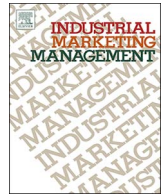




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The relative influence of functional versus imagery beliefs on brand sensitivity in B2B professional services

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ABSTRACT

Existing studies offer limited explanations regarding the determinants of business-to-business (B2B) brand sensitivity: the degree to which brand stimuli are actively considered during buyer deliberations. This research addresses this gap by comparing the relative influence of organizational buyers' functional versus imagery beliefs on brand outcomes in B2B professional service settings. Specifically, it compares the influence of buyers' perceived operational competence and prestige sensitivity on brand preference and brand sensitivity. Further, it evaluates the effect of brand sensitivity on brand importance and customer engagement, two particularly relevant outcomes in the B2B professional services setting. A qualitative pilot study was conducted to gain insight into the salient drivers of brand preference and brand sensitivity. Then, a survey of 324 CEOs and owner-managers of small and medium-sized firms was carried out to test the hypothesized model. The results confirm the importance of imagery beliefs in organizational buying decisions, but not at the expense of operational competence, a more fundamental functional belief.

1. Introduction

SAP, a leading enterprise software developer, boasts that “The best run businesses run SAP.” As evidence, its advertisements prominently feature clients with well-known brands including Callaway, Discovery Channel, Nestlé, and Hasbro. Accenture, a prominent management consulting firm, claims: “Over 300% growth in Asia Pacific and a mountain of success for Caterpillar” - a leading manufacturer of construction and mining equipment (Accenture, 2017). Also, Xerox, the foremost provider of document management solutions, highlights that it automates the global invoice process for Marriott, customizes Target's direct mail campaign, and digitizes P&G's documents (Elliott, 2010). When positioning its respective brands, each of these professional service firms promotes both functional and imagery-related factors by highlighting their high-profile clients in addition to their business acumen.

Business-to-business (B2B) researchers have established that strong, well-managed brands can provide both tangible and intangible benefits to firms (Elsässer & Wirtz, 2017; Homburg, Klarmann, & Schmitt, 2010; Nyadzayo, Matanda, & Ewing, 2016). However, in spite of increasing empirical evidence (e.g. Brown, Zablah, Bellenger, & Johnston, 2011; Zablah, Brown, & Donthu, 2010), many B2B marketers are still

skeptical about the role of brands in organizational buying—convinced that buyers base their choices only on objective and functional attributes (Amonini, McColl-Kennedy, Soutar, & Sweeney, 2010). Consequently, the role of branding in the B2B sector “has received comparatively little attention in the academic literature due to a belief that industrial buyers are unaffected by the emotional values corresponding to brands” (Leek & Christodoulides, 2011, p. 830). Therefore, questions remain as to whether subjective, imagery-related factors are as impactful as objective, functional factors in influencing brand sensitivity: “the degree to which brand names and/or corporate associations are actively considered in organizational buying deliberations” (Zablah et al., 2010, p.251). When devising an effective branding strategy, should B2B firms emphasize: 1) objective and/or operational factors (e.g., technology, functionality, performance outcomes), or 2) subjective and/or imagery factors (e.g., their association with high-profile customers, reputation)? Which factor is most likely to influence a buyer's decision? Answers to these questions are essential as B2B marketers seek to understand whether and how strong brands can be best capitalized to achieve a competitive advantage in B2B service settings (Grewal et al., 2015; Lilien, 2016).

While extant B2B branding research has focused on industrial products within manufacturing contexts, the B2B service arena has been

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largely overlooked (Davis, Golicic, & Marquardt, 2008; Gomes, Fernandes, & Brandão, 2016; Roberts & Merrilees, 2007). This is a notable gap in the literature given the nuances of services (i.e., professional services) delivery (Biedenbach, Bengtsson, & Wincnet, 2011). Indeed, B2B service brand equity is an important differentiator and a key factor that influences a buyer's purchase decisions (Berry, 2000; Dall'Olmio Riley & De Chernatony, 2000).

Legal, insurance, advertising, management consulting, IT, human resources and accounting firms typically comprise the professional services domain. Professional service firms compete in the fastest growing sector in the global economy (Amonini et al., 2010). They are characterized as knowledge-intensive with low capital intensity and a workforce that provides an array of specialized B2B services (Von Nordenflycht, 2010). In 2015,¹ there were nearly 900,000 professional service firms in the United States, generating a combined annual revenue in excess of \$1.7 trillion (International Trade Administration, 2016). The 'Big Four' accounting firms—Deloitte, PricewaterhouseCoopers, Ernst & Young, and KPMG—represent not only global brands, but also the four largest professional service firms in the world, combining to generate over \$100 billion in revenue in 2016 alone (Rapoport, 2017). Hence, professional service firms loom large over today's B2B markets (Hogan, Soutar, McColl-Kennedy, & Sweeney, 2011). Indeed, prior research has emphasized the role of a brand's tangible and intangible components in building brand equity (Keller & Lehmann, 2006). For instance, Keller's (2001) brand resonance model depicts the importance of both performance-related and imagery-related considerations in establishing strong brands. However, little is understood regarding how the functional and imagery beliefs associated with professional service firms might influence organizational buying behavior.

Given this background, this research examines the role of buyers' functional and imagery beliefs regarding a professional service firm on their brand attitudes, intentions and behaviors. A hierarchy-of-effects model is applied to account for the relative influence of functional (i.e., operational competence) versus imagery beliefs (i.e., prestige sensitivity), thereby explicating the role of objective and subjective evaluation factors on buyers' decision-making processes. Operational competence reflects buyers' beliefs related to "the competent execution of visible behaviors as an indication of service in action" (Sirdeshmukh, Singh, & Sabol, 2002, p.18). Prestige sensitivity captures a buyer's favorable beliefs about a brand name, based on "feelings of prominence and status" that the brand name can signal to others about the buyer's organization (Lichtenstein, Ridgway, & Netemeyer, 1993, p.236). Buyers' operational competence and prestige-sensitivity beliefs regarding a professional service firm are expected to influence the extent to which that firm brand is preferred. Brand preference, in turn, determines buyers' brand sensitivity which influences brand importance and customer engagement behaviors. Prior B2B literature identifies brand sensitivity as a key determinant of brand importance in organizational buying decisions (Zablah et al., 2010). Further, in the professional service firm context, customer engagement, including positive word-of-mouth behavior and increased customer-employee interactions, has been identified as an important performance outcome that could enhance brand equity (Biedenbach et al., 2011; Davies, Chun, & Kamins, 2010).

