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BUSINESS-TO-BUSINESS BRAND MANAGEMENT: THEORY, RESEARCH AND EXECUTIVE CASE STUDY EXERCISES

EDITED BY

MARK S. GLYNN

Auckland University of Technology

ARCH G. WOODSIDE

Boston College

JAI

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Mark S. Glynn is a Senior Research Lecturer in Marketing at the Business School, AUT University, Auckland, New Zealand. He obtained his PhD in marketing from the University of Auckland. In 2006, Mark won the Emerald/EFMD best thesis award for outstanding doctoral research in the category of Marketing Strategy. His research experience is in the areas of branding, relationship marketing, business-to-business marketing, and retail channels. Mark Glynn has published in the *Journal of Product and Brand Management*, the *Journal of Business & Industrial Marketin*g, *Australian Marketing Journal and Marketing Theory*. He also serves on the editorial boards of *Industrial Marketing Management* and the *Journal of Business and Industrial Marketing*.

Arch G. Woodside is a Professor of Marketing, Carroll School of Management, Boston College, USA. He completed a PhD in Business Administration at Pennsylvania State University. He is a Fellow of the Royal Society of Canada, American Psychological Association, Association of Psychological Science, the International Academy for the Study of Tourism, and the Society for Advances in Marketing. His research on business-to-business marketing appears in articles in *Industrial Marketing Management, Journal of Business & Industrial Marketing, Journal of Business-to-Business Marketing, Advances in Business Marketing & Purchasing, European Journal of Marketing, Journal of Product Innovation Management, Journal of Marketing*, and the *Journal of Business Research*.

LIST OF CONTRIBUTORS

Anna Blombäck	Jönköping International Business School, Jönköping University, Jönköping, Sweden
Roderick J. Brodie	The University of Auckland Business School, Auckland, New Zealand.
Carmen Cox	Graduate College of Management, Southern Cross University, Tweed Heads, Australia
Anca E. Cretu	3M Romania, Bucharest Business Park, Bucharest, Romania
Donna F. Davis	Marketing Area, Rawls College of Business, MS2101 Texas Tech University, Lubbock, TX, USA
Mark S. Glynn	AUT Business School, Auckland University of Technology, Auckland, New Zealand
Susan L. Golicic	Department of Management, Colorado State University, College of Business, Fort Collins, CO, USA
Kevin Lane Keller	Tuck School of Business, Dartmouth College, Hanover, NH, USA
Adam Marquardt	Department of Marketing, Robins School of Business, University of Richmond, Richmond, VA, USA
Gerald E. Smith	Boston College, Department of Marketing, Carroll School of Management, Chestnut Hill, MA, USA

Quan Tran	University of Economics, HCMC, Vietnam
Sylvia von Wallpach	Department of Strategic Management, Marketing and Tourism, University of Innsbruck, Innsbruck, Austria
Arch G. Woodside	Boston College, Carroll School of Management, Chestnut Hill, MA, USA

CHAPTER 1

EFFECTIVE BUSINESS-TO-BUSINESS BRAND STRATEGIES: INTRODUCTION TO BUSINESS-TO-BUSINESS BRAND MANAGEMENT

Mark S. Glynn and Arch G. Woodside

ABSTRACT

The research and the authors spotlighted in this book represent a series of recent exciting developments in the topic of business-to-business (B2B) branding. The papers in this book enhance our understanding of practice in this important facet of the marketing discipline. Furthermore, each author presents areas for future research and important managerial implications. The papers in this book cover a broad spectrum of industries and continents as well as both product and service offerings. The papers address a wide range of B2B applications including resellers, retailers, logistics service providers, subcontractors, hairdressing services, and a producer of high-tech materials. In addition, two papers address branding in B2B markets and pricing more generally. These papers provide details of the research background, methodology, analysis of each study. The topic coverage of this volume is extensive as the following list shows: (1) Building a Strong B2B Brand; (2) Building a Strong Brand to Resellers; (3) B2B Brand Equity: Theory, Measurement, and Strategy; (4) Effective Strategies for B2B Service Brands; (5) Brand Meaning and

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its Impact in Subcontractor Contexts; (6) Brand Image, Corporate Reputation, and Customer Value; (7) Internal Branding Theory, Research, and Practice; (8) Pricing Theory and Strategy Applications in B2B Brand Management.

Collectively these papers address most aspects of the marketing mix for B2B and industrial marketers. Each of the papers provides valuable brand management insights for managers.

INTRODUCTION

An examination of the Interbrand list of the 100 most valuable brands shows that many of these leading brands have a business-to-business (B2B) focus including four of the top ten brands. However B2B brands are mistakenly often thought of as being less valuable than their consumer counterparts. The evidence in the Interbrand results shows that this assumption is incorrect as the prominence of brands such as IBM, Intel, GE, and Microsoft indicates. The value of these B2B brands also comprises an important proportion of the total shareholder value of these firms.

While branding research predominantly focuses on consumer branding, recent years witness an increasing research interest in B2B branding. This research interest results in the publication of a major text on B2B brand management (Kotler & Pfoertsch, 2006) as well as the publication of a special brand management issue of the *Journal of Business and Industrial Marketing* in 2007. The second edition of a major B2B textbook (Anderson & Narus, 2004) also emphasizes B2B branding. In early research, the focus of B2B branding was from a product perspective that addresses the fundamental question of whether or not B2B companies should spend valuable marketing funds on branding their product.

Many researchers apply the frameworks from pioneering researchers such as Aaker and Keller to researching branding in business markets. The focus of industrial branding is now expanding to the inclusion of services, nonindustrial contexts such as retailing, corporate branding, and considerations regarding the marketing mix. As a result, the theoretical perspectives relevant to B2B branding decisions are broadening. This volume on Business-to-business Branding Strategies in the Advances in Business Marketing and Purchasing series shows the progression and depth that is occurring in this developing research stream.

Leading researchers in this growing area of branding research interest were invited to submit a paper to this volume. The resulting papers present an international perspective of branding decisions not only made by larger firms but also by small-to-medium size enterprises. The aim of this volume is not only to showcase these research developments but also to provide a snapshot to B2B marketing practitioners of the potential applications of many of these findings in each paper. The book is also relevant to MBA and postgraduate research students as part of their business management training programs. Most of the papers include an executive training case training study, review questions, together with instructor's notes (available to instructors at the B2B_Brand_Management website) that provide additional commentary on these review questions.

BUILDING A STRONG B2B BRAND

Following this introduction, the second paper, ''Building a Strong Business-to-business Brand'' by Kevin Lane Keller examines how basic branding theory applies to B2B but also highlights some importance differences with consumer markets that marketers should be aware of. He then presents a series of useful guidelines for marketers in B2B markets which are applicable to a wide range of marketing contexts. These guidelines include first the importance of ensuring that employees understand the brand and second that the corporate brand is important something not always evident in consumer markets with their emphasis on product brands.

Third, Keller highlights the dangers of commoditization for marketers and that particular care is necessary to frame value perceptions that differentiate a B2B brand in the marketplace. For many B2B buying decisions, the brand purchase often becomes part of the production process and not always visible to the end customer. Thus in these situations marketers may feel a temptation to emphasize product associations. For the fourth guideline the importance of nonproduct imagery is emphasized. This guideline leads to the fifth one that emphasizes the importance of emotional associations for B2B buyers which leads to longer term business relationships. Finally, the last guideline emphasizes the range of marketing program options available to brand markers and importance of careful segmentation to optimize the effectiveness of marketing expenditure. Overall, the underlying message for industrial marketers is to focus on what the brand means to B2B customers. Extending this focus on brand meaning beyond the marketing group and throughout the entire organization can result in significant competitive advantages for the marketer.

BUILDING A STRONG BRAND TO RESELLERS

The third paper by Mark Glynn examines what aspects of a manufacturer's brand are actually relevant to resellers of those brands. Resellers represent a special category of B2B research in that the reseller sells the brand to end-customers. However, the marketing strategies of brand manufacturers include both the retailer and the end customer using push-and-pull methods. Glynn's paper examines the benefits of manufacturer' brands as seen by the retailer and develops a scale that validities these benefits. A two-stage research method illustrates this scale development.

This research approach begins with qualitative research of channel members namely manufacturers and retailers to gauge their perceptions of what they saw as the benefits of manufacturer brands. These findings show that the channel benefits of manufacturer brands are financial, manufacturer support, customer expectations, and brand equity. These benefits not only reflect customer-based brand equity but the impact of the manufacturer's marketing mix on both the retailer and the retailer's customer. The second stage of the research involved a survey of 357 New Zealand supermarket buyers. This survey quantitatively measures the manufacturer brand benefits across 16 brands from eight product categories. The results are generalizable to brands in the supermarket sector. A confirmatory factor analysis test confirms the reliability and validity of the manufacturer brand benefit constructs. A well-known procedure that Steenkamp and Van Trijp (1991) explain using LISREL 8.54 helps confirm the robustness of these measures. The results show first that the financial benefit that was evident in the qualitative research is not confirmed by this analysis. However, the three other constructs manufacturer support, retail customer expectations, and customer-based equity were important. These constructs show favorable fit statistics. These findings are important for B2B marketers as they confirm that it is not just the brand name itself that is important to retailers but also the resources manufacturers use to support the brand and which also creates customer demand. The study identifies two aspects of customer demand for retailers, firstly the brand demand in relation to the store and brand equity in relation to competing brands.

B2B BRAND EQUITY: THEORY, MEASUREMENT, AND STRATEGY

The fourth paper also addresses the importance of brand equity between suppliers and retailers. Research between retailer and suppliers has traditionally been the focus of marketing channels and supply chain management. In these areas the importance of brand equity lacks consideration despite the importance of distribution support in a firm's marketing mix. Dealing with retailers is however seen as a salesforce function and separate from traditional brand management. Quan Tran and Carmen Cox argue that the emphasis on consumer branding results in an incomplete picture of what marketers need to do in their brand-building efforts. Tran and Cox report the results of a study in the international marketing context of independent Vietnamese retailers and their attitudes towards brands of soft drink. Survey results show that brand equity, brand trust, and brand loyalties are important for retailers.

Testing the model empirically includes structural equation modeling. Results show a good fit to the data. Within this model positive relationships exist between manufacturer support which influence the brand associations and retailer perceptions of how the brand is performing. The study also shows how branding theory applies to the B2B marketing in a developing country. Recognition of the role that retailers play within the brand marketer's program is one result of this study. Traditionally, this role is observable within the channel as one of passive support with marketers emphasizing key account management in actively managing these relationships. However, this paper indicates that retailer behavior as brand loyalty metrics reflect is a useful outcome for B2B marketers.

EFFECTIVE STRATEGIES FOR B2B SERVICE BRANDS

The fifth paper by Donna Davis, Susan Golocic, and Adam Marquardt examines how branding helps service providers in the logistics industry achieve marketplace differentiation. This paper draws attention to some fundamental differences between consumer and B2B branding. Firstly, the importance of relationships with a small number of buyers and the resulting interdependence of buyers and sellers are substantially higher in most B2B versus B2C contexts. Secondly, the fact that organizational buying decisions require multiple inputs from a range of individuals within the buyer organization. These points raise the question of how these fundamental differences affect the brand-marketing program.

This paper also focuses on another emerging area within branding theory, which is the study of service brands. Much of the early research into branding addresses the question of how brands affect consumer evaluations of products. One of the key questions for practitioners in this early branding research was how extending the brand to another product category impacts consumer's brand evaluations. However, recent research underscores the importance of service rather than product to any market offering (Vargo & Lusch, 2004).

The research method in this paper also uses a mixed-method approach to develop and test a conceptual model. Firstly in-depth interviews with managers reveal some key themes and highlight the importance of brand image and awareness not only for customers but also for employees and trading partners. The conceptual model examines how the service provider relationship moderates the formation of brand equity. Evaluating this model includes tests on both service providers and customers. The results show interesting differences in terms of how these two groups perceive brand awareness and brand image. The study includes a series of open-ended questions to provide further insight into these findings. Another dimension this research highlights is the importance of the corporate name and thus the service quality associating with corporate name is important in building positive brand associations.

BRAND MEANING AND ITS IMPACT IN SUBCONTRACTOR CONTEXTS

The sixth paper by Anna Blömback considers the supplier perspective of B2B branding. Previous research focuses on the supply of manufactured goods; however, this study considers the situation where the supplier customizes the product offering. In the subcontracting context, the product mix therefore includes a unique service component to the offering. This study applies a qualitative research approach to both suppliers and customers for a rich perspective of the data in multiple contexts.

The first context involves the buyer manufacturing a specific item and requires an existing subcontractor. The second situation involves a context where no previously known subcontractor exists. Subcontractors represent aspects of both corporate and service brands. In this research, the findings show that buyers use both hard and soft factors for selecting a sub-contractor. These hard factors include experience and performance, whereas the soft factors impressions of the subcontractor are gained from a variety of sources including sales representations and trade fairs. This research highlights the importance of the corporate brand image as buyers do not separate the image of the supplier from the product that it offers.

This research reveals how buyers make decisions on a supplier often based on little information or corporate band image. As the selection process progresses this information gathering increases the awareness of the supplier's total offering. The research also highlights the importance of trust in this selection process especially when buyers have prior knowledge of potential suppliers. This research also highlights the importance of corporate branding where the supplier cannot formally brand the market offering, particularly in the section of new subcontractors.

BRAND IMAGE, CORPORATE REPUTATION, AND CUSTOMER VALUE

The seventh paper by Anca Cretu and Rod Brodie examines how corporate reputation relates to brand image. Their research addresses the relationship outcomes of buyers that result from reputation and brand image. As both these components form part of the market offering other issues such the service delivery as well as prices and cost are important too. The conceptual framework in the paper shows the multidimensional nature of brand equity which means the brand part of the offering is just one component that B2B buyers evaluate. This research examines buyer–seller relationships in the hairdressing industry, the supplying of goods to a local hair dressing salon.

In this research the relationship outcomes include customer value and customer loyalty. In contrast with previous studies the findings show a strong influence of corporate reputation on both value and loyalty. Prices and costs of the market offering also influence customer value. However, the linkage between the brand image and the market offering and customer value is only marginally significant. This research highlights the differential effect of both corporate reputation and brand image on relationship outcomes. Managers should be aware that brand image is influential as far as the product offering is concerned but to manage the relationship means that firms should pay more attention to managing corporate reputation as well as just focusing on brand management.

INTERNAL BRANDING THEORY, RESEARCH, AND PRACTICE

In the eighth paper, Syliva von Wallpach and Arch Woodside focus on corporate branding. The paper explores the differences between the corporate brand and the employee's view of the brand. Employees are important representatives of the brand to customers as often, the only contact customers have with the brand is with the firm employee.

This paper explores the origins of the discrepancies between corporate and internal brand. The research method uses mixed-method research and involves collecting organizational members' stories about the internal brand and its meaning. The data are analyzed by means of a hermeneutic text analysis, which considers both the language and the context of the informant's text.

This research provides some interesting insights into the role of brand ambassadors and the question of whether or not internal branding as seen by employees of the firm are ever congruent with the strategic intentions of management. This research highlights the importance of the backstage processes that may appear to contradict the brand corporate image as customers perceive. To address such problems, the authors suggest that management need to recognize the differences between the intended organization reality and the tacit socially constructed reality. Understanding of the social reality within an organization is a useful starting point for building the internal brand. Even though differences between employees and management existed in this study, the research did highlight common ground between the employee and the manager in terms of shared values.

PRICING THEORY AND STRATEGY APPLICATIONS IN B2B BRAND MANAGEMENT

In the final paper Gerald Smith and Arch Woodside examine theory and implementation of price decisions for B2B brands. This paper examines both the strategic and implementation aspect of price decisions in managing B2B brands. Unlike other aspects of the marketing mix such as product, place, and promotion, pricing decisions affects firm revenue directly. The paper presents a conceptual framework that includes the external marketplace conditions as well as the strategic policy of the firm with regard to pricing together with the performance outcomes. The paper examines the literature on perceived value, perceived quality, pricing strategy, how buyers respond to pricing, segmented pricing, yield management systems likely competitor response, as well as an assessment of costing and contribution.

Within the literature the paper highlights the importance of correctly modeling likely choice behavior. Conjoint analysis is a method of particular value to practitioners; this method is useful in assessing the relative importance of many of the product and service components of alternative product-service offerings from the customer's viewpoint. The value of conjoint analysis of pricing decisions represents a more accurate method of predicting choice behavior compared to survey methods where customers report their probable behavioral intention to price change decisions. The paper provides several examples of the value of these choice experiments. The paper includes a very useful price-signaling framework that compares competitive responses with opportunistic behavior. The paper concludes by recommending several options for B2B brand marketers. These options illustrate the need for brand marketers to consider a wider range of goals rather than a simple focus on profit and loss. Brand marketers need to examine these ramifications using a large toolkit for pricing decisions.

CONCLUSION

Consider asking a sample of managers and academic researchers the question "What first comes to mind when you hear the term "brand management"?" Many responses would mention brand associations relating to the concept "consumer." Consumer issues initially sparked a large body of academic research as well as the resulting managerial applications and consultancy around the topic of branding, but this volume demonstrates the benefits of brand management for B2B marketers. While aspects of consumer branding do naturally apply to B2B branding, this volume highlights some important differences between these two marketing contexts.

A powerful observation is that consumer branding theory does not totally address the B2B context. Therefore, the papers in this volume show that alternative theoretical perspectives are necessary for further knowledge development in B2B brand management research. A common misconception is that the literature on B2B branding research is scarce. However, a glance through the reference lists in each of the papers in this volume indicates a much larger body of literature on the topic of B2B brand management exists which is growing all the time. This volume also demonstrates the insights that accrue from utilizing a diverse number of research methodologies. These insights enrich our understanding of this important topic area in branding.

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CHAPTER 2

BUILDING A STRONG BUSINESS-TO-BUSINESS BRAND

Kevin Lane Keller

ABSTRACT

In part because of the complexity and large risks involved, branding plays an important role in business-to-business (B2B) markets. Although marketers of B2B brands must do many of the things that marketers of any kind of product or service must do, six guidelines that are more unique to B2B settings can be defined.

First, the entire organization should understand and support branding and brand management. Employees at all levels and in all departments must have a complete, up-to-date understanding of the vision for the brand and their role. A brand mantra – a short three- to five-word summary of the essence of a brand – can help with this vertical and horizontal alignment.

Second, a corporate branding strategy should be adopted if possible with a well-defined brand hierarchy. Ideally, sub-brands would be created that combined a well-known and highly credible corporate brand name with descriptive product modifiers.

Third, to avoid falling into a commoditization trap, sufficient differentiation must be established to justify price premiums. To sustain that premium, it may be necessary to "frame" value perceptions to ensure that customers appreciate a brand's differences. Fourth, one often overlooked means of differentiation is to link brands to relevant non-product-related brand associations related to customer service, well-respected customers, or clients, etc.

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Fifth, emotional associations related to a sense of security, social or peer approval, and self respect can also be linked to the brand and serve as sources of brand equity. Finally, customers must be carefully segmented both within and across companies and tailored marketing programs developed for these different segments.

Adopting these six guidelines will increase the likelihood of creating a strong B2B brand, reaping all the benefits that such an achievement entails.

INTRODUCTION

The B2B market makes up a huge percentage of the global economy. Some of the world's most accomplished and respected brands belong to business marketers, such as ABB, Caterpillar, DuPont, FedEx, GE, Hewlett-Packard, IBM, Intel, Microsoft, Oracle, SAP, and Siemens.

Upon reflection, the concept of why branding plays a significant role in B2B settings should be clear (Kotler & Pfoertsch, 2006). The fundamental purpose of a brand is to simplify decision-making, set expectations, and reduce risk (Keller, 2008). Given that business decisions are often complex, involving high stakes and much uncertainty, the ability of a brand to help counteract those forces is powerful. A strong brand can provide valuable reassurance and clarity to business customers who may be putting their company's fate – and perhaps their own careers! – on the line.

In its simplest form, B2B branding involves creating a positive image and reputation to a company as a whole. Creating such goodwill with business customers can lead to greater selling opportunities and potentially more profitable relationships. A strong B2B brand can thus provide a significant competitive advantage.

A fundamental challenge for many B2B marketers, however, is how to decommoditize their brands and create relevant differences of some kind in their product and service offerings. The complexity of B2B branding lies in the many people involved, both on the company side and in terms of the many different market segments the company could be targeting. Such complexity requires adjustments in marketing programs and activities.

One important point to recognize is that much of the basic branding theory applies to B2B marketers. These marketers need to develop strong brand positions, develop well-integrated marketing programs, and devise effective and efficient brand growth strategies just like any other good brand marketer (see Table 1 for a checklist of branding fundamentals). But significant differences do exist (Bendixen, Bukasa, & Abratt, 2004; Webster & Keller, 2004; Mudambi, Doyle, & Wong, 1997). Table 2 summarizes some

Table 1. The Brand Report Card.

1. Managers understand what the brand means to customers
   - Have you created detailed, research-driven mental maps of your target customers?
   - Have you attempted to define a brand mantra?
   - Have you outlined customer-driven boundaries for brand extensions and guidelines for marketing programs?
2. The brand is properly positioned
   - Have you established necessary and competitive points of parity?
   - Have you established desirable and deliverable points of difference?
3. Customers receive superior delivery of the benefits they value most
   - Have you attempted to uncover unmet customer needs and wants?
   - Do you relentlessly focus on maximizing your customers' product and service experiences?
4. The brand takes advantage of the full repertoire of branding and marketing activities available to build brand equity
   - Have you strategically chosen and designed your brand name, logo, symbol, slogan packaging, signage, and so forth to build brand awareness and image?
   - Have you implemented integrated push and pull strategies that target intermediaries and end customers, respectively?
5. Marketing and communications efforts are seamlessly integrated (or as close as humanly possible). The brand communicates with one voice
   - Have you considered all the alternative ways to create brand awareness and link brand associations?
   - Have you ensured that common meaning is contained throughout your marketing communication program?
   - Have you capitalized on the unique capabilities of each communication option?
   - Have you been careful to preserve important brand values in your communications over time?
6. The brand's pricing strategy is based on customer perceptions of value
   - Have you estimated the added value perceived by customers?
   - Have you optimized price, cost, and quality to meet or exceed customer expectations?
7. The brand uses appropriate imagery to support its personality
   - Have you established credibility by ensuring that the brand and the people behind the brand are seen as expert, trustworthy, and likable?
   - Have you established appropriate user and usage imagery?
   - Have you crafted the right brand personality?
8. The brand is innovative and relevant
   - Have you invested in product improvements that provide improved benefits and better solutions for your customers?
   - Have you stayed up-to-date and in touch with your customers?
9. For a multiproduct, multibrand company, the brand hierarchy and brand portfolio are strategically sound
   - For the brand hierarchy, are associations at the highest levels relevant to as many products as possible at the next lower levels and are brands well differentiated at any one level?
   - For the brand portfolio, do the brands maximize market coverage while minimizing their overlap at the same time?

Table 1. (*Continued*)

10. The company has in place a system to monitor brand equity and performance
    - Have you created a brand charter that defines the meaning and equity of the brand and how that character should be treated?
    - Do you conduct periodic brand audits to assess the health of your brands and to set strategic direction?
    - Do you conduct routine tracking studies to evaluate current marketing performance?
    - Do you regularly distribute brand equity reports that summarize all brand-relevant research and information to assist marketing decision making?
    - Have you assigned people within the organization the responsibility of monitoring and preserving brand equity?

Table 2. Business-to-Business versus Consumer Brand Marketing.

Fewer larger buyers. The business marketer normally deals with far fewer, much larger buyers than the consumer marketer does

Geographically concentrated buyers. More than half of U.S. business buyers are concentrated in seven states: New York, California, Pennsylvania, Illinois, Ohio, New Jersey, and Michigan

Derived demand. The demand for business goods is ultimately derived from the demand for consumer goods

Inelastic demand. The total demand for many business goods and services is inelastic – that is, not much affected by price changes

Fluctuating demand. The demand for business goods and services tends to be more volatile than the demand for consumer goods and services

Direct purchasing. Business buyers often buy directly from manufacturers rather than through intermediaries, especially items that are technically complex or expensive (such as mainframes or aircraft)

Professional purchasing. Business goods are often purchased by trained purchasing agents, who must follow their organizations' purchasing policies, constraints, and requirements. Many of the buying instruments – for example, requests for quotations, proposals, and purchase contracts – are not typically found in consumer buying

Multiple sales calls. Because more people are involved in the selling process, multiple sales calls are needed to win most business orders, and some sales cycles can take years

Several buying influences. More people typically influence business buying decisions. Buying committees consisting of technical experts and even senior management are common in the purchase of major goods

Close supplier–customer relationship. Because of the smaller customer base and the importance and power of the larger customers, suppliers are frequently expected to customize their offerings to individual business customer needs. Business buyers often select suppliers who also buy from them of the differences between B2B and consumer marketing. The latter five differences in particular very directly affect best branding practices. Outlined in the following section, are key branding issues and those implications of particular interest to B2B marketers.

BUSINESS-TO-BUSINESS BRANDING GUIDELINES

Regardless of the nature of the industry or market involved, six basic branding guidelines can be offered for B2B marketers, as follows (see Table 3 for summary).

Ensure the Entire Organization Understands and Supports Branding and Brand Management

Fully recognizing and embracing the potential of branding throughout the organization is the first and most critical step in building a strong B2B brand. Unfortunately, many B2B organizations are burdened with skeptics who do not really understand branding and, as a consequence, do not really believe in the value of branding. They may mistakenly equate branding with naming or identity standards or view branding as only the responsibility of marketers at consumer product companies.

To counteract these forces, internal branding activities need to be designed so that all members of the organization are properly aligned with the brand. Employees must have a complete, up-to-date understanding of the vision for the brand and how they can help achieve that vision. Internal branding involves a whole host of different programs and activities, such as training, communications, monitoring, performance appraisal, and so on (Davis & Dunn, 2002; Pringle & Gordon, 2001; Gad, 2000; Ind, 2004).

Table 3. Six Key Business-to-Business Branding Guidelines.

1. Ensure the entire organization understands and supports branding and brand management
2. Adopt a corporate branding strategy if possible and create a well-defined brand hierarchy
3. Frame value perceptions
4. Link relevant non-product-related brand associations
5. Find relevant emotional associations for the brand
6. Segment customers carefully and develop tailored marketing programs

According to branding expert Scott Davis, for employees to become passionate brand advocates, they must understand what a brand is, how the brand is built, what their organization's brand stands for, and what their role is in delivering on the brand promise (Davis, 2005). Formally, he sees the process of an organization assimilating the brand into employees as going through three stages:

(1) "Hear It" – How do we best get it into their hands?
(2) "Believe It" – How do we best get it into their heads?
(3) "Live It" – How do we best get it into their hearts?

Here, consider two internal branding issues particularly relevant to B2B marketers: (1) horizontal and vertical alignment and (2) the role of the brand mantra.

Horizontal and Vertical Alignment

To ensure that the entire firm enthusiastically supports branding efforts, a useful technique is to think of the firm in terms of vertical and horizontal dimensions. Vertically, all levels of management, and horizontally, all areas and departments of the company, should be the recipients of internal branding efforts.

Top executives in B2B firms, in particular, must be believers as to the importance of managing the brand properly. A top–down approach to internal branding involves senior management reinforcing principles to the organization on how and why brands matter in B2B settings, how exactly the brand should be positioned, what makes the brand unique, and what are the expectations of employees in terms of delivering the brand promise. They must ensure that sufficient resources are made available and proper procedures, processes, and guidance are put into place.

A CEO in a B2B firm can be the ultimate brand ambassador, signaling and communicating the importance and the value of the brand both internally and externally. A CEO, managing director, or other prominent senior executives can have a profound effect on the public perception of a brand. These executives at least implicitly – if not explicitly – help to convey the brand promise and set customer expectations.

Horizontally, areas outside of marketing must understand, appreciate, and support branding. A particularly crucial area within the B2B organization is the sales force. Personal selling is often the profit driver of a B2B organization. The sales force must be properly aligned so that the department can more effectively leverage and reinforce the brand promise. If done right, the sales force can ensure that target customers recognize the worth of the range of benefits of the brand's offerings such that they would be willing to pay a price commensurate with the brand's potential value.

The sales force serves as the company's personal link to the customers. Fred Hassan, CEO of global pharmaceutical company Schering-Plough, calls salespeople "active representatives of the company [who] can influence people's perception of it through their ability to interact, to customize, and to build relationships with customers."

Brand Mantras

As part of the internal branding effort for a firm, an internal brand slogan – a brand mantra – to serve as a rallying cry for employees is often useful to have (Keller, 1999). A brand mantra is an articulation of the "heart and soul" of the brand. Specifically, *brand mantras* are short, three- to five-word phrases that capture the irrefutable essence or spirit of the brand positioning. Its purpose is to ensure that all employees within the organization and all external marketing partners understand what the brand fundamentally should represent with customers so that they can adjust their actions accordingly. Some consumer marketing examples of a brand mantra are Disney with "fun family entertainment" and Nike with "authentic athletic performance."

A brand mantra is a powerful device, providing guidance as to what products to introduce under the brand, what communications to issue, where and how the brand should be sold, and so on. The influence of brand mantras, however, can extend beyond these tactical concerns. A brand mantra may even guide the most seemingly unrelated or mundane decisions, such as the look of a reception area, the way phones are answered, and so on. In effect, brand mantras are designed to create a mental filter to screen out brand-inappropriate marketing activities or actions of any type that may have a negative bearing on customers' impressions of a brand.

Brand mantras are important for a number of reasons. First, any time a customer encounters a brand – in any way, shape, or form – his or her knowledge about that brand may change, and as a result, the equity of the brand is affected. Given that a vast number of employees, either directly or indirectly, come into contact with customers in a way that may affect customer knowledge about the brand, the words and actions of employees must consistently reinforce and support the brand meaning.

Many employees or even marketing partners who potentially could help or hurt brand equity may be far removed from the marketing strategy formulation and may not even recognize their role in influencing brand equity. This may be especially true in B2B firms. The existence and communication of a brand mantra signals the importance of the brand to the organization and an understanding of its meaning as well as the crucial role of employees and marketing partners in its management. A brand mantra also provides memorable shorthand as to what are the crucial considerations of the brand that should be kept most salient and top-of-mind. A good brand mantra is simple, descriptive, and inspiring.

A GE Application

A brand mantra is designed for internal purposes for the firm; a brand slogan is designed to be used externally for communications and other purposes. Nike's mantra was distinct from its well-known external brand slogan, "Just Do It." In some cases however, they may be designed to be one and the same, as with Betty Crocker's "Homemade Made Easy" or BMW's "Ultimate Driving Machine."

In a B2B setting, GE has developed brand slogans that are used internally as brand mantras to capture their brand positioning and improve their marketing. Although GE is made up of six major divisions that operate in areas as diverse as home appliances, jet engines, security systems, wind turbines, and financial services, the company has been a pioneer in B2B corporate branding. For GE, its long-running "We Bring Good Things to Life" was more than a corporate image ad slogan. They worked hard to make sure the entire organization and even marketing partners understood this brand promise.

To facilitate understanding and compliance with their brand positioning, GE created a written brand charter whose contents provided a short history of branding and the importance of brands; summarized research concerning the value of the GE brand; identified the brand's core promise ("better living"), personality, and values; and offered guidelines as to how the brand should be managed. Guidelines stressed consistency and discipline and were summarized by a checklist of questions that forced GE marketing decision-makers to specify key product features and sales propositions and how they related to the core benefit promise of "better living."

Its subsequent campaign, called "Imagination at Work," highlights its renewed focus on innovation and new technology, again both internally and externally. The goal of GE's corporate advertising was to unify its divisions under the GE corporate brand while giving them a voice. "When you're a company like ours, with 11 different businesses, brand is really important in pulling the identity of the company together," said former Chief Marketing Officer Beth Comstock. "Integration was important in communicating the brand across the organization and to all of our constituents ... The GE brand is what connects us all and makes us so much better than the parts" (Byrne, 2005; Colvin, 2006; Fisher, 2005; Kranhold, 2006; Stewart, 2006).

Adopt a Corporate Brand Strategy if Possible and Create a Well-Defined Brand Hierarchy

Because a large and complex number of product or service lines and variations often characterize companies selling in B2B markets, a logical and well-organized brand architecture needs to be devised. A *brand architecture* reflects the number and nature of common and distinctive brand elements applied to the different products sold by the firm. Brand architecture involves defining both brand boundaries and brand complexity. Which different products should share the same brand name? How many variations of that brand name should be employed?

Because of the breadth and complexity of the product or service mix, companies selling B2B are more likely to emphasize corporate brands (e.g., as with GE, Hewlett-Packard, IBM, ABB, BASF, and John Deere). An increasing number of firms are recognizing the value of having a strong corporate brand in their business dealings with other firms. At one time, Emerson Electric, global provider of power tools compressors, electrical equipment, and engineering solutions, was a conglomerate of 60 autonomous – and sometimes anonymous – companies. A new CMO aligned the previously independent brands under a new global brand architecture and identity, allowing Emerson to achieve a broader presence so that the company could sell locally while leveraging its global band name. Record sales and stock price highs soon followed (Krauss, 2006).

Corporate Credibility

A number of possible corporate image dimensions for a B2B corporate brand are possible (see Table 4). Making sure that your corporate brands convey credibility is especially important in a business setting. Corporate credibility is often a primary risk reduction heuristic adopted by B2B buyers. For years, one of the key sources of brand equity for IBM was the fact that a marketplace perception existed that "you'll never get fired for buying IBM." Once that special cachet faded, the brand found itself in a much more competitive situation.

Corporate credibility refers to the extent to which customers believe that a firm can design and deliver products and services that satisfy customer needs and wants. Thus, corporate credibility relates to the reputation that the firm

Table 4. Corporate Image Associations.

Common Product Attributes, Benefits, or Attitudes
Quality
Innovativeness
People and Relationships
Customer orientation
Values and Programs
Concern with environment
Social responsibility
Corporate Credibility
Expertise
Trustworthiness
Likability

has achieved in the marketplace. Corporate credibility, in turn, depends on three factors:

- *Corporate expertise:* The extent to which a company is seen as able to competently make and sell its products or conduct its services
- *Corporate trustworthiness:* The extent to which a company is seen as motivated to be honest, dependable, and sensitive to customer needs
- *Corporate likeability:* The extent to which a company is seen as likable, attractive, prestigious, dynamic, and so forth

In other words, a credible firm is good at delivering quality products and services, keeps customers' best interests in mind, and is enjoyable to work with. A number of other characteristics can also be related to these three credibility dimensions as consequences, for example, success and leadership.

Trust depends on a number of inter-personal and inter-organizational factors, such as the firm's perceived competence, integrity, honesty, and benevolence. Personal interactions with employees of the firm, opinions about the company as a whole, and perceptions of trust will evolve with experience.

Corporate credibility is critical in a B2B setting. Perceived brand credibility increases the likelihood of customer consideration and choice (Erdem & Swait, 2004; Goldberg & Hartwick, 1990). A solid reputation will also affect the subsequent willingness of a customer to rely on the firm as a business partner.

Creating a firm with a strong and credible reputation may offer benefits beyond the customer's response in the marketplace. A highly credible company may be treated more favorably by other external constituencies, such as government or legal officials, and also increase the opportunity to attract better-qualified employees as a result. A highly credible company may also help motivate existing employees to be more productive and loyal.

A strong corporate reputation can help a firm survive a brand crisis and avert public outrage that could potentially depress sales, encourage unionism, or block expansion plans. As Harvard's Steve Greyser notes, "Corporate reputation ... can serve as a capital account of favorable attitudes to help buffer corporate trouble."

Brand Hierarchy

In completing the brand hierarchy for B2B firms using their corporate brand, individual brands and modifiers often take on descriptive product meaning for clarity and differentiation. Thus, a particularly effective branding strategy for B2B marketers is to create sub-brands by combining a well-known and respected corporate brand name with descriptive product modifiers.

Nevertheless, if a company has a distinctive line of business, a more clearly differentiated sub-brand may need to be developed, as with Praxair's Medipure brand of medical oxygen, GE's Lexan plastic, DuPont's Teflon coating, and Intel's Centrino mobile technology. B2B marketers, however, must employ sub-brands selectively.

Frame Value Perceptions

The biggest enemy to B2B marketers is commoditization (Low & Blois, 2002). Commoditization eats away margins and weakens customer loyalty. Commoditization can only be overcome if target customers are convinced that meaningful differences exist in the marketplace and that paying more for the unique benefits supplied by the firm's offerings is worth the added expense. Thus, a critical step in B2B marketing is to create and communicate relevant differentiation from competitors.

Differentiation can arise in a number of different ways, some of which are reviewed below. Given the highly competitive nature of B2B markets, marketers must ensure that customers fully appreciate how the offerings for the firm are different. Framing occurs when customers are given a perspective or point of view that allows the brand to "put its best foot forward," so to speak. Framing can be as simple as making sure that customers realize all the benefits or cost savings offered by the brand, or by becoming more involved in the thought process behind how customers view the economics of purchasing, owning, using, and disposing of a brand in a different way. Framing requires understanding how customers currently think of brands and choose among products and services, and then determining how they *should* ideally think and choose.

Framing is often necessary when customers apply pressure for the firm to cut prices, a common occurrence with B2B purchases. B2B marketers can counter these requests in a number of ways. They may be able to show evidence that the "total cost of ownership," that is, the "life-cycle cost" of using their product, is lower than for competitors' products. They can cite the value of the services the buyer now receives, especially if they are superior to those offered by competitors. For example, research has shown that service support and personal interactions, as well as a supplier's know-how and ability to improve customers' time to market, can be useful differentiators in achieving key-supplier status (Ulaga & Eggert, 2006).

Marketing communications can play a key role in framing. A different marketing communication mix exists with industrial products than with consumer products (see Table 5). Because of the well-defined target market and complex nature of product decisions, marketing communications tend to convey more detailed product information in a more direct or face-to-face manner. Thus, personal selling plays an important role and the sales force must be skilled at framing buying decision in the right way.

Regardless of the means, at some point, marketers must ensure that customers value product and service differences sufficiently enough to pay some type of price premium. Orica Ltd., formerly ICI Australia, competes in the cutthroat commercial explosives business. Orica's customers are quarries that use explosives to blast solid rock face into aggregate of a specified size. Orica is constantly trying to minimize the cost of explosives. The firm

Table 5. Alternative Business-to-Business Communication Options.

Media advertising (TV, radio, newspaper, magazines)
Trade journal advertising
Directories
Direct mail
Brochures and sales literature
Audiovisual presentation tapes
Giveaways
Sponsorship or event marketing
Exhibitions, trade shows, and conventions
Publicity or public relations

realized significant value could be created by improving the efficiency of the blast. To do this, the firm established over 20 parameters that influenced the success of the blast and began collecting data from customers on the input parameters as well as the outcomes of individual blasts. By collating the data, Orica engineers came to understand the conditions that produced different outcomes. The firm then could offer customers a contract for "broken rock" that would almost guarantee the desired outcome. The success of Orica's approach – of managing the entire blast for the quarry rather than simply selling explosives – entrenched the company as the world's leading supplier of commercial explosives (Dawar & Vandenbosch, 2004).

Link Non-Product-Related Imagery Associations

Developing supporting marketing programs to build brand equity for B2B firms can be different from consumer goods firms because of the nature of the organizational buying process. With B2B marketing, product-related performance associations may play a relatively more important role than non-product-related imagery associations. As a consequence, many B2B brand marketers emphasize functionality and cost/benefit considerations.

Nevertheless, non-product-related associations can be useful in terms of other perceptions of the firm. In a B2B setting, imagery might relate to the size or type of firm. For example, Microsoft or Oracle might be seen as "aggressive" companies, whereas 3 M or Apple might be seen as "innovative" companies. Imagery may also be a function of the other organizations to which the firm sells. For example, customers may believe that a company with many customers is established and a market leader.

In B2B markets, one commonly adopted means of communicating credibility is to identify other leading or well-respected companies that are customers for the firm's products or services. Such endorsements may serve as a signal or cue as to quality. The challenge in communicating this endorsement through advertising at least, however, is ensuring that the other companies used as endorsers do not distract from the message about the advertised company and its brands.

Non-product-related imagery in a B2B setting can thus relate to intangible aspects of a product or service offering or various other considerations. With sales of more than $1.1 billion and a huge "fan club" of IT customers, SAS, the business intelligence software firm, seemed to be in an enviable position in 1999. Yet, its image was what one industry observer called "a geek brand." To extend the company's reach beyond IT managers with PhDs in math or statistical analysis, the company needed to connect with C-level executives in the largest companies – the kind of people who either did not have a clue what SAS's software was and what to do with the technology, or who did not think business intelligence was a strategic issue. Working with its first outside ad agency ever, SAS emerged with a new logo, a new slogan, "The Power to Know," and a series of TV spots and print ads in business publications such as *Business Week, Forbes, and* the *Wall Street Journal*. One TV spot that exemplifies SAS's rebranding effort ran like this:

> The problem is not harvesting the new crop of e-business information. It's making sense of it. With e-intelligence from SAS, you can harness the information. And put the knowledge you need within reach. SAS. The power to know.

Subsequent research showed that SAS had made the transition to a mainstream business decision-making support brand, both user friendly and necessary (Lamons, 2005).

Customer Service

Many B2B firms further distinguish themselves on the basis of the customer service they provide in addition to the quality of their products. For example, Premier Industrial Corporation charges up to 50 percent more than competitors for every one of the 250,00 industrial parts the firm stocks and distributes because of its strong commitment to customer service, as exemplified by the following anecdote (Phillips & Dunkin, 1990):

> Early one afternoon in late 1988, Premier Industrial Corp. got a call from the manager of a Caterpillar Inc. tractor plant in Decatur, Illinois. A $10 electrical relay had broken down, idling an entire assembly line. A sales representative for Premier located a replacement at the company's Los Angeles warehouse and rushed it to a plane headed for St. Louis. By 10:30 that night, a Premier employee had delivered the part, and the line was up and running. "You can't build tractors if you can't move the line," remarked the Caterpillar purchasing analyst. "They really saved us a bundle of money."

As a further illustration, creative changes in customer service have similarly built brand equity and allowed Armstrong World Industries to charge higher prices for its floor tiles and Weyerhaeuser's wood-products division to command premiums for its commodity – like two-by-fours. Following IBM's lead, Lucent began to shift into more differentiated value-added services after losing ground in selling its telecommunications hardware to offer current customers more complete packages and to create new opportunities (Lyons, 2004).

Uncover Relevant Emotional Associations for the Brand

Perhaps one of the biggest myths in B2B branding is that the nature of the decision process is so rational that emotions do not really play a significant role (Lynch & de Chernatony, 2004). Undoubtedly, consumer brands can more effectively tap into many different types of emotions than B2B brands can. But three emotions – at least – can be identified that play a key role in many different customer decisions made in a B2B setting.

- *Security:* The brand gives customers a feeling of safety, comfort, and self-assurance. As a result of the brand, customers do not experience worry or concerns that they might have otherwise felt.
- *Social approval:* The brand results in customers having positive feelings or satisfaction about the reactions of others to themselves.
- *Self-respect:* The brand makes customers feel better about themselves; customers feel a sense of pride, accomplishment, or fulfillment.

The rationale and mechanisms for each of these three types of emotions is straight-forward and compelling. As noted above, B2B decisions often are characterized by a certain degree of risk as they impact the financial performance of a firm and the career prospects of the decision-makers involved. Reducing risk to improve customers' sense of security can be a powerful emotion that can drive many decisions and thus be an important source of brand equity.

A business decision-maker may also be concerned in his or her's own reputation. Being seen as someone who works with other top firms may offer peer approval and personal recognition within the organization. Some may even believe that more intrinsic rewards – for example, learning or skill development – can be gained from professional interactions with a top firm.

Finally, beyond respect and admiration from others, a business decision-maker may just feel more satisfied by virtue of working with top organizations and brands. A business decision maker may feel more kinship and connection – either real or aspirational – dealing with a firm that has a strong brand reputation.

Emotions and Decision-Making

B2B marketers who don't explore the role of emotions in decision-making are potentially missing a big opportunity. For example, research conducted by one industrial component manufacturer found that although top executives at small- and medium-size companies stated they were comfortable in general with buying from other companies, they appeared to harbor subconscious insecurities about buying the manufacturer's product. Constant changes in technology had left them concerned about the internal effects within the manufacturer. Recognizing this unease, the manufacturer retooled its selling approach to emphasize more emotional appeals and how its product line actually enabled the customer's employees to improve their performance, relieving management of the complications and stress with component use (Donath, 2006).

Webster cautions that ultimately, individuals, not organizations, make purchasing decisions (Webster & Keller, 2004). Individuals are motivated by their own needs and perceptions in attempting to maximize the rewards (pay, advancement, recognition, and feelings of achievement) offered by the organization. Personal needs motivate the behavior of individuals, but organizational needs legitimate the buying-decision process and its outcomes. People are not buying "products." They are buying solutions to two problems: the organization's economic and strategic problem and their own personal need for individual achievement and reward. In this sense, B2B buying decisions are both "rational" and "emotional," as they serve both the organization's and the individual's needs (Ward & Webster, 1991). Keeping both of these perspectives in mind in developing a B2B brand is critical.

Segment Customers Carefully and Develop Tailored Branding and Marketing Programs

As with any brand, how different customer segments view products and brands is important to understand. In a B2B setting, however, different customer segments may exist both within organizations as well as across organizations. Brand building must take these different segmentation perspectives in mind in building a brand.

Segmentation within Organizations

Within an organization, many different segments may exist. Webster and Wind call the decision-making unit of a buying organization the buying center. The buying center consists of "all those individuals and groups who participate in the purchasing decision-making process, who share some common goals and the risks arising from the decisions" (Webster & Wind, 1972a). The buying center includes all members of the organization who play any of the following seven roles in the purchase decision process.

1. *Initiators*. Users or others in the organization who request that something be purchased.
2. *Users*. Those who will use the product or service. In many cases, the users initiate the buying proposal and help define the product requirements.
3. *Influencers*. People who influence the buying decision, often by helping define specifications and providing information for evaluating alternatives.
4. *Deciders*. People who decide on product requirements or on suppliers.
5. *Approvers*. People who authorize the proposed actions of deciders or buyers.
6. *Buyers*. People who have formal authority to select the supplier and arrange the purchase terms. Buyers may help shape product specifications, but they play their major role in selecting vendors and negotiating.
7. *Gatekeepers*. People who have the power to prevent sellers or information from reaching members of the buying center (e.g., purchasing agents, receptionists, and telephone operators who may help or prevent salespersons from contacting users or deciders).

Several people can occupy a given role such as user or influencer, and one person may occupy multiple roles (Anderson & Narus, 2004; Enright, 2006; Webster & Wind, 1972b). A purchasing manager, for example, often occupies the roles of buyer, influencer, and gatekeeper simultaneously: She can determine which sales reps can call on other people in the organization; what budget and other constraints to place on the purchase; and which firm will actually get the business, even though others (deciders) might select two or more potential vendors that can meet the company's requirements.

Clearly, individuals in these different roles will have different needs and potentially different views of the brand too. Accordingly, depending on the perceptions and preferences of the organizational segments involved – for example, engineers, brand or marketing managers, accountants or purchasing managers, and so forth – the particular associations that serve as sources of brand equity may differ, and even the role of the brand itself (Mudambi, 2002; Rozin, 2004). U.K. branding experts (de Chernatony & McDonald, 1998, p. 152) reports that:

> In consumer marketing, brands tend to be bought by individuals, while many people are involved in organizational purchasing. The brand marketer is faced with the challenge of not only identifying which managers are involved in the purchasing decision, but also what brand attributes are of particular concern to each of them. The various benefits of the brand, therefore, need to be communicated to all involved, stressing the relevant attributes to particular individuals. For example, the brand's reliable delivery may

> need to be stressed to the production manager, its low life-cycle costs to the accountant, and so on.

As an example of how needs may vary within a buying center, consider a company that sells nonwoven disposable surgical gowns to hospitals. The hospital personnel who participate in this buying decision include the vice president of purchasing, the operating-room administrator, and the surgeons. The vice president of purchasing analyzes whether the hospital should buy disposable gowns or reusable gowns. If the findings favor disposable gowns, then the operating-room administrator compares various competitors' products and prices and makes a choice. This administrator considers absorbency, antiseptic quality, design, and cost and normally buys the brand that meets the functional requirements at the lowest cost. Surgeons influence the decision retroactively by reporting their satisfaction with the particular brand.

Marketing programs must reflect the role of individuals in the buying center or process-initiator, influencer, purchaser, user, and so on. Some individuals within the organization may be more concerned with developing a deep relationship with the company and therefore place greater value on the trustworthiness dimension and corporate credibility; other individuals may seek merely to make transactions and therefore place greater value on product performance and expertise. Of particular importance, is the ability to achieve points-of-parity with these different constituencies – ensuring that the brand is seen as satisfactory on certain dimensions – so that key points-of-difference that often distinguish the brand can come into play.

Different types of communications will need to come into play that emphasize different types of information, but an important point to keep in mind is that the essential aspects of the brand promise come across in all marketing activities and programs directed at different members of the buying center. The brand mantra can be helpful in providing this high-level guidance. At the same time, more customized marketing must come into play to effectively connect with these various parts of the organization. Having a varied communication mix that allows for different means of contacting and persuading different participants in the buying center can be crucial here.

Segmentation across Organizations

Firms in B2B markets can be segmented on the same basis as some of the same variables used in consumer markets, such as geography, benefits sought, and usage rate. Business marketers also use other variables though. Industry and company size are often important considerations for defining product needs. Business users also vary in terms of the technologies they use and other capabilities; how they organize purchasing and the purchasing policies they use; and even personal characteristics in terms of risk and loyalty profiles.

These various factors can lead to different brand strategies and marketing programs. B2B marketers must arrive at the most compelling brand-building and sales-generating segmentation scheme. For example, a rubber-tire company can sell tires to manufacturers of automobiles, trucks, farm tractors, forklift trucks, or aircraft. Within a chosen target industry, a company can further segment by company size. The company might set up separate operations for selling to large and small customers. Within a given target industry and customer size, a company can segment further by purchase criteria. For example, government laboratories need low prices and service contracts for scientific equipment; university laboratories need equipment that requires little service; and industrial laboratories need equipment that is highly reliable and accurate.

SUMMARY

The basic premise of this paper is that branding in a B2B setting is both the same *and* different to branding for consumer products or services. That is, although many of the basic branding principles apply (see Table 1), the nature of the different customer segments, decision processes, and choice contexts results in some significant differences in brand strategy and tactics. The papers offers six guidelines. See Table 3 for a summary. Adopting these guidelines will increase the likelihood of creating a strong B2B brand, reaping all the benefits that such an achievement entails.

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APPENDIX. CISCO CASE STUDY

Cisco, the network communications equipment manufacturer that leads the market in the switches and routers that direct traffic on the Internet, sought growth by directing considerable research and marketing resources at an underserved market: small- and medium-sized business (SMB) customers, which the company defined as businesses with fewer than 250 employees. To better understand buyer behavior, Cisco conducted customer research that segmented the overall SMB market into four tiers by networking expenditure and purchase patterns. Tier-1 and tier-2 companies, who view networking as the core of their business, make up 30 percent of the SMB space, but account for 75 percent of total networking expenditures. Tier-3 and tier-4 companies make up 70 percent of the market, but are hesitant to invest heavily in networking technology.

Based on this understanding of the market, Cisco was able to target these segments with products and services designed specifically for them. It developed a program called the "Smart Business Roadmap" that matched common business issues faced by SMB customer types with long-term technology solutions. One of these solutions was Linksys One, a hosted communications service offering telephone, video, data, and Internet networking on one high-speed connection that debuted in 2005. Overall, Cisco raised its R&D budget for the SMB market to $2 billion and directed 40 percent of its total marketing expenditure toward this market. The program generated 22 percent growth in Cisco's business with SMBs.

Discussion Question

To what extent did Cisco follow each of the six B2B branding guidelines discussed in the chapter in attacking the SMB market? What were the keys to its marketing success with these customers?

CHAPTER 3

MANUFACTURER BRAND BENEFITS: MIXED METHODS SCALING

Mark S. Glynn

ABSTRACT

This paper focuses on the role of manufacturer brands for resellers within retail channels. This topic is important because of the strategic value of manufacturer brands and the increasing influence of resellers within channels of distribution. Much of the branding research emphasizes a customer-brand knowledge perspective; however, emerging perspectives suggest that brands are also relevant to other stakeholders including resellers. In contrast, channels research recognizes the manufacturer sources of market power, but does not consider the impact of manufacturer "push and pull" strategies within channels. Existing theoretical frameworks, therefore, do not address the reseller perspective of the brand. As a result, the research approach is a multi-method design, consisting of two phases. The first phase involves in-depth interviews, allowing the development of a conceptual framework. In the second phase, a survey of supermarket buyers on brands in several product categories tests this framework. Structural equation modeling analyzes the survey responses and tests the hypotheses. The structural model shows very good fit to the data with good construct validity, reliability, and stability. The findings show that manufacturer support, brand equity, and customer demand

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reflect the manufacturer brand benefits to resellers. A key contribution of this research is the development of a validated scale on manufacturer brand benefits from the point of view of a reseller. This research shows that the resources that relate to the brand, not just the brand name itself, create value for resellers in channel relationships.

INTRODUCTION

This chapter focuses on two important marketing topics, which are of interest to both practitioners and academics; namely branding and reseller buying. The branding literature is substantial (Aaker & Keller, 1990; Keller, 1993; Yoo, Donthu, & Lee, 2000; Berry, 2000; Erdem & Swait, 1998). However, this literature focuses predominantly on consumers with limited consideration to the inter-organizational aspects of branding (Mudambi, Doyle, & Wong, 1997; Michell, King, & Reast, 2001). Brands are sources of ''trade leverage'' in the literature (Aaker, 1991) for manufacturers. This literature recognizes the value of brands to end-customers, but not to resellers. Resellers not only allow manufacturers to more efficiently distribute to the end-customer, but they also provide important customer functions on the manufacturer's behalf (Webster, 2000).

However, changes in reseller practice alter the task of managing manufacturers' brands within channels (Stern & Weitz, 1997). These reseller changes include an increased emphasis on private labels, consolidation into larger organizations, expansion beyond traditional national boundaries and implementation of category management (Shocker, Srivastava, & Ruekert, 1994). Thus manufacturers cannot rely on a brand's ''trade leverage'' when dealing with resellers.

Brands are a valuable resource not only with manufacturers' end-customers, but also with other stakeholders such as resellers (Duncan & Moriarty, 1998). In order to meet end-customer objectives, manufacturers also need to ensure that brands are of value to resellers. However, there is little consideration of the impact of manufacturer resources such as brands within inter-organizational relationships.

This section examines the context for the research problem: the role of manufacturer's brands in channels. A well-managed brand is crucial to a firm's performance and is of considerable strategic value (Park, Jaworski, & MacInnis, 1986), known as brand equity (Aaker, 1991). The term brand equity represents both the value of the brand to a firm and to its customers. The brand manager's task is to build the value of a brand and improve the return on investment for firms. A key concern for brand managers is achieving the best mix of marketing activities that optimize this value (Yoo et al., 2000). Practitioners consider that marketing activities such as advertising can better build brand equity, while other tactics such as trade promotions have negative effects on a brand's value (Buzzell, Quelch, & Salmon, 1990).

Furthermore, an impression in branding textbooks, for example Aaker (1996) and Keller (1998) is that customer-based brand equity, will counter the effects of short-term tactical marketing activities such as price promotions. Many brand management texts ignore activities such as the effect of trade promotions on brands (Curhan & Kopp, 1987) despite research, for example Blattberg, Briesch, and Fox (1995), in journals such as Marketing Science. Not only can price promotions directly affect brand sales, but they can also alter a brand's relativity to competitors through the cross-elasticity of demand. Moreover, price promotions not only achieve sales increases but can also influence brand loyalty, reseller purchasing and competitive reaction (Agrawal, 1996).

This increased practitioner and academic interest in brands enhances the appreciation of the strategic value of brands. Research into the value of brands for firms primarily focuses on financial value, for example Kerin and Sethuraman (1998). However, a broader context is emerging that considers the impact of brands within the firm, on the customer, the marketplace, and shareholder value (Doyle, 2001). Brands are market-based assets that provide firms with valuable resources in managing external relationships (Srivastava, Shervani, & Fahey, 1998). Underlying this market-based assets perspective is the resource-based view (RBV) of the firm (Wernerfelt, 1984; Hall, 1992). Brodie, Glynn, and Van Durme (2002) note that brand research does not include these emerging perspectives such as market-based assets. Firm resources can create inter-organizational competitive advantage through the exchange of value (Dyer & Singh, 1998; Bowman & Ambrosini, 2000). The RBV provides a useful perspective for understanding how brands and other market-based assets create value for resellers within a channel, leading to competitive advantage. Work that is more recent emphasizes the importance of operant resources such as brands that produce business outcomes for firms (Vargo & Lusch, 2004).

Within channels of distribution, the value chain (Porter, 1985) is important as manufacturers and resellers seek to optimize value and achieve efficiencies. Resellers endeavor to maintain profitability in the face of consumer demand for better value through larger ranges, larger store formats, competitive pricing, and private label brands. However, the reality of retailing is that distribution takes place within a network of manufacturers, resellers and customers (Anderson, Håkansson, & Johanson, 1994). A reseller deals with many manufacturers and these manufacturers also supply a reseller's competitors (Holmström, 1997). Within the network, the brand is a resource tie that links manufacturers and resellers together to serve the end-customer (Ford et al., 1998). As a result, manufacturers and resellers adopt a more collaborative approach through initiatives such as category management, efficient consumer response (ECR), and trade marketing (Deloitte, 2002).

Resellers and manufacturers seek channel partners with strong market power to achieve their respective strategic goals (Kasulis, Morgan, Griffith, & Kenderdine, 1999). Other commentators consider that manufacturer brands have lost power to resellers and that resellers' interests are in product categories rather than brands. Ailawadi (2001) concludes that despite the increases in trade promotion and the penetration of store brands that provide evidence of increased reseller power, manufacturer's brands are still necessary for reseller profitability. Other evidence shows substantial effects of brand marketing activity and reseller feedback impacts on distribution levels and long-term market share within a category (Bronnenberg, Mahajan, & Vanhonacker, 2000).

However, there is limited empirical research that examines branding within marketing channels (Webster, 2000). An exception is the study undertaken by (Mudambi et al., 1997) who found that brands offered industrial buyers many tangible and intangible attributes. The merchandise-buying literature (Fairhurst & Fiorito, 1990) focuses on product purchasing decisions and does not consider brands.

However, channels research does not yet examine ''push and pull'' marketing effects on channel members (Frazier, 1999). While push and pull tactics reflect a manufacturer's perspective, resellers also use these same marketing strategies to attract end-customers to their outlets. Understanding the use of governance mechanisms within channel relationships is also important (Heide, 1994). The interaction of firm resources such as brand equity, market positioning, exchange attributes, and governance mechanisms determine value creation Ghosh and John (1999). Jap (1999) and Dyer and Singh (1998) confirm that firms, through collaboration can create inter-organizational competitive advantage.

This research project highlights a changing channels environment for manufacturers and resellers (Stern & Weitz, 1997). While brands have value for firms, in order to realize that value, firms adopt collaborative practices with resellers (Bloom & Perry, 2001). Empirical research into branding provides managers with insights into how to manage brand equity with their end-customers, but not with resellers. Given that firms consider brands to be of strategic value, there is very little research on the value of manufacturer brands to resellers.

The background to this research problem spans several areas in the marketing literature: branding, channels, retailing, and buyer–seller relationships. Approaches such as the market-based assets framework that considers the value of firm resources and the channels literature which focuses on manufacturer and reseller exchange are both useful starting points to examine this research problem. The research problem is:

What Sources of Value do Manufacturer Brands have for Resellers within a Business-to-Business Relational Context?

The key argument in this chapter is that brands, as an intangible firm resource or market-based asset, have multidimensional sources of value for resellers. A concern for marketing managers is the strategic value of brands and recognize that good relationships with resellers. A poorly managed reseller relationship (Lassar & Kerr, 1996) and reseller decisions concerning a brand can undermine this value (Buchanan, Simmons, & Bickart, 1999; Areni, Duhan, & Kiecker, 1999). The value of a brand to the end-customer is a joint result of manufacturer and reseller decision making (Anderson & Narus, 1999).

The major theoretical models of branding have consumer behavior grounding. Much industrial brand research also adopts this perspective (e.g., Michell et al., 2001). Reseller purchases differ from both consumer and industrial purchases in several respects, first resellers purchase a brand and its competitors, second the purchase is for immediate resale, and third the purchase is not for consumption (Fairhurst & Fiorito, 1990).

The development of a measurement model serves as a foundation for understanding the value of brands to resellers. Furthermore, this development will also enhance the understanding of brands beyond the brand to consumer perspective predominant in the literature. As there is considerable empirical work in both the branding and channel literatures, there is a need to test this model, evaluate the results against extant literature to provide a basis for further empirical work in this area.

This research focuses on contemporary reseller practice with its emphasis on product categories (Zenor, 1994). Many retail sectors operate on a category or departmental basis: including liquor retailers, office supplies retailers, department stores, pharmacies, and consumer durable retailers. As a result, this research applies to a potentially wide range of retail sectors. The development of such a model is relevant to other inter-organizational contexts where the brand is the focus of the purchase, for example, industrial marketing, co-branding relationships, supplier–manufacturer relationships including OEM marketing, ingredient branding, and client–advertising agency relationships.

To explore the linkages between manufacturer brands and reseller relationship outcomes, we implement a multi-method research design. The first phase consists of qualitative exploratory research, followed by a confirmatory quantitative phase. Within the first phase, the researchers conduct interviews with both suppliers and resellers in New Zealand grocery and liquor channels. The objective is to gain an understanding of their perspectives on the value of brands in the business-to-business (B2B) context. The two research questions that guide this investigation include the following. Research question one: What are the benefits of manufacturers' brands to resellers? Research question two: How do these benefits influence business-to-business relationships between manufacturers and resellers?

The branding literature focuses on customer-based brand equity, but does not consider brand equity in relation to other stakeholders of the firm such as resellers. In the channels literature, the focus is on the decision-making aspects of reseller relationships, but with little emphasis on the impact of marketing variables such as manufacturer brands. A significant gap, therefore, exists in the understanding of the role of brands with resellers. The RBV of the firm provides a theoretical basis through which to study this research problem. Although some theoretical and empirical work did inform certain aspects of the research problem, a comprehensive theoretical framework of branding benefits does not exist. To address the research problem, a conceptual understanding of the brand's role for resellers is necessary. Second, this conceptual understanding should also consider the wider aspects of the marketing literature.

Research Method

To ensure the conceptual understanding and the research results follow established research practice, examining the philosophical approach behind the research paradigms is necessary. These research paradigms influence the choice of research methodology. Justifying the research approach including the assumptions and their practical consequences is necessary.

A research paradigm is a set of beliefs or assumptions that guide researchers (Creswell, 1998). There are number of research paradigms and a variety of research approaches. The main research paradigms are positivism, post-positivism, or realism and critical theory that have different beliefs about approaches to research (Lincoln & Guba, 2000). Positivism is dominant in the scientific literature, as a researcher in this paradigm measures quantitative facts about the world. Post-positivism or realism also obtains facts about the world, but the nature of this data is subjective. Critical theory contends that social and political forces over time shape and change reality.

Lincoln and Guba (2000) classify these paradigms according to their ontological, epistemological, and methodological elements. Ontology refers to assumptions about the nature of reality, while epistemology considers the relationship of the researcher to the research. Methodology refers to the process of conducting research. Ontology informs the researcher's understanding of "what is" and the structure of that reality and links to epistemology, which is the way of understanding reality. There are two main epistemological perspectives: objectivism and subjectivism (Perry, 1998). With objectivism, the researcher is independent of the data gathering and the knowledge gained is objective and real. On the other hand, with subjectivism the researcher is part of the observed phenomenon. Much of the theory of knowledge in the marketing literature is objectivist (Hunt, 1993). These perspectives influence the methodology chosen for instance, a subjective epistemology usually requires the use of qualitative approaches. An example of this approach in the branding literature is Fournier (1998) and Anderson et al. (1994) in the buyer–seller literature.

In the positivist paradigm, the ontology assumes one reality, where the researcher is distant from the subject of the research and uses an objective epistemology. With realism or post-positivism, reality is imperfect and the researcher has a subjective epistemology. Critical theory, which considers that reality is determined by social and political values, also uses a subjective epistemology. Each of these paradigms influences the methodological approach of the researcher. Positivists adopt quantitative methodologies such as experiments, while post-positivist or realists can also include qualitative methodologies such as case studies. Critical theorists also use qualitative methodologies such as grounded theory. The practical consequences of these paradigms influence the research aim, values or axiological assumptions, types of reasoning, research process, and determine the quality of the research design.

For positivists and realists the aim of research is explanation, whereas critical theorists look at aspects of the research that cause change to occur. In seeking to build knowledge positivists test hypotheses, unlike critical theorists and realists who examine research problems by means of research questions. While critical theorists seek insights into the nature of a situation, positivists seek empirical generalizations or laws (Crotty, 1998). Hypothesis testing follows a linear research plan, while answers to qualitative research questions are from the information provided by research participants. These axiological assumptions mean that positivists see their research as value free, whereas in other paradigms the influence of values is more explicit.

The types of reasoning to develop theory are also different within the research paradigms. The two major paths to developing theory are "inductive" and "deductive."

Deductive research has a positivist paradigm, while the inductive approach is more relevant to the critical theory and realism paradigms (Perry, 1998). In deductive research, the starting point is theory with subsequent testing of relevant hypotheses that leads to empirical generalizations. With inductive research, the relevant variables form a conceptual framework with testable propositions. Perry (1998) considers that these processes of research are unlikely to be separate and the process often evolves concurrently. This pluralistic approach is a blend of induction and deduction. These approaches also influence the language used by the researcher. Positivists write in a formal way using the third person perspective. In other paradigms a less formal language and use of the first person is more predominant.

Commensurability is a further practical outcome and refers to whether the findings can be evaluated using common measures. These measures include peer review and the validity and reliability of the research. This notion is implicit in the positivist tradition but is not as evident in the qualitative literature (Perry, 1998). Qualitative findings from critical theory are incommensurable with positivist research. Researchers using qualitative methods rely more on the credibility, dependability, trustworthiness, and confirmability of findings (Riege, 2003).

Research methodology is the design of appropriate data collection instruments allowing the testing of theory. Perry (1998) considers that researchers are unlikely to be "theory free" in marketing research and that the level of prior theory determines how inductive the research process will be. Pure induction may in fact prevent the researcher from utilizing existing theory. The RBV of the firm provides a useful framework for studying the research problem. However, the operationalization of this framework does not allow the examination of brands in manufacturer–reseller relationships. Therefore, the research problem requires an initial inductive approach. Inductively deriving theory using qualitative data, in conjunction with the literature review, allows the development of a conceptual framework and offers insights into the benefits of manufacturer brands. The development of hypotheses allows the quantitative testing of such a framework using the deductive approach. Eisenhardt (1989, p. 532) comments: "by developing theory from observing previous literature, the ties to actual data are often tenuous." This investigation, therefore, requires a pluralistic approach using elements of various research paradigms.

Mingers (2001) argues that the research paradigms have identifiable assumptions; this does not mean the researcher must always utilize research methods of that paradigm. He adopts a realist perspective by considering multidimensional aspects of the world and views research as a process that has phases and is not just a single event. Critical and knowledgeable use of the research methods is important. Therefore, the research methods must have commensurability, which occurs in the positivist and realism paradigms (Lincoln & Guba, 2000). Using both inductive and deductive reasoning means the research paradigm of this research is post-positivism or realism.

In the information systems literature, Mingers (2001) argues that this multi-method approach has several advantages. First, different paradigms and methods provide multiple perspectives on a research problem. Second, the research process often passes through a number of development phases. Third, multi-method research validates the data through a combination of methods, stimulates a fresh perspective, potentially elaborates the analysis and broadens the research scope through new insights (Amaratunga, Baldry, Sarshar, & Newton, 2002). Here, the multi-method approach is "sequential" (Mingers, 2001) with an evaluation of the findings in the context of the literature, which triangulates the data across these sources.

In the marketing literature, there is also support for a more pluralistic approach. Anderson (1995) considers that too much relationship marketing research is cross-sectional in nature. Longitudinal designs are useful, but are often impractical for academic purposes. Such designs often rely on secondary data sources, rather than the collection of primary data. As a practical solution, Anderson (1995) advocates the use of dual methodologies and qualitative approaches that are ideal for theory building. Gilmore and Carson (1996) and Carson, Gilmore, Perry, and Gronhaug (2001) maintain the adoption of multi-method research eliminates the weaknesses of single method research. A multi-method approach also enhances the strengths of each method eliminating potential weaknesses. The benefit of the qualitative approach is the ability to represent the wider picture of the research problem. This perspective ensures consideration of all relevant constructs in the research design. Small sample sizes are a limitation of an exclusively qualitative approach. While sample size is less important in qualitative traditions, in the positivist tradition, this reduces generalizability of the findings. However, Hammersley (1992) suggests that comparisons with larger samples through survey research can establish the representativeness of qualitative research findings. The benefits of quantitative research are that researchers rely on large samples to show statistical effect and generalize the findings from the sample to the population (Churchill & Iacobucci, 2002). The limitation of a quantitative approach in this instance is that there is no adequate theoretical perspective for the research problem. Thus, any research using a quantitative approach alone would yield limited theoretical insights. Quantitative research may then confirm or reject the theory developed because of the qualitative findings. Feedback loops are possible between the methods and can help refine the research agenda. Many researchers view qualitative and quantitative methodologies as complementary, for example Carson and Coviello (1996).

The researcher's choice of research methodology must take into account the nature of the research problem. Healy and Perry (2000) show that different methods are relevant depending on whether research is theory building or theory testing. With theory testing the emphasis is on measurement, whereas theory building emphasizes meaning. These positions are not mutually exclusive, as using a combination of research methods allows both theory building and testing to occur within a single research project.

The lack of a comprehensive theoretical perspective and empirical research on the topic, preclude the immediate implementation of a single method approach. Because this study occurs in a specific organizational context, channels of distribution, an in-depth understanding of the brand issues relevant to resellers is first required. This allows the establishment of theoretical meaning through a conceptual framework using qualitative research and tested with quantitative research. The two types of quantitative research are broadly the use of either laboratory or fieldwork procedures. Laboratory designs deliberately abstracted from the research setting are useful in retail research. One example is Areni et al.'s (1999) study of brand influences at point of purchase using student subjects. As this study focuses on a particular stakeholder group, resellers, a laboratory design using a student sample would be inappropriate. Fieldwork that involves obtaining opinions from a national sample of resellers is, therefore, necessary and provides evidence of the role of branding from the reseller's perspective. This approach is common in retail research and in studies that focus on the distributive aspects of branding such as Lassar (1998) and Fein and Anderson (1997).

There is broad support in the marketing literature for multi-method research. Mingers (2001) considers that methods associated with a number of research paradigms can usefully combine in ways that ensure commensurability. A multi-method approach overcomes many of the deficiencies of single method research. In addition a multi-method approach allows the researcher to uncover theoretical insights with one method and subsequently confirm the theory using a different method. The lack of a meaningful theoretical framework means this research requires an exploratory approach initially.

Qualitative Method

This research employs a sequential multi-method design of qualitative research leading to quantitative data collection. Qualitative data collection is the first part of the sequence, which allows a description of the role of brands by resellers in the context of a B2B relationship. A description of in-depth interviewing is, followed by details about locating participants, sampling, recording and storing data. This section describes the operations of the qualitative data collection, and the development of the conceptual framework.

The qualitative research method here is in-depth interviewing. This method is one of a range of qualitative methods available to researchers, which include small surveys, focus groups, and observation (Silverman, 2000). The small mail survey is not suitable for the research purpose due to the potential difficulty of obtaining a response. Resellers are a difficult population from which to obtain research data (Ettenson & Wagner, 1986). Observation is not appropriate as the research is on manager's attitudes that are not directly observable. Other techniques such as a focus group of six reseller personnel are also impractical, as this requires participants at one location. These participants are also likely to be competitors, which may also influence participation. To access participant attitudes in a B2B setting, the researcher needs to visit the participant's site and conduct a personal interview. While a small survey is possible, the exploratory nature of this research means an in-depth interview is more likely to inform the research problem.

To derive a theoretically grounded picture of the relevant constructs, in-depth interviews of key participants within the brand manufacturer and reseller relationship dyad are the primary sources of evidence. In-depth interviewing is necessary to gain an understanding of a particular construct within a particular context (Fontana & Frey, 2000). Interviews provide an opportunity for the researcher to uncover new clues and open up new dimensions of a problem (Easterby-Smith, Thorpe, & Lowe, 1991). In-depth interviewing provides a process whereby to explore manufacturer branding in terms of its relevance to resellers.

A semi-structured form of interview protocol is preferable to a more structured approach. The interview protocol consists of pre-determined open-ended questions that allow the interviewer to probe and clarify issues raised during the interview. Participants could also more freely answer the questions relevant to the important constructs. Later, identification of the linkages between these constructs allows the development of the conceptual model. Furthermore, response comparisons between participants are possible. The use of an interview protocol is not completely inductive; however, the semi-structured format ensures a consistent coverage of the topics between the interviews.

The marketing literature includes precedents for using field interviews to determine conceptual models (e.g., Murry & Heide, 1998). The brand is a key integral part of the manufacturer–reseller relationship. The interview protocol focuses on issues or activities where the role of the brand is relevant to resellers and guides this initial phase of the investigation. An outcome of the interview protocol is a list of relevant and testable constructs on the brand benefits to resellers, relationship variables, and the impact on relationship outcomes. A colleague of the researcher confirmed the interview protocol appearing in Table 1. While the interview protocols for both manufacturers and resellers are similar, changes in wording reflect their

Table 1. Interview Protocol by Research Question.

Research Question	Topics for Discussion or Probes
What are the sources of brand value to resellers?	Value of manufacturer support Differences between major or minor brands Reseller image, policy Brand's relationship with resellers' customers Product category, range, and store offering Differences between resellers and manufacturers regarding brands
How do these sources of brand value impact on the reseller relationship?	Value of brands in influencing business and meeting corporate goals Category management issues Trade promotion participation Influence of competing brands Competing resellers Category captain importance Other collaboration for example joint promotions

Table 2. Qualitative Data Collection Steps.

Step	Data Collection Activity	Description
1	Locating participants to be studied	Used trade directories to locate manufacturers and reseller contacts
2	Gaining access and establishing rapport	Approach general manager merchandise (resellers) by letter. Others by personal referral
3	Sampling	Theoretical sample consisting of senior and middle level retail management, marketing and sales management
4	Collecting data	Interviewed manufacturers and resellers
5	Recording information	Interview protocol, audio tape recording
6	Resolving field issues	Participants sent covering letter and consent to participate
7	Storing data	Data transcribed, stored as word processed text files by interview

different perspectives. For instance, manufacturers respond to the following question, "What benefits did manufacturer brands have for resellers?" While resellers consider, "What benefits did manufacturer brands have for them?"

The process of obtaining qualitative data consists of several stages (Creswell, 1998) (see Table 2). The participants are manufacturer marketing personnel and reseller purchasing personnel, selected because of their involvement in manufacturer–reseller relationships. From the manufacturer perspective, they are either in marketing management or sales management roles, and purchasing or store management from the reseller perspective. This approach allows the research to explore the potential data collection issues for later use in the quantitative phase of the study. Relevant key participants are necessary to establish valid and reliable data on the manufacturer–reseller relationship. The researcher gains an in-depth understanding from both sides of the dyad and the relationship issues, at the relevant organizational boundaries. The common linkage with both sides of the supply chain is that the participants are familiar with retail operations and could comment on branding and its impact at the retail level.

In selecting a retail industry, the main criterion is that these resellers and their suppliers sold a large number of brands across a range of product categories. These categories are frequent purchases rather than occasional purchases such as consumer durables. Frequently purchased goods (FMCG) are often the focus in branding research (Grime, Diamantopoulos,

& Smith, 2002). Thus, the grocery and liquor retail segments are ideal because of the large number of well known frequently purchased brands in their respective ranges. Interviewing both manufacturers and resellers allows the researcher to collect data on the role of the brand as a market-based asset in the reseller relationship. The reseller perspective provides insight into the nature of the manufacturer's brand as a market-based asset. Both perspectives are important when considering the research problem from a RBV perspective. To locate relevant participants, the population of interest is management personnel in the grocery and liquor retail trade in New Zealand. The grocery channel also sells wine and beer and competes with the liquor channel in these categories.

The selection of the manufacturers and resellers reflects two concerns: access to key participants within the dyad and theoretical reasons (Eisenhardt, 1989). Theoretical sampling means that the choice of participants is because of their perspectives on brands within manufacturer–reseller relationships. Within both channels, manufacturer's participants consisted of at least one marketing manager and one sales manager; reseller participants consisted of one head office buyer and one store manager. The marketing managers provide the strategic perspective on the brand, while sales managers focus on operational matters with resellers. A similar situation exists with resellers with head office buyers providing the strategic perspective and store managers providing an operational perspective as well as insights about the resellers' customers.

A letter explained the nature of the research to potential participants and obtained their agreement to participate in the research. The researcher then phoned the participant to arrange an interview. Initially marketing managers tested the interview protocol and provided relevant reseller contacts. With reseller participants at least one retail manager at a head office level is interviewed and one retail store manager.

The in-depth interview protocol is of one hour's duration and the data collection occurs over a six-month period using an equal number of manufacturer and reseller participants. There is a target of at least 12 interviews or until respondents provide no further insights, reaching theoretical saturation (Silverman, 2000). This number of interviews is consistent with the recommendations of Eisenhardt (1989), Perry (1998), and Yin (1994) for exploratory data collection. Trade data on market share, brand advertising expenditure, and published company performance of the manufacturers and resellers further guided the interview process. This information allows the researcher to ascertain the major and minor brands within a product category and obtain information about the nature and scope of the participants' businesses. Recording of the interview took place at each participant's place of work, together with field notes reflecting the interviewer's impressions of the interview.

The researcher communicates the focus of the research into brands to the participants that allows them to discuss their experiences of brands fully within their own retail context. The researcher then transcribes audiotapes, saves these as word-processed text files, and checks the transcripts against these tapes. QSR N6 qualitative software analyzes these text files. The procedure prescribed for qualitative data analysis by Miles and Huberman (1994) consists of three stages. The first stage is summarizing and packaging the data, second is aggregating the data, and finally developing propositions to construct the conceptual framework.

In the first stage, the research questions guide the data coding using thematic to code and categorize the data (Zorn & Ruccio, 1998). The following criteria identify themes, frequency of mention and, salience or importance to the research question. There are a number of themes in the interviews, but the researcher only analyzed the ones relevant to the research questions. A requirement is that a theme needs to be present in more than 75 percent of the interviews.

The data have common categories within these questions. Base nodes within QSR N6 allow the coding of information on each subject, whether they are a reseller or manufacturer, their position in the organization, and the channel liquor or grocery. Then tree nodes categorize the research questions that allow related categories to be "nested" within each node forming a related hierarchy. Thus, the research question had several subcategories or sub-themes. The set-up of these nodes in QSR N6, including base and tree nodes in this manner, allowed the coding to begin.

The researcher first read the transcript of each interview, developing coding structures for the research questions. Each coded structure had a description of the meaning of the code, so that the coder could adopt a consistent protocol in categorizing the data. The coding process involves allocating a portion of the text to a code within node structure. These sections of the text are text units. For this analysis, each line represents a text unit in QSR N6. This text unit allows the researcher to gauge the importance of the issue to the subject and within the data in total by counting the number of text units. A referencing system allows for further checking of the text units and preserves confidentially of responses. The first letter of the subject's surname and the organization and line number from the relevant transcript referenced the relevant category of the text. This referencing allows easy retrieval and crosschecking of the data.

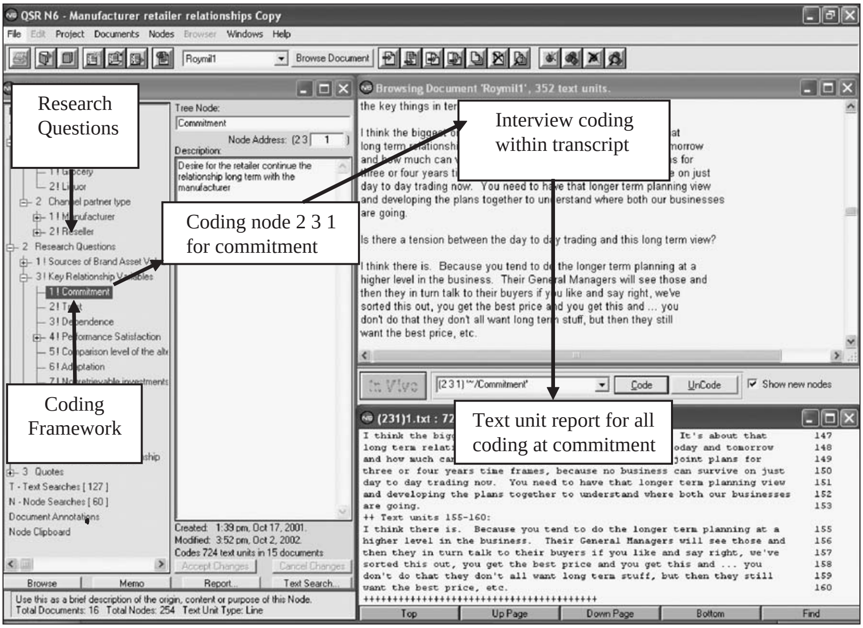

Fig. 1. Qualitative Data Entry and Coding.

The retrieval and search functions of the database then further analyze the text units.

Fig. 1 shows the data entry process using QSR N6 and highlights. The research questions, structure of the coding framework nodes and a portion of transcript. The coded text unit in the transcript is reseller commitment and displayed in a report of the text units coded under the heading of "commitment." This coding allowed the production of reports for each category.

In the second stage of the analysis, the researcher examines these categories to determine any relationships between the concepts and the extent that they answer the research questions (Miles & Huberman, 1994). The researcher enters the resultant themes for each research question into QSR N6 as analytic memos, recording all refinements made in the coding. These refinements include recoding and reattaching nodes within the tree structure. These text searches allow the computation of the relative frequency of key words. The researcher checks by means of text searches to ensure all participants' data had been fully scrutinized extracting relevant quotes for each theme. These quotes consist of at least six quotations that encapsulate the meaning of the themes in terms of respondent's language. Storage of these themes in QSR N6 as tree nodes allows further analysis.

The last stage of the analysis involves identifying relationships in order to develop the conceptual framework. The "search and compare nodes" function searches for relationships between these themes. This function allows the crosschecking of data categories. The index search function allows the production of data tables using the matrix operators. The intersect function of QSR N6 compares the relationships between categories. The grouping of these categories and relationships results in a conceptual display format representing the role of brands within manufacturer–reseller relationships. The reports on these groupings or displays enable the researcher to explain any underlying linkages between the constructs.

This section outlines the procedures to assess the quality of the data. Reliability refers to whether the results of the research are stable and dependable while validity refers to efficacy of the data collection relevant to researched phenomena. Miles and Huberman (1994) discuss a range of tests and tactics to address construct validity, internal validity, external validity, and reliability.

Construct validity refers to the correct operational measures of the construct. A key tactic is multiple sources of evidence, which included the literature, in-depth interviews, and having participants reviewing the draft of the transcripts. Secondary data confirms, in the form of the Nielsen Information Digest 2001, the market share of the brands discussed in the interviews. The explicit nature of the research procedures adopted and the detailing of the data collection process ensure the objectivity of the study. The choice of method, in-depth interviews, allows participants to design the experience and practices of brand managers and reseller category managers. This generates authentic insights into the channel members' experiences and is useful in establishing the validity of the data.

The interview not only describes the experiences of the participant but also highlights any differences that may exist between the manufacturer's and the reseller's perspective. The researcher sent transcripts of each interview to each participant for clarification and comment. The interview protocol, transcripts, tapes, and signed consent forms are an "audit trail" or a chain of evidence, as the actual sequence of data and the records are traceable. The retained data including the tape recordings, transcripts, and computer files is available to other researchers for reanalysis.

Internal validity establishes causal linkages within the data. Assessment of internal validity is by examining patterns, themes, and clustering (Miles & Huberman, 1994). The use of the QSR N6 search and compare node function, key word searches, and matrix tables confirms evidence of any relationships within the data. The relative weighting of data coding within a theme or the overall data assists with developing constructs and explanations. Any patterns from the literature, which match the findings, further strengthen internal validity. However, events external to the research affect the validity of the data as well as small samples. The quantitative phase also provides additional confirmation of research validity. In addition the researcher obtained both manufacturers and resellers during this first phase of the research, which enabled examination of common meaning and disagreement within the supply chain.

Reliability refers to the consistency of the findings and the researcher's ability to replicate the study using the existing interview procedures. The use of an interview protocol and coding scheme ensures that the coding is consistent. As indicated previously, a qualitative research database, QSR N6 analyzes the relationships between these coded text units, which ensures a consistent analysis approach is adopted. The researcher's colleagues verified the coding scheme and independently checked the interview coding using a sample of the transcripts reviewing the qualitative analysis. Finally, the participants had an opportunity to comment on these results.

DEVELOPING THE CONCEPTUAL FRAMEWORK

The next section is a presentation of the qualitative findings, together with the development of the conceptual framework. First, there is an outline of the data qualitative analysis steps, followed by an analysis of each research question. From this analysis, the second part discusses the conceptual model development.

The data qualitative analysis includes retail context for the in-depth interviews, the development of a coding framework, and the thematic analysis of the interview data. The coding framework allows the researcher to compare and contrast viewpoints of both resellers and manufacturers together with the implications for manufacturer brands. Thematic analysis identifies the key manufacturer brand benefits. The data collection process describes the research context for the data collection and includes a background on the New Zealand grocery industry and details of the research participants. A discussion of the transcription and analysis procedures follows.

The context of this research is the distribution channels for the supply and resale of manufacturer's brands in New Zealand. Within these distribution channels, research participants are key managers from grocery and liquor manufacturing and retailing. These research participants inform the researcher on the issues concerning the supply of manufacturers' brands to the end-customer. A brief description of the scope and size of these retail sectors in New Zealand is now given. In food retailing, the sector turnover for the year 2000 was $31 billion. Comparable figures for the liquor sector are not available; however, there are 668 outlets in liquor retailing compared to 2,760 food retail outlets (Nielsen, 2001). This comparison indicates that the liquor sector is much smaller in scope than food retailing. In addition, some food resellers also sell wine and beer in contrast to liquor resellers who sell wine, beer, and spirits. Next, there is an in-depth discussion of the major companies in each of these channels, starting with the grocery channel.

At the time of the research, three major resellers dominated the grocery channel in New Zealand. These resellers are Foodstuffs NZ Ltd, Foodland NZ Holdings Ltd, and Woolworths NZ Ltd. Foodstuffs NZ Ltd is a cooperative retail chain consisting of independently owned outlets that operate as three regional cooperatives. Foodstuffs controls the New World, Pak'nSave and Four Square the retail chains. Foodland NZ Holdings Ltd owns the Foodtown and the Countdown chains and is itself a subsidiary of Foodland Australia. Woolworths NZ Ltd. controls the Woolworths and Big Fresh chains and is part of Dairy Farms International, a Hong Kong based firm. Inter-reseller rivalry is intense and all resellers have different retail formats with extensive retail promotional programs. These retail formats include full-service supermarkets, for example, New World, discount supermarkets for example Pak'nSave, convenience stores, for example, Four Square and wholesaling operations. Both full-service and discount supermarkets are theoretically relevant to the research problem, having more frequent interaction with manufacturers and a significant portion of the sector turnover (Yin, 1994). In comparison, convenience stores had much smaller turnover, limited interaction with manufacturers, and dealt with a wholesaler or distributor. After completion of these interviews, Foodland NZ Ltd later acquired the Woolworths NZ Ltd. business from Dairy Farms International.

The liquor industry consists of two major national retail chains, Liquorland and Liquor King and a number of smaller outlets such as Glengarry Hancock. Glengarry Hancock is also a national supplier of liquor brands to liquor and grocery resellers as well as to the restaurant trade. Table 3 profiles the reseller participants.

Table 4 summarizes the manufacturer participants. Three of the five manufacturer participants supply major brands to resellers (Nielsen, 2001).

Table 3. Reseller Participants.

Reseller	Chain(s)	Retail Type	No. of Stores	Trading Area	Job Title	No. of Participants
Foodstuffs Auckland	New World Pak'nSave	Full service Discount	42 19	Auckland Province	Category buyer Merchandise Manager Store Manager	3
Woolworths	Woolworths	Full service	57	National	Retail Director	1
Foodland	Foodtown	Full service	29	North Island North Island	Category buyer Merchandise Manager	2
Liquorland	Liquorland	Full service	76	National	Merchandise Manager	1
Glengarry Hancock	Glengarry	Specialist liquor	12	Auckland Wellington	Retail Store Manager	1

These companies with their brands and categories in brackets are Danone NZ Ltd (Griffins biscuits), Heinz-Wattie Ltd (Watties canned and frozen foods), and New Zealand Milk Corporation (Anchor dairy products). These brands are all among the top ten New Zealand brands in terms of supermarket dollar turnover (Nielsen, 2001). The remaining participants supplied minor brands including Eta, Ngatarawa Wines, Sara Lee, and Moccona to supermarkets; although, in some categories these brands are market leaders.

Eight manufacturers and eight resellers provide interview data. The interviews range in length from 45 min to 1½ hours. The transcription process results in 170 pages of single-spaced data. Checking of the transcription printouts against the original audiotapes ensures the wording and meaning is accurately transcribed. Where sections of the tape are unclear, a further phone call to participants clarifies the relevant section of the transcript. These clarifications are mainly concerned with the brand names and jargon used.

The researcher sent transcript copies to each of the participants for verification as to the accuracy of the transcription. Before the analysis commences, the principal researcher reads a printout of each interview and then develops a thematic coding scheme based on the literature and analytical memos. Another coder, a colleague of the researcher, then verified this coding scheme. QSR N6 then analyzed the text files of the transcripts.

In this section the data analysis approach (Creswell, 1998) includes the analysis steps, the qualitative research tactics adopted and the QSR N6 procedure that corresponds with each step. An analytical framework details

Table 4. Manufacturer Participants.

Manufacturer	Brands	Channel	Brand Type	Distribution Coverage	Job Title	No. of Participants
Heinz-Watties	Watties	Grocery	Major	National	Business Unit Manager National Sales Manager	2
Danone	Griffins	Grocery	Major	National	National Sales Manager Marketing Manager	2
NZ Milk Corporation	Anchor	Grocery	Major	National	Marketing Manager	1
Sara-Lee	Sara-Lee	Grocery	Minor	National	National Sales Manager	1
Glengarry Hancock	Sacred Hill, Kim Crawford	Grocery/Liquor	Minor	Auckland	Key account Manager	1
Marketing Consultant	Ngatawara, Cuisine	Grocery/Liquor	Minor	National	N/A	1

Table 5. Qualitative Analysis Process.

Analysis Step	Research Tactic	QSR N6 Procedure
Create analysis frame work	Visualize analysis plan	Create nodes for base data and tree nodes for research questions
		Devise data weighting scheme
Create codes	Create coding scheme based on reading of transcript hard copy, literature, and research questions	Create a node for each code and place text that applies into node
Phrase study in words of participants	Locate commonly used words or phrases	Use text search procedure
Include relevant quotes in analysis	Identify representative quotes that provide evidence	Categorize into separate tree nodes
Create tables	Compare and contrast categories	Use index search and compare node function
	Print tables of relationships among the data	Use matrix table feature to examine linkages between nodes

both the coding scheme and an explanation of operational definitions used. Key phrases and quotes from the participants allow the development of major themes. Coding of the transcribed interviews allows the development of the conceptual model based on common categories within the data. Further examination of these categories or themes permits the identification of any relationships between the concepts (Miles & Huberman, 1994). The resulting data matrix explores these relationships providing an analysis of numerical patterns within the data. Table 5 includes a summary of this process.

A text unit analysis allows the determination of relative weighting of each theme within the dataset. The total number of text units coded in the dataset is 7,762. The relative weighting for each theme, including sub-themes is as follows:

- number of text units,
- percent weighting within the node or theme (Tw), and
- relative weighting within the dataset (Dw).

The report function for each node computes these data weightings. In addition, a text search allows the calculation of a frequency table of key words within a node. This step ensures that the theme reflects the language of the participants and the correct coding of all relevant texts.

