

## Luxury Branding in B2B

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## **LUXURY BRANDING IN B2B**

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## Introduction

Luxury is a fast growing and constantly evolving sector which is highly significant for the global economy (Bain & Co., 2019; Deloitte, 2019). Despite a turbulent year the sector is on its path to complete recovery with luxury sales expected to return to 2019 levels as of this year (250-295bn Euros) (Bain & Co. 2021). What makes luxury particularly attractive for businesses, in addition to its growth potential especially in emerging markets, is the mere fact that “luxury is the only sector that can provide luxurious margins” (Kapferer & Tabatoni, 2011, p.1).

Luxury brand was recently defined in the B2C literature as a branded product or service that consumers perceive to be high quality; offer authentic value via desired benefits, whether functional or emotional; have a prestigious image within the market built on qualities such as artisanship, craftsmanship, or service quality; be worthy of commanding a premium price; and be capable of inspiring a deep connection, or resonance, with the consumer (Ko et al., 2017, p.406). Yet, despite flourishing research on luxury marketing and luxury brands over the last few years, there is still a complete paucity of research on the concept of luxury in the business-to-business (B2B) domain. Acknowledging this gap, the present research aims to investigate whether the luxury concept has relevance and applicability for a B2B brand.

## Literature Review

Stretching the concept of luxury branding to the B2B domain requires firstly an overview of the dimensions of luxury in the B2C domain. Elitism captures the exclusiveness and uniqueness of the product (Vigneron & Johnson, 1999, 2004; Weidmann et al. 2007; Park et al., 2018; Aliyev and Wagner, 2018). Quality encompasses the superior craftsmanship (Vigneron & Johnson, 1999, 2004; Park et al., 2018), the functionality (Dubois et al., 2001) and the heritage (Kapferer, 1998). Hedonism captures the pleasure from owning a luxurious product (Dubois et al, 2001; Shukla and Purani, 2012). In addition to hedonism, luxury brands are purchased for self-identity (Vigneron and Johnon, 2004) and social reasons (Shukla and Purani, 2012).

There is the question as to whether the aforementioned B2C luxury brand dimensions are applicable in the B2B context. Brand has been found to be a relatively unimportant purchasing criterion but various functional and emotional elements of brand are perceived as more important purchasing criteria than brand itself (Bendixen et al., 2004; Zablah et al., 2010). Quality, a functional brand element is crucial as it relates to the performance of the product/service its practicality, usefulness and craftsmanship (Aaker, 1991; Bendixen et al. 2004; Leek & Christodoulides, 2012). The extent of elitism and hedonism needs to be assessed in the B2B context. Suppliers use emotional elements to build reputation, increase trust (Kalafatis et al., 2000; Lynch et al., 2004, Leek & Christodoulides, 2012), reduce uncertainty and risk for individuals and the organisation (Mudambi, 2002; Lynch et al., 2004; Bengtsson & Servais, 2005; Ohnemus 2009; Leek & Christodoulides, 2012).

Branding has been under-utilized in the B2B context as it is generally perceived as being more rational, professional and less idiosyncratic than the B2C context as put forward in widely diffused models of industrial buying behavior (such as Webster & Wind, 1972; Sheth, 1973; Johnston & Lewin, 1996). The interaction approach (Hakansson et al 1982), acknowledged organizational buying decisions are made by individuals who have limited rationality (see also Wensley, 1997; Patton, 1996) and base decisions on motives such as personal relevance and the ego-related significance of the product being purchased (Gilliland and Johnston, 1997). Long term B2B buyer–supplier relationships are often predicted by affective rather than utilitarian sources of mutual commitment (see Čater & Čater, 2010). Consequently, the emotional aspects of branding used in B2C luxury context may be

feasible in the B2B context. This may be illustrated by research that has found products' aesthetic qualities influence organizational buying decisions (Yamamoto & Lambert, 1994; Pedeliento et al., 2019), and organizational buyers like consumers can establish affective bonds with working tools (Pedeliento et al., 2016).

The feasibility of luxury branding within the B2B context may be determined by a number of factors. Much B2B business is a result of demand derived from the B2C market therefore luxury branding may be more useful and acceptable where the end consumer is in a high end B2C context (i.e., B2B2C). The product/service type may influence whether luxury branding is applicable. It may be a more effective strategy when the product/service is visible and publicized e.g. a finance company moving headquarters to Canary Wharf. When the product is a publicized a luxury ingredient brand may help add more value to the host brand by making their product seem superior (Erevelles et al., 2008).