This research contributes to B2B branding and organizational buying literature by, first, exploring the relative influence of operational competence and prestige sensitivity on brand preference, brand sensitivity, and ultimately brand importance and customer engagement. It suggests that while imagery perceptions like prestige sensitivity do play a role in buying decisions, buyers' functional beliefs, and specifically operational competence, play the more prominent role in influencing brand sensitivity. Second, it introduces prestige sensitivity as

a key determinant of brand preference in the nomological network. Prestige sensitivity is a potentially interesting construct in light of prior research suggesting that brand heuristics and subjective evaluation criteria play a vital role in organizational buying behavior (e.g. Brown et al., 2011). Third, it advances research that examines the role and influence of B2B brand phenomena within the professional services setting. Fourth, in testing a hierarchy-of-effects model, this research utilizes a mixed method approach that includes open-ended interviews along with a cross-sectional survey of CEOs and/or owner-managers of small and medium-sized enterprises. Subsequently, a number of theoretical and managerial insights are developed.

2. Background

Organizational buying often involves utilitarian offerings which can be difficult to evaluate because of their complex, technological makeup. Indeed, buyers' evaluation challenge is greater when the offering represents a bundle that includes tangible products (e.g., components, materials, and/or hardware) and intangible services (e.g., financing, logistics, consulting and/or insurance services) (Mudambi, 2002). As a result, organizational buyers depend not only on objective factors, but also on subjective factors, including brand information, to aid their decision-making process (Brown et al., 2011). This is deemed necessary because organizational buying is often framed by perceived levels of risk (Mudambi, 2002); buyers try to mitigate their perceptions of risk by developing long-term, collaborative relationships and relying on heuristics, such as brand stimuli (Brown et al., 2011), to make information processing more efficient (Moorman, 1995). Kotler and Pfoertsch (2006) contend that the role of brands in B2B contexts is to increase information efficiency, reduce risk perceptions, and add value via perceived image and benefits.

The role of brands may be even more critical in a B2B professional service context since service offerings present a unique set of challenges, including the requirement that buyers interact with vendors in order to co-produce value (Berry, 2000). Such offerings can be difficult to evaluate due to their level of intangibility and heterogeneity—the more labor that is involved in the service, the more varied the output. In this regard, professional services have been characterized as being on the extreme end of the intangibility spectrum (Amonini et al., 2010). As such, they require extensive customer engagement and customization in order to deliver value (Chan, Yim, & Lam, 2010). Hogan et al. (2011) note that a unique feature of professional service firms is that they are high in credence qualities—their core offering comprises the applied knowledge and skills that their customers do not possess. Therefore, effective brand strategies are expected to be even more important in the professional service context (Biedenbach et al., 2011; Dall'Olmio Riley & De Chernatony, 2000).

Empirical studies on professional service branding are relatively few as illustrated in Table 1. In reviewing the articles, the authors focused specifically on prior studies that examined the relevance of theoretical branding frameworks (e.g., brand identity, brand equity, brand management systems) in B2B professional service settings. Notably, Table 1 highlights some of the distinctions of professional services relative to more typical B2B service offerings. Additionally, a closer look reveals that most articles on this topic are fairly recent, reinforcing the notion that the topic is becoming increasingly relevant. This research aims to address two notable gaps that are immediately apparent. First, with the exception of Gomes et al. (2016), existing studies tend to focus on establishing the relevance of brands in B2B professional services (*do brands matter?*) rather than examining the determinants of brand relevance (*why brands matter?*). Second, most scholars have adopted brand relevance as the dependent variable in their empirical frameworks, and thus little attention has been given to the *consequences* of brand relevance in the organizational buying process. Rather than investigating whether B2B professional service firm brands matter, this research explains the relative importance of buyers' functional versus

¹ 2015 is the year for which the latest data is available.

Table 1
A summary of select empirical studies on B2B professional services.

Authors	Study description	Respondents	Major findings
Davis et al. (2008)	Apply Keller (1993) brand equity frameworks in B2B logistics services	142 logistic service providers and 71 customers in USA	Brands do differentiate logistic service providers in the market, but service providers and customers have different perspectives on the influence of brand image and brand awareness on brand equity
Biedenbach et al. (2011); Biedenbach and Marell (2010)	Investigate the impact of customer experience and perception of employees' behavior on brand equity in a business-to-business (B2B) services setting.	647 CEO or CFO customers of Big Four auditing firms in Sweden	Customer experience has a positive effect on the four dimensions of service brand equity (awareness, associations, perceived quality, loyalty). Customer–employee rapport has positive effects, while role ambiguity and role overload has negative effects on B2B service brand equity
Coleman et al. (2011), Coleman, Chernatony and Christodoulides (2015)	Develop a reliable and valid service brand identity scale in a B2B market, and assess its influence on performance	421 senior executives working in the UK IT Service sector	Service brand identity has 5 dimensions: employee and client focus, visual identity, brand personality, consistent communications and human resource initiatives. Brand personality and human resource initiatives positively affects performance whereas consistent communications negatively influence performance.
Juntunen et al. (2011)	Examine whether corporate brand equity results in customer loyalty in a B2B service context	235 staff of Finland large and middle-sized firms that use logistic service providers	The current brand equity measures are not applicable for corporate brand equity in service settings. Loyalty is not a component or an outcome of brand equity. Brand image leads to loyalty.
Kim and Hyun (2011)	Examine the relationships among marketing-mix efforts, corporate image, brand equity, and market performance	388 respondents who are involved in purchasing IT software for their firm	Marketing-mix efforts positively affect the three dimensions of brand equity (awareness, perceived quality, loyalty), mediated by corporate image
Santos-Vijande et al. (2013)	Examine how firms should manage their brands internally to maximize their value and commercial performance through brand management system (BMS)	151 CEO of knowledge-intensive business services in Spain	BMS comprises of three dimensions: brand orientation, internal branding, and strategic brand management, all of which helps firms to perform better than their competitors. Market orientation and Innovativeness are key BMS antecedents
Patel (2014)	Examine whether firms should use their existing brand or develop a new brand in service retail channel (SRC) expansion	Data from 305 U.S banks that introduced Internet banking between 1995 and 2000.	Technical integration leads to higher perceived consumer benefits and thus greater market acceptance, whereas brand integration lowers the market acceptance of a new SRC.
Helm and Özergin (2015)	Investigate how ingredient service brands impact customer preferences on B2B markets	89 respondents representing industrial buyers in Germany	Ingredient service brand has positive effects on buyers' perception of the end product's service quality, whether the host brand is of higher or lower quality
Zhang, Jiang, Shabbir and Zhu (2016)	Explore how brand orientation impacts brand equity via internal branding in industrial services	258 Senior Managers of B2B service firms in Mainland China	Brand orientation is positively associated with internal branding and presented brand, which will lead to positive WOM, effective brand communication, pleasant customer experience, all of which contribute to enhancing corporate brand equity.
Gomes et al. (2016)	Analyze the key determinants of brand relevance in a business-to-business (B2B) service purchase setting	87 Business managers, clients of a Portuguese construction firm	Brand reputation, prior purchases and brand awareness all have an impact on brand relevance