A number of codes now emerge for each research question. The coding scheme for each question reflects the relevant constructs in the literature such as Webster (2000), Biong (1993), Ruekert and Churchill (1984), and Fairhurst and Fiorito (1990). Owen's criteria for thematic analysis (as Zorn & Ruccio, 1998 cite) helps analyze the transcribed text. The logic behind this type of analysis is to identify the issues in the words of the participants that they use to conceptualize relevant episodes.

Table 6 is a data display for the first theme in research question one. In the first column, the theme appears together with the node address in QSR N6. Next, the second column represents one sub-theme, with a data definition, followed by a sample quote in the third column. This quote has a

Table 6. Reseller Financial Benefits of Brands Theme.

Theme/Sub-Theme – Node Address	Definition	Sample Quote	Text Units – Theme/ Data Weighting
Financial Benefits Node 2 1 1	Brand influences a financial variable in reseller organization	Axxx or Txxxx, so we basically negotiated – put a tender up and said whoever's got *the cheapest price*, will have full ranging. [AD 270-272]	1,014 text units 100% Tw 13% Dw
Financial margins Node 2 1 1 1	Brand influences margin	It's usually in basic *gross margin*. The reality is that a brand will not be ranged, where it's only going to sit at number three or number four. If it's profitability is not 5–10 percent more than the number one or number two brand, because we have no reason to want to sell a product when number one and number two can offer us the sales. [LM 217-220]	807 text units 80% Tw 10% Dw
Price premium Node 2 1 1 2	This brand allows price premium to be charged	They give us the opportunity to perhaps *charge a little bit more for the brand*. They also may be willing to spend some more buying Persil. [LM 25-26]	160 text units 16% Tw 2% Dw
Lower price Node 2 1 1 3	Brand reduces reseller margins, often by price reduction	An example of that is the Penfold's release. Now they have their Penfolds xxxx I think they're making about 2 percent profit. And of course, we aren't going to *drop our price* to that. [JG 354-356]	569 text units 56% Tw 3.6% Dw

number identifying the participant and the relevant location of the text unit within the transcript. These identification codes are necessary to preserve the confidentiality of the participant's responses. In the final column the weighting of the theme/sub-theme within the transcripts is given. For each table the first row shows the total number of text units coded against a theme followed by the percentage of text units for the theme (Tw) and total dataset (Dw), respectively. The subsequent rows contain the sub-themes.

The first research question is what are the benefits of manufacturers' brands to resellers? The interview protocol asks participants, "What benefits they thought manufacturer brands had for resellers?" Then the participants indicated which benefits they thought are most important. The term "benefits" is more neutral than the word "value" which may have inadvertently implied a "value for money" focus. A further consideration is that these benefits are antecedents to the outcomes of the relationship. A theme had to be recurrent, occur in at least 75 percent of the interviews and relevant to the research question. Although there are many themes within the transcripts, the researcher only coded those frequently recurring and relevant themes.

The major themes that emerge from the analysis of research question one are reseller/margins and profitability, reseller benefits, and benefits relating to the resellers customers. The first theme reflects the respondent references to the financial benefits of the relationship. The second theme refers to non-financial manufacturer benefits that brands offered resellers such as advertising support, importance to the category and merchandising support. These first two themes are consistent with the analyses of Ruekert and Churchill (1984) and Fairhurst and Fiorito (1990). Reseller's consideration of their "customers" which also included references to brand equity reflected the third theme.

Table 6 includes the sub-themes within the "financial benefits" theme. Table 6 reflects both the manufacturer perceptions of the benefits for resellers and the resellers' view. Participants consider that the main financial benefits of brands for resellers are providing a good margin, the ability to charge a price premium, meeting product category or corporate benchmarks, and being able to stimulate sales or customer through promotional price reductions. For major brands, sales volume and margins had an inverse relationship. Increased sales volume is an important consequence of a price reduction reflecting both the ability to generate store traffic and how well resellers are faring in comparison to competitors.

Because of reseller competition, retailers often sell major brands below the cost price to attract customers. The rationale is that although resellers could lose money on a particular brand, an expectation is that customers would buy other profitable products in the store. Resellers sometimes apply pressure to manufacturers to offer a better deal to compensate for this loss. Manufacturers and resellers report that low pricing often alters consumer's expectations so that a return to normal pricing subsequently results in decreased sales. Resellers found loss leader pricing difficult to get out of in the long term, even though selling at lower prices increased sales volumes. On the other hand, resellers are wary of setting high retail prices for brands, as this could reduce potential sales volume. For a reseller to accept a minor brand manufacturers need to offer a better gross margin compared to other brands in that category. Minor brands should offer resellers an opportunity to improve category profitability. Both manufacturers and resellers recognize the need to manage margins, as price is an important marketing tool for resellers to attract customers.

The ability to charge a price premium is one of the key benefits of branding. However, these findings indicate that resellers determine a brand's retail price and that premium-pricing references in the dataset outweigh the comments about price reductions. Furthermore, only particular variants in the brand's range have premium pricing. For instance in the wine category, a brand could have different price points depending on the variant within the brand's range. Resellers mention selling one part of a brand's range at a low price while leaving other variants in the range at the premium price. The reseller benefits by attracting customers with low prices and providing the opportunity to sell other variants at a higher price. Premium-priced brands are usually high status or slower selling lines. As a manufacturer resource, brands offer resellers the ability to attract customers using a brand's price elasticity of demand. Minor brands and variants within the range offer the reseller a chance to improve the profitability of the category.

The second theme reflects the benefits that brands offered a reseller's business or product category (Dussart, 1998) other than financial benefits. The data display for this theme is in Table 7. Often resellers have to balance satisfying the demands of the customer with the need to optimize profit within the category (Broniarczyk, Hoyer, & McAlister, 1998). Manufacturer brands allow resellers to offer a wide assortment to their customers, as resellers cannot provide this entirely by themselves. Resellers did also mention supplementing the local manufacturer supplied brands with imported lines to satisfy the customer's need for an assortment. However, the shelf space allocated to a category often limited the assortment offered and as a result, slow selling lines are often subject to deletion. Some manufacturers comment that slow lines are difficult to get out of the "system." Reseller participants highlight the fact that major brands required

Table 7. Non-Financial Benefits Theme.

Theme/Sub-Theme – Node Address	Definition	Sample Quote	Text Units – Theme/ Data Weighting
Management Node 2 1 2	Brand influences reseller operations non-financial references other than consumer demand/brand	Usually you've got to actually have that *marketing pull* as well in that brand awareness, before it actually sells in the stores. It's actually really rare that you can just put something on a shelf and expect it to sell. [AD 153-157]	3,501 text units 100% Tw 45% Dw
More productive Node 2 1 2 2	Makes reseller resources more productive	Uxx is really good at putting the whole concept together, the packaging is good, the product is good, and it tasted excellent. The quality is *excellent and they are prepared to get in behind it and really meet the sales*. They'd spend the promotional money, advertised and created brand awareness. [AD 223-229]	1,379 text units 39% Tw 18% Dw
Category importance Node 2 1 2 3	Category importance to reseller	So that can be a negative effect because it's not growing those brands are not *contributing to the growth of the category*. [GA 376-377]	1,479 text units 42% Tw 19% Dw
Product assistance Node 2 1 2 4	Product assistance by manufacturer to reseller	Merchandising is an important function; that we have product in-store all the time and *we've got somebody maintaining stock levels, we don't* want empty shelves because we'll lose customers so it is important to have that merchandising in-store. [GA 247-249]	593 text units 17% Tw 8% Dw
Manufacturer support Node 2 1 2 5	Manufacturers commitment to promote brand	It's very important to have the right marketing, the *right advertising programs behind it*, rather than just price discount and the promotional support behind it; it actually creates awareness and people wanting the product. [AD 98-100]	965 text units 27% Tw 12% Dw

less effort to sell. The brand's marketing mix is a necessity by resellers and some resellers comment, "A brand rarely sells by itself." Brand advertising and support benefit the reseller through stimulating the product category.

Manufacturers also provide product assistance in the form of supply chain arrangements and sharing of market information. Despite the availability of scanning data, resellers often rely on the brand manufacturer providing information about market trends and collaborating on store shelf layouts. Resellers' store promotional programs to generate customer traffic are important, and brands are an integral part of that program. Participation in reseller promotions involves manufacturer resources such as cooperative advertising payments. The expectation is that manufacturers contribute to the reseller's program according to their brand's share of the market. Besides the store promotional program, resellers have other store promotions involving additional displays, which often take advantage of a manufacturer brand marketing activities such as a sponsorship of a particular event.

The marketing activities of the brand are an important resource for resellers reflecting the expertise of the manufacturer. Manufacturers also provide financial resources, including participation in the reseller's promotional program. Another firm resource benefit for resellers is the sales force (Capron & Hulland, 1999), which provides manufacturer personnel assistance to resellers often to support in-store brand promotional activity. Manufacturer's brands are also important in developing growth in the product category, which is an area where resellers did not have much expertise. This theme reflects the value of the manufacturer's product development processes that stimulate a product category. This process is a key aspect of creating customer value within the market-based assets framework of Srivastava et al. (1998) along with the CRM processes that are also of value to resellers.

The size of the product category is a key consideration for resellers. For instance, the wine category not only had a high dollar value, offering the reseller an above average margin, but also considerable sales growth. Brands in this category, therefore, often frequently feature in price promotions. The management benefits of brands identified by the participants relate mainly to reseller concerns about a brand's contribution within the product category. The respondents' comments do not reflect wider reseller organizational benefits such as more effective strategy implementation and improved supplier communications as found by Hogarth-Scott and Dapiran (1997), except for references to reseller's promotional programs.

This next theme captures the benefits of brands in assisting resellers to meet overall customer demand and the data display is in Table 8.

Table 8. Customers and Brands Theme.

Theme/Sub-Theme – Node Address	Definition	Sample Quote	Text Units – Theme/ Data Weighting
Customer Node 2 1 3	Benefits that brands bring for reseller's customers	The brands we sell are tools to *fulfill our customer' expectations*. [LM 372-373]	3,201 text units 100% Tw 41% Dw
Customer demand Node 2 1 3 1	Channel member specifically refers to consumer demand	By providing the end consumers with their wants and needs, the philosophy of our company is just that. So therefore, when *consumers* come to our stores, they *expect to see those key brands* in our stores. [GA 120-122]	1,136 text units 35% Tw 15% Dw
Customer-based brand equity Node 2 1 3 3	Explicit references to the brand the process of building demand or brand equity	Janola as an example, it's a household brand that everybody knows, it's just extended from a standard old common garden bleach to in the bowl and in the cistern, toilet cleaners, so they *bring all that sort of equity*. [LM 38-40]	2,483 text units 78% Tw 32% Dw

Participants regularly comment upon the requirement to satisfy the needs of their customers and frequently mentioned major brands that fulfilled this role for them. Essentially this third theme recognizes two aspects of brands that are of benefit to resellers. The first is looking out for the reseller's customer; the second is the capability of brands to generate store patronage.

Major brands are category captains, although some resellers are wary of a brand becoming too dominant, preferring to have more inter-brand competition within a category. Minor brands had a valuable role too, as these often provided the variety in the store assortment, particularly in high value product categories. A minor brand is also a source of countervailing power to major brands. One reseller mentions giving smaller brands a chance to build their business with their organization and those major brand manufacturers often took an arrogant attitude to the reseller relationship.

In summary, brands bring a number of benefits to the resellers. These are classifiable as financial, non-financial benefits (category management), and the value to the reseller in addressing demand of the reseller's customer that includes brand equity. The first two themes reflect aspects of the previous literature (Lassar, 1998; Biong, 1993; Ruekert & Churchill, 1984). However, the literature does not explore evidence from the third theme on the importance of brands to customers. Resellers are well aware of brand equity in terms of its relationship to customers with major and minor brands being of relevance to resellers.

The second research question investigates how these manufacturers' brand benefits influenced key reseller relational outcomes. To examine this question the search and compare function of QSR N6 analyzed the intersection between the coded nodes for sources of value and the relational themes. Comparison (matrix) tables show the overlap between the text units within the coding framework. These tables show the linkages between the sources of brand asset value (research question one) and relationship themes (research question two). This table shows that the non-financial and consumer benefits that include branding are more likely to associate with the relational outcomes than financial benefits. The next Table 9 shows that the benefits brands link to relationship outcomes. However, in many instances these relationships are likely to attribute more to the supplier of the brand than the brand itself. Resellers are more likely to cooperate with, depend on or trust a supplier on matters concerning the brand. In contrast, outcomes such as satisfaction and commitment are more readily attributable to the brand by resellers.

The analysis of research question two shows the relational impact of the brand market offering to resellers. The resources associated with the brand such as financial benefits, a brand's advertising and promotion, customer base, and branding strength influence on channel member satisfaction. Resellers assess how well a brand is performing in relation to decision making in terms of the end-customers, promotional program, and store layout. These decisions often involve a commitment of resources of behalf of the reseller such as the purchase of additional product volume. Satisfaction with the brand can lead to more reseller cooperation and commitment and reflects the satisfaction with the economic performance outcomes, which is a key aspect of the political economy paradigm (Robicheaux & Coleman, 1994).

Manufacturer brands provide value to resellers. This value to the reseller is the financial benefit themes, such as pricing and margins, and the non-financial benefit themes, which include manufacturer resources such as advertising, merchandise support, and category development. Another aspect, not fully addressed in the literature, is the value that brands offer the reseller's customer. This view of the brand offering is similar to the findings of Mudambi et al. (1997) which examined the wider benefits of branding to industrial purchasers. However, as both manufacturers and resellers have the same end-customer, then customer benefits become a further source of value for resellers. To answer the second research question, the qualitative

Table 9. Sources of Brand Benefits by Relationship.

Brand Value Theme – Node Address	Relationship Theme – Node Address	Sample Quote	Text Units – Theme/Data Weighting
Financial benefits 2 1 1	Satisfaction 2 3 4	If a supplier can lower his or her costs to us, then we can work our supply chain more efficiently and *that is a win for everybody*. [AD 130-134]	437 text units Tw 43% Dw 6%
	Commitment 2 3 1	The sales have dropped of the Sxxxx brand in Fxxxx and the buyer is concerned, *wants to look at how it can be fixed up*. [KB 370-374]	123 text units Tw 12% Dw 2%
	Trust 2 3 2	There are two things a reseller wants the first is *transparency* from suppliers, the second is a better deal than any one else. [LM 104-105]	45 text units Tw 5% Dw 0.5%
	Cooperation 2 3 8	It is *important to work with suppliers* because it is an investment on their side and is sometimes a cost to us but also an opportunity. [SBL 537-540]	90 text units Tw 9% Dw 1%
	Dependence 2 3 3	If you don't have a good relationship with Coke, then you probably *won't perform well* in the beverage category. [GA 201-204]	65 text units Tw 6% Dw 0.8%
Non-financial benefits 2 1 2	Satisfaction 2 3 4	We help the resellers set *mutual targets and budgets* for the year including a *promotional plan*. [SG 344-345]	1,118 text units Tw 37% Dw 14%
	Commitment 2 3 1	The bigger the brand, *the more likely they will be given opportunities to promote*. [LM 200-201]	376 text units Tw 12% Dw 5%
	Trust 2 3 2	They are able to offer *consistency* of supply consistency in their brand they have got a lot of money to spend on the brand. [GA 21-22]	203 text units Tw 7% Dw 3%

	Cooperation 2 3 8	The *reseller's involvement with a breakfast promotion* is worth $12 million to each of them and increases category consumption. [SB 232-235]	383 text units Tw 13% Dw 5%
	Dependence 2 3 2	The stronger the brand the *more likely they are going to use it* as a loss leader. [KB 509-510]	367 text units Tw 12% Dw 5%
Consumer benefits 2 1 3	Satisfaction 2 3 4	As for Coruba customers just know it and know we stock it, *you don't have to work for your dollar* with this one. [JG 418-420]	1,130 text units Tw 4% Dw 14%
	Commitment 2 3 1	We found out that consumers did not have any loyalty to a particular brand so we *negotiated an exclusive arrangement* with a supplier. [AD 267-273]	400 text units Tw 12% Dw 5%
	Trust 2 3 3	When we launched muesli bars, *they are happy for us to be in that market*, we arrived with all the information. [RN 238-241]	282 text units Tw 9% Dw 4%
	Cooperation 2 3 8	*Baileys is easier to work with* and it is what customers are actually looking for. [SBL 328-330]	276 text units Tw 9% Dw 4%
	Dependence 2 3 2	If we've a terrible relationship with the supplier, but the customers love the product *then we are not going to disadvantage our customers* because it is a difficult company. [AD 236-240]	382 text units Tw 12% Dw 5%

findings show that resellers recognize these brand benefits in terms of a long term or relationship perspective. The next section discusses the development of the conceptual model, from these findings.

The key finding from the qualitative analysis is that brands offer several sources of benefits to resellers. Both these qualitative findings and the literature, for example, Biong (1993) and Hogarth-Scott and Dapiran (1997) form the basis for the antecedents of reseller satisfaction with the brand. In the analysis of research question one; the third theme consists of reseller customer's benefits and brand benefits. As these benefits reflect two external relationships, that is, the customer with the reseller and the brand with the customer, these are as two separate constructs: brand equity and customer expectation in the model. In summary, these four constructs for the sources of brand benefits are financial benefits, non-financial benefits, reseller's perceived brand equity, and customer demand. The analysis of research question two shows that these benefit constructs are relevant to many aspects of the channel relationship including reseller satisfaction with the brand, commitment, and trust. The qualitative findings identify the benefits of manufacturer brands and establish their relevance within a B2B relationship. The next section discusses the development of a measurement model that reflects the benefits of manufacturer brands.

TESTING THE MEASUREMENT MODEL

This quantitative phase of the study validates the measurement model. The RBV and the market-based assets framework provide the foundation for the development of an integrative model that links brand equity to the outcomes of channel relationships with resellers. Both the channels and buyer–seller literatures inform the model, which show that firm resources such as brands are important in reseller relationships.

This section discusses the operationalization of the constructs based on the conceptual model developed previously. As the literature highlights, an integrated framework does not exist for this study. Therefore, the development of a conceptual model allows the measurement of the manufacturer brand benefits on reseller relational outcomes. Where possible this research utilizes existing scales, as scales for some of the constructs in the model already exist from previous studies.

The approach to developing marketing constructs follows the recommendations of Churchill (1979) and the procedures of Gerbing and Anderson (1988). The development of items for the antecedent constructs

Table 10. Model Constructs, Definitions, Items, and Sources.

Construct	Conceptual Definition	Construct Items	Scale Anchors	Source of Items
Financial benefits	The capability of the brand to offer financial benefits	Retail margin Sales volume potential Manufacturer allowances Retail selling price	Very low/high	Biong (1993) Qualitative phase
Non-financial benefits	Capability of the brand to enhance the resellers store operations	Advertising support Store promotion Manufacturer support Key part of category Additional choice in category Category importance Category information	Strongly agree/ disagree	Qualitative phase Biong (1993)
Brand equity	The reseller's expectation of the consumer brand equity	Expectation that customer will purchase based on price, quality, and product similarity	Strongly agree/ disagree	Qualitative phase Yoo et al. (2000)
Customer demand	Reseller's customer expectations of the store with respect to the brand	Concern not in store Concern not in range Popular with my customers Expect to find in-store	Strongly agree/ disagree	Qualitative phase Nilsson (1977)

stems from the reseller brand benefits findings. Table 10 summarizes the constructs and definitions used in the conceptual model. The first two columns show the construct and its conceptual definition derived from the literature and qualitative findings. The next column shows the items relevant to each construct, from the qualitative findings and previous scales. The last two columns of table contain the scale anchors that form the basis of the attitude rating and the sources of each scale.

The financial benefit items relate to the potential benefits that brands offer resellers from the participant's comments and key studies in the literature such as Ruekert and Churchill (1984). Four items represent this construct. The first three items, retail margin, manufacturer allowances, and price, are financial considerations, whereas the fourth, sales volume potential, reflected the ability of a brand to generate additional sales revenue for the reseller. When discussing price promotions, resellers emphasize sales volume potential in the qualitative interviews.

The manufacturer brand marketing mix items is the basis for the second construct, non-financial benefits for resellers. These items include consumer media advertising support, the value of manufacturer support of local advertising, and in-store displays. Merchandising support refers to the additional manufacturer services such as shelf filling and in-store promotion of the brand. The remaining items refer to the brand's role in the product category. What is its importance in the store range, importance in category growth, and does the brand provide additional choices for the customer? Finally, an item on the value of category information measures the supply by manufacturers of market information to resellers on trends and market share.

The third construct relates to the reseller's perception of brand equity. An existing scale measures overall brand equity (Yoo et al., 2000). This scale shows good reliability with successful replications by Washburn and Plank (2002). Essentially the items in this scale measured the consumer brand equity in comparison to another competing brand. For this study, the scale modifications result in asking resellers what they expected consumer preference would be if a competing brand is the same quality or is similar in some way. The literature also highlights the importance of retail price promotions. Thus, the inclusion of a further item measures what resellers expected consumer preference to be if a competing brand is at the same price. Another reason for using this scale is that the nature of the questionnaire focused on the brand itself. In essence, this scale captured the Keller (1993) definition of customer-based brand equity. For comparison, Baldauf, Cravens, and Binder (2003) use a similar approach when asking resellers to rate their customer expectations in relation to tile brands.

The fourth construct, customer demand, relates to the finding in the qualitative interviews about the importance of customer demand for resellers. Four items based on these findings measure this construct. These items relate to the reseller's expectations of customer behavior if the brand is or is not available in the reseller's range. One-item measures the reseller has perceived popularity of the brand with customers, another measures whether or not customers would complain if the brand were not available. The other items measure whether customers expect the brand to be in the reseller's range and the degree of customer concern if the brand is not available. Merchandise-buying studies, for example, Ettenson and Wagner (1986) and Nilsson (1977), question resellers about "consumer value" and only indirectly consider the reseller to end-customer linkage.

In summary, the operationalization of the constructs reflects both new scales and the use of existing measures where appropriate. The basis for the conceptual definitions for the manufacturer brand benefits are the qualitative findings, also supported in part by the findings of previous studies. These items also reflect the participants' comments in the qualitative phase of the study. Each measure asks the reseller to rate the relevant aspect of the brand in relation to other brands in the category. Thus, the questionnaire items focus on the brand's relativity within the product category. This approach is also consistent with the analytical modeling literature and current retail practice.

Two issues influence the choice of analytical method. First, the need to test the research propositions because of the literature review and the qualitative phase. Second, the qualitative findings from the previous chapter do not generalize to a wider population and preventing the inference of causal relationships. A causal research approach will validate the conceptual model developed from qualitative findings thus achieving generalizability. Two main research methodologies are suitable for causal research, surveys, and experimental designs. This section discusses the approach to test the conceptual framework with structural equation modeling (SEM) and is followed a discussion of the survey method.

The conceptual model contains a number of brand benefit constructs. These constructs consist of multi-item measures that influence the choice of research design and analytical approach. To test these measures, multivariate analysis techniques are necessary. A factor analysis often analyzes multi-item measures within constructs. Unlike a factor analysis where all variables load a factor, for this conceptual framework certain variables reflect a particular factor but not others. The qualitative findings show that certain variables are relevant only to certain constructs. Thus, a multivariate technique, SEM is appropriate. SEM allows (Hair, Anderson, Tatham, & Black, 1998) the measurement of these constructs individually through multi-item scales. This analysis contrasts with the approach of Biong (1993) who analyzes multiple dependent variables of satisfaction and commitment separately with multiple regressions. In addition, Biong also appears not to have conducted a factor analysis of the individual independent constructs in the regression. Thus, SEM offers an advantage, namely construct measurement and direct correction for measurement error not possible in Biong's approach.

To test and validate the conceptual model, the researcher collects data from resellers following the Steenkamp and van Trijp (1991) recommendations (SVT). SEM tests the conceptual model with field observations using interval scales to identify both measurement error in the constructs and structural error in the model. In addition, this approach allows the assessment of reliability and validity of each construct (Bagozzi, 1984). This procedure allows the assessment of both the empirical and theoretical meaning of the model. The first step determines the measurement model of the sources of brand benefits for resellers. Assessing the unidimensionality, convergent validity, discriminant validity, reliability, stability, and nomological validity then validates the conceptual model.

The process of choosing the quantitative method to collect the data for analysis by SEM is a consideration in the qualitative phase of this research. Ettenson and Wagner (1986) highlight difficulties in collecting reseller data. Participants in the qualitative phases agreed that resellers at the local store level would be able to respond to the types of questions addressed in this study. Thus, the survey method is the most appropriate means to obtain the data (Alreck & Settle, 1995).

Several alternative survey approaches are possible. However, the dispersion of supermarket resellers across a wide geographic area throughout New Zealand means this group is difficult to reach. The difficulty and cost of reaching these informants means that the use of a personal interview is not feasible. Telephone interviews are an alternative, but the logistics of interviewing resellers during business hours at a mutually convenient time of day, the length of questionnaire, and the potential negative impact on the response rate, meant this option too is not practical. The remaining two options are an electronic questionnaire administered via the internet or a mail survey. Email addresses are also not available for resellers. In addition, which resellers had individual internet access at their place of work was not clear and whether they would respond to an electronically administered survey. Therefore, an electronic survey approach is not practical. A fax survey is also not feasible because of the potentially low response rate and the likely poor quality of faxed survey material sent to respondents. This leaves the mail survey as the most practical means of obtaining a national sample of reseller opinion.

The advantages of mail surveys include being low cost and able to reach a wide geographic area. Respondents can take more time to answer the questions, eliminating potential interviewer biases. The key disadvantage with mail surveys is the low response rate and the necessity of following up non-respondents. Greer, Chuchinprakarn, and Seshadri (2000) identify a number of factors that can improve the response rate of B2B surveys.

To increase external validity, resellers will answer questions about the actual brands in their store range. This research approach is useful in brand equity research notably by Broniarczyk and Alba (1994) and Krishnan (1996). Channels research uses the survey methodology as the primary means of data collection (Phillips, 1999). The research design allows the researcher to obtain statistically independent measures of reseller's attitudes to brands based on the constructs within the model and to evaluate the data at an aggregate level.

Data Collection

This section outlines the data collection process. The discussion focuses on the internal and external validity of the design, followed by the brand selection, sampling, and questionnaire design. Assessment of the external validity of the research design requires the examination of various approaches in the literature. Branding research in industrial marketing emphasizes the supplier and purchaser dyad and examples include Mudambi et al. (1997) and Hutton (1997). Such research tends to focus on one brand supplied within a single product category, for example, Lassar (1998). Other research designs are more descriptive such as the approach of Michell et al. (2001) who questioned industrial managers about their attitudes to brands in general. These questions focus on aspects of brands such as the market leader or the favorite brand. However, this approach would not be valid in this instance, as supermarkets typically have from 3,000 to 10,000 items per retail outlet. As resellers are dealing with a wider range of brands, the use of more general brand questions would give descriptive rather than the causal data required. This approach also enhances the external validity of the research by ensuring that the measures refer to a common set of brands on which all informants could knowledgeably comment.

Choosing brands for the study that all supermarkets range also enhances the internal validity of the research. Other potential threats to internal validity in this research include history effects, the selection bias of respondents, and the instrumentation effects attributable to the questionnaire itself (Sekaran, 2000). History effects in this instance referred to whether the market position of the major or minor brand may have changed since the Young and Rubicam survey is completed. The A.C. Nielsen Market Information Digest independently verified a brand's market position. This information shows that the selected brands had not changed market position substantially during this period.

Allocating surveys on the relevant categories to the appropriate person responsible for that category within the store minimizes any selection bias. In addition, for each category set systematic allocation ensures a spread of surveys throughout the contact listing. To illustrate the allocation process for two categories: The first store on the list receives a questionnaire about a major brand in the first category and a questionnaire about a minor brand in the second category. The next store receives the questionnaire about the minor brand in the first category and the major brand in the second category. Repetition of this process occurs for the remaining stores/names in the category listings. Informants evaluate two unrelated brands, which achieves statistical independent measures of the major and minor brands in the product category. The use of identical survey questions across all brands minimizes instrumentation effects.

The reason for selecting both major and minor brands is to control for the possible effects of brand strength on the model. If these brand types are not identified the researcher is unable to be assess possible confounding effects in the data. Measuring several brands across different product categories also eliminated any selection bias that may have come from a single brand focus on one product category. Another potential threat to the integrity of the research design is sampling error. The research surveys the entire population of supermarket managers thus eliminating sampling error. Therefore, this survey is effectively a census of reseller attitudes toward the brand.

In the last section, informants comment on actual brands rather than on brands in general. Brands are, therefore, the unit of analysis. This approach is common in consumer branding research, but does not appear to be as common in channels or B2B research. Not only do the brands have to be competing brands within the category, but also the brands themselves are from different manufacturers. Selecting a competing major or minor brand from the same supplier within a category means the responses would be about an identical relationship with the manufacturer and could confound the results.

The next step in the research design is to select a valid set of competing brands with different contrasting levels of brand strength from available secondary data sources. There are several different sources for this information including the trade press, proprietary sources such as A.C. Nielsen, and external measures of consumer brands.

Young and Rubicam NZ Ltd provide the BAV asset ratings to the researcher covering 491 brands in the supermarkets sector. From each category, the rating selects two brands: one having a high BAV score which is the major brand and the other, a minor brand has a lower score. The second requirement is that these brands are widely distributed and are a part of every supermarket's range. To check the distribution for each brand the researcher visited each supermarket chain or phoned out of town chains. This check ensured that the supermarkets did have these brands in their range and resellers could knowledgeably comment on each question. As some of the brands are not available in some retail chains, this meant the elimination of several categories. These brands also had low BAV scores or minor brands. Thus, a combination of a brand's BAV rating and its general availability throughout the grocery trade determines brand selection within a product category.

This section focuses on several important considerations in sampling resellers. The first is the limited population of reseller buyers in many retail industries and second is to ensure the quantitative findings are consistent with the conceptual framework developed in the quantitative research. A further consideration is to achieve a good level of survey response.

In New Zealand, there are only 357 supermarkets in the grocery sector; however, the liquor sector, with approximately 200 outlets, is much smaller. Therefore, because of the large number of outlets relative to other retail businesses in New Zealand, the grocery sector is the retail industry for the survey. This choice of industry also built on the qualitative findings, which examined the grocery and liquor retail sectors.

The key informant method (Brown & Lusch, 1992) allows access of the reseller attitudes toward the brand. In this technique, the choice of the informants is because they have the expertise or knowledge of the research issues within an organization. This method ensures access to respondents that could meaningfully comment on the research questions. The key informant methodology is also an economical way of reaching potential respondents (Kumar, Stern, & Anderson, 1993).

Thus, knowledge of the relevant product categories determines the choice of which senior managers within each store. Each chain has slightly different ordering processes. For instance, Foodstuffs stores could either order directly though the Foodstuffs' warehouse or directly from the manufacturer, whereas Progressive stores could only order from their central warehouse. Foodstuffs' supermarkets have independent ownership as part of regional cooperatives, whereas Progressive stores are company owned. Thus, storeowners, store managers, and category managers responsible for the ordering of brands from each category within the store are the key informants for the survey.

Sending one large omnibus-type survey about 16 brands to a single supermarket could result in a high level of non-response. Therefore, to achieve a better response rate, the researcher uses several informants within a single supermarket with a focus on a more limited number of brands. These informants had specific buying responsibilities within each supermarket, for example. One buyer is responsible for the wine and beer categories. These individuals are more likely to be knowledgeable about the manufacturer relationship for their particular product categories.

The initial telephone calls to retail buyers found that buying responsibilities covered related categories within each supermarket. For instance, the buyer looking after the toothpaste category also typically looks after the shampoo category, a related category in the "health and beauty" section.

Therefore, the selection of related categories means that there is a range of categories that managers could comment on knowledgeably. Other possible categories are frozen and chilled foods. However, there is insufficient data in the BAV to select brands from these latter two categories.

The sampling frame for this research is a supermarket directory listing published by Review Publishing (FMCG, 2003). The supermarket directory lists each supermarket in New Zealand containing the names of storeowners or managers together with their address and phone contact details. A telephone call to each supermarket confirms the name of individuals responsible for ordering products for the relevant category. A search of the telephone directory also found details of any new supermarkets not on the list. This search serves as a check for any inaccuracies in the FMCG supermarket directory. Because of this check includes several additional store listings, which are mainly new store openings. Thus, the sampling frame represents a complete listing of all New Zealand supermarkets.

The administration of the mail questionnaire follows the Dillman (2000) procedure. Greer et al.'s (2000) suggestions are also included in the questionnaire administration to increase the response rate of the survey. Two considerations are important, first the questionnaire should be short and easy to complete and second should be relevant to the individuals concerned.

To ensure a good response rate the researcher implements following steps from Dillman's (2000) procedure. The first step includes a personalized covering letter, with the reseller's name and address. This letter outlines the survey benefits, the value of the reseller's opinion, privacy considerations, a closing date when replies are required, and a reply paid envelope. To encourage the response, a prize – draw where every returned survey had a chance of winning a prize – $200 of petrol vouchers. A short summary of the report's results is available to participants if requested. After four weeks, the non-replying respondents receive a follow up mail out.

The drafting of the questionnaire takes into account the informants, brands and categories, questionnaire objectives, method of communication, and the questionnaire length. The important considerations in drafting the questionnaire are the measurement scales, the general layout, wording, and an appropriate format for B2B research.

The telephone screening resulted in the names of at least four informants from each supermarket who could answer questions about the brands in the selected categories. Where this name is not available, the category buyer for the store received the survey covering letter. Each informant receives a survey package, consisting of two survey forms labeled either A and B, relevant to their category responsibility within a retail outlet. The survey package also contained a covering letter, an informant's participation sheet and a consent form. Each survey form had an identification code, which enabled the checking of informant non-response.

Survey form A contains questions about a major brand from a category and survey form B contains questions about minor brands from a different category. The printing of questions for each of the 16 brands on different colored pages, quickly communicates to informants that each survey form represents two different sets of survey questions. Each supermarket could receive up to four survey packages addressed to the buyer with relevant category responsibility within that outlet.

In the telephone screening, several stores did not have a liquor section so the number of surveys is low for the wine and beer categories. The study includes 1,404 survey packages across eight categories. There are eight groups of questionnaire combinations of major and minor brands (see Table 11). As an example, a reseller receives two surveys: one from group 1 on Colgate toothpaste, a major brand and the other on Alberto VO5 shampoo, a minor brand. The next reseller on the list received surveys from group 2: one on Pantene a major shampoo brand and the other Aim, a minor toothpaste brand. Thus, by informants from different reseller outlet complete the evaluations for the major and minor brands.

In drafting the questionnaire, the question content and wording, the response format, the structure or order of questions and the physical layout of the questionnaire are an important consideration. The questionnaire wording is simple and avoids ambiguity, leading questions, implicit assumptions, and generalizations. The items contain one thought or concept only avoiding double-barrel questions. These principles are important when

Table 11. Model Validation Steps.

Steps	Analysis
Choose input matrix	Prepare covariance matrix
Check assumptions of SEM	Missing data, normality, and sample size
Assess unidimensionality for each construct	Confirmatory factor analysis on total dataset
Cross-validation of measurement model	Confirmatory factor analysis on calibration/ validation datasets
Assess convergent validity and reliability	Construct reliability and variance extracted
Assess stability of measurement model	Confirmatory factor analysis of measurement invariance
Assess discriminant validity of measurement model	Construct reliability and variance extracted

designing and pretesting the questionnaire to ensure the use of familiar words and phrases to resellers.

An itemized rating scale measures one item. The advantages of this approach are the ease of construction and understanding by respondents. The number of categories in such a scale can range from five to nine points. A seven-point scale gives sufficient and meaningful distinction between the categories. Complete itemization of each scale is not possible because of space limitations on the questionnaire. However, all scales had at least three itemized points and most had five points. The seven-point scale is preferable over a five-point scale, as the ratings from these scales tend to be more reliable (Churchill & Iacobucci, 2002). Each scale has a neutral point and three positively and three negatively worded labels. These labels also have a numeric indicator ranging from one to seven. A rating of seven indicates strong agreement while a rating of one indicated strong disagreement with the items under consideration.

The study uses an odd rather than even number of scale points because there are circumstances in which respondents can validly adopt a neutral position. Consistent use of the seven-point scale throughout the questionnaire is also easier for respondents as they do not have to readjust to different scale items. A final reason for selecting seven-point scales is that these scales are suitable for data analysis using SEM.

Following the design of questions, the next step in the questionnaire design process is to structure the questions into a logical flow. Keeping the order logical, interesting, and reducing any position bias of the questions are important steps. The first section consisted of items about the sources of brand benefits. The stem of the first question is "How does (the brand) compare with other brands in that particular category on the following?" The first items on this stem answered by respondents related to the non-financial benefits. These items are of a more general nature and are easier for the respondents to answer, so are first on the survey form. Questions relating to the overall brand equity and the consumer benefit items followed next. The second section asks the reseller to rate the financial benefits of each brand. These items are more difficult to answer and ask the reseller to rate the brand compared to other brands in the category. This section also has a different rating scale ranging from very low to very high.

The last issue is the physical characteristics of the survey form. As the administration of questionnaire is by mail, the instructions to respondents needed to be self-explanatory. Highlighting these instructions in a different font distinguished them from the items and item response scales. The stem of the question uses a bold font. Each alternate item in the questionnaire has darker shading, so that the respondent could match the item to the correct area of the response scale. This step minimizes any respondent error in completing the survey form. The survey form is printed double-sided on one sheet over two pages. This layout has cost advantages, but more importantly conveys to the respondent that this survey would not take a lot of time to complete (Dillman, 2000).

Pretesting of the questionnaire eliminates possible weaknesses and flaws in the design. The first pretest is with resellers to refine the language of some questions, particularly the correct terminology and language used by resellers when referring to various retail processes. The second pretest is with an expert panel, including the researcher's colleagues from the marketing department of the University of Auckland. Potential users of the questionnaire then test the final version and make some minor changes to words and expressions used. As an example of the type of minor wording changes, resellers suggest that the term category rather than market information in item 5 of the questionnaire is more relevant.

This section outlines the data analysis strategy to analyze the responses to this survey. The selection of an appropriate data analysis strategy should take into account the research problem, the purpose and the underlying assumptions of the statistical techniques (Malhotra, 1996). Another consideration for data analysis is the use of a seven-point measurement scale. Because of its numbered scale points, this scale is an interval scale. The category labels also suggest that this scale has ordinal properties. The selection of LISREL 8.54 is because of its wide use SEM software in the business, social science and research methodology literatures. LISREL also allows the researcher to analyze the data either as an interval scale using covariance matrices or as an ordinal scale using matrices based on polychoric correlations.

A major issue with any measurement instrument is the ability to measure the item in question. The types of validity that concern researchers are content validity, construct validity, and criterion-related validity. Content validity is the degree to which the items within the construct measure the concept under study. To achieve content validity the domain of the construct needs defining (Churchill & Iacobucci, 2002) through the literature review, the results of the qualitative research, expert feedback, and questionnaire pretesting.

Construct validity measures how well the results obtained from the measures fit the theory. The assessment of construct validity uses the recommendations of Steenkamp and van Trijp (1991). Convergent validity assessment occurs through examining a construct's unidimensionality. Here, a confirmatory factor analysis (CFA) produces congeneric models for each construct. Inspection of the item-to-total correlations and the standardized residuals further refines each construct. In the case of the new scales, an exploratory factor analysis confirms the underlying factor structure.

The next step is to assess the within-method convergent validity and reliability of the constructs. Comparing calibration and validation samples enable this cross-validation of the model. This comparison in LISREL uses multi-group analysis that involves checking for differences by constraining various parameters within the model. Within-method convergent validity assessments occur by comparing the lisrel output between the calibration sample and validation sample specifically examining the significance of parameters and correlations of each item with the construct. The construct reliability and variance extracted for each construct uses the Fornell and Larcker (1981) formula.

Factor invariance tests assess the stability of the measurement model (Byrne, 1998). Here, the testing validity of the factor structure involves examining the invariant pattern of factor loadings, invariant factor covariances, and the equality of factor invariances. Next several tests including Fornell and Larcker's (1981) test assess discriminant validity, which compares the average variance extracted to the square of the correlation between the constructs. Criterion-related validity refers to whether the measures from different brand types behave as predicted.

SPSS 11.5 conducts some exploratory analyses such as frequency tables, correlations, comparison of means, cross-tabulations, assess missing data, compute reliability statistics, and for exploratory factor analysis. The PRELIS data preparation program assesses how well the data meets assumptions of multivariate analysis. PRELIS will also output the covariance matrix used by LISREL to test the model. A covariance matrix is preferable to a correlation matrix as the input for SEM providing a more valid comparison and a "true test of theory" (Hair et al., 1998).

The cleaning and screening of data involves editing, checking questionnaire completion, additional data coding, and the treatment of missing data. The first step in the editing process is to check the questionnaire response level and assess the store response. To compare the early and late responses (Armstrong & Overton, 1977) each questionnaire had a return date stamp. The next step is checking for the correct completion of the questionnaires. With any incomplete questionnaires, the researcher contacts the respondent concerned, to ensure the completion of any missing items.

The third step involves data coding; any missing data has the numerical code of nine. The corresponding scale number from one to seven coded by the respondent for each item is the numeric code used in the analysis. Additional coding for each returned survey enables further analysis on the representativeness of the survey. These codes include a respondent identification code, the brand, the category, brand type (major or minor), the supermarket chain, region and whether the response is from the first or second mail out. Data entry into SPSS is through Microsoft Access. This software allows for checking data entry for accuracy. Upon completion of the data entry, frequency distributions in SPSS enable checking for out of range responses and missing data. Then manual double-checking of every fifth database entry against the original questionnaire ensures the correct data input.

Next, the study includes an assessment of the level of missing data in the dataset. There are several approaches to dealing with this problem. These include deleting complete cases containing missing data, deleting the incomplete variables themselves, or using statistical imputation. SPSS analyzes the missing data to check if the data are missing completely at random (MCAR). If this is the case, an imputation method, expectation maximization, replaces any missing data.

It is important that the informants give their honest view on the questions. The covering letter to respondents emphasizes the confidentiality of replies. Reassurance is also necessary that the information given in the questionnaire is not available to any other person within the organization, the store, or their suppliers. A participation information sheet outlines the purpose of the research, research procedure, respondent selection process, and privacy protection. A separate consent form is included where respondents gave their voluntary consent to the research. If respondents have concerns, the covering letter advises them to contact either the researcher or the executive secretary of the ethics committee. To minimize the burden on respondents, the questionnaire includes only the questions necessary to address the research problem.

Data Analysis

The presentation of the survey results consists of two main sections. The first section consists of a preliminary analysis of the dataset, with measurement model development in the second section. The first section examines the respondent profile and survey response rate. Further preliminary analysis ensures the data is suitable for SEM. This step includes examining missing data, assumptions of normality, and the correlations between the questionnaire items. The second section covers the measurement model development for the "sources of brand benefits." CFA analyzes the questionnaire items for each of the constructs. The construct validation procedure of Steenkamp and van Trijp (1991) purifies these constructs. This procedure also assesses the unidimensionality, cross-validation, reliability, stability, and discriminant validity of each construct in the model.

The purpose of profiling and analyzing respondents is to establish a clear picture of those who answered the questionnaire and their representativeness compared to the total population of reseller personnel in the supermarket industry. The first mail-out results in 240 survey sets being returned, while the second follow up results in a further 186 sets. The total number of returned questionnaire sets is 426, an overall response rate of 30.3 percent. This response rate compares favorably with other reseller studies such as Lassar (1998), Baldauf et al. (2003), Kumar, Scheer, and Steenkamp (1995), and Biong (1993) who obtained response rates of 12, 20, 28, and 36 percent, respectively.

The total number of supermarkets in New Zealand at the time of the survey is 357. Therefore, 357 survey sets go to respondents for each of the first three category groupings. With the fourth category grouping, a number of supermarkets did not have a wine or beer section, due to local area liquor regulations. Therefore, the number of stores available to respond in this grouping is 333. Table 12 shows the response rate by category group returned. The highest number of responses is from the shampoo and toothpaste group, but the highest response rate is from the wine and beer grouping.

Deducting these unusable surveys resulted in 410 usable survey sets or 820 survey forms; an effective response rate of 29 percent. The number of usable survey forms for the first wave of responses is 456 and 364 for the second wave. The response to the survey indicates that there are sufficient observations to analyze the dataset with SEM. Hair et al. (1998) consider

Table 12. Response Rate by Category.

Category Groupings	Group	Number of Survey Sets Mailed Out	Survey Sets Returned	Response Rate (%)
Shampoo and toothpaste	1	357	124	34.7
Fruit juice and jam	2	357	90	25.2
Laundry powder and detergent	3	357	91	25.5
Wine and beer	4	333	121	36.3
Total		1,404	426	30.3

that samples of 100–200 are sufficient for SEM analysis. Sample sizes of 400–500 can be too sensitive resulting in poor goodness of fit indicators. While this is a potential problem in this dataset, $n = 820$, the opportunity exists to assess the effect of sample size on smaller samples such as the calibration and validation datasets. The other criterion is the number of parameters in the model compared to the sample size. Hair et al. (1998) states there should be a minimum of five observations for every parameter in the model. In this dataset, there are 19 items and a sample of 820 means that there are at least 40 observations per parameter. Thus, the sample size requirements for SEM meet both criteria.

To check the actual responses received are representative of the population of supermarket buyers. Using the Armstrong and Overton (1977) recommendations, the researcher compares the first wave of responses to the second wave to check for any differences in the questionnaire items. T-tests show whether there is any significant difference between the two waves of responses. The results reveal only 1 out of the 19 items in the questionnaire shows a significant difference at the $p < 0.05$ level, between the two waves. The significantly different item is "concern not in range." Given the differences in the brand stimuli inherent in the design, no other plausible reason exists for these differences with this item. The conclusion is that no major differences exist between the first wave of survey responses and the follow up second wave.

As the survey is a self-completion questionnaire, missing data is a potential source of survey error as there is no interviewer present to ensure that the intended respondents completed the survey correctly. The audit of the remaining usable 410 surveys showed some 24-survey forms are incomplete, having two or more questionnaire items missing. These respondents are recontacted to complete and return the form. Nineteen respondents returned the survey forms, leaving only five remaining surveys with missing data of two items or more. The level of overall missing data is low, with no items out of 19 having more than 2 percent missing data. Serious problems with a dataset occur when levels of missing data are above 5 percent (Tabachnick & Fidell, 2001).

There are several methods of dealing with missing data. These methods include list-wise deletion and pair-wise deletion. List-wise or complete case deletion effectively deletes all the cases with one missing observation. Pair-wise deletion occurs when the item is not included in the analysis of the variable in question but other observations in that case remain. The third method statistical imputation estimates the value of the missing variable based on other variables and cases in the dataset.

While list-wise and pair-wise deletion retains the reliability of the items in a dataset, the effect is to reduce the size of the dataset and eliminate potentially useful responses. Using list-wise deletion in this dataset results in a 15 percent reduction to 697 cases. Following the recommendations of Hair et al. (1998) a statistical imputation method, expectation maximization estimated replacements for the missing data. This method allows all the valid responses to remain in the dataset while estimating the missing values based on the variance within the variable. Expectation maximization calculates the estimated statistics for the missing data and then uses a maximum likelihood estimation to fill in the missing variables in the dataset. The analysis of the dataset using Little's MCAR test shows no significant difference between the complete cases and the cases with missing data. The results for this test are χ^2 (5,055) = 5,163, $p < 0.142$. The next section shows the survey responses by category and brand.

An analysis by region and supermarket chain shows an even representation of the supermarket chains and regions. There is a wide representation of brands across the eight categories in the dataset. In Table 13 the second column shows the total responses received, the third column is the response as a percentage of the total. In the fifth and sixth columns are the total

Table 13. Response by Category, Brand, and Brand Type.

Category	Frequency	% Total	Brand	Frequency	% Total
Toothpaste	118	14.4	Colgate	61	7.4
			Aim	56	6.8
Shampoo	118	14.4	Pantene	58	7.1
			Alberto VO5	60	7.3
Fruit juice	90	11.0	Just Juice	41	5.0
			Keri	49	6.0
Jam	85	10.4	Craigs	48	5.9
			Cottees	37	4.5
Detergents	89	10.9	Palmolive	40	4.9
			Morning Fresh	48	5.9
Laundry powder	83	10.1	Persil	45	5.5
			Reflect	38	4.6
Wine	123	15.0	Lindauer	64	7.8
			Penfolds	59	7.2
Beer	114	13.9	Steinlager	57	7.0
			Fosters	59	7.2
Total	820	100.0	Major Brand	414	50.5
			Minor Brand	406	49.5

supermarket numbers and percentage from A.C. Nielsen (Nielsen, 2001) for comparison. This table shows a slight bias that the responses to the survey toward the independently owned supermarkets such as the New World and Pak'nSave chains and the North Island. However, Table 14 shows the overall response by supermarket chain is close to the Nielsen profile. In summary, these tables show the dataset has a wide spread of categories, brands, supermarkets, and regions. The overall survey response is, therefore, representative of reseller buyers in the New Zealand supermarket industry.

Normality is important as the presence of non-normal data affects the choice of estimation method in SEM. PRELIS tests these variables at a univariate level for skewness and kurtosis. The Z-score threshold level for skewness is 2.0 and for kurtosis is 7.0. There is some evidence of skewness in the dataset; however, there is little kurtosis with no variables having a Z-score value of greater than 7.0. Curran, West, and Finch (1996) consider that datasets with both skewness over 2.0 and kurtosis over 7.0 are extremely non-normal should use weighted least squares estimation. Overall, the data are moderately non-normal. Hence, the maximum likelihood estimation procedure can be used which is robust to moderate violations of the normality assumption (Curran et al., 1996). Furthermore, the parameter estimates in SEM are generally unaffected by non-normality (Sharma, 1996).

In summary, the data cleaning ensured the accuracy of the observations into the dataset. The data screening identifies and addresses the response

Table 14. Response by Region and Supermarket Affiliation.

Region/Supermarket	Responses	Response (%)	Supermarket Nos.	Supermarket (%)
Auckland Province	381	47	113	32
Rest of North Island	194	24	91	25
South Island	245	29	153	43
New World	364	44	127	35
Pak'nSave	114	14	34	10
Write Price	18	2	7	2
Foodtown	53	7	29	8
Countdown	80	10	32	9
Woolworths	82	10	61	17
Supervalue	32	4	30	8
Big Fresh	28	4	9	3
Price Chopper	33	4	19	5
Others	16	2	19	5
Total	820	100	357	100

Source: Field Data, Statistics New Zealand/A.C. Nielsen.

rate, missing data, outliers, and non-normality. A survey achieved good level of response, when comparable reseller studies are considered. The sample size is sufficient for SEM analysis and representative of supermarket resellers. Moderate skewness is evident in the dataset; but enables the use of the maximum likelihood procedure in SEM. To assist the interpretation of the item labels in the next section, appendix provides a guide to items used and their labeling in the subsequent tables.

Table 15 reports the summary statistics for the manufacturer brand benefit items. Appendix shows a listing of the item labels and the corresponding question. This table shows that the reseller ratings are significantly different for major compared with minor brands at the $p<0.00$ level. The reseller ratings for the major brands are higher as expected than for the minor brands. However, for the financial benefits measure no differences exist with respect to retail margin a finding that contradicts earlier indication from the qualitative findings. Overall, though reseller regard major brands more highly on the brand benefit measures.

Table 15. Mean Scores, Standard Deviations – Sources of Benefits by Brand Type.

Exogenous Constructs	Items	Mean (Std. Dev.) All Brands	Mean (Std. Dev.) Major Brands	Mean (Std. Dev.) Minor Brands
Financial benefit	Retail margin	4.2 (1.2)	4.1 (1.4)*	4.2 (1.0)*
	Sales volume potential	4.7 (1.3)	5.3 (1.1)	4.0 (1.1)
	Level of discounts	4.4 (1.3)	4.7 (1.1)	4.0 (1.3)
	Retail selling price	4.4 (1.1)	4.6 (1.0)	4.2 (1.0)
Non-financial benefit	Advertising support	4.7 (1.6)	5.6 (1.1)	3.8 (1.4)
	Part of store advertising	4.8 (1.5)	5.4 (1.3)	4.2 (1.4)
	Merchandising support	4.7 (1.6)	5.1 (1.5)	4.3 (1.5)
	Key part of range	4.9 (1.6)	5.8 (1.1)	4.0 (1.5)
	Category information useful	4.5 (1.2)	4.8 (1.2)	4.2 (1.3)
	Key brand in category growth	4.8 (1.4)	5.4 (1.1)	4.1 (1.4)
	Additional choice	5.2 (1.1)	5.5 (1.0)	5.0 (1.1)
Brand equity	Brand equity quality	4.2 (1.4)	4.8 (1.3)	3.6 (1.2)
	Brand equity price	4.2 (1.4)	4.7 (1.4)	3.6 (1.2)
	Brand equity not different	4.3 (1.2)	4.8 (1.2)	3.8 (1.1)
	Brand equity prefer	4.4 (1.3)	5.0 (1.2)	3.8 (1.1)
Customer benefit	Expect in store	5.4 (1.3)	6.1 (0.9)	4.7 (1.2)
	Concern not in range (R)	4.9 (1.7)	5.7 (1.5)	4.1 (1.5)
	Complain, if not there	5.3 (1.5)	6.0 (1.1)	4.5 (1.3)
	Popular with customers	5.0 (1.4)	5.7 (1.0)	4.2 (1.4)

Note: Items measured on 7-point scales the higher the rating, the more favorable. R = reverse scored item, $n = 820$. *Difference not significant $p<0.05$.

MEASUREMENT MODEL

This section details the development of the measurement models and follows the approach of assessing structural models advocated by Anderson and Gerbing (1988).

This analysis includes the following steps. First, the study includes a complete analysis of the items in the full dataset followed with an assessment of the fit indices. This item analysis, using SPSS 11.0, shows the coefficient alpha, adjusted item-to-total correlation, together with the initial estimates of the squared multiple correlations (SMC), factor loadings, and *t*-values for each construct. The ordinal properties of the dataset are then compared to the initial analysis that assumes the data is interval scaled. The re-specification of the model involves an inspection of these fit indicators, as well as consideration of the standardized residuals and modification indices for each item in relation to its construct.

After deciding that a satisfactory fit of the model to the data exists, then calculation of the composite reliability and variance-extracted estimates proceeds for each construct. This calculation allows consideration of the unidimensionality, reliability and convergent validity, followed by assessments of cross-validation, stability, and discriminant validity. As part of this process, the researcher randomizes the dataset. Next, the production of a calibration and validation dataset occurs after splitting the dataset into two. Every second response becomes the calibration dataset and the remaining data becomes the validation dataset.

Evaluation of the models whether they are congeneric, measurement or structural, follows established criteria in the literature (Bagozzi & Yi, 1988). These criteria include assessments of preliminary fit, such as factor loadings, standard errors, overall model fit, and the fit of the internal structure of the model. The χ^2 statistic evaluates a structural model but is sensitive to large samples. Hair et al. (1998) consider that normed χ^2 values of between 2.0 and 5.0 show a good fit of the model to the data. Table 16 summarizes the criteria for acceptable model fit.

Next, there is an assessment of unidimensionality then assessing the stability of the measures using the calibration and validation datasets. CFA tests the unidimensionality of the brand benefit constructs. An inspection of the correlations and the item-to-total correlations shows that some items do not load well on to their particular construct. Items not having a corrected item-to-total correlation of greater than 0.5 are candidates for deletion. As shown in Table 20, all items had significant factor loadings with *t*-values exceeding 1.96. Three constructs have high alpha coefficients, but the fourth, financial

Table 16. Criteria for Evaluating Structural Model Fit.

Criteria	Acceptable Fit
Goodness-of-fit (GFI)	>0.90
Adjusted Goodness-of-fit (AGFI)	>0.90
Comparative-goodness-of-fit (CFI)	>0.95
Non normed fit index (NNFI)	>0.90
Probability value for χ^2	$p>0.05$
Normed χ^2 (χ^2/df)	Between 1.0–2.0
Composite reliability	>0.700
Variance extracted	>0.500
t-test for convergent validity	$t>1.96$
RMSEA	<0.08

benefits had two items that did not load well on to this construct and an alpha coefficient of less than 0.7. Some further items have SMCs of less than 0.5 that means the construct explains less than half the variance in the item.

Based on the item-to-total correlations, three financial items, and one customer benefit item are candidates for deletion from the model. The inspection of the measurement model fit revealed the indices are below accepted thresholds: χ^2 $(146) = 920$, $p = 0.000$, $\chi^2/\text{df} = 6.3$, GFI $= 0.89$, AGFI $= 0.86$, CFI $= 0.98$, NNFI $= 0.98$, and RMSEA $= 0.08$.

Inspection of the standardized factor loadings, confirms the initial observation that several items do not load satisfactorily on to the appropriate factor. These are the financial benefit items, retail margin, and retail-selling price that all have low item-to-total correlations. In addition, several items in the non-financial benefit category also had low factor loadings; these are "merchandising support," "category growth," and "additional choice." These items also have low SMCs, which indicate that only a small percentage of these items' variance explains the non-financial benefit factor. Table 17 shows the pattern of standardized residuals also reveals several items exceed $|2.58|$ which indicates misspecification, including these items loading on to other factors.

A high correlation between the non-financial benefits and the customer benefit constructs is another problem. A comparison of the square of this correlation with the variance extracted revealed a lack of discriminant validity between these constructs. As a result, eight items are removed from the four-factor measurement model, because of low item-to-total correlations and high-standardized residuals. The eight items removed are the four financial benefit indicators, popular with customers from the customer benefits factor, merchandising support, category information, and additional

Table 17. Item Analysis Sources of Brand Benefits Construct.

Construct	Items	Coefficient α	Item-to-Total Correlation	Sq. Multiple Correlation	Std. Factor Loading	*t*-Value
Financial benefits	Retail margin	0.63	0.43	0.08	0.23	7.7
	Sales volume potential		0.35	0.67	0.85	26.3
	Level of discounts		0.53	0.47	0.65	21.0
	Retail selling price		0.32	0.08	0.27	7.9
Non-financial benefits	Advertising support	0.88	0.71	0.58	0.76	25.3
	Part of store advertising		0.66	0.50	0.71	22.7
	Merchandising support		0.57	0.34	0.57	17.8
	Key part of range		0.80	0.82	0.91	33.0
	Category information useful		0.55	0.31	0.55	17.0
	Key category growth		0.80	0.76	0.87	31.0
	Additional choice		0.56	0.36	0.60	18.6
Brand equity	Brand equity quality	0.92	0.83	0.77	0.88	31.4
	Brand equity price		0.84	0.79	0.89	32.2
	Brand equity not different		0.76	0.64	0.80	27.0
	Brand equity prefer		0.84	0.78	0.89	31.9
Customer benefits	Expect in store	0.74	0.74	0.81	0.78	26.4
	Concern not in range (R)		0.59	0.61	0.90	32.8
	Complain, if not there		0.69	0.75	0.87	30.9
	Popular with customers		0.42	0.78	0.88	31.9

Note: R = reverse scored item, $n = 820$.

choice from the non-financial benefits factor. The removal of these items results in an 11 item, three-factor measurement model in Table 22.

Following this initial item analysis, these remaining measures are subject an exploratory factor analysis as two of the constructs use scales developed for this study. The exploratory factor analysis uses principal axis factoring and oblique rotation in SPSS 11.0 with the results (see Table 18). All items in this three-factor model exhibit high factor loadings greater than 0.5 and high communalities between 0.57 and 0.86. The factor solution accounts for 80 percent of total variance and had a KMO measure of sampling adequacy of 0.94.

The results of the CFA for three-factor measurement model show the fit indices above accepted thresholds (Bagozzi & Yi, 1988; Hair et al., 1998). This re-specified model gives a better fit to the data: χ^2 (41) = 216, $p = 0.000$, $\chi^2/\text{df} = 5.3$, GFI = 0.95, AGFI = 0.92, CFI = 0.99, NNFI = 0.99, and RMSEA = 0.072. An inspection of the SMCs showed these range from 0.51 to 0.86. Given these results, a conclusion is that the brand benefit items in this measurement model are one-dimensional with respect to the relevant construct.

Table 18. Exploratory Factor Analysis – Sources of Brand Benefits Constructs.

Items/Construct	Non-Financial Benefit	Brand Equity	Customer Benefit
Advertising support	**0.77**	−0.02	0.02
Part of store advertising	**0.79**	0.17	0.02
Key part of range	**0.67**	−0.04	−0.24
Key category growth	**0.57**	−0.20	−0.14
Brand equity quality	0.09	**−0.88**	0.09
Brand equity price	0.10	**−0.89**	0.10
Brand equity not different	−0.07	**−0.75**	−0.12
Brand equity prefer	−0.09	**−0.84**	0.15
Expect in store	0.22	−0.06	**−0.55**
Concern not in range (R)	0.04	−0.02	**0.89**
Complain, if not there	0.03	−0.04	**0.85**
% of cumulative variance	64	74	**80**

Note: N.B., pattern matrix is shown. R = reversed scored item.

Factor loadings demonstrate convergent validity when they are of sufficient magnitude and are significant (Steenkamp & van Trijp, 1991). Another requirement is that the overall fit of the model is acceptable. All standardized factor loadings range from 0.71 to 0.93 and are significant with t-values ranging from 25.4 to 34.3 exceeding the t-statistic threshold of 1.96 at $p < 0.05$. Although the normed χ^2 and p-values are significant and indicate poor fit, these indices are sensitive to sample size. The other indices show good fit of the model to the data and provide evidence of convergent validity of the items for each construct.

The next step is to calculate the construct reliability of each construct using the Fornell and Larcker (1981) formula. This measure indicates the internal consistency of the items within the construct. A threshold level for this measure is 0.70 (Hair et al., 1998). Construct reliability for the non-financial benefits is 0.86, for brand equity is 0.92 and for customer benefits is 0.93. The brand equity scale (Yoo et al., 2000) overall brand equity measure which shows a construct reliability of 0.93. These constructs for the "sources of brand benefits" indicate excellent reliability.

The next step assesses the stability of the exogenous measurement model using two equal datasets (Diamantopoulos, 1994) for calibration and validation as per SVT's recommendations. To check whether the deleted responses from the measurement model hold true within the dataset or are just due to chance, this analysis retains the deleted items. The calibration dataset confirms the initial estimation including the pattern of factor loadings for the deleted fourth factor. The model fit indices for four-factor estimation are χ^2 (146) = 554, $p = 0.000$, GFI = 0.87, AGFI = 0.84, CFI = 0.98, NNFI = 0.98, and RMSEA = 0.083. Therefore, the analysis proceeds with the re-specified three-factor model tested with both the calibration and validation samples.

The calibration and validation samples also allow cross-validation of the measurement model and the assessment of within-method convergent validity and reliability. In Table 19 the calibration dataset shows a better fit of the model to the data. Similarity in the patterns of factor loadings between the datasets indicates within-method convergent validity and reliability and shows confidence in the three-factor measurement model. The three-factor model is therefore valid for both samples. This analysis also shows that fit indices improve when the model estimation has a smaller sample size.

A multi-group analysis of both samples tests for invariance of the parameters assessing the stability of the three-factor measurement model. Then sequential χ^2 tests compare each of the nested models to a base model. The fit indices for estimation of the base model are χ^2 (82) = 261, $p = 0.000$, CFI = 0.99, NNFI = 0.99, and RMSEA = 0.073. The testing of the nested

Table 19. Cross-Validation – Sources of Brand Benefits Measurement Model.

Construct	Item	Calibration ($n = 409$)		Validation ($n = 411$)	
		Std. Estimate	t-Value	Std. Estimate	t-Value
Non-financial benefits	Advertising support	0.78	18.3	0.75	17.5
	Part of store advertising	0.74	17.1	0.68	15.3
	Key part of range	0.92	23.8	0.92	23.7
	Key category growth	0.88	22.1	0.84	20.7
Brand equity	Brand equity quality	0.88	22.3	0.88	22.2
	Brand equity price	0.89	22.7	0.89	22.6
	Brand equity not different	0.80	19.2	0.80	19.0
	Brand equity prefer	0.88	22.3	0.89	22.5
Customer benefits	Expect in store	0.80	19.2	0.76	17.7
	Concern not in range	0.94	24.6	0.92	23.4
	Complain, if not there	0.90	23.0	0.89	22.8
Fit indices	χ^2 (df = 41)	94	p-Value	167	p-Value
	χ^2/df	2.3	0.000	4.1	0.000
	RMSEA	0.056		0.087	
	GFI	0.96		0.93	
	AGFI	0.94		0.94	
	CFI	0.99		0.98	
	NNFI	0.99		0.98	

models follows the example of Byrne (1998). To test for invariance, the factor loadings (lambda X matrix) between the calibration and validation samples are constrained to be equal in model 2. As the difference in χ^2 statistic between model 2 and the base model is not significant, the conclusion is that the factor loadings are the same across both samples. The model 3 comparison examines the simultaneous invariance of the factor loadings and the error covariances. Here, the factor loadings and error covariance (theta–delta matrix) are both invariant and show no significant differences between the samples. The next comparison examines the variances between the factor loadings and the factor covariance in model 4. Here, the lambda X matrix is invariant and the phi matrix is constrained to be equal. As the difference in χ^2 statistic between models 2 where lambda X is also invariant and model 4 is significant, the conclusion is that differences exist in the factor covariances across these samples. Finally, model 5 simultaneously tests the factor loadings, factor covariances, and error variance for invariance. The differences between this model and model 4 are not significant. Overall, the invariance tests in Table 20 show no significant differences between the base model and the constrained models except for the differences in factor variances in model 4. The meaning of the constructs, the individual items, and the reliability of the brand benefits construct are stable within the total dataset.

The measurement model calculations assume that the data is a continuous scale or interval. However, the Likert scale has ordinal properties, as the scales have labels. Reanalysis of the CFA for the brand benefits as an ordinal scale assesses the possible impact of the scale type on the LISREL

Table 20. Invariance Tests – Sources of Brand Benefits Constructs.

Model	Competing Models	χ^2	df	$\Delta\chi^2$	Δdf	χ^2 $p<0.05$	Model Comparison	Significance at $p<0.05$
1	Base model	261	82	–	–			
2	Factor loadings invariant	264	90	3	8	15.5	1 and 2	Not significant
3	Factor loadings and error variance invariant	274	101	13	11	19.7	2 and 3	Not significant
4	Factor loadings and factor variance invariant	282	96	18	6	12.6	2 and 4	Significant
5	Factor loadings, error variance and factor variance invariant	293	107	9	11	19.7	4 and 5	Not significant

output. This reanalysis uses both a correlation matrix and an asymptotic covariance matrix in place of the covariance matrix, as the input to the model (Byrne, 1998).

The inspection of the three-factor model fitted to the ordinal data reveals that the pattern of fit indices largely reflects the findings with the continuous data. The fit indices are Santorra-Bentler χ^2 (146) = 26, $p = 0.000$, GFI = 0.83, AGFI = 0.78, CFI = 0.96, NNFI = 0.95, standardized RMR = 0.06, and RMSEA = 0.000. This shows that the ordinal dataset does fit the model better on some indices such as the χ^2 statistic; however, the GFI and AGFI are still below accepted thresholds, as is the case in the interval scaled estimates. Subsequent analyses on the dataset such as the assessment of stability using multi-group analysis require the use of a covariance matrix. Therefore, subsequent analyses treat the data as continuous or interval scales.

The next step assesses the discriminant validity of the measurement model using the procedure outlined by Fornell and Larcker (1981). These authors recommend comparing the average of the variance-extracted estimate with the square of the correlation between any two constructs. The calculation of the variance-extracted estimate follows the formula given in Hair et al. (1998). Discriminant validity occurs when the variance-extracted average exceeds the square of the correlation of the construct. These results of these calculations are in Table 21.

The average variance extracted exceeds the correlation squared in two of the three constructs, non-financial benefits and brand equity, customer benefits and brand equity, but not between customer benefits and non-financial benefits. As only two of the three constructs show discriminant validity, two additional tests are undertaken (Arnold & Reynolds, 2003). The first test based on Anderson and Gerbing (1988) is that correlation between

Table 21. Discriminant Validity -– Sources of Brand Benefits Constructs.

Construct	Variance Extracted	Brand Equity Average Variance Extracted	Brand Equity Squared Correlation	Customer Benefits Average Variance	Customer Benefits Squared Correlation
Non-financial benefits	0.67	0.71	0.55	0.72	0.75
Brand equity	0.75	–	–	–	
Customer benefits	0.76	0.76	0.53	–	

the factors plus the two times the standard error must not include 1. This calculation shows the confidence level of the correlation of customer benefits and non-financial benefits is 0.87 ± 0.012, which is between 0.882 and 0.85. This confidence level does not include 1, which demonstrates discriminant validity. The second test sets the correlation between these two factors to 1 and checks for any significant change in the χ^2 statistic for the overall model. The fit indices from the second test are χ^2 (44) = 963, $p = 0.000$, RMSEA = 0.16, GFI = 0.83, and CFI = 0.93. The change in the χ^2 statistic equals 748, which is significant in comparison to the threshold χ^2 statistic (χ^2 (3) = 7.8 at $p < 0.05$). This test shows that this re-specified model did not fit the data well and again confirms the discriminant validity between these two constructs: customer benefits and non-financial benefits. The next section considers alternative measurement models for the sources of brand benefits.

Following the discussion of discriminant validity, another model possibility is a two-factor model consisting of the brand equity construct (four items) and seven items combining the reseller benefits and customer benefit constructs. Estimating this model provides a further test of discriminant validity (Bagozzi, Yi, & Phillips, 1991). Results of this estimation are χ^2 (43) = 1,727, $p = 0.000$, RMSEA = 0.219, GFI = 0.72, and CFI = 0.93. The change in χ^2 statistic is 1,512 compared to the three-factor model and is significant when compared to the χ^2 statistic threshold (χ^2 (1) = 3.8 at $p < 0.05$). Thus, the two-factor model does not fit the data at all well.

The results of the measurement model in Table 22 show that a three-factor model for the sources of brand benefits provides the best fit to the data, confirming the multidimensional nature of the construct. Three constructs non-financial benefits, overall brand equity, and reseller customer benefits are the key dimensions of sources of brand benefits.

Given the purification that has occurred in the development of the measurement model, re-labeling of these constructs better reflected the meaning of the remaining 11 items. Thus, the non-financial benefits construct is now "manufacturer support," and customer benefits are now "customer expectations." This re-labeling also recognizes the source of the brand benefits for resellers.

The measurement model in Fig. 2 has high construct validity, shown by unidimensionality, items loading onto the theorized construct, item-to-total correlations, and coefficient alpha estimates. Composite reliability and variance-extracted estimates show strong reliability. High factor loadings for the items all have significant t-values demonstrating high convergent validity. Discriminant validity between the three constructs is evident as the

Table 22. Measurement Model Summary – Sources of Brand Benefits.

Construct	Items	Coefficient α	Construct Reliability	Variance Extracted	Std. Factor Loading	Sq. Multiple Correlation
Manufacturer support	Advertising support	0.88	0.86	0.67	0.76	0.59
	Part of store advertising				0.71	0.51
	Key part of range				0.91	0.84
	Key category growth				0.86	0.74
Brand equity	Brand equity quality	0.92	0.92	0.75	0.88	0.78
	Brand equity price				0.89	0.79
	Brand equity not different				0.80	0.63
	Brand equity preference				0.84	0.78
Customer expectations	Expect in store	0.89	0.93	0.76	0.78	0.61
	Concern not in range (R)				0.93	0.86
	Complain, if not there				0.90	0.80

Note: Fit indices: $\chi^2(41) = 216$, $p = 0.000$, GFI = 0.95, AGFI = 0.92, CFI = 0.99, NNFI = 0.99, RMSEA = 0.072. R = reverse scored item.

result of several established tests. The invariance tests show the stability of the factor loadings, factor and error variances.

DISCUSSION

This section discusses the implications of the findings. First, this section provides an overview of the study, then the research findings, followed by the contribution to knowledge including methodology. Next, the implications conclude the chapter. This research project examines the value of manufacturers' brands to resellers and the value of brands within buyer–seller relationships. The topic is important because brands have "trade leverage" for the manufacturer within channels. Despite this view, some commentators maintain that manufacturers are losing ground to resellers who have more channel power. Retailing practice, previously more adversarial, is now more collaborative. This collaboration involves a more integrated approach and the sharing of resources between manufacturers and resellers (Duke, 1998). There is very little research on the value of brands in inter-organizational relationships involving resellers.

The literature shows that an integrative theoretical framework did not exist to address this research problem. The brand equity conceptualization of Keller (1993) is of more limited value when considering brands from the

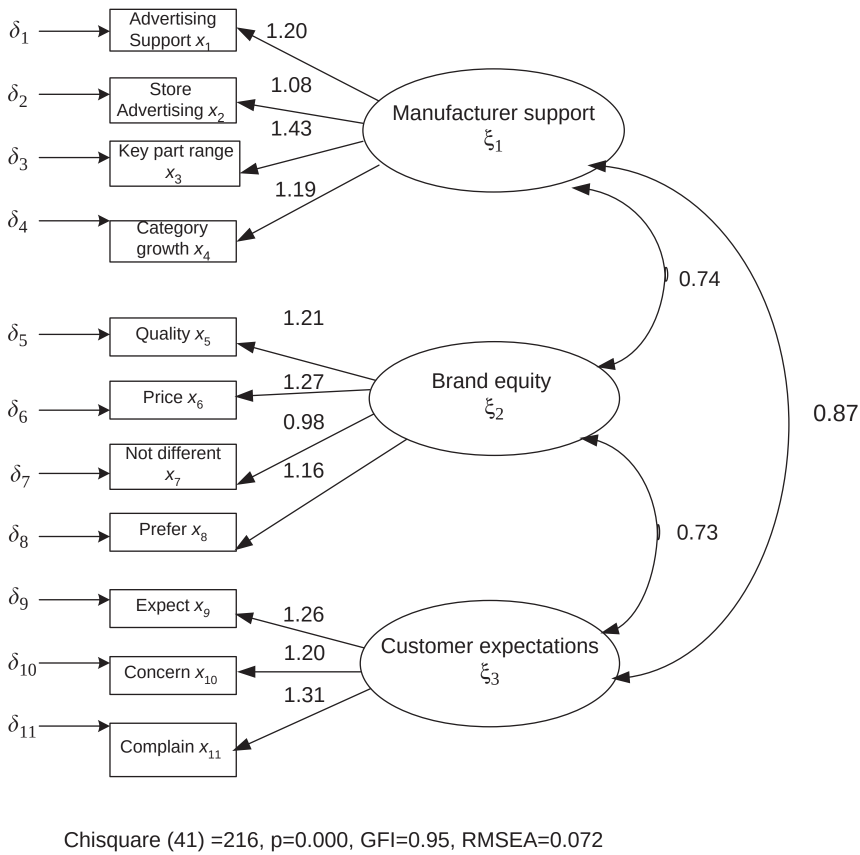

Fig. 2. Manufacturer Brand Benefits Model.

reseller's point of view. Many researchers, however, assume the customer-based perspective of the manufacturer also applies to resellers as they both have the same end-customer. This assumption reflects much of the B2B research on branding. Research into the value of brands to firms has focused on the shareholder or financial value resulting from customer preference or loyalty, but has not addressed the effects of value creation both within and outside the firm (Doyle, 2001). Therefore, the predominant source of brand value to firm's results from communication-based marketing activities directed at consumers (Keller & Lehmann, 2002; Park et al., 1986). However, these customer-based brand perspectives do not explain the value of brands within channels.

The market-based assets framework addresses this problem by considering the role of firm processes such as supply chain management, customer relationship management, and product development in the creation of value (Srivastava et al., 1998). The basis of this framework is the RBV theory of the firm, in which the brand is an intangible firm asset (Sharp, 1995). From a RBV perspective, research has shown that firms create value in buyer–seller relationships by sharing resources through investment and collaboration (Dyer & Singh, 1998; Jap, 1999).

Webster considers that manufacturer brands offer a range of customer, organizational, and performance benefits to resellers. Partnerships help achieve these benefits and this perspective recognizes that both channel members have the same end-customer (Butaney & Wortzel, 1988). The nature of this partnership is different to many buyer–seller relationships in that a pluralistic form of inter-organizational governance exists between manufacturers and resellers (Heide, 2003).

The merchandise-buying literature does not directly consider brand equity, but shows that retail buyers have a range of criteria in decision making. These buying criteria give resellers channel power over manufacturers. Channels research focuses on sources of power and use of influence strategies, which have a significant impact on channel member's attitudes and behaviors. This research more recently emphasizes the importance of relational exchange as opposed to transaction-based exchanges in distribution channels (Weitz & Jap, 1995). However, channels research does not address the impact of push and pull marketing strategies of manufacturers and resellers (Frazier, 1999). These strategies are an integral part of manufacturer and reseller practice within channels and include trade promotions and category management. As shown in the analytical modeling literature, the outcomes of these promotions depend on a range of variables including intra-brand competition, market share, reseller price discounts, cross-promotion effects, and frequency of promotions.

Despite the evidence of these promotional effects, researchers often adopt a single-stage, manufacturer to consumer perspective in the literature (Buzzell et al., 1990). However, this perspective does not include resellers. Steiner (1993) emphasizes a dual-stage perspective that also includes a manufacturer to reseller stage as well as a manufacturer to consumer stage. The dual-stage perspective is also implicit in the analyses of Webster (2000), Narus and Anderson (1988), Porter (1974), and Kasulis et al. (1999) who emphasizes the role of the reseller in value creation within channels.

A multi-method research approach investigates this research problem. Implementation of a sequential approach consisting of qualitative research became the foundation for the quantitative study. The qualitative findings show that brands represent several benefits to resellers. These brand benefits include manufacturer support resources such as brand advertising, the importance of the brand to the reseller's customer, customer attitudes to the reseller, and financial benefits.

Significance of Findings

A measurement model confirms these benefits together with a comparison of alternative specifications. A three-factor model consisting of manufacturer support of the reseller, brand equity and reseller's customer expectation, shows good fit indices. The manufacturer support items are evident in the literature as a source of reseller value. Two new constructs, brand equity and customer expectations are important in the reseller's assessment of the brand. The relevant items loaded on to these constructs as predicted, after allowing for some questionnaire items deletion in the scale validation and purification process (Steenkamp & van Trijp, 1991).

The measurement model broadly confirms the qualitative findings except for the construct of financial benefits. This particular construct had poor item-to-total correlations and low item reliability scores. Brand or manufacturer considerations do not likely affect reseller financial decisions. Some merchandise-buying studies focus on financial attributes (Gerlich, Walters, & Heil, 1994; Grashof, 1970). But in these studies gross profit is of minor importance (e.g., Heeler, Kearney, & Mehaffey, 1973) and the financial items in Ruekert and Churchill's (1984) research show both low reliability and low factor loadings. Thus, there are mixed findings from the literature as to the importance of financial benefits to resellers. Another more likely explanation is that brands do not offer any inherent financial benefits in relation to other brands. One of the benefits of a brand is its ability to generate above average returns. However in a dual-stage perspective, inter-reseller competition may neutralize any such benefit attributable to a brand for the reseller (Kim & Staelin, 1999). These findings indicate that product line financial decisions made by resellers are because of variables not directly related to the brand itself.

Despite the lack of support for the financial benefits construct, there is support for the first hypothesis which states that multidimensional sources of brand benefits for resellers exists. Mudambi et al. (1997)'s research confirms these findings, which show that industrial purchasers had a number of intangible and tangible sources of value such as company support and service. This broader conceptualization follows the notion of the augmented product (Doyle & Saunders, 1985) and the market offering (Anderson & Narus, 1999). Here, the product is the core of the value offering and is augmented by other related purchaser benefits. In this study, the brand is the core of the offering, which is enhanced by manufacturer support such as product category importance, advertising support, customer expectations, and brand equity. Research into brand equity measurement such as Park and Srinivasan (1994) and Swait, Erdem, Louviere, and Dubelaar (1993) also confirmed the multidimensional nature of brand value to customers.

The literature focuses on a multi-attribute approach to pre-purchase decisions in merchandise buying (Ruekert & Churchill, 1984). An important difference in this study is that manufacturer brand benefits evaluations are on a post-purchase or longer-term basis. This type of reseller decision is "re-buying," as the reseller is purchasing a standardized product. However, as McGoldrick and Douglas (1983) point out these decision-making attributes are also important long-term dimensions, as a reseller satisfaction with the brand maintains the store listing. The merchandise-buying literature identifies merchandise, supplier and buyer characteristics as influences in the buying choice decision. Heeler et al. (1973) show that supplier advertising is a reseller benefit, as is brand reputation (Montgomery, 1975). As with previous studies manufacturer support is important, as well as the influence of brand equity and the reseller's customers.

In contrast with previous research into merchandise buying, these findings emphasize the importance of the reseller's customer as a source of brand value. With the conceptualization of brand equity in terms of customer-brand knowledge, the logical expectation is that this construct is also important to resellers. The construct reflects the expectation of customers that preferred brands are part of the reseller assortment. Customer demand and brand quality are important in McGoldrick and Douglas' research and with Alpert, Kamins, and Graham (1992)'s study of pioneer advantage. In other research the salability of the merchandise and sales volume customer considerations are also important (Ettenson & Wagner, 1986).

In this study, the reseller estimate of brand equity reflects the reseller's perception of anticipated customer behavior toward the brand. The scale used in this research is a development of the (Yoo et al., 2000) (YDL) overall brand equity scale, the reliability of which has been confirmed by Washburn and Plank (2002). This research showed that the scale translates well into the reseller contexts. An item relating to price is part of the measure, as pricing promotions are a key part of retailing. As a result the YDL scale better reflected reseller attitudes and had very good construct validity and reliability.

The measurement model provides evidence of the brand as a market-based asset of value in inter-organizational relationships. Webster (2000) and Anderson and Narus (1999) maintain that this value creation is the result of interaction between manufacturers, consumers, and resellers. There are three sources of brand benefits important to resellers. The first source represents the manufacturer support benefits such as advertising, participation in-store advertising, category importance, and category growth. The second source is the reseller's expectation of customer behavior with respect to the brand, the brand equity measure. This construct reflects the value of the brand in the external relationship with the consumer. The third source is the reseller's expectation of the customer demand and reflects the reseller to customer link. Essentially this resource enhances the resellers' offering to their customers.

Contributions to Knowledge

Brands are a market governance mechanism, reflecting the strength of the brand in the marketplace or with the end-customer. Relationship marketing researchers have also considered brands to be a reflection of transaction-based marketing (Ravald & Grönroos, 1996). In transaction marketing, characteristics of arm's length exchanges are non-specific investments, minimal information exchange, low levels of interdependence, and low transaction costs. Evidence from the qualitative phase of the research highlights the relational nature of exchanges between manufacturers and resellers with respect to the brand. Recent developments in the branding literature (Fournier, 1998; Muniz & O'Guinn, 2001) also emphasize the importance of a relational perspective.

For a market-based assets view to be relevant in this research, the brand must have value in external organizational relationships (Webster, 2000). A comprehensive theoretical rationale does not exist for the brand's role within these external inter-organizational relationships. Many researchers recommend the value to firms of sharing resources, for example, Borys and Jemison (1989) and Simonin and Ruth (1998). Dyer and Singh (1998) discuss the ways in which firm assets or resources can have value or be a source of relational rents in inter-organizational relationships. The first is that channel members must invest in assets specific to the relationship. Branding is a source of relational value for sellers and although imitation of a strong brand is not easy, its availability to resellers others tempers this resource value. Next there should be knowledge exchange between the parties. This exchange occurs formally through key account visits, trade advertising, and category management and informally through the reseller's own brand knowledge and experience. The distribution channel is a resource enabling a manufacturer to reach the end-customer efficiently.

This research shows that there is an end-customer demand function provided by manufacturers that resellers could not provide by themselves. Thus, a complementarity of resources occurs between reseller and manufacturer. Resellers do not have the resources by themselves to generate customer demand. Finally, collaboration mechanisms need to exist between the parties in the relationship. Examples of such mechanisms are category management, ECR, and trade promotions (Basuroy, Mantrala, & Walters, 2001; Ailawadi, Farris, & Shames, 1999).

This research confirms the role of the brand as a market-based asset in external firm relationships. First, the brand is a market-based asset that signals likely customer behavior to resellers. Firms also bring brand resources such as advertising support to stimulate customer demand, participation in the store's promotional program, being a necessary part of the store range and developing the product category for the reseller. This source of value safeguards the reseller's investment in the brand by providing resources that build customer demand for the brand purchased by the resellers. Using the category knowledge of manufacturer assists the reseller in optimizing customer demand and allows them to benchmark their performance against other resellers. By participating in the store's advertising program, manufacturers can build customer demand for that reseller, enhancing the store range for the reseller's customers as well as achieving their own marketing goals. The items in this construct reflect the collaborative properties of these manufacturer support resources. Customer demand and cooperative advertising also highlight the dual nature of the governance mechanisms used by manufacturers. Not only is market governance necessary for manufacturers to achieve customer demand but also relational governance with reseller is needed to build distribution intensity. The next source of value is brand strength, which represents the reseller expectations of their customer's behavior with respect to the brand. Brands provide a relationship specific asset that reduces risk and safeguards the reseller. The brand knowledge of brand quality, pricing, and support is the basis of this safeguard. The last source of value focuses on the reseller's expectations regarding the customer. Brands are an inter-organizational resource that benefits the end-customer of both the manufacturer and the reseller.

The RBV explains why the financial benefits are not an inter-organizational resource for resellers. The questionnaire items focused on pricing, discounts, volume, and margins and these appear not to be shared resources specific to the brand. For example, Coca-Cola is important in the soft drink category, but does not provide specific financial benefits that are any different from other brands. This finding also challenges the fact that a strong brand automatically provides the reseller an opportunity to charge a price premium. When the reseller is included in a dual-stage perspective, intra-brand competition reduces the opportunity for resellers to benefit from premium pricing.

Previous research into inter-organizational branding shows that brands are important in terms of purchasing decision preferences (Hutton, 1997). The sources of brand benefits also contrasts with many researchers such as Baldauf et al. (2003) who use components of a consumer-based model such as brand awareness to assess the effect on reseller outcomes. The relevance of a brand awareness measure, which captures communication effects (Rossiter & Percy, 1998), is questionable in such inter-organizational research. Much of this research examines branding from the manufacturer perspective and considers the added-value aspect of the brand name. However, the Mudambi et al. (1997) research examines the total value of the brand purchase to the buyer. This more holistic perspective better reflects the merchandise-buying studies. Fairhurst and Fiorito (1990) focus on multiple attributes important to resellers. Previous research into retail buying highlights the importance of firm, environmental, and buyer characteristics on decision making for a brand (Fairhurst & Fiorito, 1990; Collins-Dodd & Louviere, 1999). The sources of brand benefits constructs are therefore more consistent with the direction of Mudambi et al. (1997), Biong (1993), Garbarino and Johnson (1999), and the merchandise-buying literature in general.

While the brand literature recognizes the importance of resellers, the focus has been more on brand attributes, associations, and benefits for consumers. The conceptualizations of Aaker (1991) and Keller (1993) emphasize a multidimensional view of brand equity based on the consumer's knowledge of the brand. B2B branding research uses aspects of these conceptualizations even though the buying process is different from consumer purchasing. The qualitative research shows that brands are both a source of value to resellers and a manufacturer resource that resellers can use to benefit their customers.

A further contribution is the multi-method research design of this study. The lack of a comprehensive theoretical model is the principal driver in adopting the research design. The first stage requires an inductive approach from which the conceptual model was then developed. The model was then translated into a survey design that allows the collection of generalizable data. Many studies in inter-organizational branding utilize either a qualitative approach, for example, Mudambi et al. (1997) and Rosenbröijer (2001) or a quantitative approach, for example, Baldauf et al. (2003) and Michell et al. (2001). However, there are relatively few instances of multi-method research in the branding literature.

The benefits of adopting a multi-method approach are the development of a sound theoretical model and the possibility of feedback between the qualitative and quantitative findings. In the qualitative stage, semi-structured interviewing allows participants to state what value brands provided their businesses. The literature does not identify brand benefits, although aspects are in some merchandise-buying studies. The qualitative phase enables data gathering on reseller attitudes to the brand, not previously examined. This phase also informs the researcher about supermarket buying practices, the feasibility of contacting category buyers and an assessment of their competence to provide relevant data. These observations show that several key individuals usually had responsibility for buying decisions of a range of related categories with a retail outlet.

The qualitative research and established measurement scales also influence the item choice and wording within the questionnaire. Further confirmation of the validity and reliability of the qualitative findings is also possible using a multi-method approach. The quantitative stage of the research validated the qualitative findings, as there was deletion of several items and constructs in the scale validation process.

Managerial Implications

Manufacturer brands matter to resellers. Brand equity is a separate source of value to resellers, reflecting the manufacturer to consumer link. Brand equity also brings to resellers other sources of value such as customer expectations about the brand and manufacturer support resources of the brand in the marketplace. However, marketing managers must not over-estimate the brands importance, as the brand equity construct is ranked among one of three as a brand benefit. This finding generalizes across all samples and applies to major brands as well as minor brands. The identification of the sources of brand benefits shows that the brand related resources such as participation in-store advertising are important to resellers. Brands are therefore a relationship specific asset, which includes customer expectations, manufacturer support resources as well as brand equity. In essence, the overall sources of brand benefits are important to the reseller not just customer-based brand equity.

A further implication concerns the assumption that brands allow manufacturers to charge a price premium in the marketplace (Webster, 2000; Aaker, 1996). This research shows that financial sources of brand benefits are not salient for resellers. Resellers determine brand margins at retail level and not necessarily by the strength of the brand. For distribution intensive brands, such the ones used in this study, intra-brand competition can negate any benefit from a premium brand. Managers cannot assume that a high selling price to resellers influences prices at point of purchase.

This research contributes to brand management practice and shows that brand equity alone does not automatically translate into trade advantage as is generally considered. Rather the overall sources of value including the brand influence resellers. Customer expectations are important to reseller satisfaction as much as brand equity and manufacturer support. The findings suggest that by thinking of brands as market-based assets of value to resellers, manufacturers should consider how such firm resources build enhanced channel relationships and returns for shareholders. In terms of the brand value, chain (Keller & Lehmann, 2002) channel relationships appear to mediate the linkage between the marketing program and the end-customer that ultimately affects the market performance of the brand. The evidence from this study shows that resellers take into account a firm's brand support resources and the brand to end-customer relationship. Trade promotions and collaborative channel activities should be an integral part of a brand management program, rather than often seen as a sales-force function and separate from the brand manager's role (Webster, 2000).

Limitations of Research

As with all research projects, this study has some limitations and serves as a starting point for future research. This section examines the limitations posed by the research setting, research design, and measurement issues that affect the application of the findings from this study.

Within the quantitative phase, the design specifies reseller interviews about brands rather than canvas manufacturer opinion as well. This decision is necessary because reseller perceptions of brands are not evident in the literature. Several studies had interviewed marketing managers about distribution effects of branding, for example Smith (1992), but the findings of that research are of limited value in understanding the reseller point of view. The qualitative stage also indicates that a focus on reseller perceptions would be more productive for the researcher. Because of the focus on firm resources and the collaborative nature of the buyer–seller relationship, obtaining a manufacturer perspective of the resources important in the channel management of brands would also be worthwhile. This perspective may well be different in terms of how manufacturers perceive channel relationships. Access to manufacturer respondents and obtaining sufficient sample size is also a factor in adopting a reseller only focus. Thus, the resources of the researcher and practicalities of obtaining a dyadic perspective prevented the collection of manufacturer data in this instance.

Another research design decision is the focus on supermarket management personnel exclusively. This decision means that opinion at other levels within the reseller organization or cooperative network may not necessarily be the same as obtained here. Again, the ability to obtain a sufficient sample size for analysis is more limited with these other organizational levels.

This research focuses on the retail supermarket sector with well-established resellers. In addition, the manufacturer's brands are from established firms. The same stability in the trading environment may not apply to other retail sectors that have less retail concentration of ownership and include smaller operators such as in the retail stationery sector. The focus of this research on one retail sector may limit the generalizability of results. The research surveys national brands and these firms require a minimum level of resources to achieve national distribution. Thus, smaller firms that supply resellers at a regional level are not included in the research and may have greater resource differences compared to firms with nationally distributed brands. However, this limitation arose partly because of the need to establish an objective means of classifying brands according to consumer strength by using the Brand Asset Valuator survey.

The choice of brands for the questionnaires may have influenced the survey results. The Young and Rubicam survey covered over 500 brand names that are part of the range in all supermarket chains. Lack of suitable data prevents the inclusion of other categories such as frozen foods, general merchandise, and chilled foods.

