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Are Branding Strategies Always the Key to Business Growth?

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Many businesses put a lot of value in their branding strategies. But how much of a role should branding play in a company's growth strategy?



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JANUARY 25, 2017 These days business owners are likely to talk about their companies' branding strategies almost as if they were interchangeable with their businesses themselves.

Building a successful brand seems to be seen as essential and even equal to building a successful company. But is that always the case?

A [2016 study](#) of small and medium-sized B2B companies found that brand-driven strategy by itself wasn't necessarily enough. These businesses often needed to focus as much or more on matters such as technology and innovation in order to spur growth, the study reported.

"If we consider B2B firms, then technology and innovations are good candidates for ensuring business success, whereas in the consumer context brand orientation is likely to play a greater role," says Saku Hirvonen, a researcher from the University of Eastern Finland Business School and lead author of the study of 396 Finnish companies published in 2016 in the Journal of Business & Industrial Marketing.

What Affects Branding Strategies' Relevance?

That's not to say branding strategies are irrelevant. "I would say that an orientation toward brand building is important for all firms, but to different extents depending on the firm," Hirvonen explains. For instance, B2B businesses offering commodity-like products or services that aren't distinguished by technology or innovation may find brand building as beneficial as a consumer-facing company.

A firm's age, industry type and market life cycles may also influence the importance of branding strategies. "Another key outcome of our research is that brand orientation seems to make sense

especially in declining markets, compared to growing markets," he adds. (Hirvonen's study looked at Finnish firms; it's possible that businesses in other countries may face different environments that alter the relative importance of branding strategy.)



The brand helps reinforce confidence that although you might be small or new to the marketplace, you do not compromise quality.

—Ryan Naylor, founder, VivaHR

Size is another consideration. Small and medium-sized businesses may go astray if they attempt to mimic what big companies do. A global company's branding strategy may not translate well to smaller enterprises.

"We often seem to think that SMEs can be treated as mini-sized versions of large multinationals, even though research evidence tells us that SMEs have characteristics that make it difficult for them to simply copy what large firms have done," says Hirvonen.

As co-founder of [Castagra Products](#), Tatsuya Nakagawa is used to competing against much bigger firms using innovation and technology. The Reno, Nevada-based company makes sustainable coatings for energy and wastewater applications that rival the durability and cost features of multinational competitors' products without using toxic solvents.

While Castagra does invest in branding, Nakagawa says, its main strength is its ability to provide customers with solutions to their problems, he says. "If you're in a B2B space where you're a commodity and don't have any intellectual property, branding is more important," he says.

Another reason branding strategies may be less critical for smaller companies is that they are usually younger than big rivals, with shorter track records and less certain future prospects. "Branding typically is a long-term program," Nakagawa says. "That's the biggest challenge. With a small business you have short-term objectives like sticking around."

Branding As a Way to Play in the Big Leagues

While a large company might be able to invest heavily to relatively quickly build up a national or global brand, smaller firms have to be more conservative. "You want to integrate branding into everything you do, but branding is all about the long game," Nakagawa says. "Large companies can take a big swing at branding, putting \$100 million into a rollout. You can't do that in a smaller business. You have to be smart about how much time you spend on that."

Even when small and medium-sized B2B companies compete on the basis of innovation with larger enterprises, some business leaders still emphasize the primacy of branding strategy.

"As a SME B2B-based business, it's imperative that you put forth a high-quality brand presentation," says Ryan Naylor, founder and president of a Phoenix-based human resources software firm that is launching a new service called [VivaHR](#).

VivaHR is a culture marketing platform aimed at helping smaller companies leverage their corporate culture when recruiting talent. Naylor says they count on being innovative to help them against bigger rivals, but the brand is equally important.

"The brand helps reinforce confidence that although you might be small or new to the marketplace, you do not compromise quality," he says.

Hirvonen cautions against trying to translate academic research findings directly into dollars-and-cents budgeting decisions. Instead, managers may want to bear in mind the trade-offs inherent in deploying limited business resources for branding strategy.

"Investing too much will result in the firm having no resources left for anything else— [like] innovation—whereas investing too little means that a firm may fail to meet its full success potential," Hirvonen says. "However, identifying the sweet spot—the point after which additional investments start to lose their power—is likely to be different for every single firm."

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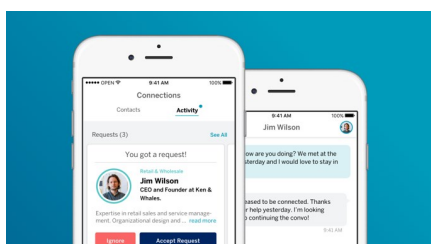
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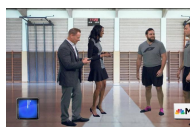
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