imagery perceptions of professional service firms on their attitudes (i.e., brand preference), intentions (i.e., brand sensitivity), and behaviors (i.e., brand importance and customer engagement)—thereby explaining why brands matter.

2.1. Pilot study: perceptions of professional service firms' brands in B2B practice

Given the limited body of knowledge on the determinants of brand sensitivity in B2B professional services (Seyedghorban, Matanda, & LaPlaca, 2016), an exploratory inquiry was conducted in order to better understand the managerial considerations associated with professional services brands, particularly from a CEO and/or owner-manager perspective. A qualitative approach was utilized to rule out alternative explanations, explore comprehensive insights, and develop context-specific theories (Shah & Corley, 2006). The study adopted an open-ended survey in order to elicit more candid responses (Casidy & Nyadzayo, 2018). The use of an open-ended survey was deemed an appropriate complement when utilizing a mixed-method research design (Krishen, Agarwal, & Kachroo, 2016).

Prior research suggests that, as study participants, CEOs and/or owner-managers are as reliable as multiple informants (Weerawardena, 2003), particularly when examining phenomena that relates to small and medium-sized enterprises (Fleming, Lynch, & Kelliher, 2016). In

the pilot phase of this study, a random sample of 500 email addresses of CEO and/or owner-managers of small and medium-sized enterprises was purchased from a professional database supplier in Australia. Sixty-three organizations responded to the survey within 60 days from the date the survey invitation was sent, representing a 14% response rate. The authors followed an established protocol for qualitative data analysis by allowing key themes to emerge from the data without restricting the length of text required for inclusion (Eisenhardt & Graebner, 2007). Further, each author independently identified relevant themes emerging from the data and undertook a comparative analysis until consensus was reached (Brady, Voorhees, & Brusco, 2012).

The open-ended survey questions were designed to explore practitioners' views on the importance of brands when selecting a professional service firm and factors that play a prominent role in the development of preferences for these service providers. Overall, the findings revealed limited consensus regarding the importance of brands to buyers. This is perhaps due to the relative novelty of branding in the professional service sectors or due to the unique characteristics of B2B services in general. Consistent with earlier findings (Bendixen, Bukasa, & Abratt, 2004), 29% of this study's participants stated that the service brand is “not important at all.” This finding is startling when considered from a hierarchy-of-effects perspective: a belief in the value of brand phenomena is necessary before one can form a brand attitude and

specifically a brand preference (Brown et al., 2011).

With regards to factors that influence brand preference, two critical themes emerged related to functional and imagery beliefs (Keller, 2001). First, respondents' statements reinforced prior research that suggests that buyers who prefer to engage with a reputable professional service firm do so because of the functional beliefs associated with the firm's brand (e.g. Leek & Christodoulides, 2012; Mudambi, 2002). Moreover, buyers' perceptions of operational competence may significantly affect their attitudes and relationships with service providers (Nyadzayo, Matanda, & Ewing, 2015; Palmatier, Scheer, & Steenkamp, 2007; Sirdeshmukh et al., 2002). In the context of the present study, buyers' perceptions of the operational competence of the professional service firm reflect their functional beliefs. The importance of operational competence as it relates to brand preference is illustrated in the following respondent statements:

"Given the nature of their services is compliance based, having a reputable brand provides a level of perceived risk mitigation." [Managing Director, Property and Real Estate sector - opinion about accounting services].

"In my experience the level of brand presentation is indicative of the level of service to be expected. I'm looking for organized, experienced and professional. The brand image should reflect that." [Director, Wholesale/Distribution sector - opinion about IT consultancy services].

"The brand is about a reputation for reliability and capability" [Chief Executive Officer, Wholesale/Distribution sector – opinion about legal consultancy services].

"I needed someone with relevant expertise and that brand has a good reputation for providing high quality service" [Chief Executive Officer, Business services sector – opinion about legal advisory services].

Second, the findings suggest that some buyers are influenced by imagery beliefs associated with the firm's brand when selecting a professional service firm for their organization. In the present study, imagery beliefs manifest in buyers' perceptions of the pride associated with being a client of a particular well-reputed professional service firm (i.e., prestige sensitivity). The notion of prestige sensitivity in this study reflects buyers' beliefs that the selected professional service firm will enhance their firm's image in the eyes of its key stakeholders. The relevance of prestige sensitivity in forming brand preference is highlighted by the following statements:

"It is important to us that others recognize the quality and expertise of the company we use." [Chief Executive Officer, Business services sector – opinion about marketing/public relations services]

"Our clients are some of the world's largest pension funds, reinsurance companies and sovereign wealth funds, and they expect us to seek legal advice from leading firms." [Chief Executive Officer, Investment sector – opinion about legal advisory services]

"When dealing with external parties a brand can carry some weight. It says something about who you are and how you are positioned in a network of business sector such as in financial services." [Chief Executive Officer, Business services sector – opinion about accounting services]

"The brand name provides confidence to the audience that I deal with specifically [my] boards, business partners, and clients." [Chief Executive Officer, Financial sector – opinion about financial advisory services]

Based on the insights drawn from the open-ended survey and extant studies, this research proposes that operational competence and prestige sensitivity are two context-specific drivers of brand sensitivity in the B2B professional services setting. Fig. 1 outlines the conceptual framework of this study.

