which “completely satisfied” is more valuable than “satisfied” especially in markets where competition is intense (Jones et al. 1995, 3-10 original emphases).

As was pointed out in the introduction chapter, the market in which Outokumpu operate, has fundamentally changed and as a result of the change the competition could be considered “intense”. Jones et al. (1995) explored for instance the automobile industry and found that there is a significant difference between the loyalty of “satisfied” and “completely satisfied” customers. This means that any drop from “completely satisfied” customers results in a major drop in loyalty. The relationship curve is therefore non-linear. They argue that this satisfaction – loyalty relationship applies to thin profit margin businesses such as most of the commodity businesses. Any initiative to increase the satisfaction in such businesses can result in similar return on initiatives as in more profitable businesses. (Jones et al. 1995, 3.) Outokumpu’s business is one example of thin profit margin businesses. Jones et al. (1995, 3) offer another interesting view for this research since attempts to pursue complete customer satisfaction in commodity industries often move the product or service out of the commodity category. To conclude, the author sees that it is of importance for companies to understand the different levels of satisfaction. A precondition for this is that organizations implement an appropriate measurement system that enables the analyses and helps prioritize the initiatives pursuing the increased level of customer satisfaction. Based on the author’s knowledge in the purchasing, it is easy to agree with the findings about the relationship concerning the satisfaction-loyalty as well as with the impact of “completely satisfied”. However, the way to increase the level of satisfaction is considerably related to the overall purchasing situation.
The author strongly agree with Jones et al. (1995, 4) that different satisfaction levels reflect also different issues and the actions needed are therefore different. Jones et al. see that the analysis of different satisfactions levels of targeted customers also is a good measure for product and service quality, but in order to move from dissatisfaction to satisfaction and to completely satisfied means the ability to deliver something different. According to them, delivering just the same value or experience better definitely is not enough. They list four elements that affect to customer satisfaction: “basic elements of the product or service that customers expect all competitors to deliver; basic support services such as customer assistance or order tracking that make the product or service incrementally more effective and easier to use; a recovery process for counteracting bad experiences; and extraordinary services that so excel in meeting customers’ personal preferences, in appealing to their values, or in solving their particular problems that they make the product or service seem customized”. (Jones et al. 1995, 4.) Considering the topic of this research, two of the aforementioned elements relate directly to the packaging: firstly, as packaging is the same as the product before the use, it needs to have the same basic elements that customers believe all can deliver. Secondly, recovery process for counteracting bad experiences for instance caused by the poor packaging. This reflects to the need for close integration between the relevant internal stakeholders.

In order to get valuable information about those four elements affecting to customer satisfaction, Jones et al. (1995, 4-6) claim that the customer satisfaction surveys are the primary source but companies needs to utilize a variety of other methods to listen to existing, potential and former customers. Customer satisfaction surveys cannot provide the breadth and depth of information needed in order to be able to assess and guide the company’s strategy or to recognize the changes in the market place. The other methods flagged by Jones et al. are useful for this research. (Jones et al. 1995, 4-6.)

The increased utilization of feedback is one example. If the company does not know who has a problem and what it is, the implementation of recovery plan cannot happen. Jones et al. suggest the company’s to review their claim handling approach. (Jones et al. 1995, 4-6.) Based on the author’s own experiences this makes sense as the complaints represent the honest feedback concerning dissatisfaction in comparison with customer surveys where answers reflect the satisfaction from that particular moment when it is done.
Furthermore, Jones et al. (1995, 4-6) emphasize the importance of market research and the role of frontline personnel. Market research in this regard means that companies need to be interviewed when they become customers and especially when the customer relationship is lost. Moreover they emphasize the skills of conducting the interviews to be very critical for a good result and that requires a lot of training. (Jones et al. 1995, 4-6.)

The role of frontline personnel is a bit similar to market research: requires effective listening skills supported by a process to capture the information that enables the fast and effective communication to the rest of the company. (Jones et al. 1995, 4-6.)

Above it was discussed the information that can be gained from the customers. It is important to further communicate that information within the company. Hill et al. (2007, 273) argues that the actions taken to improve customer satisfaction will be lower if the results of customer surveys or their implications are not properly communicated to employees. In addition, in the efforts of building the service-focused climate, the studies have shown the role of employee communication being of importance. In terms of employee contributions in customer satisfaction, Hill et al. (2007, 268) point out another interesting initiative that has shown to enhance the ability to improve customer satisfaction. They present a method which is called the mirror survey. It means that a customer survey is carried out at the same time with customers and employees. (Hill et al. 2007, 268-273.)