## **Methodology**

Given the complete dearth of research on luxury brand marketing in the B2B context, there is a need to conduct exploratory research. A case study approach will enable the dimensions of B2C luxury branding to be examined in a B2B context, specifically exploring how the luxury dimensions are used across the stakeholders and how the brand has arguably achieved luxury status.

The case is based on Brembo, an Italian company founded in 1961 that designs, develops and manufactures world leading braking systems and components. It is a multinational company that generates revenues of approximately 2.6bn euro. It operates in three continents, has production sites in 14 countries, six commercial offices, five research laboratories, 18 industrial sites, 22 associated companies, and over 11,039 employees (one-third of which located in Italy), and sells its products in over 70 countries around the world (<https://www.brembo.com/en/company/about/profile>, 2021). It is renowned for its technological innovations improving their braking systems physical characteristics and their performance. Their development of aluminum calipers was revolutionary due to using material which was lighter than the traditional steel and cast-iron calipers but also through making the design aesthetically appealing. The aesthetic design has prompted some manufacturers to include the Brembo calipers as a "key selling point" of their cars. In 2004, the Bergamo-based company won the most coveted international recognition in the designer field: the Compasso d'Oro. Never awarded to a component manufacturer before, Brembo's win can be linked to this consideration: "If it wasn't a brake, it would be a sculpture worthy of any modern art museum". In January 2020, Brembo's flair for design led to an appearance on the catwalks of the Paris Fashion Week, where the logo stood out on two men's fashion items created by the Japanese clothing house Comme des Garçons. Brembo has a strong heritage in motorsports and are the dominant brakes supplier in both auto and motorcycle racing. Its prize list in motor racing has no equal: it has 425 victories out of 1,018 Grand Prix in the history of Formula 1 (from 1950 to today), a total of 25 drivers' titles and 29 constructors' titles won with major teams. Outside of motorsports the qualities of innovation, performance, aesthetics, and heritage have enabled Brembo to build relationships with several customers including Aston Martin, Bentley, Bugatti, Daimler, Ferrari, Lamborghini, Porsche, Mercedes-Benz, BMW, Audi, and General Motors and several major industrial vehicles manufactures, such as Iveco, Renault Truck, and Mercedes. These have developed into committed relationships; Brembo first collaborated with Porsche in the 1960s and Brembo has become the sole supplier of braking materials for Porsche's car production, which has reached approximately 300,000 units p.a.

This single case study provides an opportunity to examine whether and how luxury is operationalized in a B2B context albeit with both B2B2B end consumers (e.g., motorsports teams) and B2B2C end

consumers (e.g., people purchasing cars). Data collection used multiple sources of data to enhance the validity of the research (Yin, 2014). The central source of the data was six semi-structured interviews with key personnel in the company as outlined in Table 1. These respondents were selected to provide insights into the overall brand strategy and how the company was developing its brand image and capitalizing on the brand associations of other stakeholders. The semi-structured interviews started with general questions about the respondent and their background within the company, they were asked about the brand values of Brembo and the dimensions of B2C luxury in relation to Brembo. The interviews were conducted via skype and audio recorded; on average, each interview lasted 65mins. The interviews were transcribed verbatim. In addition, data was collected from the company’s website and social media and other publicly available information was utilized.

**Table 1:** The Interviewees’ Company Positions and the Interview Duration.

<b>Interviewee</b>	<b>Position</b>	<b>Duration of Interview</b>
AF	Marketing Manager	1 h 27 min 44 sec
PR	Intellectual Property Rights and Counterfeiting	50 minutes 55secs
AM	Aftermarket Marketing Director	1hr 10 min 44sec
RC	Brand and Communications	1hr 20mins 56 secs
MP	Sales Director Performance and Aerospace	1hr 9mins 55 secs
RV	Director of External Relations (Former Marketing Director)	31mins 48 secs

Thematic analysis was used to examine the data. Primarily the dimensions identified in B2C luxury branding research were used to develop the first themes. These were further divided into subthemes in line with the recommended procedures of Miles and Huberman (1994).

## **Findings and discussion**

The overarching theme of quality/functional can be subdivided into quality, heritage, Italian company (country of origin) and family company. The theme of quality is extremely important to Brembo who wants to produce the best brakes available and within this are the interrelated subthemes of high performance, innovation and safety. Their braking systems are high performing. Related to performance is safety, with brakes being a major safety component of vital importance in any vehicle.