3. Conceptual framework and hypotheses

The hierarchy-of-effects framework has been applied to model the steps that buyers take from awareness to purchase decision (Biedenbach, 2012; Biedenbach, Bengtsson, & Marell, 2015). Further, hierarchy-of-effects models have been widely employed to theorize differences in brand knowledge structures and to study the

determinants and consequences of various brand influences (Keller & Lehmann, 2006; Lehmann, Keller, & Farley, 2008; Zablah et al., 2010). B2B marketers, particularly those who manage professional service firm brands, must understand the role that brands play in the buyer's decision-making process and the factors likely to influence buyer behavior. Simply, hierarchy-of-effects models suggest that brand performance results from distinct yet sequential stages that include awareness and beliefs, image and associations, preference, and intentions. This study builds upon Zablah et al. (2010) by utilizing a four-stage hierarchy-of-effects model to explore the various levels of brand influence on organizational buying:

Beliefs → Attitudes → Intentions → Behaviors

Operational competence and prestige sensitivity are beliefs tied to the buyer's functional and imagery perceptions of the professional service firm brand, respectively. This study hypothesizes that these beliefs directly influence buyers' brand preferences—the extent to which a focal brand is viewed as more desirable than other comparable alternatives; in other words, brand preference is an attitude (see Hogg & Mitchell, 1996; Zablah et al., 2010). In turn, buyers' brand preferences should influence their brand sensitivity, reflecting their intent to use brand stimuli as a factor in their purchase decision. Ultimately, buyers' brand sensitivity affects their behaviors and actions in terms of brand importance and their engagement with professional service firms.

3.1. Brand preference drivers

Helm and Özergin (2015) note that organizational buying involves both individual and organizational decision-making processes, and highlight the fact that brands are important to both. In consumer contexts, marketers integrate testimonials and spokespeople in their campaigns to generate brand recognition and recall, and to shape individuals' perceptions. Consequently, consumers integrate positive brand associations by accepting that what is true of the spokesperson is true of the brand (Dwivedi, McDonald, & Johnson, 2014). In the B2B setting, buyers react similarly, forming overall judgments about a particular firm by integrating any information available via marketplace signals (Connelly, Certo, Ireland, & Reutzel, 2011; Kalafatis, Riley, & Singh, 2014). This includes information relevant to judging reputation and forming prestige associations (Keh & Xie, 2009) such as the professional service firm's other "high-profile" clients and partners (Helm & Salminen, 2010; Kim & Hyun, 2011; Terho & Jalkala, 2017). Therefore, in this study, it is expected that buyers who believe that their decisions and behaviors will be evaluated by others are likely to maintain favorable attitudes toward prestigious or reputable professional service brands.

H1. Prestige sensitivity is positively associated with brand preference.

Operational competence has been closely associated with trust and reliability. As such, exchange partners that consistently demonstrate competence are likely to develop trust-based, collaborative relationships (Kim & Wemmerlöv, 2015; Sekhon, Ennew, Kharouf, & Devlin, 2014). Importantly, operational competence involves more than just a perception of expertise; it is translated into observable behaviors and practices that can be evaluated (Bachrach, Mullins, & Rapp, 2017; Dorai & Varshney, 2012; Sirdeshmukh et al., 2002). This is particularly important in the professional services context due to the challenges of evaluating such B2B service offerings. Therefore, in this study, it is hypothesized that buyers who perceive a certain professional service firm as having an impressive array of skills, competencies and characteristics will maintain favorable attitudes toward the firm's brand.

H2. Operational competence is positively associated with brand preference.

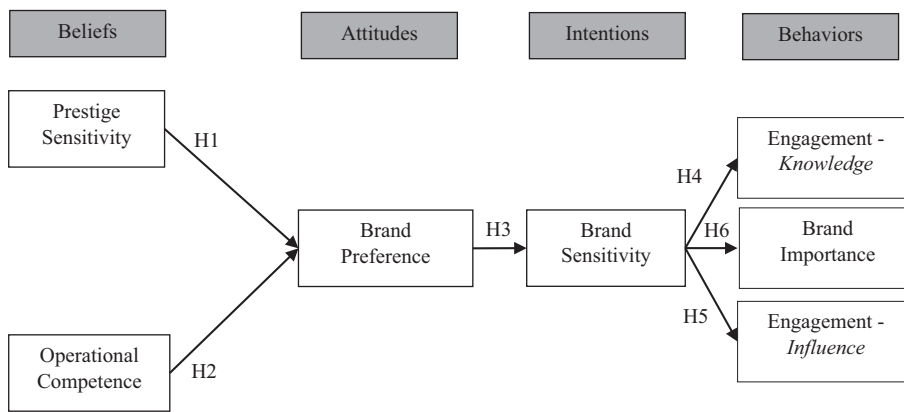


Fig. 1. Conceptual framework.

3.2. Brand preference – brand sensitivity

Research suggests that buyers' attitudes toward a brand will influence their intention to consider brand phenomena in their decision-making process (Keller & Lehmann, 2006). Kapferer and Laurent (1983) suggest that the belief in differences among brands is a key determinant of brand sensitivity. In the B2B context, Zablah et al. (2010) and Brown, Zablah, Bellenger, and Donthu (2012) find support for this relationship and specifically for the relationship between brand preference and brand sensitivity. Similarly, Roberts and Merrilees (2007) show that customers' brand attitudes are the most important determinant of purchase intention (i.e., intent to renew a contract lease) in a B2B services setting. In short, buyers' attitudes regarding the relative desirability of a firm's brand ought to influence their sensitivity to brand stimuli in their purchase deliberations (Bendixen et al., 2004; Glynn, 2012; Worm & Srivastava, 2014). Accordingly, in this study, it is expected that brand preference will positively influence brand sensitivity.

H3. Brand preference is positively associated with brand sensitivity.

3.3. Behavioral outcomes of brand sensitivity

While brands play a role in communicating benefits and value, reducing risks, and simplifying the buying process (Brown et al., 2011), extant research fails to offer an in-depth understanding of the specific behavioral outcomes associated with brand sensitivity toward B2B service brands. In this regard, customer engagement and brand importance have been frequently cited in services marketing studies as important conative outcomes (Kumar et al., 2010). Accordingly, the present study conceptualizes customer engagement and brand importance as key outcomes of brand sensitivity for professional service firms.

