

Contribution of Brand Marketing in a Successful IPO

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Abstract

The initial public offering (IPO) market is often saturated, and the brand requires more powerful, unique, and attractive investors. Multiple surveys from the large-scale companies show that pre-IPO brand marketing assists in IPO underpricing and may develop IPO trading in the stock exchange. The economic models indicate that that these effects are heterogeneous. The company brand should create a class of excitement even when the economy is in recession. The company should ensure that it invests well to develop its brand to stand out even in challenging economic periods. Since many companies willing to go public try to differentiate themselves so that they will be the preferred entity in the market, a company should create an impression in the eyes of investors to stand out from the rest. While the managing team considers the company's financial stability a critical factor, the brand can sometimes significantly create an emotional connection between the firm and the company. The company's brand is a defining factor that drives the customer to choose the product. A brand is a complete value system offering a differentiated benefit to the customer. A company with intelligent leadership always chooses a logo with a graphic element, which resonates with its customer to improve relationships and brand loyalty. This paper highlights how focusing on brand marketing helps attract stakeholders and investors of institutions and underwriters for a successful IPO. Therefore, any company willing to go public should include brand marketing as a critical entity in their business plans for an IPO to be successful.

Keywords: Business, Brand, Marketing, Initial Public Offerings (IPO), Stakeholders, Customers, and Strategies

Introduction

In research from Malhotra (2021) investigated how branding contributes to the success of an IPO. Another study (Bahadir et al., 2014) examines how brand marketing influences underwriters and institutional investors in making their choice in the market. The company should associate itself with investors, including accounting and legal firms, to prepare financial statements, which will act as a book-runner and co-leads with significant knowledge of the institutional investments committed to the activity. The efforts made by the company to promote its brand will depend on the size of the targeted group. Since the business world is competitive, where every company tries to differentiate from others and outdo them, a company must have a good outlook so that the investors will have a reason to choose them (Bahadir et al., 2014). The findings of this review paper highlight the theoretical and normative implications of brand marketing for a successful IPO at the beginning of the process.

Research Methodology

The study involved the use of already existing data and research; hence was secondary research. First, the research's effectiveness was ensured through summarization and narrowing down of the entire findings. This process helped in the second part of the research process, i.e., determining the most consistent, relatable, and relevant articles with the research topics.

As a part of the research, information was collected from India's stock exchange, which is getting a record number of IPOs as more than 15 companies were launching their Initial Public Offerings (IPO) shortly. Due to brand marketing, these companies could reach out to potential investors relatively more quickly (Manu & Saini 2020). Indeed, there is a reason for such a decision, and companies may want to pursue brand marketing sooner rather than later to make this goal simpler to attain (Monica et al., 2017).

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Further research into India's largest IT company providing consulting solutions to other businesses found that strength in marketing its brand facilitated its growth. The company has over 460,000 followers on Twitter, which creates a significant advantage for a business in the modern business world as it helps attain many investors via social media. Other reference sources, such as a white paper published by the Marketing Accountability Standards Board in New York in 2018, suggest that increased consumer brand strength may lead to a variety of market benefits, including higher price points since customers are willing to pay more for it. It further increases distribution since retailers will choose to take the brands they want more. This change will result in faster sales volume since there are high margins and size of these sales.

As clearly described in the sources of the research methodologies used for this study, it would not be wrong to say that the success of many IPOs can be boosted through brand marketing.

Body

Brand marketing significantly contributes to the creative output for firms with advanced technology systems (Dutta et al., 1999), which will enable them to have a strong market orientation due to innovation. Some companies may prefer offering shares owned by a private corporation to the public (Hunsaker, 2017). The contribution of brand marketing to this initial public offering (IPO) is essential to boost the company's success. Brand building does not necessarily require high-profile hiring or expensive annual commitment; in fact, the company may take gradual steps to be the foundation of its success (Brazier, 2017). However, the company needs to build a good image to give retail and institutional investors a trustworthy brand name. This change will encourage the company to attract potential investors by pulling their attention. Due to the various business opportunities globally, the company must consider using a proper branding model to inform investors and underwriters of their existence.

The Internet is the fastest and most convenient means of gathering and disseminating information in today's world, and most people rely heavily on it. Therefore, firms thinking of going public should also focus on spending towards building a digital footprint while working on their brand marketing (Luo, 2008).

According to Malhotra (2021), using modern technology and channels to pass on information would attract investors and catch the attention of others searching for available avenues to invest. Having a well-organized communication system to promote your brand will make a massive difference in marketing. People will prefer trusting the brand with better communication over other competing companies. A visionary leadership understands that brand marketing will capture the uniqueness and the essence of the company to the public, which will drive many customers to choose the product due to the differentiated benefit. Strong brands will attract recognized underwriters for an IPO, such as popular bank brands, which will increase the level of credibility that can generate attention and offers (Nelson, 2020). Investors will focus on companies that have the significant promotion of banks; therefore, the brands of big bank equity will be a method that will assist in the success of IPO.

The future financial performance is viewed to be dependent on brand strength. A study conducted by Ernst & Young global indicates that institutional investors attribute 40% of their IPO decisions on investment to non-financial measures; one of these measures is brand marketing strength, ranked 4th in importance. The brand strength is among the top 5 choices considered by 59% of investors (Nelson, 2020). A well-defined brand that is communicated internally and externally consistently will indicate a clear strategy and vision for the company. Some experienced investors may see the underwriter's hype, but it can justify fanfare and garner a better and higher price for a genuine brand.

Developing a solid brand for a company is essential to its performance as it indicates its popularity and facilitates an IPO. In addition, a strong brand will create a clear message that goes beyond financial ambitions to a strong emotional connection between the company and the public. It is also essential for the brand to be embraced by the employees first since the brand's strength will rely on the internal understanding and acceptability of the brand; this will indicate the company's culture (Gatti & Harashesh, 2016). The employees become the foundation of communicating the brand through their actions to the outside world.