Delimitations in this research include the scope of the constructs specified, measured, and evaluated. One measurement issue includes the elimination of the financial benefits construct in the scale validation process. The deletion of these items could be because the items in the questionnaire on pricing and margins did not measure the construct domain very well.

The nature of the research question reflects the brand as the unit of analysis. Having the brand, as a focus to the research does not allow the researcher to consider the impact of other firm marketing resources or relational assets on the manufacturer–reseller relationship. These other marketing resources of the firm may also be influential in the findings.

Another possible limitation is the lack of objective measure for some constructs such as the financial measures for both performance and the financial benefits construct. However, the availability of such data and its confidential nature meant that attitudinal ratings are the only practical means of obtaining such measures. The findings may be limited to a New Zealand context and may not necessarily reflect reseller organizations in other countries. For instance, the level of individual ownership and store managerial autonomy found in the qualitative research may not exist to the same extent elsewhere.

Many of the limitations in the research are due to research design decisions taken by the researcher in order to obtain respondent participation. There is recognition of the problem in obtaining reseller's cooperation to participate in research studies (Ettenson & Wagner, 1986). The next section considers these limitations in the context of future research in this area.

This research focuses on the impact of brands as market-based assets on relational outcomes for resellers. The findings show that brands are important to resellers because of the related resources offered by manufacturers. Directions for future research include these areas: first the generalizability of the model to other B2B contexts, where brands are the focus of the relationship. Second the applicability of the model to different types of channel structure, and to different category and competitive contexts.

The model is applicable to other business contexts such as industrial purchasing. Industrial branding research tends to focus on manufacturer benefits rather than the purchaser's perspective. The measurement model ''sources of brand benefits'' allow the quantification of the benefits of a brand to another organization. This model has application to different types of industrial purchasing such as new purchases, re-buying, or modified re-buying. Other applications are circumstances where industrial purchasing involves brands that already have a consumer market, for example, purchasing BIC pens or other office supplies, in contrast to more generic items. Other contexts of industrial purchasing that are relevant include the supply of branded OEM products or services to a manufacturer or unbranded products to a branded manufacturer. Both these purchasing decisions involve the assessment of the value of the supplier's resources.

A further type of B2B purchase is the supply of marketing resources and services to branded manufacturers such as with client–advertising agency relationships, which also involve relational exchange. Research could examine the extent that having an account of a major brand or minor brand influences the attitudes and behavior of the agency personnel. The model developed in this research is applicable in this instance as the brand resource is central and influential on other organizations. While Moorman, Zaltman, and Deshpande (1992), Grayson and Ambler (1999), and LaBahn and Kohli (1997) study such relationships, they do adopt a RBV perspective.

This research focuses on packaged goods resellers in the supermarket sector where the range of goods offered is extensive. However, other reseller contexts, for instance where distributors sell branded goods to smaller resellers, would provide a further test of the model where the range of goods is less extensive. The research suggests that the value of the product category is an important consideration for resellers. Another product category context is categories that have strong private label brands. The model therefore has application in assessing the impact of private labels in comparison to national brands. The private label manufacturer–reseller relationship is of interest involving more manufacturer dependence compared to national brands where the manufacturer is less dependent (Hogarth-Scott, 1999). As indicated private label, brands may have different sources of value for resellers in relational exchange. Applying the conceptual model to different B2B contexts could provide further insights on the importance of market-based assets in buyer–seller relationships.

The unit of analysis in this study is the brand as a market-based asset in the manufacturer–reseller relationship. There could be an investigation of other marketing resources as suggested in the literature. Capron and Hulland (1999) analyze the sales force relationships and general marketing expertise as also being market-based assets of interest to firms. Further research could also explore the linkages between these other market-based assets and brands on channel relationships in the context of brand extensions for instance.

The impact of wider considerations such as manufacturer characteristics and product category development over time are further research topics. Manufacturer's brands are studied individually; however, the manufacturer's overall portfolio of branded goods may also are an important influence on reseller channel outcomes. The manufacturer portfolio includes brands with different brand strengths across many product categories. Future research could examine the overall value of the manufacturer portfolio of brand resources. Research into buyer–seller relationships suggests that time is an important factor in relationship development (Doney & Cannon, 1997). The maturity of the product category and reseller feedback also affects brand performance (Bronnenberg et al., 2000).

The RBV implies that inter-organizational competitive advantage and enhanced performance occurs when organizations collaborate and invest in the relationship (Jap, 1999). Future research could investigate the nature of collaboration within the inter-organizational relationship between manufacturers and resellers of branded goods. In supply chain relationships Spekman, Kamauff, and Myhr (1998) consider there is a sequence of steps to achieve collaboration, starting from market governance to cooperation, then coordination.

CONCLUSIONS

The research problem focuses on the role of brands as market-based assets in inter-organizational relationships within the supermarket supply chain. These findings are relevant from a theoretical, empirical, and managerial perspective to both manufacturers and resellers.

The key finding is that brands represent a multidimensional source of value, which influences reseller satisfaction. These sources of value include brand equity, as well manufacturer support and benefits for the reseller's customer. This study shows that value to resellers is derived not only from manufacturer sources but also from the brand's relationship with the customer that also influences the reseller. However, the consumer brand equity or "trade leverage" is not the only brand variable.

A multi-method research design allows the development of a theoretical model from in-depth interviews, and then tested on resellers from the supermarket retail sector. The alternative model did not result in a noticeably better fit, some pathways are not significant and there is no competing theoretical justification either. Thus, the preference is for the conceptual model that shows equivalent model fit.

This chapter examines the role of brands as market-based assets in marketing channels from an inter-organizational perspective. The findings show that the value of brands to resellers involves three distinct, but related sources of value in inter-organizational relationship. The first source reflects the brand's relationship with the end-customer or brand equity, previously documented in the literature, the second is the manufacturer support of resellers, and the third is the reseller's expectations of the end-customer. In conclusion, the resources associated with the brand; including the reseller's customers, not just the brand name itself creates brand advantage for manufacturers in channel relationships.

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APPENDIX. ITEM LABELS AND ITEM QUESTIONNAIRE WORDING

Construct	Item Label	Item Questionnaire Example
Manufacturer support	Advertising support	Cottees jam has strong consumer advertising support
	Part of store advertising	Cottees jam is a regular part of our store's advertising program
	Merchandising support	Merchandising support provided by the manufacturer for Cottees jam is useful[b]
	Key part of range	Cottees is a key brand in the jam range offered by this store
	Category information useful	The category information (such as Nielsen figures) supplied by the manufacturer about Cottees jam is useful[b]
	Key brand category growth	Cottees is an important brand in the future growth of this product category
	Additional choice	Cottees enables this store to offer its customers additional choice in this category[b]
Brand equity	Brand equity quality	I expect that my customers will buy Cottees instead of another similar competing brand even if it is of the same quality
	Brand equity price	Even if another competing brand is the same price as Cottees, I expect my customers would prefer to buy Cottees
	Brand equity not different	If another brand is NOT different from Cottees in any way, I expect my customers would think it better to buy Cottees
	Brand equity prefer	Even if there is another jam similar to Cottees, I expect my customers would prefer to buy Cottees
Customer expectations	Concern not in range (R)	My customers would NOT be too concerned if this store did not have Cottees jam in its range

APPENDIX. (*Continued*)

Construct	Item Label	Item Questionnaire Example
	Expect in store	My customers expect to find Cottees jam in this store
	Complain, if not there	My customers would complain if this store did not have Cottees jam
	Popular with customers	Cottees jam is popular with my customers[b]
Financial benefits[a]	Retail margin	Retail margin
	Sales volume potential	Sales volume potential
	Level of discounts	Level of manufacturer promotional allowances/discounts offered
	Retail-selling price	Retail-selling price

[a]Construct and associated items dropped as a result of scale purification.
[b]Items dropped as a result of scale purification.

Manufacturer Brand Benefits: Case Study

A wine company from the Hawkes Bay wine region of New Zealand has a new range consisting of Chardonnay and Sauvignon Blanc white wines as well as a red Merlot wine. These wines available in standard 750 ml or 25 fluid ounces wine bottles have new labels and low prices to appeal to supermarket shoppers. The new wine label has a prominent sub-brand St. Katherine (named after a famous local racehorse) together with the regular wine company's corporate brand (in smaller type).

The company has a reputation for producing fine red and white wines, regularly winning awards for their wines. Many consumers use these awards to help them decide which wines to buy. The reason for the new range was the company had acquired a vineyard from a company that had gone of business. After harvesting and bottling the first wine from this vineyard, the company needed to find a reseller for this range. This new range is not entered into any award competitions, but tasting conducted with local wine journalists shows the wine is very good quality and value for money.

One major supermarket chain decided to accept the new range in its stores. The supermarket wine buyer knows their customers would prefer a low-priced local wine to imported low-priced wines from countries such as

Australia and Chile. Initial sales of this new wine are good and the wine company regularly conducts wine tastings in the supermarket chain to encourage shoppers to try the new range. More recently, sales are down and the retail buyer is concerned. Rather than delete the range the wine buyer wants the wine company to provide some solutions to improve sales.

Questions for Discussion

1. What manufacturer brand benefits does the new wine range offer the retailer?
2. Why do you think that the retail buyer is keen to retain this range?
3. Develop some suggestions to improve sales of this range with the retailer.

CHAPTER 4

BUILDING BRAND EQUITY BETWEEN MANUFACTURERS AND RETAILERS

Quan Tran and Carmen Cox

ABSTRACT

In the literature on product branding, significant attention is given to brand equity in the consumer context, but relatively little attention is paid to the application of the concept in the business-to-business (B2B) context. Even less research exists on the role of brand equity in the retailing context. Retailers are often seen as irrelevant to the source of brand value, resulting in manufacturers not targeting retailers to help them build stronger brands. Potential occurs, therefore, for some channel conflict to exist between manufacturers and retailers. On the one hand, retailers tend to focus on building their own, private brands to differentiate themselves from other retail competitors and to increase their power in relation to manufacturer brands. At the same time, most retailers still need to create a good image in the consumer marketplace by selling famous, manufacturer-branded products. In other words, retailers often have to sell famous brands even if they would prefer to sell other brands including their own. Manufacturers tend to focus their brand-building efforts on the consumer market to entice consumers to insist that retailers stock their brands, rather than placing any real emphasis on building a strong and positive brand relationship with the retailer directly.

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Consider the argument that traditional ways of thinking about brands, predominantly from the consumer's perspective, produces an incomplete understanding of the potential for product producers to build strong brand equity (Webster, 2000). The relationship between manufacturers and retailers is a partnership rather than competition for consumer loyalty (Narus & Anderson, 1986). Powerful consumer brands not only provide value to manufacturers and consumers, but they also offer many obvious benefits to retailers. These benefits include an established consumer demand; favorable consumer attitudes towards the branded product found in their store; a commitment from manufacturers to promote their products; and the credibility and image of the brand itself enhances the retailer's own credibility and image (Webster, 2000).

Brand equity needs investigating, from the retailers' perspective, to provide a more complete understanding of the role of branding through this part of the supply chain. This chapter aims to address this need by exploring the customer-based brand equity concept from the retailers' perspective. It aims to explore how consumer-based brand equity theory translates to the retailer context, incorporating the key constructs of brand association, brand trust, brand loyalty, manufacturer support, and the performance of the brand.

The study is conducted in the context of the Vietnamese independent retail grocery sector. This context is chosen on the basis that there is limited research on branding in the Vietnamese context despite the Vietnamese retail sector being a growth market which manufacturers should find very attractive. A survey was developed, based on a review of relevant branding and retail literature, and administered to a sample of 400 independent grocery retailers in Ho Chi Minh City. This sample was drawn from a commercial mailing list of independent retailers. Selected retailers were contacted by phone and invited to participate in the research by completing the questionnaire during a face-to-face interview at their premises. They were asked to respond to the survey in relation to a major brand of soft drink sold within their product range. The soft drink product category is used in this study due to it being one of the most common types of products sold by the independent retail sector in Vietnam, which ensured that all participants could easily share their opinions of the value of brands.

Following a pilot study testing the survey instrument, the main data-collection phase resulted in 355 completed and useable surveys. Structural equation modeling (SEM) is used to explore the relationships between the branding constructs of interest. The findings indicate that brand equity, which consists of the three key dimensions of brand association, brand trust, and brand loyalty, plays an important role in the retailing context. Brand association represents the image of a brand from the retailer's perception, which must ultimately match their particular needs and wants. This need leads to a positive feeling towards that brand, which is the trust a retailer holds in a manufacturer's brand. As the result of a strong brand, retailers are more likely to commit to a long-term business relationship with the brand's manufacturer. Two of the three dimensions of retailer-based brand equity (RBBE) (brand association and brand loyalty) are positively and significantly related to the brand's performance at the retail outlet. Manufacturer support, including advertising, sales promotion, and trade promotions, is also confirmed as an important antecedent of RBBE.

INTRODUCTION

For manufacturers and producers of a vast range of products and services, brands are one of the key success factors in achieving competitive advantage though differentiation (Wood, 2000). Brands undoubtedly create added value for both firms and consumers as they play a key role in enhancing the value of products and protecting them from imitation by competitors (Aaker, 1991). In fact, "a product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless" (King, cited in Aaker, 1991, p. 1). In other words, a strong brand is counted as a valuable company asset. This value, which is commonly referred to as brand equity, has drawn considerable research interest from both academics and practitioners (Wood, 2000).

In terms of the approaches to researching the determinants and outcomes of brand equity, considerable effort to date focuses on the consumer-based benefits of developing strong brands. Existing research tends to emphasize how and why strong brands are important to the final consumer who purchases products. While these consumers commonly tend to buy branded products from retailers, surprisingly little research focuses on the value of brands to the retailer and consequently on how strong brands can be built in a business-to-business (B2B) (i.e. manufacturer-to-retailer) context.

While a few studies focus on brand equity from a B2B perspective, most do so with the aim of proving the important role of brands in the context of the B2B customer (Gordon, Calantone, & di Benedetto, 1993; Hutton, 1997; Kim, Reid, Plank, & Dahlstrom, 1998; Mudambi, Doyle, & Wong, 1997).

This focus has left other topics, such as how brand equity should be conceptualized and measured in the B2B context, relatively unaddressed.

When the context of research focuses more specifically on brand equity as it relates to the retailer, even less is known about the importance of developing this equity in the minds of retailer buyers. Retailers are recognized as one type of B2B customer whose buying behaviors have some special characteristics compared to other types of organizational customers. For example, retailers often buy many brands in the same product category to resell to the end-user, which does not usually happen in other B2B markets (Fairhurst & Fiorito, 1990). Furthermore, brands are often seen as irrelevant to the retailer (Webster, 2000), which means that manufacturers do not tend to specifically target retailers to build a strong brand. However, the irrelevancy of retailers to brand building is challenged by the view that this traditional belief, which has tended to see retailers left out of the equation, leads to an incomplete analysis of branding from an academic perspective and incomplete management of the brand from a company perspective (Webster, 2000). This challenge is supported by more recent research which focuses on branding from a retailing perspective (Baldauf, Cravens, & Binder, 2003; Davis, 2003; Glynn, 2004).

Brand equity clearly needs more investigation in terms of how it is perceived by retailers and how manufacturers of products can ensure that strong brand equity is developed through specific brand-building efforts aimed at the retailer more directly. Given the lack of a comprehensive range of studies that focus specifically on brand-building efforts aimed at the retail sector, this chapter aims to address the following questions:

- How does consumer-based brand equity theory translate to the retailer context?
- How does RBBE affect brand performance from the retailers' perspective?
- How does manufacturer support affect RBBE and brand performance?

The above questions are addressed through presentation of research conducted in the specific context of the Vietnamese independent grocery retail sector. Vietnam was chosen as the focus of this research for two key reasons. Firstly, as the majority of existing branding studies in retailing are conducted in the context of developed countries, with studies from Austria (Baldauf et al., 2003), the United States of America (Davis, 2003), and New Zealand (Glynn, 2004), there is a lack of branding research from emerging economies, in particular from transitional economies such as Vietnam and China.

The Vietnamese retail market is expected to be one of the most attractive retail markets by 2020. More competition is expected to exist between local and foreign distributors to secure a larger share of this market. The modernization of retailers in Vietnam has occurred rapidly over the last ten years, contributing approximately 0.5 percent of total estimated sales by Vietnamese food retailers through the modern super market system with many local and international brand names such as Co-op mart, Big G, Cora. The traditional form of retail, known as independent grocery retail, still accounts for the majority of food retailing in the Vietnamese market. Approximately 70 percent of Vietnamese retailers, especially in the fast moving consumer goods (FMCGs) sector, are small, independent grocery stores (Vietcycle, 2000). Therefore, this study of brand equity from the retailing perspective in the Vietnamese market will significantly contribute to the literature on branding, with a particular focus on small to medium and independent retailers.

In the following sections, a brief overview of branding and the meaning of brand equity is provided prior to exploring the application of brand equity research in the B2B context and, more specifically, the retailing context. These sections will review the existing literature and research in the field of B2B branding. The key components of brand equity are introduced and their application in the manufacturer-to-retailer context is considered. The chapter also explains the approach used to research the application of RBBE in the Vietnamese independent grocery retail context. The results and implications of this study are outlined towards the end of this chapter to further the understanding of the importance of building strong relationships with retailers for the brand manufacturer.

OVERVIEW OF BRANDING

Brands are now seen as a key success factor needed to achieve differentiation and competitive advantage for firms (Wood, 2000). For the brand's manufacturer, these competitive advantages can lead to increased revenue, profit, added value, and greater market share (Wood, 2000). In addition to these financial benefits, the attributes that differentiate brands from other products provide the customer with added value, satisfaction, and benefits for which they are willing to pay (Wood, 2000). Brands are valuable assets to companies as they play a key role in enhancing the value of products and protecting them from being imitated by competitors (Aaker, 1991).

The added value, both financial and consumer-based, that brands endow to companies is commonly referred to as brand equity.

DEFINITION OF BRAND EQUITY

A brand is not simply a name or logo which differentiates a product from its competitors, but is a set of associations that satisfies both the functional and emotional demands of target customers (Nguyen & Nguyen, 2003). The value of a brand provides important equity to manufacturers. To understand the value of brand equity, its definition needs further investigation, as well as consideration of what really contributes to the value of a brand (Aaker, 1991). While no real consensus exists on the definition of brand equity (Woods, 1998), two main research streams of brand equity reflect the (i) financial approach and the (ii) customer approach (Lassar, Mittal, & Sharma, 1995; Myers, 2003). Both approaches are considered later in this section.

According to the history of branding, the year 1988 marked a new step forward in the literature on brands, known as the year of the brand (Anantachart, 1998). In 1987, when it was realized that brand value has a significant impact on company business performance in terms of profitability, company equities were increased by adding brand value into the balance sheet (Anantachart, 1998). A key conference, drawing participation of academics and practitioners in both marketing and finance, conducted by the Marketing Science Institute (MSI) in 1988 critically analyzed and discussed brand equity (Leuthesser, 1988). The topic of brand equity was given the highest priority for research in the period between 1988 and 1990, among MSI's members (Anantachart, 1998). Many studies on brand equity were published in academic business journals (e.g., Aaker, 1991; Biel, 1997; Cobb-Walgren, Ruble, & Donthu, 1995; Farquhar, 1989) and many conferences and workshops on brand equity took place, such as MSI 1991 and the Advertising Research Foundation (ARF) workshop series – for example, brand equity research day (1993), brand equity workshop (1994), key issues workshop (1995).

Although brand equity is of particular interest, no consensus exists about what brand equity means or how a firm can measure the value of a brand (Mackay, 2001). The statement by Winters (1991, p. 8) that, "There has been a lot of interest lately in measures of brand equity. However, if you ask ten people to define brand equity, you are likely to get ten (maybe 11) different answers as to what it means" is still meaningful in the current context. The reason for this confusion is that brand equity can be defined from a number of different perspectives and for a number of different purposes (Keller, 1993). The following are just some of the definitions of brand equity:

- The set of associations and behaviors on the part of a brand's customers, channel members, and parent corporations that permits the brand to earn greater volume or greater margins than it could without the brand name and that gives the brand a strong, sustainable, and differentiated competitive advantage (Keller, 2003).
- A residual value in the form of favorable impressions, attitudinal dispositions and behavioral predilection... this residual value (i.e., utility) is not explained by the measured attributes of the brand (Rangaswamy, Burke, & Oliva, 1993).
- Incremental utility associated with a brand name which is not captured by functional attributes (Kamakura & Russell, 1993).
- The added value endowed by the brand name (Farquhar, 1989).
- The differential effect that brand knowledge has on consumer response to the marketing of the brand (Keller, 1993).
- The differential effect that brand knowledge has on customer's perspective (emphasizing market management), brand equity is a utility not explained by measured attributes (via conjoint measurement or rating scale), loyalty (which provides a barrier to competitive entry and sustainable advantage for the firm), and a differentiated, clear image that goes beyond simple product preference (Shocker & Weitz, 1988).
- Brand equity is the true differentiation that a brand has from the competition, or the worth derived by a brand, from consumers (Davis & Doughlass, 1995).

One of the most popular definitions, which is now widely accepted in the branding literature, is that by Aaker (1991, p. 15), in which brand equity is "a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers."

The common point among the above definitions is that brand equity is the added value or the premium of the product to a consumer that is attributable to the brand name (Wood, 2000). In terms of approaches, the discussion of brand equity is generally divided into two main streams. One stream focuses on the financial approach, or company-oriented view, which focuses on the value provided to brand owners. The other stream focuses on the customer perspective, which refers to the relationship between the customer and the brand (Wood, 2000). The following section discusses in detail these two main streams of brand equity research.

Financial Approach to Brand Equity

The financial approach refers to brand equity as a viable asset for manufacturers (Davis & Doughlass, 1995). This asset is defined as the incremental cash flow resulting from revenues of products with a brand name over those of unbranded ones (Shocker & Weitz, 1988; Simon & Sullivan, 1993). The reasons for the development of this research stream are based on the requirement to set a price when the brand is sold and provide an index to attract investors or stakeholders as an intangible asset on a balance sheet (Feldwick, 1996).

Three popular methods for measuring brand equity from a financial approach exist. The most common measures focus on stock prices and brand replacement (Myers, 2003). The stock market reflects future prospects of brands by adjusting the prices of firms, then the movements in stock prices is used to capture the dynamic nature of brand equity (Simon & Sullivan, 1993). The application of the second financial method, which tends to apply to new product launches, is based on brand replacement, as fund requirements combined with the probability of success in establishing a new brand (Simon & Sullivan, 1993). The third method used by the financial world to measure brand equity is based on the annual list of worldwide brand valuations (Ourusoff & Panchapakesan, 1993). This method calculates the net brand-related profits and assigns a multiple factor based on brand strength, defined as a combination of leadership, stability, trading environment, internationality, ongoing direction, communication support, and legal protection (cited in Myers, 2003, p. 40). This is one of the most publicized financial methods (Myers, 2003).

The financial approach to brand equity is generally adopted by financial accountants (Wood, 2000) and works best when the information is recorded and the future market response is not strong (Barwise, 1993). The major disadvantage of this approach is its focus on maximizing short-term goals (Aaker, 1992; Davis & Doughlass, 1995), simply because present and future investors require the quarterly report as a means to monitor the company's operating performance. Consequently, a large number of senior managers are not committed to long-term brand building (Davis & Doughlass, 1995).

The following section discusses the more dominant theme in the branding literature, the consumer approach to brand equity. Consumer-based brand equity is another name for this approach.

Consumer-Based Brand Equity

Consumer-based brand equity dominates the literature on branding and acts as an important concept in the business world because if a brand has no meaning (or value) to the consumer, it is ultimately meaningless to investors, manufacturers, or retailers (Cobb-Walgren et al., 1995).

From an economic perspective, the credibility that brands provide to companies' products is viewed as a source of equity from an individual consumer (Anantachart, 1998). Based on the assumption of the imperfect and asymmetrical information structure of markets, brands are used to inform customers about a product's position and to signal that the product's claims are credible (Erdem, 1988). By reducing consumer uncertainty, brands reduce the information costs and perceived risks of consumers (Erdem, 1988, cited in Keller, 2004, p. 8). In addition to this economic perspective, there is another consumer-oriented brand equity benefit based on theories of consumer psychology. In this respect, a brand is seen as a node in the consumer' memory which is linked with different associations of varying strengths, leading to the strength of attitude towards the brand (Keller, 1993; Krishnan, 1996; Lassar et al., 1995). In other words, brand equity is a function of associations that are built and nurtured in the customer's mind.

This consumer psychology approach dominates the branding literature, revolving around three main areas. The first area focuses on conceptualizing and measuring brand equity (Aaker, 1991, 1996; Anantachart, 1998; Biel, 1997; Blackston, 1995; Ceurvost, 1994; Chisnall, 1995b; Cobb-Walgren et al., 1995; Farquhar, 1989; Feldwick, 1996; Kamakura & Russell, 1993; Keller, 1993; Kim & Kim, 2004; Shocker & Weitz, 1988; Srivastava & Shocker, 1991; Sullivan & Simon, 1993; Washburn & Plank, 2002; Yoo, Donthu, & Lee, 2000). Even though a consensus definition and measurement has not yet been reached, some models are widely accepted among academics and practitioners, such as the brand equity theories of Aaker (1991) and Keller (1993). The second issue of consumer-based brand equity research relates to building and maintaining brand equity (Kapferer, 1992; Keller, 2003; Yoo et al., 2000). This stream attempts to answer several questions such as "How is brand equity created and maintained in the long run?", and "What are the antecedents and consequences of brand equity?" (Anantachart, 1998). Another issue of the consumer-oriented brand equity research stream is how to extend brand equity (Aaker & Keller, 1990; Farquhar, Han, & Yuji, 1991; Rangaswamy et al., 1993).

The conceptualization and measurement of brand equity must be the first aspects scrutinized before considering other management issues

(Cobb-Walgren et al., 1995). More attention should be paid to this topic to reach a common definition of brand equity (Washburn & Plank, 2002; Woods, 1998). Another point to note is that the consumers mentioned in consumer-based brand equity can be either individual consumers or organizations, although most brand equity theories only focus on the individual consumer perspective (Mudambi, 2002). More research on brand equity is needed in different contexts, such as for B2B customers, or resellers. The following sections review the three different perspectives of consumer-based brand equity commencing with the individual consumer perspective, leading on to the B2B perspective and concluding with a focus on the retailer (or reseller) perspective.

BRAND EQUITY FROM AN INDIVIDUAL CONSUMER PERSPECTIVE

A large amount of research exists which conceptualizes and measures the construct of brand equity from the point of view of an individual consumer (Anantachart, 1998). One of the earliest and most popular definitions of brand equity, from the viewpoint of individual consumers, is that it is the added value which results from increasing the attitudinal strength for a product using the brand (Farquhar, 1989). The consumer attitude is described as the association between an object and the evaluation of that object which is stored in an individual's memory. A strong brand, for a consumer, is based on three essential elements: a positive brand evaluation; an accessible brand attitude; and a consistent brand image. According to Martin and Brown (1990) brand equity is a brand impression which represents the whole of a consumer's perception about that brand. Sharing this argument, Blackston (1992) describes brand equity as the consumer's ideas about the brand. Edell (1993) supposes that brand equity is the difference between the consumer's evaluation of a branded product and an unbranded product with the same attributes.

The most widely accepted definition of consumer-based brand equity emerges when the consumer is familiar with the brand and holds strong, favorable, and unique brand associations in their memory (Keller, 1993). Keller defines brand equity as "the differential effect of brand knowledge on the consumer response to the marketing of the brand in which brand knowledge is conceptualized, based on an associative network memory model in terms of two components, brand awareness and brand image"

(Keller, 1993, p. 1). According to this definition, a "brand is said to have positive (negative) customer-based brand equity if consumers react more (less) favorably to the product, price, promotion, or distribution of the brand than they do to the same marketing mix element when it is attributed to a fictitiously named or unnamed version of the product or service" (Keller, 1993, p. 8).

Most dimensions of consumer-based brand equity are qualitative in nature, referring to dimensions such as the perceptions and behaviors of consumers which initiate equity for a brand (Anantachart, 1998). In general, the dimensions of brand equity include brand awareness, perceived quality, brand associations, brand loyalty (Aaker, 1991), and the brand's personality (Blackston, 1995). The reason why these qualitative dimensions are so critical to firms is that they are difficult to replicate in terms of how the consumer feels about a product which is branded compared to one that is not.

Consumer-based brand equity components can be viewed from two perspectives: the attribute-based perspective and the non-attribute-based perspective. The attribute-based brand equity perspective is related to product characteristics, product benefits or both, which are created directly through a company's marketing activities which capture the attention of consumers (Park & Srinivasan, 1994). This perspective includes product performance (Lassar et al., 1995), physical features of the product (Kapferer, 1992), and distribution coverage (Srivastava & Shocker, 1991). In contrast, the non-attribute-based dimensions of brand equity, which are not related to product attributes, are the intangible or psychological components (Anantachart, 1998). Some examples are, brand personality (Blackston, 1995; Kapferer, 1992), attitude accessibility (Edell, 1993; Farquhar, 1989), and brand loyalty (Aaker, 1991; Srivastava & Shocker, 1991; Yoo et al., 2000).

Dimensions of Consumer-Based Brand Equity

Consumer-based brand equity is nearly always represented as a multi-dimensional construct consisting of various concepts (e.g., Aaker, 1991; Keller, 1993; Nguyen & Nguyen, 2003; Srivastava & Shocker, 1991; Washburn & Plank, 2002; Yoo et al., 2000). Several definitions use a wide range of concepts to describe the components of brand equity, such as Srivastava and Shocker's (1991) model which proposes six components including brand image, brand awareness, brand loyalty, perceived value, distribution coverage, and utility.

Some concepts are consistently used among researchers. For example, brand association or brand image appears in almost all definitions (Aaker, 1991; Farquhar, 1989; Kapferer, 1992; Keller, 1993; Kim & Kim, 2004; Lassar et al., 1995; Martin & Brown, 1990; Shocker & Weitz, 1988; Srivastava & Shocker, 1991; Washburn & Plank, 2002; Yoo et al., 2000). Half of these studies also consider brand awareness as a key component of consumer-based brand equity (e.g., Aaker, 1991; Blackston, 1995; Keller, 1993; Kim & Kim, 2004; Nguyen & Nguyen, 2003; Pappu, Quester, & Cooksey, 2005; Washburn & Plank, 2002; Yoo et al., 2000).

Four other concepts are frequently mentioned as dimensions of brand equity: brand loyalty (e.g., Aaker, 1991; Kim & Kim, 2004; Shocker & Weitz, 1988; Srivastava & Shocker, 1991; Washburn & Plank, 2002; Yoo et al., 2000); brand preference (e.g., Aaker, 1991; Anantachart, 1998; Holden & Lutz, 1992; Nguyen & Nguyen, 2003; Park & Srinivasan, 1994); perceived quality (Aaker, 1991; Kim & Kim, 2004; Martin & Brown, 1990; Nguyen & Nguyen, 2003; Washburn & Plank, 2002; Yoo et al., 2000); and trustworthiness (Blackston, 1992; Lassar et al., 1995; Martin & Brown, 1990). Other concepts such as brand evaluation (Edell, 1993; Farquhar, 1989), brand personality (Kapferer, 1992), and commitment (Ceurvost, 1994; Martin & Brown, 1990) are used less frequently in individual studies.

Three main groups of concepts that are components of brand equity exist – association towards the brand, beliefs about the brand, and the loyalty of the consumer towards the brand (Feldwick, 1996). Association refers to the positive image of the brand in the consumer's mind, which relates to the needs and wants of the consumer (Feldwick, 1996; Krishnan, 1996; Pokorny, 1995). This association is considered in terms of brand image (Farquhar, 1989; Martin & Brown, 1990; Shocker & Weitz, 1988; Srivastava & Shocker, 1991); brand association (Aaker, 1991; Keller, 1993; Yoo et al., 2000; Pappu et al., 2005); perceived quality (Aaker, 1991; Martin & Brown, 1990; Yoo et al., 2000); perceived value (Lassar et al., 1995; Martin & Brown, 1990; Srivastava & Shocker, 1991); physical features (Kapferer, 1992); and brand evaluation (Edell, 1993; Farquhar, 1989).

The imprint of the positive brand image in the consumer's mind leads to the consumer's attitude toward the brand, referred to as the belief of the consumer (Woods, 1998). This feeling is viewed as an affective response of brand evaluation in Farquhar et al. (1991) model. It is also linked to trustworthiness based on the consumers' perceptions of the brand's ability to consistently meet their expectations of product performance (Martin & Brown, 1990). Blackston (1992) argues that a brand relationship includes the two components of trust and customer satisfaction. Acting as the key components of consumer-based brand equity, brand preference, and trustworthiness are frequently conceptualized as components of brand equity (Anantachart, 1998; Blackston, 1992; Holden & Lutz, 1992; Lassar et al., 1995; Martin & Brown, 1990; Nguyen & Nguyen, 2003; Park & Srinivasan, 1994).

Loyalty is considered as the final step in the brand-building process, the development of which ultimately reflects the brand's strength (Feldwick, 1996). Consumer loyalty is viewed as the best outcome a company can achieve as a result of a strong brand (Blackston, 1995). Blackston (1995) notes that consumers who demonstrate high brand loyalty are willing to pay more for the brand and are less likely to switch to other brands when prices are rising or when competitors utilize price-promotion tactics (Woods, 1998). Clearly brand loyalty is a key component in the consumer-based brand equity model (Aaker, 1991; Kim & Kim, 2004; Nguyen & Nguyen, 2003; Shocker & Weitz, 1988; Srivastava & Shocker, 1991; Washburn & Plank, 2002; Yoo et al., 2000).

In summary, consumer-based brand equity, from the individual consumer perspective, is a multidimensional construct including the components of brand association, brand awareness, perceived quality, trustworthiness, brand preference, and brand loyalty, all of which can be categorized into the three groups – association, belief, and loyalty. Clearly brand managers should aim to build a lasting positive image in the consumer's mind. This image will be imprinted into his/her attitude towards to the brand, leading to loyalty to that particular brand (Woods, 1998).

Measurement of Consumer-Based Brand Equity

While the majority of research to date focuses on conceptualizing brand equity from the consumer perspective, few empirical studies mention how to actually measure brand equity (Aaker, 1991; Farquhar, 1989; Feldwick, 1996; Kapferer, 1992; Keller, 1993; Shocker & Weitz, 1988). While consumer-based brand equity is a multidimensional construct consisting of both attitudinal and/or behavioral components (Anantachart, 1998), most models measure the attitudinal aspects. For example, the most common constructs of measurement models of brand equity are brand awareness (Holden & Lutz, 1992; Nguyen & Nguyen, 2003; Washburn & Plank, 2002; Yoo et al., 2000); brand image or brand association (Kim & Kim, 2004; Martin & Brown, 1990; Pappu et al., 2005; Washburn & Plank, 2002; Yoo et al., 2000); and brand preference (Anantachart, 1998; Nguyen

& Nguyen, 2003). Behavioral components of brand equity are also measured in some research as parts of the combination of attitudinal components consumer-based brand equity, brand loyalty (Kim & Kim, 2004; Nguyen & Nguyen, 2003; Washburn & Plank, 2002; Yoo et al., 2000), and performance (Lassar et al., 1995).

In empirical studies, Aaker (1991) conceptual definition is often used to operationally define brand equity (e.g., Baldauf et al., 2003; Cobb-Walgren et al., 1995; Kim & Kim, 2004; Washburn & Plank, 2002; Yoo et al., 2000). This model is one of the first published studies that conceptualize brand equity from the customer perspective, combining both the attitudinal and behavioral aspects of brand equity. It provides the most comprehensive framework for examining brand equity (Anantachart, 1998). Aaker (1991) model is shown in Fig. 1.

A study by Cobb-Walgren et al. (1995) is the first study which adopts Aaker (1991) model to measure consumer-based brand equity, comprising four dimensions: brand awareness, brand association, perceived quality, and brand loyalty. A further study by Yoo (1997) uses confirmatory factor analytic methods to measure brand equity. Meanwhile, Sinha and Popkowski Lesczyzc (2000) and Sinha and Pappu (1998) also adapt Aaker (1991) model to measure consumer-based brand equity using Bayesian methods (Pappu et al., 2005). In addition, this model is also tested in other

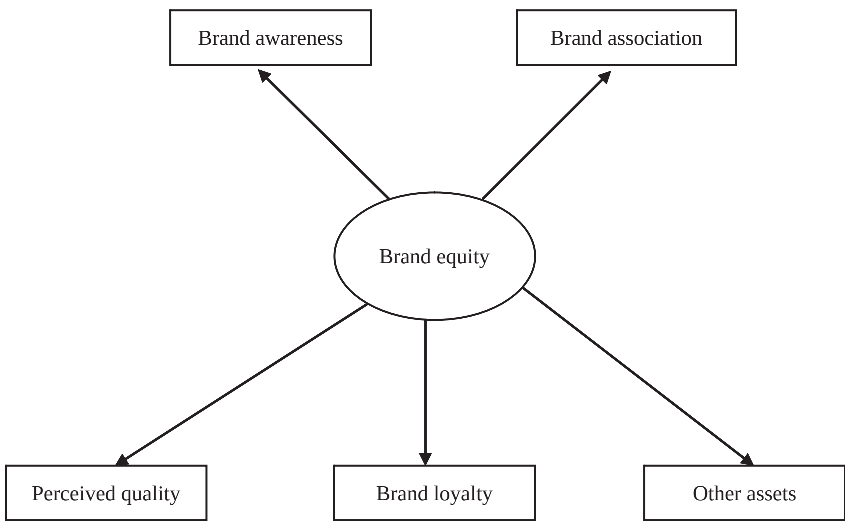


Fig. 1. Aaker's (1991) Brand Equity Model. *Source:* Aaker (1991).

empirical studies by Kim and Kim (2004), Vazquez, Del Rio, and Iglesias (2002), and Washburn and Plank (2002).

Although all are based on Aaker (1991) model to measure consumer-based brand equity, different findings emerge. For example, Yoo et al. (2000) note that brand association and brand awareness are not significantly discriminant, in other words, these two concepts merge into one factor called brand awareness with high association. This finding is challenged, however, by other results which show a clear distinction between brand awareness and brand association (Washburn & Plank, 2002; Pappu et al., 2005).

The measurement of each component of brand equity is treated differently in the empirical tests of Aaker's model. For example, brand awareness is assessed using a single measure in Pappu et al. (2005) study, while it is treated as a multidimensional scale in other studies by Yoo et al. (2000) and Kim and Kim (2004). This illustrates one of the gaps in the literature on branding, where there is not yet a consensus definition and measurement of consumer-based brand equity. This measurement model should be replicated in different contexts, therefore, to increase the validity and reliability of the measurement scale (Baldauf et al., 2003; Washburn & Plank, 2002; Yoo et al., 2000).

The literature shows that most studies on consumer-based brand equity approach the subject from the perspective of the consumer, even though the customer might be an individual or an organization (Atilgan, Aksoy, & Akinci, 2005). Therefore, the question "Does customer-based brand equity from the consumer perspective apply to the context of business-to-business marketing?" is still under exploration in the literature on branding. The following section discusses the issue of brand equity from a B2B perspective.

BRAND EQUITY IN A BUSINESS-TO-BUSINESS CONTEXT

Compared with the development of branding research from the individual consumer perspective, less emphasis is given to branding in the literature on B2B marketing (Bendixen, Kalala, & Russell, 2004). The reason for this is that B2B customer' buying behavior is considered a rational decision process, while brands are often associated with emotional or irrational issues (Rosenbroijer, 2001). This assumption is challenged, however, as researchers suggest that organizations are also influenced by intangible or emotional factors in their buying decision (Wilson, 2000). This argument opens up a new point of view about B2B marketing in general, and, in particular, it suggests that brands need more investigation in the B2B context (Mudambi et al., 1997).

The buying decisions of B2B customers are made in an environment which exerts numerous and complex influences on the decision maker (Webster & Wind, 1972). Illustrating the complexity of the business customer's decision- making process, Green and Wind (1972) explains that a business customer is more of an information seeker than a consumer, who looks for information that will make their businesses more efficient. Dwyer and Tanner (1999) emphasize that business customers apply strict performance standards to their purchases. This is why their buying behaviors are often made by professional purchasers, or multiperson buying teams, who have formal responsibility for product and vendor evaluation, commonly known as the buying center (Dwyer & Tanner, 1999). The purchasing behavior of business customers is consequently assumed much more rational than that of individual consumers.

This assumption is misleading (e.g., Chisnall, 1995a; Wensley, 1997; Wilson, 2000). For example, instead of viewing organizational purchasing as a purely rational and logical activity, professional purchasing managers may also focus on the personal and social aspects including personal paradigms, cultural preferences, and habits (Brockner, 1992; Chisnall, 1995a; Wensley, 1997). Collective decisions, which are a key feature of organizational buying behavior, are most suitable to large organizations while small and medium enterprise (SMEs) or family organizations tend to emphasize routine decisions which are more typically made by individuals rather than by a group (Spekman & Stern, 1979). In some cases, such as buying a family package holiday or making home media entertainment choices, many individual consumer purchasing decisions are collective decisions based on the involvement of other people, such as family members and peer group members, even though these activities are more informal than organizational buying processes (Wilson, 2000). The distinction between organizational and consumer buying behavior therefore needs reinvestigating.

Intangible factors or nonproduct characteristics, which are not included in the organizational buying behavior models, are recognized as important factors influencing organizational decisions (Mudambi et al., 1997). In Lehmann and O'Shaughnessy's (1974) study, supplier reputations are rated as one of the most important attributes influencing organizational buying decisions and are considered the most important factor in branding strategies (Mudambi et al., 1997). Levitt (1995) also reports that the company's overall reputation is an important factor that is often more influential than sales presentations in the organizational buying process. Decisions based on company reputation are often considered safer for the technical person than those relying on sales presentations in high-risk situations (Bendixen et al., 2004). The fear factor, or risk, is one of the major influences on organizational buying decisions (Lynch & de Chernatony, 2004). Risk is not only considered a failure of the organization in terms of finances, but also in terms of the risk incurred by the person responsible for the buying decision in the buying process (Hutton, 1997). Buying the top brands from reputable companies is one risk-reduction method available to business (Michell, King, & Reast, 2001). For example, IBM recognizes that B2B buyers are looking for peace of mind when making major procurement decisions, and they use this insecurity in a very successful B2B advertising strategy, which features a pillow embroidered with the IBM logo and a headline that reads ''What most people want from a computer service company is good night's sleep''. By making this emotional connection with buyers, IBM emphasizes the advantages of doing business with a market leader as a means of offsetting some of the uncertainties inherent in big ticket purchases (Lynch & de Chernatony, 2004, p. 404). This example illustrates how intangible attributes are important factors which influence supplier selection in the B2B context (Abratt, 1986; Bendixen et al., 2004).

Although limited, some exploratory studies pertaining to brand equity in the B2B context exist (Mudambi et al., 1997; Mudambi, 2002). One study notes that industrial brand names are commonly used, for example in the case of Portakabin (portable office) and Carryfast (road haulage) (Shipley & Howard, 1993). Evidence from the business world suggests that a number of famous B2B brands such as Abb, Caterpillar, Cisco, Dupont, FedEx, GE, HP, IBM, and Intel dominate in the ranking table of the most valuable brands in the world (Ailawadi & Keller, 2004). Beyond brand naming, industrial brand value has proven that the benefits gained from strong B2B brands are similar to those of consumer brands. An empirical study in the electrical circuit breaker market in the United States confirms that brand equity is alive and well in the B2B sector (Gordon et al., 1993). Firth (1997) also notes that the pricing of accounting services in New Zealand see the big name accounting firms have a 4 percent price premium compared to less famous companies. Hutton (1997, p. 431) also concludes that brand equity exists in the B2B market evidenced by customer willingness to pay a price premium for their favorite brand, recommend that brand to peers and give special consideration to another product with the same brand name. In other words, brands are important to B2B customers due to the opportunity they provide for greater value creation, the ability to charge premium prices, loyalty through powerful customer-brand relationships and the ability to sustain differentiation in crowded markets (Lynch & de Chernatony, 2004; Webster & Keller, 2004).

Several studies confirm the important role of brands in the B2B context and demonstrate that brands provide valuable equity for manufacturers just as they do for consumers, allowing manufacturers to gain substantial competitive advantages (Van Riel, Pahud de Mortanges, & Streukens, 2005). Even though consumer branding theories cannot be directly applied to the context of B2B customers, they can be the foundation and act as a reference point from which to develop B2B branding theories (Lynch & de Chernatony, 2004). For example, Wiedmann (2004, 2005) adapts brand association and customer retention to develop a theory of brand equity in reference to brand management in the energy sector. Van Riel et al. (2005) also use the consumer-based brand equity model to develop a brand equity model in the industrial context.

Retailers or resellers are recognized as one type of B2B customer, however, their buying behaviors have some special characteristics compared to other types of organizational customers (Buchanan, 1992). Retailers, for example, usually buy different brands in the same product category simultaneously, however, this habit does not always occur in other B2B markets. The traditional retailer buying models show that retailer decisions are often made by an individual person, while organizational buying behaviors are usually based on a group decision made by the buying center (Sheth, 1981). Brands are often assumed irrelevant to retailers, resulting in manufacturers rarely targeting retailers specifically to build strong brands (Hoffman, 1991). Branding theory needs specific investigation in the context of retailers or resellers. The following section discusses brand equity from the perspective of the retail business.

THE IMPORTANCE OF BRANDS TO RETAILERS

Retailing is in a major flux during and since the last decade, especially in the grocery and general merchandise industry (Ailawadi & Keller, 2004). Many famous retailer brands have appeared around the world such as Wal-mart, GAP, Cora, and Big G. Meanwhile, the famous manufacturer brands dominate in almost all retailing stores, including names such as Coke, Pepsi, Omo, and SunSilk. The rise of both retailer and product brand names essentially results in a form of conflict existing in channel management

(Webster, 2000). On the one hand, retailers attain increased power in the supply chain which is attributed to the fact that private label (retailer) brands account for about 70 percent of sales in some categories (Carpenter & Tybout, 1998). Overall, however, a large percentage of most retailers' revenue and profits in the traditional retailer model comes from selling manufacturers' brands, which are also sold by similar retailers. Retailers may wish to build their own private brands to differentiate themselves from other retail competitors and reap the potential rewards of increasing revenue and profitability, as well as decreasing costs (Ailawadi & Keller, 2004). Examples of some famous retailer brands are GAP, Wal-Mart, Home depot, H&M, and IKEA.

On the other hand, the image of the retailer is largely created through the good image of the famous manufacturers' brands they sell. Retailers use manufacturer brands to generate consumer interest, patronage, and loyalty to their stores (Ailawadi & Keller, 2004). This finding means that retailers often have to sell famous brands whether they like it or not, which is the reason why manufacturers often focus on building a strong brand in the eyes of the consumer so that they can essentially force the retailer to stock their brands, which ultimately suggests that the producers of products will attempt to control the retailer.

Many benefits are offered by manufacturers' brands to retailers, such as established consumer demand, favorable consumer attitudes toward the branded products found in a store, a commitment of product promotion by the manufacturers, and the credibility and image of the brand itself as enhancements of the retailer's credibility and image (Webster, 2000). These are not only valuable to retailers but also to manufacturers. To ensure a strong relationship between the consumer and the brand, the relationship between retailers and manufacturers must be considered as essential in the supply chain. The relationship between retailers and manufacturers should be a partnership which eventually delivers value to consumers, instead of revolving around competition and conflict between the product producer and the on seller (Narus & Anderson, 1986). Brands have value for both the consumer and the retailer while manufacturers need the support and loyalty of both the consumer and the retailer. On the other side of this triangle of the relationship between manufacturers, retailers, and consumers, consumers depend on both manufacturers and retailers, and the retailers need both the consumer and the manufacturer's brand (Webster, 2000).

The traditional ways of thinking about brands, where retailers are often left out of the equation, results in an incomplete analysis of branding from an academic perspective and incomplete management of the brand from a company perspective (Webster, 2000). Today's manufacturer of a branded product must recognize the important role of retailers, to build a strong brand. Research that investigates branding from the context of the retailer's or reseller's perspective will further the manufacturer's understanding of the importance of marketing to their primary customer, which should be viewed as the retailer who on-sells their products to the end-user – the consumer (Webster, 2000).

Interest in branding from a retailing perspective did not appear in academic journals until 1999 when Collins-Dodd and Louviere (1999) re-investigated brand equity in terms of the retailer's acceptance of brand extensions. Unfortunately, the results of the study suggest that ''manufacturers should not assume that retailers will be less sensitive to other elements of the marketing mix for stronger brands'' (Collins-Dodd & Louviere, 1999, p. 1). Webster (2000), however, presents a new view of brand value from the retailing perspective, stating that resellers should be included as an important source of brand equity. This study encourages further investigation of the topic. One article (Baldauf et al., 2003) and two PhD dissertations (Davis, 2003; Glynn, 2004) also confirm that brand equity does exist in the retailer or supply chain context. Firstly, Baldauf et al. (2003) presents an empirical study of customer-based brand equity theory from the individual consumer perspective within the context of organizations in the value chain. This study focuses on the consequences of brand equity management, which is also recognized as one of the knowledge gaps in branding theories (Baldauf et al., 2003). The research considers whether dimensions of brand equity are important antecedents of firm performance such as sales and profitability (Baldauf et al., 2003). An adapted version of Aaker (1991) model is used as the theoretical base, in which brand equity is proposed as a multidimensional construct consisting of brand awareness, perceived quality and brand loyalty (Baldauf et al., 2003). Performance measures in the customer-based brand equity model in the supply chain are classified into two types, brand profitability performance and brand market performance, which are the consequences of the brand equity model (Baldauf et al., 2003). A positive relationship is found between the brand equity components, (brand awareness, perceived quality, and brand loyalty) and firm performance, with both brand profitability performance and brand market performance. Customer value is also considered an outcome of the brand equity model in the supply chain, and is positively related to the three components of brand equity (Baldauf et al., 2003).

Baldauf et al.'s (2003) study is conducted via a mail survey of 794 tile resellers in Austria carrying products from manufacturers located in various countries such as Italy, the Czech Republic, and Slovakia. The findings suggest that all three measures of brand equity (brand awareness, perceived quality, and brand loyalty) are significant predictors of reseller performance measures. Brand loyalty is recognized as the most important predictor of performance. The brand equity construct measures, originally developed and validated in the consumer context, are found equally important from the reseller's perspective. The study is the first to continually assess and develop the positive relationships among channel partners along with the sacrifices and benefits of manufacturers and resellers (Baldauf et al., 2003).

The next known study, which investigates the effect of brand equity in the supply chain relationship, is the PhD thesis of Davis (2003) at the University of Tennessee. The study's purpose is to address two questions: "To what extent does knowledge of brands in consumer markets translate to brands in the supply chain?" and "What do firms stand to gain or lose by investing in brand management targeted toward trade partners?" (Davis, 2003). In this study, brand equity is also proposed as a multidimensional construct comprised of two components, consumer-based brand equity and trade-based brand equity. Trade-based brand equity is defined as the differential effect of the brand on the response of trade partners to marketing activities of the firm, based on Keller (1993) definition of consumer-based brand equity (Davis, 2003). Consumer-based brand equity and trade-based brand equity are measured by the perceptions held in the minds of supply chain members. Brand equity is considered the moderating factor that changes the level of perceived risk of the channel partner (Davis, 2003). Brand equity also moderates the relationship between perceived risk and its antecedents such as uncertainty, dependence, and power (Davis, 2003). Relationship commitment between trade partners is a result that manufacturers can achieve with a strong brand, in supply chain management and place as a consequence of the brand equity model (Davis, 2003).

Davis's theoretical model uses grounded theory based on the reports obtained from 16 executives in six firms across three supply chain contexts (i.e., textile, apparel, and office supplies). SEM is used to test the theoretical model with 792 independent retailers. The findings confirm that brand equity in the supply chain consists of two separate dimensions – consumer-based brand equity and trade-based brand equity, with trade-based brand equity being relatively more important than consumer-based brand equity (Davis, 2003).

The third study, based on the PhD thesis of Glynn (2004, p. 6) at the University of Auckland, concentrates on two research problems: "What source of value do manufacturer brands have for resellers?" and "How do these sources of value affect reseller relational outcomes towards the brand?'' According to Glynn (2004, p. 6), a brand is ''an intangible firm resource or market-based asset which has multidimensional sources of value for resellers and influences key reseller relationship outcomes within the channel.'' Glynn's study uses SEM to test the conceptual model through a mail survey with resellers of eight product categories including toothpaste, shampoo, fruit juice, jam, detergent, laundry powder, wine, and beer. The findings confirm the role of the brand as a market-based asset in the external firm relationship. Three sources of brand value are identified, including nonfinancial benefits (or manufacturer support), brand preference, and customer expectation. Financial benefits are not considered as a critical source of value. The first source of value, nonfinancial benefits, safeguards the reseller's investment in the brand by providing resources that build customer demand for the brands sold in store (Glynn, 2004, p. 239). The second source of value is the strength of the brand, which highlights the expectations of resellers regarding their customer's behavior with respect to the brand. This value leads to reduced risk and safeguards the resellers. The last source of brand value focuses on the reseller's expectation regarding how the customer will respond to the brand (Glynn, 2004, p. 240).

This study also suggests that the source of brand value stems from four key dimensions – financial benefits; nonfinancial benefits; brand equity; and customer demand. Reseller's satisfaction is an important factor in the model. When a brand is highly valued by the retailer, they have increased trust in the manufacturer, stronger commitment to the brand, a greater desire for cooperation with the manufacturer, higher dependence on the manufacturer, and the brand tends to perform better in store (Glynn, 2004).

Although relatively few studies investigate branding theory from the retailing perspective, it is important to identify some of the key points that emerge from the work of these authors. First of all, many authors have confirmed the important role of brand in the retailer context such as Baldauf et al. (2003), Davis (2003), and Glynn (2004), which is consistent with Webster (2000) findings. Secondly, relationship management is a key aspect of brand equity in terms of the interorganizational exchange from the supply chain perspective. Davis (2003) notes that brand equity affects supply chain relationships by changing the level of perceived risk in the interorganizational exchange. Glynn (2004) further states that the relationship variables are key outcomes of the branding model in the retailing context, which highlight the importance of understanding the reseller's attitude towards brands. Some key concepts of relationship quality, such as satisfaction, trust, and commitment, appear in both Davis (2003) and Glynn (2004) studies.

Another important source of brand equity from the retailer's perspective is the brand preference of the consumer (or consumer-based brand equity) which is highly correlated to trade-based brand equity in Davis (2003) theoretical model. The consumer's brand preference is an important aspect of the value proposition between trade partners, often opening the door to new relationships or providing staying power to existing relationships. Consumer value represents the consumer's overall assessment of the utility of a product based on perceptions of what is received when a purchase is made (Baldauf et al., 2003). In short, what consumers think about manufacturers' brands do affect the brand's value from the retailer's perspective. This result is consistent with Webster (2000) model of brand value and reiterates the important three-way relationship among brands, resellers, and consumers.

In summary, brands play an important role in the retailing context, and provide valuable benefits to retailers as well as consumers (Baldauf et al., 2003; Davis, 2003; Glynn, 2004; Webster, 2000). The three-way relationship among manufacturers, resellers, and consumers acts as the foundation of branding theory in the supply chain (Webster, 2000). The limited amount of branding research in the retailing context has not yet filled the gap of knowledge, however, in the special context of the supply chain. The three aforementioned key studies approach the subject from different perspectives and, as yet, a common definition of brand equity in the retailing context has not been reached. Further research is required to bridge the gap in the branding literature, including reaching a common definition of brand equity (Woods, 1998), exploring the effect of marketing strategies on building strong brands (Yoo et al., 2000), and understanding the effects of brand equity on brand performance (Baldauf et al., 2003; Kim & Kim, 2004).

RETAILER-BASED BRAND EQUITY

This section introduces the concept of RBBE and considers the factors that influence the development of brand equity in the retailer context. Consumer-based brand equity theories can be used as the foundation to direct and guide the development of brand equity theories in B2B models (Lynch & de Chernatony, 2004). Van Riel et al. (2005) confirm that a customer-based method developed in consumer research should be adapted to the specific situation of the industrial buyer. For example, although dimensions such as brand awareness, perceived quality, brand image, brand association, and brand loyalty are conceptualized as part of customer-based brand equity

(Aaker, 1991; Keller, 1993; Kim & Kim, 2004; Yoo et al., 2000), only a few of these dimensions appear directly transferable to industrial branding, while others appear irrelevant (Van Riel et al., 2005). The research, outlined later in this chapter, investigates the issue of brand equity from the retailer perspective by transferring the general ideas of consumer-based brand equity into the retailer context.

Consumer-based brand equity is defined as the effect of brand knowledge on customer response to marketing activities of the firm (Keller, 1993, p. 1). This definition is widely accepted in the literature on branding and expanded into other contexts, such as industrial-based brand equity definitions (Van Riel et al., 2005) and trade-based brand equity (Davis, 2003). The current study also adapts Keller (1993) definition to define RBBE as follows:

- RBBE is the effect of brand knowledge on the retailer's response to the marketing activities of the brand manufacturer, in which a positive attitude towards the manufacturer's brand leads to the source of competitive advantage in that product category (developed for this study).

The earlier review of consumer-based brand equity indicates that a large number of concepts are recognized as dimensions of consumer-based brand equity including brand association, brand awareness, perceived quality, brand trust, brand preference, and brand loyalty. Consumer-based brand equity, however, contains the three common components of association, belief, and loyalty (Feldwick, 1996), which ultimately means that brand managers should focus on building a lasting positive image in the consumer's mind. This image will be imprinted into his/her attitude towards to the brand, leading to loyalty to that particular brand (Woods, 1998). Based on this foundation, RBBE, in the current study, is viewed as a multidimensional construct consisting of three components: (i) brand association; (ii) brand trust and; (iii) brand loyalty. Brand association is the focus of brand managers on building a positive image in the retailer's mind. This image will be imprinted into the retailer's trust in the brand, leading to the development of loyalty to that particular brand. These three components of RBBE also represent the positive attitude of the retailer towards the brand (Michener & Delamater, 1999; Shiffman & Kanuk, 2000). The following sections will discuss the three dimensions of RBBE – brand association, brand trust, and brand loyalty, in detail.

Brand Association

Brand association is the information node linking to the brand node in memory, which creates the meaning of the brand for consumers (Keller, 1993). The favorability, strength, and uniqueness of a brand association are the dimensions of brand knowledge, which is the source that creates the differential response of the consumer, resulting in brand equity (Keller, 1993). Aaker (1991) states that brand association is the most accepted aspect of brand equity in terms of product attributes; customer benefits; uses; users; lifestyles; product classes; competitors; and countries. Brand association can help the customer to process or to retrieve information. It acts as the basis for differentiation and extension, creating the buying reason and positive feeling (Aaker, 1991). Brand association refers to the mental images which customers hold in their minds about a brand related to their needs and demands (Woods, 1998).

Based on consumer-based brand equity theories, brand association in the context of the retailer is defined as what the retailers thinks about a brand related to their own needs and demands. The needs and wants of retailers are somewhat different to that of the consumer (Fairhurst & Fiorito, 1990). Brand association, as measured in the consumer context, cannot be interpreted exactly the same in the retailer context. What is held in the consumer's mind cannot be assumed the same as what is held in the retailer's mind related to a manufacturer's brand.

Retailer buying behavior models state that two main factors influence retailer decisions about merchandise requirements and supplier accessibility. Merchandise requirements represent the needs, motives, and purchase criteria of retailers, while supplier accessibility describes the set of choices that can fulfill their needs (Sheth, 1973). The main concern of retailers is how to buy the right product at the right time, with the right deal to maximize their profit. The purpose of retailer buying behavior is to resell a product to the end consumer (Fairhurst & Fiorito, 1990). Consequently, maximum profit levels are achieved when retailers stock brands which fulfill the expectations of the end consumer, while also delivering satisfaction to the retailer related to the way in which their business dealings are approached and managed by the brand's manufacturer (Buchanan, 1992). Essentially a strong, positive brand image is best achieved by ensuring the satisfaction of retailers along with receiving positive evaluations from the end consumer of the brand. In summary, the more satisfaction retailers experience with a brand, the more they will sustain a positive image of that brand. This image will increase in direct relationship with a positive consumer evaluation of a brand. Brand association in the RBBE sense is essentially a second-order construct that is made up of two dimensions: brand satisfaction (BS) (of the retailer) and consumer-based brand equity. The following subsections provide further discussion of these two dimensions.

Brand Satisfaction

In the B2B marketing literature, satisfaction is one of the core determinants of a successful buyer–seller relationship and acts as a measurement of the health of their relationship (Han, Wilson, & Dant, 1993; Rossomme, 2003; Schellhese, Hardock, & Ohlwein, 2000). Satisfaction motivates parties to commit more to a beneficial exchange relationship (Leutheser, 1997); satisfaction affects channel members' morale; and creates an incentive to participate in collective activities (Schul, Little, & Channel, 1985).

Hunt and Nevin (1974) demonstrate that satisfaction among channel members has a significantly positive relationship with morale and cooperation, and a negative effect on the tendency to withdraw from the system or seek protective legislation (Nguyen, 2002). Key benefits of customer satisfaction are that the more loyal customers become, the longer they are likely to continue to purchase products from the same manufacturer (Fornell, 1992). Customer satisfaction also reduces price elasticity for current customers and leads to high margins and customer loyalty (Reichheld & Sasser, 1990). Greater customer satisfaction increases the overall reputation of the firm and lead to benefits in establishing and maintaining relationships with key suppliers, distributors, and potential alliances (Anderson & Weitz, 1992). High customer satisfaction should indicate increased loyalty from current customers, reduced price elasticity, lower costs of future transactions, and of attracting new customers and enhanced reputation for firms (Nguyen, 2002). Satisfaction of channel members is critical for the long-term viability of a manufacturer (Dwyer, 1980). This is why BS is an important dimension of brand association which is imprinted on the retailer's perception, leading to a positive image of the manufacturer's brand.

Satisfaction is a topic of broad investigation in many areas of marketing and management (e.g., Gaski & Nevin, 1985; Ruekert & Churchill, 1984). In channel management, satisfaction reflects all characteristics of the relationship between a channel member and another institution in the channel which the focal organization finds rewarding, profitable, instrumental and satisfying (Ruekert & Churchill, 1984). In the literature on marketing channels, satisfaction can be captured from both economic and noneconomic (psychological) aspects (Geyskens, Steenkamp, & Kumar, 1999). Geyskens et al. (1999) view economic satisfaction as a channel member's positive response to economic rewards, stemming from the working relationship with its partner, such as sales volumes and profitability. A channel member with an economic orientation in a relationship tries to attain its goal in terms of the general effectiveness and the financial outcomes of the relationship with its partner. In a similar vein, Brown, Lusch, and Smith (1991, p. 16) describe satisfaction as "the perceived discrepancy between its prior expectation and actual profits." Actual profit, therefore, is emphasized when examining a partner's satisfaction.

The second type of satisfaction, noneconomic satisfaction, refers to a channel member's positive affective response to the psychological aspects of the relationship (Geyskens et al., 1999). Channel members who are concerned with the noneconomic aspects of their relationships are more likely to appreciate their contact with an exchange partner because they believe that the partner is concerned, respectful, and willing to exchange ideas (Geyskens et al., 1999). Satisfaction is also an indicator of how a firm assesses some of the other costs and benefits of its relationship beyond the level of economic performance and conflicts, which is described as the overall satisfaction of the channel member (Cullen, Johnson, & Sakano, 1995). This approach is widely supported in studies on relationship marketing (Anderson & Narus, 1990; Crosby, Evans, & Cowles, 1990).

Based on Gaski and Nevin (1985), BS is defined in this chapter as an overall evaluation of fulfillment in the relationship between the brand's manufacturer and the retailer. Further detail on how to measure BS in the current study is provided in the Research method section of this chapter.

Consumer-Based Brand Equity

Webster (2000) indicates that a strong brand provides a number of benefits to retailers, such as pre-established demand, providing a good image of the retailer with the consumer, and providing a relationship of trust and credibility with the consumer. This statement means that retailers are concerned about how their consumers perceive the value of the manufacturer's brand. The second aspect of retailer needs and wants, therefore, relates to what they believe the consumers think about the brand (i.e. consumer-based brand equity).

This aspect is the concept of "consumer perceived value" in the brand equity model of Baldauf et al. (2003), whereby consumer value is defined as "the consumer's overall assessment of the utility of the product based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 14). Davis (2003) states that consumer-based brand equity is one of the dimensions of firm-brand equity, measured by the overall consumer-based brand equity from the retailer's perception. In Glynn (2004) study, consumer expectation acts as a safeguard to the reseller when doing business with a brand (Glynn, 2004).

The current study adapts consumer-based brand equity [please check entire manuscript one more time and try to get rid of passive voice in eight more sentences] as the second dimension of brand association in the RBBE model, which is defined as the consumer's overall assessment of the brand value, based on the perceptions of retailers.

Brand Trust

Brand trust is the second dimension of RBBE. A number of reasons explain why brand trust is chosen to present the positive, affective state of the retailer's attitude towards the manufacturer's brand. Trust in marketing is regarded as one of the key ingredients or lubricants required to encourage smooth business relationships (Nguyen, 2002). Trust is also considered a critical success factor in successful service relationships in B2B marketing (Parasuraman, Zeithaml, & Berry, 1985). Customers need to feel safe in dealing with service providers and need assurance that their interaction is confidential, and that they can trust their service providers. Several authors note that trust is a major element of long-term buyer–seller relationships in a business environment which provides a number of benefits including the encouragement of cooperation, increasing long-term benefits and reduced fear of opportunistic behavior by one partner (Anderson & Weitz, 1992; Anderson & Narus, 1990; Dwyer, Schurr, & Sejo, 1987; Geyskens, Steenkamp, Scheer, & Kumar, 1996; Morgan & Hunt, 1994).

Although no consensus exists on the conceptual meaning of trust, many definitions appear in the marketing literature. Some popular definitions of trust are widely cited in relationship marketing as follows:

- "A willingness to rely on an exchange partner in whom one has confidence" (Moorman, Zaltman, & Deshpande, 1992, p. 315).
- "As a confident belief that the salesperson can be relied upon to behave in such a manner that the long term interest of the customer will be served" (Crosby et al., 1990, p. 70).
- "As the firm's belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm" (Anderson & Narus, 1990, p. 45).

Trust constitutes the belief, attitude, or expectancy that one exchange partner will act in the best interests of the other partners. Trust involves an expectation on the part of a firm that a partner's promise can be relied on (Lindskold, 1978) or a partner does not intend to behave in a harmful way towards the firm.

From the retailing perspective, Glynn (2004, p. 131) indicates that "reseller's trust focuses on the reliability of brand supply, the credibility of marketing information shared and the expertise of the major brand manufacturer or category captain." Two components of trust in the reseller context are honesty and benevolence (Glynn, 2004). Based on the definitions of Delgado-Ballester (2002) and Glynn (2004), brand trust is defined as the feeling of security held by the retailer in its interactions with the brand, which is based on the reliability of brand supply, the credibility of marketing information shared and the expertise of the brand manufacturer. Further discussion about the measures of brand trust are discussed in the Research method section of this chapter.

Brand Loyalty

Brand loyalty is the third and final dimension of RBBE. The concept of loyalty receives much attention in the existing literature and the term loyalty is often used interchangeably with its operational definition, referring to repeat purchase (Ehrenberg, 1988), preference (Guest, 1944), commitment (Hawkes, 1996), purchase intentions, or customer retention (Rust & Zahorik, 1993). Most loyalty research utilizes, or modifies, the definition of loyalty from the consumer and service contexts while limited attempts are made to define loyalty in the B2B context (Papassapa, 2005). In B2B marketing, loyalty focuses on a long-term relationship between buyers and sellers. For example, Singh and Sirdeshmukh (2000) define customer loyalty as "a behavioral intention to maintain an ongoing relationship with a service provider." Oliver (1999) views loyalty as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing the same brand to be purchased repeatedly, despite situational influences and marketing efforts having the potential to cause switching behavior to other suppliers. Meanwhile, Lam, Shankar, Erramili, and Murthy (2004) define loyalty as a buyer's overall attachment or deep commitment to a product, service, brand, or organization.

In terms of brand equity, brand loyalty is an important dimension which reflects how likely a customer is to switch to another brand when that brand makes a change, either in price or in product features (Aaker, 1991). The development of brand loyalty is one of the most important goals that any brand manager wants to achieve (Feldwick, 1996), which is why brand loyalty appears in most customer-based brand equity models.

Brand loyalty is clearly an important dimension of retailer-based brand equity. Commitment is the highest level of loyalty expectation of brand manufacturers (Aaker, 1991). Based on Oliver (1999) and Lam et al. (2004), brand loyalty is defined in this study as a commitment by the retailer to maintain a long-term and stable relationship with the brand manufacturer. This idea is consistent with the findings of Glynn (2004) and Davis (2003) studies, where retailer commitment is found to play an important role in interorganizational exchange and provides a sense of purpose for building strong brands across the supply chain.

In summary, there are three dimensions of RBBE: brand association, brand trust, and brand loyalty. The dimensions of RBBE is the Hypothesis 1 for testing in the current research. Brand association reflects the positive image of the brand held in the retailer's perception, related to their needs and wants. This feature leads to a positive feeling towards the brand, which results in retailer trust in the brand. As a result of a strong manufacturer brand, retailers commit to a long-term business relationship with the brand's manufacturer. The next section discusses the proposed relationships among these three dimensions of RBBE.

H1. There are three dimensions of RBBE: brand association, brand trust, and brand loyalty.

Relationships among Three Dimensions of Retailer-Based Brand Equity

The first relationship requiring exploration within the RBBE construct is that between brand association and brand trust. Based on attitude theory, brand association is proposed to have a positive relationship with brand trust (Ajzen & Fishbein, 1980). Retailers will not trust a brand if they cannot recognize the image of the brand. A positive image of a manufacturer's brand in the retailer's mind is a necessary condition leading to a good feeling towards the brand. Based on consumer-based brand equity theories, the positive association held in the customer's mind will constitute the positive feeling of customers (Woods, 1998). Based on these arguments, the study proposes Hypothesis 2.

H2. Brand association relates positively to brand trust.

In relationship quality theories, trust relates positively to commitment (e.g., Morgan & Hunt, 1994). Based on this theory, the trust of retailers in brands will lead to a long-term commitment and relationship between the retailer and the brand manufacturer. The theory of reasoned action (Ajzen & Fishbein, 1980) asserts that attitudes towards an act lead to intentions. Ajzen and Fishbein (1980) suggest that the weighted combination of attitudes towards an act and subjective norms (e.g., attitudes about an object or other people) leads to intentions and eventually leads to behaviors. In other words, the positive feeling of retailers towards a brand leads to the intention to keep doing long-term business with the brand's manufacturer. Brand trust is proposed to have a positive relationship with brand loyalty, which leads to Hypothesis 3.

H3. Brand trust relates positively to brand loyalty.

Furthermore, the loyalty of the retailer towards a brand cannot be achieved without their first knowing about the brand (Nguyen & Nguyen, 2002). This study proposes a positive relationship between brand association and brand loyalty, as Hypothesis 4 shows.

H4. Brand association relates positively to brand loyalty.

Following this discussion of the relationship between the three key components of brand equity in the retail context, the chapter next discusses the relationship between the strength of brands and the performance that they achieve in various ways for the retailer.

EFFECTS OF BRAND EQUITY ON RETAILER PERFORMANCE

Performance is often a dependent variable in marketing research (Boulding & Staelin, 1995; Raven, McCullough, & Tansuhaj, 1994). In channel marketing, performance is defined as "the accomplishments – real and perceived – that result from the manufacturer–distributor relationship" (Rosson & Ford, 1982, p. 61). Performance can be measured by various indices, some of which are used in previous channel studies including intensity and growth (Reid, 1983), margin and contribution (Mohr & Nevin, 1994), sales trends, and annual sales levels (Rosson & Ford, 1982). Noorderwier, John, and Nevin (1990) define performance, from the transactional cost analysis point of view, as the minimization of certain transaction costs (improvement to turnover, delivery time). Baldauf et al. (2003) conceptualize brand performance, in the retailing context, as comprising brand profitability performance (profit, margin profit) and brand market performance (sales volume, market share).

Limited research focuses on the relationship between brand equity and brand performance in consumer-based brand equity models (Baldauf et al., 2003; Kim & Kim, 2004; Glynn, 2004). Brand performance is recognized, however, as the outcome of the brand equity model, defined as the economic results manufacturers want to achieve from strong brands (Kim & Kim, 2004; Baldauf et al., 2003). The current study proposes that strong RBBE will also lead to higher brand performance from the retailers' perspective. The following hypotheses indicate how the three dimensions of RBBE-brand association (Hypothesis 5), brand trust (Hypothesis 6), and brand loyalty (Hypothesis 7) relate positively to the performance of brands at the retailer level.

H5. Brand association relates positively to brand performance.

H6. Brand trust relates positively to brand performance.

H7. Brand loyalty relates positively to brand performance.

In summary, brand performance is the economic performance of a brand in the retailer context which is ultimately the outcome of the RBBE model. This chapter later provides further discussion about the measurement of brand performance.

After developing an understanding of what RBBE is, and how such equity has the potential to affect brand performance, the next section of the chapter discusses the relationship between the marketing mix strategies of brand manufacturers (i.e., manufacturer support) and RBBE.

THE ROLE OF MANUFACTURER SUPPORT

The marketing strategies in practice by a firm act as key antecedents of brand equity (Palazon-Vidal & Delgado-Ballester, 2005; Simon & Sullivan, 1993; Yoo et al., 2000). Simon and Sullivan (1993) propose several marketing strategies as efficient tools to build brand equity, such as expenditure on advertising, marketing research, age of the brand, advertising share, order of entry, and product portfolio. Other strategies are also considered in brand equity models, including public relations (Aaker, 1991) and warranties (Boulding & Kirmani, 1993). Yoo et al. (2000) are among the first authors to investigate and empirically test the brand equity antecedents, involving five marketing mix strategies, namely price, store image, distribution intensity, advertising spending, and price deals. Furthermore, Palazon-Vidal and Delgado-Ballester (2005) prove that sales promotion is also a useful tool to build strong brands.

From a supply chain perspective, one study considers marketing strategies in the brand equity model, which is Glynn (2004) study on the source of brand value in supply chains. Glynn (2004) notes that manufacturer support, which includes advertising support, merchandising support, key parts of the range, useful category information, key category growth, and additional choice, is a major source of brand value. Such manufacturer support is a critical element which shapes retailer's perceptions and brand associations. The marketing strategies used by manufacturers to facilitate the retailer's ability to successfully sell and promote their products are key antecedents of brand equity. While consumer-based brand equity measures provide the foundation to develop a RBBE model, manufacturer support, adapted from Glynn (2004), is an antecedent of RBBE. All three dimensions of RBBE are positively related to the degree of manufacturer support provided by the product's producer. Hypotheses 8, 9, and 10 explore these relationships:

H8. Manufacturer support relates positively to brand association.

H9. Manufacturer support relates positively to brand trust.

H10. Manufacturer support relatespositively to brand loyalty.

Manufacturer support, through their various marketing strategies, also has the potential to directly influence the sales volume performance and market share of brands in store (Duncan, 2002). Manufacturer support can directly impact the brand's performance at the retail level. The study examines the added hypothesis (Hypothesis 11) as follows:

H11. Manufacturer support relates positively to brand performance.

To summarize the overall relationship between the components of RBBE, the brand's performance at the retail level and the influence of manufacturer support, Fig. 2 illustrates the model of RBBE explored in this study.

The previous discussion confirms the importance of brands in terms of the retailer. RBBE is defined as the effect of brand knowledge on the retailer's response to the marketing activities of the brand's firm. Three components, namely brand association, brand trust, and brand loyalty, are considered to make up RBBE. Brand association is reflected in the positive image of a

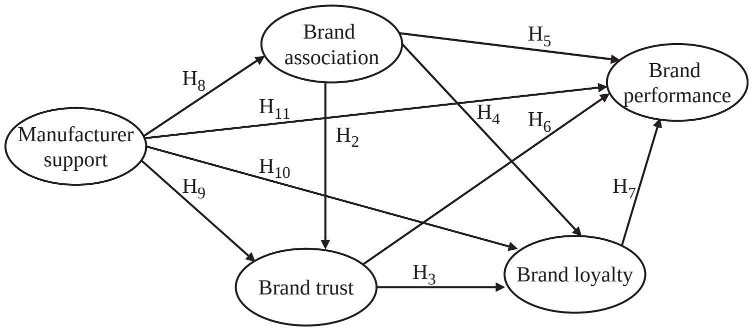


Fig. 2. Model of the Antecedents and Outcomes of Retailer-Based Brand Equity. *Source:* Developed for this Research.

brand in the retailer's mind, related to their needs and wants. This relationship leads to a positive feeling towards the brand, which is the trust a retailer holds in a manufacturer's brand. Retailers will commit to a long-term business relationship with a product manufacturer when its brand is strong.

Brand performance and manufacturer support are the consequence and antecedence of the RBBE model. Eleven hypotheses are proposed and tested in this chapter through a study of Vietnamese grocery retailers. The following section outlines the methodology utilized to test the theoretical model.

RESEARCH METHOD

This research explores how customer-based brand equity theory translates to the retail context, as well as investigating the effects of RBBE on brand performance. To explore these issues, a survey is administered to assess the research questions and hypotheses previously stated as surveys provide a quick, efficient, and accurate means of assessing information about a population, especially in cases where secondary data does not exist (Zikmund, 1997).

Survey Design

A survey was designed, following a thorough literature review, to determine what questions are needed to measure the various factors related to brand equity, performance, and manufacturer support. The questionnaire was initially designed in English. The original English version was then translated into Vietnamese by one translator followed by back-translation into English by another translator, each of whom was fluent in both languages. Back-translation is necessary because English is not commonly used and understood by retailers in the market being studied (i.e. Vietnam). The original and back-translated English versions of the questionnaire were compared to ensure the equivalence of meanings of the items, and were refined where necessary (Craig & Douglas, 2000). This process lead to the first draft of the questionnaire.

As Fig. 2 displays, five main constructs make up the retail brand equity model. They are: (1) brand association; (2) brand trust; (3) brand loyalty; (4) brand performance; and (5) manufacturer support. The following section deals with the measurement of these constructs in previous studies and indicates how each is measured in the current survey. Table 1 (at the end of this section) summarizes the specific items used to measure the various constructs in this study.

Measuring Brand Association through Satisfaction and Consumer-Based Brand Equity

Brand association is a second-order construct made up of two components – BS and consumer-based brand equity. BS is an overall evaluation of fulfillment in the relationship between brand manufacturers and retailers (Gaski & Nevin, 1985). Cannon and Perreault (1999) develop and test this measure of satisfaction with suppliers, indicating the measure highly reliable. This scale is further tested in the context of resellers by Glynn (2004). Given its proven reliability as a sound measure of BS in the B2B context, the current study also adapts this measurement of satisfaction, which comprises five items using a seven-point Likert scale anchored by (1) strongly disagree and (7) strongly agree (see Table 1).

Consumer-based brand equity is the second dimension of brand association in the RBBE model. It is defined as the consumer's overall assessment of the brand value, based on the perceptions of the retailer. The measurement of this concept is tested, from the supply chain perspective, in the work of Davis (2003) and Glynn (2004), which are originally based on the overall brand equity measures of Yoo et al. (2000). This study adapts this measurement of consumer-based brand equity, which consists of six items using a seven-point Likert scale (strongly disagree/strongly agree) to test in the Vietnamese independent retailer context (see Table 1).

Table 1. Items Used to Measure the Study Constructs.

Construct	Item Wording
Brand satisfaction	○ Overall I am very satisfied with X ○ *Our store regrets the decision to have X in its range* ○ We are pleased with what X does for this product range in this store ○ Our store is not completely happy with X ○ *If we had to do it all over again, we would still have X in this product range*
Consumer-based brand equity	○ Our customers know X to be a good value brand ○ Our customers expect us to carry this brand ○ Consumers are willing to pay more to buy this brand ○ Consumers often buy X exclusively from this manufacturer ○ Our customers will be disappointed if we do not carry this brand ○ Customers consider X to be a good buy
Brand trust	*Benevolence factors* ○ Whenever we have problems concerning X we know the manufacturers will respond with understanding ○ Though circumstances change, we believe the manufacturer of X will be willing to offer us assistance and support ○ In the future, we know we can count on the manufacturer to consider how its decisions about X will affect us ○ When it comes to things that are important to us we can depend on manufacturer support being available for X ○ When making important decisions, X is concerned about our welfare *Honesty factors* ○ X usually keeps the promises that it makes to our store ○ Whenever X gives us advice on our business operations we know it is sharing its best judgment ○ Our store can count on X to be sincere ○ X has often provided us information that has later proven to be accurate
Brand loyalty	○ The relationship my store has with X is something we are very committed to ○ The relationship my store has with X is one we intend to maintain in the future ○ The relationship my store has with X deserves our maximum effort to maintain ○ The relationship my store has with X is something we will do almost anything to keep ○ The relationship my store has with X is one we care a great deal about long term ○ *The relationship my store has with X is one we intend to maintain for the future*

Table 1. (*Continued*)

Construct	Item Wording
Brand performance	○ Compared to all other brands available in our trade area the profitability for carrying X is highest ○ Relative to all other brands we carry in this product category, the realized margin for X is highest ○ Compared to all other brands available in our trade area in this product category , the sale growth of X is highest ○ Overall, X is financially very attractive for us ○ Compared to all other brands we carry in this product category X generates the largest sales volume ○ Compared to all other brands we carry in this product category X generates the largest sales revenue ○ Relative to all other brands we carry in this product category, the sales potential for X is highest ○ Compared to all other brands we carry in this product category, the market share of X is highest
Manufacturer support	○ X has strong consumer advertising support ○ X is a regular part of our store's advertising program ○ Merchandising support provided by the manufacturer for X is useful ○ X is a key brand in the product range offered by this store ○ The category information supplied by the manufacturer about X is useful ○ X is an important brand in the future growth of this product category ○ *X enables this store to offer its customers additional choice in this category*

Note: Items in italics were deleted following the pilot study.
Source: Davis (2003), Glynn (2004), Kumar, Scheer, and Steenkamp (1995), and Baldauf, Cravens, and Binder (2003).

Measuring Brand Trust

The conceptualization of trust and its operational measurement is still a controversial issue in the marketing literature (Nguyen, 2002). For example, in an organizational context, McAllister (1995) operationalizes trust as interpersonal trust comprising affect-based trust and cognitive-based trust. In the context of salespeople, Kennedy, Ferrell, and Le Clair (2001) mention trust in a buyer–seller relationship as trust of the salesperson and trust of the manufacturer. Other researchers including Ganesan (1994), Geyskens et al. (1996), and Doney and Canon (1997) define and measure trust in different forms such as benevolence, honesty, and credibility. However, two dimensions of trust, honesty and benevolence, are most commonly referred to in the relationship marketing literature (Geyskens et al., 1996; Kumar, Scheer, & Steenkamp, 1995).

In the reseller context, Glynn (2004) adopts the measurement scale of trust from Kumar et al. (1995) which contains the two concepts, honesty and benevolence, to test in the New Zealand supermarket context. In the scale purification process, however, the honesty items are deleted (Glynn, 2004). The current study of Vietnamese independent groceries reinvestigates the value of these honesty items to confirm the dimensions of trust in this retailing context. Based on the original measure of trust in Kumar et al. (1995) study, trust is proposed as a second-order construct which includes two dimensions, honesty and benevolence, measured by ten items listed in Table 1.

Measuring Brand Loyalty

In this study, brand loyalty is defined as the commitment of the retailer to the relationship with the brand's manufacturer. The measurement of commitment remains an issue in the relationship marketing literature (Nguyen, 2002). Commitment can be approached from a continuance, behavioral or affective perspective (Kim & Frazier, 1997). In the channel literature, however, the continuance commitment is most recognized (Anderson & Weitz, 1992; Kumar et al., 1995; Morgan & Hunt, 1994).

The measurement scale of retailer commitment towards manufacturers' brands is tested by Davis (2003), based on the original measurement scale of relationship commitment in Morgan and Hunt (1994). This study uses the scale developed by Davis (2003) to measure the commitment of retailers to brand manufacturers in Vietnamese retailers.

Measuring Brand Performance

Performance is measurable both in objective (e.g., profitability) and subjective (e.g., partner assessment, or satisfaction) terms (Nguyen, 2002). These two types of measurements are highly correlated and may in fact measure the same thing (Beamish, 1988; Geringer & Hebert, 1991). The most widely used indicators to measure performance are financially driven, such as sales volume, growth. and profitability (Lee, 1998; Zou, Taylor, & Osland, 1998). In Baldauf et al.'s (2003) study, brand performance at the retailer level acts as the outcome of brand equity management in the value chain. Brand performance includes brand profitability performance and brand market performance.

Adapted from Baldauf et al.'s (2003) study, brand performance in the current study focuses on the financial aspects using a subjective approach. The subjective approach means that respondents are not asked to indicate particular performance results or figures objectively. Rather they are asked to indicate how they perceive the branded product performs in comparison to other competing brands sold in store. This method can overcome the problem of respondents being concerned about releasing confidential store performance data. The two dimensions of brand performance used in Baldauf et al.'s (2003) study are treated as a unidimensional construct as included in some other studies in the marketing literature (e.g., Kumar, Stern, & Steenkamp, 1992; Nguyen, 2002; Styles, 1998). Brand performance is measured by the eight items presented in Table 1.

Measuring Manufacturer Support

Manufacturer support is firstly conceptualized and measured in the retailing context in Glynn (2004) study. Given the relevance of this scale to the context of the current study, the original measurement developed by Glynn, consisting of seven items, is used to measure manufacturer support in the Vietnamese independent grocery retailer context. Manufacturer support is, therefore, measured by seven items using a seven-point Likert scale (1: strongly disagree to 7: strongly agree), shown in Table 1.

Table 1 presents all measurement items that are the original measures in the survey prior to any pilot testing or reliability testing which is later conducted to indicate if any items need removing from further analysis to maximize the reliability of measures. The paper now outlines details of these procedures.

Pilot Study

Before conducting the pilot study, the survey instrument was checked by a member of the Vietnamese grocery retail sector to confirm that the questions have content validity and makes sense given the research context. Following this, a pilot study conducted by face-to-face interviews with 100 independent grocery retailers in Vietnam. As all of the constructs used in this study are originally developed and empirically tested in developed countries, for example the United States and New Zealand, the pilot survey is needed to modify measures to suit the context of the current study. The purpose of the pilot test is to eliminate possible weaknesses and flaws in the first draft questionnaire to create the final questionnaire for the main survey

(Zikmund, 1997). Reliability analysis is first performed to remove items with low item-total correlations (less than 0.30) (e.g., Nunnally, 1978). Exploratory factor analysis (EFA) is used to identify dimensions of scales and factor loadings for each scale item. Items with low factor loadings (less than 0.04) (e.g., Gerbing & Anderson, 1988) are deleted. After being refined via Cronbach's alpha and EFA, the measures of constructs are used to finalize the questionnaire in the main survey. Before performing factor analysis and subsequent reliability testing, all negatively worded items are reverse coded to ensure that all statement responses are in the same direction. Common factor analysis via principal axis factoring is then applied in this study instead of principal component analysis. The reason for using principal axis factoring is that this method identifies the latent dimensions represented in the original variable (Hair, Anderson, Tatham, & Black, 1995) and promax rotation more accurately reflects the underlying structure of the data than other methods, such as varimax rotation (Gerbing & Anderson, 1988).

The results show that some items required deletion due to having low item-total correlations (i.e. below 0.40) to increase the reliability and validity of the measures. The items removed after the pilot testing phase are depicted in italics in Table 1. In short, the pilot study acts as the preliminary assessment of the construct measurement scale. The remaining items are retained in the final instrument which is administered as the main phase of data collection. Apart from the deletion of these items, the results of the pilot show that no difficulties were encountered by respondents when completing the survey interview as all other questions were easily understood and interpreted.

Main Survey Design

The main survey is administered to a sample of Vietnamese retailers from the small independent grocery sector. To focus the questions asked in the survey, the study is designed with a specific product category in mind – soft drinks. The soft drink product category is chosen as this is one of the most popular FMCG goods which is widely distributed throughout the retailer system. This study includes four brands: Pepsi, Coke, Tribeco, and Chuong Duong, of which two brands are classified as international brands (Pepsi and Coke) and two are local brands (Tribeco and Chuong Duong). All of these soft drink brands are very popular in Vietnam so are easy for respondents to think about in their survey responses.

Sample Size and Selection

Essentially, the population of interest in this research is Vietnamese owners and/or managers of grocery stores, responsible for stocking merchandise, in Ho Chi Minh City, the major commercial city of Vietnam. Eligible participants in the study are independent retailer stores that sell soft drink products and, in doing so, have to deal with the manufacturers of this product line.

In this study, the sampling frame is based on a list of independent grocery retailers in Ho Chi Minh City whose store name, address, owner name, and nature of merchandise was provided by FKS Marketing Research Company. Stratified sampling is used to select potential participants for this research as this form of sampling (1) results in a more efficient sample than can be obtained using simple random sampling; and (2) ensures that the sample accurately reflects the population on the basis of the criteria used for stratification (Zikmund, 1997). To select the stratified sample, the list of retailers purchased from the market research company is first broken down by district. As there are 12 districts in Ho Chi Minh City 12 sub-sets of retailers are represented in the initial list of 3,000 retailers. From here, the number of retailers selected from the list for each district is proportionate to the number of retailers contained in each district. For example, a larger number of retailers are randomly selected from those in district one on the list and approached for interviews as this is the central district which contains the majority of retail outlets. A smaller number of retailers are selected from each of the remaining districts in proportion to the number of retailers present in each area. This process results in a sample of 500 randomly selected respondents being invited to participate in the study, reflecting a geographical representativeness based on volume of retailers in the various districts.

Based on large-sample distribution theory, SEM requires a considerable sample size to obtain reliable estimates (Joreskog & Sorbom, 1996; Raykov & Widaman, 1995). However, the issue of how large a sample size should is somewhat unresolved (Hair et al., 1995), but depends on the statistical methods used (e.g., maximum likelihood, generalized least squares and asymptotically distribution free). According to Hair et al. (1995), the minimum sample size should be between 100 to 150 responses if using the Maximum Likelihood (ML) method. Hair et al. (1995) recommend that the minimum sample size be at least greater than the number of covariances in the input data matrix. An empirical ratio of at least five observations per estimated parameter is recommended (e.g., Bollen, 1989). As a result, a minimum sample size of 400 is appropriate in the current study.

Survey Administration

This study uses face-to-face interviews to administer the surveys to participants. Two main reasons explain why this method is used. Firstly, as the refusal rate is very high for telephone interviews and mail surveys in Vietnam, the face-to-face interview approach provides a higher chance of approaching the retailer and reducing the refusal rate. Secondly, as retailers are usually reluctant to provide information about their business and its performance in written formats, interviews in person are more successful in addressing these types of issues as the informed consent processes used as part of the standard ethical requirements of research assure the participant of the confidentially of the information they provide.

The first step in the recruitment process involves the trained interviewers recruited from a professional market research company contacting prospective participants (i.e. retailers) by phone to seek their willingness to participate and to make an appointment time where they agree to participate. After making the appointment, interviewers visited the retail store to conduct the interview in person at the agreed time. Each interview took approximately 30 min to complete. The interviews were conducted in December 2005 over a 4 week period.

A quality control process was conducted throughout the data-collection phase of the study. In the pilot test, 30 percent of respondents were randomly chosen for re-interview by another interviewer to check the accuracy rate of the answers. This is a standard quality control process used by FKS Marketing Research Company which gives further assurance that respondents are able to answer the survey questions in an easy and consistent manner.

Data Analysis Techniques

After the completion of data collection, descriptive statistics are initially produced to provide an overview of the sample. This analysis is followed by reliability testing and EFA as preliminary tests of the validity and reliability of the survey instrument. The purpose of this test is to assess the scales used to measure the constructs, that is to refine the measures (Churchill, 1979; Peter, 1979); the refinement is based on reliability and dimensionality.

Coefficient alpha is the most commonly used and accepted means for assessing the reliability of a multi-scale measurement scale (Hair et al., 1995). Reliability is assessed via Cronbach's (1951) alpha. It is a measure of the degree to which all items measure the same thing (DeVellis, 1991).