3.3.1. Customer engagement

The term “engagement” in the marketing and management literature refers to the attitude, behavior, and level of connectedness (i) among customers, (ii) between customers and employees, and (iii) of customers and employees toward a firm (Kumar & Pansari, 2016). In the professional service firm context, customer engagement consists of customers' involvement in the service provider's actual work, and employees' emotional connections when interacting with customers (Biedenbach et al., 2011; Davies et al., 2010). Indeed, the interaction between service firms' employees and their customers is likely to affect brand reputation (Hennig-Thurau, Groth, Paul, & Gremler, 2006). Emerging literature in marketing has conceptualized customer engagement as a key outcome measure of firm activities (Brodie, Hollebeek, Juric, & Ilic, 2011; Pansari & Kumar, 2017; Vivek, Beatty, & Morgan, 2012). Of particular interest is the view that customer engagement entails “customer behavioral manifestations toward the

brand or firm, beyond purchase” (Van Doorn et al., 2010, p.253). Thus, in line with Harmeling, Moffett, Arnold, and Carlson (2017), customer engagement is conceptualized as behaviors outside the core transaction which can be distinguished from behavioral loyalty (e.g., repeat purchases). Such customer engagement behaviors can contribute to firm performance via (i) customers offering suggestions for service improvement that result in cost advantages (Hoyer, Chandy, Dorotic, Krafft, & Singh, 2010) and/or (ii) customers spreading positive word-of-mouth about the firm (Gupta & Harris, 2010). Hence, this study posits that highly brand-sensitive customers have positive, holistic judgments and feelings for the brand that, in turn, yield constructive engagement behaviors.

Since customer engagement entails “the mechanics of a customer's value addition to the firm” (Pansari & Kumar, 2017, p. 2), this study focuses on customers' contributions in terms of conversations they have about the brand (i.e., customer engagement-influence) and the feedback and/or suggestions they give to the firm (i.e., customer engagement-knowledge). Customer engagement-influence includes word-of-mouth, blogging, web-postings, ratings, reviews, referrals, recommendations, and other behaviors that influence firms and their brands (Harmeling et al., 2017; Van Doorn et al., 2010). Customer engagement-knowledge relates to voluntary customer contributions in the form of knowledge, skills and other resources to help the development of the focal firm's brand beyond what is fundamental to the transaction (Jaakkola & Alexander, 2014). Since customers influence other customers, the identification of the drivers of customer engagement-influence in a business network is important if firms are to maximize positive word-of-mouth about their services (Kumar & Pansari, 2016). On the other hand, customer engagement-knowledge adds value to companies by providing customer feedback that can improve service offerings or lead to product innovation (Kumar & Bhagwat, 2010). In a highly engaged relationship, partners take an active interest in the well-being of other parties. Such a relational exchange is characterized by frequent interaction in which partners speak positively of each other as an indication of their high levels of connectedness (Pansari & Kumar, 2017). Prior research provides support for the positive impact of brand sensitivity on brand loyalty (Laurent & Kapferer, 1985; Odin, Odin, & Valette-Florence, 2001). Further evidence from the services context shows that customers' positive affect toward the firm (brand) has a positive impact on customer engagement behaviors such as word-of-mouth and feedback (De Vries & Carlson, 2014; Groeger, Moroko, & Hollebeek, 2016; Verleye, Gemmel, & Rangarajan, 2014). Brand sensitivity, therefore, is expected to influence customers' feedback to professional service firms (customer engagement-knowledge) and conversations about the firm's brand (customer engagement-influence).

H4. Brand Sensitivity is positively associated with customer engagement-knowledge.

H5. Brand Sensitivity is positively associated with customer

engagement-influence.

3.3.2. Brand importance

Brand importance refers to “the relative importance assigned to brand names in organizational buying decisions” (Zablah et al., 2010, p.251). It has been related to actual purchase behaviors including a buyer's willingness to pay a price premium, recommend a brand, or consider other products in a brand's portfolio (Biedenbach et al., 2015). Given that brand sensitivity has been shown to affect behavior in B2B settings (Odin et al., 2001), it is expected that brand sensitivity also influences brand importance in B2B services. Prior research states that, depending on the purchase situation and product category, customers may have differing levels of brand sensitivity which affect their brand choices (Mathews-Lefebvre & Valette-Florence, 2014). Indeed, as brand relevance can be influenced by customers' predisposition toward brands (Mudambi, 2002), in certain contexts (such as professional service firms and small- and medium-sized enterprises), brands are expected to offer important decision-making cues (Backhaus, Steiner, & Lügger, 2011; Glynn, 2012). As remarked in the pilot study, in attempting to mitigate the heightened risk and uncertainty inherent in certain B2B buying contexts, owner-managers of small and medium-sized firms are likely to be more sensitive to branding information when making purchasing decisions involving professional service firms (Gomes et al., 2016; Homburg et al., 2010; Maarit Jalkala & Keränen, 2014). Thus, this study hypothesizes that those buyers who consider brand factors as relevant attributes will give more weight to the brand names of professional service firms, and to other brand stimuli, in their decision-making process.

H6. Brand Sensitivity is positively associated with brand importance.

4. Methodology

4.1. Data collection

This study adopted a single-informant approach by asking CEOs and/or owner-managers to participate in the study on behalf of their firms. To recruit participants, the authors procured a contact list of 4000 CEOs and/or owner-managers of small and medium-sized enterprises in Australia from a professional database supplier. Potential respondents were invited to participate via e-mail. Consistent with previous studies (Brown et al., 2011; Zablah et al., 2010), the survey instructed respondents to think about a recent situation in which they were heavily involved in selecting a particular service firm with which to engage for business purposes. The respondents were then asked to report the brand name of the service firm and the types of services that it offered. To ensure recall, the self-reported brand name and the service type were auto-inserted into relevant questions in the survey. Data collection was conducted during the 4th quarter of 2016. The resulting sample comprised 324 respondents, thus representing an 8% response rate. Table 2 provides an overview of the characteristics of the firms represented in this study.

4.2. Measures

This study utilized empirically-validated scales from the existing literature (see Table 3) to measure all study constructs. Apart from the brand importance construct, each construct employed a seven-point scale (1 = “strongly disagree” and 7 = “strongly agree”). The prestige sensitivity measures from Lichtenstein et al. (1993) were adapted to suit the professional services context. The operational competence measures were adapted from Sirdeshmukh et al. (2002) as the construct has been frequently utilized in the B2B literature to examine service providers' competence (Doney, Barry, & Abratt, 2007; Ramaseshan, Rabbane, & Tan Hsin Hui, 2013).

Table 2
Firm characteristics.