The mirror survey enables to identify and understand the gaps. According to Hill et al. (2007, 268), “studies have identified strong correlations between this type of employee communication, the development of a service oriented culture and subsequent improvement in customer satisfaction”. Therefore, this method serves the organizations in many ways. It helps to identify the satisfaction gaps as well as to speed up the implementation of important initiatives. In addition they see that it indicates the employees overall understanding of the customer needs and even a morale of employees. The implementation of the mirror survey also helps in the organizations in which the staff may have a tendency to underestimate the customer requirements or are complacent about the level of customer satisfaction they are delivering. (Hill et al. 2007, 268-280.) The benchmarking can be seen as a type of variation from mirror survey. The author has experiences on utilizing benchmarking internally and against the industry and group of industries. Therefore, the author agrees with Hill et al. (2007) concerning
the importance and relevance of the mirror survey or other comparable method. It is effective eye-opener for employees.

To conclude, this chapter provided valuable remarks to this research. One of the most significant one is the finding that satisfaction-loyalty relationship exists in the commodity and thin profit margin business like the market of Outokumpu. This means that any drop from “completely satisfied” customers may result to a major drop in loyalty for instance. In addition, Jones et al. (1995) had identified four elements affecting to customer satisfaction. Two elements directly link to the packaging: firstly, as packaging is the same as the product before the use, it needs to have the same basic elements that customers believe all suppliers can deliver. Secondly, recovery process for counteracting bad experiences for instance caused by the poor packaging is important. This reflects to the need for close integration between the relevant internal stakeholders. In addition, Jones et al. (1995) pointed out some tools that can be useful in the efforts to increase the degree of satisfaction: not only the customer surveys but also complaints, market research and frontline personnel. Furthermore Hill et al. (2007) shared important remark for this research. The degree on which customer survey results are communicated internally seems to correlate with actions taken to improve customer satisfaction, i.e. poor communication means less actions, emphasizing the importance of communication and strengthen the importance to “live the brand”. In addition, it is shown by studies that employee communication is effective way to develop a service oriented culture.

3.2 Literature Conclusions and Theoretical Framework

This research explores the role of packaging in brand building and in customer satisfaction in B2B environments such as the market of Outokumpu. The sub chapter of branding in business to business contexts provided the understanding that branding is an increasing trend in B2B context and as relevant as on B2C markets. The sub chapter pointed out the fundamental market changes to be the primary cause boosting the importance of branding in the B2B environment. In addition, it presented the most important functions of brand in the same market context: risk reduction, increased information efficiency and image benefit.
The sub chapter of how packaging contributes to brand building introduced a concept of brand equity. It is a concept that is meant to capture the value of a brand. The value drivers of a brand are as follows: quality perception, brand association, brand loyalty and name awareness. Furthermore, the sub chapter emphasized that a holistic approach in brand building is needed in order to be able to deliver a consistent message to the market place in which the buyers’ claim the overall brand image of a company being their primary concern.

The sub chapter of packaging and its contributions to brand building pointed out that packaging has an important role in marketing communications, but its primary role is to protect the product. In addition, some encouraging findings from studies in B2C context show that enhanced package gets more attention and has an impact on the evaluation of the product.

The sub chapter of industrial purchasing behavior explained the structured nature of B2B purchasing in which many different actors participate in the decision making process. By definition the B2B purchasing is based on rational and objective decision making, but the buying centers decisions are influenced by a large amount of factors in which branding can have an impact. And even in a rationale purchasing decision the brand have an impact. This was supported in the chapter of customer satisfaction which offered many relevant aspects to this research such as satisfaction-loyalty relationship: the more satisfied the customers are the more loyal purchasing behavior they show.

As stated above, one of the most significant findings of the literature review is the notion that satisfaction-loyalty relationship exists especially in the commodity and thin profit margin business like the market of Outokumpu. This means that any drop from “completely satisfied” class of customers may result to a major drop in loyalty for instance. This argues that a company needs to understand the different degrees of satisfaction of its customers. Furthermore, two elements identified affecting customer satisfaction directly link to the packaging. Firstly, as packaging is the same as the product before the use, it needs to have the same basic elements that customers believe all other suppliers can deliver. Secondly, recovery process for counteracting bad experiences, for instance caused by the poor packaging, is important. In order to tackle this, a company needs to rebuild the structures enabling the needed integration between the relevant internal stakeholders. In addition, chapter provided tools that can be useful
in the efforts to increase the degree of satisfaction: not only the customer surveys but also customer complaints, market research, frontline sales personal and the employees within a company.