*“I think I believe safety is something that is always given by a factor when anyone is talking about our product and our brand” (MP)*

Brembo perceive themselves to be a technologically innovative company with solutions that have been developed through their involvement in motorsport.

*“... a rational argument is that we use competitions to develop new technical solutions. If these tech solutions are winning, superior and improving performances than they can be adapted to OEM and by the aftermarket.” (AM)*

The heritage of the company consists of the themes of motorsports, being an Italian company as well as a family-owned company. Brembo has a long history of being involved in motorsports and being associated with winning and success which is central to the brand.

*“How strong is the connection of the brand to the motor sport? And this is bringing me an image as a winning brand which is extremely important. This is of course emotional” (AM)*

Brembo wants to be known as a worldwide brand. It does not think that an Italian country of origin is a selling point although it wants to be associated with the Italian values of fashion, design precision and being good at manufacturing. It has been mistaken for a German company. Quality and performance of the products is at the core of the Brembo brand.

Brembo supply braking products with different price points to appeal to different segments. There are a range of products, pads, discs, calipers, braking systems the price of which varies according to the segment. A competitive pricing strategy for commodity products (low ends e.g. Fiat Panda); there is +20-25% profit on mid-range products (e.g. Ford Focus) and a +60-65% top products profit at the high end of the market where Brembo has a monopoly. The highest end, composed of the technologically advanced motorsports segment, is targeted with the highest prices. Below AM identifies how the price difference varies with quality and type of the product, brake discs are.

*“It is very much an average. For basic products the quality difference is almost not-existent. If we talk about more sophisticated products, then the quality difference and the price difference can be significant like +60 or 60.” (AM)*

There is not a pricing formula to determine the price of a luxury profit instead it is tied to the functional and emotional benefits desired by the final customer. Brembo has multiple customers with differing functional and emotional needs which affects the price points offered.

The uniqueness of the Brembo braking system is in the design of the calipers. They have taken what was once a product that was concealed and designed it in to be on display and enhance the overall aesthetics of the car. It is acknowledged that the foundation is the product performance:

*“I doubt that a very nicely appealing brake not well performing could be chosen by any of our current customers”. (RV)*

The theme of elitism in Brembo encompassed the subthemes of motorsports, luxury car market and accessibility. The respondents understood their product benefitted from being incorporated in luxurious high-performance products.

*“.. we are normally associated with the luxury intended with luxurious and let's say pleasurable vehicles, high performance vehicles.” (RV)*

Interestingly they are concerned about the accessibility of their products to customers. The discs aimed at more of a mass market are readily available already but they want other products to be more readily available.

*“Our products need to be available accessible, and visible. Distribution must be wide and not limited or exclusive.” (AM)*

This is rather contradictory to the perception of a B2C luxury part of whose value is that only few people own it (Vigneron & Johnson, 1999, 2004; Park et al., 2018; Aliyev and Wagner, 2018).

The themes of self-identity and other identity were focused on the final B2C consumer. The self-identity theme encompassed Brembo as a status symbol and an aspirational product as found in the B2C context (Vigneron & Johnson, 1999, Shukla & Purani, 2012). Consumers have Brembo calipers

not only for the performance but to convey status, whether that is through them being an integral component of a luxury car or through them being installed on their own vehicle.

*“I mean a sort of status symbol, if I have Brembo brakes on the car, my car is certainly one of the best in the world” (MP)*

Sometime Brembo brakes are fitted to vehicles even when their performance exceeds what is necessary for the vehicle.

*“In Thailand people have Brembo calipers on their little bikes which has a braking force which is huge related to the scooter, they want to have the good brake, colour, trademark but only Brembo, Brembo is the best” (PR)*

Being a highly aspirational brand has led to the development of a variety of Brembo counterfeits including 1) Brembo brakes with car brand name removed and Brembo added, 2) completely fake calipers manufactured in China or Taiwan 3) a plastic cover with Brembo on which Brembo do not manufacture, 4) other merchandise e.g. keyrings with Brembo on. These counterfeits have all been developed to appeal to individuals in the B2C market who aspire to own high end products conveying a certain status but cannot afford the genuine article.

The other-directed dimension is operationalized through using Brembo to stand out in their social group. Owners of bikes which have Brembo calipers with the logo displayed may upgrade them with other Brembo calipers to denote they have an upgrade. Some OEM of cars use a certain color caliper to denote the performance levels of car models which appeals to customers.