	%
Industry sector	
Agriculture	3%
Banking/Finance	4%
Communications	2%
Construction	6%
Education	2%
Government	5%
Hospitality	2%
Insurance	1%
Manufacturing	14%
Mining	4%
Professional services	22%
Property	3%
Retail	6%
Transport	2%
Wholesale/Distribution	10%
Others	14%
Number of employees	
1–4	6%
5–19	28%
20–200	66%
Annual income	
1 Less than \$1,000,000	7%
2 \$1,000,000 to \$5,000,000	29%
3 \$5,000,000 to \$10,000,000	21%
4 More than \$10,000,000	43%

The authors adopted the measures of brand preference, brand sensitivity, and brand importance from Zablah et al., 2010 as they were designed specifically for the organizational buying context. Following prior studies, brand importance was measured using a constant sum scale (Zablah et al. (2010)). Specifically, respondents were asked to divide 100 points among several attributes (i.e., support services, functionality, brand name, price, and technology used) based on the relative importance each attribute played in the selection process of a professional service firm. The number of points allocated for “brand name” was then used as an indicator of brand importance in the analysis. Finally, to measure customer engagement, measures that specifically captured both ‘influence’ and ‘knowledge’ engagement dimensions were adapted from Kumar and Pansari (2016).

4.3. Measurement model

Prior to testing the conceptual model, several preliminary checks, including tests for normality, unidimensionality, and outliers, were conducted and no significant issues were identified. The authors then conducted a confirmatory factor analysis using Mplus 7.3 to assess the reliability and validity of the study constructs. Composite reliability, standardized factor loadings, and average variance extracted values indicated good reliability and convergent validity. As shown in Table 3, the standardized factor loadings were all above 0.60, and in conjunction with the high construct reliability (> 0.70), convergent validity was satisfied (Hair, Black, Babin, Anderson, & Tatham, 2006). The measurement model exhibited satisfactory fit as reflected in the fit indices: $\chi^2(169) = 362.36$, $p < 0.001$, root mean square error of approximation (RMSEA) = 0.06, Comparative Fit Index (CFI) = 0.97, Tucker-Lewis index (TLI) = 0.96. Further, the square root of variance extracted for each construct exceeds the correlations between the constructs (see Table 4), thus indicating discriminant validity (Voorhees, Brady, Calantone, & Ramirez, 2016).

4.4. Common method bias

The potential threat of common method bias was assessed using

Table 3
Measurement properties.

Constructs	Items	SFL	t-value	CR	AVE
Prestige sensitivity (Lichtenstein et al., 1993)	Our customers notice when we engage with a well-known reputable [Y] firm	0.94	102.65	0.95	0.82
	It says something to our customers when we use the service of a well-known reputable [Y] firm	0.91	74.63		
	We have engaged with a well-known reputable [Y] firm because we know our customers would notice	0.93	89.18		
	We believe others make judgments about our firm by the type of [Y] firm we employ	0.84	47.30		
Operational competence (Sirdeshmukh et al., 2002)	[X] staff work quickly and efficiently	0.80	36.23	0.94	0.78
	[X] staff can competently handle most of my requests	0.90	68.67		
	[X] staff can be relied upon to know what they are doing	0.93	86.65		
	[X] contact staff has adequate skills to deliver the right service	0.90	67.67		
Brand preference (Zablah et al., 2010)	Even if they generally have the same service, it makes sense to engage with [X] instead of other competing brands	0.89	54.00	0.91	0.77
	It seems smarter to engage with [X] even if another brand is not different in any way	0.89	53.73		
	Even if another brand has the same services, we'd prefer to engage with [X]	0.85	44.14		
Brand sensitivity (Zablah et al., 2010)	When we appoint [X], the brand name was considered	0.90	65.25	0.92	0.79
	Within this service engagement decision, the brand name was important to us	0.95	89.98		
	When evaluating services like this, we prefer recommending well-known brand	0.82	40.06		
CE - influence (Kumar & Pansari, 2016)	We love talking about our experience with [X]	0.84	41.80	0.90	0.75
	We discuss the benefits that we get from [X] with others	0.92	59.43		
	We mention [X] in our conversations with business partners	0.83	38.87		
CE - knowledge (Kumar & Pansari, 2016)	We provide suggestions for improving the performance of [X]	0.77	31.63	0.92	0.79
	We provide suggestions/feedbacks about the new services offered by [X]	0.95	81.31		
	We provide feedback/suggestions for developing new services for [X]	0.93	72.71		

SFL = standardized factor loadings; CE = customer engagement; CR = composite reliability; AVE = average variance extracted; [X] = the brand name of the PSF; [Y] = the type of services offered by the PSF.

three statistical techniques recommended by Homburg et al. (2010). First, the authors conducted a Harman one-factor test (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). This one-factor model had poor model fit as reflected in the indices: $\chi^2(189) = 4025.25$, $p < 0.001$, CFI = 0.35; TLI = 0.28; RMSEA = 0.25. The significant chi-square change ($\Delta\chi^2(20) = 3662.89$, $p < 0.001$) indicated that the seven-factor model fitted the data better than did the single-factor model.

Second, the authors adopted the ‘marker variable’ approach by employing a theoretically unrelated construct (i.e., number of employees) in the analysis as a proxy for common method variance. The average correlation coefficient for this marker variable ($r_M = 0.04$) was used to calculate the common method variance (CMV)-adjusted correlations for the variables under examination (Schaller, Patil, & Malhotra, 2015). There were no significant differences between the original and CMV-adjusted correlation matrix, and there was no change in the significance of correlations between key constructs, which suggested that common method bias was not a problem in this study. Finally, the authors examined whether the inclusion of a common latent factor would affect the relationship between constructs in the model. An examination of the path coefficients revealed no statistically significant changes in relationships between constructs after the inclusion of the common latent factor. Thus, given the findings outlined above, common method bias was not an issue in this study.

Table 4
Correlation matrix.

	Mean	SD	1	2	3	4	5	6	7
1. CE-influence	4.49	1.37	0.865						
2. Prestige sensitivity	3.56	1.56	0.332 ^b	0.906					
3. Operational competence	5.90	0.95	0.407 ^b	0.030	0.885				
4. Brand preference	5.03	1.18	0.473 ^b	0.303 ^b	0.420 ^b	0.878			
5. Brand sensitivity	3.77	1.49	0.200 ^b	0.617 ^b	−0.069	0.272 ^b	0.891		
6. CE-knowledge	4.54	1.31	0.475 ^b	0.363 ^b	0.162 ^b	0.357 ^b	0.434 ^b	0.888	
7. Brand importance ^a	2.32	1.89	−0.012	0.316 ^b	−0.041	0.048	0.435 ^b	0.036	BV

CE = customer engagement; SD = standard deviations; BV = binary variable; Italicized entries represent square root of average variance extracted.