In assessing a multi-item scale, internal consistency reliability assessment is the first step undertaken to avoid additional dimensions produced by factor analysis due to garbage items (Churchill, 1979). The coefficient alpha is high if the scale items are highly correlated (Hair et al., 1995). If the coefficient alpha is low, the measurement scale used might not adequately measure the construct it is intended to measure (Churchill, 1979). As a standard of reliability, Nunnally (1978) suggests that a coefficient of 0.50 or 0.60 is satisfactory in the early stages of research. A coefficient alpha which is greater than 0.70 is highly satisfactory for most research purposes (Hair et al., 1995).

Following reliability testing, EFA is applied to explore the dimensions of each construct. Two basic methods are usually used to extract factors in EFA, that is, common factor analysis and principle component analysis. Common factor analysis via principal axis factoring is used in this study because its main objective is to identify the latent dimensions represented in the original variable (Hair et al., 1995). The oblique rotation (e.g., promax) method also more accurately reflects the underlying structure of the data than that provided by an orthogonal solution such as varimax (Hair et al., 1995). Items with low factor loadings (<0.40) are deleted. Accordingly, Cronbach's alpha is recalculated for the scales of those items removed.

The next step in data analysis process is confirmatory factor analysis (CFA) which is performed to confirm the accuracy of the measurement model. SEM is used to test the theoretical model based on a goodness-of-fit measure rather than statistical calculation (Hair et al., 1995). SEM is now one of the most useful and popular forms of analysis used to address many substantive problems in the social sciences, especially in marketing (Baumgarther & Homburg, 1996). A number of advantages exist when employing SEM to test a theoretical model. Firstly, SEM allows researchers to explicitly accommodate measurement errors and incorporate abstract and unobservable constructs. In addition, SEM not only combines theory and data, but also confronts theory with data (Fornell, 1982). SEM is also used to assess the best-fitting model to optimize the theoretical model with data and can accommodate and test multiple interrelated dependence relationships in a single model which cannot be done by other multivariable techniques (Hair et al., 1995).

Unlike the first-generation statistical tools such as regression, SEM enables researchers to identify interrelated relationships in a single, systematic, and comprehensive analysis by modeling relationships among multiple independent and dependent constructs simultaneously (Anderson & Gerbing, 1988). In addition, researchers can investigate the measurement model and the structural model separately (two-step modeling) or simultaneously (one-step modeling) (Anderson & Gerbing, 1988).

SEM is selected as the tool to assess and test the proposed relationships in the proposed theoretical model by following the two-step approach suggested by Anderson and Gerbing (1988). The two-step approach requires that the measurement model is developed prior to the simultaneous estimation of the measurement model and the structural model (Gerbing & Anderson, 1988). This approach implies that reliability and validity of measurements is a prerequisite of theory testing. As suggested by Bagozzi (1983, 1984), Anderson and Gerbing (1988), and Kline (1998), every measurement model must be based on theory. A structural model can be assessed only if the measures of the constructs used in the model are tested for a satisfactory level of validity.

Three types of measurement are important when using SEM: absolute fit, incremental fit, and parsimonious fit. The absolute fit measurement is the degree to which the overall model (structural and measurement model) predicts the observed covariance or correlation matrix (Hair et al., 1995). The most important indices of absolute fit are the Chi-square statistic, the noncentrality parameter (NCP), the goodness-of-fit index (GFI), the root mean square error (RMR), the root mean square error of approximation (RMSEA) and the expected cross validation index (ECVI). Appendix summarizes these indices.

Incremental fit is referred to as the null model when used to measure a single construct model. Adjusted goodness-of-fit index (AGFI), Tucker–Lewis index (TLI), normed-fit index, and other incremental-fit measurements such as relative-fit index (RFI), incremental-fit index (IFI), and the comparative-fit index (CFI) are the indicators for measuring the IFI. These indicators are also summarized in appendix.

The last fit, known as parsimonious fit, is defined as, ''... measurements [which] relate the goodness-of-fit of the model to the number of estimated coefficients required to achieve this level of fit and their basic objective is to diagnose whether model fit is achieved by over fitting the data with too many coefficients'' (Hair et al., 1995, pp. 686–687). This fit measure includes parsimonious normed-fit index (PNFI), parsimonious goodness-of-fit index (PGFI), normed Chi-square and Akaike information criterion (AIC).

SURVEY RESULTS

The main survey was conducted by face-to-face interviews through a Vietnamese research agency, FKS Marketing Research Company. The list of 500 independent grocery retailers was chosen from 3,000 retailers around

Ho Chi Minh City. The refusal rate is 20 percent, with the 100 retailers who refused participation distributed equally among districts and type of retailers. However, out of the 400 questionnaires completed, only 355 questionnaires were useable, as 45 were deleted as part of the quality control process as significant questions were unanswered in these interviews. The analyses reported in the following sections are based on the final sample of 355 surveys. The useable response rate to the survey interview is 71 percent.

Sample Characteristics

This study is conducted using two groups of soft drink product-international brands (Pepsi and Coke) and local brands (Tribeco and Chuong Duong). The number of responses about each soft drink brand is provided, along with a profile of the participants surveyed, in Table 2.

Of the 355 respondents, 26.5 percent are classified as small-size stores (approximately 16 m^2 in area and operated by a single owner); 42.3 percent are medium-size stores (up to 30 m^2 with one or two employees); and 31.3 percent are large stores (over 30 m^2 with 3–5 employees and stocking a large

Table 2. Characteristics of Respondents.

	Detail	Frequency	Percentage
Size of retailer	Small store	94	26.5
	Medium store	150	42.3
	Large store	111	31.1
Soft drink brand (survey context)	Tribeco	91	25.6
	Pepsi	93	26.2
	Coke	83	23.4
	Chuong Duong	88	24.8
Position of respondent	Owner	299	84.1
	Manager	15	04.2
	Sales personnel	39	11.0
Knowledge about market	No knowledge	45	12.7
	Very little knowledge	49	13.8
	An adequate amount of knowledge	142	40.0
	A lot of knowledge	98	27.6
	A very high level of knowledge	21	05.9

Source: Developed for this research.

range of products). The ratio among these three types of retailer is correlated to the ratio among these types of stores from the sample frame. In addition, the respondents are largely store owners (84.2 percent). The rest of the respondents are either store managers (4.2 percent) or sales personnel (11 percent). Table 2 shows that 45 respondents indicated they had no knowledge about the brand discussed, including 39 store owners. However, this problem is a function of the Vietnamese culture, where people tend to say, "I do not know," when first asked a question. Further questioning of these respondents indicates that they were in fact very comfortable and knowledgeable when discussing the branded product in question. These responses are still included for analysis given that the initial responses to the knowledge question is due to the tendency among Vietnamese towards modesty with regards to their assessments of their own knowledge (i.e. they did not want to state high knowledge at the outset of the interview). Most of the retailers interviewed were long-established, with 50 percent having between 4 and 10 years of experience and 40 percent having more than 10 years of retail experience. This result suggests that the retailers who participated in the study had sufficient experience to understand the market situation. Two hundred and sixty retailers interviewed were female (73.3 percent of respondents) while only 95 interviewees were male. These figures reflect the typical situation of Vietnamese independent grocery stores which are normally operated by females.

Testing the Components of Retailer-Based Brand Equity – The Measurement Model

To explore the data in light of the stated research questions and hypotheses, the first stage of the data analysis involves assessing the data for normality as this feature influences the type of estimation method used in SEM (Hair et al., 1995). An assessment of the skewness and kurtosis of all variables in the current study indicates that the data is normal (i.e. no univariate skewness greater than 3.0) and therefore, the maximum likelihood estimation method can be used in the SEM that follows (Hair et al., 1995).

The next phase of the data analysis involves the use of exploratory and CFA to test if the constructs in the measurement model are reliable and valid (i.e. are they measuring what they report to measure) before the testing of the model occurs (Bagozzi, 1980; Kline, 1998). Two well-known methods for assessing construct measures are EFA and CFA. EFA combined with Cronbach's alpha is recognized as the traditional method and is used as the preliminary tool to assess construct measures in this study. Accordingly, item-total correlations and Cronbach's alpha are first used to assess reliability, followed by principal axis factoring in conjunction with promax rotation, to explore dimensionality. However, SEM also provides an effective tool for confirmatory validation of marketing constructs, and is known as CFA (Bagozzi & Foxall, 1996; Fornell & Larcker, 1981; Gerbing & Anderson, 1988).

The two-stage approach to SEM consists of estimating the measurement model, known as CFA, followed by the SEM. In CFA, the overall fit of the model is used to examine whether a set of measurement items is unidimensional (Kumar & Dillon, 1987; Steenkamp & Van Trijp, 1991). The Chi-square statistic is the most common index of overall fit (Hair et al., 1995; Hoyle, 1995). However, the Chi-square test in CFA is highly sensitive to sample size. In the case of large sample sizes (generally above 200), a significant Chi-square is likely to exist for any specification model (Hair et al., 1995). Therefore, an acceptable fit of the model to the data is achieved with either a nonsignificant Chi-square value, which is suggestive of a *p*-value greater than or equal 0.05 (Bagozzi & Foxall, 1996), or if other indices, such as CFI and GFI are satisfied. These indices are scaled from 0 (no fit) to 1 (perfect fit). Another two common measures of fit are Steiger and Lind's (1980) RMSEA and standardized RMR (sRMR). Bryne (1989) recognizes RMSEA as one of the most informative criteria in SEM because this index takes into account the error of approximation in the population; values of less than 0.05 indicate a good fit, values ranging from 0.08 to 0.10 indicate mediocre fit and values of greater than 0.10 indicate a poor fit (Hair et al., 1995).

Convergent validity is assessed based on the factor regression coefficient of each item of a unidimensional construct. If a construct is multidimensional, convergent validity should be validated for each dimension of the construct. Convergent validity is achieved if the regression coefficients (factor loadings) of the measurement items are significant and substantial, that is above 0.50 (Hair et al., 1995), and the model receives a satisfactory level of fit. The amount of variance extracted should be greater than 0.50 to ensure the validity of the scale under investigation. This is because "if it is less than 0.50, the variance due to measurement error is larger than the variance captured by the construct, and the validity of the construct is questionable" (Fornell & Larcker, 1981, p. 46).

Discriminant validity is "the degree to which measures of different concepts are distinct" (Bagozzi, 1994, p. 20). Discriminant validity is considered in two ways: discriminant validity across components (within-construct discriminant validity: the distinction between components of a construct); and discriminant validity across constructs (across-construct discriminant validity: the distinction of a construct from other constructs in the model) (Bagozzi & Foxall, 1996). To assess the measurement of discriminant validity, CFA is used which suggests that two criteria need satisfying (Bagozzi & Foxall, 1996; Steenkamp & Van Trijp, 1991). If the correlation between two components of a construct (within construct) or two constructs (across constructs) is significantly less than unity, the model receives a satisfactory level of fit.

Two methods are used in this study to assess the validity and reliability of measures, namely EFA and CFA. Firstly, Cronbach's alpha is considered, followed by EFA. The goodness-of-fit of CFA is used to further assess the unidimensionality and convergent validity of the measurement scales. The final step is to check the discriminant validity among the constructs. The initial assessment of the separate constructs is presented in the following sections.

Brand Association

Brand association is hypothesized as a two-factor latent construct containing the sub-components of BS and consumer-based brand equity. An inspection of the item-to-total correlation of the three items measuring BS shows that all items are satisfied and the Cronbach alpha is reasonable at $\alpha = 0.77$. The result of the reliability test for the consumer-based brand equity construct shows that two items (number 3 and 4) have low values of item-to-total correlation (less than 0.30) and the Cronbach's alpha will increase if these items are deleted. After these deletions, the Cronbach's alpha and item-to-total correlation improves significantly, at 0.80. Therefore, consumer-based brand equity is best measured by four items.

The result of EFA shows that the items for brand association have moderate to strong loadings, ranging from 0.62 to 0.80 (all above the acceptable factor loading of 0.35) (Hair et al., 1995). One factor is extracted with an Eigen-value of 3.72, accounting for 53.09 percent of the total variance. This result is unexpected from the theoretical hypothesis as brand association combines two factors in one scale. However, this result is only the preliminary assessment, achieved with EFA. CFA is subsequently conducted to further assess whether two constructs, BS and consumer-based brand equity, achieve discriminant validity.

The CFA model of brand association has 13 degrees of freedom, the fit measures showed a considerable satisfactory level of fit: $\text{CFI} = 0.96$, $\text{GFI} = 0.96$, and $\text{RMSEA} = 0.09$. However, the modification test shows that some error variable in the model represents more than measurement error (Arbuckle & Wothke, 1999). To achieve a better fit, the measurement model of brand association is re-specified. The refined brand association, with the sixth item of the CBBE measure deleted, shows a significantly increased level of fit: CFI = 0.99, GFI = 0.98, and RMSEA = 0.06. Deletion of this item leads to improvement in the model fit while content validity is still satisfied. The CFA results for brand association are shown in Fig. 3. This result suggests that the two components of brand association demonstrate unidimensionality and their convergent validity is, therefore, achieved. The correlation between these two dimensions, BS and consumer-based brand equity, is 0.75 with a standard error of 0.06. This finding indicates that the correlation between CB and BS is significantly different from unity ($p = 0.000$), supporting the discriminant validity between these two dimensions.

In short, brand association is composed of two components, BS and consumer-based brand equity. CFA confirms that these two dimensions of brand association are discriminant, even though the EFA rejected this hypothesis. Brand association appears best measured in the context of this study by six items (as shown below), loaded onto two factors.

Brand Satisfaction

- Overall I am very satisfied with X
- If we had to do it all over again, we would still have X in our store
- Our store is not completely happy with X

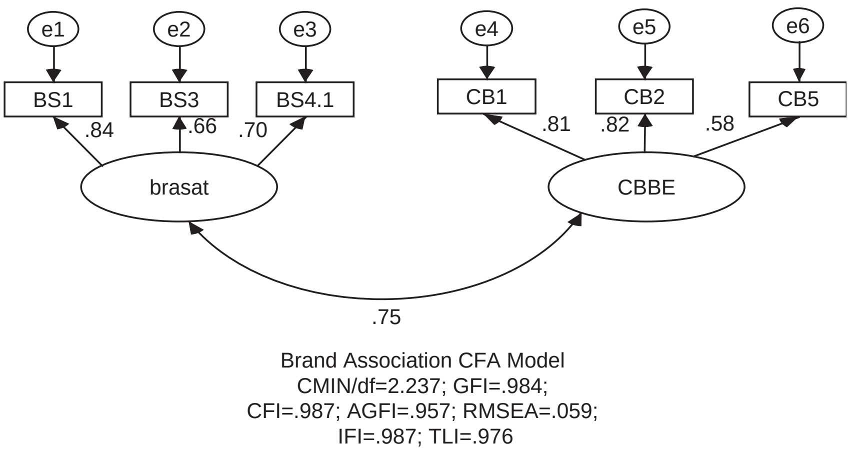


Fig. 3. Confirmatory Factor Analysis Results of Brand Association ($N = 355$). *Source:* Developed for this research.

Consumer-Based Brand Equity (CBBE)

- Our customers know X to be a good value brand
- Our customers expect us to carry this brand
- Our customers will be disappointed if we do not carry this brand.

Brand Trust

The initial proposal was to view the construct of brand trust as a multidimensional construct comprising two dimensions, benevolence and honesty. Ten items are used to measure brand trust as discussed earlier. The results of EFA indicate that two items (third and fourth) should be deleted due to low factor loadings, and Cronbach's alpha is significantly increased when these two items are deleted. The results show that two factors are extracted with Eigen values of 4.31 and 1.05 respectively, accounting for 67 percent of the total variance, which is consistent with previous findings (Kumar et al., 1995). Five items on factor 1 (honesty) and three items on factor 2 (benevolence) have high loadings. All items for brand trust have moderate to strong loadings, ranging from 0.61 to 0.87 (all above the acceptable factor loading of 0.35 Hair et al., 1995). These findings indicate that these two components of brand trust have convergent and discriminant validity.

Further validity assessment of the brand trust measurement is conducted by CFA. The CFA model (Fig. 4) has 19 degrees of freedom and the results show that the model does not receive significant fit to the data based on the Chi-square (not significant at p-value of 0.000). Furthermore, other model fit indices do not satisfy the condition of goodness-of-fit, for example $\text{RMSEA} = 0.10$ greater than 0.08 (Hair et al., 1995). To improve the fit of the brand trust measurement model, modification tests are further analyzed to indicate the measure items with high correlations (Arbuckle & Wothke, 1999).

Based on low factor loadings and modification indices of the measurement model of brand trust, items 7 through 9 are deleted to increase the level of model fit (Arbuckle & Wothke, 1999). The revised CFA model of brand trust shows that the two components of brand trust satisfy the unidimensionality condition and their convergent validity is achieved, as shown in Fig. 4. The correlation between these two dimensions is 0.83 with a standard error of 0.08. This finding indicates that the correlation between benevolence and honesty is significantly different from unity ($p = 0.000$), supporting the discriminant validity between these two dimensions.

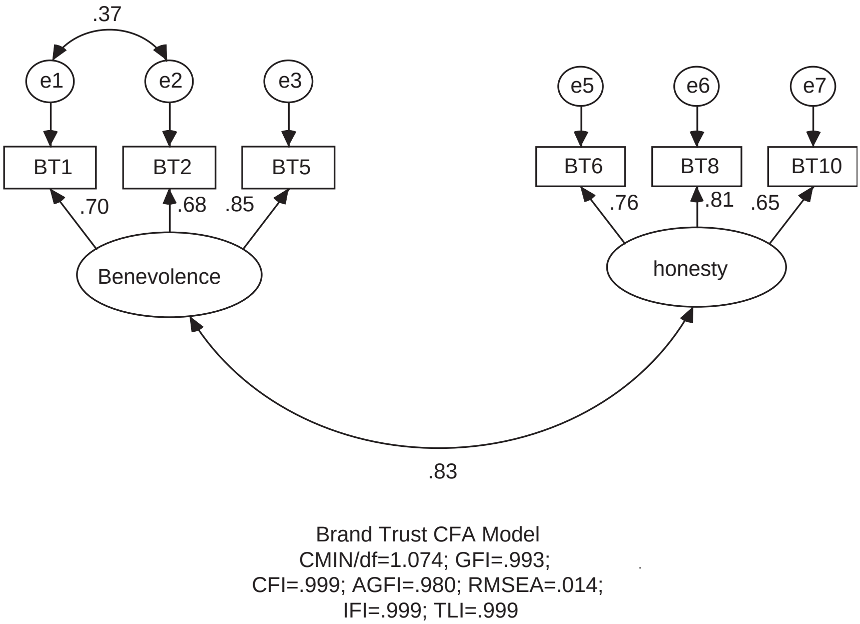


Fig. 4. Confirmatory Factor Analysis Model of Brand Trust ($N = 385$). *Source:* Developed for this Research.

In short, brand trust comprises two components, benevolence and honesty. As such, brand trust is measured by the six items shown below:

- Whenever we have problems concerning X we know the manufacturers will respond with understanding.
- Though circumstances change, we believe the manufacturer of X will be willing to offer us assistance and support.
- When making important decisions, X is concerned about our welfare.
- X usually keeps its promises that it makes to our store.
- Our store can count on X to be sincere.
- Even when X gives us a rather unlikely explanation, we are confident that it is telling the truth.

Brand Loyalty

The construct of brand loyalty is a unidimensional construct containing five items. An EFA produces one factor with a total variance extracted of 64.35

percent, an Eigen-value of 3.56, and Cronbach's alpha score of 0.89. However, one item is deleted due to its low item-total correlation (i.e. the relationship my store has with X is something we are very committed to). All items for brand loyalty have strong loadings, ranging from 0.76 to 0.87 (all above the acceptable factor loading of 0.35 (Hair et al., 1995). To test the unidimensionality of brand loyalty, all of the remaining four items are subjected to a CFA. The CFA model of brand loyalty (Fig. 5) has two degrees of freedom. The initial results show that the model does not fit the data well (Chi-square statistic = 24.73, $p = 0.00$). Moreover, other model fit measures also show unsatisfactory levels of fit, for example CMIN/df = 12.37 (greater than 5), RMSEA = 0.18 (greater than 0.08). However, this problem may be caused by some items with high correlations of error terms. As such modification indices are referred to assess what potential improvements can be made (Arbuckle & Wothke, 1999). An examination of the modification indices suggests the addition of a constraint between the error term for items BL2 and BL5 to improve the model fit. This result means that the error variable in the model represents more than just

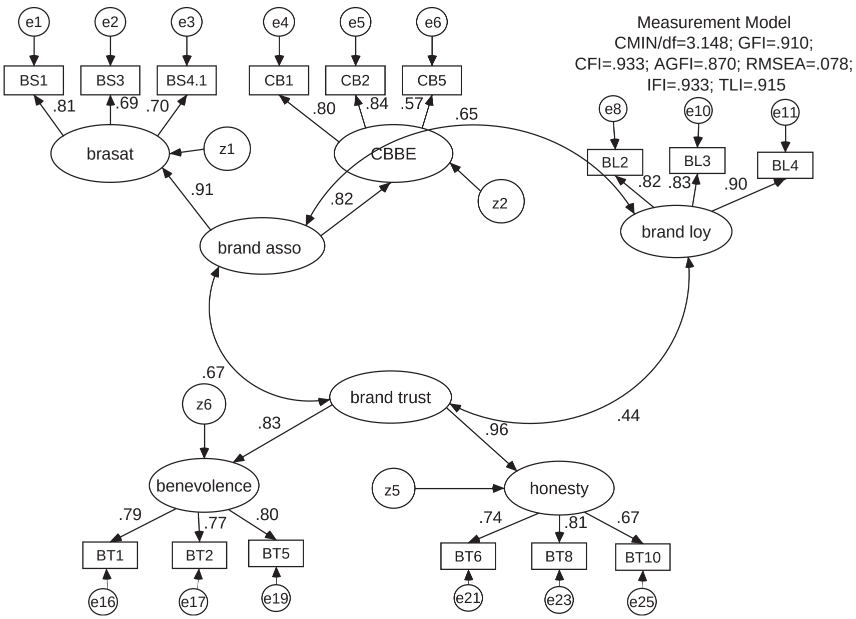


Fig. 5. Confirmatory Factor Analysis Results of Retailer-Based Brand Equity ($N = 355$). *Source:* Developed for this Research.

measurement error. BL5 is deleted to increase the level of model fit due to better improvement in model fit compared to delete BL2. Therefore, the brand loyalty measurement scale is comprised of three items as follows:

- The relationship my store has with X is one we intend to maintain for the future.
- The relationship my store has with X deserves our maximum effort to maintain.
- The relationship my store has with X is something we would do almost anything to keep.

After inspecting the measurement of individual constructs (brand association, brand trust, and brand loyalty), the next section analyzes the measurement model of RBBE which is proposed as a multidimensional construct comprising these three dimensions as indicated by Hypothesis 1.

Retailer-Based Brand Equity

The inspection of the measurement model fit of RBBE, which consists of the three components of brand association, brand trust, and brand loyalty, indicates that the level of model fit is satisfied ($\text{CMIN}/\text{d}f = 3.15$, $\text{CFI} = 0.93$, $\text{GFI} = 0.91$, $\text{RMSEA} = 0.08$). This result means that Hypothesis 1 (RBBE is a multidimensional construct including brand association, brand trust, and brand loyalty) is supported by the data and, therefore, answers the first research question that "Customer-based brand equity from the individual perspective can be applied to the retailer perspective." Fig. 5 reports the CFA result of the retailer-based brand equity.

Brand Performance

The construct of performance is proposed as a unidimensional construct. Eight items are used to measure the brand performance of the retailer. The results of the EFA show that measurement items for performance load onto one factor and extract with an Eigen-value of 5.65, accounting for 66.68 percent of total variance. Eight items satisfy the factor loading value (ranging from 0.70 to 0.90) with a high Cronbach alpha of 0.94.

Following the EFA, the measure of brand performance is further assessed using CFA. The findings indicate that the model does not initially receive a good fit to the data, with a Chi-square value suggesting a significant difference between the theoretical model and the sample data, at $p = 0.000$ and other indices not satisfying the level of fit, such as $\text{CMIN}/\text{d}f = 11.51$ (greater than 5), $\text{AGFI} = 0.70$ (far below 0.9), and RMSEA of 0.17 (greater than 0.08).

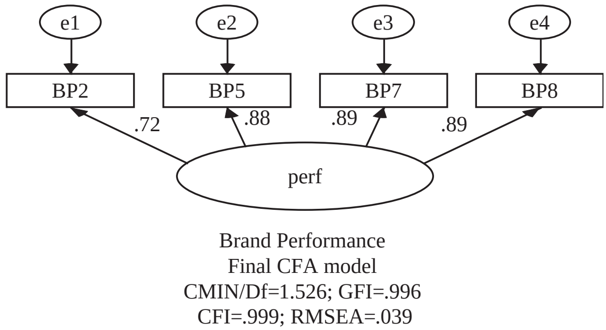


Fig. 6. Final Confirmatory Factor Analysis Model of Performance ($N = 355$). *Source:* Developed for this research.

An examination of the modification indices indicates that some pairs of measurement items have high correlations, indicating that the error variables in the model represent more than just measurement error (Arbuckle & Wothke, 1999). The new results from the refined CFA model, in which four items (1, 3, 4, and 6) are deleted based on the modification indices, indicate a better fit with CMIN/d$f = 1.53$, GFI $= 0.99$, CFI $= 0.99$, and RMSEA $= 0.04$, as shown in Fig. 6, while the content validity is still satisfied. All of the factor loadings onto brand performance are significant ($p = 0.000$) and substantial.

In short, brand performance is best measured by the following four items:

- Relative to all other brands we carry in this product category, the realized margin for X is highest.
- Compared to all other brands we carry in this product category X generates the largest sales volume.
- Relative to all other brands we carry in this product category, the sales potential for X is highest.
- Compared to all other brands we carry in this product category, the market share of X is highest.

Even after deleting four items, the content validity is unchanged since the performance measure still taps into the four key issues of profit, sales volume, sales potential, and market share.

Manufacturer Support

The construct of manufacturer support is hypothesized as a unidimensional construct. Six items are used to measure manufacturer support. EFA initially shows that manufacturer support loads onto two factors with a total extracted variance of 63.37 percent and a Cronbach's alpha of 0.83. However, the fourth item, X is a key brand in this product range offered by this store, has a low item-total correlation and Cronbach's alpha is increased to 0.84 if deleting this item. After MS4 is deleted, another two items (The category information supplied by the manufacturer about X is useful and X is an important brand in the future growth of this product category) surface as requiring deletion to improve the reliability. When these items are deleted the reliability of this measure improves significantly, to the value of 0.88, and the remaining items load onto one factor with a 71.51 percent total extracted value. The CFA also confirms that the measure of manufacturer support is best achieved by inclusion of the following three items:

- X has strong consumer advertising support.
- X often has effective sales promotion campaigns.
- Merchandising support provided by the manufacturer for X is useful.

The Final Measurement Model

After conducting a CFA for each construct, to further assess convergent and discriminant validity of all measures, a total measurement model is subjected to CFA. Across-construct discriminant validity is achieved if a 95 percent confidence interval of the correlation does not include unity, suggesting that the model receives a satisfactory level of fit (Steenkamp & Van Trijp, 1991). The final measurement model (often called the saturated model) is the model where all constructs are free to correlate with one another (Hair et al., 1995). The fit of the five factor model (brand association, brand trust, brand loyalty, manufacturer support, and brand performance) must be assessed. An examination of the overall fit statistics for the measurement model, as shown in Fig. 7, shows that the model provides satisfactory fit to the data, with $\chi^2/df = 3.09$, CFI = 0.91, GFI = 0.86, AGFI = 0.82, Cmin/df of 3.09, and RMSEA = 0.07 (Arbuckle and Wothke 1999). In addition, the result of the estimation of the correlations indicates that all correlations are significantly different from unity at $p = 0.000$, as shown in Table 3. This result indicates that all constructs in the theoretical model receive across-construct discriminant validity. The final measurement model achieves a good level of fit and all constructs are significantly discriminant and reliable as shown in Table 4. Therefore, the first step of the two-stage modeling process is satisfied to further test the structural model.

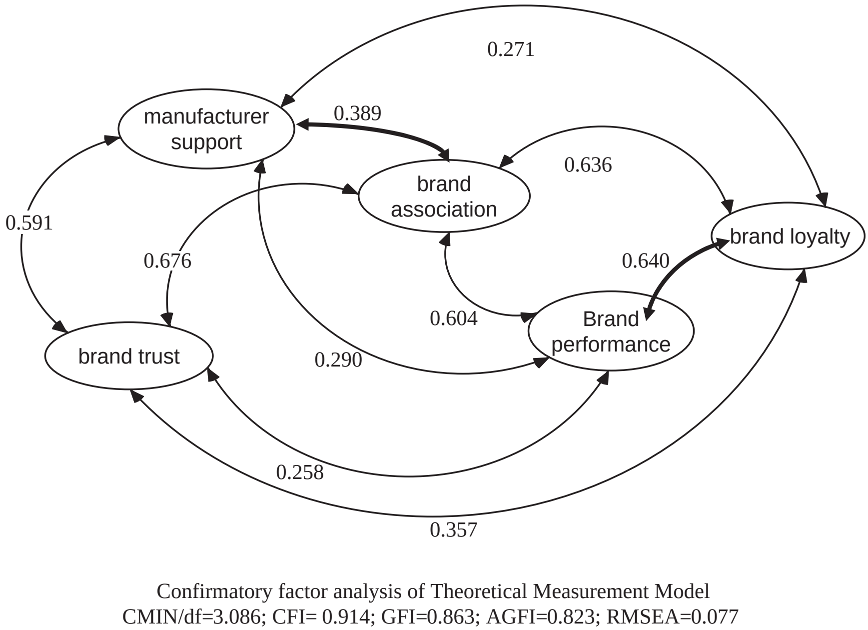


Fig. 7. The Theoretical Measurement Model ($N = 355$). *Source:* Developed for this Research.

Structural Equation Model of Retail-Based Brand Equity

Concluding that the study includes a valid and reliable set of measures in the measurement modeling phase of data analysis, the paper now assesses the structural model to test the research hypotheses in the retail brand equity study. The structural model contains a number of constructs. Exogenous variables, otherwise known as source independent variables, are those which are not caused or predicted by any other variables in the model. In this study, manufacturer support is the only exogenous variable. The endogenous variables in the model are brand association, brand trust, brand loyalty, and brand performance. The causal relationship between the exogenous and endogenous measures is shown in Hypotheses 8 to 11. The indirect relationship between manufacturer support and brand performance, as discussed earlier in this chapter, is shown through the mediating variables (brand association, brand trust, and brand loyalty). The causality among these concepts is considered in the development of the list of hypotheses related to the four key research questions in this study.

Table 3. Correlation Between Constructs.

Constructs	Estimate	Standard Error	*p*
Brand association ↔ brand loyalty	0.64	0.05	0.000
Brand association ↔ performance	0.60	0.06	0.000
Brand association ↔ manufacturer support	0.39	0.08	0.000
Brand association ↔ brand trust	0.68	0.06	0.000
Brand loyalty ↔ performance	0.64	0.06	0.000
Brand loyalty ↔ manufacturer support	0.27	0.07	0.000
Brand loyalty ↔ brand trust	0.36	0.04	0.000
Performance ↔ manufacturer support	0.29	0.08	0.000
Performance ↔ brand trust	0.26	0.05	0.000
Manufacturer support ↔ brand trust	0.59	0.09	0.000

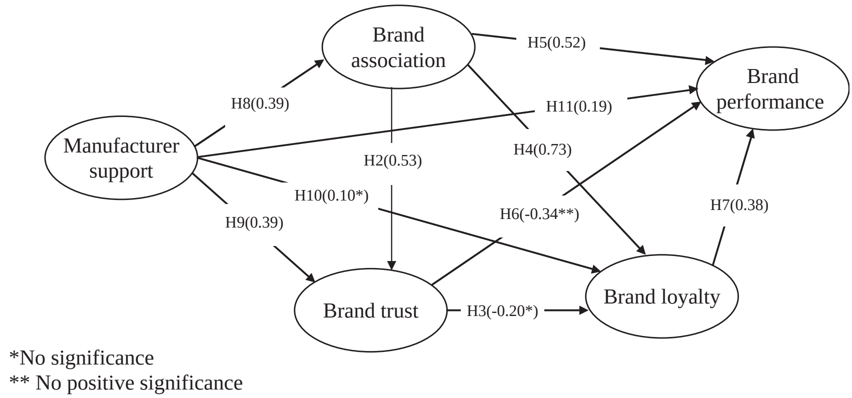
Source: Developed for this research.

Table 4. Summary of Theoretical Construct Measures.

Name of Construct	Dimension	Number of Items	Composite Reliability	Variance Extracted	Average Item Loading	Validity
Brand association	Brand satisfaction	3	0.78	0.54	0.74	Satisfactory
	Consumer-based brand equity	3	0.79	0.55	0.74	Satisfactory
Brand trust	Benevolence	3	0.82	0.61	0.73	Satisfactory
	Honesty	3	0.79	0.55	0.74	Satisfactory
Brand loyalty	Loyalty	3	0.89	0.72	0.85	Satisfactory
Manufacturer support	Manufacturer support	3	0.88	0.72	0.84	Satisfactory
Brand performance	Performance	4	0.93	0.76	0.84	Satisfactory

Fit indices: $\chi^2/\mathrm{d}f = 3.09$, CFI = 0.91, GFI = 0.86, AGFI = 0.82, RMSEA = 0.07.
Source: Developed for this research.

The results of SEM show that the theoretical model receives an acceptable model fit with CMIN/d*f* = 3.09 (in the range of 3–5), CFI = 0.91 (greater than 0.9), GFI = 0.86 (not high at standard of 0.90 recommended levels, but acceptable at moderate fit according to Hair et al., 1995), AGFI = 0.823(greater than 0.8), and RMSEA = 0.07 (less than 0.08). The theoretical model presented in Fig. 8 is used, therefore, to test all study hypotheses from here on. The standardized estimates reported in Fig. 8 and Table 5 are used to test the research hypotheses to establish how the components of the retail brand equity model relate to one another.



Structural equation modeling of theoretical measurement model n=355
CMIN/df=3.09; n=35; CFI=0.91; GFI=0.86; AGFI=0.82; RMSEA=0.07

Fig. 8. Theoretical Model. *Source:* Developed for this Research.

Table 5. Hypothesis Testing Based on Model 1 (Theoretical Model).

	Hypothesis	Standard Estimate	S.E.	C.R.	*p*
H2	Brand association ↔ Brand trust	0.52	0.08	7.22	0.00
H3	Brand trust ↔ Brand loyalty	−0.20	0.11	−1.76	0.08
H4	Brand association ↔ Brand loyalty	0.73	0.12	6.54	0.00
H5	Brand association ↔ Brand performance	0.52	0.15	4.15	0.00
H6	Brand trust ↔ Brand performance	−0.34	0.12	−3.12	0.00
H7	Brand loyalty ↔ Brand performance	0.38	0.09	4.89	0.00
H8	Manufacturer support ↔ Brand association	0.39	0.04	6.07	0.00
H9	Manufacturer support ↔ Brand trust	0.39	0.04	6.47	0.00
H10	Manufacturer support ↔ Brand loyalty	0.10	0.04	1.45	0.15
H11	Manufacturer support ↔ Brand performance	0.19	0.05	2.82	0.01

Note: S.E: Standard error, C.R: critical ratio.
Source: Developed for this research.

The following sections discuss the results in relation to each hypothesis prior to discussing the implications of the findings for the retailer and manufacturer branding relationship.

The Influence of Brand Association on Brand Trust

Hypothesis 2 suggests that retailers will trust a brand more if they have a positive image of the brand according to how satisfied they are with their existing experience of it and how they perceive their consumer's view the brand. The results of the SEM shows that the standardized regression weight of the structural path between brand association and brand trust is positive and significant (weight $= 0.52$, SE $= 0.08$, $p = 0.00$), demonstrating that Hypothesis 2 is supported by the data. This finding confirms a positive relationship between brand association and brand trust. In other words, if retailers are satisfied with the brand and also believe that the brand provides good value for consumers, a positive image of the brand is imprinted in their minds. Consequently, the more positive an image retailers have, the more trust they have in that brand.

The Influence of Brand Trust on Brand Loyalty

Hypothesis 3 suggests that the more trust retailers have in a brand, the more they commit to doing business with that brand. The SEM results show that the standardized regression weight of the structural path between brand trust and brand loyalty is negative and not significant (weight $= -0.20$, SE $= 0.11$, $p = 0.08$), thereby rejecting this hypothesis. No significant relationship exists between brand trust and brand loyalty, which is an unexpected result in comparison to the previous literature review on the relationship between trust and loyalty. The implications of this result are discussed towards the end of the chapter.

The Influence of Brand Association on Brand Loyalty

According to Hypothesis 4, retailers naturally tend to have a long-term commitment or loyalty to the brand if they have a positive association with the brand. The results of this study show that the standardized regression weight of the structural path between brand association and brand loyalty is positive and significant (weight $= 0.73$, SE $= 0.12$, $p = 0.00$), demonstrating that Hypothesis 4 is supported by the data. This result confirms a positive relationship between brand association and brand loyalty and indicates that retailers who have high perceptions of a brand's value tend to show stronger loyalty to the brand.

The Influence of Brand Association on Brand Performance

According to Hypothesis 5, retailers' perceptions of how well brands perform in their stores are strengthened when they have more positive perceptions of the brand due to their previous association with it and their views on what consumers think of the brand. The structural model confirms this positive and significant relationship between brand association and performance (weight $= 0.52$, SE $= 0.15$ $p = 0.00$), which supports

Hypothesis 5. This relationship means that if manufacturers want to improve their brand's performance at the retail outlet, they have to target the association of the brand in the retailer's mind by increasing the retailer's satisfaction with the brand and the consumers' perceptions of the value of their brand.

The Influence of Brand Trust on Brand Performance

The theoretical model suggests that a brand will perform better in the retail outlet when retailers have stronger trust in the brand and its manufacturer. The SEM results show that the standardized regression weight of the structural path between brand trust and performance is negative (weight $= -0.34$, SE $= 0.12$, $p = 0.002$), although significant, demonstrating that Hypothesis 6 is not supported by the data in the direction anticipated. This result suggests that improving brand trust in the retailer will not necessarily lead to improvements in the brand's performance. This result again confirms the lack of the important role of brand trust in respect to the retailer, which is consistent with the findings in relation to Hypothesis 2. This matter will be further discussed in the conclusion of the chapter.

The Influence of Brand Loyalty on Brand Performance

Hypothesis 7 proposes that brand performance at the retail outlet will be increased if retailers commit to do longer-term business with the brand's manufacturer. The results show, through the standardized regression weight of the structural path between brand loyalty and performance being positive and significant (weight $= 0.38$, SE $= 0.09$, $p = 0.00$), that this hypothesis is correct. The performance of a brand in a retail outlet will increase as the retailers' loyalty to that brand also increases.

The Influence of Manufacturer Support on Brand Association

Hypothesis 8 suggests that manufacturer support is an antecedent of the RBBE model. If retailers perceive that the brand has high manufacturer support, their brand associations are stronger and more positive. This hypothesis is supported by the survey results, as shown by the standardized regression weight of the structural path between manufacturer support and brand association which is positive and significant (weight $= 0.39$, SE $= 0.04$, $p = 0.00$).

The Influence of Manufacturer Support on Brand Trust

This hypothesis suggests that if retailers perceive that the brand has high manufacturer support, the retailers will have more trust in that brand.

The model again confirms this hypothesis, showing that manufacturer support and brand trust are positively and significantly related (weight = 0.39, SE = 0.04, $p = 0.00$).

The Influence of Manufacturer Support on Brand Loyalty
Hypothesis 10 suggests that retailers will be increasingly loyal to a brand if they are satisfied with the support received from the manufacturer. As shown in Fig. 8, the context of this research also confirms this relationship (weight = 0.10, SE = 0.04, $p = 0.15$).

The Influence of Manufacturer Support on Brand Performance
According to this hypothesis, brands will also perform better in store if retailers receive increased support from the brand's manufacturer. The SEM results indicate that the standardized regression weight of the structural path between manufacturer support and performance is positive and significant (weight = 0.19, SE = 0.05, $p = 0.005$), demonstrating that this final hypothesis is supported by the data. This finding confirms a positive relationship between manufacturer support and brand performance and indicates that the performance of a brand at the retailer outlet will increase if the manufacturer's support is increased. Table 6 provides a summary of the results of the hypothesis testing conducted through the SEM process.

CONCLUSIONS AND IMPLICATIONS

The first objective of the research that this paper outlines is to investigate brand equity from the retailer's perspective and to explore the question of "How does consumer-based brand equity theory translate to the retailer context?" Manufacturers need to understand what, and how, retailers think about their brands to build strong brands not only for consumers but also for retailers. The lack of theories on branding in a B2B context, however, leads to difficulty in building brand equity theories in the retailer context.

The results of the study confirm that the three constructs of brand association, brand trust, and brand loyalty are valid and reliable measures of RBBE. This finding is consistent with the basic ideas of consumer-based brand equity from the consumer perspective which is comprised of three main components: association, belief, and loyalty (Woods, 1998). RBBE appears suitably defined as the effect of brand knowledge on a retailer's response to marketing activities of the firm (based on Keller, 1993). Brand

Table 6. Summary of the Results of Hypotheses Testing.

	Statement	*p*	Results
H1	Retail-based brand equity is proposed as a multi-dimension construct including brand association, brand trust, and brand loyalty.		Supported
H2	Brand association relates positively to brand trust.	0.00	Supported
H3	Brand trust relates positively to brand loyalty.	0.08	Not-supported
H4	Brand association relates positively to brand loyalty	0.00	Supported
H5	Brand association relates positively to brand performance	0.00	Supported
H6	Brand trust relates positively to brand performance	0.00*	Not-supported
H7	Brand loyalty relates positively to brand performance	0.00	Supported
H8	Manufacturer support relates positively to brand association	0.00	Supported
H9	Manufacturer support relates positively to brand trust	0.00	Supported
H10	Manufacturer support is positively related to brand loyalty	0.15	Not-supported
H11	Manufacturer support relates positively to brand performance	0.01	Supported

Source: Developed for this research. *Significance at $p = 0.05$, but negative relationship.

association is described as the focus of brand managers on building a positive image of their brand in the retailer's mind. This image is subsequently imprinted onto the retailer's trust in the brand, leading to the development of loyalty to that particular brand. These results confirm that brand equity is important in relation to the retailer, suggesting that manufacturers are well founded in putting significant effort into building their brand relationships directly with retailers as well as with the end consumer.

Based on both attitude theory (Ajzen & Fishbein, 1980) and consumer-based brand equity theory (Aaker, 1991; Feldwick, 1996), brand association has a positive influence on brand trust. Brand trust also relates positively to brand loyalty as supported by existing relationship management theories (Morgan & Hunt, 1994) and the theory of reasoned action (Ajzen & Fishbein, 1980). Finally, brand association is also positively related to brand loyalty.

The study demonstrates that if retailers are satisfied in their business dealings with the brand manufacturer and perceive the brand as good value for their consumers, a positive image of the brand will be imprinted in their minds. The more positive the image retailers have of a brand, the more trust the retailers have in that brand. Retailers tend to have a longer-term commitment (or loyalty) to a brand if they have a strong and positive association with it. These findings are consistent with previous brand equity studies conducted in the consumer context (e.g., Nguyen & Nguyen, 2003).

The results of the SEM show that no significant relationship exists between brand trust and brand loyalty. This result suggests that whether retailers trust a brand or not, has no influence on their loyalty to that brand. A possible explanation for this result is that soft drinks are a low-involvement product frequently purchased by retailers and, therefore, trust is not an important factor influencing their loyalty. As little risk is associated with purchasing low-involvement products, and given that the soft drinks which respondents considered were already stocked by the retailer, it is plausible that a strong degree of trust already existed in the brand chosen. This finding is consistent with the brand equity model of a low-involvement product from the consumer perspective (e.g., Holden & Lutz, 1992).

The second key aim of the research is to assess how RBBE affects a brand's performance from the point of view of the retailer (research question 2). Based on previous research, each of the three dimensions of RBBE are proposed to have a positive relationship with brand performance (e.g., Baldauf et al., 2003). The results of this study show that if manufacturers want to improve the performance of their brands at retail outlets, they have to build a strong association with the brand in the retailers' minds by increasing retailer satisfaction and the value of the brand to consumers, as well as increasing the loyalty of retailers to their brands. This finding is consistent with the result of Baldauf et al.'s (2003) study, in which brand association and brand loyalty are significantly and positively related to brand profitability performance and brand market performance.

A strong brand association on the part of the retailer appears to have the strongest effect on brand performance. The retailer's loyalty to the brand plays a more important role in affecting brand performance in Baldauf et al.'s (2003) model than in the current study. This result may be due to the fact that different products are tested (tile brands in Baldauf et al.'s, 2003 study). This explanation is consistent with the finding that whether retailers trust a brand or not, no influence is exerted on their loyalty to that brand, presumably because a low-involvement product is used. The retailer's main concern is still the trust that consumers have in the brand, rather than their trust in the manufacturer. This result suggests that consumer-based brand equity is a major factor influencing the retailers' associations towards a brand. The study suggests that improving retailer's trust in a brand will not necessarily lead to an increase in the brand's performance. This result again confirms the less-important role of brand trust in terms of RBBE.

The third research question in the current study addresses the antecedents of RBBE, namely manufacturer support. SEM suggests that three of the four hypotheses are significantly supported by the data: Hypothesis 8 (weight $= 0.39$, $p = 0.000$), Hypothesis 9 (weight $= 0.39$, $p = 0.000$) and Hypothesis 11 (weight $= 0.19$, $p = 0.005$), while Hypothesis 10 (weight $= 0.10$, $p = 0.148$) is rejected. These results mean that the higher the manufacturer support given to a branded product stocked by the retailer, the more positive an image of that brand the retailer will have, and the higher the retailer trust in the brand's manufacturer will be. In addition, manufacturer support also has a direct, positive, short-term benefit of increased brand performance, which is consistent with previous research (e.g., Duncan, 2002). This effect is weak (coefficient: 0.19), however, compared to the effect of brand association (0.52) or brand loyalty (0.38) on brand performance. Building strong RBBE is a better way to improve brand performance at the retail outlet, in the long term.

This chapter demonstrates that consumer-based brand equity theories can be adapted to suit the retailer context whereby RBBE is comprised of the three components, brand association, brand trust and brand loyalty. Two of these three components are significantly and positively related to brand performance. Manufacturer support is a clear antecedent of the RBBE model, with three of the four hypotheses supported by the data, including a positive relationship between manufacturer support and brand association, brand trust, and brand performance (research question 3).

Consumer-based brand equity has gained great attention in the literature on branding. More research exists in the consumer context than in relation to industrial customers (Mudambi, 2002). The retailer is often left out of the brand equity equation, which is recognized as a knowledge gap in the research on branding (Webster, 2000). To contribute towards bridging this gap, this study focuses on the issue of brand equity from the retailer's perspective.

This study supports the theoretical model proposed. The findings show that brand association, brand trust, and brand loyalty are all sub-dimensions of RBBE. The research contributes to knowledge about brand equity from both consumers and channel member perspectives. Following Baldauf et al. (2003), Davis (2003), and Glynn (2004), this study has investigated the concepts of RBBE and the relationship among the three dimensions. The findings of this study indicate that brand managers should focus on retailers to build the strength of their brands, which in turn contributes to a product's brand performance in the short and long term. This suggestion is consistent with previous studies which emphasize the need to build partnerships between manufacturers and retailers instead of competing with each other for consumer loyalty (Narus & Anderson, 1986). By measuring and assessing the three key components of RBBE, brand managers can evaluate how strong their brand is from a retailer's perspective. This method can act as a brand health check, as the measurement scale of RBBE can be adapted to other products or markets to see how strong a manufacturer's brand is from the retailer's perspective. The results of brand health checking will help brand managers to identify what attributes of their branding need improving to strengthen the retailer's impression of their products.

The second key contribution of this research is to fill the gap in branding knowledge about the effect of brand equity on performance (Baldauf et al., 2003; Kim & Kim, 2004). The study results indicate that brand association and brand loyalty have a positive and significant effect on brand performance at the retail level. This contribution will assist manufacturers to understand the important role of all RBBE dimensions. Based on short-term or long-term strategies, brand managers can focus on different dimensions of RBBE to improve their product brand performance at the retail level. Combined with brand health checks, brand managers should track how their brand is positioned in the retail sector and determine what marketing programs are needed to support retailers in selling their products to improve their brand's performance as well as build a stronger brand in the long term. Based on the retailer-based brand equity model, building strong brand association in the retailer's mind should be the primary focus to improve the brand's performance. By building a stronger brand association, the retailer has a better impression of how well the brand performs compared to other competing brands in a particular product category. The retailer will ultimately favor the brand that is the stronger performer in their stores, resulting in increased sales for the brand's manufacturers.

Compared to the direct impact of manufacturer support (i.e., advertising, sales promotions, and trade promotions) on a brand's performance at the retail level, brand association still has a stronger effect. This finding confirms the belief that building a strong consumer brand, which is one of the underlying components of brand association, is critical to achieving better performance results at the retail level. This matter is even more important than increasing sales or trade promotions in store. Brand managers can rely on this finding to redirect their planning when attempting to build strong brands in the long term. Though many brand managers may believe that winning over retailers requires maximum emphasis on trade promotions to increase the benefits of advertising and sale promotions; this traditional way of thinking needs to change more towards focusing on strategies aimed at building strong brand images in the minds of retailers. While manufacturer support does not have the strongest direct effect on the retailer's view on how the brand performs, this factor certainly has a significant influence on the formation of a retailer's brand association.

The study provides some guidance on branding strategies from the retailing perspective, which is assumed less important in the literature on branding (Hoffman, 1991). Firstly, this study provides further evidence to confirm that brands are important from the retailers' perspective. In addition, the study also indicates that strong manufacturer brands are based on three components: brand association, brand trust, and brand loyalty. The RBBE model can help brand managers to further understand that strong brand equity in the retailer perspective affects brand performance, which leads to long-term benefits and competitive advantages. The study provides brand managers with some guidance on brand strategies for building successful brands from the retailers' perspective. The RBBE model can help managers to further understand that strong RBBE is likely to improve brand performance. Strong brand equity from a retailers' perspective is characterized by heightened brand association, brand trust, and brand loyalty, and, as such, brand managers should pay more attention to these factors.

As with any investigation, the research that this chapter reports contains limitations, suggesting that different approaches for future research may be useful when further exploring the issues investigated in this study. Firstly, although soft drinks are one of the most popular product categories in FMCGs, the study of one product chosen from a retail store may limit the generalization of the findings to industries other than FMCGs. Scope exists to extend and replicate this study to other product categories. The research also focuses on small, independent grocers to build a RBBE model. This type of retailer has significantly different structures and characteristics when compared with larger retailers such as Co-op or Big G Mart in Vietnam. Consequently, their buying behavior and attitudes cannot be generalized to the whole population of retailer buyers. Conducting empirical research on different types of retailers will enable further improvements and refinements to the RBBE model to be made. In addition, as this research specifically focuses on RBBE in Vietnam, the results may not be generalized directly to all other countries and, as such, the application of the model should be considered carefully in different contexts.

Despite the limitations, this chapter contributes to the understanding of the important role of brands and brand-building activity between the manufacturers of branded products and the retail partners that distribute their products. While the consumer is ultimately the end buyer, the chapter demonstrates that the effects of efforts to build stronger brands in the eyes of the retailer are positive on the performance of brands in store. Manufacturers of brands should continue to develop stronger relationships with retailers rather than neglecting them as an important part of the brand-building process. For retailers, the success of their stores in terms of the performance of branded products is maximized not only when the consumer is satisfied with the goods stocked in store, but also when a positive and two-way relationship exists with the manufacturer of brands. Branding in the B2B context of the retailer and the manufacturer is an essential component of business which should not be neglected.

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APPENDIX. STRUCTURAL EQUATION MODELING FIT INDICES

Name	Symbol	Acceptable level	Comments
Chi-square	χ^2	$p > 0.05$ significance, $p =$ be exceeded 0.2 before nonsignificance is confirmed	Greatly affected by sample size Sample size >200 increases the opportunity to find significant differences for equal models Sample size <100 increases the opportunity to accept the model even though the model relationships are not significant
Noncentrality parameter	NCP	Not applicable	Alternative measurement for χ^2 which has less impact by the sample size. Used for comparison to alternative models
Goodness-of-fit index	GFI	$0 =$ poor fit $1 =$ perfect fit	Higher level indicates better fit, no absolute threshold levels for acceptability
Root mean square residual	RMR	Set by analyst or <0.05	An average of the residuals between observed and estimated input of covariance or correlation matrices
Root mean square error of approximation	RMSEA	Between 0.05 and 0.08	Used to correct the impact of sample size on χ^2 RMSEA between 0.05 and 0.08 still indicate satisfactory fit RMSEA between 0.09 and 0.095 still indicate considerate satisfactory fit Value over 0.1 indicate poor fit
Expected cross validation index	ECVI	Not applicable	Used for comparing between alternative model
Adjust goodness-of-fit index	AGFI	0.9	Value greater than 1 indicates poor fit

APPENDIX. (*Continued*)

Name	Symbol	Acceptable level	Comments
Tucker–Lewis index	TLI	0.9	Value greater than 1 indicates poor fit Can be used for comparing between alternative models
Normed-fit index	NFI	0 = poor fit 1 = perfect fit	No absolute value indicating an acceptable level of fits but recommended value is 0.9
Relative-fit index	RFI	0 = poor fit 1 = perfect fit	Value between 0.9 and 0.95 indicates satisfactory fit Values greater than 1 indicates over fit
Incremental-fit index	IFI	0 = poor fit 1 = perfect fit	Value between 0.9 and 0.95 indicates satisfactory fit Values greater than 1 indicates over fit
Comparative-fit index	CFI	0 = poor fit 1 = perfect fit	Value between 0.9 and 0.95 indicates satisfactory fit Values greater than 1 indicates over fit
Parsimonious normed-fit index	PNFI	Not applicable	Used for comparing differences among of the models An acceptable difference between the models is between 0.06 ad 0.09
Parsimonious goodness-of-fit index	FGFI	Not applicable	Adjustment of GFI by using the parsimony of the estimated model rather than degree of freedom The level of parsimony on the model is close to 0 or 1, where close to 0 indicates poor fit
Normed Chi-square		Lower limit: 1.0	This test can predict that the model is over-fitted where the value of normed χ^2 is less than 0

APPENDIX. (*Continued*)

Name	Symbol	Acceptable level	Comments
		Upper limit: 2.0/3.0 or 5.0	When normed fit is greater than 2.0 or 3.0 up to 5.0, it indicates that the model is not yet truly representative of the observed data
Akaike information	AIC	Not applicable	Smaller positive values indicates parsimony Used in comparing alternative models

Source: Adapted from Hair et al. (1995).

CASE STUDY: PEPSI STRUGGLES TO CONNECT WITH THE SMALL, INDEPENDENT GROCERY SECTOR IN VIETNAM

The Vietnamese grocery retail market contains two main types of stores where consumers can buy fast moving consumable goods (FMCG) including soft drinks. The first type are the modern super markets which are operated by various local and international businesses including Co-op mart, Big G, and G8 (the Vietnamese equivalent to the 7-Eleven chain). The second type of store is the independent grocery retailer which tends to be much smaller and is typically owned and operated by Vietnamese locals. These small, independent grocery stores account for approximately 70 percent of Vietnamese retailers in the FMCG sector (Vietcycle, 2000).

There are four main brands of soft drink sold in Vietnam. Two of these are the international mega-brands Coke and Pepsi and the other two are locally owned brands, Tribeco and Chuong Duong. While all four brands have strong brand awareness among Vietnamese consumers, Coca Cola and Tribeco have a slight edge over Chuong Duong and Pepsi in terms of their popularity with independent grocery outlets. Tribeco does well as a popular local brand, and Coca Cola has a long history of working with the small grocery retail sector and so appears to have built up a good relationship which is rewarded by the loyalty of this type of reseller.

Pepsi, in particular, recognizes that to maintain its market share in Vietnam, it must not only continue to market its brand to the Vietnamese consumer but must also improve its branding efforts directly with this important retail sector. Sales of Pepsi through the larger, modern supermarkets easily hold their own against the three key competing brands, but the support of the small, independent retailer appears more problematic as Pepsi's local sales representatives struggle to boost stock orders from this retail segment.

Management of Pepsi's local sales representative team are very aware that while the brand is well known in the consumer marketplace and consumers can easily purchase stock from the large supermarket chains, many locals still prefer to shop at the smaller, independent grocery store. Unless more of these retailers can be persuaded by the sales team to stock and promote Pepsi to their customers, the brand will potentially miss out on a significant portion of potential sales due to the dominance of this type of retailer. For FMCG goods, at least, consumers tend to purchase brands which are available from the stores which they prefer to do business with as this is a more convenient purchase for them than shopping elsewhere. Pepsi management, to date, has approached the problem of winning over the small grocery retail market by offering an attractive range of promotional support materials which owners can use to boost sales of Pepsi in store. It has also continued its usual branding campaigns through television and other popular media in Vietnam aimed at boosting sales in the consumer market. Both sets of initiatives do not yet appear to have raised sales of Pepsi to the desired level. The team has bought in additional branding experts from their international offices who have experienced similar situations in other countries. It seems that the problem of gaining the support of smaller, independent retailers is not unique to the Vietnamese context and is experienced elsewhere. While the sheer scale of the Pepsi brand, and the support it provides in terms of point of sale promotions, attracts and secures the commitment of the large supermarket chains throughout the world, winning over the smaller retailer is often more problematic. As Pepsi's international branding expert points out to the local team, "it's not just what we do to attract the consumer to the Pepsi brand that counts.... it's the way we approach the small retailer.... we need to focus our efforts now on building retailer-brand equity .... if the small, independent grocer is not stocking our product.... no amount of consumer branding will work in a market where the consumer clearly prefers to shop in this type of outlet."

Questions

1. What should the local Pepsi sales representative team do to develop what their international branding expert refers to as ''retailer-brand equity'' with the small independent grocery sector?
2. According to the research findings presented in this chapter, what do you suspect Coca Cola did to secure the loyalty and commitment of the small, independent grocery retail market in Vietnam? What can Pepsi learn from this?
3. What role should manufacturer support (e.g., point of sales promotions and product support) play in Pepsi's strategy to improve the brand relationship with the small, independent grocery sector?

CHAPTER 5

MANAGING BUSINESS-TO-BUSINESS SERVICE BRANDS

Donna F. Davis, Susan L. Golicic and Adam Marquardt

ABSTRACT

The failure to manage the firm's brand successfully with trading partners is a potentially fatal obstacle to success in today's hypercompetitive global economy. Strong brands serve as an important point of differentiation for firms, assisting customers in their evaluation and choice processes. Considerable research exists on the branding of consumer goods, and the literature on business-to-business (B2B) brands and service brands is increasing. However, research on branding in the context of B2B services is relatively sparse. This paper integrates research in B2B brands and service brands to explore B2B service brands. The paper reports a multiple methods study of brands and brand management in the logistics services industry as a specific case of B2B service branding. The study addresses two research questions that are relevant for B2B service brands. First, how are brands perceived when the customer is an organization rather than an individual? Second, how do brands differentiate intangible offers that customers often consider as commodities? The first study reports data collected in an exploratory investigation comprised of depth interviews with representatives of logistics services firms and customers. The study supports the extendibility of Keller's

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brand equity framework into the B2B services context. The second study tests the framework using data collected in a mail survey of logistics service providers and customers. Results suggest that brands do differentiate the offerings of logistics service providers and that brand equity exists for this commodity-like B2B service. However, findings reveal differences in perceptions between service providers and customers. Specifically, brand image is a stronger influence on customers' perceptions of service providers' brand equity, whereas brand awareness is a stronger driver of the service providers' perceptions of their own brand equity. The paper discusses implications of these differences for managing B2B services.

INTRODUCTION

Firms around the world are entering a new era of global network competition (Achrol, 1997; Achrol & Kotler, 1999). In this business environment, effective business-to-business (B2B) relationships are essential to the survival and success of the enterprise; however, acquiring and maintaining profitable relationships is becoming increasingly difficult. Many companies are responding to economic pressures by engaging new trading partners in regions of the world with lower cost structures. At the same time, firms are rationalizing their supplier bases to realize cost savings by doing business with fewer vendors (Dorsch, Swanson, & Kelley, 1998). As a result, competition is intensified and long-standing B2B relationships are in jeopardy as firms struggle to secure profitable positions in global trading networks. Marketing scholars suggest that under these conditions the failure to manage the firm's brand successfully with trading partners is a potentially fatal obstacle to success (Shocker, Srivastava, & Ruekert, 1994).

This caution is particularly relevant for firms that provide B2B services. The services sector is increasingly important to the global economy, accounting for more than two-thirds of developed economies' GDPs (Lovelock, Vandermerwe, & Lewis, 1999). Indeed, marketing scholars argue for adopting a service-dominant (S-D) logic that recognizes the centrality of services to market offers (Vargo & Lusch, 2004). While a significant body of research exists to inform branding of tangible goods, the number of services branding studies is relatively small. Similarly, the preponderance of brand research focuses on consumer brands, with little attention to brands in the context of B2B exchange. The aim of this study is to address this gap in the literature by exploring the nature of B2B service brands.

The following section provides a brief overview of brands and brand equity. The next two parts review the literature related to B2B brands and service brands. The subsequent discussion of B2B service brands integrates these two streams of research. The paper then presents and discusses an exploratory, multiple methods study of brands in the logistics services industry as an illustrative case of B2B service branding. The chapter concludes with implications for brand managers and directions for further research.

BRANDS AND BRAND EQUITY

The practice of branding has endured for centuries as a method for distinguishing the goods of one producer from another, exemplified by the rancher's symbol burned into the hides of livestock, the medieval silversmith's trademark on the base of a candlestick, or the sixteenth-century distiller's name burned on a whiskey barrel (Farquhar, 1989). These are examples of *brands* as defined by the American Marketing Association (2008): "A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers." Brands distinguish the firm's offer from competitors' products in the marketplace by linking the product with an abstract representation (e.g., name, term, design, or symbol) in the minds of customers. Aaker (1996) describes the brand as a "mental box" where customers file information relating to the brand and accumulate evaluations of the brand.

Although branding has played a role in commercial trade for centuries, brand management rose to prominence in building competitive advantage during the twentieth century (Aaker, 1991). As Low and Fullerton (1994) note in their examination of the evolution of the brand manager system, marketing scholars often view the introduction and adoption of the marketing concept in the 1950s as the beginning of the second "Golden Age" of brands. Fueled by the economic boom following World War II, "an explosion of new products, soaring demand for national brands, and the impact of television advertising increased the importance of brands" (Low & Fullerton, 1994, p. 181). Anthropologist John Sherry (1987) describes the prevalence of brands in twentieth century America as living in a rich "brandscape."

Ultimately, the goal of brand management is to build brand equity. Various marketing scholars define brand equity in financial or behavioral terms, from both the seller's and customer's viewpoints. Farquhar (1989, p. 7) offers a broad definition that subsequent scholarly work often cites. He defines brand equity from the seller's point of view as "the added value with which a given brand endows a product.'' This definition could apply to the value realized by the seller or to the value perceived by the customer. However, Farquhar clearly states the measure of brand equity should be the incremental cash flow that accrues to the seller from associating the brand with a product. While he briefly considers the consumer's perspective of brand equity, reflected as an increase in attitude strength for a product, he advocates the measure of brand equity as incremental cash flows to the firm ''because attitude strength is a major determinant of product purchase behavior'' (Farquhar, 1989, p. 8). Following Farquhar (1989), several authors define brand equity as the added financial value realized by the seller and recommend calculations of incremental cash flows to measure brand equity (e.g., de Chernatony & McDonald, 1998; Simon & Sullivan, 1993; Swait, Erdem, Louviere, & Dubelaar, 1993).

Aaker (1991, p. 15) includes the value to customers in his definition of brand equity: ''A set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers.'' He defines five categories of brand assets that capture a mix of the customer's and the seller's viewpoints: (1) brand loyalty, (2) brand awareness, (3) perceived quality, (4) brand associations, and (5) other proprietary assets. Based on these categories, Aaker proposes a set of management guidelines for measuring and managing brand equity by benchmarking and monitoring each type of brand asset.

Building on Aaker's work, Keller (1993) develops the behavioral concept of customer-based brand equity (CBBE), which he defines as ''the differential effect of brand knowledge on consumer response to the marketing of the brand'' (p. 8). According to Keller, the advantage of his CBBE concept over Aaker's conceptualization of brand equity is that the CBBE framework ''is based on a more detailed and fully articulated conceptual foundation'' that provides brand managers with a better understanding of how to build and manage brand equity (Keller, 1998, p. 625). Like Aaker's framework, Keller's conceptualization of brand equity includes brand awareness as a fundamental component. However, Keller incorporates Aaker's other brand assets – brand associations, perceived quality, and brand loyalty (which Keller calls brand attitude) – into the higher-order concept of brand image. Thus, Keller proposes brand awareness and brand image as the two elements of brand knowledge, the central construct in the CBBE theory.

Although conceptualizations of brands and brand equity vary, differences in definitions do not distinguish product branding from services branding or B2B brands from consumer brands (de Chernatony & Segal-Horn, 2003; Webster & Keller, 2004). Instead, the execution of brand strategy sets B2B service brands apart from product brands and consumer brands. The evolution of the concept of brand equity from a seller-based phenomenon to include a customer-based perspective is particularly relevant to understanding B2B service brands. The following discussions of B2B brands and service brands consider the implications of this development.

B2B BRANDS

Webster and Keller (2004, p. 388) assert that, while "virtually all discussions of branding are framed in a consumer marketing context," the conclusion that branding is not as important and valuable to B2B marketers as it is to consumer marketers is wrong. Compared to research on consumer brands, brands in B2B contexts receive little attention. However, a growing body of evidence supports the importance of brands and brand management for marketers of B2B goods across multiple industries.

In an early exploration of branding for commodity industrial products, Sinclair and Seward (1988) examine the effectiveness of product brands for reconstituted wood structural panels, a product used in construction. Although they find that product brands tend to confuse customers in this industry, they propose that promoting a brand associated with a manufacturer's corporate image could be a profitable strategy. Shipley and Howard (1993, p. 65) report that brand names are widely used by industrial goods manufacturers in the United Kingdom and are "very important to manufacturers of industrial products." Gordon, Calantone, and di Benedetto (1993) apply Aaker's (1991) brand equity framework in their study of the evolution of brand equity in the electrical components industry. They find evidence for brand equity in the form of increased purchase frequency, higher quality perceptions, greater brand loyalty, and increased brand extensibility. Study participants report that brand loyalty, a dimension of brand equity, is strong and enduring in this industry with 96% of a buyer's purchases attributed to only two brands. In a study of the industrial buying process for precision bearings, Mudambi, Doyle, and Wong (1997) find that risk and performance play critical roles in the buying decision, both of which are cues provided by a brand. They conclude that developing a relationship with the supplying company is critical to brand development.

A key characteristic of B2B brands highlighted in these studies is that brand equity accrues to the firm brand rather than to a product brand. This finding is consistent with the prevailing focus in organizational buying on establishing long-term relationships with a relatively small group of well-known suppliers that consistently deliver high-quality goods and services. Thus, to a significantly greater degree than is the case with consumer brands, the quality of buyer–seller relationships is a fundamental component of a seller's B2B brand (Webster & Keller, 2004).

Another important characteristic of B2B brands that this research reveals involves the complexity of the B2B purchasing process. In their seminal work on buyer behavior, Webster and Wind (1972, p. 2) examine the theoretical foundations of organizational buying behavior, which they define as "the decision-making process by which formal organizations establish the need for purchased products and services, and identify, evaluate, and choose among alternative brands and suppliers." This definition draws attention to two key dimensions of organizational buying that are relevant to B2B brand management: (1) the actors in the exchange and (2) the nature of the exchange.

First, the actors in B2B exchanges are formal organizations. As such, the buying process is very complex. Members of the customer's firm who participate in the buying process comprise the buying center (Johnston & Bonoma, 1981; Webster & Wind, 1972). The number of members in a buying center varies, and members' roles often shift depending on the buying task and the stage of the decision-making process. Several individuals may fulfill the same role, and an individual may play more than one role as the buying task unfolds. Depending on a variety of factors, a buying center has a minimal or extensive set of relationship connections with a supplier (Cannon & Perrault, 1999). Hence identifying the relevant members of the buying center, understanding their needs and motivations, and discerning the decision-making process add considerable complexity to understanding the target market for a B2B brand.

Second, the volume of exchange and concentration of power in B2B exchanges differ greatly from individual or household buying situations. Buying firms face serious disruptions if selling firms fail to meet expectations, and selling firms typically rely on a handful of key customers for a significant portion of their revenues. This situation produces high levels of interdependence among trading partners. Interdependence defines B2B exchange as not only the consideration and choice of products and/or brands, but also the selection of a trading partner with whom the firm will engage over time. Pure, discrete transactions – building blocks of the microeconomic theory of market exchange – are rare in B2B exchange (Day, 2000; Dwyer, Schurr, & Oh, 1987; Weitz & Jap, 1995; Wilson, 1995). Thus, B2B brand managers face the dual task of delivering value not only in the product, but also in the customer relationship.

SERVICE BRANDS

Like B2B brands, service brands attach more often to the parent firm than to an individual service (Berry, 2000). The quality of the service, the people standing behind the service, and the value of the supplier/customer relationship determine the strength of a service brand (Berry, 2000; McDonald, de Chernatony, & Harris, 2001). Service brands assure customers of a consistent, uniform level of service quality, thus reducing decision-making uncertainty and providing a point of competitive differentiation for service providers (Berry, 2000). For service firms, brand management aims to associate the brand with attributes valued by customers. When executives successfully identify areas of customer-desired value, integrate these values into the brand's value proposition, and effectively communicate the brand's value proposition, customers are more likely to consider and purchase the brand (Keller, 1998; Romaniuk, 2001).

Unlike branding for tangible goods, the value delivery system for service brands actively involves customers. Thus, quality perceptions consist of *what* customers receive (the technical outcomes) and *how* they receive the service (the service process) (de Chernatony & Segal-Horn, 2003). Firms implement branding activities such as employee training and technical support to assure consistent service delivery outcomes. Service process branding activities focus on recruiting employees whose values align with the organizational culture and who possess a commitment to behaving in ways that support the brand. A fundamental difference between managing service brands and product brands is that service employees primarily deliver the service brand promise, whereas a physical product primarily delivers the product brand promise. Thus, successful service brand management requires a coherent internal and external communication strategy to ensure brand consistency across service personnel.

As stated previously, the purpose of brand management is to generate brand equity through meaningful differentiation by linking the brand to an abstract concept (e.g., name, term, design, or symbol) in ways that increase the brand knowledge held by customers. Hence, two foundational assumptions of brand management are that (1) customers have the ability to perceive differences and (2) they will have differential responses to differentiated offerings. These assumptions immediately raise questions for brands in the B2B services context. First, how are brands perceived when the customer is an organization rather than an individual? Second, how do brands differentiate intangible offers that customers often consider as commodities? The following section considers these questions in exploring the nature of B2B service brands.

B2B SERVICE BRANDS

Following Webster and Keller (2004, p. 389), this paper conceptualizes a B2B service brand as a psychological construct: ''The brand surrounds a product or service with meaning that differentiates it from other products or services intended to satisfy the same need.'' Thus, the brand is a valuable, intangible component of the B2B service firm's offer that ''must be managed carefully so that its meaning is preserved and enhanced, and so that customers form strong bonds as a result.'' The two components of the psychological meaning of a brand are brand awareness and brand image.

Brand Awareness

Brand awareness is the customer's ability to recognize and recall the brand under different conditions (Aaker, 1996). Building brand awareness is a long-term process that contributes to increasing brand knowledge, favorability, and sales over time (Keller, 1993). Customers are more likely to include brands with higher levels of awareness in their consideration sets and subsequently select and value those brands, compared with unknown brands (Aaker, 1991; Gordon et al., 1993).

Perhaps the most fundamental element of brand awareness is the brand name. A brand name provides symbolic meaning that promotes customer recognition of the B2B service provider and assists in predicting the service outcome (Herbig & Milewicz, 1993; Janiszewski & Van Osselaer, 2000; Turley & Moore, 1995). For example, nearly all shipping customers can identify FedEx as the provider of reliable overnight delivery service, because the name, FedEx, now means overnight delivery in everyday language.

For many B2B service providers, the company name is the brand. Several challenges arise for brand managers when the brand is the company name. The company name may not be one that is particularly memorable or distinctive (e.g., Jones Trucking). The name may reflect attributes of the firm instead of communicating customer benefits (e.g., Northwest Marketing Resources). If customers have no experience with the service provider, they have no associations to draw on that aid in recognition and recall.

Firms also realize advantages to having the brand associated with the company name, rather than a product line. Brand loyalty is more global in nature when the brand is associated with the firm, extending across all the firm's product lines (Gordon et al., 1993). Global brand loyalty increases brand awareness with comparatively less investment by generating positive reactions to new product introductions.

Brand Image

Brand image consists of the attributes and benefits associated with a brand that make the brand distinctive and, thereby, differentiates the firm's offer from competition in ways that provide a comparative advantage (Webster & Keller, 2004). In a B2B services context, every interaction between a firm and its stakeholders becomes an input to brand image. A service brand communicates a commitment to provide a certain kind of experience for customers. Thus, B2B service firms should clearly articulate a desired value proposition, and everyone in the organization must understand the importance of consistently performing to customer expectations (Gombeski, Kantor, & Klein, 2002; Webster & Keller, 2004). In order to thrive, a B2B service brand must convey something profound about both the company and its service, and the message must resonate with customers.

B2B service firms employ a number of brand management strategies to enhance brand image. The brand image of a B2B service frequently centers on the firm's experience and reputation, which are often among a company's most valuable, but underused, assets (Aaker, 1996). For example, Cat Logistics, a spin-off of Caterpillar, Inc., claims to have "*The know-how that helped build the legend*." Empirical evidence supports the influence of a seller's reputation on the development of buyer–seller relationships and on buyer trust (Doney & Cannon, 1997). Buyer trust is the glue for the effective buyer–seller collaboration that is critical for B2B service firms (Selnes & Sallis, 2003). Strong relationships and mutual trust are key antecedents to performance, commitment, and satisfaction, which, in turn, influence customer perceptions of overall service quality and brand image (Berry, 2000; Singh, 2000; Zeithaml, Berry, & Parasuraman, 1996).

Adopting a strong customer orientation (Aaker, 1996; Wiedman, 2005) and an emphasis on creating customer-valued innovation enhance a B2B service firm's brand image (Cohen & Levinthal, 1990). For example, Cat Logistics strengthens their brand image as the global leader in customer value by leveraging and continuously improving customer-support capabilities. A customer-centric service brand image serves as the foundation for building long-term, trust-based relationships by enabling customers to better visualize and understand a service offering, thereby reducing customers' perceived monetary, social, or safety risk (Berry, 2000).

In consumer markets, firms typically build brand awareness and brand image through heavy expenditures in advertising, promotion, and distribution. In contrast, B2B firms develop brand awareness and brand image through personal contacts among boundary-spanning personnel who engage in buyer–seller relationships. Buyers are concerned about their organizations' economic welfare as well as their own personal desire to achieve recognition and rewards. While economic and functional benefits are central in an organizational buying situation, the emotional security of purchasing a brand with a strong, positive image also plays an important role in B2B exchanges (Webster & Keller, 2004). Some B2B service brands, exemplified by the Staples campaign, "*That was easy*," are positioned as choices that will make the buyer look good to upper management and colleagues. However, the employee looks good not only for choosing a trusted brand, but also for selecting a brand that actually delivers superior value for the organization.

The following sections present the results of an exploratory field study of B2B service brands conducted in the logistics services industry. The findings provide empirical evidence of the nature of B2B service brands.

LOGISTICS SERVICE BRANDS

This research employs a multiple methods research design to explore B2B service brands, specifically examining the logistics services industry. Logistics services (i.e., carriers, warehousing firms, and third-party providers) supply the infrastructure that is essential to global trade. During the latter part of the 1980s and the early part of the 1990s, firms across multiple industries adopted strategies that focused on building core competencies in order to compete in their respective markets. Focused business strategies led to increased outsourcing of logistics functions and generated a surge of new customers for logistics service providers. In response to higher demand, hundreds of thousands of firms entered the marketplace to provide logistics services. Studies show that customers typically engage a small number of providers for logistics services (Fuller, O'Conor, & Rawlinson, 1993; Gordon, 2003). Consequently, the industry is highly competitive with service providers routinely matching competitors' offers and reducing prices in order to attract and keep customers. Therefore, the potential to use brands to differentiate firms in this industry make the context ideal for exploring B2B service brands.

Research Design

Multiple methods research is a type of research in which a researcher, or a team of researchers, draws on data from more than one source and employs more than one type of analysis (Creswell & Plano Clark, 2007; Jacobs, 2005; Johnson & Onwuegbuzie, 2004). The present study uses a qualitative method (i.e., depth interviews with coding of emerging themes) followed by a quantitative method (i.e., mail survey with statistical analysis) in an initiation research design (Fig. 1). Researchers adopt an initiation design when they need to explore a phenomenon about which little is known. The two methods used in an initiation design have unequal weight; that is, the first method initiates the research and is secondary to the primary method used in the main study. Researchers conduct the steps sequentially, completing data collection, analysis, and interpretation from the first study before the second study begins.

Study 1

The first study consists of depth interviews with managers and executives of two carriers, two third-party logistics service providers, and one customer of these services. The interviewers assured informants of confidentiality, and the interviews averaged about one hour in length. Two trained researchers conducted the interviews using a semi-structured interview protocol and prompts, as necessary, to elicit rich descriptions of logistics service brands and brand management. They took detailed notes and independently coded the notes to identify themes. Inter-coder reliability for the emergent theme coding exceeded 90%, and coding discrepancies were resolved through discussion. A third researcher reviewed the resulting themes to assess their appropriateness.

The research team assessed data quality by applying standards for interpretive research that evaluates the trustworthiness of the data (Guba &

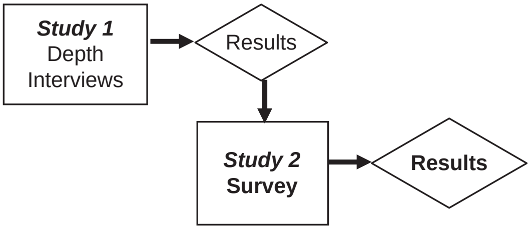

Fig. 1. Initiation Research Design.

Lincoln, 1989). The four criteria of the trustworthiness approach (i.e., credibility, transferability, dependability, and confirmability) correspond to the objective measures of rigor used in confirmatory, hypothesis-testing research (i.e., internal validity, external validity, reliability, and objectivity). Table 1 presents the four criteria along with the actions taken to address each criterion.

Study 1 Findings. Three themes emerged from the depth interviews. The first theme addresses the awareness of brands in the logistics services industry. The second theme describes the role of the customer's service experience in logistics service brands, and the third theme considers the allocation of resources dedicated to brand management.

The first and most evident theme emerging from the interviews is the importance informants placed on actively creating, developing, and managing their brands, with interviewees emphasizing, "Branding is critical." Informants described a strong, recognizable brand as a very important aid in customer decision making. One executive commented that

Table 1. Data Trustworthiness (Study 1).

Component	Description	Actions Taken
Credibility (internal validity)	Degree of match between the respondent's constructions and researchers' descriptions	Survey items were examined and confirmed by those interviewed. Conclusions from the interviews and the surveys converged.
Transferability (external validity)	Extent to which the study is able to make conclusions that can be applied to other contexts	Data were collected from respondents in various positions (analyst through senior executive level) representing different sized companies. The scope and boundaries of generalization are discussed in the conclusions.
Dependability (reliability)	Extent to which the data is stable over time	The interviews (introduction and questions) and the survey administration followed written protocols. The research questions were explained in the interviews to avoid confusion. All survey respondents received identical instructions. A third researcher reviewed all data interpretations.
Confirmability (objectivity)	Extent to which the findings represent the results of the inquiry and not the researchers' biases	The methodology was documented for the research team to follow at each stage. Written protocols were used. Multiple researchers were used at each stage of the research to minimize bias.

customers "want to see more [branding] – it helps them justify their choice of provider to management when the chosen company has recognition."

The interview team asked informants about their perceptions of the state of branding in the logistics services industry. The consensus among the executives was that although many firms recognize the importance of brands, most logistics companies do not actively manage their brands. They attributed the low level of brand management to a lack of understanding regarding fundamental marketing concepts and limited financial resources. They noted that the logistics firms with the strongest brands are also the firms with the highest levels of human and financial resources. All five informants mentioned FedEx and/or UPS when providing examples of logistics service providers that are successful at developing and managing their brands, stating that these two companies "have money, name recognition, and presence." One executive added that while a few, high-profile logistics service providers are exemplars, other providers are also "good at [developing] name recognition."

The second emergent theme concerns the critical role of the customer's service experience in the brand management process. Informants reported that the development of strong provider–customer relationships is central in building logistics service brands. One executive stated that branding "is a dynamic give-and-take process where customer relationships are critical." Another informant emphasized that customers need to know they can trust the service provider to listen to their wants and needs and to deliver consistently on their promises to meet customer expectations. The quality of provider–customer relationships determines customers' performance expectations, trust in the service provider, and overall experience with the service brand. Informants observed that consistent, high-quality service helps to achieve repeat business, which further strengthens the brand.

The level of resources needed for effective brand management is the final theme that emerged from the interviews. One executive repeatedly touched on his company's commitment to invest "substantial" firm resources in the development and promotion of its brand through employee training, advertising, and the creation of internal and external marketing materials. Another informant stressed the importance of establishing a continuous, internal educational process, adding that branding has to be part of the company's culture because "you brand every day, whether you think you are or not." Informants indicated that the willingness to invest resources in brand management varies markedly across the industry. An executive pointed out that many companies realize "it is important, but not important enough to spend money on." An informant emphasized, "It is expensive to do it [branding] right, but if you don't spend, you could still brand yourself and it may not be the brand you want. It [the logistics industry] is a labor-intensive industry with thin margins. Spending on marketing is foreign. Historically any money is used to spend on equipment.''

Additionally, informants noted the negative impact of an uncertain economy on branding expenditures. One executive lamented, ''When times get tough [economically], people pull back marketing spending.'' A second executive added, ''Companies are slowing down branding efforts recently due to the economy. Marketing dollars have been dwindling over the last few years.'' The executives reported that while economic uncertainty presents challenges, uncertainty also affords opportunities for branding. They shared a belief that a committed effort to developing a strong brand pays dividends in the form of a better return on brand investments.

Descriptions of logistics service brands and brand management provided by participants in Study 1 provide insight into the two components of a B2B service brand: brand awareness and brand image. Informants reported the target of brand awareness activities to be not only customers, but also prospective employees and trading partners. One service provider noted that her company attracted high-quality employees and customers through advertising and other marketing efforts, such as the visual design elements and messages on their trucks. Although some service providers pay attention to brand awareness, informants agreed that, overall, logistics service providers invest very low levels of resources in building brand awareness.

Several informants noted that while quite a few service providers are ''pretty good'' at building name recognition, they are less competent in associating their names with a distinctive value proposition. Informants suggested that everyday operational processes build brand awareness, but that building a favorable brand image requires proactive marketing efforts. They noted that logistics service firms should improve their ability to translate brand awareness into a brand image that is meaningful for current and prospective customers.

Informants emphasized that creating superior customer experiences strengthens brand image. They pointed out that many logistics service providers fail to connect the dots between building brand awareness, developing a brand image that customers value, and building brand equity.

Study 2

Following the exploratory findings in Study 1, the second study employed a mail survey of logistics service providers and customers. The questionnaire included measures of brand awareness, brand image, brand equity, and open-ended questions to gather additional qualitative data. The research team constructed the sampling frame for service providers from the carrier base of Transplace, a third-party logistics firm. The membership list of SMC[3], an organization that provides educational services and transportation technology for service providers and their customers, provided the sampling frame for customers. Target informants were senior managers with knowledge about their firms' trading partner relationships and brand strategies. To assure variation, the questionnaire asked customers to report perceptions of the brand of the logistics service firm represented in the most recent transaction.

Measurement. Items that measure brand awareness, brand image, and brand equity were adapted from Aaker's (1996) proposed measures of brand assets and Davis' (2003) study of brand equity in supply chain relationships (see the appendix for sample items). The questionnaire used five-point items to capture informants' demographic data, experience levels, and self-reported knowledge of key constructs. A subset of service providers and experts in branding and/or logistics reviewed the questionnaire. The research team administered a pretest at a logistics industry meeting to approximately 50 service providers. An exploratory factor analysis (principal component analysis with varimax rotation) conducted on responses from 25 individuals revealed three factors and, thus, resulted in no changes to the items for the final survey.

Data Analysis. Descriptive statistics summarize responses to the open-ended questions. Structural equation modeling using partial least squares (SEM-PLS) was employed to simultaneously estimate relationships among brand awareness, brand image, and brand equity for the two samples (Fig. 2). The research team chose SEM-PLS over SEM-ML (maximum likelihood) for two reasons. First, sample sizes were below the recommended minimum for SEM-ML. Second, observations were not independent because the same respondent answered questions for both the independent and dependent variables. SEM-PLS produces reliable results for sample sizes as low as 20, does not assume independence of cases, and does not require any two cases to have equivalent residual distributions (Chin, 1998; Chin & Newsted, 1999).

Study 2 Findings. A total of 1,341 surveys were mailed (672 service providers and 669 customers), and 53 of these were returned due to bad addresses. One hundred and forty-two service providers and 71 customers submitted complete questionnaires, providing response rates of 23% and 11%, respectively. A comparison of item responses across two survey waves revealed no significant differences, indicating that non-response bias was not a potential threat to the validity of the findings (Armstrong & Overton, 1977).

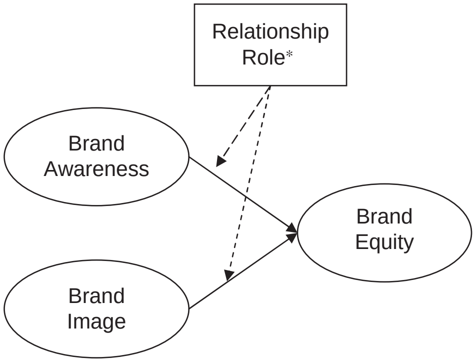

Fig. 2. Conceptual Model. *Relationship Role: Service Provider or Customer.

Demographics. Both service providers and customers represented small, medium, and large firms. However, the majority of customer respondents were larger firms (56% greater than $100 million in annual revenue), whereas the majority of service providers were small- to medium-sized firms (66% between $1 million and $50 million). A correlation analysis revealed no significant differences in results based on firm size or any other demographic characteristic for either sample. Most of the informants held management positions (67% of service providers and 68% of customers), with fewer at the executive level (22% of service providers and 10% of customers) and the analyst or supervisor level (9% of service providers and 17% of customers). All respondents had at least one year of work experience in the industry, with 93% having at least 3 years of experience. Most service providers claimed to have high levels of knowledge of their firms' branding strategies (92%). Eighty-one percent of customers reported doing business for more than three years with the service provider in the most recent transaction, and 74% had personally managed the relationship for more than three years.

RESULTS

Measurement Model

Convergent validity was assessed by examining construct loadings and construct reliability (Peter, 1981). The examination showed that all construct loadings were significant ($p < 0.001$) and above the recommended

0.70 parameter value, with the exception of one item on the brand image scale that was 0.66 for the service provider sample (i.e., "Our customers can reliably predict how we will perform."). This item is important to the theoretical domain of the construct and the study retains the item. Construct reliability was evaluated using two indices: composite reliability (CR) and average variance extracted (AVE). All of the estimated indices were above the recommended thresholds of 0.60 for CR and 0.50 for AVE (Bagozzi & Yi, 1988). Table 2 displays composite reliabilities, average variances extracted, descriptive statistics, and correlations for the constructs.

The test for discriminant validity compares the shared variance among indicators of a construct (i.e., AVE) with the variance shared between constructs (i.e., correlations). When the square root of AVE for the construct is greater than its correlations with other constructs, the construct meets the test for discriminant validity (Fornell & Larcker, 1981). Table 2 displays correlations between constructs and the square root for AVE for each construct. Reading down the columns and/or across the rows, the square root of AVE for each construct is greater than the correlations between constructs for both samples, meeting the test for discriminant validity.

Table 2. Descriptive Statistics, Correlations, and Validity (Study 2).

Construct	CR[b]	AVE[c]	Mean	S.D.	Correlations[a]		
					AWARE	IMAGE	EQUITY
Service providers							
Brand awareness (AWARE)	0.90	0.75	5.0	1.4	**0.87**[d]		
Brand image (IMAGE)	0.88	0.60	5.8	0.9	0.69	**0.77**	
Brand equity (EQUITY)	0.85	0.66	4.8	1.3	0.75	0.68	**0.81**
Customers							
Brand awareness (AWARE)	0.94	0.84	5.3	1.4	**0.92**		
Brand image (IMAGE)	0.92	0.70	5.1	1.1	0.71	**0.84**	
Brand equity (EQUITY)	0.82	0.60	4.2	1.2	0.65	0.75	**0.77**

[a] $p < 0.001$ for all correlations.
[b] Composite reliability.
[c] Average variance extracted.
[d] Square root of average variance extracted (AVE) on the diagonal in bold; correlations on the off-diagonal.

Structural Model

Explanatory power demonstrates the quality of SEM-PLS models, and evaluation of the squared multiple correlations (R^2) of endogenous constructs determines explanatory power. For the service provider sample, the independent variables explain 61% of variation in the level of brand equity (i.e., $R^2 = 0.61$). For the customer sample, the independent variables explain 59% of variation in the level of brand equity (i.e., $R^2 = 0.59$). Thus, the model demonstrates acceptable explanatory power for both groups.

Examination of the significance levels, direction, and magnitude of standardized estimates of paths provides evidence for relationships among brand awareness, brand image, and brand equity. All relationships are significant ($p < 0.001$). The findings support a positive relationship between brand awareness and brand equity for both service providers ($\beta = 0.54$) and customers ($\beta = 0.25$). Similarly, results show a positive relationship between brand image and brand equity for service providers ($\beta = 0.31$) as well as customers ($\beta = 0.57$).

Group Differences

The results reveal differences between customers and service providers in the effects of brand awareness and brand image on brand equity. For customers, the effect of brand image is significantly *greater* than the effect of brand awareness ($0.57 > 0.25$, difference $= 0.32$, $p < 0.001$). In contrast, the effect of brand image is significantly *smaller* than the effect of brand awareness ($0.31 < 0.54$, difference $= 0.23$, $p < 0.001$) for service providers.

Open-Ended Responses

The questionnaire for service providers contained a series of open-ended questions developed from the depth interviews conducted in Study 1 (see the appendix). Respondents generally associate their brands with customer service (76%), firm name (59%), and/or a person or logo (30%). Most (61%) claim that their biggest strength is in providing flexible, reliable, timely, and responsive service and that service is the cornerstone of their value proposition. Three-quarters of the respondents desire their brands to have an identity, with 63% saying the desired identity is "quality service."

Nearly one-third of service providers (31%) report that they actively manage their brands. Among firms in this subset, 78% (or 25% of the total) rely on internal marketing efforts for brand management. Respondents cite training employees on aspects of the brand as an effective means of promoting the brand internally, with 32% indicating that they do this. Among the firms that rely on employee training, only 59% (or 19% of the total) describe using a formal training program. Among the one-third of firms that engage in brand management, only 22% (or 7% of the total) employ external marketing efforts.

For the firms that actively manage their brands, 73% (or 23% of the total) claim that they realize a return on their brand investments. However, many of these do not explain how they evaluate such returns. Those respondents that do provide measures list the creation of new sales opportunities, increased brand awareness through better name recognition, and the attraction of talented employees. Only two respondents state that they are able to charge a premium price because of branding.

DISCUSSION

This study of branding in the logistics services industry provides insight into brands and brand management for B2B services. The findings provide evidence for the existence of brand equity in this commodity-like service industry. The test of the framework (Fig. 1) demonstrates the effects of brand awareness and brand image on brand equity, providing support for the conceptualization of brand equity as a psychological construct in the context of B2B services. Interestingly, results reveal differences in perceptions between customers and service providers. Specifically, brand image is a significantly stronger influence on customers' perceptions of service providers' brand equity, whereas brand awareness is a significantly stronger driver of the service providers' perceptions of their own brand equity. The following sections consider the implications of this difference.