Based on the literature review a framework can be established to explain the role of packaging in brand building and its role in customer satisfaction. The framework designed and applied in this case study research is illustrated by figure 5 below.

**Figure 5. Theoretical Framework of the Research**

The theoretical framework shows the overall role of packaging in the changed business-to-business market place. The increased capacity has changed the nature of global competition and the functioning of markets in which the global companies compete. Deregulation of international trade, technological development, availability of resources and new ways of working are examples of causes of increased capacity. These causes have led to the situation that products and services of competitors tend to be very similar, which makes differentiation from the competition challenging.

The commoditization makes competition on international markets increasingly hard as stated in the introduction chapter of this research. As a consequence of this phenomenon, the relevance of branding is increasing; the buying centers have more
offerings available and strong brand equity is important leverage to keep up competitiveness and differentiate from the peers. In this environment, buyers appreciate the overall company image in the evaluation of market actors that emphasize the need for a holistic and consistent approach.

In terms of consistency, packaging is not an exception: it needs to deliver the brand promise to the customers. More precisely, the figure 5 shows that packaging has an influence to value drivers of brand equity. In addition, the framework shows that packaging can have an impact to satisfaction-loyalty relationship.

Overall, this framework serves as a basis for the analysis of the case company situation in the empirical part of this research. In addition, it supports the researcher to keep the focus and explicitly point out the packaging’s contribution in brand building and in customer satisfaction. Moreover, the framework answers to the research question of how does packaging impact on customer satisfaction on B2B markets.
This chapter examines the case company. The aim of this chapter is to conduct an in-depth analysis of packaging at the case company. The results provide rationale for the decision making concerning the package design under development. In the last part of this chapter the preliminary packaging proposal is presented. In compliance with the case company’s instructions, the information in this chapter is classified as confidential. Therefore, the full length of this chapter is not published in the Library version. However, summary of the results, that are presented in the end of the chapter, point out the main findings. In addition, the research design and scope is explained.

The empirical part of this research is conducted as follows:

1) Analysis of company strategy, vision, and brand strategy and their implication for packaging.
   - Referring to the theoretical framework presented in the literature review, packaging needs to reflect and communicate the values of the company brand. Therefore the research first focuses on examining the brand strategy and brand equity of Outokumpu. These create the basis for the construction of a new package design.

2) Analysis of current packaging performance and performance against the packaging of competition, and the trends in packaging.
   - This part of the case analysis examines how the packaging today fulfills its primary function, i.e. protect the product, and how it performs against the packaging of competition. In addition, the analysis indicates how the packaging today supports the company strategy and brand. In addition, it reveals the impact of current packaging to the customer satisfaction. Competitor information is important part of the analysis since in the intense competition customers expect the product and package to be as good as the other suppliers deliver.

3) Preliminary proposal of a new package construction based on the consolidated results of analysis.
• The results from the previous analysis create the basis for the construction of a new package design.

4.1 Changes in case company structure and empirical part limitation

Outokumpu Oyj will change its organizational structure starting from January 2012. Outokumpu’s planned business model will be based on three Business Areas, each with full end-to-end accountability for sales, profit and assets. Today’s matrix structure will disappear in its great extent. However, such Group-wide functions, e.g. procurement and marketing communications, will remain to support Business areas when centralization or coordination is expected to yield synergies. (Outokumpu 2011)

For this research, the consideration of company environment is done according to today’s organizational set up, i.e. matrix. New structure as such does not have any explicit implication for the approach of this research as case company has not announced any divesting plans for the current assets or changes to its branding strategy. Hence, for this research, the company presentation according to current corporate structure is providing the relevance needed.

The empirical part of this research covers the company’s facilities that are located in Tornio in Finland, Avesta, Nyby, and Långshyttan in Sweden, and in Terneuzen in the Netherlands. The aforementioned units produce stainless steel in the form of coil and sheets products. The empirical analysis of this research covers the coil products. Hence the considerations of packages are limited to cover only the packages used for those products in customer deliveries excluding the packaging used for internal material flow between the sites, e.g. Tornio feeds the production site in Terneuzen. However, the conclusions made in this research are relevant for the other product forms that company produces as well, e.g. sheets.
4.2 Company Profile