^a A square root transformation was applied to this variable to be closer to a univariate normal distribution.

^b Significant at 0.01.

5. Data analysis and results

5.1. Test of hypotheses

The research hypotheses in this study were tested using structural equation modeling in Mplus 7.3. The structural model had satisfactory fit with the data as reflected in the fit indices: $\chi^2(178) = 466.23$, $p < 0.001$, CFI = 0.95; TLI = 0.94; RMSEA = 0.07. Table 5 outlines the analysis results for the relationship between constructs. The effects of prestige sensitivity ($\beta = 0.210$, $p < 0.01$) and operational competence ($\beta = 0.503$, $p < 0.01$) on brand preference are positive and significant, thereby supporting H1 and H2, respectively. The effects of brand preference on brand sensitivity ($\beta = 0.226$, $p < 0.01$) are positive and significant, thereby supporting H3. With regards to the outcome of brand sensitivity, this study found support for the positive effects of brand sensitivity on customer engagement-knowledge ($\beta = 0.319$, $p < 0.01$), customer engagement-influence ($\beta = 0.181$, $p < 0.01$), and brand importance ($\beta = 0.552$, $p < 0.01$), thereby supporting H4, H5, and H6, respectively.

In addition to testing the main hypotheses, the authors examined the effects of two control variables: company size (i.e., number of employees) and perceived affordability (Warshaw, 1980) in the model. The analysis found that perceived affordability was positively related to brand importance ($\beta = 0.140$, $p < 0.05$), whereas company size was not related to any of the outcome constructs. Further, the model fit and the relationship between constructs did not differ significantly when the two control variables were included. Thus, to maintain parsimony,

Table 5
Results for hypotheses testing.

Path	Unstandardized		Standardized
	β	t	β
H1 Prestige sensitivity → Brand Preference	0.210	4.413	0.291
H2 Operational competence → Brand Preference	0.503	5.394	0.411
H3 Brand preference → Brand Sensitivity	0.226	3.309	0.169
H4 Brand sensitivity → CE-Knowledge	0.319	6.099	0.442
H5 Brand sensitivity → CE-Influence	0.181	3.129	0.214
H6 Brand sensitivity → Brand importance	0.552	7.604	0.437

CE = customer engagement. All coefficients are significant at 0.01 level.

the control variables were excluded from the reported model.

5.2. Post-hoc mediation tests

Since the main aim of this study was to examine the role of functional and imagery beliefs on brand sensitivity, an examination of the potential direct and indirect effects to verify the robustness of the model was deemed necessary. Thus, a series of post-hoc mediation tests were conducted. The authors specified a mediating model incorporating the direct effects of prestige sensitivity and operational competence on brand sensitivity, and the direct effects of brand preference on customer engagement and brand importance. The resultant model showed acceptable model fit ($\chi^2(175) = 100.97, p < 0.001, CFI = 0.96; TLI = 0.95; RMSEA = 0.06$). Further, a significant positive relationship was found between prestige sensitivity and brand sensitivity ($\beta_{\text{direct}} = 0.556, p < 0.01$), whereas a significant negative relationship was found between operational competence and brand sensitivity ($\beta_{\text{direct}} = -0.248, p < 0.01$). An examination of the indirect effects revealed that brand preference mediates the relationship between prestige sensitivity and brand sensitivity ($\beta_{\text{indirect}} = 0.046, p < 0.05$). Likewise, brand preference mediates the relationship between operational competence and brand sensitivity ($\beta_{\text{indirect}} = 0.110, p < 0.01$).

Brand preference was found to have direct significant effects on customer engagement-knowledge ($\beta_{\text{direct}} = -0.255, p < 0.01$) and customer engagement-influence ($\beta_{\text{direct}} = 0.536, p < 0.01$). No significant effects were found between brand preference and brand importance ($\beta_{\text{direct}} = -0.127, p > 0.05$). An examination of the indirect effects revealed that brand preference has significant indirect effects via brand sensitivity on customer engagement-knowledge ($\beta_{\text{indirect}} = 0.056, p < 0.01$) and brand importance ($\beta_{\text{indirect}} = 0.124, p < 0.01$). However, the indirect effects of brand preference on customer engagement-influence ($\beta_{\text{indirect}} = 0.014, p > 0.05$) via brand sensitivity were not significant.

6. Discussion

This study addresses the dearth of B2B service branding research by exploring the salient factors that influence brand sensitivity in the professional service firm context. It examines the relative influence of functional (operational competence) versus imagery (prestige sensitivity) beliefs on brand attitudes, intentions, and behaviors in business exchanges involving professional service firms and small and medium-sized enterprises clients.

The findings revealed positive and significant effects of both operational competence and prestige sensitivity on brand preference. Specifically, the results showed that functional beliefs relating to operational competence have a stronger impact on brand preference when compared to imagery beliefs (i.e., prestige sensitivity). This finding is consistent with prior research which has found that the credibility of

professional service firms in terms of expertise and trustworthiness is critical in enhancing clients' perceived value as well as determining other attitudinal and behavioral outcomes (Arslanagic-Kalajdzic & Zabkar, 2017). In addition, the results are consistent with Brown et al. (2011) who revealed that despite B2B buying behavior relying more on objective criteria, brand-based judgments still matter when making 'risky' business decisions. Subsequently, this study found that brand preference positively influences brand sensitivity which in turn drives customer engagement (i.e., knowledge and influence) and brand importance.