First, informants in Study 1 stressed the importance of branding for logistics services, but observed that few service providers devoted the necessary resources to building either brand awareness or a favorable brand image. Findings in Study 2 confirm this observation with less than one-third of respondents reporting that they actively manage their brands. Firms that manage their brands rely heavily on employee training, with fewer firms engaging in external brand communications.

Second, the results suggest that experiential attributes are fundamental to developing a strong B2B service brand image. Consistent with informants' reports in Study 1, findings in Study 2 show that service providers are keenly aware of the significance of positive customer relationships to building strong B2B service brands. Throughout the course of the research, participants reiterated the role of customer relationships in brand management. Service providers stress the importance of having customers as the focal point of branding efforts with 63% reporting that their desired brand identity focuses on responding to customer wants and needs.

Third, informants in Study 1 acknowledge that a logistics service provider has a brand image, regardless of the resources devoted by the service provider to managing that image. Similarly, respondents in Study 2 are aware of the extent to which certain attributes and benefits are associated with their brands (e.g., quality service, taking care of trade partners), even though the majority of firms do not actively manage their brands. Customers routinely share opinions of logistics service providers' performance – good or bad – making the reputations of logistics service providers well known throughout the industry. As noted by one of the informants in Study 1, the high visibility of service providers' reputations makes active brand management even more important in order for them to build the brand image they prefer.

Nearly two-thirds of the service providers responding to the survey indicate that their desired brand identity is "quality service." High-quality service is the price of admission for B2B service providers; therefore, high-quality service alone is not a promising differentiator from the offers of competitors. A brand must achieve meaningful differentiation in order to be valuable to customers. Building a distinctive brand image on a point of parity, such as quality service for B2B service providers, is not possible.

IMPLICATIONS

This research suggests several interesting implications for practitioners. The results support the notion that customers use brands to differentiate B2B services and that service providers can build brand equity. Customers in both studies could identify service providers with high and low levels of brand equity. In order to differentiate themselves, B2B service providers must be diligent in developing and communicating their distinctive capabilities that support superior service and associating those capabilities with their brand names. As more customers associate superior performance with the service provider's brand, the brand will differentiate the offer from others in the market and distinguish the service as one of higher value.

Similar to findings in previous research, this study provides evidence that brand equity accrues to the firm in the context of B2B services branding. Hence, the firm name is a significant component of the brand. Service providers with names that are similar to those of competitors or difficult to recall may need to consider a name change in order to increase brand awareness and strengthen brand image. When the firm name is the brand, the credentials of the firm, such as management expertise or financial stability, are inputs to brand image, in addition to attributes of the core service and personnel delivering the service. Every touch point between a firm and customers influences brand image. B2B service providers should proactively build positive brand associations by assuring service delivery that is consistent with a clear brand promise.

Service providers and customers have different perceptions on the relative importance of brand awareness and brand image. For customers, brand image is more important than brand awareness. This finding is particularly useful for service providers as they decide how to allocate resources to brand management. Resources devoted to programs that assure a consistent, distinctive brand image, such as employee training, may have a greater impact than costly expenditures related to building brand awareness, such as advertising. Because customers expect service providers to deliver high levels of service performance, service quality is likely a point of parity for B2B service brands. Thus, service providers cannot distinguish themselves based on high-quality services alone. A distinctive brand image is likely to be one that identifies customers' needs and places them at the heart of the value proposition. Thus, service providers will need to understand how their service addresses customers' needs and then communicate those benefits in their brand image.

The results and limitations of this study provide interesting directions for future research. Findings indicate that Keller's (1993) conceptualization of brand equity as a psychological construct comprised of brand awareness and brand image provides an appropriate framework for explaining and predicting variance in brand equity among B2B service brands. Other research proposes different conceptualizations and other dimensions of brand equity (e.g., Aaker, 1996; Berry, 2000; van Riel, Pahud de Mortanges, & Streukens, 2005). Examining other models of brand equity in the context of B2B services will expand understanding of brands.

This research tested a basic model of brand equity in order to explore B2B service brands. Testing an expanded model that more fully examines brand image by including the functional, experiential, and attitudinal dimensions of brand image would be useful (Keller, 1993). In addition, including antecedents to brand awareness and brand image would provide guidance for brand managers who want to strengthen their firms' brands. Given the pressing need to invest in core capabilities that are essential to service delivery, future research should explore conditions within a firm and/or industry that facilitate (or block) investments in building brands.

B2B service providers are typically third parties to other relationships. Investigating the effects of a third-party, B2B service brand on a buyer's perception of the relationship value with a seller would contribute to new insights to the understanding of B2B relationships. For example, do third-party service providers' brands have an effect on the strength of buyer–seller relationships? Does a halo effect surround the third-party's brand that strengthens (or weakens) the focal relationship?

This study examines differences in perceptions between service providers and customers. However, other key stakeholders are important for B2B service firms. Employees' perceptions of service providers' brands would be particularly salient for B2B services, where every interaction with customers has the potential to increase or diminish a firm's brand equity. Exploring perceptions of upstream trading partners may also provide interesting insights. Does a B2B service brand have an effect on service providers' relationships with their suppliers? If so, how does that affect the firm's ability to deliver superior services to customers?

Finally, a related question might be, "When do B2B service brands matter?" Do service brands influence trading partner selection in new product development? Are brands more or less important when the provider is geographically or culturally distant (i.e., located in another state or country)? Are B2B service brands more or less important for expensive or critical processes, such as hazardous waste disposal or biomedical research?

The exploratory research in this report provides insights into B2B service brands and offers a starting point for future B2B services branding research. The findings provide evidence for the application of CBBE theory, traditionally used in consumer contexts, in the context of B2B services. The results suggest that while service providers perceive brand awareness as a stronger influence on brand equity, customers perceive brand image as the greater contributor to brand equity.

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APPENDIX. SAMPLE SURVEY ITEMS

Logistics Service Providers (Customers)

Brand awareness

- The name of our firm (this provider) is well known in our industry.
- Our company (this provider) is recognized by other members of our supply chain as a strong trading partner.

Brand image

- Our firm (this provider) is known as a company that takes good care of their trading partners.
- In comparison to other logistics service providers, we are (this provider is) known to consistently deliver very high quality.
- Our customers (We) can reliably predict how we (this provider) will perform.
- Our (this provider's) brand has a rich history.

Brand equity

- Our customers (We) are willing to pay more in order to do business with us (this provider).
- Our (this provider's) brand is different from other providers.
- Our (this provider's) name gives us an advantage over other logistics service providers.

Open-Ended Questions for Service Providers

- What are your firm's biggest strengths?
- What is the value proposition of your service offering?
- Is your firm's brand associated with: (*check all that apply*)
  - a service? ______
  - a firm name? ______
  - a person? ______
  - a symbol? ______
  - a logo? ______
  - a slogan? ______
- What identity do you want your brand to have?
- Does your firm actively manage your brand? If so, please briefly describe how that is done.
- Does your firm train employees on the aspects of your brand? If so, please briefly describe how that is done.
- How does your brand benefit your company?
- Does your company realize a return on investments made in building the brand? Why or why not?

B2B SERVICES BRAND CASE STUDY

The commercialization of the Internet in the mid-1990s spawned a new breed of non-asset based third-party logistics providers (abbreviated 3PL). These 3PLs do not own any trucks, rail cars, or any other transportation assets. They use Web-based logistics technology and transportation management services to build large networks of customers and transportation providers (e.g., trucking firms, railroad companies) that afford low-cost shipping options for customers and maximum utilization of capital assets for transportation firms. This type of 3PL is a pure B2B service. They offer the intangible benefits of logistics expertise, advanced technology, and the advantage of a dense transportation network, but there is no tangible evidence in the form of transportation assets. To add value, these 3PLs must demonstrate the ability to use their intangible assets to improve customers' and transportation providers' financial and operational outcomes. One successful 3PL recently hired their first Director of Marketing who is responsible for all firm communications, advertising, and brand management. The new Director is quite comfortable with managing communications and advertising, but needs guidance on managing the brand. In the past, the firm focused on technology development and paid little attention to brand management. A graphic design company developed the firm's logo more than a decade ago. Company executives are unsure that potential customers recognize the firm's name and logo. They asked the new Director of Marketing for a plan to improve the brand.

1. Where should the new Director begin with the task of managing the firm's brand?
2. How is managing a B2B services brand different from managing a product brand?
3. What are the challenges that a pure B2B service firm must address in building brand awareness?

CHAPTER 6

BRAND MEANING AND IMPACT IN SUBCONTRACTOR CONTEXTS

Anna Blombäck

ABSTRACT

Brand management in industrial markets is an important subject. The relative youth of this interest implies gaps in the understanding of the phenomenon, though. With regard to the emphasis on brands in today's competitive markets, improving the understanding of brand meaning and impact in diverse industrial situations and organizations is valuable to both management and theory. This paper adds to the expansion of such insights by applying the notion of brands to subcontractors; their market offer and situation. An overview of the brand concept and brand research in industrial markets directs the discussion. The chapter reports on a qualitative study with the aim to support better comprehension of the meaning and impact of brands in a subcontractor context. The study focuses on buyers' decision-making processes. Customers, although they ultimately focus on product price and quality, rely on corporate brand image for making decisions at several stages of purchasing. Buyers normally face a situation where they must choose among a number of potential suppliers, where they perceive uncertainty and limits regarding time and information. In the process of finding and selecting suitable suppliers, subcontractor corporate brands therefore revolve around proxies for expertise and reliability. A focus on subcontractor brand management can render benefits to individual suppliers concerning the

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amount of potential clients and signed contracts. Also, paying more attention to corporate brand meaning and content can improve the efficiency of matching buyers with supplier.

THE PARTICULARITIES OF SUBCONTRACTORS

To cut a long story short, markets consist of a few distinct levels or groups. These levels are the manufacturers of finished goods, wholesalers, retailers, service providers, suppliers, and end users. This chapter takes specific interest in the supplier level. Many types of suppliers exist, although a lot of them are alike in that they often have no direct contact with end users or consumers. This is the case even though the supplier's customers normally incorporate the suppliers' goods or services in products that are eventually sold to consumers. That is, all suppliers are by definition actors on a business-to-business (B2B) market. Their market offers vary, however, and due to that so do the opportunities and ways to promote what they sell. Simply speaking, suppliers who deliver goods represent two distinct groups. The first group consists of firms who develop, manufacture, and market their own products. These include prominent companies like Intel, DuPont, or ABB who have their own product-development functions and sell products or systems that are incorporated in the buyers' products. The second group represents firms who mainly manufacture products according to customers' orders. These companies do not have their own products but, instead, often specialize in a certain material or process. Quite commonly, authors use the term subcontractor to denote both types of firms. In this chapter, however, subcontractor refers to the second type of company, that is, those who manufacture according to the buyers' specifications.

The core competence of these firms is the ability to manufacture on behalf of someone else. Subcontractors of made-to-order parts are therefore a type of hybrid firms. While their market offer is essentially a service they still, in the end, deliver tangible goods to customers. The nature of the subcontractors' offer indicates that they do not know exactly what they are selling until the buyer demands something. This ambiguity in terms of product offer implies certain complications for the subcontractors' marketing activities.

In addition to the particularities of their offer, increasing competition on end-user markets also affect subcontractors' situation. The derived nature of B2B markets leads to a situation where the subcontractors' customers continuously work to improve efficiency in their own manufacturing. This relationship results in stronger pressure on suppliers to cut prices and maintain global reach or presence. Furthermore, many large firms limit the number of suppliers they employ. In sum, the demands on suppliers in general and the competition among subcontractors are increasing and, consequently, a current and important question for these firms is how to succeed in being among the chosen suppliers.

Brand Management for Subcontractors?

The brand and branding concepts relate to an organization's ability and efforts to obtain customers' attention, influence their attitudes towards a certain offer, and provide added value to purchasing or consumption. When brands are valuable to customers, they also generate value to the brand owners (Keller, 2003; Riezebos, 2003). In an increasingly competitive climate; visibility, distinction, legitimacy, and approval are essential concepts for successful business. Correspondingly, brand management receives tremendous attention in terms of being one way to promote a company's competitive ability. With regard to the characteristics of subcontractors' situation, however, traditional brand theory offers few similarities or suggestions.

In manufacturing industries, several firms can have the same machines and, thus, theoretically have the same ability to manufacture and deliver identical goods. In light of this fact, subcontractors do not normally have an exclusive offer and they are likely to face more straightforward price competition than companies who develop and offer their own, distinct products. The goods that a subcontractor manufactures are not marked with the subcontractor's name. Due to this, subcontractors are usually anonymous to end users and cannot easily improve their competitive situation by creating a pull effect. The simple fact that they, like service firms in general, do not have a tangible product to display or market makes the bulk of brand-management theory hard to apply on their situation. Moreover, the complexity of subcontracted goods is in general low and they seldom represent strategic products with high financial value (van Weele, 2002). These market characteristics imply that buyers have an upper hand and that sellers have few ways to provide customer-added value via the products they deliver. In fact, the subcontractors' core offer is difficult to clearly distinguish since, again similar to most service firms, this can change depending on the customer. All in all, subcontractors face something like a worst-case scenario related to branding.

In light of the subcontractors' current situation, the limited research on brands in this context and the general focus on brand management, further investigation concerning brands and industrial suppliers should be interesting. Important questions concern the nature of subcontractor brands, if brands are valuable to the subcontractors' business, whether current theory is applicable to their situation, or if an extended theory is necessary. To investigate these matters further, two basic questions guide the remains of this chapter. First, what is the meaning of brands in the subcontractor context and secondly, do brands have an impact on the subcontractors' interaction and success with customers?

THE CONTEMPORARY BRAND CONCEPT

Depending on perspective, the brand concept has at least three different meanings (cf. Ballantyne & Aitken, 2007). The first implies that a brand primarily represents a name or a trademark. The second holds that a brand connects to a certain product. The third meaning is more complex and focuses on abstraction and the summary of tangible and intangible parts of an entity into an image of that same entity. As Garrity (2001, p. 121) puts it: "People define brands in many ways. A brand, very simply, is a collection of perceptions in the mind of the consumer." These three interpretations in essence illustrate the development that has taken place in brand-management theory. Current research mainly approaches brands in line with the third meaning, which does not exclude the first two meanings but rather incorporates them to create a comprehensive notion of brands (e.g. De Chernatony & McDonald, 1998; Duncan, 2002; Garrity, 2001; Grace & O'Cass, 2002, Riezebos, 2003; Simões & Dibb, 2001; Webster & Keller, 2004).

That is, a name, logotype, symbol, or perhaps a particular design can identify a certain brand. These various forms of visible features are known as trademarks or brand elements, which distinguish one vendor or offer from others (Keller, 2003). The recognition of such trademarks is not per se very interesting to brand owners, though. What matters to them are the thoughts that the platform of trademarks evoke, whether these suggest value to the beholder, and if a clear connection exists between this value and the entity at hand. The sum of these thoughts or perceptions is the brand's image, which represents the core of brand value. Nevertheless, other brand elements are essential as they trigger associations and also provide a concrete base on which to attach the images. Consequently, the elements or

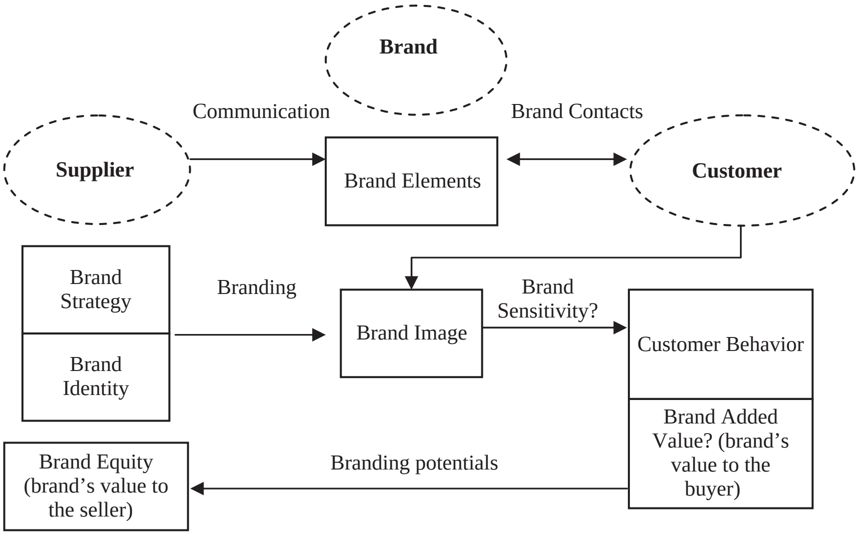

Fig. 1. Mapping Brand Concepts to Branding Feasibility (Adapted From Blombäck, 2005, p. 95).

trademarks, which are part of or represent the entity of concern, and perceptions, of the entity based on interaction with the various elements, are both necessary for comprehending the nature of a brand. Thus, the brand concept is here understood as a combination of different brand elements and brand images (see Fig. 1).

What Can be Branded?

The next question in need of attention concerns what entities a brand can represent. With regard to the brand concept's development since the 1980s, no apparent boundaries exist concerning what can be branded. That is, theoretically speaking, the basic ideas of brand management apply to all entities that are identified through one or several trademarks and can be promoted. The current, broadening, brand research and literature adopts this wide interpretation of brands. Authors apply branding to such diverse things as goods, services, ideas or attitudes, experiences, individuals, non-profit organizations, schools, and corporations. This means that the fundamentals of a brand, that is, brand elements, associations, and images, are the same regardless of the considered entity's nature. This does not mean, though, that the brand composition or the salient aspects of efficient brand management are necessarily the same.

Everything Can be Branded But Not in the Same Way

The notion of brand management as a marketing instrument originates from the mid twentieth century and a focus on growing markets for fast-moving consumer goods. Consequently, most models in the area reflect brand management in the context of mass-manufactured, tangible products that are sold off the shelf to private persons. The above-mentioned idea of brands as a name or a logotype reflects well this period in time. In parallel to the development of a more complex brand concept and ideas on how brands create value, branding related to consumer goods has changed, though. Today, suppliers of consumer goods typically make an effort to establish a specific set of associations related to a name, logotype, or other distinct brand element. That is, brand management does not imply the introduction and use of a trademark to simply be noticed. Rather, the aim is to distinguish what value a specific entity offers to different stakeholders and to obtain a valuable position in consumers' minds.

Much emphasis in brand management related to consumer goods lies on planned marketing communications and design, for example of product and packaging. Connections to reference groups and the user's identity are generally important parts of this type of branding. This brand-management practice normally detaches the brand or product from the company and individuals that are responsible for manufacturing, marketing, and sales. This separation of brand or branded items is not routine, or even possible, for other types of products and contexts. Likewise, marketing communications is planned and weighed differently depending on products and target groups. So, while consumer markets and goods in many ways are still the norm for brand discourses; the subject continuously evolves to cover a wider range of branding situations. With reference to subcontractors the development of corporate and service brand theory are particularly interesting to consider.

An important trend in contemporary marketing theory is a growing focus on corporate-level marketing rather than product-level marketing. As a consequence, increasing attention is also paid to the notion of corporate brands. This shift in focus further extends the idea of what brands represents and how they can be useful to organizations. Articles discussing corporate brand management follow a broad approach to the areas of communications and marketing (e.g. Balmer, 1995; Balmer & Gray, 2003; Kapferer, 2002;

Knox, 2004). In contrast to product brands, that relate to a certain offer, corporate brands are connected with a certain company. In the case of a product, quite apparent limits exist for the range of possible trademarks or brand elements. In the case of a company, though, distinguishing or defining all elements that make up communication is much more difficult. In essence, every action, piece of marketing, corporate communications, or individual that relates to the company or its operations, affects the formation of corporate brand image (Balmer, 2001b; Balmer & Gray, 2003; Harris & de Chernatony, 2001; Kapferer, 2002). Consequently, corporate brand image is the equivalent of corporate image. The early writings on corporate identity and brand management bear great resemblance to product brand theory, which, among other things, means much focus on the organization's marketing function and visual design of corporate communications (Schultz, Antorini, & Csaba, 2005). In correspondence to the comprehensive nature of corporate brands, however, current literature recommends additional paths to corporate-level brand management.

Corporate brands in essence have an unlimited number of brand contacts, ranging from planned marketing communications to the quality, design, price, and delivery of products, customer services, corporate locations, and brand name (e.g. Kitchen & Schultz, 2001). Emphasis therefore lies on increasing attention to total communications and commitment from employees and functions at all levels in the firm (Balmer & Gray, 2003; De Chernatony, 1999). Further, authors describe corporate brands as strategic assets, implying that corporate brand management should be the concern of top management rather than middle managers with a focus on marketing (Balmer, 2001a). Schultz (2005) maintains that corporate branding is a complex subject that spans several theoretical disciplines (e.g., marketing, strategy, communication, and organization theory). Her approach presents corporate branding as an on-going value creation, which is central to the organization and its stakeholders during the definition of an organization's purpose and position in the market.

Many similarities exist among the recommendations for corporate and service brand management. Services are in essence intangible as they "lack a physical product, which embodies a large part, or even all, of the brand and its values" (McDonald, de Chernatony, & Harris, 2001, p. 342). With regard to brand management, this lack of a concrete and visible offer means that further emphasis on the experiences from service provider interaction is necessary. By letting brand values project through symbols and tangible objects that are part of the service process, the intangible nature of the service offer can be partly overcome. Owing to the focus on interaction and the inseparability of a service and its supplier, interaction with staff is crucial to the buyers' perception of the service brand. Service brand management is, consequently, more reliant on employee behavior, internal marketing, and comprehension of the corporate brand identity (Grönroos, 2007).

Given that subcontractors have no tangible or distinguished products to brand, they match the notion of both corporate and service brands. The value and importance of brand management has to do with creation of trustworthiness (Webster & Keller, 2004). Questions remain, though, concerning which corporate elements are important to provide customers with brand meaning and whether this has an impact on their purchase behavior. The bulk of research, regardless of what entity is considered, still focuses on consumer-oriented business. Further elaborations on subcontractors and brands need to take into account the broadening of brand management context-wise; that is, from consumer to B2B markets.

Research on B2B Brand Management

Research on industrial brands primarily focuses on brand impact related to certain products and parts of the value chain (Blombäck, 2005; Roberts & Merrilees, 2007). While authors commonly recognize that corporate brands are salient in industrial markets, the researchers often focus on relating brand management to specific products or product brands (e.g. van Riel, Pahud de Mortanges, & Streukens, 2005). Studies primarily explore buyers' attitudes and finished goods that are consumed in the organization buying it. Examples include computers, tape recorders, fine paper, circuit-breakers, specialty chemicals, industrial tools, and tractors (e.g. De Chernatony & McDonald, 1998; Rosenbröijer, 2001; Walley, Custance, Taylor, Lindgreen, & Hingley, 2007). Except for research that focuses on benefit or ingredient branding (Keller, 2003; Norris, 1993) such as DuPont's Lycra and Teflon, Intel, and Gore Tex, particular focus on suppliers or subcontractors is rare. In fact, many studies do not deal with a well-defined market segment but rather elaborates on industrial markets in general. Many authors also study the impact and management of a single brand feature, that is, brand name (e.g. Firth, 1993; Saunders & Watt, 1979; Shipley & Howard, 1993). With regard to the development of a comprehensive brand concept and ideas about corporate brand management, these approaches appear rather limited.

B2B brand research, however, evolves continuously. Current research includes service perspectives (Morgan, Deeter-Schmelz, & Moberg, 2007; Roberts & Merrilees, 2007), focus on various actors of the value chain (e.g. brand impact in the exchanges between manufacturer and resellers (Glynn, Motion, & Brodie, 2007), and wider perspectives than the simple buyer–seller dyad (e.g. branding implications for networks (Morgan et al., 2007)). Further, several research efforts contradict the straightforward method of analyzing a brand name. They set out to understand how a range of corporate brand attributes come into play during different phases of purchasing (e.g. Thompson, Knox, & Mitchell, 1997/98).

All in all, research suggests that brands and brand management are relevant issues for industrial markets (Bendixen, Bukasa, & Abratt, 2004; Hutton, 1997; Kotler & Pfoertsch, 2007; McDowell-Mudambi, Doyle, & Wong, 1997; Mudambi, 2002; Thompson et al., 1997/98). Thanks to a number of valuable research efforts in recent years, the marketing community now clearly embraces the field of B2B branding. Available research has limits, though, for example in respect to distinct segments and variation of contexts under study. Consequently, much can still be learnt about brands in industrial markets. McDowell-Mudambi et al. (1997), who studies the importance of brands for industrial consumption goods, particularly call for more sector-specific research to discover how different tangible and intangible attributes are actually valued and whether the specific market's characteristics affect this valuation. With special regard to subcontractors and corporate brands, available research provides few clues about the value of brand management. One way to gain more knowledge in this area is to study if and how brands have an effect on the subcontractors' buyers.

BRANDING FEASIBILITY AS A FUNCTION OF BRAND IMPACT ON BUYER BEHAVIOR

Deciding whether or not brand management is worthwhile and how to plan and implement such management are essential issues for brand owners. Although all organizations have brands, important questions to consider are whether, when and to what extent brand management should be employed.

Simply speaking; as long as one or several brand elements implies added value to a stakeholder, the brand can be seen as a source of value to the company (brand equity). The values of brands from a customers' point of view can vary greatly. For example, the value can represent: functional (recognizing quality products), practical (help to structure, search, and selection phases), positioning (helps the buyer create a certain identity), and emotional dimensions (providing use satisfaction) (e.g. De Chernatony & McDonald, 1998; Riezebos, 2003). The perception of value is tied to brand encounters via various contacts and the image these have resulted in. More critically speaking, unless the brand-added value is strong enough to make customers include the brand in its decision making, the firm receives no value from the brand. The importance of the brand for customers' behavior reflects the brand sensitivity of a certain market or product.

Fig. 1 combines a number of brand-related concepts to illustrate this logic. The left side represents how brands and branding relate to the supplier. The right side represents the buyer's impact on the brand and brand value. In sum, the figure displays the importance for brand owners to understand a customer's buying behavior and decision making to adopt successful communication strategies (cf. Clow & Baack, 2002). Accordingly, studies of buyer behavior and the use of information and impressions for decision making can facilitate further learning about the impact of brands and feasibility of brand management in a certain context. The central question is whether brand image affects the choice to purchase a certain brand or product. The recognition of such effects acknowledges brand-added value and, hence, that brand management in an effort to affect brand image should be worthwhile for suppliers. Moreover, this basic question reflects the value of developing brand theory that relates to a specific industry or product.

While previous studies on industrial brands do use approaches that focus on buyers' decision making (cf. McDowell-Mudambi et al., 1997; McQuiston, 2004; Mudambi, 2002; Thompson et al., 1997/98) none specifically considers subcontractors and their offer.

STUDY OUTLINE

One way to analyze the impact of brands and value of brand management in a subcontractor context is to explore how brand contacts and image connect to decision making when selecting a supplier. To this aim, the current chapter reports on a qualitative interview study including three Swedish subcontractors and six of their customers.

The subcontractors' manufacture customized parts in metal and/or plastic, which demand custom-made tools for manufacturing. Given the relative importance of the subcontracted goods and market situation, both supply and financial risks can influence the buyers' selection of a vendor. That is, although many suppliers can manufacture the same products, switching between suppliers or a lack of supply involves costs and time lag for the buyer. Therefore, the current study can be seen as one that concentrates on a certain type of industry as well as a type of purchase;

namely that of subcontracted parts that are a mixture of strategic and leverage items (van Weele, 2002).

The study includes semi-structured, non-standardized interviews with 23 persons. All interviews are carried out by one person and each interview lasts between 40 min and 2 h. Interviews are tape recorded and transcribed verbatim. All respondents represent different positions either in sales (subcontractor side) or purchasing (buyer side). By interviewing respondents from both sides of the exchange and several persons from each organization the study obtains a richer data material, which enables a better understanding of the complex phenomena. This multiple interview approach can also help avoid single informant bias. Table 1 displays an overview of the respondents.

During the interviews, the interviewer asks respondents to give verbal accounts describing the ways and patterns of buying in the considered market. The interviews mix broad questions that encourage respondents to describe sales (subcontractor perspective) and purchasing (customer perspective) with questions specifically focusing on a certain phase of the buyers' purchasing process. In line with the comprehension of brands and logic of brand feasibility or value that Fig. 1 portrays above, the interviews do not focus on the brand concept per se. Instead, they focus on the function

Table 1. Outline of Respondents and Number of Interviews.

Subcontractors	Number and Type of Respondents (Number of Interview Occasions)		Buyers	Number and Type of Respondents (Number of Interview Occasions)		Sum Total Persons
Subcontractor 1	CEO (1), sales manager (1) production manager (1), production personnel (1)	4	Buyer 1A	Purchasing manager (1), purchaser (1)	2	8
			Buyer 1B	2 purchasers (1+1)	2	
Subcontractor 2	CEO (1), sales manager (1)	2	Buyer 2A	CEO (1), purchasing manager (1)	2	6
			Buyer 2B	Purchasing manager (1), purchaser (1)	2	
Subcontractor 3	CEO (1), marketing manager (1), production manager (2)	3	Buyer 3A	3 purchasers (1+1+2)	3	9
			Buyer 3B	Purchaser (1), 2 project managers (1+1)	3	
		9			14	23

of brands by trying to understand what affects buyers' decision making. Particular attention is given to descriptions that might indicate on what grounds a buyer moves from one stage of the buying process to another. Although these descriptions primarily reveal individuals' perceptions, the current study treats them as strong indicators of the firm's buying behavior. The logic behind this is that, in the end, individuals and their decisions determine an organization's behavior.

Following a transcription of all interviews a qualitative analysis begins, firstly categorizing the material into themes. During this process, a pattern evolves that facilitates a structuring of the material according to different buying phases. This pattern also enables an identification of what factors and brand elements guide the buyers' decisions in different situations.

FINDINGS AND ANALYSIS

As a result of the subcontractor offer, buyers can use one subcontractor to manufacture several items. Rather than locating a new subcontractor every time a new item is needed, buyers normally keep a portfolio of qualified suppliers that they can choose from. Sometimes the available suppliers do not suffice, however. From the buyer's point of view this results in two distinct situations with the same main objective, namely locating and selecting a subcontractor to manufacture a specific item. First, selecting a qualified supplier from the portfolio, and second, selecting a new supplier.

The following field-study report uses these two situations as a basic structure. For each situation, the report presents a number of direct quotes representing different episodes of buying. The author chooses quotes arbitrarily with the aim of illustrating how buyers make decisions during the search or selection of subcontractors. Thus, following the study's underlying logic, the accounts do not specifically refer to the concepts of brand or branding. The following discussion, however, translates and ties the accounts to brand contacts and corporate brand image.

Situation 1: The Buyer Needs to Manufacture a Specific Item and Aims to Use One of Its Qualified Subcontractors

The customers' descriptions tell us that they rather use a well-known and approved supplier than a new one. The number of subcontractors available in the portfolio is limited. Still, customers usually make a first selection to decide which ones should be considered for a particular contract. What guides this primary selection is not crystal clear, though. When asking buyers how they go about to narrow down this existing group of subcontractors the answers rarely refer to strict evaluation and selection methods. Still, in the end the buyers do select a few firms who meet with the basic criteria for a given contract. The respondents report that they commonly pick between three and five subcontractors. Requests for estimates on price and delivery plans are then sent to these suppliers. Based on responses to this request, one final supplier can be chosen.

Customer representative:

> [. . .]Then [the assigned buyer] eventually makes a choice. It can be [based on] price, it can be how they manufacture, how they have planned it in manufacturing that there is a planned flow. [That you feel] ''Here it's really in order, here the quality will work'', and so on. And then there is the price. And then he decides: ''I'll take this one''.

Both customers and subcontractors continuously mention price, quality, and delivery assurance as the most important variables. However, during elaborations the respondents reveal that these factors today are not so much about maintaining a competitive edge. Rather, they describe having high standards in relation to the basic factors as a prerequisite for staying in the market and to be considered as a supplier.

Customer representative:

> Yes, well price and precision of delivery and, well, price, quality and precision of delivery, those are really the three most important factors always, you know. But it doesn't help that you have a very low price if you cannot deliver . . . You have to know that it works delivery-wise. But sure, the price is really important. Especially today when it's getting worse. So today it's actually a prerequisite that you manage the price. It is also a prerequisite that you handle deliveries, otherwise you are rejected.

Customer representative:

> Yes, what is important today is that you can keep a good service level. And by service I mean delivery on time, delivery of satisfactory quality. Today it almost goes without saying that quality should be 100 percent. And that you can be there when things are piling up, that you are attentive and that you react quickly to things.

Similarly, related to what makes one subcontractor more attractive in current markets, a respondent explains that other parts of the offer can provide the competitive edge:

Subcontractor representative:

> That's very hard to say. I believe we have pretty short lead times and I think that gives us some sales. It's not always price that is determining, perhaps. It can often be the lead time then. That you bring out a detail faster than someone else . . .

The reason why quality and delivery are so important to buyers is that their own operations and deliveries depend on high-quality and on-time deliveries from the subcontractor. This dependence means that a prime concern for the customers is to feel secure with any partner or supplier they work with. Although they explain that this security should come at a reasonable cost, a lower price is not likely to be the single triggering factor to engage a new subcontractor:

Customer representative:

> No, that's not interesting, because [with the current suppliers] you have a much greater delivery security. I can call now and he [manufactures the order], we will have the stuff here by tomorrow afternoon you know. I mean that's worth almost any amount of money. We can decrease our stock by several hundred thousands, thanks to our having this close contact with each other. [. . .] If you trust someone you are much safer in your daily work as well.

Solid relationships with high trust apparently have great value. Hence, buyers do not only prefer to stick to subcontractors in their supplier portfolio because this is convenient. They also appreciate the feeling of safety that selections among these suppliers provide.

Customer representative:

> I [as a customer] might pay a few cents more for that container because I get this service, this feeling of security more or less. You can include that, you know. If I go to another subcontractor I don't know if they are as good or that they work Sundays, send it on time on Sunday evening as they [Subcontractor 1] do, so that I get it during the night. Well, some small issues you know.

It appears that the choice process among currently known subcontractors first comes down to aspects that set limits for production. This set of basic criteria includes geographical location, plant size, and available machinery.

By and large, the respondents maintain that the competitive climate and pressure for quality in today's markets means that most subcontractors offer similar prices and high performance on delivery. This similarity among suppliers implies that buyers must use other factors to distinguish between suppliers and make a final selection. The overall corporate brand image can be one such factor. As an example, one customer explains the choice between two well-known subcontractors with equal manufacturing capacity and prices. In this case, impressions of corporate and individuals' behavior explains the preference for one of two subcontractors that the buyer pays interest to.

Customer representative:

> [...] They were pretty similar [...] neither how they were producing nor the financial parts differed. But we sort of felt that, they [supplier A] were not on track, they were not hungry. We sort of didn't get back what we gave them. But the [supplier B], they were in our lap and tried to affect the process so to speak. Then we told our bosses that we wanted to choose [supplier B].

When buyers select a subcontractor from the supplier portfolio, they will most likely base their choice on prior experiences with available subcontractors. With regard to the selection process, the buyer's knowledge or image of each supplier's skills and capacity is crucial for a supplier's chances of being part of the short list. If a buyer does not have sufficient information about a specific subcontractor's potentials, fewer chances of a match between them will exist. One outcome of information limitations is that the efficiency of matching buyers with suppliers will suffer. That is, buyers and suppliers might spend time on evaluating actors that in the end proves to not be right for them and, on the contrary, they might overlook a number of potential candidates that would be perfect. One customer explains that they are not always up to date with the abilities of all qualified subcontractors:

Customer representative:

> You discover a lot when you are at a trade fair, it has that advantage. You enter a booth, and you visit, it might be a current supplier, then you enter his booth and realize, "My God, he's got this and that and that". We might never have discussed that because the supplier didn't think we had a need for it, so therefore he has never presented those products. It happens, once in a while, that existing suppliers might have more things in their portfolio than they have presented.

This quote partly shows that buyers will categorize subcontractors according to their previous manufacturing. In the selection of subcontractors for a certain contract, buyers can rely on such categorizations to outline which suppliers to consider. Subsequently, the recurring use of categorization among buyers also points out that subcontractors should mind their corporate communications and image among potential *as well as* current customers.

Situation 2: The Buyer Needs to Manufacture a Specific Item. As no Suitable Subcontractor Exists in the Portfolio a New One Must be Found

At the outset of this situation, the buyers virtually have an abundance of alternatives. To manage this situation, buyers describe how they start by selecting a set of firms that they perceive are able to deliver the products and/or services in question. This group denotes the short list. The way to define such a short list varies and the buyers' accounts reveal a lack of formality in this process. A subcontractor who makes an impression during a trade show or has made a good impression during a sales visit apparently has a head start.

To be fully rational during this stage of a market search, one of the customers explains, is impossible:

Customer representative:

> No-no, that's impossible. It's not possible, it becomes somewhat of an instinctive feeling, how you feel about, well, 'This company I have read something about, this I have heard something about and a colleague of mine mentioned something', and so on.

Customer representative:

> [...] But it's probably pretty subjective. You choose the ones you know about, or the ones you've heard about, or those that have received some award somewhere. You..., I relatively often look at the homepages of those companies. It can be interesting. Then there are companies that never update their homepage and then you wonder, why don't they do that?

This type of statement also reveals how easily, at this stage of the search, a supplier can be left out of the process. Since buyers base their ideas of a potential subcontractor on very limited information, even the smallest negative association can make them disregard that subcontractor completely.

All customers point at trade fairs as a means to locate new suppliers. Moreover, respondents also mention Internet as a source to locate a group of possible firms. Individual contacts also appear to be influential. In relation to this, the respondents explain the importance of good (or bad) reputation and they can consider a certain subcontractor based on how other actors describe it.

Customer representative:

> Well, partly you look at what experiences you have. There is an abundance of suppliers, you know. Which are you familiar with? Now, [his company] is such a big company that if a supplier is interesting it has probably been in contact with us at one time or another, so then you have a reference you can call if you are interested. Then you also know some things from your colleagues in the business, how they are perceived...

Customer representative:

> We visit trade fairs. The subcontractor fair in [Sweden], we go down to Germany and Holland and so on, where you can learn more. Then you might, through your network, find that 'they are a good company, they are complete, they can make this', you know.

Subcontractor representative:

> It's always good to be seen. There is always someone who . . . , it gets around that you are part of this and that, and here and there you know. One always talks about it.

One of the customers turn to a company whose business idea is to provide firms with supplier information. When in need of a new subcontractor they send a request for a list of a number of companies (e.g. five) that match certain characteristics. The search starts from this list. Then again, given that they are left with the right impressions, buyers will first consider subcontractors who have taken own initiatives to contact them.

Customer representative:

> Those you already know about for some reason are easy to judge once you have a demand. If I have enough contacts I can start searching there. It happens every month that companies contact me because they are ready to supply us with work.

This quote reflects again how buyers prefer to spend as little resources as possible in the beginning of selection. If they perceive the available alternatives as sufficient in numbers, no further effort will be made to locate additional suppliers. Along the same lines, the respondents report that buyers often ask one of their current contractors, other buyers in the industry, or a machinery supplier to recommend a certain type of subcontractor. This spread of buyers' information gathering indicates how important a subcontractor's corporate image can be. If the subcontractor has a strong reputation throughout the market, and clear-cut image related to their operations and capacity, its chances of being mentioned increase.

In all, the stories related to locating potential subcontractors are similar in that they describe this first phase as rather erratic. To get closer to a final selection the buyers look for ways to obtain more information about the subcontractors in the short list. As the list of firms narrows down by evaluating and excluding some of the potential suppliers, the buyer gets closer to a decision. The first reduction of firms is made by looking at practical factors like geographical location or manufacturing capacity. After this, the buyers describe how to find more information and what corporate features are seen as important.

Because of quality restrictions and safety measures in the automotive industry, one of the customers proclaim that once they decide to proceed with an evaluation of a potential subcontractor company, this has to do with more aspects than product quality. To even be considered, the subcontractors need to pass a number of tests concerning statistical and practical information.

Customer representative:

> [...] We often check each part of the company, not only that you concentrate on quality.

All customers and subcontractors emphasize the importance of on-sight audits as one part of approving a potential subcontractor. These audits include statistical data like faults in production and quality measurements, internal processes, less formal documents, and actual observation of the premises. When the respondents describe the reason and content of these visits, they emphasize the value of being able to observe and get a ''feeling'' for the subcontractor.

Customer representative:

> You see whether things are properly structured, if it works quality wise. How are management, the manger and the people functioning? Is it clean and in order? All those things you look at.

Customer representative:

> Efficiency is what I look at. That there is a nice flow that is running all the time. And that it is clean and proper you know.

Customer representative:

> I guess that's where it's decided, when we go into the workshop looking at reality sort of. As little administration and theory as possible and as much practice as possible. The theory comes in anyway.

Customer representative:

> Not the way they look or how they are dressed. No [we don't look at that]. But how it looks around the machines and how it looks on the floor and such things. That can be important yes.

Customer representative:

> You look at what the plant looks like, what kind of machines they have, if they, well what can I say? It's hard to say what you really look at.

The impact of these impressions on corporate image and evaluation of a potential subcontractor is evident in the following quote. Although the buyer intuitively understands that the supplier can be good despite a messy appearance he is still affected.

Customer representative:

> Well obviously it's a compound image you get and [the on-sight impressions] plays an important part. Then it might of course be that you enter a factory, you think it's a bit messy and so on, but they still have a managed quality system and everything is really managed, although I experience it as untidy. And then you must try to see through it in that case. It's sometimes hard. Of course, a tidy factory is always the best.

Other customers answer whether and why the impression you get from a supplier's facilities affects decision making like this:

Customer representative:

> It probably does, that's true. The overall impression should also be good… …you come to a backyard with various things lying around. It plays an important role what, how it looks and how it is run.

Customer representative:

> […] It kind of usually reflects how you [as a company] are in your general behavior. If you have decent order concerning tidiness, usually also other things are done in order. But if you have no order anywhere it's not likely that the company in general …

Customer representative:

> […] we attach great importance to orderliness, because otherwise you [as a subcontractor] can't handle the quality standards.

In relation to these audits, discussions also refer to the relative impact of individuals' impressions on decision making in comparison to the weight of statistics or prices:

Customer representative:

> It means a lot. It does. You can connect this together, thinking that if you have gone to this subcontractor you probably also have received an offer to start with. Then you think about, why does the price look like this? And you can relate that to what you see in production. […] The same with quality; you can measure that almost as soon as you step inside what quality they will deliver.

The respondents' accounts also reveal a strong presence of perceived risk in the development of and decisions on new contracts. For example, the accounts indicate how buyers adopt quite disparate evaluation and selection behavior depending on the cost of an item.

Customer representative:

> Larger suppliers, when it's about large components we go out to look at them. When it's about small stuff we just take it home. That is, if it's a thing that costs a couple of hundreds or a couple of thousands [Swedish Crowns], then we just take it home. But if the thing costs 50 thousand [Swedish crowns], then we want to go out and look at the supplier before we bring home a sample.

Related to the presence of risk, the study illustrates the importance for buyers to sense that potential subcontractors are reliable. This can be traced in the following quote:

Customer representative:

> Well, [...] if you pose a question, that they can answer it sort of directly. They don't have to sort of, 'Well, I don't know, let me investigate. Then you start feeling a bit insecure whether they are appropriate. But if they can answer your questions straight away and if they can't they can call someone right away, and then immediately it feels better I think.

Discussing further whether these evaluations focus on the supplier as such, or delivery of a specific product, some customers respond:

Customer representative:

> You look a lot at what company it is. You, you have to have a company where you can be sure you get your product. That you get it on time, that you know they have a sense of quality. You must look for potential, that they can continue delivering...

Customer representative:

> It depends on what kind of product it is. For components I believe we often choose the product. However, when considering things like [a subcontractor] makes, then we choose the companies. You know, there are an unlimited number of [subcontractors], and so then it is better to choose a company that we know is ok. They understand our requirements and what we want, and we know what they can do...

It seems that the first part of evaluation has to do with basic requirements regarding manufacturing. Once these have been approved, the evaluation moves to another level, including corporate characteristics that have less straightforward impact on the company's ability to manufacture high-quality goods. One such example is how the subcontractor's current and previous customers can have a strong effect on customers' impressions of the subcontractor.

Customer representative:

> [...] If they can present their five largest customers and I feel that this is the same customer segments that we work with, you know, then you're like, okay, then you have gotten somewhere so to speak. If they can't point at any special customers, "...we had two contracts for Volvo last year and then they have not been in touch". Then you might start wondering...

When only a few subcontractors are left in the selection process, the buyers ask the remaining firms to leave an estimate on their manufacturing services and delivery. Based on these estimates, which allow for a comparison of prices, the choice of supplier should in theory be simple. This is not always the case, though. One customer explains that the process of admitting a supplier is too rigid and complex to let price be the reason to disregard an offer directly, especially if the supplier is new.

Customer representative:

> No, you should talk to them. You can't just call and say, "You're not interesting because you are too expensive, 25 percent more expensive, boom" [pretends to lay down the telephone]. You just don't do that. You might ask: why? How have they come to that price? Explain it.... I believe that if you have gone through this whole process for a new supplier, they have finished the [audit] and we believe they can do the stuff, we have looked at their production and it looks very good.... And then the price is too high or way too low or something, then you talk to them again.

The following quotes further indicate the difficulties customers have to explain when and why a decision is made to accept a certain subcontractor.

Customer representative:

> [...] I guess it's not that easy to measure and describe it, but, it's a feeling you get when you talk to a seller or a sales technician. Does he know these products?

Customer representative:

> Well... sometimes you feel satisfied. And sometimes when you're out searching you can feel you're not really satisfied. Then you continue searching until you find something that you.... It's like this, a purchaser's role in a company, he is the supplier's face of the company, and everything that goes wrong from that supplier, the buyer gets hanged, you know. That's why I need to feel satisfied, content and confident with this supplier. ...If I feel some skepticism but still choose to present a firm, then it must have something unique that I really believe in...

Customer representative:

> But it's a summarized impression you know, that gives you that feeling. Do they have different activity routines in the company? If they are good at that part perhaps you

> should feel good, but sometimes you can still feel some skepticism. Then it might be that this person does not provide a serious impression. Then the personal issue can be what makes you [hesitate], or it might be that you will become a very small customer...

Some respondents also stress the importance of individuals, their ideas and interaction with corporate elements for final selection:

Customer representative:

> Yes, a lot is subjective, it is. Because it's, if another colleague looks for the same component it's not certain that person will choose the same supplier that I choose. It depends somewhat on what his, what persons he has been in contact with and, perhaps we don't really use the same basis for making our choice...

The Meaning of Brand

The basic notion of brand is universal. In essence, the concept implies association-driven, immaterial value, which can be manifested or identified through various elements that represent a certain entity. The concept of trademark often defines these elements. Important to note, though, is that depending on the nature of the entity in question, the elements can include people, design, symbols, behavior, and different forms of communication. Also, the application, meaning, and management of brands can vary depending on product or context. For example, the practical planning and impact of brands in the market context that this chapter focuses on is not equivalent to that of most brands in a fast-moving consumer goods situation. The latter often concentrates on visualizing brand benefits through commercials and product features and the impact concerns the brand's ability to fit an individual's self-image or aspired identity. The customers thus evaluate the brand's ability to contribute after the purchase. In relation to customer brand value, parallels can be drawn to different types of value, for example, the positioning, emotional, practical, as well as functional ones (e.g. De Chernatony & McDonald, 1998; Riezebos, 2003). In the case of subcontractors, the brand seems to play a different role and should therefore be managed differently.

Due to the recurring evaluation process that buyers use to narrow down their choice set, subcontractors must pass a number of selections to be considered; from being noticed to being qualified or selected for a contract. Throughout this process, the customers' descriptions reveal clearly how important product-peripheral factors can be for the perception or creation of value (cf. Anderson & Narus, 1999). High importance of and recurring references to such factors is not surprising given the current focus on corporate service brands. However, the references also reflect a main difference between the marketing and purchasing of readymade, predefined goods, and goods that are made according to order. When customers cannot look at and evaluate a tangible product prior to purchase decisions, they must use other aspects of the exchange for appreciating the quality of a supplying firm. This restriction, of not having products to show, further means that the foundation of brand meaning for subcontractors is not the product added-value, which advertising often attempts to explicitly portray.

Price, quality, and delivery of goods are still fundamental parts of selecting a supplier for a certain contract. However, in the process of selecting one among many, the evaluation of quality and delivery assurance is not straightforward. Similar to research on how buyers select professional service providers from a short list (Day & Barksdale, 2003) the current study shows that buyers use both, so-called, hard and soft measures to estimate the future quality and reliability of a given supplier. Examples of hard evidence are the buyer's previous experience with the supplier at hand, their performance record in delivery and manufacturing. Soft factors include rumors in the market, impressions from sales representatives, and visits to the factory. With the contemporary, open-minded approach to the brand concept this implies that subcontractors' brand images indeed are relevant.

The corporate brand image in this case corresponds to the sum of all those impressions that a customer gains during trade fairs, from advertisements, visits to homepages, discussions with fellow buyers, reference customers, meetings with sales people or CEOs, visits to the plant, and records (or experience) of earlier performance. The sum image of a subcontractor or a group of subcontractors can support the buyer in selecting and narrowing down to a group of firms that appears to be suitable. In practice, the customers use different corporate features and impressions as proxies to assess the quality of future manufactured parts and delivery. One might say therefore that the main value of subcontractor brands is that they function as catalysts for choice. Drawing a parallel to the value categories that brand literature presents, the notion of subcontractor brands as a source of selection assistance suggests that they primarily relate to functional and practical values (e.g. De Chernatony & McDonald, 1998; Riezebos, 2003). The buyers make use of subcontractor corporate brand image to evaluate the available choices and structure selection. They are, however, less concerned with how the brand can affect the buyer's identity.

In conclusion, subcontractor brand image represents the buyer's summary and evaluation of a particular supplier's trustworthiness, competence, and capacity. Given the nature of subcontractors' market offer, buyers cannot separate the image of a particular supplier from expectations related to the products it delivers. Because of this, subcontractors in many ways offer the perfect opportunity to conceptualize and explore corporate brands. The meaning of brand in this context is not really a matter of choosing a certain marketing strategy, but truly about understanding the nature and effects of a firm's identity and image.

The Impact of Corporate Brand Image

The current stories clarify that the choice of a subcontractor is not strictly prepared according to a formal search and evaluation plan that disregards feelings. Instead, the selection process includes many occasions where corporate brand image has an impact on buyers' decisions. The reason for this effect relates both to the lack of time or information and the buyers' need to reduce perceived risk.

For example, the stepwise selection that buyers report on when searching for a new subcontractor to a specific item implies that the removal of some firms from the consideration set does not necessarily mean that they are worse with regard to the ability to manufacture and deliver a certain component. Since buyers normally face a time restraint during selection of a specific and new supplier, limited information sources are available for investigating the identified options. As a result, the decision to exclude certain suppliers simply suggests that buyers do not conceive these suppliers as good or interesting enough through the brand contacts available at that stage of selection. This nature of choice process highlights at least two relevant aspects of corporate brand image.

The first aspect concerns the fact that buyers appear to add on to their image of subcontractors throughout the selection process. During the first stage of selection they round up a number of subcontractors based on very little information, that is, weak corporate images. The first pick of potential candidates for the contract can also be made at this stage. Then, for each step that the process of selection progresses, buyers collect or gain more information about the potential subcontractors. This implies that the corporate brand images buyers hold of the suppliers become more complete. With regard to this increasing information and the content of corporate images, each step also means a decrease of the number of subcontractors that remain in the consideration set.

Secondly, the choice process also reflects the importance for subcontractors to be part of the buyers' consideration set from the start. While buyers are rational they also experience resource restraints, which mean that they will use the most straightforward way to locate a set of suitable or potential subcontractors. In the case of locating suppliers for a specific contract, the most effortless way of making a selection is to choose suppliers that are already known, suppliers that can be easily identified through marketing communications or information systems, or suppliers who approach the buyer on their own initiative. In line with the bounded rationality facing buyers in this primary selection, their accounts reveal that they partly rely on impressions of and associations to the subcontractors at hand. Accordingly, the subcontractors who manage to get the attention of buyers and to clearly communicate company benefits through relevant corporate brand contacts will have an advantage. On the same note, suppliers that are neither known, nor active in or visible through communications, will unlikely be included in the first selection. More importantly, since buyers most likely only consider firms that are part of this original consideration set, the subcontractor who is not detectable or present in the market faces a tough challenge.

The above presentation of empirical findings uses two distinct situations to structure respondents' accounts. The first one refers to the selection of a known, certified supplier and the second refers to the search of a new, untried supplier. An important difference between these situations is the component of trust. While the buyers express a general feeling of trust towards the subcontractors who are approved and part of the supplier portfolio, no explicit trust exists towards the unknown ones. Seeing that trust is built by recurring interaction and through actors' behavior and ability to perform according to agreements, this is only logical (e.g. Ford et al., 2002; Selnes, 1998). Consequently, when searching for a new subcontractor, the buyers are compelled to go through several modes of selection in search of indicators for trustworthy behavior and characteristics. This lack or presence of trust also affects the impact of corporate brand image.

The respondents' stories indicate that the first stage of finding and choosing subcontractors is often a more or less haphazard process. Other times, however, the impressions of a subcontractor are of great importance for this process. If buyers search the web, for example, any impression they gain from the information, pictures, and references made in the subcontractor's homepage can either make or break its chances to gain approval or a contract with the buyers. From the limited information that buyers get from a homepage they quickly decide whether the subcontractor is interesting or not. Unless the subcontractors display the information buyers are looking in terms of machines, competences, reference products, or customers, they will not be considered. The example of homepages shows how various types of communication, although quite restricted in terms of content, can provoke corporate brand images that directly affect a buyer's decision to include or exclude a certain supplier from the consideration set.

In the early phases of search and selection, the buyers appear to primarily focus on verifying that the subcontractors they consider actually can manufacture and deliver the products in question. Variables under consideration include the size of the company, their machines, and geographical location. This pragmatic focus is perfectly rational and appears to involve choices that are not in particular need of impressions and guidance of corporate image.

Further on in the process, however, the buyers come to evaluate the potential subcontractors using a more comprehensive approach; a development that relates to the discussion of trust in above paragraphs. Unless employing a subcontractor, buyers can never be completely sure about the quality of its products and services. For this reason, the buyers must rely more on interpretations of tangible and intangible indicators related to the prospective supplier. They need to make supplier assessments with the help of previous performance and impressions. As previous discussions imply, one way to do this is to transfer the image of, for example, a previous customer, an orderly plant, or a well-read sales persons onto the subcontractor as such. Consequently, the impact of corporate brand image appears to be stronger in the selection of new subcontractors.

One interesting finding when comparing the two situations is that while orderliness and first impressions seem important in the evaluation of a new supplier, buyers do not consider this when going through repeated valuations of approved suppliers. In light of this one might elaborate on whether the salient factors of subcontractor's corporate image changes over time. While indicators (e.g. orderliness or previous customers) are important to buyers during the search and evaluation of new suppliers, actual performance and the experience of delivery seems to be more important for approved ones. Then again, this difference does not mean that corporate brand image is less influential in one situation. The buyers' descriptions of how to pick a subcontractor from the existing portfolio indicates that also in this situation they do make choices that are difficult to explain. Even if they have direct experience to use as a basis for decisions, the notion of a company's ability, competence, or even attitude can distinguish one from the other.

One example of how corporate brand image can influence the selection process both for new and existing subcontractors, is the recognition of

Table 2. Summary of Brand Meaning and Impact in Two Situations of Subcontractor Selection.

	Situation 1: Choose Among Existing Subcontractors	Situation 2: Find a New Subcontractor
Meaning of subcontractor brand	Sum of all corporate contacts plus previous experience of exchange	Sum of all corporate contacts plus reputation
Salient brand elements	Experience from previous contracts; product quality, delivery assurance, interaction. Response from sales persons. Corporate attitude	Reputation. Trade show displays. Webpage. Interaction with sales persons and management. Performance records. On-site visits. Reference customers. "Feelings"
Subcontractor brand impact on buyers	Guide selection of short list. Aid in final selection. Avoid risk perception	Aid in selection of shortlist. Aid in final selection. Provide basic trustworthiness. Reduce perception of risk
Subcontractor brand impact on subcontractors	Being one of the parties asked for an estimate. Improve chance of being the final selection	Being recommended or considered for short list. Remaining on short list. Aid in qualification to portfolio. Aid in gaining contract
Type of brand value	Functional. Practical	Functional. Practical

corporate attitude as a distinguishing feature. The buyers apparently want to work with active suppliers that look to develop. This determination among buyers to find suppliers that personify the right mindset means that even if subcontractors have all the right machines and offer the right prices they also need to attend to their overall corporate images.

Table 2 provides a summary of these elaborations and the above examples.

CONCLUDING REMARKS

An underlying purpose of this chapter has been to show the width and variation of brand applications that is possible given the contemporary notion of brands. To fully discover and exploit the variations and values of such open-minded brand approaches, the current study suggests that the following baseline statements are essential.

- The meaning of brands is contextual and situational
- The impact of brands is contextual and situational
- There is no limit to the variations of brand elements
- The content and nature of brand value is subjective

Given the acceptance of these statements, a brand perspective is applicable to all types of situations and things. The current study is one example of how this can be done.

By and large, the current study supports previous conclusions about brand sensitivity and value in B2B markets. The findings of this chapter can further contribute to the brand discourse by demonstrating that corporate brand image can play an important role even in situations where buyers essentially focus on the price of the core offer. Depending on the uncertainty of the market or purchase situation and the fact that buyers perceive risk, the brand's role is not that of distinguishing the products which are eventually delivered. Rather, in the context of made-to-order subcontractors, the brand represents all the added services and corporate contacts that the exchange process includes. In essence, this chapter puts forward that branding can be an issue, regardless of context or product, as long as the buyers go through a selection process to decide from which supplier among several available alternatives to obtain their goods or services.

An important implication of the current study is that industrial brand management is not an alternative to having a high-quality product offer, or being a reliable and qualified business partner. Moreover, the findings show that branding is not simply about creating an image through planned marketing communications which aim to strike the emotional keys of beholders. Instead, corporate brand management is concerned with understanding how available, corporate resources continuously make up the brand and how an organization can use these to establish beneficial associations.

LIMITATIONS AND FURTHER RESEARCH

The study that this chapter reports on has limits with regard to the gathering of empirical data. Primarily, the study refers to a small number of companies and respondents, all situated in the same country. Although the companies relate to the same type of manufacturing, they also vary in basic corporate features. This is especially apparent on the customer side where firm size varies greatly. By conducting similar studies, approaching even more narrow settings, it will be possible to achieve further structure and specific insights of the brand situation in different contexts. For example, targeting a certain type of customers in regards to size, industry or use of purchased items, might be feasible.

This chapter demonstrates how to apply a corporate brand approach when the seller has no tangible product "to brand" but, yet, delivers such products. Assuming that subcontractors face a worst-case scenario in terms of branding, the study implies that no business actor, regardless of industrial context, should neglect the possibilities of brand management. Although the contemporary brand discourse clearly embraces industrial markets, the bulk of research and literature still focuses on brands in mass-consumer contexts. Research should therefore continue the exploration of how, when, and why brands have an impact on a variety of companies and market settings. Translating such findings into practical brand management for suppliers should be further beneficial. Continuous research of brands in industrial contexts is also important to update theory and maintain an understanding for the relevant forces at work.

Riezebos (2003) suggests that a company should not focus on a branding strategy simply because the option exists. Instead, each firm must consider the impact of brands on their success with stakeholders and weigh this against the costs of branding. His elaborations connect to the area of brand equity, a topic that receives continuous attention. With regard to the width of brand-added values that research reveals, however, room exists to further discuss and extend notions of brand equity's content and basis. Moreover, marketing as well as top management would benefit from methods that assist in the translation of various corporate brand investments and different responses to such efforts into financial corporate values.

Another implication is the presence of emotion in continuous decision processes. The respondents' stories indicate that buyers sometimes use intuition for decision making. Given the situation that buyers always experience time and information limitations, the existence of intuition, emotion, and so-called soft factors does not by default indicate lack of rationality. By illustrating the selection process at a micro level, the current study supports Sheth and Sharma's (2006) request for further research on the individual's buying decision process in B2B organizations. Given the acknowledgment of individual's importance for business buying, this topic should be further investigated. What factors, individual, internal, or external to the organization, influence individuals in their purchasing decision making? How does, for example, the notion of reference groups apply in an industrial buying context?

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APPENDIX. HYBROPLASTIC – WHAT IS THE COMPETITIVE EDGE?

HybroPlastic is a medium-sized subcontractor of plastic and metal components. The firm operates on a global market and has plants in Sweden and China. The company's business idea is to deliver customized injection-molded parts and components and provide customers with a high level of service, including swift decision making and effective production at a high technical level. HybroPlastic aims to be the customer's extended research and development division. By providing advice concerning both materials and molding, the idea is to assist customers in reaching the ultimate product solution. Correspondingly, the company is not primarily in the market for contracts where everything is predefined. HybroPlastic's ambition, common for the industry, is to maintain long-term relationships with all customers.

Although HybroPlastic has added construction and material consulting services to the manufacturing and delivery of made-to-order parts and components; the latter still remains the firm's core operations and market offer. Given that all firms who have the same machines theoretically have the same ability to manufacture and deliver identical goods, HybroPlastic is in effect part of an industry that borders on commodities. The goods delivered are not an exclusive offer, which should make subcontractors more likely to face straightforward price competition than companies who develop and offer their own, distinct products. Price competition, however, is not the primary strategy for HybroPlastic; a fact most obvious when the CEO, marketing-, and sales manager responds to questions about HybroPlastic's competitive strength and why customers choose to work with their company in particular.

Primarily, respondents at HybroPlastic refer to recommendations from current customers and material suppliers as an important reason for their ability to attract new customers. Due to this, the marketing manager suggests HybroPlastic has never pursued a thorough marketing plan. The emphasis on recommendations from actors in the market implies that suppliers' corporate reputation is important.

Currently, two persons at HybroPlastic work actively with personal sales. The firm occasionally uses advertising in trade press and exhibits in a couple of trade shows each year. According to the CEO, advertising is a way to create a name in the market and to alert potential customers about the company's existence. He believes advertising is useful since it accentuates HybroPlastic's special skills, which can motivate a corresponding demand to the customer. In sum, the employment of advertising and trade fairs implies the importance of positioning in the market and clarifying the company's characteristics and expertise. However, it also points at the attention and resources HybroPlastic pays to maintaining good relationships with current customers:

Marketing manager:

> [. . .] the greatest reason for trade fairs is the meeting place for customers who are not here that often. They can drop by and say hello and, well, it's sort of a meeting place. That's the greatest reason. That you show yourself, that you are at the trade fair I mean. And they expect you to be there.

In terms of marketing material, the marketing manager expresses some difficulties related to how one can display HybroPlastic's core characteristics since they do not have any products of their own.

Marketing manager:

> [. . .] It's not that easy. But you always try to remind customers not to forget us. It's like we have nothing to profile, other than our knowledge.

When customer need to choose among similar suppliers, HybroPlastic's CEO suggests that they consider total costs and perceived value. The time from order to delivery, lead times, is one example of what is thought of as highly important for customer value. The discussion of value indicates that price per unit is not a primary factor for selecting a subcontractor.

HybroPlastic believes that their great history of precision of delivery is that it presents the company with a head start in terms of price negotiation.

CEO:

> Why do people choose to buy a Mercedes or a BMW, when they can buy a car that gets them from A to B almost as good for half the price? It must be something you know, it is quality and it is safety and that along with price, or if it is status or whatever it is. But there is an added value in a more expensive car.

Still, the CEO admits that in the end price is the determining factor for who will get a contract. Then again, price can be assessed in different ways.

CEO:

> Yes, yes, many times it's price. Everyone experiences competition. So that's . . . , in the end, it really is price that matters. [. . .] even if you take quality and delivery assurance into account, it is the total cost [that matters]. But people look so differently at that. Some are only concerned with the product price. And then you don't see the other costs.

HybroPlastic's customers have a difficult time presenting a straightforward answer concerning how and why they choose to work with a particular subcontractor, for a particular contract. One buyer points out that a choice process can be more or less arbitrary depending on the method and factors used for evaluation:

Researcher:

> [. . .] It's supposed to be so rational but one comes to understand that some other things also affect.

Customer representative:

> Yes, a lot is subjective, it is. Because it's, if another colleague looks for the same component it's not certain that person will choose the same supplier that I choose. It depends somewhat on what his, what persons he has been in contact with and, perhaps we don't really use the same basis for making our choice . . .

It turns out the customers are quite particular about the costs and risks employing a new subcontractor infers. Consequently, they continuously refer to something called approved suppliers. These are the subcontractors which have been previously qualified by the customer's organization through some sort of assessment. They might or might not have been used for a specific contract. If possible, the customers use one of the approved suppliers.

Customer representative:

> [. . .] we do that [scan the market for new subcontractors] if it's about a component that we have no previous supplier for. Otherwise, most of the time we have purchased a similar product before and then we ask that supplier. We continue to ask that one then you know.

If the case of choosing between equal companies, the buyers' responses indicate that price is a major issue as long as the supplier is already approved.

Customer representative:

> If it's equal, it is price that matters.

Customer representative:

> It's very probable that they [the lowest price supplier] get it, yes. Since we are very informed about the subcontractors, that our subcontractors have a quality system to stick to . . . Then we have to trust that it works.

The latter answer in essence means that the buyers' comprehensive assessment of subcontractors available in their supplier portfolio makes estimated prices the only thing to consider when selecting among similar suppliers. That is, all suppliers have proved or otherwise been assessed as reliable concerning service level, quality and delivery assurance. When a new component is needed, however, for which there is no established supplier within the organization, the buyers are forced to search the market for new subcontractors. In this situation, one buyer elaborates on the fact that in a first search a buyer might not have the time to be "completely rational":

Customer representative:

> No-no, that's impossible. It's not possible, it becomes somewhat of an instinctive feeling, how you feel about . . . Well, "This company I have read something about, this I have heard something about and a colleague of mine mentioned something", and so on.

Related to the limited writings on industrial purchasing in terms of what is evaluated and how choices are actually made, two buyers make an attempt to summarize the problem:

Customer representative:

> [. . .] I guess it's not that easy to measure and describe it, but, it's a feeling you get when you talk to a seller or a sales technician. Does he know these products?

Customer representative:

> [. . .] If you pose a question that they can answer it directly. That they don't have to, sort of, "Well, I don't know, let me investigate". Then you start feeling a bit insecure whether they are appropriate. But if they can answer your questions straight away and if they can't they can call someone right away, and then immediately it feels better I think.

A third buyer's description describes how subcontractors, to be seen as plausible suppliers, need to perform well both in terms of abstract and concrete parameters.

Customer representative:

> Well, commonly, at first you go on instinct. You consider how . . ., how they behave when you call and talk to them. If they seem to know the things they do. And then you simply take home some samples.

All in all, it seems that subcontractors like HybroPlastic face requirements at many levels. To be considered in the first place they must master a comprehensive corporate communications program that manifests the right associations in regards to operations capacity, competencies, and quality. At the same time, they must take into account that price is still an essential criterion for buyers. In parallel, personal relationships are considered as valuable, implying that their existence can raise the willingness to pay a higher price. In effect, it indicates that the subcontractor market requires an emphasis on corporate (brand) image, competitive pricing, and relationship management. Marketing literature offers plenty and separate readings on each of these perspectives.

Are we then to assume that subcontractors make a choice to "go for" either close relationships, quality products, or a strong corporate brand as their competitive edge? That is, are these examples of distinct market approach strategies? If not, what are the connections between the three perspectives and how should a subcontractor like HybroPlastic relate to them in terms of strategic and marketing management? Is it possible to distinguish situations where either perspective is more important?

HYBROPLASTIC – TRAINER'S NOTE

Citing the questions put in the HybroPlastic case, the following paragraphs provide a basis for class discussions. While additional viewpoints are obviously available, trainers should also consider that the ones suggested below can be treated more or less in-depth depending on the level of class.

Questions:

> Do the notions of close relationships, quality-products, and strong corporate brands represent distinct market approach strategies, and do/should subcontractors make a choice to "go for" one of these?

A starting point for this discussion should be that students should acknowledge that brands are not limited to consumer markets, or defined simply by a logotype or name on a tangible piece of goods. From a contemporary brand perspective, they should recognize that product offers and the interactions that shape a relationship are really parts of the corporate brand. In regards to the integrated nature of a corporate brand, it is in effect difficult to clearly separate the effect or existence of the three perspectives.

Moreover, students might elaborate on the fact that, although a company can have more or less focus on their brand management, the corporate brand and image will inevitably exist. The corporate brand can and will affect the competitive position of the firm. Likewise, it is not possible for suppliers to avoid the existence of relationships or to choose whether they should deliver medium or high-quality components. With the competitive nature of current markets, buyers will expect high-quality products, quite regardless of the state of a relationship.

All in all, the discussion should not focus on the choice of one approach above the other, but rather the recognition of each perspective, how they support each other and still possibly vary in impact depending on the firm's offer and surrounding. Resources and marketing efforts can then be allocated accordingly. That is, if a subcontractor believes that it will gain a competitive edge by investing in closer relationships among sales people and customers they might spend resources on this. While this could be considered a choice, it does not "get rid" of the existence, and impact, of corporate brand image and quality on delivered components.

Introducing the subcontractor as provider of a bundle of services can increase the complexity of discussions. Connections to service marketing and brand management can be made, which consider the importance of various service encounters for the brand and brand image. From this point of view, the difficulty to distinguish a subcontractor's brand from its delivered products and customer relationships (which ultimately are the result of interaction) are apparent.

Question:

> For a subcontractor like HybroPlastic, do the different perspectives vary in importance depending on situation?

Since subcontracted items are customized it is difficult for the selling party to present the end product before a contract is signed. Thus, elaborations on the relationship between product quality, relationship, and corporate brand image should take into account the inevitable influence of interactions and impressions when a buyer considers the quality of a certain subcontractor. Given the fact that relationships normally develop over time, students should acknowledge that a supplier cannot rely on the strength of relationships at the outset of a potential customer interaction. When a buyer searches for a new subcontractor and has little experience of dealing with a certain subcontractor, the elements of the corporate brand which are distributed through various communication channels are crucial. That is, the sum of corporate image and reputation should be of particular importance before a relationship has been established. This does not mean that the corporate brand is not important in later stages of a relationship. The corporate brand will be in constant flux, depending on what impressions are permeated through different interactions with a customer, for example quality of components, pre- or post-delivery services, delivery assurance, and the perceived smoothness of personal relationships. Quality of products, from the subcontractor's point of view meaning reliability in terms of component quality, on-time deliveries, and feasible competencies, will be a competitive edge in the long run. Unless being able to deliver such quality, the subcontractor will risk its reputation, the loss of current contracts, as well as the ability to gain further contracts.

Question:

> How should a subcontractor like HybroPlastic relate to the different perspectives in terms of strategic and marketing management?

Students should identify (or be lead to understand) the notion of relationship marketing as a principal approach to marketing. In reference to this approach, relationships are inevitable and central parts of a company's operations and success, and, as such, they should be considered strategic resources. This means that maintaining good relationships with various stakeholders is not necessarily a matter of choosing competitive approach, but rather a long-term investment which relates to the company's financial turnover, (product) development and market presence.

Since long, marketing scholars treat brand management (and especially corporate brand management) as a strategic issue, preferably dealt with on a board level. Although competitive edge is a possible outcome, the focus of brand management is really to establish a strategic position in the marketplace by reaching certain positions (or images) in the minds of different audiences. Students should recognize that corporate brand management is far from a marketing matter focused on reaching transactions.

In reference to this, service providers and, as such, also subcontractors, experience a particular situation. Given that their offer is partly intangible, they are not able to use products as a means to continuously communicate, or indicate changes in, corporate identity and operational focus. To reach, maintain, or change the company's market position, these firms are even more reliant on the corporate brand image derived from interactions and symbolic communications. To obtain an unambiguous and informative image among constituent parties, such communications ideally should be long-term and well-planned.

All in all students should realize that, for a subcontractor, a focus on brand management is not only related to the one given contract, customer or manufactured item. It also has to do with the long-term competitiveness and planning of the firm.

CHAPTER 7

BRAND IMAGE, CORPORATE REPUTATION, AND CUSTOMER VALUE

Anca E. Cretu and Roderick J. Brodie

ABSTRACT

Companies in all industries are searching for new sources of competitive advantage since the competition in their marketplace is becoming increasingly intensive. The resource-based view of the firm explains the sources of sustainable competitive advantages. From a resource-based view perspective, relational based assets (i.e., the assets resulting from firm contacts in the marketplace) enable competitive advantage. The relational based assets examined in this work are brand image and corporate reputation, as components of brand equity, and customer value. This paper explores how they create value. Despite the relatively large amount of literature describing the benefits of firms in having strong brand equity and delivering customer value, no research validated the linkage of brand equity components, brand image, and corporate reputation, simultaneously in the customer value–customer loyalty chain. This work presents a model of testing these relationships in consumer goods, in a business-to-business context. The results demonstrate the differential roles of brand image and corporate reputation on perceived

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quality, customer value, and customer loyalty. Brand image influences the perception of quality of the products and the additional services, whereas corporate reputation actions beyond brand image, estimating the customer value and customer loyalty. The effects of corporate reputation are also validated on different samples. The results demonstrate the importance of managing brand equity facets, brand image, and corporate reputation since their differential impacts on perceived quality, customer value, and customer loyalty. The results also demonstrate that companies should not limit to invest only in brand image. Maintaining and enhancing corporate reputation can have a stronger impact on customer value and customer loyalty, and can create differential competitive advantage.

1. INTRODUCTION

This research work focuses on customer value and its relationship with corporate reputation, brand image, and customer loyalty. The study provides insights about customer value and loyalty relationships, and the role that corporate reputation and brand image play in this picture. The first section introduces the research topic, which is motivated by the need to better explain the complexity of the relationships between customer value, customer loyalty, brand image, and corporate reputation. Also, this section outlines the study area for the thesis, namely business-to-business markets, an area that needs more exploration (Mudambi, 2002). Finally, the section details a preliminary discussion about these literature areas, and about the problem orientation of this study. The section concludes with a brief description of the general structure of the study and the content of each section.

1.1. Problem Orientation

Competition within most industries is becoming increasingly intense; hence companies emphasize the need to identify sources of sustainable competitive advantages to counter this threat. Competitive advantages can arise from leveraging a firm's unique skills and resources to implement a value-creating process that competitors cannot implement as effectively (Huber, Herrmann, & Morgan, 2001; Varadarajan & Jayachandran, 1999). A source of competitive advantages that is getting increasing attention comes from creating, communicating, and delivering superior value to customers (Woodruff & Gardial, 1996; Woodruff, 1997).

By focusing on customer value managers think outwards, toward external customers and about ways in which customers can achieve greater responsiveness to their needs (Woodruff & Gardial, 1996; Woodruff, 1997). Fulfillment of customer needs, or delivering customer value, in turn increases customer loyalty (Laitamaki & Kordupleski, 1997; Gronholdt, Martensen, & Kristensen, 2000; Blattberg, Getz, & Thomas, 2001).

Prior research provides empirical support for adopting a customer value approach. According to Anderson and Mittal (2000) and Fredericks, Hurd, and Slater, (2001) an increase in customer loyalty leads to better business performance. Also, Deloitte's Research (1999) provides a thorough global study of customer loyalty. When companies have explicit objectives of retaining customers and make efforts to exceed loyalty goals, they are 60 percent more profitable and more likely to exceed their goals of growth and shareholder value than their competitors (Fredericks et al., 2001).

Despite increasing attention focusing on the customer value concept, researchers are not reaching an agreement about how to define this construct (Parasuraman, 1997; Woodruff, 1997). The lack of understanding of the customer value domain relates not only to defining the constructs but also to how to make them operational (Parasuraman, 1997).

Researchers and practitioners agree that the issue is not whether firms compete on customer value but rather on how they should try to win based on this concept (Woodruff, 1997). From this point of view, modeling customer value has been acknowledged as a necessary step in developing a coherent understanding of company activities and resources (Huber et al., 2001). Two ways of operationalizing customer value are prominent. The first framework is rooted in customer equity and customer lifetime value (Rust, Lemon, & Zeithaml, 2004), while the second relates to practitioners, consultants, and is related to Customer Value Added® (Gale, 1994). The difference between these two resides in the way they conceptualize customer value construct: as a rational trade-off or as a combination of a rational and an emotional trade-off.

Consequently, empirical and theoretical critical questions about the role of emotional facets of offerings have remained unclear and therefore, they need more research (Keller & Lehmann, 2006). For example, does brand image have a direct effect on customer value above and beyond its indirect effect through the perceived quality, as suggested by academics? Does corporate reputation have a differential impact when compared with brand image? If so, this would indicate that brand image and corporate reputation perceptions have to be actively managed because of the impact on perceived quality, customer value and loyalty.

1.2. Study Objective

Even though customer value and loyalty play an important role in the chain of customer-financial results, the relationship has not yet been analyzed thoroughly. Providing more insights about the linkages between customer value-reputation and image-loyalty is useful because of their connections with company financial results. This is especially true for business markets in the supply chain, an area that needs more theory, empirical research and managerial recommendations (Mudambi, Doyle, & Wong, 1997; Mudambi, 2002; Mudambi & Aggrarwal, 2003). Thus, the objective of this study is to undertake an empirical research to investigate the differential effect of brand image and corporate reputation on customer value and customer loyalty. The specific objective is to examine the roles that brand image and corporate reputation perceptions play in delivering customer value and creating competitive advantages in the supply chain, business-to-business situation.

1.3. Outline of the Study

This study consists of six main sections. Section 1 introduces the study, discussing the shortfalls in the existing literature and the importance of the problem for both managers and academics. The study outlines the contribution in addressing the identified problems and shortfalls in the literature.

Section 2, the theoretical background, prepares the conceptual foundation for the study. The objective of the research informs the review of the relevant literature. The study addresses how the product brand and the corporate brand can help companies to get competitive advantage.

Section 3, model development, uses the conceptual work developed in the second section and reviews in greater depth brand image and corporate reputation. Based upon previous research in customer equity and Customer Value Management areas, the hypotheses are formulated. The hypotheses relate to the roles of brand image and corporate reputation in delivering customer value and building loyalty.

Section 4, method, outlines the research design and the appropriate method. This section explores the issues of using data from a secondary source, since the data sets used in this study are from a secondary source. This section addresses the questionnaire design and data collection issues, the statistical techniques used and the process followed to establish the relationships hypothesized in Section 3. The research is based on the factor analysis and structural equation modeling (SEM), the statistical methods detailed in this section.

Section 5 presents the findings of the study. A number of preliminary data considerations, relating to whether the data meet the mathematical and theoretical assumptions upon which tests are based, are undertaken. Detailed statistical analyses of each of the hypotheses that Section 3 presents is conducted using the method that Section 4 details.

Section 6 summarizes overall results resulting from data analysis carried out. Section 6 includes implications for both managers and academics. There are acknowledged the limitations of the study and there is a proposition for future research.

2. THEORETICAL BACKGROUND

2.1. Resource-Based View of the Firm in Marketing

Competition in all industries is becoming increasingly intense as companies search for new ways to develop sustainable competitive advantages to counter their rivals in the marketplace. The resource-based view of the firm explains the sustainable competitive advantage. Of the different theoretical frameworks, the resource-based view of the firm is useful in guiding the companies to focus on selecting which of their actions creates more value and on identifying the sources of competitive advantages (Cravens, 1998; Fahy & Smithee, 1999).

2.1.1. Marketing and Resource-Based View

The resource-based view of the firm has a practical focus addressing how businesses can financially account for marketing's contribution to the firm (Dutta, Narasimhan, & Rajiv, 1999; Srivastava, Fahey, & Christensen, 2001).

The resource-based view provides researchers with useful insights about value creation. The most important insight is the recognition that value is estimated outside the firm, by customers (Payne & Holt, 2000) in hybrid relationships (Wilson & Jantraia, 1994). This is consistent with researchers' views in marketing and strategic management areas that have demanded a more comprehensive approach, one that includes both internal and external orientation. Therefore, in order to become a useful theory, the resource-based view should look both internally, to the production processes and input resources, as well externally, to the customers as a source of value change (Priem & Butler, 2001).

Strategic management researchers argue that changes in customer preferences estimate differential advantage. These changes can result in the demand alteration in demand that can diminish the value offered to customers and undermine the advantage (Priem & Butler, 2001). This is because value is estimated in ‘‘the eyes and minds of consumers’’ (Cravens, 1998, p. 201).

2.1.2. Market-Based Assets

The resources recognized as enabling value creation are market-based assets, or assets that arise from the relationships of the firm with different stakeholders in the marketplace (Srivastava, Shervani, & Fahey, 1998).

Two types of market-based assets are relational and intellectual, which are external to the firm and intangible. Relational market-based assets are the outcomes of the relationships between a firm and its stakeholders. These stakeholders are external to the firm and consist of distributors, customers, strategic partners, governmental agencies, and community. Brand equity and channel equity are relational market-based assets. Intellectual market-based assets are the knowledge a firm possesses about its external environment. Because of their characteristics, such as intangibility, and difficulty of imitation, both intellectual and relational market-based assets contribute to competitive advantage (Srivastava et al., 1998).

In marketing, both brands and customers are described as sources of value creation and of differential advantage. Brand equity, as an asset or a resource endowment the firm accumulates is considered a source of competitive advantage (Day, 1994; Lassar, Mittal, & Sharma, 1995). Another source of competitive advantage considered in this research is the one related to the capabilities or skills a firm possesses in understanding and satisfying customers (Day, 1994), and more specifically, delivering superior customer value (Srivastava et al., 1998; Payne & Holt, 2001).

Customers, brands, and channels should not just be considered as objects of marketing focus, but also as resources or assets that enable value creation (Srivastava et al., 1998). Therefore, marketers should both administrate and leverage these assets in order to contribute to shareholder value (Srivastava et al., 1998). Brands can add value by differentiating a firm offering; they represent the means through which a firm can create value for both customers and shareholders (Doyle, 2001).

Also, the linkage between customer value and shareholder value is a strong, inextricable one because in today’s competitive markets long-term shareholder value is almost impossible to exist without a high customer value (Payne & Holt, 2000).

Taking the resource-based view theory, marketers show that market-based assets act as an input in the processes of creating competitive advantage. Three important processes that can create competitive advantage are product innovation management, supply-chain management, and customer relationship management (Srivastava et al., 1998; Doyle, 2001). Product innovation management refers to the process through which firms innovate and produce new products and services that meet customers' expectations, at a pace that exceeds their competitors. Supply-chain management relates to the way a firm operates in the marketplace and procures its necessary input to produce the products and services. Customer relationship management is the way a firm manages its customer base. Customer relationships, as strategic assets of firms, are important antecedents of competitive advantage (Srivastava et al., 1998). Srivastava et al. (1998) argue that the relationships between the firm and its customers are created through the delivery of value.

2.1.3. Marketing and Firm Performance

Delivering greater shareholder value should be the primary focus of marketing activities (Srivastava et al., 1998; Payne & Holt, 2000). Companies should provide to their customers better value relative to competitors in order to gain competitive advantage. This in turn should translate into superior performance, expressed by better market-based and financial-based performances (Fahy & Smithee, 1999). Marketing, through its external focus on market and demand, can play a central role in creating and sustaining a competitive advantage and delivering shareholder value (Hunt, 1997, 2000; Hunt & Morgan, 1995).

Marketing deals with the intangible assets a firm creates and leverages market-based assets such as brand equity and customer relationships. Market-based assets generate customer value (Srivastava et al., 1998) that in turn creates market performance resulting in shareholder value (Srivastava et al., 1998). Therefore, the role of marketing is not only in dealing with these assets but also in delivering shareholder value.

Researchers in marketing argue that market-based assets help deliver a superior customer value through market-based processes, which in turn generates a greater customer loyalty and ''stickiness'' with the firm. This customer loyalty creates positive financial results, accelerates cash flows, enhances cash flows, helps decrease the vulnerability and volatility of cash flows, and increases the net present value of cash flows (i.e., the discounted value of all cash flows generated over a period of time) (Srivastava et al., 1998). Cash flow is critical in estimating the financial health and viability of the institution and is a meaningful measure of a company's market value and ultimately the shareholder value (Kerin & Sethuraman, 1998; Bartov, Goldberg, & Kim, 2001).

This study focuses on how the brand equity creates customer value, both of them being acknowledged by researchers as important sources of competitive advantage. The next sections describe in detail these two sources of competitive advantage as depicted in the marketing literature, namely brand equity and customer value.

2.2. Brands and Brand Equity

Brands are the "big thing" in marketing (Doyle, 2001, p. 20). They are of interest to both practitioners and academics because of their relationship with customers and with customer loyalty (Berthon, Hulbert, & Pitt, 1999), and to firm positive financial results (Lassar et al., 1995). Therefore, firms can achieve competitive advantage through brands (Day, 1994; deChernatony & Riley, 1998; Capron & Hulland, 1999).

The following section describes the important aspects of branding. First, this section introduces the concepts of brand and the brand equity. Second, after describing the evolution of the brand in business-to-business literature, the section analyzes the measurements of brand equity developed from the customer perspective. Finally, this section illustrates how brand equity produces value for customers and the company.

2.2.1. What is a "Brand"?

Definitions and meanings attached to brand are diverse, due to the lack of consensus among researchers (Leventhal, 1996). From a consumer point of view, the brand of a product or of a service (deChernatony & Riley, 1999) "represents the matching of functional and emotional values devised by a firm with the performance and psychosocial benefits sought by consumers" (deChernatony & Riley, 1998, p. 436).

2.2.2. Relationship Brands–Customers

The central role of a brand is to differentiate the product from competitors' products (Berthon et al., 1999), to deliver the informational inputs, through which a promise of a reduction in transaction risk is supplied (Keller, 1998) and to enhance the confidence and satisfaction customers gain from the product (Doyle, 2001). Brands also provide customers with a measure of "brand goodness" (Aaker, 1996); reduce the consumers search costs by assuring them about the product quality, delivering them status and prestige (Berthon et al., 1999). A strong brand attracts new customers, allows the charging of premium prices, enables firms extend into other product categories (Clark & Ambler, 2001).

Brands are able to create relationships between the consumer and products or services. As Fournier (1998, p. 367) observes, brands "can strengthen the connection toward a prediction of relationship stability over time," and facilitate a long-term relationship between buyer and seller (Keller, 1993; Rao & Ruekert, 1994; Duncan & Moriarty, 1998; Fournier, 1998; Keller, 1998; Rao, Qu, & Ruekert, 1999) that means they support customer loyalty.

2.2.3. Brand and Value for the Firm

The core business processes (i.e., product development, supply-chain management, and customer relationships) are considered by some authors to be sources of competitive advantage. But all of these activities must be based on valuable resources and capabilities to coordinate them. Brands, as intangible assets, are known as a major resource on which a firm should base its core business processes (Doyle, 2001).

Along with their importance in generating capabilities to build a superior business process, brands are also linked with the firm's financial performance, because "the most important drivers of cash flow are whether the brand can accelerate growth or enhance prices" (Doyle, 2001, p. 21), in other words create value for shareholders. Brands provide value to a firm (Srivastava et al., 2001) by enhancing the efficiency and effectiveness of marketing programs, creating brand loyalty, creating price insensitivity, and the higher margins. They also enable easy brand extension acceptance, trade leverage, and sustainable competitive advantage (Aaker, 1996), and therefore, positive firm financial results. Researchers empirically demonstrate the linkage between brand and the positive financial outcomes of a firm, as Table 1 illustrates.

To conclude, brands add value by differentiating the firm's products and providing consumers with confidence in the rational or emotional benefits of the offering (Doyle, 2001). In order to create those emotional ties with the customers, both offering and corporate brands must connect to their customers. Delivering some positive associations and meanings valuable to the customers is one method of accomplishing this outcome.

Strong brands are valuable to the firms that own them because they represent the past relationships of the customers with the firm and the future of new ones (Day & Montgomery, 1999).

Table 1. Positive Outcomes of Strong Brands.

Author	Comments
Kerin and Sethuraman (1998)	The authors empirically demonstrate a positive relationship between brand value and market-to-book ratio (i.e., one of a firm's measure of performance that measures a company's expected future growth prospects). Brand value is the incremental earnings and cash flows achieved due to the linkage between the brand name and the offering.
Deephouse (2000)	Reputation, or the overall evaluation of a firm presented to the media is a resource that increases the performance of commercial banks. It is "the evaluation of a firm by its stakeholders affect, ... and knowledge," (Deephouse, 2000, p. 1093). It seems therefore that reputation, as described by management research, is linked with corporate associations and awareness and therefore to brand equity.
Park and Srinivasan (1994)	The authors demonstrate the linkage between brand equity and market share for two product categories: toothpaste and mouthwash products. For example, for Colgate, brand equity explains 56% of the share.
Aaker and Jacobson (1994)	Movement in a firm's stock price, that is, a measure of firm's value, is associated with information contained in perceived quality measures.

2.2.4. Branding in the Business Markets

Although the brand is important to the business market, little attention has been paid to how brands relate to organizational buying situations (Hutton, 1997), and the literature pertaining to this subject is rather sparse (Mudambi et al., 1997). Overall, organizational buyer-behavior research recognizes that intangible attributes are important in business purchases (Mudambi, 2002).

The literature includes business research relating to industrial brand name, brand value, and brand equity. Table 2 summarizes the literature in branding for business markets.

The constructs as well as the models of business branding and behavior are similar to those in consumer branding or behavior. The explanation is that business branding has roots in consumer branding literature and research (Sharma & Sheth, 1997). Actually, some authors emphasize consumer branding as the "logical starting point for examining additional ways to analyze business-to-business branding" (Mudambi et al., 1997, p. 435). Moreover, Aaker's (1991) model illustrates that what the brand represents is eventually the same, for either business or consumers, aside from one difference – the way business buyers respond to brands compared with consumers. This difference is due to the assumption of rationality involved in business buying decisions (Wilson, 2000).

Table 2. Branding in Business-to-Business Literature.

Study	Area	Summary of Findings
Saunders and Watt (1979)	Brand naming	Brand-naming strategies have mixed effectiveness. They criticize the brands as being confusing. Rather than taking a business customer perspective, the authors take rather a consumer (end-user) perspective.
Vyas and Woodside (1984)	Value added	Business buyers are willing to pay a premium price for an offering that is superior to its competitors.
Sinclair and Seward (1988)	Brand naming	Brand-naming strategies have mixed effectiveness.
Wolter, Bacon, Duhan, and Wilson (1989)	Brand sensitivity	Significant differences in how designers and buyers evaluated emotional aspects of products. The authors emphasize the importance of emotional aspects of the offering.
Shipley and Howard (1993)	Brand naming	Industrial brand names have been commonly used in business markets.
Gordon et al. (1993)	Brand equity	Significant importance of brand equity in the electrical sector. Loyalty to supplier is as important as brand loyalty.
Court, Freeling, Leiter, and Parsons (1996)	Brand naming	Owning brands with distinct name is important for business success.
Mudambi et al. (1997)	Brand value	The results demonstrate that brand plays a significant role in business markets. This model is based on Aaker's framework (1991). The brand comprises both tangible and intangible attributes.
Hutton (1997)	Brand equity	The choice of a well-known brand is contextual.
Michell, King, and Reast (2001)	Brand value/ equity	This model is based upon Aaker's brand equity framework (1991).
Mudambi (2002)	Brand sensitivity	Branding plays a more important role in business markets that has been recognized. Business brands can pay off in terms of sustainable differentiation and loyalty. The brand attributes follow the Aaker (1991)'s framework, which has been applied in consumer markets. Brand attributes are: brand awareness, general reputation, and brand loyalty.

2.2.5. What is "Brand Equity"?

Brand equity is defined in the literature in a variety of forms, such as favorable impressions, behavioral predilections, and attitudinal dispositions. Brand equity can be brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets (Aaker, 1992), brand knowledge (Keller, 1993). Other authors define brand equity as the added value that the brand name endows (Farquhar, Han, Herr, & Ijiri, 1992), or the difference between overall brand preference and multi-attributed preference based on objectively measured attribute levels (Park & Srinivasan, 1994). ''What we carry around in our heads about the brand'' (Ambler et al., 2002, p. 14) define brand equity.

Some researchers observe that a brand includes only intangible aspects whereas others believe brands comprise both tangible and intangible aspects of the product or service (Leventhal, 1996). Thus, the definitions of brand equity are numerous. They demonstrate the lack of convergent opinions because brand equity is defined either as a blend of tangible and intangible aspects of the offering, or only as intangible, emotional aspects of the offering.

This study embraces the following definition, one that suggests the emotionality attached to the brand: ''Brand Equity is the incremental, the [emotional] added value by the brand to the core product as perceived by a [business customer]'' (Park & Srinivasan, 1994, p. 272).