Outokumpu is an international Stainless Steel company operating in some 30 countries (Figure 6) that employs some 8000 people. The Group’s head office locates in Espoo, Finland, and the company has been listed on the NASDAQ OMX Helsinki since 1988. It is one of the World’s largest producers of Stainless Steel. The main production facilities locate in Finland, Sweden, the United Kingdom, the USA and the Netherlands. In addition, the company has also a comprehensive network of sales companies, service centers and sales agents in some 70 countries. Outokumpu Group’s annual net sales in 2010 were some 4.2 billion euros. In 2010, Outokumpu had an 18% market share of the Stainless coil market in Europe and a 5% share of the global market for this product. For its products, Outokumpu’s main market is Europe that accounted for 75% of the sales in 2010, followed by 11% from Asia and 11% from North and South America. (Outokumpu Annual Report, 2010)

![Outokumpu's global operations](Image)

**Figure 6.** Illustration of Outokumpu’s Global operations (Outokumpu 2010)
Outokumpu’s current corporate structure is presented in the below figure 7. This structure has been valid since January 2008. According to Outokumpu, integrated organizational model emphasizes the one company approach towards customers and enables to avoid overlapping customer relationships, as there are customers dealing with the several business units at the same time. The structure is designed to serve customers in an optimal way. By this organization structure company is aiming to deliver a more stable and profitable business model. (Outokumpu Stock Exchange Release 2007)

Figure 7. Outokumpu – Integrated Organization (Outokumpu 2010)

4.2.1 Vision and Strategy

In this chapter the vision and strategy of Outokumpu will be introduced which creates a basis for understanding the company and its directions. In addition, this is needed in order to form an understanding of the brand strategy of the company that is discussed later in this research.

The vision of Outokumpu is to be undisputed number one in stainless steel with success based on operational excellence. The number one position means the best financial performance in the industry. In addition, this means:

- Industry leader in customer satisfaction
- The most efficient and environmentally friendly in operations
• Most attractive employer

Outokumpu’s strategic targets include improved and more stable profitability and higher level of customer satisfaction. The figure 8 below shows the adjusted strategic priorities of Outokumpu. The priorities were adjusted and announced in May 2010. The focus on short term is on efficient and rapid strategy implementation. (Outokumpu Annual Report 2010)

![Outokumpu’s strategic priorities](image)

**Figure 8:** Outokumpu’s adjusted strategic priorities (Outokumpu 2010)

4.3 Packaging in Outokumpu

The coil products are divided into two subcategories from the packaging point of view: horizontal coil packages and vertical coil packages (Figure 9).

![Horizontal and vertical coil packages](image)

**Figure 9:** Outokumpu’s coil package types (Outokumpu 2011b)
In this research the horizontal packages are selected to be the focus area of analysis as this package type represents the major share of delivery volumes. In addition, in the preliminary analysis of the packages, the horizontal coil packages showed to have more variation and thus more inconsistent look and feel than the vertical coil packages. Consequently, improving those packages would presumably have the greatest impact on customer satisfaction and brand image and therefore the primary focus of this research is put on analyzing the horizontal coil packages. Outokumpu delivers products from upstream mills to its own downstream units for further processing, e.g. from Tornio to Terneuzen. The packages used for those deliveries are somewhat different to customer packages. In this research, the consideration is limited to cover packages used for customer deliveries.

In this research, the conclusions drawn from the empirical analysis are based on those areas of the framework that support and give answers to the research questions. Therefore, there is more emphasis on the consideration that explores the packaging performance from the branding and customer satisfaction point of view. The analysis put less attention to some aspects that are not clearly supporting the aims of this research. However, as shown by the literature review of branding, brand is a sum of many elements. Therefore, it is not easy to draw a line between issues that do and do not have an influence on customers’ perception of the company brand.

Data collection for this empirical part of the research is done by utilizing internal documents and databases, customer surveys, interviews with internal stakeholders, industry benchmarking and expert opinions.

4.4 Conclusions from the empirical analysis

As a result, this chapter points clearly out the improvement needs of packaging at the case company. Dissatisfaction within customers could be recognized through the feedback that mainly related to the poor level of mechanical protection. Aforementioned argument was justified and highlighted in the industry benchmarking part of this chapter, too. In addition, the study brought out well the non-consistency of packaging at the case company and discontinuity between Outokumpu’s brand strategy and today’s
packages. The figure 10 below presents the preliminary constructions of a new package design for a stainless steel coil.