Findings

The research shows that brand marketing requires developing and maintaining a company identity that intends to offer shares to the public. An Ernst and Young study reveals that successful IPOs may begin by acting and operating as a company a year before the IPO. The central part is committing substantial financial and human resources to develop the management team, outline the business strategy, and create an investor relations strategy to attract potential and appropriate investors, made possible by brand marketing (Nelson, 2020). When the company is in a quiet period that lasts by the time it announces to media about going public a month after an IPO is set in stone.

The employees are encouraged not to speak about the company financial standing in public to avoid insider trading. However, the company still continues its communication activities to carry on its high brand value (Gounopoulos., 2016).

The ongoing brand marketing activities by communicating may be in social media, vendors, newsletter to customers, and TV advertising. Most brand history and share data are accessible by the public as per law. This transparency provides an excellent impression of the performance of the brand over time. It helps them to stand out and act intelligently against competition and market cycles. Even if the firm does not have a significant brand value when going through the IPO process, it will give investors a colorful impression of future business management and strategy. It is worth noting that brand equity acts as the measure of value attributed to successful branding. Therefore, developing brand equity may increase the value of the IPO (Jonathan, B. (2021).

The intangible assets during an IPO may count up to 80% of 500 companies in the market value. Thus, every step the company will take has to strengthen its brand marketing strategies and positively impact its operation. These steps will help them differentiate against competitors trying to win the IPO (Davis, J. A. (2010). Most firms try to outdo each other since each company tries to attract more customers and maintain the ones with trustworthiness on its brand. The ability of the company to adapt to new changes in the market in branding by use of modern technology will lead to adjustment into current ways of achieving the company's objective (Christopher and Moore, 2004). The digital methods in branding may include less personnel, which will minimize the company's total costs used in wages and salaries and maximize profits. In addition, an innovative company will invest more in building its brand since this will bring more finances by attracting investors and making it a preferred brand among the customers. Strong brands have the best business model that can survive even in a difficult period. Usually, a proper customer brand has a high value under every condition (Gupta, 2001).

Most companies should have clear, attainable targets and an operating framework that comprises all the tools required to attain its success (Carol and Simon, 1993). A company should be able to take risks and invest in activities such as brand marketing to facilitate the success of the IPO. However, the company should remember that forming the IPO is not the end since it requires starting a new system as a public company. When it goes public, the company's success will be based on its ability to maintain and fulfill the needs of the investors, which is sticking to its business plan and treating the minor shareholders appropriately (Ozdemir et al., 2019). It is advisable to ensure that the corporate administrative bodies work correctly according to the market worst standards.

Discussion

Setting a good relationship with the investors will enable them to stay informed, promote independent analysis, and encourage liquidity of the company's shares (Gatti and Harashesh, 2016). The company should always stay alert so that it can have the ability to raise the standard of its target and venture into new markets. The company's business plan should be comprehensive to accommodate the public's views regarding the company to satisfy the quality and tastes of all their preferences. Incorporating this will ensure that the company does not lose customers to other competing companies, and instead, the investors should feel content with the company's decision-making (Jonathan, 2021). Additionally, it will encourage employees to remain motivated to do their best at any given task knowing that the brand they are working on has a high value. The company should also encourage the employees to be the company's image in the public's eyes by engaging in presentable activities that promote its brand, raise its standards, and facilitate its success.

Several limitations of brand marketing were also explored during the research to write an unbiased review paper. Despite the various benefits of brand marketing discussed above, some investors were misled by companies during IPOs using brand marketing. In a study by Saboo et al. (2016), little than 37% of the companies were seen to practice myopic marketing. Also, companies are required to generate financial documents, accounting oversight fees, and auditing fees for an IPO (Rocha, M, 2014). Additionally, making a company's products known to many customers by brand marketing is a massive risk due to the added pressure of them going public (Fleischer, 2006). The company's actions will be highly scrutinized since investors will be searching for increasing profits which may cause the management to use questionable practices to increase earning.

After making the company public, the IPO founders may lose control of the company since they always have to make the public happy even when the shareholders do not have the power to vote (Blufish, 2013). Since the company receives money from the public, the latter will expect the company to work in their preferred interests without minding if it is against the founders' will (Shachmurove, 2004). The company will also be required to post its financial statements to the Securities and Exchange Commission (SEC) every year (Moore et al., 2004). The SEC has regulations that will be tiring and costly. If a company meets its target, its stock price will typically increase or decrease its stock price when its leadership is doing poorly, failing to meet the public expectations (Baalbaki et al., 2017). All these are factors that may hinder the success of the IPO.

Conclusion

Conclusively, the factors that determine the performance of an IPO are activities that directly affect its operations (Friberg et al., 2016). Considering the advantages of brand marketing to the company's success when transferring shares of a private corporation to the public, it is clear that publicity that may be attained will influence the decision made by the investors for a long time. The company's management should ensure that brand building and marketing is essential activity. It should work in such a way as to exploit all the market opportunities in the business world. The business plan should be structured so that its main objective is to attain its goals by using its available resources to maximize profits and reduce the costs incurred in its daily operations. According to a study by Fleischer (2006), brand marketing may be an excellent reagent in the progress of an IPO. However, in the various ways that a company may consider marketing its brand, it is necessary to cater sufficient resources to achieve the goals. The company should also determine the possible changes in the future that may affect its operation in branding and put correct measures that will enable the company to adjust to changes. It should also be aware of the limitations of branding to plan on how to overcome them. Since the company's primary aim is to succeed in its operations, it should be consistent and focused on promoting its brand, which will lead to its success.

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