2.2.6. Brand Equity: A Customer Perspective

The conceptualization and measurement of brand equity is a challenging issue (Kish, Riskey, & Kerin, 2001), and more empirical research is needed in order to assess the performance of brand equity measures (Mackay, 2001). Brand equity is operationalized in the marketing literature in different ways, according to a financial perspective or a customer behavioral perspective (Cobb-Walgren, Ruble, & Donthu, 1995; Clark, 1999; Myers, 2003). The common point of both conceptualizations is that brand equity equals to the value added by brand to the product (Washburn & Plank, 2002; Myers, 2003).

From a financial perspective, the incremental cash flows that a brand generates over and above the unbranded product are the usual metric for brand equity (Simon & Sullivan, 1993). Brand equity is also assessable by movement in stock prices (Aaker & Jacobson, 1994), the potential value to brands to an acquiring company (Myers, 2003) or the earnings the firms are going to obtain in the future due to their brands (2003). Brand equity can also be operationalized from a consumer point of view (see Table 3).

Researchers in the branding area often incorporate other aspects of products or services into brand equity construct such as perceptions of quality, retention concepts, and value because they help defining the brand construct, representing brand associations that cannot be considered separately from brand equity (deChernatony & Riley, 1998; Lassar et al., 1995; Rust, Lemon, & Zeiltman, 2000b).

Table 3. Brand Equity from a Customer Perspective.

Authors	Brand Equity Drivers	Sub-Drivers	Comments
Aaker (1992)	Brand awareness Brand associations Perceived quality Loyalty Other proprietary assets		Brand equity is a blend of tangible and intangible aspects.
Keller (1993)	Brand knowledge	Brand awareness Brand associations	In order to measure the brand equity from the customer perspective the firm should estimate the brand knowledge, or the brand awareness and brand image, the consumer holds about the firm brand.
Hoeffler and Keller (2002)	Brand awareness Brand image Brand credibility Brand feelings Brand community Brand engagement		The authors argue for Corporate Societal Marketing that can build brand equity, by influencing its drivers. All the antecedents enumerated are emotional, intangible.
Lassar et al. (1995)	Brand strengths	Performance Social image Trustworthiness Attachment	The perceived value of a brand is the result of the global perceptions of the brand name and not only from the physical aspects of the offering.
	Brand value	Value	Value as trade-off benefits vs. price.
Park and Srinivasan (1994)	Brand preference or brand associations		Distinguish between attribute-based and non-(product) attribute-based components of brand equity.
Cobb-Walgren et al. (1995)	Brand awareness Brand associations Perceived quality		The authors' main objective was to empirically demonstrate the effects of brand equity on purchase intent.
Faircloth, Capella, and Alford (2001)	Brand image Brand attitude		The effect of brand attitude on brand equity was not significant.
Morgan (2000)	Brand affinity Functional performance	The drivers of affinity are identification and approval	Brand equity helps predicating consumer behavior and creates loyalty.
Yoo and Donthu (2001), Yoo, Donthu, and Lee (2000)	Brand loyalty Perceived quality Awareness and associations		This scale was developed based on the early works of Aaker (1991) and Keller (1993).

Although some researchers conceptualize brand equity as a blend of both tangible and intangible aspects (Aaker, 1992, 1996; Keller, 1993), other researchers define brand equity as only intangible, as a brand name or image (Rust, Danaher, & Varki, 2000a; Hoeffler & Keller, 2002). These authors argue for inclusion of the intangible aspects in brand equity, since the definition suggests the emotionality attached to this construct.

2.2.7. Brand Image

2.2.7.1. Definition. Brand image is the consumer's mental picture (Dobni & Zinkhan, 1990) of the offering. Brand image includes symbolic meanings consumers associate with a specific product or service (Padgett & Allen, 1997). The brand in the customer's mind is linked to an offering (Dobni & Zinkhan, 1990), and to a set of perceptions about a brand the consumer forms as reflected by brand associations (Keller, 1993; Hsieh, Pan, & Setiono, 2004).

Brand image is defined as "the reasoned or emotional perceptions [business] consumers attach to specific brands" (Low & Lamb, 2000, p. 352).

2.2.7.2. The Roles of Brand Image. From the customer's perspective, the central aspect of a brand is its image (deChernatony & Riley, 1998). Brand associations or brand image that the customer holds about that specific offering is what influences the customer to act toward a specific product or service (Keller, 1993).

Brand image functions define the product for consumers and differentiate the firm's offering among competitors (Padgett & Allen, 1997). The consumer's overall picture of the experience, namely brand image (Padgett & Allen, 1997) is important because what changes and creates differences is brand image, as a mean for creating cognitive, affective, and behavioral reaction as a result.

2.2.7.3. Brand Image in Business-to-Business Situation. Much of the brand image in business literature is founded on consumer research. Probably one of the most influential is Aaker's model (1991), with five sources of brand equity: brand awareness, brand associations, other brand assets, perceived quality, and brand loyalty.

As a result, many of the inferences in business-to-business literature are the same as in consumer literature. Consequently, brand image plays a very powerful role in influencing business customers, especially in those markets where products or services are difficult to differentiate based on quality features (Mudambi et al., 1997).

In business-to-business markets, research demonstrates that customer-based brand equity is derived from the overall brand image created by the totality of brand associations perceived by the customer (Michell, King, & Reast, 2001). This finding provides more evidence for brand image as a valuable asset for the firm that owns the brand.

2.2.8. Corporate Reputation

This era emphasizes the importance of corporate branding (Harris & deChernatony, 2001). Corporate branding and corporate reputation are powerful concepts for organizations (Logsdon & Wood, 2002). Despite the high level of interest practitioners have in reputation construct (Logsdon & Wood, 2002), the research in this area is very little.

2.2.8.1. Definition. Reputation is the long-term combination of outsiders' assessment about the firm; about how well the firm meets its commitments and conforms to stakeholders' expectations, and about how well its overall performance fits its socio-political environment (Logsdon & Wood, 2002). Consequently, corporate reputation can be seen as "a particular type of feed-back received by an organization from its stakeholders, concerning the credibility of the organization's identity claims" (Whetten & Mackey, 2002, p. 401).

Although the corporate reputation is conceptualized as an aggregate construct (i.e., taking into consideration all stakeholders), this research employs the business customer perspective since "the grand aggregation approach to corporate reputation loses substantial informational content unless multiple … list[s] of stakeholders can be surveyed" (Wartick, 2002, p. 377). Moreover, since the rest of the constructs involved in this work are from a business customer perspective, a consistency is necessary and therefore, a single stakeholder perspective (i.e., business customers) is employed.

As a result, the following definition of corporate reputation is "a stakeholders' perspective [i.e., business customers] of how well organizational responses are meeting the demand and the expectations of … stakeholders" (Wartick, 1992, p. 34). Therefore, corporate reputation is the set of perceptions held by business consumers concerning aspects of the firm and its activities.

2.2.8.2. Corporate Reputation versus Corporate Image and Corporate Identity. The meanings and the differentiation between corporate reputation, image, and identity are not clear (Whetten & Mackey, 2002). Some authors use these concepts as if they are synonymous (Williams & Barrett, 2000) or as though they relate to each other, while they represent distinct constructs (Bromley, 2001). Researchers acknowledge corporate identity (CI) is as a significant feature of a firm. The definitions provided in the literature are summarized in Table 4.

Researchers recognize that corporate image is also as an important feature of an organization. The definitions pertaining to this construct are included in Table 5 along with the comments that demonstrate the characteristics of corporate image.

Table 4. Corporate Identity Definitions.

Authors	Definition	Comments
Logsdon and Wood (2002)	Corporate identity is an internal perception of what the organization does and how it does it.	CI is *internal* to firm.
Balmer (2001, p. 280)	Corporate identity in "an organization is a summation of those tangible and intangible elements that make any corporate entity distinct. It is shaped by the actions of corporate founders and leaders, by tradition and the environment."	CI is *distinct* and *shaped internally by firm's leaders*.
Bromley (2001, p. 316)	Corporate identity is "that set of attributes that distinguishes one organization from another, especially organizations of the same sort."	CI is *unique*.
Gray and Balmer (1998, p. 696)	Corporate identity is the reality and uniqueness of the organization.	CI is *real* and *unique*.

Table 5. Corporate Image Definitions.

Authors	Corporate Image is...	Comments
Bromley (2001)	"the internal collective state of mind that underlies its corporate communications efforts (successful or not) to present itself to others"	It is *communicated.*
Whetten and Mackey (2002)	"what firms want their external stakeholders to understand is most central, enduring and distinctive about their organization"	It is created to show the *distinctiveness* of a firm.
Balmer (2001)	"immediate mental perception of the organization held by an individual, group or network"	It is a *immediate*, non-enduring perception.
Gray and Balmer (1998)	"The immediate mental picture that audiences have of an organization" that can be created quickly through communication programs	It is an immediate, communicated picture about the firm.

Table 6. Corporate Reputation Definitions.

Authors	Corporate Reputation (CR) is	Comments
Gray and Balmer (1998)	"A value judgment about the company's attributes" which forms over time as a result of consistent performance	CR is a *durable* and more *stable perception* of company.
Bromley (2001)	"the distribution of opinions (i.e., opinions refer to the overt expressions of a collective image) about a person or other entity, in a stakeholder or interest group"	CR is *estimated external* to the firm by the interest group.
Balmer (2001)	"enduring perception held of an organization by an individual, group or network"	CR is an *enduring* perception.

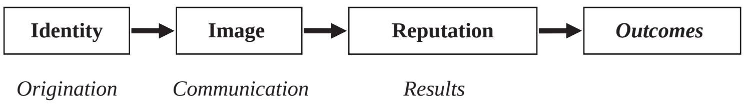

Fig. 1. The Relationships between Corporate Identity, Corporate Image, and Corporate Reputation. Adapted from Lewellyn (2002) and Wartick (2002).

Corporate reputation is also part of the intangible assets a firm can use in order to differentiate itself from its competitors. Corporate reputation is confounded with and used interchangeably with corporate image. Table 6 summarizes the work on corporate definitions.

The constructs represent different facets of an organization and detail how they interrelate. Lewellyn (2002) argues that the relationships between the constructs can be characterized as a continuum, where corporate image is a driver of future reputation and CI affects corporate image. Fig. 1 shows these relationships.

Differences between corporate identities, corporate images, and corporate reputations are very clear. CI is internal and estimated inside the company, whereas corporate image is external, but created by firm's communication. Corporate reputation is the external enduring perceptions held by a specific group about the firm.

2.2.8.3. Role of Corporate Image and Reputation in Business Markets. Corporate reputation is an important aspect of brand equity (Michell et al., 2001) and a growing body of research, especially in management and organizational buyer behavior recognizes its importance (Roberts & Dowling, 2002). However, marketing literature is rather sparse, addressing only theoretical, conceptual considerations.

Researchers consider corporate reputation an intangible asset and a valuable resource for the firm that has the ability to create sustainable competitive advantage. This is confirmed by Mahon (2002) who states that reputation is an intangible resource for the firm, is valuable and difficult to imitate and can contribute to the competitive advantage. Reputation is built over time as result of complex interrelationships and exchanges between a company and its stakeholders. This complexity of interrelationships makes imitation difficult for competitors in the short term (Mahon, 2002).

The benefits of strong corporate reputation reside in three areas. First, a strong reputation drives the business customer preference for doing business with a company that has a strong reputation, especially when several companies' products and services are similar in quality and price. Second, a strong reputation helps a company to survive in times of controversy. Third, a good reputation has a considerable financial and market value (Greyser, 1999). Table 7 shows several studies that confirm the benefits of positive corporate reputation.

Corporate reputation is also non-substitutable. Although firms can provide "product guarantees" as a substitute for reputation, in order to reduce the risk of a specific purchase, they do not remove the risk of the overall exchange relationship with the firm (Kotha, Rajgopal, & Rindova, 2001). Finally, reputations are non-tradable, that is, they cannot be bought and sold in the external markets and they must be developed through the actions of a firm.

2.2.9. Pitfalls of Brand Equity Perspective

The problem with the brand equity perspective is its limitation generated by its focus on product. As economies evolve and the focus shifts more toward services, more firms are selling services than products. Firms have the goal to retain rather than attract new customers, with the result that they now focus on customers rather than brands (Rust, Zeithaml, & Lemon, 2000c). Brands should be only the means through which firms create value and therefore retain customers, because "brands are never more important than the customers they reach" (Blattberg & Deighton, 1996, p. 143).

The brand equity framework tends to overlook other drivers that strongly influence customer loyalty, such as the influences of prices, loyalty programs, and special recognition, and the corporate citizen investment (Rust et al., 2000b). Therefore, a framework focused on brand equity overstates brand influence and underestimates the importance of offering features and services, as well as the customer relationship with the firm (Rust et al., 2000b).

Table 7. Positive Outcomes of a Strong Company Reputation.

Authors	Findings
Fombrun and Shanley (1990)	Firms with good reputation • Attract investors; • Attract better qualified personnel; • Lower the cost of capital; • Enhance the competitive ability of the firm; and • Act as a barrier to firm's mobility.
McGuire, Schneeweis, and Branch (1990)	Perceptions of firm quality, estimated by corporate reputation • Correlate with the subsequent performance of special financial performance measures.
Herremans, Akathaporn, and McInnes (1993)	Companies with better reputations for social responsibility • Outperform companies with poorer reputations and • Provide investors with better stock market returns and lower risk.
Fombrun (1996)	Firms with good reputation: • Command higher prices; • Generate more employee loyalty and productivity; • Have bargaining power with their suppliers; • Have more stable revenues; and • Have less risk of crises.
Williams and Barrett (2000), Vendelo (1998)	Corporations with strong reputations: • Gain easy access to customers; • Access to financial capital; • Attract top employees; and • Charge premium prices for their products.
Kotha et al. (2001)	Reputation building activities is • one of the key antecedents of competitive success for Internet firms.
Standifird (2001)	Firms with positive reputations engaging in e-commerce • emerge as mildly influential in estimating final bid price and • negative reputations are highly influential and detrimental.
Roberts and Dowling (2002)	Firms with a relatively good reputation are • better able to sustain superior financial performance over time.

The experience with brands is not universally satisfactory. The traditional brand engineering no longer works (Maklan & Knox, 1997). Therefore, researchers recommend taking a broader perspective and adopting a customer perspective, one that incorporates the brand as well, connecting brand value and customer value (Payne & Holt, 2000).

As a result, brand equity, a fundamentally product-centered concept, is now challenged by the customer-centered approach (Blattberg & Deighton, 1996; Dorsch & Carlson, 1996; Rust et al., 2000c). The basis for this argument is that customers remain whereas brands come and go (Rust et al., 2000b). Consequently, a construct that incorporates customer voice is more appropriate to judge the firm's performance.

By focusing on the consumer rather than the brands, a firm undertakes a holistic approach, across consumers, brands, and products (Berthon et al., 1999), because ''brands don't create wealth, customers do'' (Blattberg & Deighton, 1996, p. 143). Customer value research is a more comprehensive framework, going beyond the marketing ''fixation with brand as a unit of analysis'' (Varadarajan & Jayachandran, 1999, p. 136).

2.3. Customer Value as a Source of Competitive Advantage

The resource-based view emphasizes the importance of delivering something that customers' value. Customer value delivering process is the most important factor for estimating competitive advantage (Srivastava et al., 1998, 2001). Customer value creates customer likelihood to stick with a firm, which is customer loyalty. A firm's survival and profitability is inextricably related to customer loyalty (Reichheld, Markey, & Hopton, 2000).

The next section describes the evolution toward customer value concept, the modeling choices as outlined in the academics and practitioners' literature as well as the role the image plays in modeling choice. The next section describes the linkage between customer value and loyalty and its importance to the firm's financial outcomes.

2.3.1. Total Quality Management

In the 1980s the market was a ''quality decade'' (Slater & Narver, 2000, p. 121). As customers became more and more demanding and competition increased, companies tried to do everything possible to retain their customers in order to attain higher profit margins. They adopted ''quality'' as their new idol (Greising, 1994) or the ''quality first'' principle (Aaker & Jacobson, 1994). Managers acknowledged the importance of quality and rushed into total quality perfection and total quality management (Zeithaml, 1988). Many firms started to imitate successful quality programs without considering if they were inappropriate for their company, industry, or culture (Grant, Shani, & Krishnan, 1994). As a result many companies were disappointed with the lack of results from their quality efforts or even worse, they ran into financial problems (Rust, Zahorik, & Keiningham, 1995).

Total quality management failed to deliver either economic returns or competitiveness (Anderson, Fornell, & Lehmann, 1994). Investing in quality improvement has positive financial implications for firms, but only up to a point. After that point, diminishing returns on quality expenditures can be expected (Rust et al., 1995). One explanation is that the importance of being close to customers is underscored (Stank, Goldsby, & Vickery, 1999), Total Quality Management reinforcing only an internal orientation (Woodruff, 1997).

Managers then started taking a broader view that demonstrated both internal and external orientations. Therefore, their focus shifted from total quality to customer satisfaction concept, which integrates satisfaction with quality as well as price perceptions.

2.3.2. Customer Satisfaction

The 1990s focused on customer satisfaction. What was important was satisfaction! While satisfying customers was considered a suitable approach to augment customer loyalty, researchers argued that in many industries customer satisfaction did not translate into customer loyalty and positive financial results (Reichheld, 1994). This was demonstrated by the mixed results researchers found: either a positive relationship between customer satisfaction and profitability (Anderson et al., 1994), or no relationship (Reichheld, 1994; Reichheld et al., 2000). Mixed results were found in analyzing the relationship between satisfaction and loyalty (Abdullah, Al-Nasser, & Husain, 2000), because satisfied customers are not enough to create loyal customers (Fornell, 1992; Oliva, Oliver, & MacMillan, 1992; Martensen, Gronholdt, & Kristensen, 2000).

Researchers demonstrated that customer satisfaction does not reflect entirely the value process delivery. As reported in some studies, 60–80 percent of customers who defect from a firm were reported as "very satisfied" in the firm's latest survey (Reichheld, 1994). Consequently, satisfaction scores were not considered reliable indicators because they were unstable and they reported a state of mind and not the behavior or intention toward a firm (Reichheld, 1994; Reichheld et al., 2000).

Customer satisfaction does not offer a comprehensive way to measure the range of perceptions that influence customer behavior (Abdullah et al., 2000). Customer satisfaction is by definition an emotion, or an affective evaluative response (Patterson & Spreng, 1997). Research suggests that buyers usually do not make a purchase decision based on emotions, but rather evaluate the benefits or the sacrifices they face in the buying and consuming process.

All this research urges both academics and practitioners to shift their attention to a new construct, one of customer value (Higgins, 1998), because value is the driver of a consumer's purchasing decision (Roper, 2003). Consequently, industries move from satisfaction studies to customer value studies, because using a business satisfaction index does not offer benefits to customers (Gross, 1997).

2.3.3. Customer Value

Recently, both academics (Parasuraman, 1997; Slater, 1997; Woodruff, 1997) and practitioners (Kordupleski, Rust, & Zahorik, 1993; Gale, 1994; Laitamaki & Kordupleski, 1997) recommend a focus on customer value as they believe customer value is the driver of customer loyalty and financial performance.

2.3.3.1. Customer Value Definition. The available literature on customer value or the value an organization delivers to customers emphasizes a traditional marketing context (Gronroos, 1997). Due to lack of consensus of what customer value is or how this concept can be defined (Payne & Holt, 2001), along with the failure to incorporate competitive considerations and different typologies of customer value (Day & Montgomery, 1999), the progress in this area is still in its early stages (Flint, Woodruff, & Gardial, 2002). Table 8 includes some definitions of customer value in marketing literature.

The common point in the customer value definition is the customer's perception of the trade-off between perceived quality against the prices and costs paid to obtain the offering.

This work embraces the following definition from business-to-business marketing literature. Customer value is "the trade-offs between [perceived quality] and sacrifices, [prices and costs] of a supplier's offering, as [evaluated] by key decision makers in customer's organization, and taking into consideration the available alternative suppliers' offerings in a specific-use situation(s)" (Ulaga & Chacour, 2001, p. 530).

Table 8. Definitions of Customer Value.

Study	Customer Value Definition – A Customer Perspective	Comments
Zeithaml (1988)	Customer value is a trade-off of give and get. "Get" means *received benefits* and includes intrinsic and extrinsic attributes, perceived quality, and other abstractions whereas "Give" or sacrifices include monetary and non-monetary prices.	Customer value is a *rational trade-off* because it includes only perceptions rather than emotions. It provides the understanding of the linkages between price, perceived quality and perceived value.
Gale (1994)	Customer value is the adjusted market perceived quality for the relative price of the product relative to competitors.	Customer value includes a *competitor facet*.
Woodruff and Gardial (1996)	Customer value is the trade-off between positive *consequences* (*benefits*) or the desired outcomes and *negative consequences* (*sacrifices*) or costs.	Trade-off benefits versus sacrifices.
Woodruff (1997)	Customer value is a customer's perceived preference for and evaluation of those product *attributes*, *attribute performance*, and *consequences* arising *from use* that facilitate/block achieving customer's goals and purposes in use situations.	Customer value's drivers are very important antecedents of overall customer evaluation. Trade off and use situations are important factors influencing customers' evaluation.

By employing "use-specific" situation, this definition emphasizes the assumption that value should not be restricted to a single episode level (Ravald & Gronroos, 1996). This is especially true in the context of this research since the relationships between a manufacturer and its business customers are not limited to one transaction but are characterized by multiple exchanges and long-term relationships.

2.3.3.2. Customer Value in Business-to-Business Marketing. The way customers perceive value is a current focus of practitioners and marketing researchers in business markets (Walter, Ritter, & Gemunden, 2001). Understanding how supply-chain relationships create value for its members is still in its infancy (Simpson, Siguaw, & Baker, 2001). Only a few researchers investigate the "Customer value" construct and its operationalization in business markets (Ulaga, 2001; Ulaga & Chacour, 2001). Consequently, understanding where value resides from the standpoint of the business customer is critical for suppliers and manufacturers (Ulaga & Chacour, 2001).

Ulaga and Chacour (2001) recognize that the importance of delivering superior value to the business customers as an undergoing fundamental change. Hogan (2001) and Ulaga (2001) recognize that customer value from conceptualization to operationalization; especially in the business markets where this concept is under-researched needs more knowledge. As a result, one of the most intriguing areas yet to be researched is how customer value interacts with other core marketing constructs in business markets (Ulaga, 2001), which is the focus of this work.

2.3.3.3. Overlap Customer Satisfaction: Customer Value. Whereas the causal linkage between quality and customer value is estimated, the link between customer satisfaction and customer value remains unresolved. Woodruff (1997) states that customer value and customer satisfaction are strongly related, both concepts reflecting customers' assessment about products or services. Customer satisfaction and customer value are related "in that customers are satisfied when they feel they have a product or service that has met or exceeded their expectations at reasonable cost" (Hurley & Laitamaki, 1995, p. 64). But more about this relationship needs to be discovered, for instance, how they are related or whether the two are distinct (Parasuraman, 1997).

Even though the two constructs are different, researchers use them interchangeably, by using the antecedents and consequences of customer value as being the same for customer satisfaction. The basis for doing this is the assertion that customer satisfaction is actually a "compound construct that needlessly confounds, and perhaps even detracts from, the insights provided by the value determination process ..." (Parasuraman, 1997, p. 155).

Research in business-to-business marketing literature provides one of the most interesting insights into the relationship between customer value and customer satisfaction. Eggert and Ulaga (2002) demonstrate that customer value and customer satisfaction can be conceptualized and measured as two different constructs (Eggert & Ulaga, 2002). Gross (1997) emphasizes that the adoption of customer satisfaction from consumer markets is not appropriate in business markets and should be replaced by customer value because the latter is a better predictor of behavior.

3. MODEL DEVELOPMENT

This section builds upon the conceptual constructs detailed in the previous section and reviews in greater depth corporate reputation and brand image as relational market-based assets that deliver customer value. The ways these assets contribute to customer value are explained by their relationships with perceived quality, customer value, and customer loyalty in business-to-business marketing context. A conceptual framework drawing these relationships is presented. This conceptual framework expands on previous efforts on perceived customer value areas by incorporating two facets of customer-based brand equity, namely brand image and corporate reputation, into one model. Although brand image has been integrated in customer value and customer equity models, limited research has considered the role of corporate reputation. Moreover, no studies acknowledge on how brand image and corporate reputation simultaneously deliver customer value and creating loyalty. On the basis of the proposed framework, and with reference to broader marketing literature, several hypotheses are formulated. The framework and hypotheses are developed from the business customer's perspective.

3.1. Brand Equity Components

The notion of brand equity emerged in the 1980s as a result of marketing practitioners emphasizing the focus on long-term results related to advertising and brand building (Brodie, Glynn, & Durme, 2002). Brand equity enables future profits and long-term cash flows for firms (Yoo & Donthu, 2001).

Researchers emphasize the importance of delivering superior customer value as a way of achieving competitive advantage and positive financial outcomes. Although all researchers and practitioners agree on this issue, the way in which the former and the latter perceive brand equity facets (i.e., brand image and corporate reputation), and the way in which the two facets deliver customer value and loyalty are different. Even though in business-to-business marketing the importance of non-tangible, psychological aspects of the offering are important decision taking criteria (Shaw, Giglierano, & Kallis, 1989; Webster, 2000), the empirical research is "extremely limited" (Brodie et al., 2002, p. 8). The exact nature of this relationship is not known and therefore, needs more research.

3.1.1. Brand Equity and Brand Image

While researchers and practitioners agree regarding the importance of brand equity for the firm, the confusion arises in the way brand equity has been operationalized from a customer perspective (Yoo & Donthu, 2001).

A customer's perspective of brand equity should focus on how the customer sees the characteristic of the firm's offering (Ambler et al., 2002). From this perspective "brand equity is driven by image and meaning" (Rust et al., 2000b, p. 256). Researchers in the branding area operationalize brand equity as having different drivers, namely brand image, brand associations, brand awareness, and attitude toward brand. The literature explores differences between brand equity drivers.

3.1.1.1. Brand Image and Brand Attitude. The distinction between brand attitude and brand image is considered to be unclear. Moreover, some researchers argue that either the two are redundant, or the two are not distinct (deChernatony & Riley, 1998).

Faircloth, Capella, and Alford (2001) measures brand equity for and from a customer perspective. They find that brand image was the one to estimate brand equity whereas brand attitude is not significant. This is similar to the assertion that the central aspect of brand is its image (deChernatony & Riley, 1998).

3.1.1.2. Brand Image and Brand Awareness. In business markets, firms are characterized by relational, repeated exchanges, and close personal relationships (Dwyer, Schurr, & Oh, 1987; Fontenot & Wilson, 1997; Mudambi, 2002). Firms have extensive knowledge and awareness about manufacturers and their products. As a result, from the customers' point of view, the customers' awareness and their attitude toward a brand and company will not necessarily enable value creation. Therefore, from customer perspective, brand image and corporate reputation should be the two sources of brand equity facilitating value creation.

3.1.1.3. Brand Image and Brand Associations. What influences the customer to act toward a specific product or service are the brand associations the customer holds (Keller, 1993). Brand associations are used interchangeably with brand image (Hoeffler & Keller, 2002). Researchers define brand associations as "anything linked in memory to a brand" and brand image as "a set of associations, usually in some meaningfully way" (Aaker, 1991, p. 109). Thus, these two constructs are not distinct.

3.1.2. Brand Equity and Corporate Reputation

Corporate reputation is an important aspect of brand equity (Michell et al., 2001) and a growing body of research in management and organizational buyer behavior recognizes its importance (Roberts & Dowling, 2002).

Corporate reputation receives more attention in present and the majority of studies are related to store or retailer reputation (Brown & Dacin, 1997). In the business markets context, the organization is the primary determinant of brand equity (Berry, 2000) and as a result the models of business markets are focused on the business customers' experiences with the firm (Berry, 2000; Brodie et al., 2002), and corporate reputation becomes an important aspect (Berry, 2000).

To summarize, from a customer perspective the two most salient components of brand equity, namely brand image and corporate reputation, are emphasized in literature. Brand image perception is considered a central part of brand equity, and is employed in brand equity models (Hsieh, 2002) whereas corporate reputation has received attention recently. These two facets are from a customer point of view to enable value creation.

3.2. Operationalization of Brand Image and Corporate Reputation

3.2.1. Brand Image

Dobni and Zinkhan (1990) mention that the definitions of brand image in the literature are numerous. As a result the operationalization of this construct is dependent on the research problem and the context (Christensen & Askegaard, 2001; Lemmink, Schuijf, & Streukens, 2003). This is because brand image is ''largely a product category specific'' (Low & Lamb, 2000, p. 352), which means that brand image measurement should be adjusted according to the industry the offering competes in.

The scale used in this work is based on the previous brand image scale used for shampoo products by Low and Lamb (2000). Their brand image scale comprises the following items: friendliness, modernity, usefulness, popularity, gentleness, and natural. Since the products considered in this thesis are from the skin-care industry, or beauty products industry, the scale used by Low and Lamb (2000) was considered very appropriate and consequently used in this study. A few more items were added to Low and Lamb (2000)'s scale. Table 9 presents the facets of brand image included in the Low and Lamb (2000) study in comparison with those utilized in this work.

3.2.2. Corporate Reputation

Researchers in the service industry and in business markets use corporate reputation and image constructs. The reason is that in service industries the offering does not have a separate name and is identified by the corporate name (McDonald, deChernatony, & Harris, 2001). This is similar to

Table 9. Brand Image Facets.

Study	Well Known, Prestigious[a]	Fashionable, Trendy[a]	Reputation for Quality[a]	Elegant	Gentle	Useful	Natural	Sophisticated	Friendly
Low and Lamb (2000)	✓	✓	–	–	✓	✓	✓	–	✓
This study	✓	✓	✓	✓	✓	✓	✓	✓	–

[a]These items were worded in 2001. For comparison purposes they were re-worded.

business markets where brands are linked to the corporate reputation rather than to the offering (Selnes, 1993).

Company reputation and image studies decreased in number and in importance as a research topic in marketing (Brown & Dacin, 1997). In management, these studies continue to be an active research topic because corporate reputation enables firms to charge premium prices for its offerings (Shapiro, 1983). Strong corporate reputation represents the basis for repeated business (Beatty & Ritter, 1986), and enables faster acceptance of new services (Nayyar, 1990).

Whereas the number of studies referring to corporate image and reputation are limited in marketing, management has more corporate reputation studies. The Fortune reputation surveys show that worldwide companies focus on financial and managerial aspects of the corporate reputation. These studies detail the most famous worldwide companies (Anonymous, Business Week, 2003). Due to their focus on financial performance, the scales used in these studies have many facets detailing financial aspects of the corporation, such as long-term investment value, usage of corporate assets, financial soundness, and worldwide geographical expansion among others.

A customized measure of corporate reputation is advisable and should reflect the stakeholders' point of view and values (Dowling, 2001). Accordingly, two important considerations are how reputation should be evaluated and according "to whom" (i.e., the evaluators) and the appropriate measure (Lewellyn, 2002).

All these considerations inform the inclusion in the survey along with the customer's perception of how they deliver value. As a result, the items included in the survey were similar to those described in both marketing and management literature. Table 10 details marketing and management literature.

The survey includes corporate image items and evaluation. The revision of literature indicates that these questions pertain to corporate reputation. Accordingly they are corporate reputation facets in this study.

Table 10. Reputation Facets in Marketing and Management Literature.

Authors	Reputation Facets	Area	Comments
Yoon et al. (1993)	1. offers a broad array of products and services 2. is an innovative company 3. is a leader in designing new products and services 4. provides consistently high-quality service 5. has worldwide capabilities 6. provides personalized services 7. is orientated toward business customers 8. provides help in solving customer's problems 9. offers customized packaging of services 10. is a leader in its field	Management	This scale has been applied in business services industry.
LeBlanc and Nguyen (1996)	1. management style 2. leadership 3. credible actions 4. guarantee of reliable offering 5. organizational focus on customers	Management	The paper highlights the positive implications for tracking and building corporate image and reputation in service firms (financial institutions).
Doney and Cannon (1997)	6. Firm X has a reputation for being honest 7. Firm X is known to be concerned about customers 8. Firm X has a bad reputation in the market	Marketing	Reputation has a direct positive impact on business customer's trust in firm X.
Greyser (1999)	1. Competitive effectiveness, including high caliber management; 2. Market leadership or industry leadership; customer focus or commitment to customers; 3. Familiarity, favorability; 4. Corporate culture: corporate social responsibilities and good citizenship.	Management	Three specific strategic benefits and goals of strong corporate reputation have been emphasized: preference in doing business with a company when products/services are similar, support for a company in times of controversy, and company value in the financial marketplace.

Table 10. (*Continued*)

Authors	Reputation Facets	Area	Comments
Dowling (2001)	1. Ethical 2. Fair 3. Honest 4. Responsible 5. Authentic 6. Respected 7. Esteem	Marketing	Strong reputation leads to positive financial outcomes for the firm that possesses it.
Deephouse (2000)	8. Corporate social responsibility 9. Innovativeness 10. Management quality	Management	These attributes are important drivers of corporate reputation.

The facets of corporate reputation included in this research are the following:

- Being well managed
- Being technological/product driven
- Being successful
- Being innovative
- Having customer focus
- Keeping you informed about what's happening with the company
- Taking care of your salon whether you are big or small
- Being an industry leader
- Being honest
- Being respected
- Being a good corporate citizen

3.2.3. Perceived Quality, Customer Value, and Customer Loyalty

In this study, two constructs were operationalized as single-item measures. First construct was quality perceived. This operationalization was based on the fact that product, marketing support, business support, training, and special recognition were not the facets of perceived quality but rather the antecedents or key drivers. This approach is consistent with previous research in this area (Rust, Lemon, & Zeithaml, 2001). The second construct was customer value, which has been defined as a trade-off between perceived quality and prices and costs. The latter constructs are the antecedents of customer value, its drivers but not its facets.

Customer loyalty is defined by the company commissioning the research as the likelihood of increasing the amount spent on the company's products and the likelihood of recommending the company. Accordingly, customer loyalty is operationalized in this work as having these two facets. This approach is consistent with early works in which researchers advocate the inclusion of two facets. The first facet of loyalty is the behavioral component and the second one is the attitudinal component (Caruana, 2002). The behavior dimension refers to a customer's behavior on increase purchases, indicating a preference for a brand over time (Bowen & Shoemaker, 1998). Attitudinal dimension, on the other hand, refers to intention to recommend the firm to others in the trade (Zins, 2001). The intention to increase the amount spent on firm's products and to recommend products to others in trade show the customer's willingness to remain with the firm.

3.3. Relationships in Customer Value–Loyalty Framework

The roles that image and reputation play are under-researched issues in the area of customer value. As researchers emphasize, the exact relationship image–loyalty chain needs more empirical research (Bloemer, Ruyter, & Peeters, 1998), because image as well as reputation assessment and enhancement are essential strategic marketing tools (Barich & Srinivasan, 1993).

Whereas modeling brand image differently according to different schools of thought, such as Customer Value Added and customer equity models, corporate reputation receives recognition only as a theoretical driver of quality, customer value and loyalty. Since in business markets, reputation of the organization is important (Berry, 2000; Balmer, 2001), this study examines both brand image and corporate reputation.

3.3.1. Brand Image Impacts on Perceived Quality, Customer Value, and Customer Loyalty

3.3.1.1. Brand Image and Perceived Quality. The Customer Value Added school of thought defines customer value as a trade-off between perceived quality versus prices and costs, all of them relative to competitors (Kordupleski et al., 1993; Gale, 1994; Laitamaki & Kordupleski, 1997). The perceived quality comprises product and services features as well as branding. The authors' argument is based on what customers define as the most important features of the offering. Customers perceive that the brand is part of the benefits associated with the offering, and consequently brand image is considered as one of drivers of perceived quality.

Further insights provided by academics also advocate the role of image as a perceived quality driver. Brown, Easingwood, and Murphy (2001) conducted an extensive qualitative research in order to estimate, from both a company and consumer's points of view, which are the drivers of perceived quality. They concluded that image is an important driver of perceived quality that should not be overlooked (Brown et al., 2001). Other authors also recognized that perceived quality includes the image facet along with other quality facets, because image influences the perception of the operation of the company (Andreassen & Lindestad, 1998; Bloemer et al., 1998). The brand is considered an emotional tie since customers use the brand to assess the value proposition beyond its products and services (Maklan & Knox, 1997). Therefore,

H1a. Brand image has a positive impact on perceived quality.

3.3.1.2. Brand Image and Customer Value. The literature describes brand image as an important construct that drives the consumers' mind in their choice of an offering. Firms create a set of images and messages that associate a company and its products with emotional values and deliver the brand as an experience incorporating these values (Haeckel, Carbone & Berry, 2003). Therefore, the factors that can make up a value package are brand image along with quality and price (Fredericks et al., 2001).

The report conceptualizes that value is a construct including image and perceived quality (Andreassen & Lindestad, 1998), or that image has a direct effect on perceived value (Bloemer et al., 1998). The impact of brand image is also demonstrated by empirical results. Data analysis performed for constructing the European Customer Satisfaction Index (ECSI) demonstrate that image is an important driver of customer value (Gronholdt et al., 2000; Martensen et al., 2000).

H1b. Brand image has a positive impact on customer value.

3.3.1.3. Brand Image and Customer Loyalty. The exact relationship between image and loyalty is an under-researched area, thus, this impact needs more empirical research (Bloemer et al., 1998). Customer equity proponents advocate the linkage between brand image and customer loyalty. They argue that the drivers of customer loyalty should be defined more sharply. This would lead to better estimation of the relationships (Zeithaml, 1988, 2000; Rust et al., 1995, 2000c, 2001; Lemon, Rust, & Zeithaml, 2001). Accordingly, the authors advance the brand equity as a driver of customer loyalty. Since brand equity is driven by image and meaning, brand image can influence customer loyalty.

Research studies by Selnes (1993) and Zins (2001) find the linkage between brand image and customer loyalty to be significant and strong. This relationship gests also strong support from the data analysis related to ECSI, where image is an important driver of loyalty and perceived customer value (Gronholdt et al., 2000; Martensen et al., 2000). Therefore,

H1c. Brand image has a positive impact on customer loyalty.

3.3.2. Corporate Reputation Impacts on Perceived Quality, Customer Value, and Customer Loyalty

3.3.2.1. Corporate Reputation: Perceived Quality Relationship. In business markets, intangible attributes such as reputation and image might be of equal or greater importance than tangible features of the offering (Lehmann & O'Shaughnessy, 1974). Along with the different features of the offering, corporate reputation is also evaluated by customers (Roper, 2003).

Stigler (1961) holds that reputation not only indicates the presence of quality, but also demands a higher price because strong reputation helps customers to save time in the search process. Reputation affects quality perceptions (Gardner, 1971) and is usually used as a substitute for quality. Corporate reputation is also a main choice heuristic by giving customers more information about the offering (Jacoby, Szybillo, & Berning, 1976; Rao & Monroe, 1989; Hoyer & Brown, 1990; Dawar & Parker, 1994). In their work, Brown and Dacin (1997) demonstrate that the knowledge consumers have about a company can influence their beliefs about and attitudes toward new products manufactured by the company.

As consumer-research literature suggests (Bolton & Drew, 1991; Richardson, Dick, & Jain, 1994; Teas & Agarwal, 2000), customers use signals or extrinsic cues, such as advertising, brand image, or corporate reputation, to infer product quality and refine their choices. Thus, a firm with a good reputation is likely to be perceived by customers as being more trustworthy and credible as opposed to one with a poor reputation. Therefore, a good reputation can influence the perceived quality of the offering (Chen & Dubinsky, 2003).

H2a. Corporate reputation positively influences the perceived quality of the offering.

3.3.2.2. Corporate Reputation and Customer Value. Corporate reputation can influence the value customers perceive they receive (Hurley &

Laitamaki, 1995; Abdullah et al., 2000), supporting or undermining customer value (Abdullah et al., 2000). A good corporate reputation will help a firm to generate value for customers (de la Fuente Sabate & de Quevedo Puente, 2003).

Research demonstrates that a corporate reputation affects the buyer evaluation of the offering (Shapiro, 1983; Yoon, Guffey, & Kijewski, 1993). In the evaluation of an offering, business customers rank corporate reputation second behind price (Lehmann & O'Shaughnessy, 1974). Intangible company aspects such as world class, technical leadership and global presence, which are corporate reputation facets, constitute elements that contribute to the perception of customer value (Mudambi et al., 1997). Also, Brown and Dacin (1997) demonstrate that the associations customers have about a retailer affect the customer value. Thus, corporate reputation facets are the elements that can contribute to overall evaluation of an offering (Caruana, 2002).

H2b. Corporate reputation positively influences customer value.

3.3.2.3. Corporate Reputation and Customer Loyalty. In service industries, researchers advocate the major role corporate associations play in attracting and retaining customers (Andreassen & Lindestad, 1998). Customer equity proponents also argue that brand equity is a driver of customer loyalty (Zeithaml, 1988, 2000; Rust et al., 1995, 2000c, 2001; Lemon et al., 2001). Consequently, corporate reputation, as a component of brand equity, can influence customer loyalty.

Empirical research also demonstrates the effect of corporate reputation on loyalty (Ryan, Rayner, & Morrison, 1999). For instance, in the airline industry the role of corporate reputation is the most important driver of customer value (Zins, 2001). Moreover, Brown and Dacin (1997) advocates that what customers know about a company can influence the attitudes toward the products and the company manufacturing the products.

Also, in business-to-business context a strong corporate reputation is an important driver of buyer's loyalty (Raj, 1985).

H2c. Corporate reputation positively influences customer loyalty.

3.3.3. Perceived Quality, Prices and Costs, Customer Value, and Customer Loyalty Relationships

Researchers conceptualize customer value as a trade-off between benefits (i.e., perceived quality) and sacrifices (i.e., prices and costs, both monetary and non-monetary). Empirical research demonstrates strong relationships between customer value and perceived quality as well as customer value and costs (Rust et al., 1995, 2000b; Rust & Oliver, 2000; Gale, 1994; Hurley & Laitamaki, 1995; Laitamaki & Kordupleski, 1997; Higgins, 1998).

H3. Perceived quality has an impact on customer value.

H4. Prices and costs have an impact on customer value.

Research in consumer behavior literature demonstrates that costs are weighed more than benefits, or consumers are more sensitive to losses (Varki & Colgate, 2001). Also, business-marketing literature emphasizes the rationality of business customers and their costs orientation when compared to perceived quality (Lehmann & O'Shaughnessy, 1974).

As a result of both these literature streams, the study tests the following hypothesis.

H5. Prices and costs have a stronger influence on customer value than perceived quality.

Past research empirical results demonstrate the relationship between customer value and customer loyalty (Zeithaml, 1988, 2000; Kordupleski et al., 1993; Gale, 1994; Hurley & Laitamaki, 1995; Rust et al., 1995, 2000c; Laitamaki & Kordupleski, 1997; Lemon et al., 2001; Rust & Lemon, 2001; Rust & Kannan, 2003). Customer value perceptions estimate the willingness of customers to be loyal to their supplier (Bolton & Drew, 1991; Bowen & Shoemaker, 1998; Bolton, Kannan, & Bramlett, 2000; Bowman & Ambrosini, 2000; Zins, 2001).

H6. Customer value has a positive impact on customer loyalty.

3.4. Conceptual Framework

Fig. 2 presents a summary of all the hypothesized relationships between the brand image, corporate reputation and perceived quality, customer value and loyalty. The proposed model, in the format presented below, can now be tested.

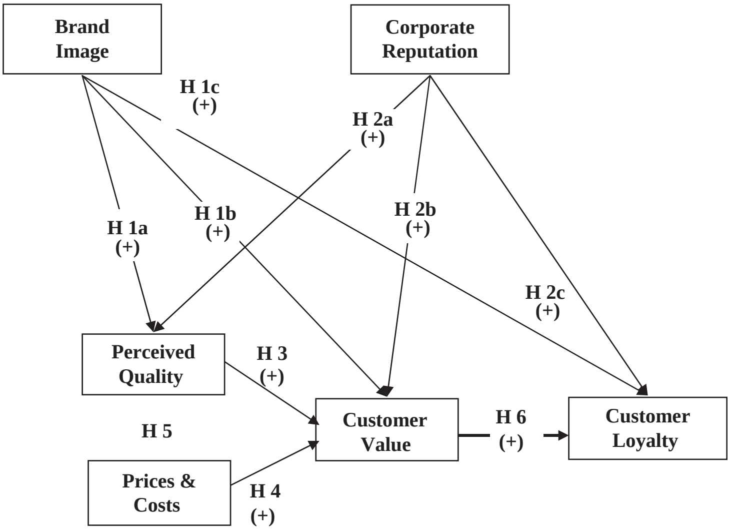

Fig. 2. Conceptual Framework.

4. METHOD

4.1. Data Description

4.1.1. Secondary Data

This study is built upon data from a secondary source that is data that are collected by different persons or agencies (Kumar, Aaker, & Day, 2001b). Researchers receive encouragement to squeeze more information from an already existing data set (Shugan, 2002).

The data relate to the way that a company in skin-care products industry delivers customer value to its business customers. Although the company is the market leader, the management wants to further improve the way they deliver customer value in order to increase customer loyalty and to boost financial results of the company.

As a result, two surveys were carried out in this regard. The first survey was conducted in 2001 and the analysis was conducted internally with the support of a consultancy agency, as well as with academic support. The second survey was generated in 2003 and is the focus of this research study. When comparing to the 2001 survey, the 2003 survey had more questions included. These questions referred to brand image and corporate reputation.

The benefits and drawbacks of using secondary data receive consideration in literature. The details for both benefits and limitations are described in Table 11 along with further comments on how this relates to this study.

These data provide enough information to resolve the problem being investigated. The benefits of using secondary data outweigh the drawbacks.

4.1.2. Collection Method: Telephone Survey

A telephone survey method for collecting this data set was appropriate for the business-to-business situation and was used because the reduced collection time. The advantages of telephone survey far outweigh its disadvantages (Lavrakas, 1987).

A specialized market-research firm, collected the data by employing computer-assisted telephone interviews, named CATI. The questions popped up on a screen and were read by interviewers, and the answers were re-coded by keying codes into the computer. This method has major advantages, such as having answers instantaneously in machine-readable form (Fowler, 1993). The computer can follow complex question patterns that are difficult in a paper-and-pencil version, and moreover, the computer can identify any inconsistent data and reconcile this at the point of data collection. The disadvantage of using this system is that researcher is unable to check or exercise any quality control over the data entry process (Fowler, 1993).

The quality of data from telephone surveys is not affected by whether or not data collection is computer assisted, except for a reduction in missing data (Fowler, 1993). Table 12 describes other advantages of telephone data collection and how these apply to this study.

4.1.2.1. Data Quality in Telephone Surveys. The goal of any survey project is to obtain complete and accurate responses from respondents. Table 13 has details about the major threats to obtaining qualitative data and the ways to handle them in the data collection.

4.1.3. Survey Design and Administration

4.1.3.1. Questionnaire Design. The rate of refusal in telephone interviews is greatly affected by the questionnaire design. As a result, a good interview should address the following issues: introduction, question order, open-ended sections, grouping, and transitional statements as well as wording issues.

The introduction is the most important part of a telephone questionnaire. The introduction influences the likelihood of producing a favorable decision to participate (Lavrakas, 1987). Both questionnaires 2001 and 2003 had a

Table 11. Benefits and Limitations of Secondary Data.

	This Study
Benefits	
Low cost; resource savings	✔
Less effort expended	✔ The data was collected and introduced in a SPSS format by a research firm.
Less time taken	✔ The survey period was 01.08–04.09.
Sometimes more accurate than primary data	N/A (not applicable)
Some information can be obtained only from secondary data	✔
Limitations	
Collected for some other purposes	N/A The data was collected for the same purposes – customer value insights.
No control over the data collection	✔ Data collected by a market-research firm. No control was possible.
May not be accurate	✔ Some items or questions should have been removed but the inclusion was decided in order to compare with 2001 survey.
May not be reported in the required form	No The market-research firm reported the data in SPSS and excel format. Same formats are used for this analysis.
May be outdated	No The data was generated in July–August 2003.
May not meet data requirements	No
A number of assumptions have to be made	No All the assumptions are cross-checked with the company sponsoring the research and with the company collecting the data (market-research firm).
Inhibition of creativity due to the variables contained in the data	Partially true. The data contains all necessary variables, and therefore this limitation does not fully apply to this analysis. Because this study results are to be compared with 2001 survey's results other questions could not be included.

Source: Adapted from Kumar et al. (2001b) and Kiecolt and Nathan (1985).

Table 12. Benefits and Limitations of the Telephone Survey.

	This Study
Benefits	
1. Lower costs than personal interviews.	✓
2. Better access to the interviewed people.	✓
3. Shorter data collection period.	✓ 01.08–04.09
4. Likely better response rate than for survey mail.	✓
Limitations	
Sampling – limitation to those with telephones.	N/A There are not many business customers without telephone line, as they need the telephone for appointments and for orders.
Limits usage of visual aids.	✓
Less appropriate for personal or sensitive questions.	N/A No personal questions asked.

Source: Adapted from Fowler (1993), Frey (1989), and Kumar et al. (2001b).

Table 13. Issues Affecting the Quality of Data.

Issues Affecting the Quality of the Data	This Study
Interview control – Interviews are done under a supervisor control.	Telephone interviews have the best control among the surveys. This assumption was true for this survey, the team of interviews being continuously supervised during data collection.
Obtaining socially desirable responses. This issue refers to the fact that a person being interviewed gives an answer the interviewer would like to hear.	This assumption is not entirely applicable to this work because the interviewers did not disclose from the beginning the company that commissioned the data collection.
Item non-response refers to the perception interviewed people have about interviewers personalities.	This assumption does affect to a lesser degree the telephone interviews rather than other types of survey.
Question length and responses refers to the length of time it takes to complete a survey. Good average length for telephone surveys reported in literature is 20 min.	The length of interviews for this study was between 4.18 and 49.25 min, with an average of 19 min.
Anonymity/confidentiality – They refer to assuring the respondents that the name and information they provide is not going to be public.	Interviewers assured the confidentiality of the information gathered.
Asking sensitive, personal questions.	N/A

Source: Adapted from Frey (1989).

short introductory part, which was worded by the market-research firm based upon its vast experience. The questionnaire was designed to respect the rules of a good questionnaire, as depicted in the literature.

The question order is the next important consideration, and this questionnaire was designed accordingly to assure a continuous and logical flow, making the questions easy to be understood by respondents. Frey (1989) mentions that another benefit of having a clear structure is the reduction in the response error and even premature termination. The company commissioning the research and the market-research company estimated the order of the questions included in survey, following the rules pertaining to telephone survey as described in the literature. The flow of questions in the 2003 survey followed the one in the 2001 survey.

Also in order to keep the respondents involved, the questions were intercalated with open-ended items, encouraging the respondents to express their views, as being recommended by researchers (Frey, 1989). Respondents were asked their opinion about different issues and problems, and their answers coded in a string form. These answers could have been further analyzed but this goes beyond the scope of this work.

Another issue relating to telephone interviews is that questions should be grouped according to the topic and in a manner that allows the respondent's perception of the relationship between items to prevail (Frey, 1989). This rule was also applied. The questions address different facets of a problem and they were followed by an overall evaluation.

Transition statements, sentences that suggested to the respondent that a topic change was taking place and that the respondents must shift their attention to a new topic (Frey, 1989) were included in the survey.

Wording issues were also addressed. The rule for telephone survey is to "keep it simple" (Frey, 1989). The questions should be clear, naturally worded, not repetitive, and avoid "never" or "always" words. The questionnaire also comprised response categories "don't know," "refusal," or "not applicable," and avoided lists with many items (Frey, 1989). All these rules were considered at the time of questionnaire design. Appendix A details the questionnaire.

4.1.3.2. Scales and Their Items Included in the Questionnaire. The questions were estimated with the support of a consultancy agency in 2001 before the first questionnaire was administrated. To develop the questionnaire, the consultants started with qualitative research, conducted with senior managers and client organizations, in order to estimate the important variables for customer value evaluation. Key questions were examined by one academic skilled in questionnaire design and familiar with the consulting industry, in order to establish face validity. A literature analysis was also undertaken, the variables that entered in the analysis were similar with those in literature of customer value, namely, Gale's (1994) framework as well as other practitioners works (Kordupleski et al., 1993; Laitamaki & Kordupleski, 1997). The academics research was also a reference point. The customer equity model (Zeithaml, 1988, 2000; Rust et al., 1995, 2000c; Lemon et al., 2001) was scrutinized in order to observe the variables important for customer value analysis.

For 2003, the survey includes almost the same variables as for 2001 survey includes. Along with 2001survey questions, two new considerations were addressed, namely brand image and corporate reputation. Although 2001 survey contained a few questions relating to corporate image and reputation, they were not enough to capture corporate reputation and brand image constructs. Consequently, new items were added and these two constructs treated separately. Also, repetitive questions relating to delivering products were deleted from the 2003 survey, as the company that commissioned the survey requested. This did not affect the quality of the survey, since their role was to provide additional information requested by the company, and they were not important for the conceptual framework.

Respondents were asked to rate how different attributes of the manufacturer perforated. Evaluation of each attribute related to offering and company was measured based on 10-point scales anchored by $1 =$ poor and $10 =$ excellent. The use of a 10-point scale was done by the consultancy company involved in data collection in 2001. The rationale behind this choice was that business customers were used to make computations as a percentage (e.g., mark-up, bank fees). Consequently, the 10-point scales were considered to be the most appropriate. Researchers use this type of scale, especially in telephone surveys for measuring corporate reputation scores (Yoon et al., 1993).

4.1.3.2.1. Multiple-Items Scales. Most of the constructs were complex variables, therefore, multiple items were considered appropriate to measure them. A suggested threshold for linear models with latent variables was to have at least four indicators per latent variable (Mulaik & James, 1995). Consequently, the majority of the constructs had between 4 and 11 items. Appendix B includes the constructs and their related items.

4.1.3.2.2. Single-Item Scales. The drivers of customer value are perceived quality and prices and costs, meaning that they estimate the customer value and do not measure customer value. They do not represent scale for customer value. The drivers of customer value, namely perceived quality, costs and prices, brand image, and corporate reputation are not items in a scale measuring customer value. The relationship between them has been described as a causal relationship. This applies as well to the sub-drivers of perceived quality, which is influenced by brand image, corporate reputation, product quality, training, marketing support, business support, customer service, sales representatives, and special recognition. This means that they do not measure perceived quality. The sub-drivers of prices and costs are prices, rebates, and discounts as well as other costs. They influence the prices and costs, but they do not measure prices and costs. Consequently, customer value, perceived quality, and prices and costs should have distinct measures. In this study single-item scales were chosen to measure these constructs.

Drolet and Morrison (2001) advocate the use of single-item measure, especially in service research where data collection is very expensive. Also, researchers in marketing use frequently single-item measures. Table 14 represents the description of the single-item measures for customer value as illustrated by Varki and Colgate (2001).

Overall Evaluation Measures. Along with the items for each construct, a question was asked regarding an overall evaluation of each construct. Measure of the brand image, corporate reputation, product quality, product training and technical support, marketing support, business help, customer service, order handling and delivery, sales representation,

Table 14. Single-Item Measures for Customer Value.

Construct	Study	Definition
Customer value	Bolton and Drew (1991)	Indicates the overall value of services provided by the ... company, considering the amount paid for the services received.
	Gale (1994)	Considering the products and services that your vendor offers, are they worth what you paid for them?
	Patterson et al. (1997)	Considering the fee paid and what the (...) delivered, overall I believe we received fair value for money.
	Rust et al. (2000a)	Single-item, 4-point scale, the question not detailed.
	Varki and Colgate (2001)	Extent to which quality of checking services was worth what paid for.

Source: Adapted from Varki and Colgate (2001).

incentives, loyalty programs, prices, rebates, and other non-monetary costs were included.

4.1.3.3. Questionnaire Administration. The survey was conducted in order to obtain feedback for company's improvements in loyalty, customer value, its drivers, and sub-drivers, when compared with 2001. As a result not many changes were possible. Brand image and corporate reputation questions were added to the original survey.

Since the questionnaire was piloted in 2001, few changes were expected as the issue of clarity had been dealt with. Subsequently, only one change was made, namely to the question referring to overall reputation; the word "corporate" was added for more clarity in the question relating to reputation. This added more precision to the question.

The key informants were contacted by telephone, their recent product and services experiences probed, and their rating of product and service quality, price and overall value assessments obtained. The survey elicited perceptual ratings for customer loyalty, customer value, its drivers, and sub-drivers.

The company commissioning the market-research generated the list of business customers to be interviewed, based on an internal source and on Yellow Pages salons' phone numbers. The Yellow Pages directory is a popular sampling frame for business customers as this directory is reasonably representative of the business population the majority of firms has a telephone line. The total number of observations generated by this survey is 418, representing 20% of the total number of salons in New Zealand.

The sample frame was not restricted to a specific area, since the business customers interviewed were from Auckland, as well as outside Auckland. Table 15 below details the location of business customers interviewed.

Table 15. Respondents Distribution by Location.

City	Business Demographics (%)	This Study (%)
Auckland	29.6	30.9
Christchurch	10.4	10
Dunedin	3.2	2.6
Hamilton	3.6	4.8
Palmesthorn North	2.7	3.6
Wellinghton	6.3	6.2
Other cities	44.4	41.9

The distribution of the respondents follows the distribution of business customers operating in skin-care and hair-care salons (Statistics New Zealand, 2001). Consequently the results can be generalized to this industry.

4.2. Statistical Methods Used

4.2.1. Data Checking

Shugan (2002) argues that defects in the collection of data will appear regardless of its nature. This applies to both primary and secondary data. Consequently, before proceeding to the discussion about appropriate methods for analysis, the details regarding data screening were addressed. As researchers in social sciences argue, data screening is one of the first steps that should be followed before analysis (Hair, Anderson, Tatham, & Black, 2000). Therefore, issues related to missing values and normality is addressed next.

4.2.1.1. Missing Values. Missing data are facts of life in multivariate analysis (Hair et al., 2000). The reason for handling missing data is that they can affect the generalizability of results (Hair et al., 2000). The main causes of missing data are the item non-response, study design, or wrong input in the file (Kamakura & Wedel, 2000).

Marketing studies employ common methods for missing value imputation, namely mean replacement, pair-wise deletion, and list-wise deletion (Kamakura & Wedel, 2000). List-wise deletion, the removal of all of the cases demonstrating the presence of missing values, can dramatically reduce the sample size (Kamakura & Wedel, 2000). Pair-wise deletion excludes from analysis cases with missing values, either or both of the pair of variables. Mean imputation is the replacement of missing values for one variable with the mean of that variable. The consequence of this type of dealing with missing values results in a generation of covariance of variables that is not positively definite. This method causes systematic underestimates of covariance (Kamakura & Wedel, 2000).

The method of imputation is judgmental, rests on the researcher's choice and is based upon the appropriateness of the data set and the patterns of missing values (Jaccard & Wan, 1996). After screening the missing data, the method employed to replace missing value is "linear trend at point." This method imputes missing values with their predicted value. This method is considered most appropriate since both expectation maximization (EM) and regression imputations, the methods acknowledged to work the best, are not available for categorical data. This method is similar with hot deck imputation; a method acknowledged replacing missing point with more realistic values than any other methods (Allison, 2002).

The imputation of missing values is a necessary step in data cleaning. The imputation should not be done without reference to what the data mean, and the methodology should be used in conjunction with subject-matter expert knowledge (Little & Smith, 1987).

4.2.1.2. Normality: Univariate and Multivariate. A number of procedures are available for assessing the univariate and multivariate normality of the measure variables or observed variables. Two measures indicate the departure from normality: skewness and kurtosis. Univariate distributions that deviate from normal have non-zero skewness and kurtosis (West, Finch, & Curran, 1995). Skewness and kurtosis values falling outside $(-1, 1)$ interval demonstrate non-normal distribution with values exceeding 2 for skewness and 7 for kurtosis in absolute values indicating excessive non-normality (Fabrigar, Wegener, MacCallum, & Strahan, 1999). Examination of univariate skewness and kurtosis of univariate distributions provides an initial check for multivariate normality.

For multivariate normality, Kolmogorov–Smirnov and Shaphiro–Wilk tests were employed. The Kolmogorov–Smirnov was applied to estimate if data follow any specified distribution, and not just a normal one. The Shaphiro–Wilk test is specifically designed to detect departure from multivariate normality. If these tests are significant ($p<0.05$) then the variables do not meet the normality assumption (Coakes & Steed, 1997). Among these tests, the Shaphiro–Wilk is the best regardless of the class of violation, while the Kolmogorov–Smirnov test is less powerful (Barnes, 2001). As a result, both Shaphiro–Wilk and the combination of skewness and kurtosis coefficients were reported since they proved to be effective.

4.2.2. Exploratory Factor Analysis

Factor analysis was one of the statistical methods employed in this study. Factor analysis refers to the data reduction used to condense a large number of variables into smaller sets of underlying factors that summarize the essential information contained in the variables (Kim & Mueller, 1978a, 1978b; Coakes & Steed, 1997). This technique is often referred as exploratory factor analysis (Hair et al., 2000).

4.2.2.1. Assumptions. The critical assumptions underlying factor analysis are more conceptual than statistical (Hair et al., 2000). From a statistical standpoint, the departures from normality, homoscedasticity, and linearity apply only to the extent that they diminish the observed correlations, and only normality is necessary if a statistical test is applied to the significance of the factors, but these tests are rarely used (Hair et al., 2000). A certain degree of multicolinearity is desirable, since multicolinearity means that the variables share variance or have some common factors underlying them and the number of observations should be sufficient, with a minimum five per variable (Hair et al., 2000).

The sample adequacy for applying this method is an important assumption underlying factor analysis. The measure of sampling adequacy (MSA) is tested by Kaiser–Meyer–Olkin. This is a statistic that indicates the proportion of variance in variables which is a common variance (i.e., which might be caused by underlying factors). High value indicates that a factor analysis is suitable for the data. Also, Bartlett's test of sphericity indicates whether or not there are significant relationships among the variables, a significant *p*-value demonstrating that data the appropriateness of factor analysis.

4.2.2.2. Steps. In order to reveal the underlying constructs of the items included in the survey, a factor analysis was employed. Available procedures to run a data reduction, based on variables, were analyzed and principal components algorithm was employed in this analysis.

The following steps were undertaken.

1. Extraction of the initial factors: The main objective of the extraction step was to estimate the minimum number of factors, or underlying latent constructs that would satisfactorily produce correlations among the observed variables. The first step was to employ the latent root criterion, where the factors were extracted based on eigenvalues. Factors with eigenvalue bigger than 1 were retained. This is the most commonly used procedure for estimating the number of initial factors to be extracted and is named Kaiser rule of thumb, or eigenvalue criterion (Kim & Mueller, 1978b). This criterion can provide the minimum number of factors to be extracted (Kim & Mueller, 1978b). After this solution was examined, the number of factors to be extracted was increased until a satisfactory solution was obtained. Also, the final solution was evaluated by the percentage of the variance explained by factor solution. In social sciences where the information is less precise, a factor solution that accounts for 60% of the total variance is satisfactory (Hair et al., 2000). Anti-image matrices should also be examined because they can give an indication of correlations, which are not due to common factors.

Communalities should also be analyzed at this stage since they indicate the amount of variance in each variable that is accounted for. Extraction communalities are estimates of the variance in each variable accounted for by the factors (or components) in the factor solution. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis.

The residual matrix shows the residuals, or the difference between the observed and reproduced matrices. This matrix can indicate the presence of other factors when a few large residuals (>0.10) are present (Tabachnick & Fidell, 2001). Accordingly, the final solution can be obtained by increasing the number of factors to be extracted so that the reproduced and observed matrices are almost equal, and consequently the residuals are small (<0.10).

2. Rotation to terminal solution was the next step followed. Rotation is a procedure used for finding simpler and more easily interpretable factor solution, through a rotation of axes, while keeping the number of factors and communalities of each factor fixed (Kim & Mueller, 1978b). A model that fails to produce a rotated solution that is interpretable and theoretically sensible is not valuable (Fabrigar et al., 1999). The rotated factor solution explains as much covariation in the data as the initial solution (Kim & Mueller, 1978a). An oblique rotation was appropriate because, based on theory and previous research of customer value, as the factors included in this analysis were correlated. Moreover, after making an oblique rotation, if the resulting factors prove to be orthogonal (i.e., uncorrelated factors), the researcher can be sure that the uncorrelated restriction is not artificial (Kim & Mueller, 1978b).

The resulting scales from an exploratory factor analysis are named factor-based scale. Initial assessments of these scales are made by examining factor loadings. The rule is to retain those items that have substantial loadings. A threshold of 0.3 (Kim & Mueller, 1978b) or 0.5 is appropriate (Hair et al., 2000). Also, the evaluation includes the computation of Cronbach alpha and checking the item-to-total correlations as well as squared multiple correlations. A threshold value for Cronbach alpha is 0.7 for new scales or 0.8 for scales that have been previously used in research (Nunnally, 1978; Nunnally & Bernstein, 1994), although reliability between 0.5 and 0.6 has been considered suffice by Nunnally (1967) (cited in Churchill, 1979).

4.2.3. Structural Equation Modeling

To analyze the relationships between customer loyalty, customer value and its drivers, and the relationships between drivers and their sub-drivers, SEM was used. The LISREL version 8.54 was used to conduct a confirmatory factor analysis, measurement model and to estimate the full structural relationship. SEM allows separate relationships for each of a set of dependent variables (Hair et al., 2000).

The software package LISREL is the oldest and most used in research among multiple relationships with observed and unobserved variables. LISREL uses a maximum likelihood procedure to estimate the free parameters of the model (measurement part). LISREL then computes the covariances among the measures based on these estimates, and compares these computations with the sample covariances. The matrix to be analyzed is also an important decision to be considered. In this study a variance–covariance matrix was considered appropriate as an input data. As most researchers agree, the estimation of equation models should be based on covariance, not correlation matrices (Hoyle & Panter, 1995).

4.2.3.1. Advantages of Using Structural Equation Modeling. SEM has three main advantages. First, SEM allows the estimation of multiple and interrelated relationships between constructs (Hair et al., 2000), thus allowing more complex modeling of relationships to provide a more realistic reflection of theory on this subject.

Second, SEM has the ability to represent unobserved concepts (i.e., latent constructs, such as brand image and corporate reputation) and their relationships, through the use of multiple items. The use of multiple indicators allows more precise specification of constructs, representing different facets, and as a result they reflect the "true" response than a single measure does (Kumar et al., 2001b).

Third, SEM allows the presence of errors, because the constructs cannot be perfectly measured (Goldberger, 1972). This is an important assumption since many variables in social sciences are measured with substantial error (Geraci, 1976). An important strength of SEM is that the relationships between constructs can be tested without the bias that the measurement error can introduce (Steenkamp & van Trijp, 1991). Ignoring the presence of error in measurement can result in a distortion of "true" estimates of the relationships between constructs (Chesher, 1991). SEM consists of two stages: measurement stage and the structural equation model.

4.2.3.2. Assumptions of Structural Equation Modeling. Since SEM is based upon multivariate regression and ANOVA, all of its assumptions relate to these two methods. Consequently, SEM is very sensible to outliers and multicollinearity. These two issues are addressed in the next section.

4.2.3.2.1. Outliers. Outliers are extreme data points that may affect the results, even when the variables included in the data set are well distributed (West et al., 1995). Outliers can potentially have a dramatic impact on the results, causing improper solutions and estimates (West et al., 1995).

Two general approaches can be used to detect outliers. Univariantly, the data are checked by visual examination of boxplots, studentized residuals (-2.5, $+2.5$), or standardized values (3 to 4) (Hair et al., 2000). Multivariately, leverage statistics such as the Mahalobis distance available in major regression packages, identifies the presence of outliers. The values obtained are compared with a critical score, χ^2 with the degree of freedom equal with the number of variables considered in the analysis. Another method for outlier detection is covariance ratio test. The drawback of this test is that the cut-off for outlier detection relies on heuristics (Mullen, Milne, & Doney, 1995). Moreover, the outliers resulting from the covariance ratio test are similar to those produced by employing Mahalobis distance (D^2). Consequently, the Mahalobis distance (D^2) is computed and compared with a χ^2 distribution with the degrees of freedom equal to the number of independent variables. A very conservative significance level of 0.001 reveals presence of the extreme outliers (Mullen et al., 1995; Hair et al., 2000).

4.2.3.2.2. Multicollinearity. The assumptions underlying SEM are lack of multicollinearity between predictors and singularity. Multicollinearity refers to the fact that variables are highly correlated, above 0.90, whereas the singularity refers to the fact that variables are redundant, one of them being a combination of two or more of other variables (Tabachnick & Fidell, 2001). In this case the researcher should compute a composite score of the redundant information (Tabachnick & Fidell, 2001).

Researchers should delete variables causing multicollinearity (Tabachnick & Fidell, 2001) instead of relying on the computer to produce reliable estimates, because a consistent estimation of parameters requires the absence of complete multicollinearity among predictors (Jaccard & Wan, 1996).

4.2.3.3. Measurement Stage: Confirmatory Factor Analysis. Factor analysis and the measurement stage of SEM have their importance. In the former, which is known as exploratory factor analysis, the researcher has no control over which variables describe a latent factor, whereas in the latter, known as confirmatory factor analysis, the variables defining each construct (i.e., factor) are specified (Hair et al., 2000). Before starting this confirmatory factor analysis stage, the researcher has to make some important decisions in selecting the input form of data.

4.2.3.3.1. Input Matrix. The first decision to be made refers to the input matrix, the choice of variance–covariance matrix versus correlation matrix. Hair et al. (2000) emphasize that the variance–covariance matrix should be employed whenever a test of theory is being performed to validate a causal relationship (Hair et al., 2000). Moreover, this input matrix is appropriate since the maximum likelihood method is chosen for SEM, and the theory behind the maximum likelihood is based on covariance matrix (Bagozzi, 2001).

4.2.3.3.2. Estimation Algorithm: Maximum Likelihood. The estimation procedure chosen for this work is maximum likelihood, an estimation that is used most often in SEM (Chou & Bentler, 1995). This method is very robust to the violation of normality. That is, the estimates are reliable, even when the variables are not normally distributed (Chou & Bentler, 1995), an assumption relating to categorical scales.

4.2.3.3.3. Data Computation. After the decisions are made, the variables to be entered into analysis are estimated and the relationships with the underlying constructs are established. The relationships between the variables defining the contracts are set free (i.e., they have to be estimated by computation). At this stage correlations between latent constructs are also allowed.

4.2.3.3.4. Scale Evaluation: Unidimensionality, Reliability, Variance Extracted, and Validity. Along with the foregoing steps, the following assumptions are also estimated: the unidimensionality of the constructs, the issues relating to validity, reliability, and the variance extracted by the items included in the measures.

Unidimensionality. One of the most important aspects of scale is its dimensionality. Unidimensionality refers to the presence of a single latent construct underlying a set of variables (Gerbing & Anderson, 1988). The majority of marketing key scale development articles overlooks the need to establish whether a scale is undimensional or not (Jaworski & Kohli, 1993). Gerbing and Anderson (1988) illustrate that a scale must be unidimensional. Since neither exploratory factor analysis nor Cronbach's alpha can indicate whether a construct is unidimensional, confirmatory factor analysis was conducted using LISREL. The overall fit of the confirmatory factor model, when each lower order factor is hypothesized to be represented by only one factor, "provides the necessary and sufficient information to estimate whether the assumption of construct unidimensionality has been met" (Steenkamp & van Trijp, 1991, p. 287). Thus, the unidimensionality of each individual scale was evaluated, before evaluating the structural model as whole, to give an indication of the overall quality of fit of all measures.

Reliability. The similarity of results provided by independent but comparable measures of the same object, trait, or construct is called reliability (Churchill & Iacobucci, 2002).

Cronbach's Alpha. Cronbach's alpha is a common measure used for estimating the reliability of indicators. Consequently, Cronbach's alpha was computed and the results were compared with the 0.7 level recommended as a cut-off point by Nunnally (1978) indicating that scales were reliable (Nunnally & Bernstein, 1994), although as previously detailed, a reliability between 0.5 and 0.6 is considered suffice by Nunnally (1967) (cited in Churchill (1979)).

However, researchers often criticize the use of Cronbach's alpha as a measure of reliability with regards to SEM. Cronbach's alpha often provides an unreasonable estimate in some models and does not demonstrate construct unidimensionality (Steenkamp & van Trijp, 1991).

Variance Extracted. The variance-extracted measure is another measure of reliability. This measure reflects the overall amount of variance in the indicators accounted for by the latent construct. Higher variance-extracted value occur when the indicators are truly representative of the latent construct (Hair et al., 2000). Thus, this measure is complementary to the Cronbach's alpha. Guidelines suggest that the variance-extracted value should exceed 0.50 (Hair et al., 2000).

Validity. Validity refers to the degree to which instruments truly measure the constructs which they are intended to measure (Peter, 1979). The validity of a measuring instrument is defined as "the extent to which differences in scores on it reflect true differences among individuals on the characteristic we seek to measure, rather than constant or random errors'' (Churchill & Iacobucci, 2002, p. 407). In other words, validity is the extent to which researchers are measuring what they purport to measure, as opposed to reflecting some other phenomenon (Churchill & Iacobucci, 2002).

Predictive Validity. How well the measure predicts the criterion, be another characteristic or a specific behavior ascertains the measure's predictive validity (Churchill & Iacobucci, 2002). In predictive validity, researchers assess the operationalization's ability to predict something that should theoretically be able to predict.

Construct Validity. Construct validity, which most directly concerns with the question of what the instrument is, in fact, measuring (Churchill & Iacobucci, 2002). Construct validity assesses whether a measure relates to other observed variables in a way that is consistent with theoretically derived predictions (Bagozzi, 1994). Hypotheses may suggest positive, negative, or no relationships between constructs. If the relationship between a measure of one construct and the other observed variables indicating other constructs is examined, then their empirical association will parallel the theoretically specified associations. To the extent that they do, construct validity exists. However, Bollen (1989) notes that this method has one flaw. The flaw is that the correlation in question depends not only on the validity of focal measure, but also on the correlation of the latent construct with the other construct, the reliability of the measure for the other construct, and the presence of correlated measurement errors (Bollen, 1989).

However, in the light of the above limitations, construct validity assessments will be illustrative, and the tentative results are inconclusive evidence of the presence of construct validity.

Content Validity. Content validity refers to the extent to which measurement reflects the domain of the concept (Tabachnick & Fidell, 2001). Ideally, the full domain of the concept is first specified through a complete review of the available literature. Frequently, a researcher immediately encounters problems with semantic validity because the concept does not have uniform usage in the literature. Even widely used terms such as corporate reputation or brand image suffer from this problem, as items used to measure the construct vary between studies.

After specifying the domain the researcher must construct items or select items from the literature's pool so that the items capture the meaning either of the entire concept or of each of the concept's dimensions. As a practical matter, researchers always prefer to have too many rather than too few items, since items can be dropped but rarely added during later research stages.

The issue of content validity of the measures is addressed in the literature review, where overviews of measures of brand image and corporate reputation measures are presented. Such overviews ensure that different ways of measuring the phenomena are evaluated before a final selection of measures is selected. Experts within the field of consultancy and academics were also consulted to evaluate the appropriateness of the measures, thus, establishing its face validity.

Convergent and discriminatory validity are operational types of validity and are important for construct validation (Peter, 1981). Several types of validity are important in ensuring a high quality of the research. These types are discussed in the next sections.

Discriminant Validity. Discriminant validity is indicated by "predictability low correlations between the measure of interest and other measures that are supposedly not measuring the same variable or concept" (Heeler & Ray, 1972, p. 362). Tests for divergent validity can be invalidated by too high correlations with other constructs from which they were intended to differ (Anderson, Gerbing, & Hunter, 1987). Although the constructs measured are expected to be highly correlated to each other, the scales should be able to be differentiated. Anderson and Gerbing (1988) propose that when using SEM, discriminant validity to be established by comparing the fit statistics of two models – one that allows the two constructs in question to correlate freely, and another one in which the correlation between the two constructs is set to 1. The fit statistics (χ^2) are then compared and if the fit of the former model is the best, then the two constructs are distinct and separate. This technique will be employed in order to discriminate brand image from product, and brand image from corporate reputation. These constructs are expected to be highly correlated since they refer to similar issues.

External Validity. External validity refers to the approximate truth of conclusions that involve generalizations. External validity is the degree to which the conclusions in a study would hold for other persons in other places and at other times. By drawing a sample from a population, this validity suggests that the researcher can generalize the findings to the entire population. The use of secondary data is a signal of external validity (Shugan, 2002).

4.2.3.4. Structural Model. The model to be tested is based on theory. Fig. 3 presents the path diagram depicting the relationships.

The focus of this study is on the relationships between brand image, corporate reputation, and offering, customer value and loyalty. Other constructs were introduced into the model, as control variables. By eliminating these constructs from the model, the parameter estimates would be biased because the impact of theses constructs acknowledged influencing offering, customer value and loyalty were eliminated. Consequently, although

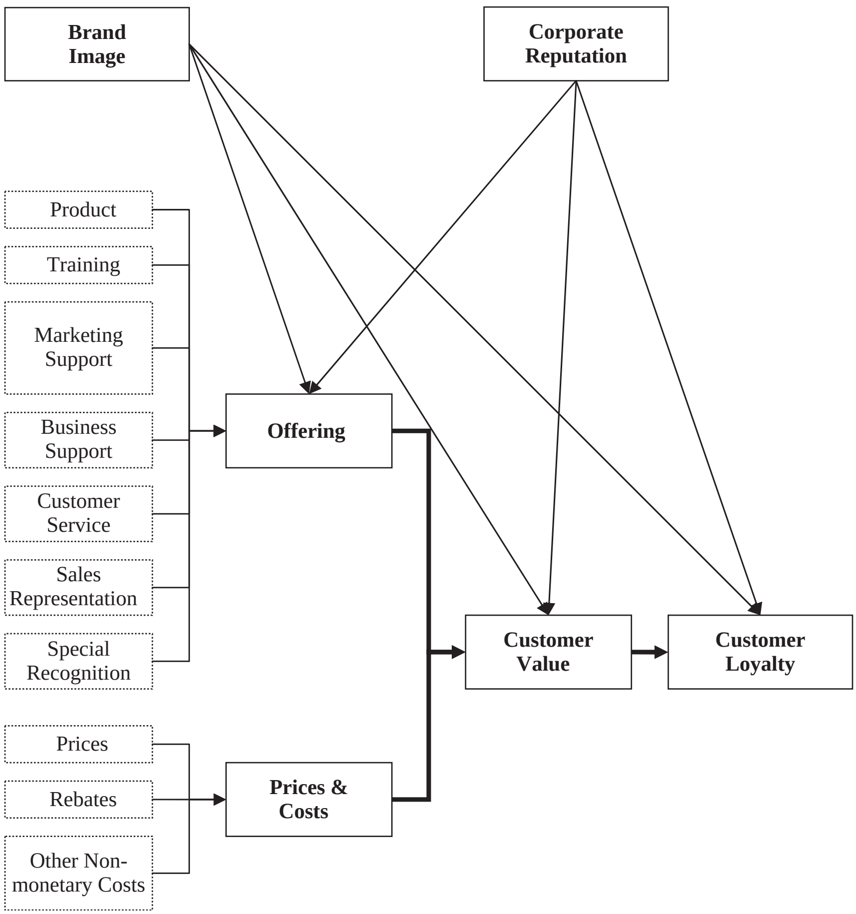

Fig. 3. Conceptual Model.

the model was becoming heavily parameterized, and therefore, penalized by lower goodness-of-fit statistics, these constructs were still included. The model to be estimated is presented below, whereas the control variables are drawn in dashed squares and the constructs of interests in normal squares.

The analyses include the following steps. The first step referred to identification, followed by estimation, when the path coefficients were generated, then testing fit or revealing how well data fit the model. Finally, the last step was the re-specification of the model, or the changes that should be made in order to have a better fit (Bollen & Long, 1993).

In that stage, the estimates were obtained based on a number of iterations that allowed the covariance matrix to be like the observed one (Chou & Bentler, 1995) or the residual matrix (i.e., the difference between observed matrix and the obtained matrix) to be minimal.

4.2.3.4.1. Specifying the Metric of Latent Constructs. Latent constructs are unobserved, consequently they have not metric. As a result, the metric of the latent variable has to be defined. This is done by assessing a metric from one of the items representing the latent construct. This item is called reference variable or reference indicator. Every latent construct must have a reference variable so that the latent variable has a defined metric (Jaccard & Wan, 1996).

4.2.3.4.2. Setting the Errors of the Single-Item Measures. The errors of the single-item measures were set to the minimum obtained from other scales, as previous research recommend (Hayduk, 1987). By setting the error variances to a non-zero value the researcher acknowledges that the constructs are measured with error meaning and that they do not have a perfect reliability. Consequently, the errors of the single-item measures should be set to the minimum error variance observed from other constructs. Setting the errors of these variables to a minimum level should result in more realistic parameter estimates.

4.2.3.4.3. Evaluating the Overall Fit. Goodness-of-fit measures the correspondence between the actual or predicted from the hypothesized model and the observed input (variance–covariance matrix). Three types of goodness-of-fit statistics show the fit between the predicted model and the observed one: (a) absolute fit measures, (b) incremental fit measures, and (c) parsimonious fit measures.

Absolute fit measures allow the assessment of only the overall model fit, both measurement and structural models collectively, with no adjustment for the degree of "over-fitting" that might occur. Incremental measures on the other hand, compare the proposed model to a baseline "null" model. Finally, parsimonious fit measures "adjust" the measures of fit to provide a comparison between models with different numbers of estimated coefficients in order to estimate the amount of fit achieved by each estimated coefficient. No single measure of fit or set of measures emerges as the only measure required. Therefore, several absolute, incremental fit measures are reported for the proposed model (Hair et al., 2000). Table 16 presents three types of goodness-of-fit and their details.

The model goodness-of-fit statistics in this report are the most often used χ^2, p values, RMSEA. Along with these indexes, Comparative Fit Index (CFI) and Incremental Fit Index (IFI) are also reported. These two indices are

Table 16. The Goodness-of-Fit Statistics.

Type	Index Name	Comments – Thresholds
Model fit Demonstrate how well an a priori model reproduces the sample data	χ^2 – Chi-squared* p-values > 0.05*	Is a "badness of fit"; smaller values indicating better fit. Helps fail to reject ($p>0.05$) or reject the null hypothesis ($p<0.05$) that the variance–covariance of the data is equal with the variance–covariance matrix predicted from the model. Almost surly will not be exactly true (Hu & Bentler, 1995).
	GFI – Goodness-of-fit	GFI > 0.9 indicate good fit *but* acceptable fit if GFI > 0.8.
	RMSA*	RMSA < 0.05 but values between 0.05 and 0.08 acceptable fit.
Incremental fit indexes	AGFI	AGFI > 0.9 indicate good fit *but* acceptable fit if AGFI > 0.8.
	TLI – Tucker-Lewis Index (Non-Normed Fit Index, NNFI)	TLI > 0.95 but values between 0.9 and 0.95 are also acceptable.
	NFI – Bentler and Bonnet Normed Fit Index	NFI > 0.95 but value between 0.9 and 0.95 indicates satisfactory fit.
	CFI – Comparative Fit Index*	CFI > 0.95 but satisfactory if values are between 0.9 and 0.95.
	IFI – Incremental Fit Index*	IFI > 0.95 but satisfactory if values are between 0.9 and 0.95.
Model parsimony	Normed χ^2 (Normed χ^2 is computed as χ^2 divided by degree of freedom)	$1<$ Normed $\chi^2<3$. Values close to 1 indicate a very good fit. Normed χ^2 is computed as χ^2 divided by degree of freedom.
	AIC	No defined level.
	CAIC	No defined level.

demonstrated to apply very well to data which are not normally distributed (Bollen, 1989; Hu & Bentler, 1995), and they are also independent on sample size (Marsh, Balla, & McDonald, 1988; Bollen, 1990).

CFI demonstrates the relative reduction in lack of fit as estimated by the non-central χ^2 of a target model versus a baseline model. CFI overcomes problems of normed χ^2 by replacing central with non-central χ^2. CFI is also forced to vary between 0 and 1 making evaluations easier than with alternatives, such as FI and RNI (Hoyle & Panter, 1995).

IFI compares lack of fit of target model to lack of fit of baseline model (independence model). IFI is more consistent across estimators than the recommended alternatives, such as TLI and NNFI (Hoyle & Panter, 1995).

Variance Extracted. The variance-extracted measure is another measure of how well the model fits the data. This measure reflects the overall amount of variance in the predictors accounted for by the predicted. Higher variance-extracted values occur when the indicators are truly representative of the latent construct (Hair et al., 2000). The measure of the variance extracted is provided by the means of squared multiple correlations for the structural equation model with values exceeding 0.5 indicating a good model. A variance-extracted estimates above 0.5 indicates more signal than noise in the data (Fornell, Johnson, Anderson, Cha, & Bryant, 1996 cited in Varki & Colgate, 2001).

4.2.3.4.4. The Effect of Normality Violations on the Model. Table 17 outlines the effect of violations of normality on the model estimates. Caution must be taken when rejecting a model on a basis of a significant χ^2

Table 17. Effect of Non-Normal Distribution on Indices-of-Fit Statistics.

Fit Statistic	Comments	References
χ^2	χ^2 becomes too large as the data become increasingly non-normal distributed.	West et al. (1995)
Comparative Index of Fit – CFI	Modestly underestimated when data is non-normal distributed.	Marsh et al., (1988); West et al. (1995)
Standard errors of parameters estimates	Modestly underestimated.	West et al. (1995)

when the normality assumption is violated (West et al., 1995). Thus, greater reliance should be placed on fit indices that do not meet the assumption of normality.

4.2.3.4.5. Effects of Sample Size on Chi-Squared (χ^2). As previous research demonstrates, large sample size negatively influences the goodness-of-fit statistics.

Researchers criticize the χ^2 test statistics because they are heavily influenced by sample size, model evaluation with extremely large sample sizes will almost always lead to model rejection (Jaccard & Wan, 1996). Also, χ^2 test statistics are criticized as being too stringent because χ^2 tests for perfect model fit in the population. Browne and Cudeck (1993) comment that a model is less likely to yield a perfect population fit. Consequently, a test of "close" fit to population is RMSEA, with values around 0.05 or less indicating a close fit (Jaccard & Wan, 1996).

4.2.3.4.6. Interpretation of the Model. Once the model is acceptable, the next step is to analyze the findings. The hypothesized relationships are checked to see if they prove to be statistically significant. The *t*-values demonstrate whether or not the relationship is statistically significant, that is the findings among variables support influence predictions.

The relationships are evaluated based on standardized estimates (i.e., standardized estimates are transformations of the raw estimates that remove scaling information), in order to compare the magnitude of the relationships. Coefficients near zero have little, if any, substantive effect, whereas enhanced values demonstrate the causal relationships. As a result, standardized coefficients are useful for estimating the relative importance of constructs (Hair et al., 2000).

4.2.3.4.7. Re-Specification. Re-specification is one of the most controversial aspects of SEM (Chou & Bentler, 1995). Model re-specification involves adjusting a specified and estimated model by either freeing parameters that are formerly fixed or fixing parameters that were previously free. Controversy surrounding model specification focuses more on the basis for modifying a model than the general notion of model modification (Chou & Bentler, 1995). Usually, the model specification should be based on theory, and not, as some researchers decide, on the specification indexes suggested by the software. Consequently, since all the relationships are theoretically justified no model re-specification was undertaken in this work.

4.2.3.4.8. Correlated Errors. Allowing the errors to correlate can improve model fit (Netemeyer, 2001), but this can also mask the true underlying structure of the data (Gerbing & Anderson, 1984). By allowing the errors to be correlated, not only will a better fit be obtained but also the parameters will be reestimated (Cote, 2001). Consequently, the estimates are the result of the re-specification rather than true construct relationships. Moreover, a strong theoretical justification is needed to explain why the errors are correlated (Jaccard & Wan, 1996; Cote, 2001). Usually the researcher may not really know why such correlated errors are present (Netemeyer, 2001). Also, the correlated errors reduce the possibility of replication to another sample (Netemeyer, 2001).

4.2.3.5. Model Validation. Although no re-specification is going to be performed post-hoc, the sample generated in 2001 was used to validate the results obtained from modeling the 2003 sample.

The same procedures were applied in 2001, the same market-research company being in charge to collect the data. The data set generated by the 2001 survey was almost similar to the 2003 survey. The difference was that the 2001 data set did not contain information referring to brand image, but includes overall evaluation of corporate reputation and therefore, was used to cross-validate only corporate reputation relationships with perceived quality, customer value, and customer loyalty.

Since the 2001 data consists of 302 observations, reliable parameter estimators were generated by SEM. Researchers agree that obtaining reliable estimators is possible when the sample size is between 200 and 300 observations (Byrne, 1995; Chou & Bentler, 1995; Hoyle, 1995; Hu & Bentler, 1995).

The 2001 data set was valuable, although the information regarding brand image was missing. The 2001 data set contained valuable information gathered from almost all the competitors in the skin-care products industry. Consequently, the results could be generalizable to the skin-care products industry.

5. RESEARCH FINDINGS

5.1. Data Checking

Before proceeding to analysis, the data were screened. Since this study includes secondary data, the analysis includes very careful data checking and cleaning. Accordingly, data were scrutinized.

5.1.1. Missing Values

Allison (2002) and Little and Rubin (2002) demonstrate that the missing data can distort the results, regardless of the analysis undertaken. Consequently, the missing values for cases and variables were evaluated. First, deletion of cases or variables demonstrating excessive missing values was applied, since the replacement of missing values would generate excessive data fabrication (Jaccard & Wan, 1996). Second, replacement was considered for variables and cases having an acceptable number of missing values. The replacement was necessary since list-wise deletion would have reduced dramatically the sample size to 147 observations. Furthermore, missing values were replaced since the methods, which were subsequently used (i.e., factor analysis and SEM) could not provide good estimates in the presence of missing values.

5.1.1.1. Excessive Missing Values Deletion. Although the level of missing values is 5.1%, a level considered acceptable (Hair et al., 2000; Tabachnick & Fidell, 2001), the cases and variables having a large number of missing value were checked. In the 2003 data set 28 cases had large number of missing values and they were candidates for deletion. Since observations having a level of 30% of missing data are described as high by some authors (Hair et al., 2000), a more stringent 20% was set for this work. The rationale behind this choice was twofold. First, the data set contained enough observations (418 cases). Second, although an imputation was performed for the rest of the missing values, cases having too many missing values replaced could have become too artificial, and would have not represented real world but rather would have been the results of an algorithm. Consequently, 28 cases exceeding this threshold were excluded from the rest of the analysis.

After deletion of the cases, the means of the original data set were compared with the means of the remaining data set. An independent group t-test was conducted. This test was useful to demonstrate whether the difference between two sets of scores was the same or different. The significance value for the t-test ($p > 0.05$) indicated no significant difference between the two group means.

A way to deal with missing values was to drop variables that had too many missing values and that were not critical for analysis, or those that were correlated with other complete variables (Tabachnick & Fidell, 2001). If a measure was missed, altered, or qualified in some way by more than 15% of the respondents, then the researcher should look for some

Table 18. Deleted Variables and Their Underlying Construct.

Variable to be Deleted	% Missing	Theoretical Underlying Concept	Number of Items to Represent the Theoretical Underlying Construct
Showing you how to run your business more efficiently	18.2	Business	4
Showing you how to motivate and support your staff	17.5	Support	
Taking the time to get to know your staff and helping to motivate them	15.8	Sales representation	8
Minimizing your risk by accepting returns on products that do not sell	21.8	Other non-monetary costs	4

form of question specific problem (Oksenberg, Cannell, & Kalton, 1991). Few variables had too missing values, of more than a 15% threshold, and consequently they were considered for deletion from analysis.

Table 18 describes the variables having more than 15% missing values as well as the linkage with their theoretical construct, and the number of items to measure the construct after the deletion of variables with too many missing values.

A case-by-case analysis was also adopted. Two items were retained for further analysis, although the missing values were greater than 15%, because their deletion would have reduced the number of items representing the construct to two items. The items were "Helping you to expand your business" (15.3%) and "Having incentives that offer you something that you value, and that really motivate you to achieve them" (17.4%).