*“you look at a shiny piece of color, one over more than 100 that we have, all of them today defining some characteristic of that car because one expert or enthusiast may define if you have, if you drive an entry level Porsche or a serious Porsche before, before, you know, simply looking at the color of a calipers that emerge behind the spokes of a wheel of your Porsche.” (RV)*

The dimensions of luxury brand are apparent in relation to Brembo as a company (see Table 2).

**Table 2:** Overview of the Data Themes.

<b>Overarching theme</b>	<b>Theme</b>	<b>Subthemes</b>
Quality/Functional	Quality	High performance levels of braking systems Innovative technical solutions Safety
	Heritage	Involvement in motorsport World brand -Italian company Family company
Price	Variability in price points	
Uniqueness	Design	
Elitism	Motorsports Luxury car manufacturers	
	Accessibility	Availability to a range of OEM Availability to consumers
Self-identity	Status symbol	
	Aspirational	Counterfeits
Other identity	Used to stand out	

Brembo produce a variety of brake components, pads, discs, calipers with varying qualities at different price points to appeal to a number of stakeholders (motorsports teams, OEM manufacturers including cars, motorbikes and lorries, the aftermarket, and the B2C market) and the relevance of the luxurious brand dimensions to each of these stakeholders may be variable.

Figure 1 below depicts where the luxury dimensions are especially pertinent. Within the motorsport market a high performing, safe component is key while the need for other luxury dimensions is less important. Quality is conveyed through Brembo’s motorsports heritage and elitism through their dominant position as a major supplier in motorsports. These dimensions are important in appealing to other stakeholders. The OEM of luxury or high-end cars will want those brand values to be conveyed through the incorporation of Brembo in their vehicles. The aesthetic design of the components becomes important in the overall design of these vehicles in enhancing the appearance of the product and in certain models conveying the performance. For the OEM of such vehicles the emotional benefits of Brembo conveyed through the self-identity and other identity dimensions are necessary in order to appeal to the final B2C consumer. The luxury dimensions important to the OEM of cars are important for the aftermarket. Brembo needs to make their products more readily available to companies who want to install or upgrade B2C consumers brakes or sell Brembo products. In the aftermarket, the importance of the self-identity and other identity is in their motivating B2C purchase. For the B2C consumers all of the dimensions play a role in developing the luxury appeal of the Brembo brand.

**Figure 1:** The Pertinence of Luxury Brand Dimensions to Brembo Stakeholders.

<b>Stakeholders</b>			
<b>Autosports</b>	<b>OEM of cars</b>	<b>Aftermarket</b>	<b>B2C</b>
Quality – Quality			
	Quality –Heritage		
	Elitism		
		Elitism – Accessibility	
	Unique – Design		
	Self-Identity		
	Other Identity		



The Brembo brand has evolved and developed dimensions associated with luxury, especially the dimensions of quality, elitism and the uniqueness. Although it is a B2B company its demand is derived from the B2C market where it is strongly associated with a number of luxury car manufacturers and this combined with the high quality of the products has led to its use of luxury dimensions. It is clear that the dimensions of self-identity and other identities are important to the B2C consumers but the emotional benefits of the brand are less apparent to stakeholders in motorsports, OEM of cars and the aftermarket.

## **Conclusions**

This is the first study that aims to investigate the concept of luxury as it applies to a B2B brand. Through case study research involving six interviews with senior managers within the organization as well as internal company records, we identified Brembo as a B2B brand that pursues elements of a luxury strategy as known in B2C (e.g., Kapferer and Bastien, 2012). We demonstrate that the nature of this brand that aims to appeal to different stakeholder groups, as indicated in figure 1, means that the concept of luxury is arguably more complex than in B2C with elements of luxury from B2C literature being more or less salient depending on the specific market. In line with the B2C literature, we found both personal (e.g, quality, design) and inter-personal dimensions of luxury (e.g., identity) relevant in the B2B context. It is also suggested that superior quality is the number one concern for a luxury B2B brand across stakeholder groups, whilst eliticism is not necessarily based on objective rarity but impressions of rarity (i.e., artificial rarity) built via an association with motorsports, arts and host brands such as Porsche (Kapferer, 2012).

The findings are based on data from senior managers and internal records pertaining to a single case study with both B2B2B (e.g., motorsports teams) and B2B2C end consumers (e.g., people purchasing cars). Other types of B2B brands from component industry as well as other industries such as professional services could be investigated to gauge the applicability and likely nuances of luxury branding. Likewise, the views of different buyers (industrial and others) could further inform our understanding of luxury in B2B as the reported study only explores the luxury concept using firm data.

## **References**

Available upon request.