**Figure 10.** Preliminary picture of the proposed new package design (Outokumpu 2011b)
5  FINDINGS AND DISCUSSIONS

In this chapter the findings of this research are discussed. In compliance with the case company’s instructions, the information in this chapter is classified as confidential. Therefore, the full length of this chapter is not published in the Library version. However, the conclusion chapter provides the lessons learned from this research.

The answers to the first questions were found to help the author to establish a fact based view of Outokumpu’s current packaging performance and its role in the case company. In addition, answers pointed out the defects of current packaging specification and non-consistency with the brand strategy. The answer to the second question provided an in-depth understanding of the relevance and role of packaging in the context of customer satisfaction in the business-to-business environment. To answer the third question the drivers of brand equity of Outokumpu were explored and used to create a proposal for a new Outokumpu package. The last question pursued to provide the recommendations about what Outokumpu needs to do in order to be able to utilize the leverage of packaging in the brand building.
6 CONCLUSIONS

This research examined the role of packaging in brand building and in customer satisfaction in business-to-business environment like the market of Outokumpu. The aim of this research was to provide key insights from the brand building point of view to support the construction of the new package specification in Outokumpu. The research topic is considered relatively unknown in the B2B environment. The literature review gave a holistic description on how packaging contributes to customer satisfaction on B2B markets. Comprehensive analysis of case company situation provided fact based understanding to the current stage of packaging in Outokumpu and how the packaging contributes to Outokumpu’s brand building and vice versa. In addition, a proposal of an improved package, which would better support Outokumpu’s brand equity, was given.

The Chapter 4 Case Outokumpu and Chapter 5 Findings and Discussions, are regarded as confidential information. However, the conclusions in this chapter provide the lessons learned from this research.

The increased capacity has changed the nature of global competition. As a result of the increased capacity, the commoditization makes competition in international markets increasingly hard. For the buyers this means new sourcing opportunities. As a consequence of this phenomenon, the relevance of brand building is an increasing trend in B2B markets. The packaging has an important role in the differentiation, as it is a part of the product and one element contributing to the company brand. It has an impact to each of the most important functions of brand identified in B2B market context: risk reduction, increased information efficiency and image benefit. On B2B market, the purchasing process is structured and most often decisions are made on a rationale and objective basis. However, the purchasing environment is influenced by a large amount of factors and brand is involved in many. For instance, the buyers have a tendency to avoid risks, which a poor packaging can increase.

Furthermore, this research shows that B2B buyers appreciate the overall image of a company that explains on the one side why corporate brand strategy is a preferred brand
strategy model. To build a corporate brand, a holistic approach is needed. Consistency is one of the most significant factors in B2B brand management that can be a challenge for the international companies such as Outokumpu. In such companies, packaging offers a good basis for brand building review.

One of the most significant findings of the literature review is the notion that satisfaction-loyalty relationship exists especially in the commodity and thin profit margin businesses like the market of Outokumpu. This means that any drop from “completely satisfied” class of customers may result to a major drop in loyalty for instance. This argues that a company needs to understand the different degrees of satisfaction of its customers. Moreover, it emphasizes the importance of branding. Another important finding that affects customer satisfaction is directly linked to packaging. In other words, packaging is the same as the product before the use, therefore it needs to have the same basic elements that customers believe all the other suppliers can deliver. It means that the deviation in the form of poor packaging from the competition, for instance, can generate dissatisfaction and thus decreased loyalty.

As a result of the research, the first proposal of a new Outokumpu package design is provided. The proposal tackles the deviations to competition and meets better the customer expectations. Overall, the proposed package would match better to the brand vision of Outokumpu and therefore leverage the brand equity.

The most significant limitation in this research is the fact that the re-specified package will not be tested in a real life situation. This research cannot deliver the answers if the suggestions have the expected contribution to brand equity of Outokumpu or not. Despite the comprehensive analysis of the case company situation, it misses the first-hand information from the customers in the form of interviews for instance. Especially interviews with customers complaining about poor packaging could provide important evidence. Therefore, some interpretations concerning the current packaging performance and role of packaging on the market of Outokumpu may somewhat change with more evidence. However, the author sees that the evidence of the results is still on a high level.

The author wants to provide a suggestion for future research. The study discusses the satisfaction-loyalty relationship and its particular relevance in thin profit margin businesses. An assumption is made that the packaging, as a part of the end product, has an influence on the customer satisfaction and thus on the way customer’s perceive the
company brand. However, how strong the correlation between the packaging performance and customer satisfaction-loyalty relationship is, remains unrevealed. This could be an interesting topic for future research.
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