5.1.1.2. Imputation. While missing data imputation is analyzed in the relevant literature, researchers do not say much about categorical data missing and the methods to impute this type of missing data are much more problematic to use (Allison, 2002). The best methods for missing value imputation are regression and EM, but they are appropriate only for continuous variables (Hair et al., 2000), and not many options are available for categorical data. One of the methods of replacement for categorical variables is mean replacement, a method that works perfectly when the data is normally distributed (Barnes, 2001). Mean imputation can cause the matrix of variance–covariance, the matrix to be further used in analysis, to be indefinite (Tabachnick & Fidell, 2001). Since the variables in this data set were not normally distributed, this method was not appropriate.

The method used in this study was similar to the Hot Deck Methods. These methods are appropriate for categorical data. For a particular variable *Y*, a set of categorical *X* variables (with no missing data) that were associated with *Y* were identified. The data was sorted by the variables *X* in a descending order. The greater the association between *X* and *Y*, the greater the probability that *Y* was sorted in a descending order as well. For this work, the variables (*X*'s) to be ordered after were the overall evaluations corresponding to that specific variable *Y*. Then the method of imputation, linear trend at point, available in SPSS software was applied. The existing series was regressed; missing values were replaced with their predicted values using a trend (the replaced points had descending values and this was the rationale for sorting the cases in the descendent manner). In order to preserve the discrete nature of variables, the resulting values for missing data were rounded (Allison, 2002). Consequently, the resulting values were rounded using RND function, in SPSS.

"Being natural," an item theoretically representing brand image, provides an example of the replacement of missing values. First, the cases were ordered based on overall evaluation for brand image. After that, the linear trend of the point was applied to the items representing brand image facets, including therefore "Being natural" item. The visual inspection of results shows that for case 135, having 10 in the overall evaluation for brand image, the missing value for "Being natural" was replaced with 8.6. For this case, the respondents evaluated the rest of items representing brand image as being excellent (i.e., 10 out of 10). For case 188 having 10 in the overall evaluation, the missing value in the question "Being natural" was replaced with 7.6. The rest of items representing brand image were evaluated with 8 and 9. Case 344 having 7 in the overall evaluation for brand image, the missing value for "Being natural" was replaced with 6.1. The rest of the items representing brand image facets were evaluated with 5, 6, and 7. If the mean replacement had been chosen as the tool to substitute missing data, all of these missing values would have been replaced with the same value, 7.42, representing the mean of "Being natural." By using this method of replacement of missing values, the missing data are replaced by more realistic values. Table 19 details the example of missing data and the replaced data.

In order to further test the replacement method, a sample of 147 observations with complete data was drawn from the original sample. A few of missing data points were artificially created in brand image facets, and then the replacement using linear trend at that point was undertaken.

Table 19. Missing and Replaced Data Example.

Case No.	Brand Image	Being Natural (Missing)	Being Natural (Replaced)	Q10	Q11	Q12	Q13	Q14	Q15	Q17
135	10	–	8.6	10	10	10	10	10	10	10
188	10	–	7.6	9	9	9	8	8	9	9
344	7	–	6.1	8	7	7	6	5	7	6
Mean		7.4								

An independent *t*-test was performed to check for a difference in means between the imputed sample and the original sample. The independent *t*-test demonstrated no significant difference.

5.1.1.2.1. Index Formation. Executives in the company sponsoring the research mentioned that they would need to have more insights about these product categories, for a managerial and practical point of view. As this level of detail was not necessary for this research, an index relating to these product categories was computed. The variables "increase the sum spent on category 1," "increase the sum spent on category 2," and "increase the sum spent on category 3," representing customer loyalty facets were computed into an index. The reason for computing an index was that the index would probably exhibit more normal distribution (West et al., 1995). Equal weights were allocated since these three categories were equally important, from the company's point of view.

5.1.2. Normality

5.1.2.1. Univariate Normality. Data sets are rare that multivariate normality closely approximates (Allison, 2002). This assumption was applicable for the variables included in this research. Also, univariate normality tests were conducted, providing statistical evidence that the variables were not normal distribution. In order to gain insights about the violation of normality assumption both Kolmogorov–Smirnov and Shaphiro–Wilk tests were employed. The results demonstrated that these tests were significant ($p < 0.05$), indicating that the variables did not meet the univariate normality assumption (Coakes & Steed, 1997). Almost all the variables did not yield desirable univariate z statistics for skewness and for kurtosis (z between -2.58 and $+2.58$), indicating that variables were not normally distributed. However, the non-normality was not severe since most of the variables had skewness under 2 and kurtosis under 7 (Fabrigar et al., 1999). Two variables indicated severe non-normality, with skewness bigger than 2 and kurtosis bigger than 7. The decision was to exclude them from analysis since they were not critical for this study. The items' univariate normality is detailed in Appendix C.

5.1.2.2. Multivariate Normality. A data set is multivariate normal distributed if the variables included exhibit univariate normality (West et al., 1995). Although a multivariate normality is an assumption underlying SEM, the algorithm used, maximum likelihood, research demonstrate to provide robust results when this normality assumption is violated and when sample size is big enough (Chou & Bentler, 1995). Since sample size contained enough observations no action was undertaken to transform the variables in order to obtain a normal distributed data.

5.1.3. Sample Size

The resulting sample size from data cleaning consisted of 390 observations. For exploratory factor analysis, a sample size of 335 observations, corresponding to 5 observations per variable, would have been sufficient, the number of variables being 71. Also, sample size was large enough for conducting a SEM. A sample size between 200 and 300 observations should produce reliable parameter estimates (Byrne, 1995; Chou & Bentler, 1995; Hoyle, 1995; Hu & Bentler, 1995). With a sample size increase of over 400 observations, the goodness-of-fit would be underestimated (Marsh et al., 1988; Hoyle, 1995; Hoyle & Panter, 1995). Consequently, the sample size was considered appropriate for running a SEM and obtaining reliable estimates and goodness-of-fit.

5.2. Exploratory Factor Analysis

The main motivation behind the use of factor analysis was ascertaining the factor structure among a set of variables, achieving data reduction and obtaining factor scales, which could be used as variables in a study. Exploratory Factor Analysis had the main objective of extracting the minimum number of factors or underlying latent constructs that could satisfactorily produce correlations among the observed variables (Kim & Mueller, 1978a). In order to reveal the underlying constructs of the items included in the survey, a factor analysis using principal components was employed. Before proceeding to analysis, the assumptions for conducting factor analysis were checked.

Table 20. Measures of Sampling Adequacy.

KMO and Bartlett's Test	
Kaiser–Meyer–Olkin measure of sampling adequacy	0.969
Bartlett's test of sphericity	
Approximate χ^2	28727.573
df	2,485
Significance	0.000

5.2.1. Assumption Testing

The assumptions underlying factor analysis are more conceptual than statistical (Hair et al., 2000). Consequently, only the sample adequacy for factor analysis was analyzed.

5.2.1.1. Sample Adequacy for Factor Analysis. MSA was tested by Kaiser–Meyer–Olkin. This test provides a statistic that indicates the proportion of variance in variables, which is common variance (i.e., which might be caused by underlying factors). This assumption was checked after running first factor analysis. High value of 0.969 indicated that a factor analysis was suitable for this data. Also, Bartlett's test of sphericity indicated significant relationships among the variables ($p < 0.01$), demonstrating that data was appropriate for factor analysis. Table 20 presents the results of these two tests.

5.2.2. Exploratory Factor Analysis

After checking the assumptions, the following steps were undertaken, as the method section describes.

5.2.2.1. Initial Factors Extraction. The latent root criterion is the most common criterion that researchers employ to estimate the number of factors underlying a data set. This criterion has serious limitations. Latent root criterion can fail to uncover the true structure of the data (Fabrigar et al., 1999). Consequently the latent root criterion was only used in this research as recommended, to suggest the lower-bound for the number of common factors (Kim & Mueller, 1978b). An eight-factor solution resulted, explaining 70.8% of variance, as Table 21 details.

The anti-image matrices were also analyzed. The anti-image matrices contain the negative partial covariances and correlations. They can give an indication of correlations which are not due to common factors. The great majority of the values in the diagonal was very small which indicated that

Table 21. Variance Extracted by Factor Solution.

Total Variance Explained						
	Initial eigenvalues			Extraction sums of squared loadings		
Component	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	33.76	47.55	47.55	33.76	47.55	47.55
2	5.21	7.34	54.89	5.21	7.34	54.89
3	3.25	4.58	59.46	3.25	4.58	59.46
4	2.45	3.46	62.92	2.45	3.46	62.92
5	1.65	2.32	65.24	1.65	2.32	65.24
6	1.52	2.14	67.38	1.52	2.14	67.38
7	1.29	1.82	69.20	1.29	1.82	69.20
8	1.15	1.61	70.81	1.15	1.61	70.81
9	0.97	1.37	72.19			
10	0.95	1.34	73.53			

the variables were relatively free of unexplained correlations. Also, each value on the diagonal of the anti-image correlation matrix shows the MSA for the respective item. The values between 0.95 and 0.99 indicated that all variables seem to fit with the structure of the other variables and consequently they should be retained in analysis.

The study includes an examination of communalities were also examined. They indicate the amount of variance in each variable that is accounted for. Extraction communalities are estimates of the variance in each variable accounted for by the factors (or components) in the factor solution. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis. Almost all the variables exceeded the 0.5 communality thresholds, except from two variables. The first item, "Being natural" had values of 0.43, and was removed from analysis. The index of "Increase amount spent" had also a low commonality (0.44), but was retained because it represented a critical item for the analysis. Appendix D details the commonalities for all the variables.

The residual matrix was also analyzed. A few large residuals (>0.10) suggested the presence of other factors (Tabachnick & Fidell, 2001). Consequently, a satisfactory solution regarding the number of factors to be extracted was obtained after an iteration process by increasing the number of factors. A nine-factor-solution was obtained as a result of the iterative process, this solution explaining 72.19% of variance. The examination of residuals demonstrated that the solution was good, since most of these values were small, between 0.0 and 0.1.

5.2.2.2. Factor Rotation. In order to find a simpler and easier to interpret factor solution, an oblique rotation (i.e., Promax) was also applied, based on the assumption that the factors were correlated to each other since they referred to the same offering. Also, the final solution produced a number of factors that could be interpreted.

In order to gain insights into the factor structure, the Pattern Matrix corresponding to the nine factors was analyzed, revealing the factor loadings for each variable on the components or factors after rotation. The rule is to retain those items that have substantial loadings above 0.3 (Kim & Mueller, 1978b). The items that loaded significantly in more than one factor and those that did not load significantly into one factor were removed from analysis. Table 22 includes the items and the loadings corresponding to the constructs brand image and corporate reputation, the constructs of interest in this work. Appendix E details the loadings for the rest of the constructs.

The items relating to prices loaded significantly into one factor, labeled "Prices, Rebates, and Costs." Other items, namely marketing support, business help, and special recognition loaded also into one factor, representing a more general construct, labeled "marketing programs." An explanation was that these two factors were not unidimensional but rather they were multidimensional and these dimensions are highly correlated. Both these constructs (i.e., "overall prices and Costs" and "marketing programs") would be further tested in the next section, by running a

Table 22. Brand Image and Corporate Reputation Factor Scales.

Item	Brand Image	Corporate Reputation
Being well known and prestigious	0.95	
Being fashionable and trendy	0.74	
Having a reputation for quality	0.88	
Being elegant	0.68	
Being useful	0.65	
Being sophisticated	0.82	
Being well managed		0.74
Being successful		0.64
Having customer focus		0.52
Keeping you informed about what is happening with the company		0.60
Being honest		0.68
Being a good corporate citizen		0.47

Table 23. Factor Scales and the Number of Items.

	Brand Image	Corporate Reputation	Product Quality	Training	Marketing Programs	Customer Service	Sales Represen-tation	Overall Prices and Costs	Customer Loyalty
No of items	6	6	6	7	11	8	4	8	2

Table 24. Factor Scales' Cronbach Alpha.

Construct	Cronbach Alpha	Number of Items
Brand image	0.87	6
Corporate reputation	0.89	6
Products quality	0.89	6
Training	0.96	7
Marketing programs	0.96	11
Customer service	0.92	8
Sales representation	0.94	4
Overall prices and costs	0.94	8
Loyalty	0.63	2

confirmatory factor analysis. Table 23 details the constructs and the number of items representing them.

5.2.2.3. Initial Evaluation of the Factor Scales. The initial assessments of these scales were made by checking Cronbach alpha and item-to-total correlations. All the scales but one had Cronbach alphas bigger than 0.7, a recommended threshold (Nunnally, 1978). The customer loyalty construct had a reliability of 0.63, a level considered sufficient (Nunnally (1967) cited in Churchill (1979)). Also, the item-to-total correlations were examined for each construct. All of them were well above the threshold recommended of 0.5 (Hildebrandt, 1987). Table 24 details the reliability of the factor scales and the number of corresponding items.

Evaluation of scales was further carried out by means of SEM, measurement stage, or confirmatory factor analysis.

5.3. Structural Equation Modeling

5.3.1. Assumptions Testing

The data were checked to see whether SEM could be applied. Outliers and multicollinearity were analyzed.

5.3.1.1. Outliers. The analysis of outliers is an important step in screening data since the results of the SEM are affected by their presence. Consequently the way to manage them is an important step before data analysis (Beckman & Cook, 1983; Mullen et al., 1995). Although univariate and bivariate outliers detection are recommended by some authors (Hair et al., 2000; Tabachnick & Fidell, 2001), they are not useful for multivariate methods such as structural equation models (Mullen et al., 1995).

Consequently, the multivariate outliers were checked as they enter the analysis by using Mahalobis distance. For example, the items theoretically assumed to measure brand image (i.e., being well known and prestigious, being fashionable and trendy, having a reputation for quality, being elegant, and being gentle, useful, natural, and sophisticated) were regressed against the overall evaluation of brand image. This procedure was repeated for each set of variables based on the assumed relationships included in the analysis. A number of 13 cases exhibited a bigger Mahalobis distance bigger than the critical values. Each case was analyzed and as recommended, only cases that did not represent the valid member of population were removed from the analysis (Wothke, 1993; Hair et al., 2000).

5.3.1.2. Multicollinearity. In order to find whether multicollinearity was present, multiple regressions were run. The items scales were summated, that is the items in the summated scales were given equal weights, since equal-weighted scales work well (Dillon, 2001), the regressions employing these composite scores. A statistical test, Variance Inflation Factor (VIF), was used, with variables indicating multicollinearity if the VIF exceeded 10. This threshold of 10 corresponding to correlations of 0.9 has been previously recommended (Hair et al., 2000).The results demonstrated that this assumption was true, the diagnostics VIF being well under 3.5 for all the constructs.

5.3.2. Confirmatory Factor Analysis

In this measurement phase, named confirmatory factor analysis, the factor scales were further tested. After the unidimensionality was assessed, the issues relating to reliability and validity were detailed. In the second stage, the scales resulting from confirmatory factor analysis were used to demonstrate the relationships as hypothesized.

5.3.2.1. Unidimensionality. The unidimensionality of the constructs can be assessed by confirmatory factor analysis of constructs. Only constructs having at least two indicators, each of them loading only into that construct, can be assessed (Anderson et al., 1987). Internal and external consistency for

Table 25. The Goodness-of-Fit Statistics for Factor Scales.

Scales	*N*	χ^2	df	*p*-Values	RMSEA	CFI	IFI
Brand image	390	73.11	9	0.000	0.135	0.97	0.97
Corporate reputation	390	60.72	9	0.000	0.122	0.98	0.98
Product quality	390	54.93	9	0.000	0.115	0.98	0.98
Training	390	98.18	14	0.000	0.124	0.98	0.98
Marketing programs	390	919.8	44	0.000	0.226	0.92	0.92
Customer service	390	152.6	20	0.000	0.131	0.97	0.97
Sales	390	16.7	5	0.005	0.08	0.99	0.99
Prices and costs	390	906.6	27	0.000	0.289	0.88	0.88

all multiple-indicators scales is assessed with goodness-of-fit statistics (Anderson et al., 1987). As the goodness-of-fit are good, then the constructs are unidimensional (Steenkamp & van Trijp, 1991). Also, the use of item-to-total correlation to assess unidimensionality is recommended, whereas the items should correlate highly with the total score (Gerbing & Anderson, 1988).

Although the scales resulting from exploratory factor analysis exhibited great reliabilities, they did not fit the data well, demonstrating that they had to be further refined. Table 25 details the goodness-of-fit statistics before the scales were further analyzed.

Overall the scales goodness-of-fit were unsatisfactory, especially RMSEA, with values bigger than 0.08 and normed χ^2 which exceeded 3 indicating that the scales had to be refined. Consequently, they were further refined. The rationale was that the model hypothesized was very complex and the errors would propagate, and would affect the magnitude (i.e., estimates) of the relationships. Consequently, the scales were refined, and the items exhibiting low-squared correlations (below 0.5) were removed. Also the standardized residuals received special consideration; large standardized residuals demonstrating that that specific variable did not fit well to the rest of the variables and to the construct. Residuals from the observed and reproduced covariance matrix in excess of $|2.58|$ indicated misspecification (Steenkamp & van Trijp, 1991). Consequently, variables whose residuals were outside the (+2.58, −2.58) interval were eliminated from the analysis (Gerbing & Anderson, 1988; Steenkamp & van Trijp, 1991).

The study includes giving special attention to "marketing programs" and "prices and costs" scales. Their goodness-of-fit statistics clearly demonstrated that they were not unidimensional as they resulted from exploratory factory analysis. Their unsatisfactory goodness-of-fit statistics indicated that

Table 26. Scales Goodness-of-Fit Statistics.

Scales	Number of Items	χ^2	df	p-Values	RMSEA	CFI	IFI
Brand image	4	0.34	2	0.84	0.000	1.00	1.00
Corporate reputation	4	3.45	2	0.18	0.043	1.00	1.00
Product quality	4	4.57	2	0.10	0.056	1.00	1.00
Training	6	17.04	9	0.05	0.048	1.00	1.00
Marketing support	5	29.26	17	0.03	0.043	1.00	1.00
Business support	2						
Special recognition	2						
Customer service	3	Perfect fit					
Sales representation	4	3.12	2	0.20	0.038	1.00	1.00
Prices	2	9.94	6	0.13	0.041	1.00	1.00
Rebates and discounts	2						
Non-monetary costs	2						

they were multidimensional and that the dimensions were highly correlated. Based on these goodness-of-fit statistics and the prior knowledge about the data structure, for each of these two constructs was hypothesized a three-dimension structure. The results supported the assumption that "marketing programs" and "prices and costs" were not unidimensional constructs, each of them having rather three dimensions high.

Table 26 describes the scales resulting from confirmatory factor analysis, after they were refined, and the goodness-of-fit statistics to support their unidimensionality.

Table 26 indicates the following findings. The χ^2 was non-significant ($p > 0.05$) for all the scales. This pattern of χ^2 is contrary to the usual tests which requires p-values < 0.05 to demonstrate significance. The non-significant value in the case of the SEM indicates that the observed and the estimated variance–covariance matrixes are not statistically different. Consequently a p-value > 0.05 demonstrated an excellent fit.

5.3.2.2. Reliability. Constructs measurements reliability (i.e., Cronbach alpha) should be computed but only after the unidimensionality is assessed (Gerbing & Anderson, 1988). All scales but one resulting from confirmatory factor analysis were above 0.7. Table 27 presents Cronbach alpha's (reliabilities) for scales and number of items describing the scales.

The analysis demonstrates almost all construct were reliable, exceeding the 0.7 level (Nunnally, 1978). One construct, loyalty, had a lower Cronbach

Table 27. Scale Reliability.

Scales	Cronbach Alpha	Number of Items
Brand image	0.84	4
Corporate reputation	0.86	4
Product	0.85	4
Training	0.96	6
Marketing support	0.89	4
Business support	0.95	2
Special recognition	0.91	2
Customer service	0.82	3
Sales representation	0.93	4
Prices	0.84	2
Rebates	0.97	2
Non-monetary costs	0.77	2
Loyalty	0.63	2

alpha (i.e., 0.63) but this level is considered sufficient (Nunnally, 1967; Churchill, 1979).

5.3.2.3. Validity: Convergent Validity and Discriminant Validity. All items load substantially on their assigned factors (well above the 0.5 suggested by Steenkamp & van Trijp, 1991), supporting within-dimension convergent validity. Within-construct convergent validity was supported as all items loaded on their assigned factors at greater than the 0.01 of significance, with loadings greater than 0.5. Also, convergent validity is based on the correlation between responses obtained by different methods of measuring the same construct (Peter, 1981).

Assessment of convergent validity could be done by examining correlation coefficients between scales and the overall evaluation of the construct. Consequently, each scale was transformed into a composite measure by averaging the items. The index was computed by giving equal weights to the items since equally weighted summated scores perform very well (Dillon, 2001). Correlation between the indexes resulted and the overall measure of that construct can demonstrate the convergent validity. All of the correlations were bigger than 0.7 and they were significant at 0.01 level (Table 28).

Discriminant validity between two measures can be estimated by demonstrating that a measure does not correlate very highly with another measure from which the measure should differ (Peter, 1981).

The discriminant validities between scales were assessed in two ways. First, if the correlations between composite scores on the two scales were

Table 28. Correlations between Scales Index and the Overall Evaluation for that Construct.

	Brand Image	Corporate Reputation	Product	Training	Marketing Support	Business Support	Customer Service	Sales Represen-tation	Special Recog-nition	Prices	Rebates	Non-Monetary Costs
Correlation r*	0.78	0.72	0.84	0.90	0.88	0.91	0.83	0.89	0.85	0.92	0.94	0.86

*Correlations are significant at 0.01 level.

significantly lower than unity, and then they discriminate, meaning the scales measure different things. The discriminant validity was achieved for all the scales (Table 29) since all the correlations between construct composite scores were lower than unity and were significant at 0.01 levels.

Second, by using LISREL and allowing them to correlate, the correlation should differ from unity, therefore, they discriminate. Also, the goodness-of-fit statistic demonstrated if they were different. If the χ^2 difference between the model that allows them to correlate and the model that sets the correlation to one, with one degree of freedom is not significant, it means that the correlation is significantly different from one, demonstrating the existence of discriminant validity. The second method was also used for those constructs known to be highly correlated. The reason was that the correlations were attenuated by measurement error, thus overstating the degree of discriminant validity achieved (Steenkamp & van Trijp, 1991). Accordingly, those items that loaded into one construct and but they were demonstrated to belong to different constructs were further scrutinized by using this method. Marketing support, business support, and loyalty programs, which initially loaded into one factor as well as prices, rebates, and other cots which loaded as well into one factor were further tested for discriminant validity. The χ^2 with one degree of freedom were not significant demonstrating the existence of discriminant validity.

5.3.3. Structural Model

The scales resulting from confirmatory factor analysis were used in the model, the relationships between the constructs as hypothesized being tested. The estimation algorithm used was maximum likelihood, algorithm that can deal with data sets that do not meet the multivariate assumptions. The estimators resulting from maximum likelihood demonstrated to be consistent although the data did not meet a multivariate normality. As demonstrated, the sample estimators eventually converged onto values of the population parameters, although tests of statistical significance might not be valid (Jaccard & Wan, 1996).

Although the interest was on the relationships between brand image, corporate reputation, and offering, customer value and loyalty, other constructs were introduced into the model. The rationale behind this was that these constructs played the role of control variables, as for multiple regressions. By eliminating these constructs from the model, the parameter estimates would be biased. Consequently, although the model was becoming heavily parameterized, and therefore, penalized by lower goodness-of-fit statistics, the decision was to include these constructs in order to obtain

Table 29. Bivariate Correlations between Scales' Composite Score.

	Brand Image (1)	Corporate Reputation (2)	Product (3)	Training (4)	Marketing (5)	Business Support (6)	Customer Service (7)	Sales Representation (8)	Loyalty Programs (9)	Prices (10)	Rebates (11)	Non-Monetary Costs (12)	Loyalty (13)
1	1												
2	0.53	1											
3	0.66	0.60	1										
4	0.50	0.72	0.58	1									
5	0.49	0.68	0.58	0.67	1								
6	0.40	0.63	0.47	0.64	0.69	1							
7	0.31	0.62	0.46	0.57	0.47	0.44	1						
8	0.50	0.67	0.53	0.69	0.56	0.57	0.58	1					
9	0.44	0.70	0.48	0.64	0.65	0.74	0.46	0.60	1				
10	0.29	0.62	0.45	0.54	0.53	0.48	0.58	0.53	0.55	1			
11	0.31	0.63	0.43	0.61	0.53	0.55	0.55	0.53	0.61	0.74	1		
12	0.31	0.60	0.44	0.55	0.50	0.44	0.69	0.59	0.53	0.69	0.66	1	
13	0.44	0.55	0.46	0.56	0.46	0.50	0.42	0.55	0.55	0.49	0.50	0.45	1

Notes: All correlations are significant at p 0.01 level.

consistent parameters. Fig. 3 presents the model where the control variables are drawn in dashed squares and the constructs of interests in normal squares.

5.3.3.1. Single-Item Scales. The drivers of customer value are perceived quality and prices and costs, meaning that they estimate the customer value and do not measure customer value. They do not represent scale for customer value. The drivers of customer value, namely perceived quality, costs and prices, brand image, and corporate reputation were not items in a scale measuring customer value. The relationship between them can be described as a causal relationship. This applies as well to the sub-drivers of perceived quality, which is influenced by brand image, corporate reputation, product quality, training, marketing support, business support, customer service, sales representatives, and special recognition. This means that they do not measure perceived quality. The sub-drivers of prices and costs are prices, rebates, and discounts as well as other costs. They influence the prices and costs, but they do not measure prices and costs. Consequently, customer value, perceived quality, and prices and costs should have distinct measures. Single-item scales were chosen to measure these constructs.

After the data were introduced into the program, the error of variance corresponding to the single-item measures was set to 0.04, as the reliability of those measures was not perfect. This assumption was based upon the fact that usually in the social sciences the constructs are measured with error. Since customer value, offering or prices and costs constructs are complex then they can be measured with errors. Setting the errors of these variables to a minimum level should result in less biased parameter estimates.

5.3.4. Model Fit Evaluation

5.3.4.1. Goodness-of-Fit Statistics. The estimated χ^2 of the model was significant (p-value < 0.05). However, researchers warn against using only χ^2 as a measure of overall fit. The use of χ^2 only results in over-rejection of true models, especially when variables are not normally distributed (Bagozzi & Yi, 1989; West et al., 1995). Also, the model was penalized because the model was a heavily parameterized model (Bollen & Long, 1993).

Accordingly, sample size dependent rather than sample size independent measure of fit indices was employed (Bollen & Long, 1993). In this way, emphasis was placed on fit indices that were not based on assumption of normality or sample size. These fit indices, the IFI and the CFI, were well above 0.9 level which indicated a good fit. Also, the model was evaluated based on other goodness-of-fit statistics, such as normed χ^2 1.77 (χ^2 divided

Table 30. Goodness-of-Fit Statistics of the Structural Model.

	N	χ^2	df	RMSEA	IFI	CFI
Full model	377	1454.98	820	0.045	0.99	0.99

by the number of degree of freedom), RMSEA 0.045 indicating a good fit. The goodness-of-fit statistics were detailed in Table 30.

5.3.4.2. Variance Extracted. A measure of reliability of the model was the variance extracted. For perceived quality the squared correlation was 0.76, meaning that brand image, training, customer service, sales representation, and special recognition programs accounted for 76% of the variance of loyalty. High variance occurs when the constructs estimate the latent construct perceived quality. This indicated that the perceived quality was well captured by its drivers. For the prices and costs construct, the squared correlation was 0.87, "prices," "rebates," and "other costs" explaining 87% of variance in prices and costs. Also, customer value was well predicted by "corporate reputation," "perceived quality" as well as "prices and costs." The squared multiple correlation of the measure of the variance extracted by predictors was 0.71, indicating that the constructs account for 71% of the variance in customer value. Corporate reputation and customer value predicted customer loyalty well. The squared multiple correlation for customer loyalty was 0.71, demonstrating that 71% of variance in loyalty was predicted by corporate reputation and customer value.

5.3.5. Hypothesized Relationships

5.3.5.1. Brand Image and Perceived Quality. The Hypothesis 1a assumes a positive impact of brand image on perceived quality. The findings supported this, but the relationship was not so strong ($\beta = 0.10$, $p < 0.10$). The results indicated that the more favorable the image attached to a brand the better the evaluation of quality of the offering was likely to be. Also, by comparison with other constructs acknowledged in literature to influence the evaluation of an offering, brand image did have a low impact.

5.3.5.2. Brand Image and Customer Value. The findings include no effect of brand image on customer value, *p*-values indicating a non-significant relationship, leading to the failure to accept Hypothesis 1b.

5.3.5.3. Brand Image and Customer Loyalty. Although a positive relationship was hypothesized between brand image and customer loyalty, the effect was found not significant, leading to the failure to accept the Hypothesis 1c.

5.3.5.4. Corporate Reputation and Perceived Quality. Based on literature review, corporate reputation should have had a positive impact on perceived quality. No support was found for this hypothesis. Therefore, the authors failed to accept Hypothesis 2a.

5.3.5.5. Corporate Reputation and Customer Value. Corporate reputation, as hypothesized, had a significant positive effect on customer value and therefore, the findings support Hypotheses 2b ($p<0.01$). The stronger the reputation a company has, the more likely the value delivered by the company to its business customers is better evaluated. Also, the effect of corporate reputation on customer value was the second with a $\beta = 0.22$ ($p<0.01$), after "prices and costs" with $\beta = 0.58$ ($p<0.01$).

5.3.5.6. Corporate Reputation and Customer Loyalty. Corporate reputation as hypothesized was found to have a positive, strong effect on customer loyalty, $\beta = 0.57$, ($p<0.01$), and therefore, Hypothesis 2c accepted. Also, the effect of corporate reputation on customer loyalty was much stronger than the effect of customer value on loyalty ($\beta = 0.32$, $p<0.01$).

5.3.5.7. Prices and Costs versus Perceived Quality. Business customers weight the overall prices and costs $\beta = 0.58$ ($p<0.01$) more heavily in comparison with perceived quality $\beta = 0.10$ ($p<0.10$). These findings support Hypothesis 5.

5.3.5.8. Customer Value and Loyalty. The effect of customer value is significant $\beta = 0.32$ ($p<0.01$). This finding supports Hypothesis 6.

5.3.5.9. Additional Findings. Loyalty program was found to significantly influence the perception about quality, with the strongest effect ($\beta = 0.33$, $p<0.01$), followed by customer service ($\beta = 0.21$, $p<0.01$) and sales representation ($\beta = 0.12$, $p<0.01$). Another important finding is that "product" did not influence "perceived quality."

Table 31. Summary of the Hypotheses.

Relationships	Hypotheses	Standard Estimates	*t*-Values	A/FA
Brand image → perceived quality	1a	0.10	1.68*	Accepted
Brand image → customer value	1b	n.s.		Failed to accept
Brand image → customer loyalty	1c	n.s.		Failed to accept
Corporate reputation → perceived quality	2a	n.s.		Failed to accept
Corporate reputation → customer value	2b	0.22	2.83**	Accepted
Corporate reputation → customer loyalty	2c	0.57	6.40**	Accepted
Perceived quality → customer value	3	0.10	1.83*	Accepted
Prices and costs → customer value	4	0.58	12.30**	Accepted
Perceived quality < prices and costs effects on customer value	5			Accepted
Customer value–customer loyalty	6	0.32	4.69**	Accepted

Note: n.s., not significant relationship.
*Significant at $p<0.10$.
**Significant at $p<0.01$.

5.3.5.9.1. Summary of the Hypotheses. The relationships hypothesized were evaluated by significance of parameter estimates according to the *t*-values. Table 31 summarizes all the hypotheses and their failure to accept or acceptance after running a structural equation model.

Fig. 4 presents the full model resulting from the structural equation model and the demonstrated relationships.

5.3.6. Validation of the Model on the 2001 Data Set

5.3.6.1. Data Checking. The study includes testing the model again but this time using the 2001 data set. Since the data set does not contain items relating to brand image, assessing this construct impacts on perceived quality, customer value, and customer loyalty is not possible. Also, as fewer items represented corporate reputation, the analyses include using the

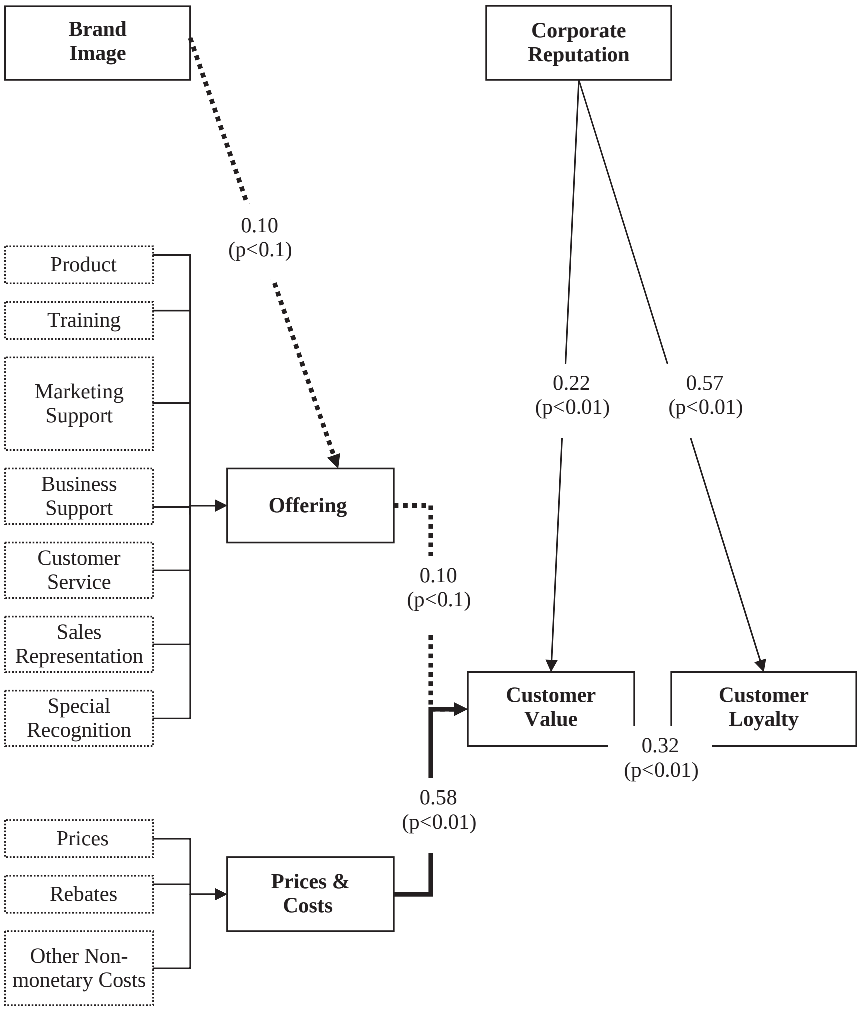

Fig. 4. Estimated Model.

overall reputation question to test its relationships with perceived quality, customer value, and customer loyalty.

Also, the sample resulting from the 2001 survey was checked. This sample consists of 294 observations, after the deletion of 8 cases exhibiting too many missing values (i.e., more than 20%), which was big enough for running a structural equation model. The rest of the missing values were replaced as for the 2003 sample. Also, the 2001 sample included almost all the players in the industry, which therefore increased the generalizability of the results.

5.3.6.1.1. Normality. In order to gain insights about the violation of normality assumption both Kolmogorov–Smirnov and Shaphiro–Wilk tests were employed. The results shown that these tests were significant ($p < 0.05$), indicating that the variables did not meet the univariate normality assumption (Coakes & Steed, 1997). Almost all the variables did not yield desirable univariate z statistics for skewness and for kurtosis (z between -2.58 and $+2.58$), indicating that variables were not normally distributed. However, the non-normality was not severe since most of the variables had skewness under 2 and kurtosis under 7 (Fabrigar et al., 1999).

5.3.6.2. Structural Equation Modeling. The structural equation model comprises of two stages. The first stage is the confirmatory factor analysis, where the scales are refined. The second stage is the structural model, estimated the relationships of the specified constructs.

5.3.6.2.1. Confirmatory Factor Analysis. The scales were also evaluated. Their unidimensionality, reliability, and validity were examined. The scale reliabilities were comparable across 2001 and 2003 (Table 32).

5.3.6.2.2. Structural Model. For this data set, corporate reputation was represented by a single-item measure. The reliability was set to 0.86, the same reliability obtained from the 2003 survey based on the assumption that the item cannot measure perfectly the underlying construct. The error variance corresponding to the rest of single-item measures was set to the same level as for 2003, to 0.04. The model tested on 2001 data set yielded similar goodness-of-fit statistics as the 2003 model, see Table 33.

Although the model does produce a significant p-value, the model was evaluated based on other goodness-of-fit statistics as the previous section details. RMSEA, IFI, CFI, and normed χ^2 indicate a good fit.

5.3.6.2.3. Variance Extracted. The drivers of perceived quality explain 0.77 of the variance (compared with 0.76 resulted in 2003). Prices, rebates, and other non-monetary costs explained 0.87 of variance in overall prices and costs across both samples. Also, customer value was well explained by perceived quality, prices and costs as well as corporate reputation (0.70), the same level as in 2003 (0.71). Customer value and corporate reputation

Table 32. Comparison of Scales Reliabilities 2001 versus 2003.

Year	Brand Image	Corporate Reputation	Product	Training	Marketing Support	Business Support	Customer Service	Sales Represen-tation	Special Recog-nition	Prices	Rebates	Non-Monetary Costs	Loyalty
2001	–	–	0.83	0.96	0.91	0.95	0.84	0.94	0.94	0.77	0.97	0.80	0.70
2003	0.84	0.86	0.85	0.96	0.89	0.95	0.82	0.93	0.91	0.84	0.97	0.77	0.63

Table 33. Comparison of Goodness-of-Fit Statistics 2001 versus 2003.

Year	*N*	χ^2	df	RMSEA	IFI	CFI
2001 model	292	1273.12	562	0.06	0.98	0.98
2003 model	377	1454.98	820	0.05	0.99	0.99

Table 34. Variance Extracted by the Structural Models.

Year	Perceived Quality	Prices and Costs	Customer Value	Customer Loyalty
2001	0.77	0.87	0.70	0.59
2003	0.76	0.87	0.71	0.71

explained 0.59 in customer loyalty, indicating that customer loyalty might have other antecedents. The variance in customer value in 2001 was lower than in 2003 (0.71). Table 34 details the comparison of 2003 with 2001 regarding the variance extracted by structural models.

5.3.6.2.4. Hypothesized Relationships Evaluation. Corporate reputation does not have any impact on perceived quality, which was a similar pattern to the 2003 model. Corporate reputation has a strongly significant impact on customer value, although the magnitude of the relationship was much lower than in 2003 ($\beta = 0.19$ in 2001 versus $\beta = 0.22$ in 2003). Along with corporate reputation, perceived quality has a strong and this time significant ($p<0.01$) impact on customer value. Also, ‘‘prices and costs’’ had a significant and similar magnitude ($\beta = 0.57$ in 2001 versus $\beta = 0.58$ in 2003). Also in comparison with 2001, the business customers tended to be more price sensitive. The impact of prices and costs was computed as a percentage from the total effects. In 2001 prices and costs contributed with 58% in customer value, whereas in 2003 prices and costs contributed with 64% in customer value.

Similar findings occur for impact of corporate reputation on customer loyalty. The difference between 2001 and 2003 was that the impact of corporate reputation was stronger in 2003 ($\beta = 0.57$) when compared to 2001 ($\beta = 0.23$). Also, the impact of customer value on loyalty was $\beta = 0.32$ in 2001 and $\beta = 0.42$ in 2003.

Overall, the model testing using 2001 provided similar and consistent results to those obtained with the 2003 sample. Also, goodness-of-fit statistics were similar. Consequently, the model could be validated. Table 35 details the hypothesized relationships across the two samples.

Table 35. Hypothesized Relationships Across 2001 and 2003.

Relationships	Hypotheses	Standard Estimates 2001	Standard Estimates 2003	A/FA
Brand image → perceived quality	1a	–	0.10*	Accepted
Brand image → customer value	1b	–	n.s.	Failed to accept
Brand image → customer loyalty	1c	–	n.s.	Failed to accept
Corporate reputation → perceived quality	2a	n.s.	n.s.	Failed to accept
Corporate reputation → customer value	2b	0.19**	0.22**	Accepted
Corporate reputation → customer loyalty	2c	0.23**	0.57**	Accepted
Perceived quality → customer value	3	0.22**	0.10*	Accepted
Prices and costs → customer value	4	0.57**	0.58**	Accepted
Perceived quality < prices and costs effects on customer value	5	Yes	Yes	Accepted
Customer value → customer loyalty	6	0.42**	0.32**	Accepted

Note: n.s., not significant relationship.
*Significant at $p<0.10$.
**Significant at $p<0.01$.

6. DISCUSSION

6.1. Discussion of Findings

Marketing academia focuses little attention on applying the resource-based view as a frame of reference in analyzing the main challenges in marketing practice (Srivastava et al., 2001). This work applies the resource-based view and reveals how a firm can use its resources to enable value creation.

Academic researchers define two types of resources are as important input in the value process. First, intellectual market-based assets are the knowledge that a firm has about the market. Second, relational based assets are the assets that facilitate the relationships, such as "reputation [that helps a firm] ... to develop intimate relationships with customers" (Srivastava et al., 2001, p. 779). These relational resources are the perceptions held by external stakeholders. They are intangible, not owned or controlled by the firm.

This work focuses only on the directional effect of brand image and corporate reputation as relational market-based assets on customer value and loyalty. This broad approach emphasizes the necessity to take into consideration these two facets of brand equity and customer value.

Developing and maintaining brand image and strong corporate reputation are becoming increasingly important goals for firms. These two facets of brand equity are relational market-based assets that contribute to differential advantage, as depicted by the resource-based view theory. Despite their growing popularity and the fact that companies spend increasing investments in relational market-based assets researchers are not reaching a consensus as to what impact they have on customer value and loyalty. This leads to a lack of consistency in how the constructs are used. This work is an attempt to provide insights into the impact of brand image and corporate reputation on perceived quality, customer value and loyalty.

6.1.1. Impacts of Brand Image

6.1.1.1. Brand Image and Perceived Quality. This paper provides support for the findings that brand image is a driver of perceived quality but not of customer value (Lapierre, 2000) or loyalty (Rust et al., 2000b), as previous research demonstrates. The relationship between brand image and the perceived quality although significant, was not very strong, as previous research demonstrates.

Dawar and Parker (1994), Rao and Ruekert (1994), and Rao et al. (1999) emphasize the role of brand image on sending quality signals to customers especially in the end-user area. The business customers' informants here have extensive knowledge about products. Accordingly, limited external cues are necessary for them to make inferences about the quality of the product. Consequently, the importance of brand image cannot be attributed to the need for external cues.

A recognizable image may be particularly useful in more complex buying decisions (Mudambi et al., 1997), that is when the decision-making process is complex or the information is incomplete (Michell et al., 2001). The relationships between buyer and seller in the industry researched in this work are characterized by repeated transactions and strong connections; the buying process is a simple rather, routine based one. However, although the buying decision is a simple one and the information relating to products is fully disclosed, and people involved in the process do not need external cues to evaluate the offering, branding still plays a significant role.

Although previous research has found a strong effect of brand image on perceived quality, in this thesis a low effect has found. This is reflected in the strength and magnitude of the relationships between brand image and perceived quality. One explanation for the relatively low magnitude of relationship between brand image and perceived quality lie in the assumption that customers who are positively predisposed to a brand might require less brand reinforcement (Michell et al., 2001). Brand image is important for business customers since their offering is evaluated by their customers, or end-users, based on the products they use. Business customers acknowledge the value of using products manufactured by well-respected firms to gain legitimacy and acceptance for their own goods (Mudambi, 2002). Underlying these discussions is not that brand "values" may not be as strong in the eyes of the business consumer as they once were (Christopher, 1996), but rather that the brand plays a different role than previously assumed.

6.1.2. Corporate Reputation

Interesting results occur about corporate reputation. First, corporate reputation impacts on the constructs involved in customer value and customer loyalty were significant for 2001 and 2003 samples, validating its impacts. Second, corporate reputation has a differential effect, a complementary role when compared to brand image. Whereas brand image relates to perceived quality, as discussed above, corporate reputation impacts on customer value and customer loyalty. In business markets, "company" brand may be taking over from the individual brand, thus explaining why corporate brand is more important than the offering brand (Christopher, 1996).

6.1.2.1. Corporate Reputation and Customer Value. The results are consistent with earlier work in business markets where for the evaluation of an offering, corporate reputation is ranked second after price (Lehmann & O'Shaughnessy, 1974). In this work also prices and costs were the main antecedents of customer value, followed by corporate reputation.

Whereas works in academia assume that customer value is a pure trade-off between benefits against sacrifices, the results demonstrate that customer value represents more than this. As previously emphasized, company intangible features constitute elements that contribute to the perception of the value a manufacturer delivers to its business customers (Caruana, 1997; Mudambi et al., 1997). Thus, corporate reputation facets are the elements that can contribute to the overall evaluation of an offering. Consequently, customer value can be seen as being more complex than a trade-off between benefits and sacrifices (Bolton & Drew, 1991).

6.1.2.2. Corporate Reputation and Customer Loyalty. A strong reputation is important for long run cooperative channel relationships (Montgomery, 1975), and is a determinant of trust and loyalty (Anderson & Weitz, 1989).

The results provide support for the argument that what influences the likelihood a customer to act toward a specific product or service are the associations the customer holds (Keller, 1993). The stronger the association with a good corporate reputation, the more likely the business customers will remain loyal.

Also, a study in the business-to-business markets area finds that supplier choice is more important than brand choice (Gordon, Calantone, & di Benedetto, 1993; Hutton, 1997), so that the "attitude toward a brand itself often becomes confused with attitude and loyalty toward the supplier" (Hutton, 1997, p. 430).

These results contradict those delivered by Moller and Laaksonen (1986), which suggest that familiarity or reputation may be an important initial screening criterion (Moller & Laaksonen, 1986). The relationships between the companies included in this study and their business customers cannot be considered in the initial stages of buying decision, as previously detailed. The results show that reputation is still a very important issue even though the relationship between buyers and seller is not in its initial stages. This demonstrates once again that reputation is an important asset and a basis of the relationship, a tool to strengthen the connection between buyers and sellers.

Business buyers prefer to conduct their business with firms that are successful and reliable (Mudambi et al., 1997). Business buyers enjoy associations with top companies (Mudambi, 2002). The results of this research are also consistent with Mudambi et al.'s (1997) work, where several respondents consider important to buy from the market leader because they feel they can gain prestige or status, "feel good to be a [market leader] buyer," (Mudambi et al., 1997, p. 444). As being emphasized, branding plays the most important role in low-involvement purchases, where the decision-making process is minimal, in delivering a specific social status (Lemon et al., 2001). Branding is also important in building awareness and attracting customers, building emotional linkage with customers, and reminding customers to repurchase (Rust et al., 2000c).

Marketing recognizes a paradigm shift (Gronroos, 1994), as firms start to orient more toward a relational type of practice, where the goal is "of establishing, maintaining and enhancing ... relationships with customers ..." (Gronroos, 1997, p. 407). The results obtained in this study emphasize the role of marketing in creating a strong corporate reputation and enhancing the relationships with customers. A strong corporate reputation enables customer loyalty and strengthens the connection of a company with its customers.

6.1.3. Perceived Quality, Prices and Costs, and Customer Value

Perceived quality had a significant impact on customer value, as demonstrated by this research, but the impact was not very strong. This pattern was different when applied to 2001 sample. That model revealed that perceived quality was significant and stronger. Also, when compared with the impact of prices and costs, in 2003 versus 2001, the importance of perceived quality decreased. This insight can lead to the conclusion that the market becomes increasingly price sensitive.

The results of this research are consistent with Mudambi and colleagues' observation made after running in-depth interviews in a business-to-business context. In their research business, buyers estimate that price accounts for 70% of the final decision (Mudambi et al., 1997). This research provides empirical evidence that prices and costs account for 64% of customer value, a close approximation to the qualitative research conducted by Mudambi and colleagues.

Prices and costs impacts on customer value exceeded perceived quality impacts, a pattern similar to both samples. This is consistent with early works in both business-to-business context and consumer behavior, sacrifices being weighted more heavily when compared with benefits (Varki & Colgate, 2001).

6.1.4. Customer Value and Customer Loyalty

This research reveals that customer value has a strong impact on customer loyalty, a pattern consistent across the two samples. Researchers acknowledge the importance of customer value as a key strategic variable that influences loyalty (Patterson, Johnson, & Spreng, 1997; Weinstein, 2002). Success for companies comes along with a corporate mission, one that cultivates and manages effectively loyalty (Reichheld, 1994), in order to achieve a positive financial outcomes (Reichheld et al., 2000; Slater & Narver, 2000). Therefore, customer loyalty must be the indispensable benchmark of success (Reichheld et al., 2000) as well as the top priority for managers (Weinstein, 2002).

6.1.5. Additional Findings

The drivers of customer value may vary according to the industry (Lemon et al., 2001). Whereas in early research the product influence perceived quality, in this work its influence is not significant. This relationship was similar across both samples. An explanation is that the products themselves cannot be differentiated; they are the objects of exchange. For business customers' services, brand image and corporate reputation are more important than the products.

6.2. Implications

6.2.1. Academic Implications

This research contributes to the resource-based view of the firm and its application in marketing. This study identifies how brand image and corporate reputation, as relational market-based assets contribute to generating and sustaining customer value and loyalty, areas recognized as being important for the resource-based view of the firm and marketing (Srivastava et al., 2001).

This research contributes to the overarching and continuing theme of the Institute for the Study of Business Markets' research program that is to what research can do to better create, measure, and deliver customer value in business markets. Specifically, from ISBM perspective, what is relevant to this work is the best ways to conceptualize and understand customer value and the approaches and measurement methods that exist, can be adapted, or can be developed to assess customer value in business markets (Institute of the Study for Business Markets, 2003). The "benefits of branding to consumer in business-to-business markets have not been explored" (Mudambi, 2002, p. 527), and more comprehensive models as well as empirical work analyzing marketing channels are needed (Stern & Reve, 1980; Frazier & Sheth, 1985). Consequently, this study contributes to the business-to-business literature, especially relating to areas of customer value and branding (Brodie et al., 2002).

Whereas the previous research in business-to-business context assumes the rationality of buying decision, this study provides strong support for the theory that branding is an important feature that should not be neglected. Brand is a determinant of customer value and loyalty. The results reveal that in order to develop strong relationships with its customers, a firm needs to deliver not only customer value but also a good reputation.

In order to develop a customer-based theory of the firm (Slater, 1997) more empirical results are needed to explain the firms' differences in performance due to the customers. This study contributes by providing further insights into customer value–loyalty chain in a business-to-business situation and by integrating the corporate reputation concept, to which researchers have been paid little attention, into nomological relationships with other constructs of marketing theory, such as customer value and loyalty.

Also, this study provides a framework to model customer value and customer equity by integrating brand equity concept. Although previous research encourages researchers to adopt a customer value framework as a tool to link marketing with financial performance, this should not be done without incorporating all the aspects of branding. Along with brand image strategists and scholars should not neglect corporate reputation since the corporate reputation has a strong impact on both customer value and customer loyalty. This study provides insights into how brand equity and customer equity are related (Hogan, Lemon, & Rust, 2002). The study demonstrates a linkage between brand equity facets, brand image, and corporate reputation, and customer value and loyalty. This linkage has an impact on customer equity.

Along with these implications, this study provides evidence for the existence of brand image and corporate reputation as separate entities (Aaker, 1996). As this work demonstrates, they have a complementary effect: brand image influences perceived quality whereas corporate reputation influences customer value and customer loyalty.

This study has implications for the modeling choice academics employ, namely for the customer equity model. The customer equity school of thought defines customer value as a pure rational trade-off between benefits (i.e., perceived quality) relative to sacrifices (i.e., prices and costs), where benefits include only product and service features (Zeithaml, 1988; Rust et al., 1995, 2000c, 2001; Lemon et al., 2001). The proponents of this school of thought argue for a separate impact of emotional features. In their model, brand equity exercises a role above customer value. Their argument is that the drivers should be defined more sharply in order to have clearer insights and prescriptions for management (Rust et al., 2000b).

Some of the relationships included in this study had the expected impact (e.g., the relationship between corporate reputation and loyalty), whereas other relationships did not have the expected impacts. For example, brand image exerted an influence on perceived quality, and therefore, business customers did not perceived the trade-off between perceived quality and sacrifices as a pure rational one but rather as a blend of emotional and rational offering features.

Also, by ignoring the effect of corporate reputation on customer value, a relationship not included in customer equity framework, the indirect effect of corporate reputation via customer value on customer loyalty is neglected, and the total effects exerted by corporate reputation on loyalty are underestimated.

6.2.2. Managerial Implications

Given limited resources, managers have to decide which of the attributes are more important to the company's target market and consider how difficult is to enhance the evaluation of those attributes by the customers (Barich &

Srinivasan, 1993). This study answers the question, in skin-care products industry, of where investments should be made in order to have the higher impact on perceived quality, customer value, and customer loyalty.

6.2.2.1. Brand Image–Perceived Quality Relationship. Although brand image was found not to have a strong impact on perceived quality, this does not mean that managers should invest in other features of the offering. Brand image might be an important feature for end-users. Therefore, brand image should not be neglected. Accordingly, business managers should deliver a brand image that customers want as a tool to differentiate their products and to increase the product quality perceptions to both business customers and end-users.

6.2.2.2. Corporate Reputation–Customer Value Relationship. Corporate reputation should be carefully managed because its proven strong impact on customer value. Whereas prices and costs are the main driver of customer value, corporate reputation is the second determinant. Accordingly, managers should manipulate the perception of good customer value by creating a good company reputation. Delivering products with better prices can create better customer value, but this might be more costly for the bottom line than manipulating corporate reputation perceptions. Also, since corporate reputation is an enduring belief (Gray & Balmer, 1998; Balmer, 2001; Bromley, 2001), investments are probably necessary only to maintain it.

6.2.2.3. Corporate Reputation–Customer Loyalty Relationship. Whereas the role of customer value in creating customer loyalty is acknowledged by both researchers and practitioners (Zeithaml, 1988, 2000; Kordupleski et al., 1993; Gale, 1994; Rust et al., 1995, 2000b, 2000c, 2001; Laitamaki & Kordupleski, 1997; Lemon et al., 2001), the role of corporate reputation has not been considered. This research reveals that although customer value is important, corporate reputation can have a stronger impact. As a result, managers should pay more attention to the way they act in the marketplace since this can affect the loyalty they need from their current and potential customers.

Building "customer intimacy," which in turn can drive customer loyalty, can be an expensive exercise (Treacy & Wiersema, 1993). Companies look at multiple transactions with customers and not the value of any single transaction (Treacy & Wiersema, 1993). This approach is based on the fact that acquiring new customers can cost up to five times more than to make an additional sale to an existing customer (Blattberg & Deighton, 1996;

Slater & Narver, 2000). The costs associated with dealing with loyal customers decline since they are easier to serve because they are familiar with the structure and know how to utilize this structure (Reichheld, 1994). These results have encouraged firms to pay more attention to the customer loyalty (Payne & Holt, 2001). Consequently, by managing and delivering a good corporate reputation a firm can increase its customer base loyalty and have positive financial outcomes as a result of this action.

6.2.2.4. Customer Value–Loyalty. The concept of customer value is an important tool if the concept is linked with the organizational process and its outcomes (Woodruff, 1997). The reason for the interest in customer value is based on its positive impact on loyalty. Customer value can create a differential advantage necessary not only to survive but also to be successful in the marketplace.

Early studies find a significant and high correlation between high customer retention and company profitability and that a 5% change in retention rate could result in a 25–100% change in profits (Reichheld et al., 2000). Customer retention also has positive effects on decreasing costs, increasing the volume of purchases, paying a premium price and positive word-of-mouth. All of these effects influence positively the firm's margins and therefore, the profits (Zeithaml, 2000). Researchers emphasize that a firm's financial performance reflects whether customers repurchase the firm's offering (Clark, 1999). Therefore, the substantial interest among both marketing scholars and practitioners in finding ways to boost customer loyalty is understandable (Kumar, Olshavsky, & King, 2001a).

As this research reveals, customer value has a strong impact on loyalty. Consequently, managers should carefully select the way they boost customer value. One way is by the perception of prices and costs, since they have the greatest impact on customer value. Also, corporate reputation has an impact on customer value and can therefore be used to improve customer value perceptions.

6.2.2.5. Modeling Customer Value. This study has an implication for the modeling practitioners and consultants have employed namely for Gale's framework (1994). Whereas support is found for this framework by means of the brand image impact on perceived quality (Gale, 1994; Higgins, 1998), the warrant is the same as for customer equity framework. The role of other intangible features, such as corporate reputation, is neglected, and therefore an inconsistent picture of what is important for business customers is presented. The focus of Customer Value Added framework is not only on the sub-drivers of customer value, but also on the overall relationships between constructs and the way to strategically improve their impact on loyalty, in order to have strong financial results. Customer value might be misjudged as not being able to create loyalty, even though customer value might be comparable with competitors' customer value. Then maybe corporate reputation is responsible for a low customer loyalty level. Moreover, this can lead to mistrust in those areas where maybe corporate reputation has a stronger impact and customer value a lower one. So, while customer value is important for influencing loyalty, corporate reputation can also be an important determinant for loyalty.

6.2.3. Method Implications

This study has a method contribution because the manipulation and the data extraction performed, thus contributing to the methodology development (Shugan, 2002). The methodological contribution of this thesis refers to the way missing values were replaced. A lot of previous work recommends EM for substitution, but this method is not appropriate for categorical data (Hair et al., 2000). Consequently, the method used, linear trend of the point, was considered more appropriate for replacement. The substitution was based on the understanding of what missing values represent. The missing values were replaced with their predicted values.

6.3. Research Limitations

This study has certain limitations that need recognition and elimination in future research. First, the sample was limited only to one industry and therefore, the results should be interpreted accordingly. Researchers argue that the drivers of customer value and loyalty play a differential role, depending on the industry and the context of buying decision (Rust et al., 2000c). Customer value drivers, for example, might be more important for industries where the differences between competing products are discernible, and where the decision involved in the buying process is very complex, as for most business-to-business purchases, and for innovative products (Rust et al., 2000c). Consequently future work should address this issue.

Second, although the sample was considered representative of the market, this inference was based upon a discussion with the company's management team and territorial distribution of the respondents. The company sponsoring the research took all the necessary steps to assure a representative sample since the management's future actions will be based on the inferences drawn from this data set. However, future research should use more tools for reporting the statistical representativeness of the sample compared to the real population.

Third, while this study develops a number of measures (i.e., marketing support, training, customer service, etc.), and itself a contribution, the reliability level found with loyalty suggest that items comprising the scale have some diversity and not highly correlated. Whereas this type of scale have been previously used, reporting good reliabilities, in this study the reliability is only 0.63, a level has been acknowledged as suffice by Nunnally (1967). A level above 0.7 would have been better. The low reliability might be due to the sensitive nature of the question evaluating the likelihood to increase the sum spent on the firm's products. This low reliability situation is not new, as previous research has attributed the low level of reliability of the loyalty scale to the sensitive nature of the question referring to the price and willingness to pay slightly more for a product (Bentham, 2001). Another explanation for this low reliability is that the indicators are formative and not reflective as has been considered in this study. The formative indicators cause the latent construct, they are not its facets but its antecedents (Diamantopoulos & Winklhofer, 2001).

Fourth, although the study includes the use of a holdout sample (i.e., the information resulting from the, 2001 survey) to validate the model resulting from SEM, the sample did not contain full information. The, 2001 sample did not include any kind of reference to brand image and its facets. Moreover, although corporate reputation was included, the question included image facets as well so the question was a blend of both of them. Although corporate reputation builds upon corporate image as presented in Section 2, a separate question would have been desirable.

6.4. Future Research

The investigation relies on the responses or perceptions of managers or the persons responsible in the buying decision process. As a result, the evaluation of the customer value and loyalty drivers and sub-drivers are based upon on a single perception. Since other persons working with the products within the organization can possibly influence the decision maker involved in the buying decision and interviewed in this study, the influencers should also been interviewed in order to capture valuable information about customer value.

Since customer value is a dynamic concept, the magnitude and importance of the drivers are likely to change over time (Parasuraman, 1997). Accordingly, snapshots of brand image, corporate reputation, and customer value will have higher relevance if the evaluation is repeated over time. Also the dynamic approach of studying customer value is a necessary step for knowledge evolution in this area (Ravald & Gronroos, 1996); understanding how customer value evolves over time is a must (Ravald & Gronroos, 1996). Although this study captures the impact of brand image and corporate reputation on different links in the customer value–loyalty chain, this is a rather static view. Therefore, future research should consider a longitudinal data containing more than two years, in order to capture the evolutionary process.

Previous work operationalizes corporate reputation as the sum of stakeholders' perspective. In this thesis, only a business customer perspective is included. Interesting insights could be gained if the same framework was applied to the end-users. Applying this framework to channel partners and to the end-users would give a strong tool to manufacturers since they would know what is important and for whom. Also, this would provide academics with better insights about the value-creation process and its relationships with brand equity facets across different stakeholders.

Customer needs and wants vary significantly in many markets (Cravens, 1998) and also the drivers of loyalty can vary across different industries (Ostrom & Iacobucci, 1995). By extending this study into other industries researchers can get insights as to whether brand image and corporate reputation have a greater or lesser effect on perceived quality, customer value and loyalty. Increasing the number of industries would also allow us to increase the generalizability of the findings.

This framework is applicable not just to consumer goods industries but also to other contexts such as service industries, where the role of intangible aspects is even stronger than for consumer goods (Zins, 2001). Additional insights can be gained by collecting this information from the new channel, the virtual and computer-mediated environments.

In addition, the results were based on a New Zealand market, in skin-care products industry. Since a lot of cross-cultural studies demonstrate the differences caused by cultural settings, a future research should explore cross-national differences in perceptions of brand image, corporate reputation, and their relationship in the customer value–loyalty framework, and any implications that this may have on the proposed model.

Although recent research recognizes risk to be an influence on customer value (Flint et al., 2002), this study does not included risk. However, future work could integrate this construct as a driver of customer value. This integration would relate also to corporate reputation since a strong reputation is assumed to lower the level of risk perceived by customers (Chen & Dubinsky, 2003).

6.5. Conclusion

This work provides more empirical evidence for the resource-based view application in marketing. The study demonstrates how brand image and corporate reputation as relational based assets contribute to the value-creation process. Whereas brand image impacts on perceived quality, corporate reputation complements brand image by influencing customer value and loyalty.

The study also provides more evidence that brand equity exists in business markets, in terms of business customers' willingness to increase the amount spent on their favorite supplier, and to recommend their manufacturer to other customers. This study provides support for the assumption that intangible factors matter, even in rational and systematic decision making such as business-to-business buying process (Mudambi et al., 1997).

Although researchers assume that the business buyers are not affected by the purchase decision and can expect more rationality and less brand effect, this study reveals some contradicting findings. Emotional features of the offering appear to be important issues in the business context. First, the buying decision in this process is affected by brand image contradicting the rationality of organizational buyer behavior. Second, an interesting insight is that the organizational buying decision can be described as being emotional because of the connection between corporate reputation, perceived customer value and loyalty. This works provides full support that in business markets, intangible attributes such as reputation and image might be of equal or greater importance than tangible features of the offering (Lehmann & O'Shaughnessy, 1974).

A general approach that includes both brand and customer is appropriate for a firm's success (Ambler et al., 2002). Firms should think about brand and customers as ''two sides of the same coin,'' one perspective without the other is unlikely to be effective (Ambler et al., 2002).

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APPENDIX A. QUESTIONNAIRE

q10	Being well known and prestigious
q11	Being fashionable and trendy
q12	Having a reputation for quality
q13	Being elegant
q14	Being gentle
q15	Being useful
q16	Being natural
q17	Being sophisticated
q18	Overall brand image
q20	Being well managed
q21	Being technological/product driven
q22	Being successful
q23	Being innovative
q24	Having customer focus
q25	Keeping you informed about what's happening with the company
q26	Taking care of your salon whether you are big or small
q29	Being industry leader
q30	Being honest
q31	Being respected
q32	Being a good corporate citizen
q33	Overall corporate reputation
q37	Offering high-quality products
q38	Having products that are reliable and consistent
q39	Offering a wide range of products
q40	Having retail products that meet your customer's every need
q41	Offering new products
q42	Having beautiful and stylish packaging that attracts your customers' eyes
q43	Overall evaluation of products
q47	Helping you to know the products thoroughly
q48	Teaching you to achieve the best results
q49	Training your staff to use their products
q50	Being a troubleshooter when you need help
q51	Making it easy to get help when you need it
q52	Keeping in contact with you to assess your ongoing training needs
q53	Creative inspiration (e.g., new color techniques or the latest cutting trends)
q54	Overall product training and technical support
q58	Helping you to attract new customers with promotions and special offers

APPENDIX A. (*Continued*).

q59	Helping you to keep your existing customers with promotions and offers
q60	Creating demand for the products you stock with television and magazine advertising
q61	Making your salon look good with posters and point of sale material
q62	Giving you the tools and support you need for great retail product merchandising
q63	Overall marketing support
q67	Helping you to expand your business
q68	Showing you how to run your business more efficiently
q69	Helping you and your staff to sell more retail products
q70	Showing you how to motivate and support your staff
q71	Offering you fresh ideas and expertise
q72	Working with you to maximize the value of your business
Q73	Overall – working with you to improve your business
q77	Making it easy to call and speak to a real person
q78	Making it easy to place an order
q79	Being friendly and helpful when you call
q80	Having the products that you need in stock
q81	Being timely and reliable with delivery
q82	Processing your credits quickly and accurately, and without fuss
q83	Making sure the products delivered match your original order
q84	Having an invoice: straightforward, easy to read, and easy to process for payment
Q85	Overall evaluation of customer service, order handling, and delivery
q89	Being courteous and professional at all times
q90	Being trustworthy and reliable
q91	Knowing and understanding your stock and business needs, keeping your best interests in mind
q92	Keeping in regular contact with you over time
q93	Being full of good ideas
q94	Taking the time to get to know your staff and helping to motivate them
q95	Making productive use of your time together on visits
Q96	Overall evaluation of the sales representatives
q100	Making incentives attainable
q101	Having incentives that offer you something that you value, that really motivate you to achieve them
q102	Making you feel good about being a ≪Producer name≫'s client
q103	Recognizing the value and contribution of your business, no matter what the size
q104	Overall evaluation of special recognition programs
q107	Overall perceived quality (product and services)
q111	Consistently offering fair and competitive prices
q112	Offering prices that are a good match for the service they provide
q113	Being flexible with prices
q114	Overall evaluation of prices
q118	Offering discounts that recognize your value and your loyalty as a client
q119	Offering discounts that recognize the value of your purchases
q120	Offering rebates that are reasonable and fair

APPENDIX A. (*Continued*).

q121	Overall evaluation of rebates and discounts offered
q125	Respecting that your time is valuable, keeping the time that you are kept waiting to speak to someone to a minimum
q126	Taking care of any complaints or problems that you have quickly and effectively
q127	Being available for business during hours that suit you
q128	Minimizing your risk by accepting returns on products that don't sell
q129	Having a reasonable minimum quantity order amount
q130	Overall evaluation of the other costs
q133	Overall prices and costs
q136	Overall worth what paid for
q138	a27 Based on your experiences with ≪Producer name≫, how likely are you to recommend ≪Producer name≫ to others in the trade?
q139	Increase the amount spent on retail products
q130	Increase the amount spent on color products
q131	Increase the amount spent on basin stock and treatments

APPENDIX B. CONSTRUCTS AND MEASUREMENTS

Construct	Number of Items	Items	Comments
Brand image	8	Being well known and prestigious Being fashionable and trendy Having a reputation for quality Being elegant Being gentle Being useful Being natural Being sophisticated	The scale is adapted from the scale used for shampoos (Low & Lamb, 2000).
Corporate reputation	11	Being well managed Being technological/product driven Being successful Being innovative Having customer focus Keeping you informed about what's happening with the company Taking care of your salon whether you are big or small Being industry leader Being honest Being respected Being a good corporate citizen	The scale items are similar with those used in past research.

APPENDIX B. (*Continued*).

Construct	Number of Items	Items	Comments
Product quality	6	Offering high-quality products Having products that are reliable and consistent Offering a wide range of products Having retail products that meet your customer's every need Offering new products Having beautiful and stylish packaging that attracts your customers' eyes	Generated by qualitative research
Training	7	Helping you to know the products thoroughly Teaching you to achieve the best results Training your staff to use their products Being a troubleshooter when you need help Making it easy to get help when you need it Keeping in contact with you to assess your ongoing training needs Giving you creative inspiration, for example, new color techniques or the latest cutting trends	Generated by qualitative research
Marketing support	5	Helping you to attract new customers with promotions and special offers Helping you to keep your existing customers with promotions and offers Creating demand for the products you stock with television and magazine advertising Making your salon look good with posters and point of sale material Giving you the tools and support you need for great retail product merchandising	Generated by qualitative research
Help with business	4	Helping you and your staff to sell more retail products Offering you fresh ideas and expertise	Generated by qualitative research

APPENDIX B. (*Continued*).

Construct	Number of Items	Items	Comments
Customer service	8	Making it easy to call and speak to a real person Making it easy to place an order Being friendly and helpful when you call Having the products that you need in stock Being timely and reliable with delivery Processing your credits quickly and accurately, and without fuss Making sure the products delivered match your original order Having an invoice or statement that is straightforward, easy to read, and easy to process for payment	Generated by qualitative research
Sales representatives	6	Being courteous and professional at all times Being trustworthy and reliable Knowing and understanding your stock and business needs, and keeping your best interests in mind Keeping in regular contact with you over time Being full of good ideas Making productive use of your time together on visits	Generated by qualitative research
Special recognition	2	Making you feel good about being a ≪Supplier name≫client Recognizing the value and contribution of your business, no matter what the size	Generated by qualitative research
Prices	3	Consistently offering fair and competitive prices Offering prices that are a good match for the service they provide Being flexible with prices	Generated by qualitative research
Rebates	3	Offering discounts that recognize your value, and your loyalty as a client Offering discounts that recognize the value of your purchases Offering rebates that are reasonable and fair	Generated by qualitative research

APPENDIX B. (*Continued*).

Construct	Number of Items	Items	Comments
Non-monetary costs	4	Respecting that your time is valuable and keeping the time that you are kept waiting to speak to someone to a minimum Taking care of any complaints or problems that you have quickly and effectively Being available for business during hours that suit you Having a reasonable minimum quantity order amount	Generated by qualitative research
Loyalty	2	Likelihood to recommend Increase the amount spent	Two facets as suggested by research – behavioral and attitudinal

APPENDIX C. SKEWNESS AND KURTOSIS

	N	Mean	Std. Dev.	Skewness		Kurtosis	
		Statistic		Statistic	SE	Statistic	SE
Being well known and prestigious	390	8.97	1.22	−1.52	0.12	3.31	0.25
Being fashionable and trendy	390	8.59	1.28	−0.97	0.12	1.49	0.25
Having a reputation for quality	390	8.86	1.28	−1.64	0.12	4.39	0.25
Being gentle	390	8.41	1.32	−0.74	0.12	0.38	0.25
Being useful	390	8.72	1.25	−1.01	0.12	1.09	0.25
Being sophisticated	390	8.36	1.36	−0.83	0.12	1.06	0.25
Being well managed	390	8.24	1.73	−1.33	0.12	1.97	0.25
Being technological/product driven	390	8.73	1.32	−1.33	0.12	2.28	0.25
Being successful	390	8.83	1.23	−1.12	0.12	1.31	0.25
Being innovative	390	8.45	1.41	−1.08	0.12	1.83	0.25
Having customer focus	390	8.21	1.79	−1.33	0.12	2.05	0.25
Keeping you informed about what's happening with the company	390	8.17	1.85	−1.20	0.12	1.20	0.25

APPENDIX C. (*Continued*).

	N	Mean	Std. Dev.	Skewness		Kurtosis	
		Statistic		Statistic	SE	Statistic	SE
Taking care of your salon whether you are big or small	390	7.94	2.24	−1.21	0.12	0.98	0.25
Being industry leader	390	8.70	1.33	−1.26	0.12	1.93	0.25
Being honest	390	8.46	1.57	−1.61	0.12	3.72	0.25
Being respected	390	8.63	1.37	−1.54	0.12	3.77	0.25
Being a good corporate citizen	390	8.32	1.37	−1.17	0.12	2.35	0.25
Offering high-quality products	390	8.75	1.17	−1.21	0.12	2.85	0.25
Having products that are reliable and consistent	390	8.69	1.21	−1.24	0.12	3.13	0.25
Offering a wide range of products	390	8.53	1.33	−0.86	0.12	0.48	0.25
Having retail products that meet your customer's every need	390	8.28	1.40	−0.64	0.12	−0.04	0.25
Offering new products	390	8.32	1.42	−1.05	0.12	1.90	0.25
Having beautiful and stylish packaging that attracts your customers' eyes	390	7.89	1.50	−0.56	0.12	0.25	0.25
Helping you to know the products thoroughly	390	8.26	1.73	−1.29	0.12	2.08	0.25
Teaching you to achieve the best results	390	8.13	1.79	−1.38	0.12	2.49	0.25
Training your staff to use their products	390	8.26	1.76	−1.33	0.12	2.02	0.25
Being a troubleshooter when you need help	390	8.40	1.78	−1.55	0.12	2.88	0.25
Making it easy to get help when you need it	390	8.46	1.71	−1.53	0.12	2.66	0.25
Keeping in contact with you to assess your ongoing training needs	390	7.95	2.00	−1.24	0.12	1.51	0.25
Giving you creative inspiration, for example, new color techniques or the latest cutting trends	390	8.04	1.83	−1.19	0.12	1.54	0.25
Helping you to attract new customers with promotions and special offers	390	6.96	2.13	−0.76	0.12	0.56	0.25

APPENDIX C. (*Continued*).

	N	Mean	Std. Dev.	Skewness		Kurtosis	
		Statistic		Statistic	SE	Statistic	SE
Helping you to keep your existing customers with promotions and offers	390	7.08	2.08	−0.78	0.12	0.63	0.25
Creating demand for the products you stock with television and magazine advertising	390	7.18	2.06	−0.70	0.12	0.37	0.25
Making your salon look good with posters and point of sale material	390	7.29	2.09	−1.02	0.12	0.97	0.25
Giving you the tools and support you need for great retail product merchandising	390	7.42	1.99	−0.82	0.12	0.57	0.25
Helping you to expand your business	390	6.66	2.19	−0.54	0.12	−0.11	0.25
Helping you and your staff to sell more retail products	390	6.99	2.03	−0.58	0.12	0.14	0.25
Working with you to maximize the value of your business	390	6.74	2.20	−0.62	0.12	−0.03	0.25
Offering you fresh ideas and expertise	390	7.08	2.13	−0.73	0.12	0.33	0.25
Making it easy to call and speak to a real person	390	8.33	2.01	−1.66	0.12	2.74	0.25
Making it easy to place an order	390	8.66	1.65	−1.91	0.12	4.92	0.25
Being friendly and helpful when you call	390	8.77	1.49	−1.73	0.12	4.14	0.25
Having the products that you need in stock	390	8.25	1.60	−1.16	0.12	1.59	0.25
Being timely and reliable with delivery	390	7.91	2.12	−1.24	0.12	1.08	0.25
Processing your credits quickly and accurately, and without fuss	390	7.99	2.07	−1.31	0.12	1.51	0.25
Making sure the products delivered match your original order	390	8.04	1.96	−1.38	0.12	1.86	0.25
Having an invoice or statement that is straightforward, easy to read, and easy to process for payment	390	8.55	1.69	−1.74	0.12	3.69	0.25

APPENDIX C. (*Continued*).

	N	Mean	Std. Dev.	Skewness		Kurtosis	
	Statistic			Statistic	SE	Statistic	SE
Being courteous and professional at all times	390	8.84	1.56	−2.41	0.12	8.15	0.25
Being trustworthy and reliable	390	8.65	1.69	−2.03	0.12	5.24	0.25
Knowing and understanding your stock and business needs, and keeping your best interests in mind	390	8.19	1.98	−1.44	0.12	2.19	0.25
Keeping in regular contact with you over time	390	8.41	1.90	−1.65	0.12	2.91	0.25
Being full of good ideas	390	8.01	1.91	−1.32	0.12	2.04	0.25
Making productive use of your time together on visits	390	8.43	1.68	−1.69	0.12	4.07	0.25
Making incentives attainable	390	7.26	2.02	−0.84	0.12	0.65	0.25
Having incentives that offer you something that you value, that really motivate you to achieve them	390	7.02	2.14	−0.77	0.12	0.28	0.25
Making you feel good about being a with ≪Producer name≫'s client	390	7.75	2.08	−1.09	0.12	0.95	0.25
Recognizing the value and contribution of your business, no matter what the size	390	7.58	2.35	−1.14	0.12	0.72	0.25
Overall evaluation of products and services	390	8.13	1.44	−1.07	0.12	2.19	0.25
Consistently offering fair and competitive prices	390	7.84	1.71	−0.89	0.12	1.08	0.25
Offering prices that are a good match for the service they provide	390	7.97	1.65	−1.10	0.12	1.85	0.25
Being flexible with prices	390	7.19	2.25	−0.90	0.12	0.48	0.25
Offering discounts that recognize your value, and your loyalty as a client	390	7.87	2.04	−1.33	0.12	1.80	0.25
Offering discounts that recognize the value of your purchases	390	7.81	2.03	−1.31	0.12	1.87	0.25
Offering rebates that are reasonable and fair	390	7.68	2.08	−1.24	0.12	1.67	0.25

APPENDIX C. (*Continued*).

	N	Mean	Std. Dev.	Skewness		Kurtosis	
		Statistic		Statistic	SE	Statistic	SE
Respecting that your time is valuable	390	8.06	1.82	−1.42	0.12	2.59	0.25
Taking care of any complaints or problems that you have quickly and effectively	390	8.18	1.79	−1.45	0.12	2.67	0.25
Being available for business during hours that suit you	390	8.35	1.57	−1.40	0.12	3.05	0.25
Having a reasonable minimum quantity order amount	390	7.64	2.12	−1.00	0.12	0.75	0.25
Overall prices and costs	390	7.80	1.52	−0.87	0.12	1.92	0.25
Overall worth what paid for	390	8.12	1.39	−0.69	0.12	0.82	0.25
Based on your experiences with ≪Producer name≫, how likely are you to recommend with ≪Producer name≫	390	8.47	1.94	−1.63	0.12	2.80	0.25
Increase the amount spent with ≪Producer name≫	390	7.18	2.18	−0.47	0.12	−0.31	0.25

APPENDIX D. COMMUNALITIES

Items	Initial	Extraction
Being well known and prestigious	1	0.54
Being fashionable and trendy	1	0.61
Having a reputation for quality	1	0.52
Being elegant	1	0.58
Being gentle	1	0.57
Being useful	1	0.54
Being natural	1	0.43
Being sophisticated	1	0.66
Being well managed	1	0.69
Being technological/product driven	1	0.64
Being successful	1	0.66
Being innovative	1	0.65
Having customer focus	1	0.73
Keeping you informed about what's happening with the company	1	0.57

APPENDIX D. (*Continued*).

Items	Initial	Extraction
Taking care of your salon whether you are big or small	1	0.75
Being industry leader	1	0.67
Being honest	1	0.70
Being respected	1	0.73
Being a good corporate citizen	1	0.67
Offering high-quality products	1	0.67
Having products that are reliable and consistent	1	0.64
Offering a wide range of products	1	0.69
Having retail products that meet your customer's every need	1	0.67
Offering new products	1	0.63
Having beautiful and stylish packaging that attracts your customers' eyes	1	0.63
Helping you to know the products thoroughly	1	0.84
Teaching you to achieve the best results	1	0.85
Training your staff to use their products	1	0.82
Being a troubleshooter when you need help	1	0.76
Making it easy to get help when you need it	1	0.80
Keeping in contact with you to assess your ongoing training needs	1	0.82
Giving you creative inspiration, for example, new color techniques or the latest cutting trends	1	0.79
Helping you to attract new customers with promotions and special offers	1	0.80
Helping you to keep your existing customers with promotions and offers	1	0.81
Creating demand for the products you stock with television and magazine advertising	1	0.62
Making your salon look good with posters and point of sale material	1	0.71
Giving you the tools and support you need for great retail product merchandising	1	0.77
Helping you to expand your business	1	0.79
Helping you and your staff to sell more retail products	1	0.79
Working with you to maximize the value of your business	1	0.77
Offering you fresh ideas and expertise	1	0.75
Making it easy to call and speak to a real person	1	0.76
Making it easy to place an order	1	0.78
Being friendly and helpful when you call	1	0.66
Having the products that you need in stock	1	0.67
Being timely and reliable with delivery	1	0.72

APPENDIX D. (*Continued*).

Items	Initial	Extraction
Processing your credits quickly and accurately, and without fuss	1	0.66
Making sure the products delivered match your original order	1	0.75
Having an invoice or statement that is straightforward, easy to read, and easy to process for payment	1	0.42
Knowing and understanding your stock and business needs, and keeping your best interests in mind	1	0.85
Keeping in regular contact with you over time	1	0.78
Being full of good ideas	1	0.82
Making productive use of your time together on visits	1	0.84
Making incentives attainable	1	0.73
Having incentives that offer you something that you value, that really motivate you to achieve them	1	0.77
Making you feel good about being a ≪Producer name≫'s client	1	0.81
Recognizing the value and contribution of your business, no matter what the size	1	0.81
Consistently offering fair and competitive prices	1	0.75
Offering prices that are a good match for the service they provide	1	0.78
Being flexible with prices	1	0.71
Offering discounts that recognize your value, and your loyalty as a client	1	0.84
Offering discounts that recognize the value of your purchases	1	0.84
Offering rebates that are reasonable and fair	1	0.84
Respecting that your time is valuable and keeping the time that you are kept waiting to speak to someone to a minimum	1	0.73
Taking care of any complaints or problems that you have quickly and effectively	1	0.69
Being available for business during hours that suit you	1	0.68
Having a reasonable minimum quantity order amount	1	0.60
Based on your experiences with ≪Producer name≫, how likely are you to recommend ≪Producer name≫ to others in the trade?	1	0.62
Increase the amount spent	1	0.46

APPENDIX E. FACTOR LOADINGS

Item	1	2	3	4	5	6	7	8	9
Being well known and prestigious		0.95							
Being fashionable and trendy		0.74							
Having a reputation for quality		0.88							
Being elegant		0.68							
Being useful		0.65							
Being sophisticated		0.82							
Being well managed								0.74	
Being successful								0.64	
Having customer focus								0.52	
Keeping you informed about what's happening with the company								0.60	
Being honest								0.68	
Being a good corporate citizen								0.47	
Offering high-quality products							0.50		
Having products that are reliable and consistent							0.43		
Offering a wide range of products							0.80		
Having retail products that meet your customer's every need							0.75		
Offering new products							0.56		
Having beautiful and stylish packaging that attracts your customers' eyes							0.63		
Helping you to know the products thoroughly					0.86				
Teaching you to achieve the best results					0.86				
Training your staff to use their products					0.98				
Being a troubleshooter when you need help					0.76				
Making it easy to get help when you need it					0.73				
Keeping in contact with you to assess your ongoing training needs					0.84				
Giving you creative inspiration, for example, new color techniques or the latest cutting trends					0.94				

APPENDIX E. (*Continued*).

Item	1	2	3	4	5	6	7	8	9
Helping you to attract new customers with promotions and special offers	0.96								
Helping you to keep your existing customers with promotions and offers	0.95								
Creating demand for the products you stock with television and magazine advertising	0.92								
Making your salon look good with posters and point of sale material	0.73								
Giving you the tools and support you need for great retail product merchandising	0.82								
Helping you to expand your business	0.67								
Helping you and your staff to sell more retail products	0.60								
Working with you to maximize the value of your business	0.60								
Offering you fresh ideas and expertise	0.62								
Making it easy to call and speak to a real person			0.69						
Making it easy to place an order			0.61						
Being friendly and helpful when you call			0.63						
Having the products that you need in stock			0.81						
Being timely and reliable with delivery			0.98						
Processing your credits quickly and accurately, and without fuss			0.73						
Making sure the products delivered match your original order			0.95						
Having an invoice or statement that is straightforward, easy to read, and easy to process for payment			0.75						

APPENDIX E. (*Continued*).

Item	1	2	3	4	5	6	7	8	9
Knowing and understanding your stock and business needs, and keeping your best interests in mind						0.92			
Keeping in regular contact with you over time						0.93			
Being full of good ideas						0.98			
Making productive use of your time together on visits						0.99			
Making incentives attainable	0.46								
Having incentives that offer you something that you value, that really motivate you to achieve them	0.50								
Consistently offering fair and competitive prices				0.91					
Offering prices that are a good match for the service they provide				0.75					
Being flexible with prices				0.91					
Offering discounts that recognize your value, and your loyalty as a client				0.96					
Offering discounts that recognize the value of your purchases				0.95					
Offering rebates that are reasonable and fair				0.93					
Respecting that your time is valuable and keeping the time that you are kept waiting to speak to someone to a minimum				0.46					
Having a reasonable minimum quantity order amount				0.68					
Based on your experiences with ≪Producer name≫, how likely are you to recommend ≪Producer name≫ to others in the trade?									0.25
Increase the amount spent									0.59

MANUFACTURER COMPANY REPUTATION BENEFITS: CASE STUDY

A multinational FMCG company with many products has a range of products branded under the same brand name. The company has a strong reputation for producing high-quality products. However, there are many companies competing in this segment and the opportunity for differentiation based on quality is small so there is strong competition. While the company is the market leader, there is a concern among its marketing executives that the company's marketing is not focusing enough on customer value and customer loyalty and thus giving the best return on investment. As a result the marketing department has started a marketing research study to highlight the areas of value where business customers place a high importance.

1. Use the Cretu and Brodie research model discuss how the marketing department should undertake this investigation.
2. Assume the results from the Cretu and Brodie research are for your company.
   a. The company would like to improve the customers' perceptions of value. Where should the investment be made and why?
   b. If the company wishes to increase brand equity where should investments be made: product related brand image or strengthening the company reputation?
   c. If the company wishes to increase the customer loyalty what are the best actions?

Instructor's Note for the Case Study: Manufacturer Company Reputation Benefits

1. The executives of the marketing department can use Cretu and Brodie research model as a starting point to reveal the customer value–loyalty chain. They should replicate the model, if the company they manage is operating in a different industry. The marketing executives can start with qualitative research in order to understand more about their customers' perceptions about the value delivered by their company as well as by their competitor. Following the qualitative research, the marketing executive should plan to do quantitative research to validate the model resulted from the qualitative phase.

2. Based on the results of the Cretu and Brodie' research, the best way to improve customers' perceptions about value is by improving the customers' perceptions about the costs of the offering. This can be achieved by having better prices, discounts, and any other non-monetary related costs of the offering. However, not many companies are ready to decrease the prices, since this can result in the profit erosion. Another effective way to improve customers' perceptions of value is to better manage company reputation. This should be an ongoing process, since it takes time for customers to form an opinion about reputation. The investment in the corporate reputation is very important since it contributes to an increase book value of the company.
3. Based on this research the most important component of brand equity is company reputation and here the main investments should be directed. Nonetheless, while the research of Cretu and Brodie failed to accept the hypothesis that brand image is statistically significant important driver of the offering, the authors emphasize that this an important component of brand equity and there is important not to be neglected. Moreover, this component might be more important for end consumers.
4. If the company wishes to increase the customer loyalty the best actions will be to carefully manage the reputation. Reputation is an important asset and a basis of the relationship, a tool to strengthen the connection between buyers and sellers. In business-to-business settings the "company" brand may be taking over from the individual brand. The stronger the association with a good corporate reputation, the more likely the business customers will remain loyal. This customer loyalty is very important for companies since it creates positive financial.

CHAPTER 8

ENACTED INTERNAL BRANDING: THEORY, PRACTICE, AND AN EXPERIENTIAL LEARNING CASE STUDY OF AN AUSTRIAN B2B COMPANY

Sylvia von Wallpach and Arch G. Woodside

ABSTRACT

This chapter examines the topic of internal branding from an organizational/behavioral science perspective, theoretically and empirically investigating how organizational members actually enact corporate brands. A mixed-method research procedure serves to surface conscious (i.e., deliberate) and unconscious (i.e., tacit) internal brand meaning enactments in an internationally operating Austrian corporate business-to-business (B2B) brand. The results are an evidence of the potential complexity of real-life internal branding processes that limit the possibility of achieving a cohesive intended internal implementation of corporate brands. The chapter concludes with the managerial implication that purposeful managerial interventions necessitate an understanding of the social system that is the target of the internal branding initiative

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1. INTRODUCTION

Corporate branding implies understanding brands from a corporate identity perspective, linking brands with corporate values and beliefs. Internal branding is the discipline dealing with establishing this link. A large body of literature approaches internal branding from a normative, managerial perspective, proposing that internal branding efforts should start out with a definition of intended brand meaning (i.e., intended values, beliefs, behaviors) or an intended corporate brand identity, that is, "what does the organization want others to think about the organization" (Brown, Dacin, Pratt, & Whetten, 2006, p. 100). Managerial internal branding efforts aim to achieve a common understanding, commitment, and behavior among organizational members, which is in line with this centrally established corporate brand identity (Thomson, de Chernatony, Arganbright, & Sajid, 1999). Internal branding theory ascribes employees the role of "brand ambassadors" (Vallaster & de Chernatony, 2005, p. 5) which should spread intended brand meaning through every action and interaction and thereby contribute to the development of a consistent, intended brand image among all relevant stakeholders. The facilitation of this task is likely to be high if externally communicated brand values are simultaneously internal guiding principles – accepted tacitly by organizational members and directing their actions (LePla & Parker, 1999; Tosti & Stotz, 2001; Urde, 2003).

Few prior studies approach the topic of internal branding from an organizational/behavioral science view (Burmann & Zeplin, 2005) dealing with how organizational members actually perceive the organization and the corporate brand, that is, "who we are as an organization" (Brown et al., 2006, p. 100). The present chapter deals with this "perceived organizational identity" (Dutton, Dukerich, & Harquail, 1994) perspective, investigating how organizational members actually interpret and enact corporate brand values, beliefs, and behaviors.

The organizational study focus for internal branding is not on what should happen, but on what actually happens in enacting internal brand deliberate and tacit thinking and behavior. The assumption underlying this approach to internal branding is that purposeful managerial interventions necessitate an understanding of the social system that is the target of the internal branding initiative. This chapter provides insights into the potential complexity of actually implemented, real-life internal branding processes, which limit the possibility of achieving a cohesive internal corporate brand perception and consistent brand enactments. Hereunto, Section 2 gives a theoretical overview on the social dynamics characterizing enacted internal branding. Section 3 introduces a methodology that allows to access organization members' emic interpretations of internal brand enactments and applies this methodology to the case of an Austrian corporate (business-to-business) B2B brand, demonstrating how the brand is implemented internally. The chapter closes with a discussion on enacted internal branding and implications for managing corporate brands internally.

2. THEORY OF ENACTED INTERNAL BRANDING

2.1. Life Behind the Scenes

Theory on internal branding so far mainly takes a normative, interventionist perspective, focusing on what should be done to achieve consistency between actual and intended internal enactments of brand values, beliefs, and behaviors (e.g., Kotler & Pfoertsch, 2007; Miles & Mangold, 2005; Vallaster & de Chernatony, 2006); and assuming that this goal can be reached.