6.1. Theoretical implications

This study makes at least three important contributions to B2B branding literature. First, it makes an academic contribution by employing a hierarchy-of-effects model to determine the interplay between determinant beliefs (i.e., prestige sensitivity and operational competence), attitudes (i.e., brand preference), intentions (i.e., brand sensitivity) and behavioral outcomes (i.e., customer engagement-knowledge, customer engagement-influence and brand importance). Prior research has emphasized the critical need to offer a more sound theoretical basis and empirical evidence for examining topics such as intangible attributes and benefits associated with B2B branding, particularly as they relate to buyers' decision making (Seyedghorban et al., 2016). Extant B2B branding research is grounded in cognitive psychology and focuses mainly on factors such as brand equity, brand loyalty and brand image (e.g. Davis et al., 2008; Keller, 1993; Kuhn, Alpert, & Pope, 2008; Nyadzayo et al., 2016). However, more recently, scholars have called for theories that capture various manifestations of the influence of brands in the B2B buying context (e.g. Lilien, 2016; Zablah et al., 2010). One such theory is the hierarchy-of-effects model utilized in this study. Thus, this study extends the current knowledge on B2B branding by capturing both objective (i.e., functional belief) and subjective (i.e., imagery belief) factors that engender brand preference and brand sensitivity, thereby driving customer engagement behaviors and brand importance.

Second, despite the emerging nature of B2B service branding, particularly among professional service firms, no study has examined the determinants and outcomes of brand sensitivity in this context. Moreover, as shown in Table 1, most of the studies to date have focused on a narrow, industry-specific sample, which limits the generalizability of their findings. Hence, studies have yet to focus on: (i) developing a specific brand construct for B2B service firms (Coleman, de Chernatony, & Christodoulides, 2011; Santos-Vijande, del Río-Lanza, Suárez-Álvarez, & Díaz-Martín, 2013) and (ii) identifying the implications of brand-building efforts for service brand performance (Biedenbach & Marell, 2010; Juntunen, Juntunen, & Juga, 2011; Kim & Hyun, 2011). While prior studies have focused only on functional determinants of brand relevance (Gomes et al., 2016), this study empirically tests a model that illustrates the role of both functional and imagery determinants of brand relevance in B2B markets.

Lastly, there is a notable absence of customer engagement-based research in B2B markets (Hollebeek et al., 2016), particularly in the professional services setting. Further, previous studies (e.g. Backhaus et al., 2011; Brown et al., 2012) tend to focus on the determinants of brand sensitivity, but give limited attention to its consequences (Zablah et al., 2010). By capturing customer engagement (knowledge and influence) as key outcomes of brand sensitivity in the professional service firm context, this study has advanced B2B-specific insights and findings that are pertinent and have broad applicability in B2B settings.

6.2. Managerial implications

CEO and owner-managers of small and medium-sized enterprises play a critical role in the buying decision as they have greater control over the choice of professional service firms for their business.

However, given the multiple cues available to owner managers, the process of making choices can be daunting. First, the initial qualitative insights found in the pilot study corroborated the effects of both operational competence and prestige sensitivity on brand preference and, in turn, brand sensitivity. A noteworthy finding is that despite both functional and imagery beliefs positively influencing B2B buyers' brand preference, the results show that functional beliefs (i.e., operational competence) have a relatively stronger impact on brand preference when compared to imagery beliefs. This is particularly the case when a small and medium-sized enterprise engages knowledge-intensive professional service firms such as those offering accounting and financial, legal, and IT consultancy services. Indeed, [Zablah et al. \(2010\)](#) found that brand importance was ranked as the fifth most important factor in purchasing decisions. Moreover, [Von Nordenflycht \(2010\)](#) identified three important characteristics (i.e., knowledge intensity, low capital intensity, and a professionalized workforce) as key sources of professional service firm distinctiveness. Further, the person-centric definition of knowledge intensity (which is linked to competence) is regarded as the most fundamental and distinctive characteristic of professional services firms ([Bello, Radulovich, Javalgi, Scherer, & Taylor, 2016](#); [Von Nordenflycht, 2010](#)).

Second, because of the credence nature of professional services and the complexities surrounding such specialized services ([Arslanagic-Kalajdzic & Zabkar, 2017](#)), selecting an optimal professional service firm can be a challenging task for small and medium-sized enterprises. This decision-making process is further exacerbated by size-related resource constraints faced by small and medium-sized enterprises ([Fleming et al., 2016](#)); hence the need to exercise careful due diligence when engaging a professional service firm. By determining the key drivers of brand sensitivity and the role it plays in driving brand importance and customer engagement, this study has provided useful insights that can assist owner-managers when making buying decisions for their organizations. It was found that CEOs and owner-managers of small and medium-sized enterprises who have strong perceptions or concerns about their business reputation will be sensitive to well-known professional service firm brands that, in turn, can enhance their own brand image. Thus, on the other side of the dyad, professional service firms with well-known brands may want to consider investing more resources in the promotion of their image status or prestige to emphasize the importance of their brand as well as their engagement with clients.

Finally, given that one of the complexities of industrial markets impeding B2B branding research is the lack of context-specific factors ([Seyedghorban et al., 2016](#)), this study tested the hierarchy-of-effects model in a unique B2B (professional service firm-small and medium-sized enterprises) context, thus helping to extend the generalizability of the findings for practitioners in this sector.

6.3. Limitations and future research directions

Several limitations point to worthy avenues for future research. This study focused on one side of the relationship dyad (i.e., buyer perceptions) when developing and testing the brand sensitivity model. Future studies could examine the importance of brands from the professional service firm's perspective. Further, although the two determinant constructs (i.e., prestige sensitivity and operational competence) in this study were substantiated by the qualitative study and further corroborated by extant literature, future research ought to investigate other determinants of brand sensitivity such as price perceptions, marketing communications, product/service innovation and relationship quality. Also, in terms of outcomes, future research could investigate the impact of brand sensitivity on other potential outcomes such as brand loyalty/repurchase intentions, willingness to pay premium price, and objective financial measures.

The hierarchy-of-effects model employed in this study assumes a one directional logic whereby beliefs are expected to determine

behavior. Although the hierarchy-of-effects model has received substantive support in the literature (e.g. [Brown et al., 2012](#); [Zablah et al., 2010](#)), there has been a growing body of dynamic culture literature that conceptualizes how beliefs could change as a result of behavioral learning (e.g. [Fang, 2005, 2012](#)). Consequently, future studies could employ longitudinal design to examine how the behavioral constructs examined in the present study (i.e. engagement and brand importance) could change consumers' beliefs (i.e. prestige sensitivity and operational competence) over time.

Lastly, one could argue that certain boundary conditions could interact with the effect of the drivers on the outcomes. Therefore, future research could consider market-related moderating variables such as competitive intensity, market turbulence, and level of involvement. Nevertheless, it is expected that this study will draw more attention to the question of "why brands matter?" in the B2B professional services domain.

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