Enacted internal branding theory illuminates the life behind the scenes. Following Goffman's (1959) idea of backstage processes, enacted internal branding theory forwards the proposition that there are hidden, real-life internal brand enactments that might contradict what management intends for its brand, that is, intended corporate brand identity aspects management defines frontstage. This proposition is in line with organizational sensemaking literature, arguing that "shared meaning is difficult to attain" (Weick, 1995, p. 188) and, "There is often lack of actual agreement, which is ignored or assumed away" (Brown, 1994, p. 97). One can think of many instances where front and backstage values, beliefs, and behaviors do not match. Consider the following example of the British B2B brand, Gate Gourmet, where the management itself does not live up to the officially stated values, creating a backstage reality that considerably harmed the brand's credibility:

> Gate Gourmet is the world's second largest in-flight catering company, serving clients such as British Airways, American Airways, or Continental Airlines. In its official, front stage value statement as published on the corporate website in 2005 (www.gategourmet.com), the corporate brand particularly highlighted and reinforced the element "World Class People" and stated that "we treat our colleagues, customers, and suppliers with respect and dignity". In the same year, company management drastically acted against this value. Gate Gourmet unilaterally decided to cut wages and conditions in order to avoid financial losses and refused to negotiate with the union. The major dispute resulted

> from dismissing 670 employees at Heathrow Airport in August 2005 after staff staged a two-day 'illegal' walkout-meant to express their indignation with management practice- and the parallel hiring of lower paid temporary workers. Managements' inconsistent back stage enactments led to major image deteriorations amongst a wide variety of internal and external stakeholders, including British Airways management and employees, British Airways passengers, unions and the general public. (Vallaster, de Chernatony, & von Wallpach, 2006, p. 33)

While this example pictures an extreme case of inconsistent front and backstage brand enactments provoked by management, other more hidden internal front and backstage conflicts are likely to exist due to various organizational members' emic interpretations of frontstage values. These interpretations influence both how organizational members actually enact the brand, that is, how they behave and interact with other internal stakeholders, and those organizational members' consequent brand perception and behaviors. The result is a multiplication of unintended value perceptions and enactments, leading to a variety of backstage internal, "'Doppelgänger brand images' – that is, families of disparaging images and stories about a brand" (Thompson, Rindfleisch, & Arsel, 2006, p. 50) and potential conflicts and confusion between internal stakeholders.

The consequences of disparaging internal backstage brand images are, however, not only limited to the internal context. A variety of organizational members is likely to interact with external stakeholders, such as customers, suppliers, investors, or media. During those interactions, organizational members represent the brand and contribute to the development of various external stakeholders' brand perceptions. Emic backstage interpretations of brand values and beliefs guide the organizational member's behavior in those stakeholder contact situations, resulting in respective external Doppelgänger brand images. Problems arise if the values and beliefs the organizational member enacts are in obvious conflict with values other brand communication channels that are under corporate brand management's control officially promote. Imagine a company stating the value "environmental friendliness" frontstage in its corporate brand value statement and other communicative media directly targeting customers, while its sales representatives make customer visits with a vehicle obviously consuming large amounts of petrol. Inconsistent and eventually contradictory messages of this kind confuse external stakeholders and deteriorate the brand's image and credibility.

In many cases, especially in strongly service-oriented businesses, the contact with organizational members (e.g., sales representatives or key account managers), is the most pronounced and important experience external stakeholders have with the brand, establishing what the brand really means to the stakeholder. This actual brand image, that is, "What stakeholders actually think about the organization" (Brown et al., 2006, p. 100) might be different from intended brand image but not necessarily harmful for the brand because stakeholders might not even know or consider what management intends its brand to be.

According to Bartunek (1993), Goffman (1959), and Stevenson, Bartunek, and Borgatti (2003) organizational members are mostly aware of contradictions between front and backstage processes. The theory of enacted internal branding extends this view and accounts for the fact that organizational member's interpretations of backstage enactments are likely to be both conscious and unconscious (Wegner, 2002; Wilson, 2002). While organizational members' stories allow investigating conscious backstage brand enactments and conflicts with frontstage values and beliefs, more sophisticated research methods are needed to uncover unconscious brand enactments and related conflicts.

2.2. Origins of Discrepancies between Actual and Intended Internal Brand Enactments

Organizational sensemaking literature forwards several reasons for heterogeneity in organizational members' sensemaking that can be applied to realized internal branding. One major reason for different brand enactments are organizational members' own identity needs (Coopey, Keegan, & Emler, 1997). The organization an individual is part of can play a main role for the individual's own identity. When organizational members strongly identify themselves with the organization the attributes they use to define the organization also define them (Dutton et al., 1994). Individuals therefore tend to interpret organizational values, beliefs, and behaviors in ways that best suit their individual identity generation or maintenance. On the one hand, individuals perform this identity generation effort for themselves to "make things rationally accountable to themselves" (Weick, 1993, p. 635). Through their emic, idiosyncratic interpretations of brand values people can model their autobiography, attributing values and favorable outcomes to themselves, thereby raising their own self-esteem and their individually perceived importance for the corporate brand – a self-serving tendency referred to as attributional egotism (Bettman & Weitz, 1983; Brown & Jones, 1998).

On the other hand, organizational members enact brand values and beliefs in ways that influence the opinion others have of them, that is, their company internal personal image – a self-presentation behavior known as impression management (Schlenker, 1980). To maintain a desired image and to please their in-groups, organizational members adopt group interpretations of brand values as their own, emic interpretations. Maintaining one's own identity might also require generating the identities of other social actors by interpreting their internal brand enactments: actors interpret the enactments of those individual they are interacting with most in ways that support their own brand enactments. Both individually and socially focused identity generation can lead to backstage interpretations of brand values and beliefs that are different from and eventually conflict with frontstage intended brand values.

Personal experiences outside and inside the organization can be further sources for discrepancies between front and backstage internal brand enactments. All individuals enter an organization with some prior interpretation of what are desirable values, beliefs, and behaviors. This is the result of former contacts with other social groups (e.g., family, school, or other organizations) or their national cultural background: "The individual's system of values is itself a product of his experiences, and especially of his experiences in the social environment. ... As an adult he comes to adopt the values and norms of the group with which he identifies himself. This development of values and the adoption of norms constitute the process of socialization" (Kelvin, 1971, p. 232).

Individuals go through this process several times throughout their lives, whenever they get in contact with a new social group. When entering a new organization, individuals undergo tertiary or organizational socialization, "the process of 'learning the ropes', ... of being indoctrinated and trained, ... of being taught what is important in an organization or some subunit thereof" (Schein, 1971, p. 210, quote marks in the original). Ideally, this process leads to the accommodation of individual's believes with frontstage defined corporate brand values. However, this ideal reaction is only one possible outcome: the newcomer might as well adopt a backstage view of corporate brand values after experiencing the actually enacted values, beliefs, and behaviors within the corporation (cf. Cooper-Thomas, van Vianen, & Anderson, 2004). Depending on the position the new organizational member adopts or the point of time he enters the organization, he will, for instance, get in contact with different formal and informal social groups within the organization or different leaders, influencing the individual's ultimate emic interpretation of internal brand enactments.

Finally, an organization member's actual interpretation of brand enactments depends on his or her former contacts with branding events within the organization. Branding communication might, for instance, not reach every organizational member with the same intensity or might be interpreted differently as a result of incomplete or inaccurate individual information processing (Dearborn & Simon, 1958; Hedberg, 1981). Again, conflicts between front and backstage values systems can be the result.

2.3. Conflict Neutralizing System-Inherent Dynamics

The majority of meaning conflicts is likely to happen unconsciously and to remain unresolved because of missing awareness (Wilson, 2002). Conscious conflicts, however, represent unbalanced psychological states producing anxiety and inducing a wish of conflict resolution in organizational members. In line with Bartunek (1993) and Goffman (1959) organizational members contribute themselves actively in resolving contradictions they are aware of. The degree of involvement in these conflict-solving activities varies. Some organizational members are very active in avoiding or diminishing front and backstage as well as various backstage brand enactment conflicts regarding themselves and also other internal stakeholders. These stakeholders are important brand influencers, who can have both a positive and negative impact on intended brand enactments: they can either strive for a conflict resolution that strengthens intended brand values and beliefs, taking on the role of internal brand ambassadors; or they can aim to spread an alternative, backstage brand meaning.

Most organizational members are, however, not that active in solving conflicts. On the one hand, organizational members might not be willing to engage in conflict resolution because of individual identity generation needs. These needs can necessitate the maintenance of a value and belief system that contradicts frontstage values while supporting how the organizational member wants to perceive himself or wants to be perceived by others. On the other hand, executives might simply not have the power and miss the necessary resources to induce change – especially if the contradictions do not concern themselves but other executives (Giddens, 1979, 1984).

Still, organizational members may take the necessary steps to avoid major conflicts they are aware of and that would harm their own position in the company, typically aiming to find some compromise or working agreement on how to enact the brand internally. Even though resulting actual internal brand enactments might not be intended by corporate brand management, they do not necessarily have to harm the brand but might be what the brand actually represents for most internal and external stakeholders (Fig. 1).

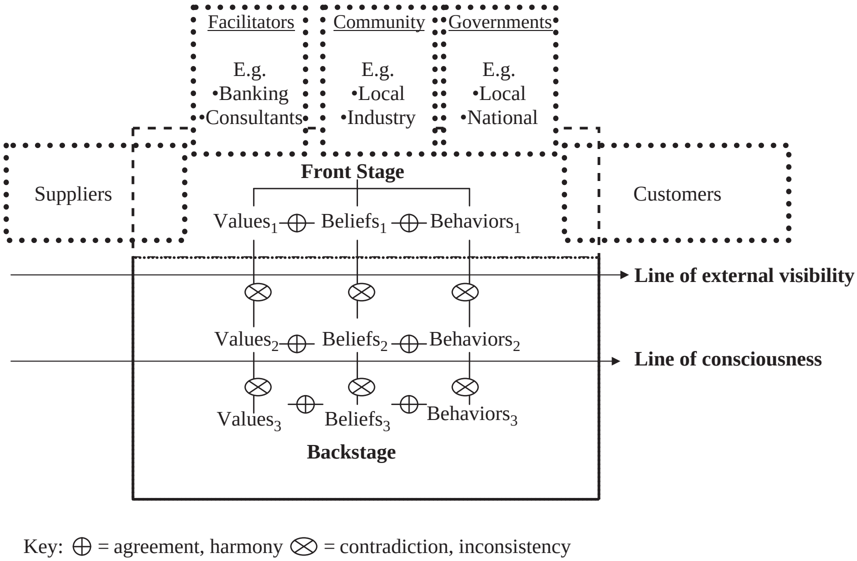

Fig. 1. Implemented Internal Branding Theory.

3. PRACTICE OF ENACTED INTERNAL BRANDING

This section gives insights into the practice of enacted internal branding, proposing a mixed-method research procedure that allows surfacing actual conscious as well as unconscious internal brand enactments. The present study applies this research procedure to identify actually enacted internal brand values, beliefs, and behaviors in a B2B company. This single-case approach is common practice in organization studies and accounts for the fact that enacted internal branding is a context-specific phenomenon that cannot be understood in isolation, that is, "Apart from the perceptions of the actors and the mindsets and cultures of the contexts in which they are embedded" (Langley, Mintzberg, Pitcher, Posada, & Saint-Macary, 1995, p. 261).

3.1. The Case

The case-organization is an internationally operating Austrian B2B company, producing high-tech materials used as components in public transport, industrial, and construction applications, and selling all of its products and services worldwide under the corporate brand name. The company's original scope of activities was the production of artificial leather products, which then shifted to the manufacturing of high-tech materials in 1975. In the mid-1980s, the company founded its first subsidiary in Germany and began to develop its European distribution network. In the 1990s, the company opened offices in Amman, Jordan and in Berlin, Germany and intensified its distribution activities in Asia, South America, and Europe.

At the end of the 1990s, the company underwent a major change in leadership, bringing a new value system and the introduction of a process organization with four main processes (resources including the CEO, human resources, organizational development and controlling, innovation, sales, and production) with it, which required a major restructuration. In 2005, a strategic realignment at the global level took place, dividing the enterprise into business units to bundle its know-how and expand its services to provide individualized solutions to its customers. Today, the company is a world market leader in its field, employing a workforce of 232 people, with a staff of around 172 at the Austrian headquarters. The company booked sales of EUR 46.3 million in 2007, with exports accounting for some 83% of sales. In May 2008, the company opened its own production facilities in China.

In 2007, the new CEO approached one of the two authors, asking for support in surfacing actually enacted corporate brand values, beliefs, and behaviors within his company. Planning for the study included agreement with the CEO that the main focus of the project should be on organizational member's emic interpretations of corporate brand value enactments. For that purpose, a sample of 35 (out of 150) Austrian employees was chosen to cover all resource processes, departments, and hierarchical levels at the headquarters (see Fig. 2 for an overview on the departments and hierarchical levels included in this study). The 35 organizational members participated in an in-depth interview regarding the principles guiding work in the company. All interviews took place in meeting rooms at the headquarters or – if executives had a private office – in the executives' respective offices. Interviews lasted between 45 min and 2.5 h. All interviews were recorded and verbally transcribed, resulting in 530 pages (single spaced, Times New Roman pt. 12) of transcripts. The next section gives insights into the research procedure used to surface internal brand enactments.

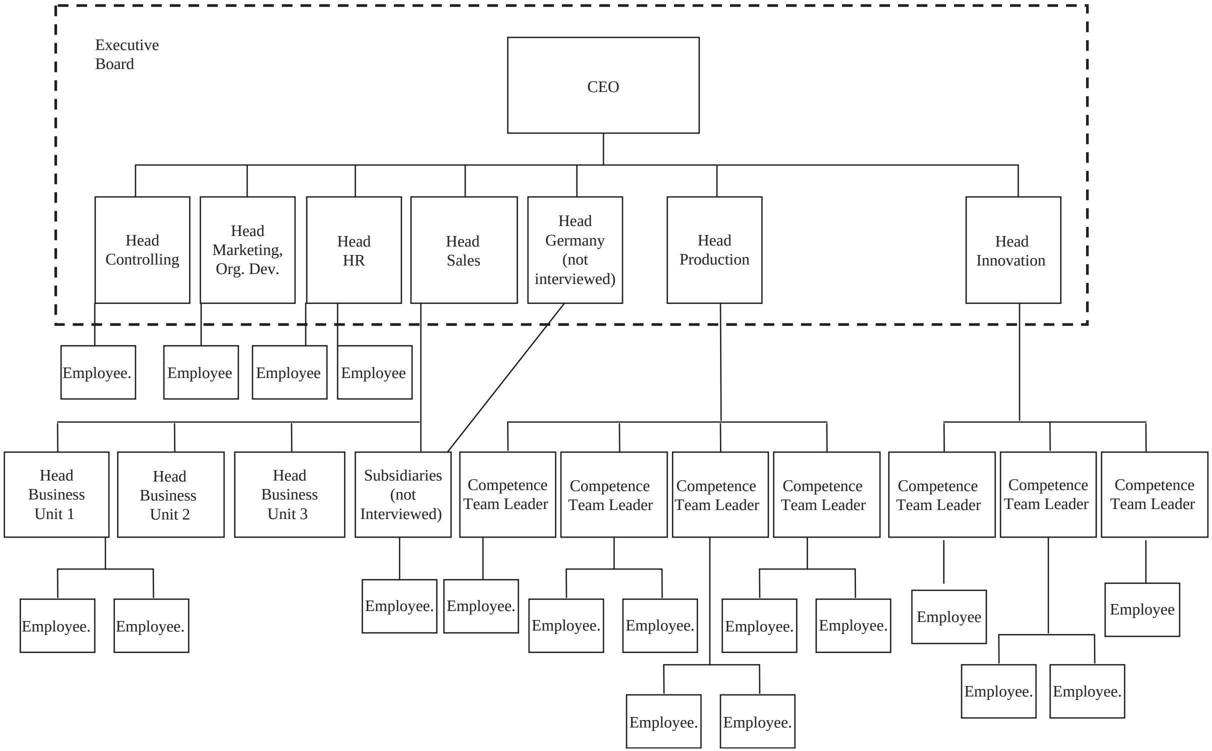

Fig. 2. Sample Overview: Departments and Hierarchical Levels Included in the Empirical Study.

3.2. A Mixed-Method Research Procedure to Surface Internal Brand Enactments

A main challenge in surfacing internal brand enactments is the fact that organizational members are not always consciously aware of their own enactments (cf. Wilson, 2002). Zaltman (2003) stresses that most thinking is done unconsciously and researchers need unique tools to make unconscious knowledge accessible to both the individual and the researcher. To detect both conscious and unconscious brand enactments in organizational members' emic interpretations, the present study applies a mixed-method approach (Woodside, 2004, 2006), combining storytelling about the organizational members' immediate work environment with cognitive mapping (Huff & Jenkins, 2002) and metaphor elicitation (Woodside, 2004, 2006; Zaltman & Zaltman, 2008). This combination of research methods has several further advantages. First, the application of multiple research methods leads to participants' "confirmatory personal introspection" (Woodside, 2004), that is, to the confirmation of their own interpretations via multiple research methods. Additionally, interpretations are cross-checked by other organizational members reporting their own views of actual internal brand enactments. Second, various forms of knowledge representation and preferences with regard to knowledge retrieval (verbal vs. visual) can be accounted for. Finally, the methods were chosen to allow individuals slowly approaching topics that might be socially less acceptable, such as sensitive information regarding personal relationships and interactions within their work environment.

In a first step, organizational members told stories about their time in the company. The main assumption underlying the application of storytelling as a research tool is that stories are the most natural way for human beings to acquire, store, and retrieve knowledge (Bruner, 1991; Hiltunen, 2002; McKee, 2003; Mink, 1978; Weick, 1995; Woodside, Sood, & Miller, 2008). In an organizational context, storytelling plays a pivotal role. By exchanging stories, organizational members are socialized and learn to distinguish between valued as well as unacceptable beliefs and behaviors (Allan, Fairclough, & Heinzen, 2002; Kelvin, 1971; Schein, 1971). Stories are also the foundation for individual sensemaking and the way organizational members assign meaning to the organizational environment surrounding them (Brown, Stacey, & Nandhakumar, 2008). Organizational members might therefore store much information regarding internal brand meaning enactments as stories in episodic memory, containing verbal and nonverbal as well as conscious and unconscious knowledge elements (Tulving, 1972, 2002). The most natural way to access episodic knowledge and to gain emic interpretations of internal brand enactments is asking organizational members to reproduce these stories. While storytelling should allow gaining deep insights into organizational members' social realities and internal brand meaning enactments, the interpretations are verbal (oral storytelling retrieves predominantly conscious/verbal knowledge elements, neglecting alternative ways of knowledge representation and retrieval).

To access eventually unconscious, nonverbal interpretations of internal brand enactments participants had to draw a cognitive map depicting their immediate social work environment and to comment their map with a story. Cognitive maps are "visual representations that establish a landscape, or domain, name the most important entities that exist within that domain, and simultaneously place them within two or more relationships" (Huff & Jenkins, 2002, p. 2). The maps are not direct personal representations of cognitive processes but "intermediate tools that facilitate the discussion of cognitive processes that can never be directly observed" (Eden, Jones, Sims, & Smithin, 1979, in Huff & Jenkins, 2002, p. 1); mental processes that include tacit knowledge that is hard to verbalize. Cognitive mapping is a much applied research method in organizational contexts, encouraging organizational members to share their idiosyncratic sensemaking of organizational reality, giving insights into actual values and beliefs guiding behaviors in their immediate social context (e.g., Howard & Morgenroth, 1968; Huff & Jenkins, 2002; Woodside & Samuel, 1981).

Cognitive mapping is effective in eliciting implicit (i.e., tacit or unconscious) knowledge "when coupled with techniques such as metaphors and storytelling, which have been argued to help express the inexpressible" (Ambrosini & Bowman, 2002, p. 19). To support organizational members in accessing the most hidden interpretations regarding internal brand enactments and crossing both the line of unconsciousness and social desirability, storytelling and cognitive mapping was completed by a metaphor elicitation task. Metaphors are common to human cognition and language and allow "understanding and experiencing one kind of thing in terms of another" (Lakoff & Johnson, 1980, p. 5). The main advantages of metaphors are that they "give tacit knowledge a voice" (Munby, 1986, p. 198) and allow organization members to avoid talking directly about sensitive information regarding other social actors and their relationships.

Several metaphor elicitation techniques are known in marketing and organization science, such as cognitive sculpting (Sims & Doyle, 1995; Doyle & Sims, 2002) or the Zaltman metaphor elicitation technique (ZMET) (Zaltman, 2003). The present study applies an extension of the forced-metaphor elicitation technique (FMET) by Woodside (2004, 2008) to surface organization members' unconscious internal branding values, beliefs, and behaviors. Building on Woodside's (2004, 2008) conclusion that individuals have no difficulty giving zoomorphistic explications of self, that is, identifying themselves with animals and that many personality traits and behaviors of humans can be easily transferred to animals and vice versa (Feinson, 1998), participants were asked to identify themselves and other social actors depicted in their cognitive maps with animals and to support their metaphors with stories explaining why single animals represent respective human beings.

3.3. Data Analysis Procedure

The research team, including the first author and a research assistant, applied hermeneutic text analysis to analyze the organizational members' stories. Hermeneutic text analysis considers both language (that is the semiotic–structural characteristics of the text, considering syntactic and semantic text elements) and content of a text as potential loci of meaning (Arnold & Fischer, 1994; Thompson, 1997). Researchers move back and forth between these two levels of analysis – a process referred to as "hermeneutic circle" (Thompson, Pollio, & Locander, 1994) – aiming to "achieve an understanding free of contradictions" (Arnold & Fischer, 1994, p. 63). Still, two researchers separately interpreting a text might come to different conclusions because of the researchers' different preunderstandings. This variability of researcher interpretations is perceived as fruitful because it allows discerning multiple meanings texts might eventually contain (Arnold & Fischer, 1994). The analysis of cognitive maps and zoomorphistic metaphors was performed by organizational members themselves, who had the task to explicate their maps and metaphors with stories. The analysis of these stories followed the principles outlined above.

3.4. Internal Branding Reality

3.4.1. Conflicts and Agreements

Numerous conflicts between front and backstage internal brand enactments characterize the company internal reality. The most pronounced example for a conflict between front and backstage brand enactments regards the company's management handbook, containing frontstage, intended corporate values, beliefs, and behaviors. The following emic interpretations by two organizational members regarding the handbook's actual backstage enactment illustrate this conflict:

- Management has created a solid base for all working processes in our company – the management handbook. But if we would always follow this handbook working would become impossible because it blocks all of our natural work flows.
- There are process descriptions for everything in this company but most employees don't even know they exist and do things their way.

Throughout the 35 participants' autobiographic stories a number of critical incidents and issues arise, causing conflicts:

(a) A major leadership change towards the end of the 1990s led to the introduction of new frontstage values, splitting the workforce into "old employees" still following the former value and belief system and "new employees" promoting the newly introduced, intended corporate brand identity. This results in conflicts between the actual backstage internal brand enactments of old employees and the new frontstage system, as well as between old and new employees, who enact the brand differently backstage.

The following statements by old and new organizational members illustrate the conflicting views present in the company very well:

- Old employee 1: I am strongly committed to this company but not to our new CEO and his management team. These managers were not selected because of their skills but because they please the new CEO and do not contradict him. Our old CEO would never have accepted that – he was very knowledgeable and very modest. Old employees still follow his tradition: they care about other people, try to maintain personal contact, and do not follow everything that is formally stated, while new employees follow the new structures and processes without questioning them and foster impersonal, formal communication.
- Old employee 2: Today everything is different. The management team has changed. Under the old CEO, R&D had a different standing: if we needed a machine, we got it. Today, we are fighting with company internal bureaucracy. Work is also much more impersonal today: for instance, we have computer systems such as SAP replacing interpersonal contact and in a project team we are not supposed to talk to the responsible persons directly but only via the project manager. Due to the immense growth that

took place during the last 10 years we are not like a family anymore – everything is fragmented.

- New employee 1: It's like two different worlds: with the new CEO a new era started. The old guys are like a sect, they are old fighters who do not integrate new employees into their groups and give them the impression to be youngsters. They create a negative atmosphere; find negative aspects in everything; and are against change and innovation. They will never become supporters of the new CEO – they fight against everything he does. And they are jealous because all important positions are filled by employees adhering to the new CEO's values and beliefs.

(b) A second major conflict-raising issue was two waves of restructuration that took place at the end of the 1990s and in 2005, first introducing a process organization and then dividing the sales department into business units and organizing them as a matrix. Both restructurations required the introduction of new processes and related, intended brand behaviors. Frontstage, the new structures still appear to be the ideal solution. Managers who have been involved in elaborating these structures are still in favor of them because they allow the company to grow and to provide its customers with individualized solutions. However, especially in the case of the new matrix organization introduced in the sales department, everyone is aware of the fact that the backstage enactment is nonsatisfying. A manager comments on the situation as follows:

- I have been heavily involved in elaborating this new structure and I really support what we came up with. But I cannot support how it has been implemented and what is made of it today.

Other organizational members confirm this conflict.

- From an organizational point of view, the new matrix organization was the right decision. But honestly, do you know a case where a matrix organization really works – except for large companies like Gore or IKEA? Our people, especially our subsidiary leaders, don't accept that they have been degraded and that the business unit leaders supervise their employees. We are dealing with people and these people will find their ways and change the structures to suit their needs.
- A matrix organization is always difficult and probably only works if people get along with each other and treat each other with respect. If everybody "cooks his own soup" it cannot work.

- In the sales department, the restructuring led to major losses for many people: old sales representatives lost customers to new sales representatives; many people in leading positions were degraded; others were not promoted as expected. These people tend to boycott the new structure and are not willing to change their ways.

(c) Also, different national cultural backgrounds present in the company lead to discrepant emic interpretations of brand enactments. A German and an Austrian employee, respectively, describe the situation:

- There are major differences in mentality between German and Austrian employees, influencing their way of interpretation and behavior. The topic "just in time," for instance, is interpreted very differently. For me, just in time means delivering in exactly the right time. For Austrians, delivering early means doing a better job. But for me early delivery is as bad as late delivery.
- I am the only leader in our team, who represents the local Austrian culture. My German colleagues are different. I am trying to make sure that our local culture is preserved.

Organizational members try to solve various front and backstage conflicts throughout their stories, but indicate themselves that the realistic outcome are working agreements between employees, ensuring a smooth workflow. In the case of the above-mentioned management handbook, organizational members engage in conflict resolution, simultaneously indicating that the conflict is not resolved and that working agreements are in place:

- But all in all, the management handbook has been based on actual working processes; therefore there are not too many situations where you have to act against it to ensure a smoother work flow ... Anyways, it's not only me who does not follow the management handbook; many of my colleagues also prefer the informal way: this makes our collaboration very agreeable and we all very much appreciate that.

Besides conflicts, organizational members' stories also indicate that there are agreements with regard to internal brand enactments. One major point of agreement is the enactment of positive and negative incentives.

- In our company you are usually neither punished nor praised. I would accept punishment if I got praise from time to time. But in 11 years nothing like that happened.

- It is part of our culture to allow people to make mistakes and to learn from these mistakes. Rewards do not really exist – nothing really happens if you do a good job because that is what you are supposed to do anyways.

In their stories, organizational members confirm a strongly egocentric stance, reporting events that are of highest concern to themselves and picturing themselves as the heroes of their stories. Stories allow organizational members to make sense of their own role in the company and to generate their own identities. Old employees, for example, tend to interpret their beliefs and values as the right way to go and picture themselves as representatives and promoters of the "right" value system. Organizational members do, however, avoid too detailed descriptions of their actual work environment and the values and beliefs guiding their most frequent and intense company internal behaviors and relationships. Only the combination of storytelling with cognitive mapping and metaphor elicitation takes organizational members this step further, encouraging them to switch from a macro to a micro level perspective and to cross the line of consciousness and social desirability.

Fig. 3 shows two original cognitive maps showing two organizational members working at different hierarchical levels in the innovation department/process forwarded. Both maps are unique with regard to their design, the people included, and the connections between them.

The main advantage of the cognitive mapping exercise is that the method allows organizational members to slowly approach and to make sense of their immediate work environment and enables them to position themselves vis-à-vis other social actors. However, most organizational members still avoid giving details in their interpretations of actual backstage brand

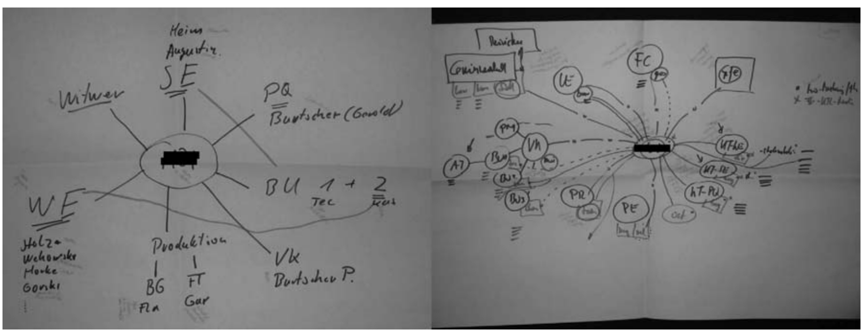

Fig. 3. Original Front and Backstage Cognitive Network Maps.

enactments in their groups and do not usually describe how the relationships and interactions in their immediate work environment look like. The main focus is on who is involved and why these people formally interact, but not on the principles underlying these interactions. Cognitive mapping is still a valuable and necessary prerequisite preparing the ground for the subsequent application of metaphor elicitation.

Most organizational members need the combination of cognitive mapping and metaphor elicitation to verbalize unconscious or eventually socially undesirable interpretations regarding their immediate work environment. Projecting their interpretations of other organizational members' brand enactments to animals instead of talking about them directly relieves participants from the pressure to respond in socially desirable ways. A few individuals refused to perform metaphor elicitation and preferred giving a verbal explanation. The fact that the resulting descriptions were similarly thick is an indicator for the existence of different preferences in knowledge retrieval that need to be accounted for to gain deep insight into interpretations of actual brand enactments.

Figs. 4 and 5 show the cognitive maps of the two representatives working in the innovation department/process. The presentations in these two figures preserve individuals' anonymities by covering the original content with equivalent symbols as the ones the participants used in their maps and assigning each person mentioned in the maps a person number (Px) and a department number (Dx) that is consistent across all maps. The maps now include the animal pictures the two participants (called Eric and Marc) chose to describe the people mentioned in their maps. The stories Eric and Marc forwarded during their cognitive mapping and metaphor elicitation tasks are discussed next.

Eric (P26) is one of the three competence leaders in the innovation department. Eric appears to enjoy both verbal and visual knowledge retrieval, having no difficulty approaching topics that might be socially undesirable (such as relationships at work) while drawing his cognitive map. The results of the metaphor elicitation task (discussed later in this section) show, however, that Eric still avoided details regarding the most pronounced conflicts or other hot topics in his department.

Eric puts himself in the middle of his cognitive map and then depicts the various teams he is interacting with. Eric starts with his own team (D53) where the contact is most intense, then proceeding to the second team in the innovation department (D52), mentioning the competence leader of this team (P23) he is sharing his office with. The third team in the innovation department (D51) is more distanced from Eric's team, wherefore he depicts

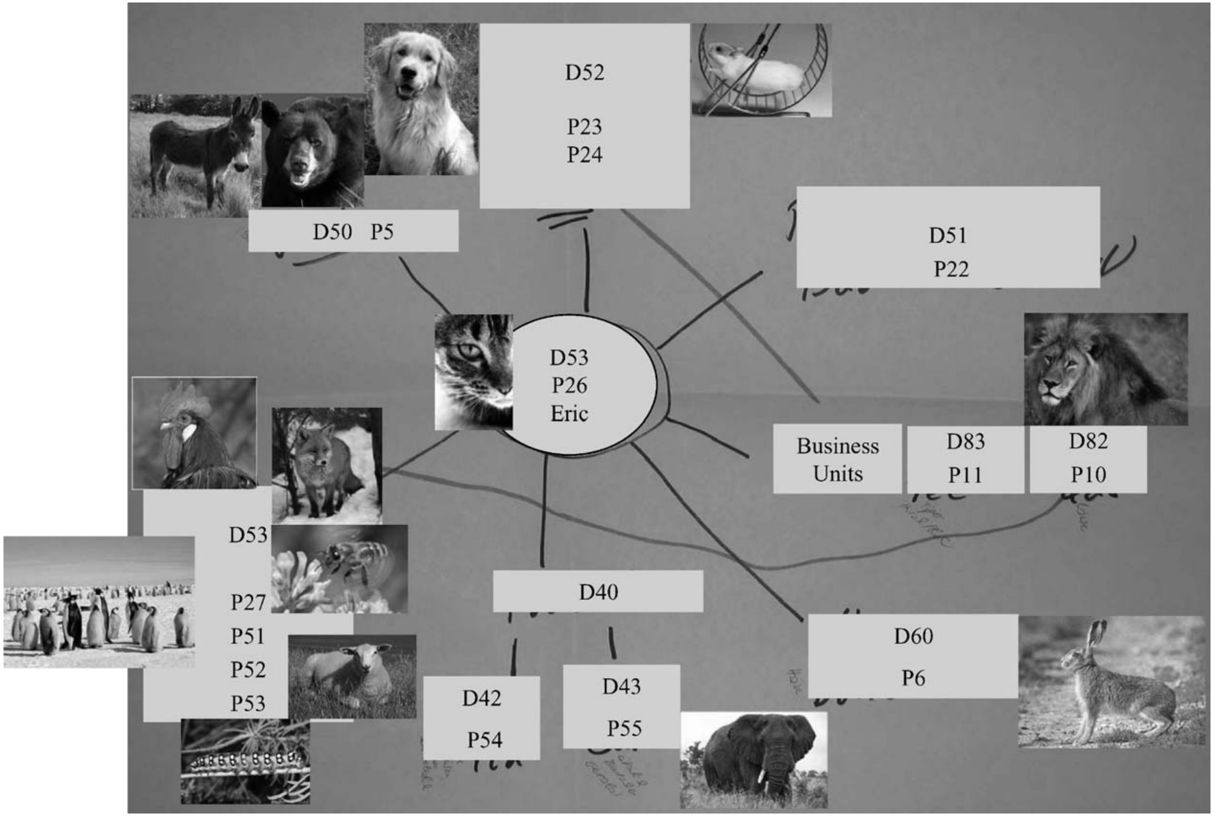

Fig. 4. Front and Backstage Cognitive Social Network Map of Eric (P25) Including Animal Metaphors.

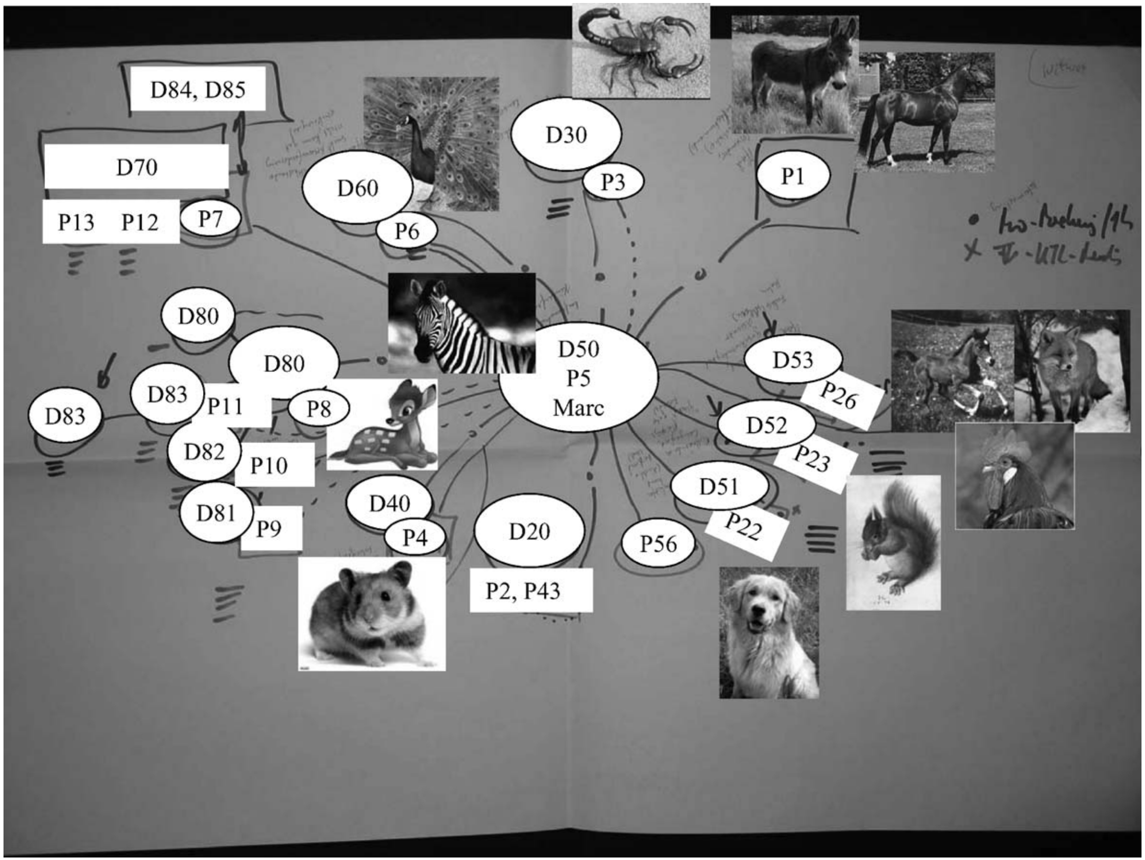

Fig. 5. Front and Backstage Cognitive Social Network Map of Marc (P5) Including Animal Metaphors.

them a bit farther away, still stressing that he needs them for his daily work. Next, he mentions P27, who is the eldest in his team, his official representative, and the direct contact to other team members (P51, P52, and P53).

Eric is also collaborating with P24 who is in P23's team now but was formerly one of Eric's employees – as many other organizational members – but "they" (meaning top management) took lots of employees away from him while restructuring the company. Eric's story accompanying his cognitive map indicates a front and backstage conflict: Eric is not totally convinced of the new frontstage structure that reduced his power and importance in the company by diminishing the number of employees under his supervision. Eric has the impression that he has been degraded. In his emic interpretation of the situation, Eric forwards a conflict resolution attempt, which could also be perceived as a personal coping strategy:

- Ok, while I was here I always had 10–12 employees. D52 and D53 were one team. But one day I would have had 20 employees which is definitely too much. So they had to split our team.

Next, Eric mentions his boss by saying no more than "well, then I should probably not forget my boss who also belongs to my immediate environment." Eric stresses that there are many other people in the company he interacts with, for instance, in the two business units, D82 and D83. The contact with D82, especially with the business unit leader P10 is more pronounced because of this business units' technological needs. D83 has more contact with his fellow colleagues in the innovation department (D52). Eric marks the relationships between the business units and the various teams in the innovation department with an additional connection line.

In the production department (D40), there are two competence team leaders Eric is strongly interacting with – both were once employees in his team. In his interpretation regarding these two employees, Eric finds a way to satisfy his own identity generation needs, while indirectly distancing himself from the new management team, especially his own boss. Eric is one of the old employees supporting the point of view that the strong technology focus the old CEO promoted was desirable while nowadays irrelevant topics such as project management are paramount. Eric's direct graphical connection to one of the oldest members of the executive board (P6) underlines this strong connection to the past. The following statement supports Eric's identity generation attempt:

- People that have worked in my department get to know the material we are working with so well, that they want to work with it and move on to

> the production department. That is the one department in our company where they really need know-how, and they got it here. In top management positions this knowledge is not required anymore today.

When asked to assign animals to single persons in his cognitive map, depicting these persons' characteristics and roles, Eric's first comment is "wow, the idea to use animal symbols is really not bad." Eric begins with his team: P27 is a rooster. He is proud, an alpha animal and Eric's official representative who would like to have more of a leading role in the team. P52 is a sheep, at times too generous with herself and others. P51 is a fox, not an insidious fox but a cunning, smart fox. Also the busy bee fits P51 because he is smart and hardworking. P53 is a rather new team member and quite young, a caterpillar that still needs to become a butterfly. Eric perceives P53 as a good developer because he is reliable and solid: he does not give up right away when developing some new material but reliably finishes his task. Finally, the conflict between Eric and his boss becomes obvious. Eric states "oh yes, P5, he is the guy how wanted to become my boss, but I won't say more about that now, well, restructuration at times provides you with a boss." However, he refuses to assign an animal to P5 before finishing the rest.

Next, Eric chooses people randomly, moving from one department to the next.

P54 (one of his former employees who now works in the production department) is described as kind of vain, somebody who talks a lot without saying much and who likes to present himself in the best light. Eric cannot think of an animal that would fit this description. P6, the only member of the executive board Eric has intense contact with is a rabbit or what Germans calls "rabbit foot," meaning that he is spineless. P10 is a lion who is stubborn and very self-conscious, that is, he perceives himself as the best and knows everything better that anybody else, also when it comes to technological issues.

Again, a conflict between various backstage value and belief systems is perceivable: P10 is a new employee with much less experience than Eric and representing the "new" value system. P24 is incredibly diligent and tends to loose himself in irrelevancies. He is like a hamster in his wheel: if you give him some work he will not stop until he is done with his task. Eric describes himself as a cat who has its own will and does whatever it wants, stressing that other people also perceive him like this. He is the contrary to his fellow competence team leader colleague P23 who is a dog doing whatever he is told. In the case of P22, Eric cannot think of an animal but describes this person as a former farmer, very solid, reliable, tidy, what differentiates him from P54 who is not reliable at all. P55 is an elephant who does not forget anything and is also comparable to P22 because he is very reliable.

Finally, Eric has to assign an animal to his boss (P5), choosing a bear and a donkey. According to Eric, both animals are not ideal. P5 is very persistent and a supporter of the new values. He likes to work in a very structured way that does not fit Eric's work approach. In the story accompanying his metaphor elicitations, Eric overtly talks about their conflict regarding their interpretations of internal brand enactments and states that they have found a way to get along – a work agreement – without really accepting each other. In a last step, Eric chooses a metaphor for characterizing his team: they are a bunch of penguins. This is meant to describe the typically enacted brand values and behaviors as well as the climate within the team: "on the one hand, they are very warm and friendly but on the other hand they can be cold as ice and treat each other in a 'frosty' way." Eric states that there are strong contradictions in his team that become most obvious when looking at the variety of animals he chose (a sheep, a rooster, a bee that stings). People do not always get along – an indication for the existence of backstage conflicts in the department.

Fig. 5 depicts Marc's (P5) cognitive map. Marc is Eric's boss. First, Marc draws his own team, the innovation department. Marc is one of the few participants who dares mention interpersonal relationships, and especially conflicts (e.g., with the CEO, members of his team, or members of other teams) in his autobiographic story. He appears to be very self-reflective and tries to make internal brand enactments conscious to himself by analyzing his own beliefs and behaviors as well as the behaviors of other organizational members in his surroundings.

Marc is also able to describe the corporate brand values that are actually guiding company internal behaviors, mentioning respect and acceptance between employees, willingness to move on and to change things, transparency (e.g., every employee is personally informed about the company's financial situation four times a year), and everybody is empowered and receives the freedom to take decisions himself but is also responsible for himself. Marc is an internal brand ambassador. On the one hand, he is strongly involved (or involves himself) in defining frontstage values and behaviors and on the other hand he shows an interest in promoting the resolution of conflicts. Marc is a very structured person and a strong supporter of project management. This focus on structures dominates his backstage understanding of internal brand values and behaviors. The following anecdote regarding himself and the CEO of the company shows how Marc is actively engaging in making his individual backstage value and belief system part of the frontstage values and beliefs and also illustrates Marc's interest in conflict resolution:

- Some days ago I had a fight with our CEO. I am a very structured person and a strong supporter of project management and I am actively trying to spread this way of working in our company and to convince other people of its benefits. Therefore, I asked the CEO's secretary to put this topic on the agenda for our next executive board meeting because I wanted to report some new ideas and experiences I just had while doing a seminar on innovation management, ideas on how to do things differently in our company. For some reason our CEO was completely against it and we had a fight on the phone. I was personally offended and went to his office ten minutes later to get an appointment for the next day so that we could discuss the topic after cooling down. The day after we solved the problem and found out that it was actually a misunderstanding and that we had a similar attitude with regard to this topic.

Marc starts his cognitive map by positioning himself in the middle and the three competence teams of his department (including the competence team leaders P22, P23, and P26, that is Eric) as well as P56 (who works independently from the three teams) to his right. These are the people Marc is daily interacting with. P56 is Marc's assistant, who is coaching and supporting him when it comes to strategic issues.

Marc only includes the persons he is interacting with most but stresses that he is also in contact with the competence team leaders' representatives and their employees. Next, Mark includes several departments and heads of departments (who are on the executive board with him) in his map: the production department with P4, the sales department with P8, the controlling department with P3, organizational development with P6, human resources with P2 and P43, and the CEO, P1. In the sales department, Marc adds the three business units with their heads (P10 with whom he has most contact as well as P9 and P11) and the subsidiaries in Germany with the respective heads (P7 who is also on the executive board, P12, and P13). Marc interacts with all of these people and there is also project-dependent contact with their employees.

So far, Marc's description of his social environment is rather superficial, focusing on formal relationships but not so much on actual interactions and underlying values. Only the metaphor elicitation task encourages Marc to share some deeper insights with regard to actual brand enactments and conflicts in his environment. Marc starts out with Eric (P26), whom he already mentioned in his story, indicating that there have been some discrepancies between them. Marc chooses a running horse, a fox, and a rooster to illustrate Eric's characteristics and his role in the team. Eric is chaotic but visionary, like a horse that is running very quickly, with lots of know-how that should be used. Compared to Eric, Marc is a small horse, that is, he is similar but not that quick yet. Also the fox fits Eric well: he is smart, foxy. Finally, Eric is a rooster who likes ladies and cars. Marc's relationship with Eric was complicated at the beginning.

Due to the restructuring some years ago, Marc suddenly became Eric's boss. Eric did not accept that because he was himself head of a department for years. The two of them also have very different approaches to work and tend to enact the brand differently: Eric is chaotic while Marc is very structured. Additionally, Marc is a new employee while Eric has been working for the company already under the old CEO and strongly supports the old value system. According to Marc, the two of them have been able to sort this backstage conflict out: "We get along really well today and are able to collaborate. Eric is a very valuable member of my team." Eric's accounts show that his perception of the relationship is different: he is still not accepting Marc, the conflict is still there but they found an "agreement" that allows them to work together.

P23, the second competence team leader Marc describes, is a squirrel – an animal very diligent, hardworking, committed, quick, and dexterous. He has been working for the company for a few years and is already in a leading position. Additionally, P23 is a good communicator. P22 is very active and committed. He is a dog that can be seduced but also a dog that barks and bites and runs if he does not agree with something. Marc stresses that the combination of these three people is ideal: there is P23 who is diligent and careful, P26 (Eric) who is very creative, and P22 who overtly says what he thinks. As an individual, all of them enact the brand slightly differently from what is expected frontstage, but together they make it work. Marc cannot think of an animal representing P56. She is the one who makes sure that things happen in the department, who coaches all team members.

The heads of the other departments are the second major group Marc reports interacting frequently with. The CEO (P1) is both a horse and a donkey. The horse is visionary, galloping towards the future but also somewhat unstructured and chaotic. The donkey is stubborn and determinative, not listening to others. To some extent, these behaviors are contradictory. Marc stresses that the two of them get along really well and communicate on a high level. Still, an obvious discrepancy appears in their brand values, beliefs, and behaviors when it comes to a structure (the CEO is much less structured than Marc) which also explains the fight Marc described before. P3, the head of the controlling department, is a scorpion.

Marc is at times annoying, critically reflecting everything, causing troubles on the executive board but more in the sense that he makes people aware of what goes wrong. He could also be described as a brand ambassador who makes sure that other managers are aware of eventual conflicts between front and backstage values, beliefs, and behaviors. P6 leads the organizational development department. He is the handsome guy, a peacock, elegant, noble, calm, not looking for excitement or for challenges. He usually follows the main stream but is a very valuable team member due to his know-how. P8, the head of the sales department, is new in the organization and has a hard time because he does not know the ways of doing business here. He is not yet accustomed with the company internal frontstage value and beliefs system and entered the company with prior experience in other companies and a different national cultural background. He is a Bambi: insecure, needs lots of support in order not to get lost or not to be killed in the high grass. P4 is head of the production department. P4 is a hamster, very active, critical. Finally, Marc chooses the zebra for himself. He tries to give his department and the whole company structure (indicated by the zebra's black and white pattern) and to maintain the balance within his team.

Marc stresses that he is not a "typical boss" but more of a team member responsible for coordination. On the executive board he is the troublemaker who addresses hot topics. He is not looking for challenges or conflicts. However, he does not avoid them if they arise but tries to solve them – supporting the fact that he is a brand ambassador.

Metaphor elicitation helped participants to overcome restraints present during storytelling and cognitive mapping and encouraged them to give insights to actual backstage internal brand enactments within their immediate work environment. Both organizational members include conflicts between the various value and belief systems and conflict resolution strategies in their emic interpretations accompanying metaphor elicitation. These interpretations were obviously not consciously retrievable or socially undesirable to mention in their stories. Additionally, by sharing their perceptions regarding the behaviors people surrounding them enact and the various relationships between these people, the two participants generate the identities of these people relative to the firm's brand identity (i.e., which value and belief system are these people enacting and is this system consistent with frontstage values and beliefs?) as well as their own identities relative to other actors (i.e., do the values and beliefs enacted by other social actors correspond to the participants' own emic interpretations and do interactions with these people support his identity?). Finally, only the combination of all three methods is likely to give real deep insights into and thick descriptions of conscious and unconscious, socially desirable and undesirable internal brand enactments.

3.4.2. Backstage Enacted Corporate Brand Values

In-depth hermeneutic analysis of the stories the 35 participants forwarded in every step of the research procedure led to an identification of actually enacted values and beliefs in each of the four resource processes and on the corporate level. For illustration purposes, the value system enacted in the innovation process (Eric and Marc belong to) will be introduced before discussing the company-wide value system. A total of four managers and four employees working in the innovation process participated in this study. Fig. 6 shows the values derived from these eight organizational members' stories, differentiating between values that only management or employees mentioned and values that both groups enacted. A discussion of shared values follows, supported with excerpts from original stories.

The value fairness and support implies assisting employees and allowing them to make mistakes. For managers, this value signifies establishing a work environment where employees can fulfill their tasks without problems and assisting employees when they have questions or are in trouble. Also the

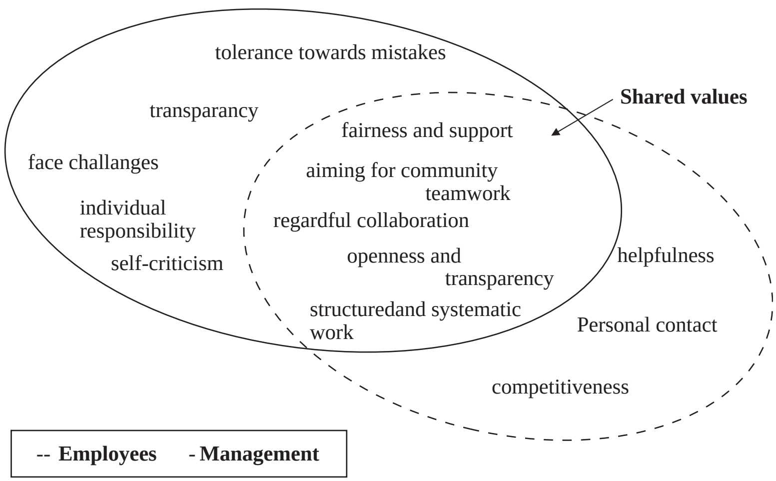

Fig. 6. Actually Enacted Value System in the Innovation Process.

active support between employees is part of this value. Employees expect and value assistance from management. The following statements support this value:

- My boss has to take care that others don't take advantage of me.
- If we really want to be innovative we have to collaborate and support each other.

Aiming for community is another value both management and employees in the innovation process share. This value contains teamwork and personal contact. Managers, for instance, perceive themselves as team members and not as strict supervisors and believe in the power of their teams. The innovation process also values interdepartmental collaboration. The following statements illustrate how participants interpret this value:

- I am not a traditional supervisor. I set deadlines and make sure that work is done. And at times I participate in meetings where I am in the role of a normal team member. If we want to make a difference we have to do that together, as a team.
- I very much appreciate that innovation and sales work closely together.

Regardful collaboration encompasses an adequate conversation style as well as acceptance of various personalities and opinions within the team and the company:

- We treat each other with respect and accept other organizational members as they are.
- To be nice with each other, we do... how should I put this, sometimes people are not as nice with each other but that is not the desired way to collaborate.

Another value that is of major importance to both groups is openness and transparency, implying an open discussion about problems, conflicts, and further actions as a basis for collaboration. Statements like the following underline this value:

- I try to tell people what bothers me and what I disapprove of, or what could be changed.
- It is important to discuss different ideas and to deal with themes even if it's emotional and sometimes not comfortable for the persons that are involved.

- Transparency is important in our company: there are quarterly held meetings where our CEO informs all employees about the company's financial situation.

Finally, structured and systematic work characterizes the innovation process. The head of the innovation process strongly promotes this value and tries to install it frontstage: ''I am very structured, I need this for my work and I try to convince others of the benefits of this approach to work.''

Not all members of the team positively evaluate this strong focus on structure. This indicates that there are conflicts between backstage beliefs and employees only enact this brand value as intended because they feel pressured to do so:

- If I do something today I have to ask myself if I fulfill the formal criteria and processes. It doesn't really matter whether I do a good job or not – it's all about formalities and following the formally installed processes.
- We have been growing and needed more formal structures but at times it's a bit difficult to work in such an environment, especially for someone who is not that formal and more creative.

The above examples illustrate that employees and the management agree on a core of enacted brand values that guide the behavior within their team as well as with other teams. Still, there are numerous values that only one of the two groups mentions. The reasons might either be that the other group does not enact this value at all or is simply not aware of this value. Differences in value perceptions and enactments can but do not necessarily have to lead to conflicts between the groups. On the other hand, there are values that both groups seem to share (e.g., structured work) but are actually only enacted as desired due to pressure from the top while employees still believe in another approach to work.

To gain insights into the company-wide enacted brand value system, the single value systems identified for each process were aggregated. Fig. 7 depicts the values mentioned in most organizational members' stories. Most values overlap with those identified for the innovation process. Additional values that have been more pronounced in other processes are individual responsibility and facing challenges.

Individual responsibility is a central enacted brand value guiding the behavior of the majority of organizational members. Managers give their teams the freedom to find their own way to solve problems and to make mistakes to learn and to develop themselves and the company. Employees

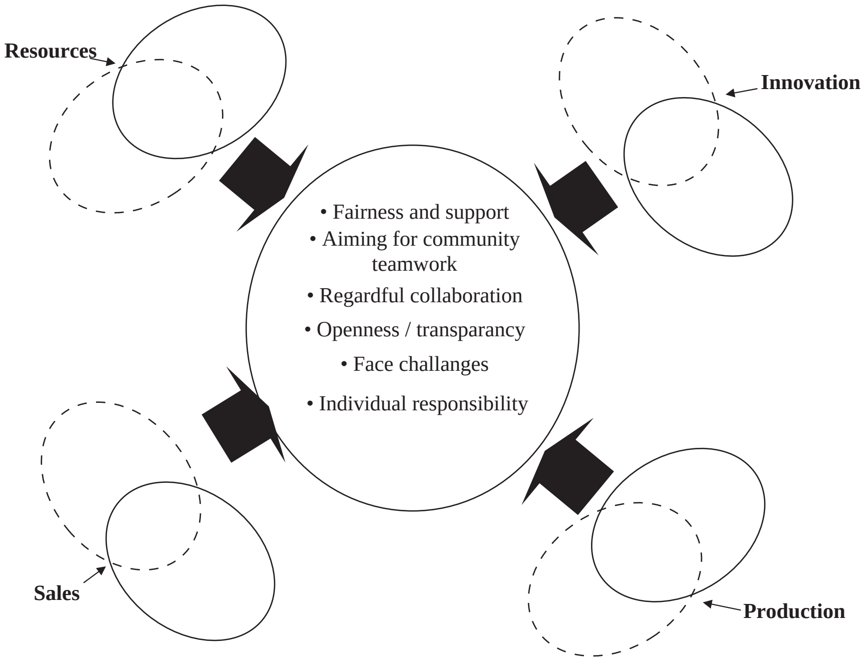

Fig. 7. Company-Wide Actually Enacted Value System.

very much appreciate this value. The following statements illustrate the importance of individual responsibility:

- Leading in this company signifies installing equilibrium between freedom and soft pressure to achieve the goals.
- I tell nobody how to do his job. In the end the result has to be ok.
- Everybody is allowed to make mistakes and to learn from his mistakes.
- For my supervisor it is important that the result is ok and that I reach it without breaking any basic rules. But we have lots of freedom.

Finally, a strong will to face challenges characterizes the company. These comments support this value:

- This team has to face challenges to enhance the company.
- I don't look for challenges but if there is a challenge I will always face it.

Concluding, throughout all participants' emic interpretations of internal brand enactments the impression arose that the local mentality strongly dominates this company. All values tend to support the central idea of working together to achieve more and the personal integration of all organizational members. The following statement by one participant summarizes the company's effort to balance local tradition with innovation, two values that seem to be inextricably linked and in this synthesis crucial for the corporate brand's success, "We honor the old while welcoming the new."

4. DISCUSSION AND MANAGERIAL IMPLICATIONS

Contrary to existing literature on internal branding the present chapter applies an organizational/behavioral science view, discussing how brands are actually enacted by organizational members. Enacted internal branding theory and practice illustrate that organizational members can be considered active brand co-creators, enacting brand values, beliefs, and behaviors during every action and interaction with company internal and external stakeholders. Former research acknowledges this active role of employees, picturing them as "brand ambassadors" (Vallaster & de Chernatony, 2005, p. 5) or "brand builders" (de Chernatony, 1999, p. 157), who support management in establishing a desired corporate brand image with other stakeholders. Enacted internal branding theory demonstrates that achieving this ideal outcome is unlikely.

This chapter shows that organizational members' emic interpretations of actually enacted brand values, beliefs, and behaviors are in many cases different from what management intends for its brand. This is consistent with Goffman's (1959) proposition that there are hidden backstage processes that contradict how management defines its brand frontstage. Numerous conflicts between front and backstage values, beliefs, and behaviors, as well as between various backstage brand enactments characterize enacted internal branding, leading to "Doppelgänger brand images" (Thompson et al., 2006, p. 50) inside and outside the company.

Given the enormous social complexity management encounters an obvious question. What can management do to nurture frontstage, intended, brand values, beliefs, and behaviors? To some extent, management can rely on system-inherent conflict resolution dynamics. The case study findings here show that unbalanced psychological states, for instance, provoke brand enactment conflicts that organizational members are consciously aware of – resulting in distress among organizational members and lead to conflict-solving attempts that ideally promote intended brand values. Still, management cannot rely on such a process to occur naturally because in many cases organizational members are (a) not willing to solve conflicts, (b) unable to solve conflicts, and (c) not even aware consciously of the conflict.

To face this challenge, management needs to gain an understanding of the functioning of both deliberate and tacit social reality. Organizational reality is to be understood as a dynamic social system, structured by inherent values, beliefs, and behaviors/processes that are not necessarily consistent with management's formally installed frontstage values, beliefs, and behaviors/processes (Giddens, 1979, 1984; Goffman, 1959).

Organically grown values and beliefs influence organizational members' individual sensemaking and the social norms guiding their interactions and power relations with other individuals (Giddens, 1979, 1984). Theoretically, every member of the organization can induce change in this social system: ''organizations can be moved in some coherent and explicit direction – here lies the possibility of deliberate and effective strategy'' (Whittington, 1992, p. 695). Changing the underlying values guiding the organization is, however, most difficult because they represent stable principles that will only change under certain circumstances, for instance, due to major events such as a leadership change (Bartunek, 1984). The actual outcomes of attempts to influence social reality are not foreseeable (Giddens, 1984).

Before attempting to influence internal brand values, beliefs, and behaviors, management is therefore well advised to learn more about the actual social reality in its company. Applying the mixed research procedures in this report represents a design to help management to surface various conscious and unconscious brand enactments and eventual conflicts between them. This knowledge can serve as a starting point for re-thinking and eventually redefining frontstage values, beliefs, and behaviors. Organically grown guiding principles might be much more powerful and important for the success of a corporate brand than artificially defined values. This becomes most obvious in the case company investigated in this study, where the organically grown synthesis between local tradition and innovation is essential for the corporate brand's success. Still, management may have to consider further corporate brand values, beliefs, and behaviors that are not yet present in the company but are necessary for reaching the corporate brand's vision. Integrating actually enacted values with intended values provides a corporate brand with a solid, credible base that is automatically lived and enforced by organizational members, as well as with a common goal organizational members can work towards.

The study this paper presents confirms that social dynamic enactments to a substantial extent may inhibit managerial efforts to spread intended corporate brand values, beliefs, and behaviors. On the one hand, management has the advantage of having more resources and power at its disposition than other organizational members that allow exerting a certain influence on the system. Management can, for instance, choose from a variety of communication devices designed to transmit desired corporate brand values (Burmann & Zeplin, 2005); can develop incentive systems that exemplify which behaviors are valued and which should be avoided (Esch, Rutenberg, Strödter, & Vallaster, 2005); or can promote desired values via leadership (Vallaster & de Chernatony, 2005) and human resource activities (de Chernatony, Cottam, & Segal-Horn, 2006). Still, many other organizational members actively participate in this structuration process. These social actors may willingly or unwillingly counteract managerial internal branding efforts and limit the possibility of implementing the brand's meaning and behavior as intended.

5. EXPERIENTIAL EXERCISE IN EMIC/ETIC DELIBERATE AND TACIT INTERPRETING

5.1. Task Description

Fig. 7 shows Susan's (P56) cognitive social network map including her animal metaphors. Susan is Marc's (P5) assistant in the innovation process/department. She is responsible for organizational development within the innovation process. To gain further insights into the actual front and backstage brand enactments in the innovation process the reader is asked to interpret Susan's emic interpretations of her immediate work environment. Please analyze the following data material taken from Susan's original emic interpretations both from an emic (informant) and etic (researcher) point of view and answer the following questions:

- What does the emic text say and what do the emic metaphors indicate?
- Are there any conflicts between front and backstage structures (etic point of view)? Justify your answer.

5.2. Data Material

Storytelling excerpts:

- At the beginning I did not realize what is really going on in this company because I was mainly working with my boss (Marc) who is very structured. But now I am aware of the chaos. It looks like we have structures and we actually have them but we do not have the same structures in every part of the company. This leads to chaos and big problems because we are growing very quickly while not having the necessary structures.

- There are some employees who have experience with project management. They are much more receptive to our efforts to introduce project management as a company-wide tool than other employees who have been following a different work approach for years. Officially, project management has been introduced for quite a while but it is not lived, yet.
- There is a high degree of transparency in this company and people get lots of information but that does not mean that people understand everything as intended.
- There are some problem areas in this company: people do – at times – not get along with each other – especially within the sales process and within the innovation process. But I have the impression that it is slowly getting better.

Story accompanying Susan's cognitive mapping task:

There is Marc (P5) who is my boss. Then there is P52 who is the project leader in one of the projects I am involved in. P52 is introducing a tool that allows specifying strategic goals on the level of every single employee. Then I am interacting quite a lot with the competence team leaders in the innovation department (P22, P23, P26 – Eric). There is also project-related contact with P3, the head of the controlling department and P26 (Eric, who is also competence team leader) when it comes to patents. I am also working with two of our business unit leaders, P9 and P10, but there is more contact with P10. Susan leads a project team that is responsible for process development. This team consists of representatives from different departments and several executive board members: P25 represents the innovation department, P28 works in one of the German subsidiaries, P16 and P57 are sales representatives in two different business units, P58 is responsible for marketing, P6 is the company internal project initiator (P6 is also one of Susan's direct contacts when it comes to strategic issues because he is the company internal expert for organizational development) while P5 and P8 are the steering committee. Finally, Susan is also interacting with the human resource department, especially with P43 and P59.

Excerpts from Susan's story accompanying animal metaphors:

- P26 (Eric) is a peacock. This animal does not represent all of Eric's characteristics but it exemplifies that Eric has an immense know-how and likes to talk about things he knows well and to share this know-how.

Eric is very special: he has his own way of thinking and working. What makes sense for him often does not make sense for other people in this company. This leads to confusion.

- P23 is a squirrel. He is very diligent, ambitious, structured, and makes sure that the collaboration with other organizational members' works.
- P22 is a dog. He does not like to contradict our boss (Marc) – he accepts his ideas and decisions without objection. What the boss says must be right.
- Susan can't think of an animal for Marc who is very structured, not bossy but very collegial, down to earth, and knows how to deal with other people. One of Marc's problems (which is simultaneously one of his strengths) is that he trusts people too much and is disappointed if somebody does not live up to his expectations (Fig. 8).

5.3. Teacher's Note

Already an analysis of Susan's storytelling excerpts allows identifying several brand enactment conflicts. Similar to Marc (P5), Susan is very structured and has a clear idea of ideal frontstage brand enactments. Susan is convinced that management makes efforts to introduce intended brand values and behaviors/processes/structures. However, these efforts are not consistent enough. Consistency is already missing frontstage: there are many different frontstage brand enactments (i.e., intended structures) in various parts of the company. Additionally, organizational members do not live the brand as intended, that is, organizational members enact structures differently than intended frontstage. This inhibits the achievement of a major company goal: constant growth.

Susan also indicates that there are a variety of backstage brand enactments originating from different experiences organizational members have made outside and inside the company. Employees who have, for instance, used project management as a tool in other companies enact this frontstage desired brand enactment as intended while older employees that have been working in the company for a long time do not accept this new way of working, that is, they do not enact this brand behavior as intended frontstage. Even though management is trying to communicate frontstage values, beliefs, and behaviors/processes/structures people do not interpret and live the brand as intended but implement their own emic backstage interpretations.

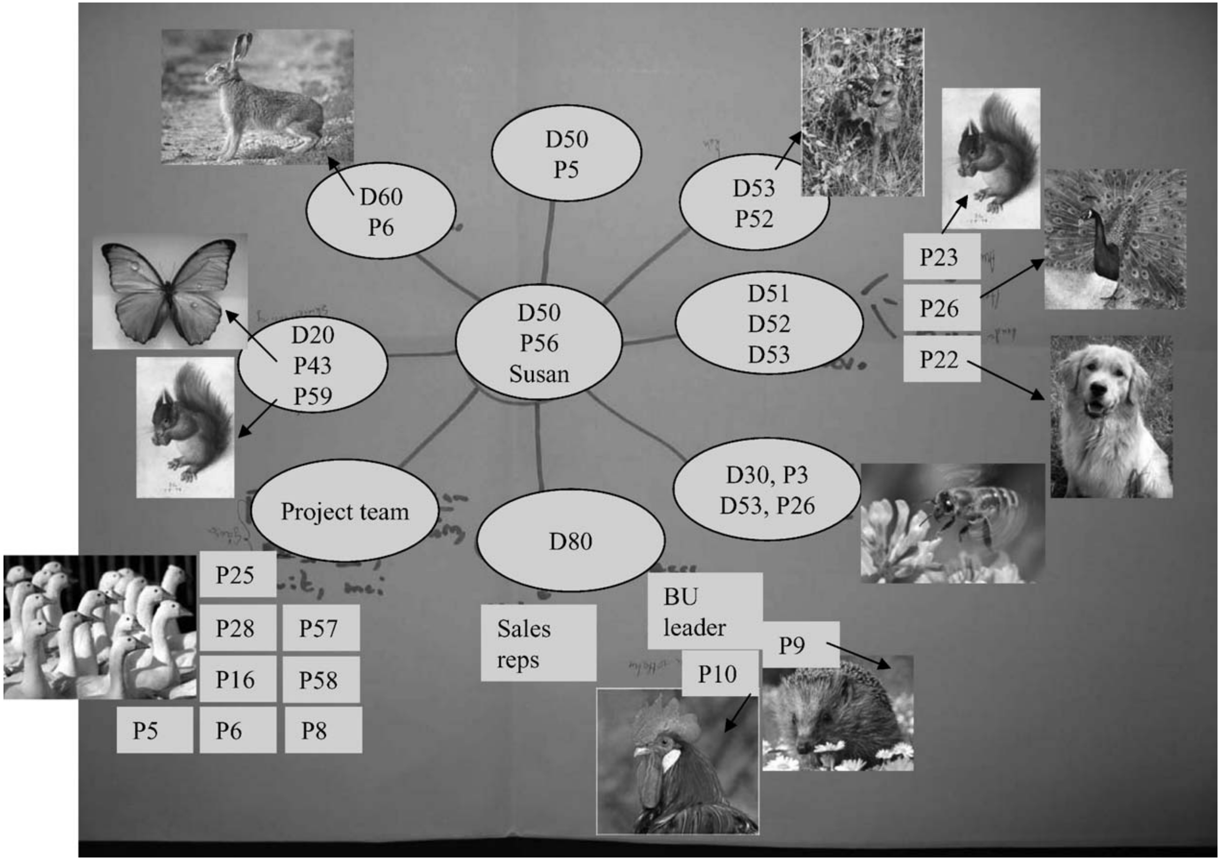

Fig. 8. Front and Backstage Cognitive Social Network Map of Susan (P56) Including Animal Metaphors.

Finally, Susan mentions some ''problem areas'' indicating that there are several conflicts between organizational members in various departments, also in the innovation department. From this excerpt, it is impossible to tell why these conflicts arise – one possible reason is different backstage brand enactments by various organizational members. There is, though, a tendency towards conflict resolution: ''it is slowly getting better.''

Susan's cognitive mapping exercise does not give deeper insights into the actual brand enactments in her immediate work environment. Susan illustrates who she is interacting with and why (i.e., the formal relationships between various actors) as well as what some of these people are doing. How these interactions look like remains uncovered. Only the combination of Susan's cognitive map with her animal metaphors allows an understanding of actual interactions and brand enactments.

Eric (P26), for instance, is a source of conflict and confusion within the department and the whole company. Eric has his own way of interpreting and enacting the brand. His emic interpretations are not consistent with frontstage or with other organizational member's backstage brand interpretations and enactments. Still, Eric is a valuable and capable team member with lots of know-hows that he likes to share with other people – thereby supporting the achievement of departmental and company goals. P23's way of working is very different from Eric's and is in line with frontstage structures. Similar to his boss (Marc), P23 is very structured and likes to collaborate with other organizational members. P23 is interested in avoiding potential conflicts hindering collaboration that may arise due to different backstage brand interpretations. P22 is also trying to avoid conflicts and to follow his boss's way of thinking. It is unclear whether P22 is really convinced of the frontstage brand interpretation his boss promotes or whether he is just ''a slave to his boss.'' Finally, Marc is pictured as the one who lives his frontstage brand interpretation and actively engages in advancing the implementation of intended brand enactments backstage, for instance, via active collaboration with his team members and by empowering/trusting his team in implementing the brand.

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CHAPTER 9

PRICING THEORY AND PRACTICE IN MANAGING BUSINESS-TO-BUSINESS BRANDS

Gerald E. Smith and Arch G. Woodside

ABSTRACT

This paper includes an examination of two key issues on price decisions: (1) how should price decisions be made (the strategic and normative issue) within market contexts, and (2) how are price decisions actually made (the execution and implementation of price decisions). The paper closes with some observations useful for applied research and strategies for making effective pricing decisions. The propositions and literature review show that one pricing strategy does not fit a brand in all market contexts that brand executives experience annually in managing brands. Setting specific price points requires continuing deliberate management responses to dynamic market contexts. This paper provides useful sense-making conjunctive steps to accomplish such deliberate thinking effectively relevant for different market contexts.

Pricing decisions are usually challenging but are especially vexing in periods of rapidly changing costs and market uncertainty. For example, manufacturers and service providers wrestle frequently with how to pass on dramatic

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increases in raw material and commodity prices such as fuel, metals, and petrochemicals (Stundza, 2008). Marketing strategists recognize that pricing decisions are particularly important and difficult to make because price changes may cause changes directly in multiple goals such as (1) customer retention, (2) profit, (3) sales, and (4) market share. The specific forms of the relationships for price and these goal variables are difficult to estimate accurately.

Marketing researchers advocate the importance of treating price as a strategic variable in the marketing mix (Dolan & Simon, 1996; Monroe, 2002; Nagle & Hogan, 2006; Oxenfeldt, 1973; Smith & Nagle, 1994; Ross, 1984). Executives should craft pricing goals, objectives, and strategies to achieve consistencies with marketing and corporate goals, objectives, and strategies (Monroe, 2002; Nagle & Hogan, 2006). Indeed, pricing decisions have significant leverage to achieve competing dimensions of organizational success that are often tactically and short-term oriented. For example, increasing prices increase unit margins and short-term profits (Marn & Rosiello, 1992). Lowering prices stimulate short-term sales volume (Stephenson, Cron, & Frazier, 1979). Lowering prices retaliates against and disciplines competitors (Oxenfeldt, 1973). Higher prices signal quality, prestige, or create exclusivity (Nagle, 1984; Olson, 1977). These competing forces highlight the importance of achieving strategic pricing, and yet show how vexing and contentious organizational pricing decisions can be; hence, the managerial importance of this research.

The specific forms of the relationships for price and the consequent goal variables are difficult to estimate accurately and manage separately. For example, for some products-services, customers may not react (negatively) to a series of small increases in price (say 4% annual price increases for product X when price increases for competing, nonpurchased, products-services average 2%). The lack of negative response may tempt pricing strategist to continue increasing price annually at the rate of 4%. However, following the implementation of a fourth or fifth 4%, annual price increase, dramatic declines in sales for Product X occur – the price difference (often $>20\%$) between the in-supplier and out-suppliers of the products-services becomes too great to ignore.

Because price is the only marketing mix variable that generates revenues (all others involve expenditures or investments of funds), some strategists argue that price decisions are perhaps the most significant among the decisions of the marketing mix for a product-service (see Rao, 1984, p. S39). Comparing the profit implications of a 1% increase in volume and a 1% increase in price illustrates the importance of improving pricing decisions.

For a company with average financial performance, improving unit volume by 1% yields a 3.3% increase in operating profit, assuming no decrease in price. However, a 1% increase in price, assuming no loss in volume, increases operating profit by 11.1%. "Improvements in price typically have three to four times the effect on profitability as proportionate increases in volume" (Marn & Rosiello, 1992, p. 84).

A FRAMEWORK FOR PRICING DECISIONS

Fig. 1 is a conceptual framework summarizing the relationships affecting price of competitive intensity, product quality, customer price sensitivity, and costs. The variables in Fig. 1 include strategic management variables (e.g., pricing strategy), external market influence variables (e.g., economic value, perceived quality, competitor response), and internal firm influence variables (e.g., costs, margins, cost structure), and goal variables (e.g., profit, sales and market share, and customer retention).

A pricing system model is a description of the relationships leading to price increases and decreases and the affects of these price changes on goal variables and other outcome variables. A system flow diagram is a pictorial representation of an equation system. Forrester (1961, p. 81) explains the usefulness of such diagrams, "A properly constructed flow diagram is better than a set of equations for communicating the structure of a system to many practicing managers. A diagram represents an intermediate transition between a verbal description and a set of equations."

The pictorial representation is useful for business-to-business (B2B) pricing strategists. In focusing on causes and outcomes of price changes, and to reduce complexity, Fig. 1 does not include important causal relationships affecting goal variables. Most importantly, Fig. 1 does not include the documented increases in both market share and profit performance caused by increases in a firm's product quality, relative to competitors' product quality levels (see Buzzell & Gale, 1987; Clifford & Cavanagh, 1985).

PRICING STRATEGY

Pricing strategy is an organization's plan to set and manage prices to compete in a market and achieve organization goals and objectives (see Porter, 1980; Walker & Ruekert, 1987 for additional relevant definitions of strategy). Pricing implementation is specific action and behavior that enacts,

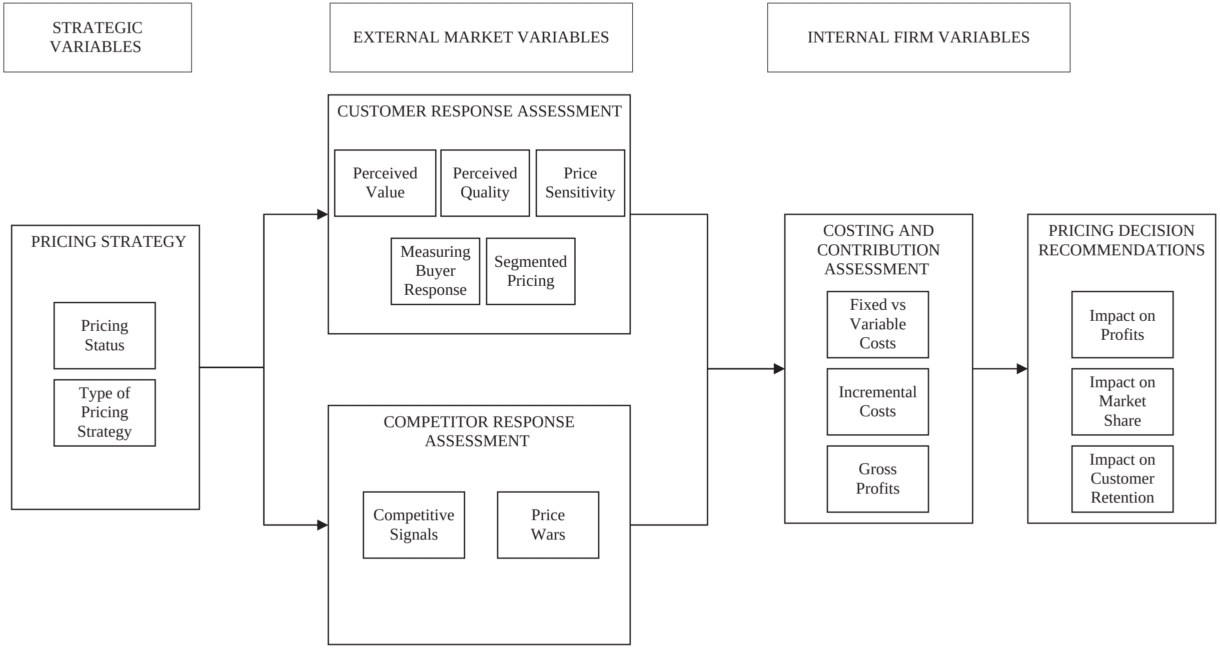

Fig. 1. An Integrative Framework for Profit-Driven B2B Pricing.

performs, or executes pricing judgments and decisions (see Bonoma, 1984; Bonoma, Crittenden, & Dolan, 1988; Walker & Ruekert, 1987). Normatively speaking, pricing implementation should follow a design that executes pricing strategy to achieve and sustain commitment to strategic pricing goals and purposes.

The extent to which pricing strategy has a presence in organizational attention, cognition, and interpretation is the first issue (Dutton, 1988; Dutton & Jackson, 1987; Pfeffer, 1985). This proposition means first of all that pricing strategy must be present. According to Mintzberg (1987, p. 11) this type of strategy is "made in advance of the actions to which [it applies], and [it is] developed consciously and purposefully" (see also Drucker, 1974). Mintzberg (1987) advocates that strategy continually emerges, evolves, or changes to reflect or anticipate changes in the business environment. According to Nagle and Holden (1994) strategic analysis and strategy formulation characterize pricing strategy. Planning pricing strategy needs to be long-term oriented, forward-looking, goal driven. Outcomes of planning pricing strategies include an explicit (versus implicit) plan and standard for making pricing decisions. Planning pricing strategy focuses not on a specific pricing transaction or event, but instead on classes of transactions for types of market segments, customers, products, or services; and types of competitive encounters.

However, planning pricing strategy merely to happen is insufficient: ignoring planned strategy following its creation needs to avoid explicitly. Planned pricing strategy must have a significant presence in organizational attention, cognition, and interpretation. Dutton (1988) suggests that issues are prioritized in organizational cognition that the strategic agenda reflects. An issue's status on the organization's strategic agenda depends on its potential to affect the organization's ability to survive or achieve its objectives. Thus, the magnitude of its perceived impact on the organization's strategic goals influences the presence and status of pricing on the corporate strategic agenda. If executives perceive strategic pricing issues to have significant strategic impact then the organization interprets these issues, infuses them with shared meaning, and generates organizational action (Dutton & Jackson, 1987; Daft & Weick, 1984; Hambrick & Mason, 1984; Stubbart, 1989; Smircich & Stubbart, 1985; Smircich, 1983).

Organizations use various ways to signal the strategic status of pricing. Who in the organization is ultimately responsible for pricing decisions and outcomes is a major indicator of status. Higher ranking persons signal higher strategic pricing status. Some organizations signal the status of strategic pricing by institutionalizing price decision making: they define pricing committees and groups, with specific roles, obligations, and rules (Pfeffer, 1985). Institutionalization legitimates because it implies historicity (i.e., the pricing process has a legitimate history and reason for being), control over a domain of strategic responsibility, and organizational validity (see Berger & Luckmann, 1966).

Noble and Gruca (1999) identified a list of ten types of pricing strategies in the literature and empirically studied which strategies were related to various contextual variables, e.g., capacity utilization, level of product differentiation, life-cycle stages, cost structure, and demand elasticity. For example, skimming pricing strategies such as premium pricing or value-in-use pricing involved relatively high price and were used frequently for new product pricing. Skimming pricing strategies receive frequent implementation in contexts with high product differentiation and/or when the firm has a significant cost disadvantage due to scale. Competitive pricing situations typical of mature markets are contexts leading to adoption of leader pricing strategies, such as umbrella pricing, cooperative pricing, and signaling. Table 1 summarizes these findings.

Some of Noble and Gruca's (1999) results are intuitive, and yet they point to inconsistencies between managerial perceptions and managerial practice. For example, managers seem to say they use cost-plus pricing strategies, such as contribution pricing, target return pricing, or markup pricing primarily in situations where it is difficult to determine demand. Yet Nagle and Hogan (2006, p. 2) note, "Cost-plus pricing is, historically, the most common pricing procedure because it carries an aura of financial prudence." Noble and Gruca (1999, p. 453) note further, "Another interesting result was the prevalence of cost-plus pricing. A full 56% of the 270 managers mentioned cost-plus pricing. When it was used, it was the dominant strategy (with an importance weight larger than any of the others mentioned) 71% of the time. This confirms the observations of Simon (1989) and others that, even after all of the research on market-and competitive-oriented pricing, cost-based methods remain prevalent. Over 35% of the managers responding used a combination of cost-plus pricing [inward-based] and one of the other nine market-based strategies, implying that a significant number of managers are looking inward and looking outward to set their prices."

PERCEIVED VALUE

Market environment – how buyers make buying-decision judgments, and how sellers attempt to set prices to influence these buyer judgments – is a key

Table 1. Summary of Study of Managerial Pricing Practice.

Pricing Solution	Determinants	Pricing Strategies (Related Strategies)	Significant Determinants	Relative Price
New product pricing	New model	Skimming (premium pricing, value-in-use pricing)	High product differentiation in the market Cost disadvantage due to scale	High
		Penetration pricing	Cost advantage due to scale Elastic market demand Inelastic brand demand	Low
		Experience/learning curve pricing	High product differentiation in the market Not a major product change Low capacity utilization	
Competitive pricing	Mature market	Leader pricing (umbrella pricing, cooperative pricing, signaling)		High
		Parity pricing (neutral pricing, follower pricing)	High costs Low market share Low product differentiation Elastic market and brand demand High capacity utilization	Equal
		Low-price supplier (parallel pricing, adaptive pricing, opportunistic pricing)	Low factor utilization Low costs Cost advantage due to scale No cost advantage due to learning Elastic brand demand	Low
Product line pricing	Firm sells substitute or complementary products	Bundling (system pricing)	Presale/contract pricing Elastic brand demand	
		Complementary product pricing (razor-and-blade pricing)	High profits on supplementary sales	Low
		Customer value pricing (economy pricing)	Hard to detect price changes Narrow market appeal High market growth	
Cost-based pricing	Difficult to determine demand	Cost-plus pricing (contribution pricing, target-return pricing, markup pricing)		

influence on pricing strategy The literature documents a variety of buyer-related pricing constructs, including perceived value, price elasticity, willingness to pay, and segmented pricing. We begin with perceived value.

The meaning of value finds its origins in classical economic theory and the notion that utility maximization is basic and fundamental to human nature (Riley, 1988). Adam Smith emphasizes that individuals receive utility, or value, by using, holding, or consuming a good; or by exchanging to purchase other goods, via price (Landreth & Colander, 1989). In a free market, producers compete to create incremental value for individuals by increasing productivity, by generating greater (or better) output per unit of input (see Smith & Huntsman, 1997).

Yet, the literature defines ''value'' ambiguously and loosely in business discourse. For example, one value definition focuses on objectively (the value that buyers actually receive), subjectively (the value buyers perceive they receive), or even experientially (the value buyers perceive as weighted psychologically by the salience of different dimensions – tangible or intangible – of value). Reuter (1986) and Wind (1990) define value in terms of value-in-use that product performance drives. Shapiro and Jackson (1978) and Forbis and Mehta (1981) conceptualize value in relative terms, as the maximum amount a customer should be willing to pay, assuming full information about the product and competitive offerings. Anderson, Jain, and Chintagunta (1993, p. 5) similarly define value in business markets as the ''perceived worth in monetary units of the set of economic, technical, service, and social benefits received by a customer firm in exchange for the price paid for a product offering, taking into consideration the available alternative suppliers offerings and prices.''

Consider adopting the following view as particularly useful. Value is perceived by buyers, and usually is not equivalent to the actual value that buyers may in fact receive. Nagle and Holden (1994, p. 111) comment, ''[M]arket value is determined not only by the product's [actual] economic value, but also by the accuracy with which buyers perceive that value and by how much importance they place on getting the most for their money.'' Buyers may inaccurately perceive value because they are unaware of the product's or service's value or they are not persuaded that the product or service delivers the value promised by the provider.

Zeithaml's (1988) exploratory research on buyers' perceptions of price, quality, and value notes that perceived value is the quality the buyer gets for the price paid, or what the buyer ''gets'' for what the buyer ''gives'' in the transaction. The ''get,'' or benefit components of value include salient intrinsic attributes (i.e., the look and feel of the product), extrinsic attributes (e.g., brand name, packaging, logos, etc.), and perceived quality. The "give," or sacrifice components of value include monetary price and nonmonetary costs, i.e., energy, effort, time involved in acquiring the product.

Grewall, Monroe, and Krishnan (1998) empirically test a variant of this "give" and "get" hypothesis by examining the effect of price-comparison advertising on buyer's perceptions of acquisition value (what the buyer perceives he/she "gets") and transaction value (what the buyer perceives he/she "gives"), and the consequent effect on buyers' willingness to pay and intent to search. They define acquisition value, consistent with Thaler (1985), Dodds, Monroe, and Grewal (1991), and Zeithaml (1988), "as the perceived net gains associated with the products or services acquired," and transaction value as "the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal." In other words, when setting price marketers should separate the two tasks of (a) estimating the perceived worth (or net gains) of the benefits buyers get from using the product or service, and (b) the perceived pleasure they get by comparing the price they pay with the price they expect to pay.

Smith and Nagle (2002, 2005a, 2005b) and Nagle and Hogan (2006) recommend setting prices based on economic value the customer receives from using the product or service, a model that is particularly applicable in B2B contexts. Smith and Nagle (2002, pp. 22–23) note: "… value is concerned primarily with understanding the [buyer's] system of value delivery – determining how the integration of a new product or service into the buyer's business creates incremental value and then measuring or estimating the monetary worth of this incremental value … With economic value analysis the researcher is interested in systems of features that yield benefits and lead to monetary value outcomes." This value estimate then becomes the basis for setting price. They recommend a six-step process for using economic value to set price, modified slightly here:

1. *Identify the Reference Product*: That is, what do buyers consider being the closest competitive substitute to your product or service, and what is the price of this reference product (or service)?
2. *Identify Value Drivers*: Then we are interested in identifying the most significant differentiation drivers of value for the customer, that is ways in which our product or service delivers superior differentiation value vis-à-vis the competitive reference product. There are two types of value drivers: cost drivers (e.g., inventory savings, savings in invested capital, savings on ancillary services, savings on salary, and compensation of

personnel deployed inefficiently, etc.) and revenue differentiation drivers (e.g., gains in market share or market penetration because your product or service makes your customers' products or services more marketable; time-to-market gains; or gains in pricing and margins related).

3. *Quantify the Value Drivers*: What is the worth of the benefits associated with each value driver; for example, for a cost driver how much does the firm spend on this cost driver?
4. *Quantify the Differential Impact of Your Product or Service on the Value Driver*: If our product could impact those value drivers, what would be the magnitude of the incremental value created? For example, an industrial manufacturer offered special design-in engineering consulting that enabled its OEM customers (cell phone manufacturers, personal computer manufacturers) to get to market approximately 60 days on average ahead of its competitors. The difference in profit between a first-to-market share of say 50%, versus a follower share of perhaps 20–30%, is potentially significant.
5. *Quantify the Total Potential Impact on Most Significant Value Drivers*: After quantifying the impact of your product or service on each value driver, we then sum these separate impacts on the customer firm's profitability to estimate the total incremental value created by our product. This figure represents a measure of the actual value our firm contributes to the value delivery model of our customers.
6. *Assess Willingness to Pay*: A thorough value interview takes respondents through a detailed assessment of the economic value of the product or service – approximating the economist's assumption of perfect knowledge. Consequently they should be better prepared to make informed judgments about the price they would be willing to pay to acquire the value estimated during the value measurement process.

Price is then set relative to this estimate of economic value to capture a share of the value the customer receives. The conceptual model in Fig. 2 depicts this process, where marketers first calculate economic value to the buyer by determining an appropriate reference product and associated reference price, and then adding positive and negative differentiation value. Marketers then set price at some level below total economic value in consideration of the level of incentive sellers want to provide to buyers to purchase the product or service. Setting a lower (higher) price relative to value provides greater (smaller) incentive for buyers to purchase, and consequently more (fewer) buyers will purchase.

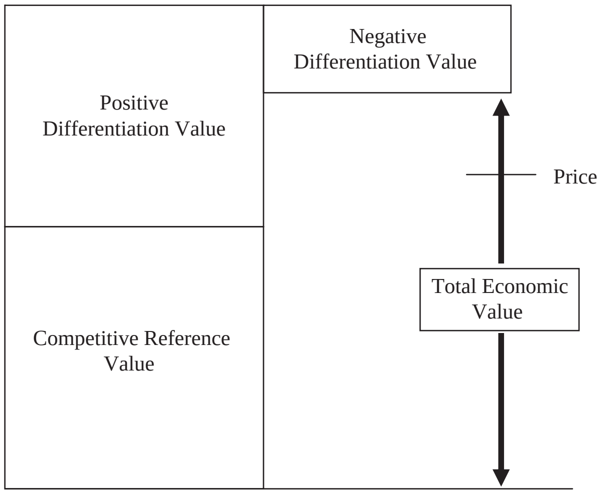

Fig. 2. Setting Price Relative to Economic Value.

PERCEIVED QUALITY

Evidence supports a relationship between product quality and profits via premium prices. For example, Buzzell and Gale (1987) report that in the long run, "The most important single factor affecting a business unit's performance is the quality of its products and services, relative to competitors." A product-service superior in quality versus competitors' offerings increases performance in two ways:

1. In the short run, superior quality yields high profits via premium prices. As Frank Perdue, the well-known chicken grower expresses, "Customers will go out of their way to buy a superior product, and you can charge them a toll for the trip." Consistent with Perdue's theory, profit impact of marketing strategies (PIMS) businesses that ranked in the top third on relative quality sold their products or services, on average, at prices 5–6% higher (relative to competition) than those in the bottom third.
2. In the longer term, superior and/or improving relative quality is the more effective way for a business to grow. Quality leads to both market expansion and gains in market share (Buzzell & Gale, 1987, p. 7). In some competitive situations, a firm may decide increases in product quality to enable the firm to decrease price. Such a strategy might be used to increase customer trial, sales, and market share (Woodside & Ozcan, 2009). Thus,

> while increases in product quality relative to competitors' product quality levels, is a reference for justifying increases in price, the relationship between product quality and price is reversible from positive to negative in some contexts. Executives should consider explicitly how purchase and usage contexts as well as sales, market share, and profit objectives are relevant for (1) setting specific price points and (2) changing price points relative to the prices of major competitors.

Grewall et al. (1998) diagnose this effect in terms of perceived quality and its impact on perceptions of value and consequent purchase behaviors. They report that perceived quality has a significant positive influence on buyers' internal reference prices, and these internal reference prices also have a significant positive effect on perceived transaction value (the ''give'' dimension). Thus, more favorable perceptions of quality led buyers to feel more favorably about the price they paid relative to the price they expected to pay because they had formed more favorable (i.e., higher) internal reference prices. Perceived quality also has a significant positive effect on acquisition value, and acquisition value consequently has a significant positive effect on willingness to buy, and a significant negative effect on search intentions.

Increases in product quality do not relate always with increases in price; in some circumstances the increases in product quality are associated with decreases in price. An example of this negative relationship occurs in the highly competitive, electronics industry; real prices are dropping by 25% per year while product quality continues to increase (see Jelinek & Schoonhoven, 1993).

Another example: more firms in some nations focus on nurturing a strong indirect influence between product quality and profits via price, while firms in other nations focus on other strategies. Specifically, for some industries, research shows that Japanese, Germans, and American firms focus primarily on different causal chains in their pricing strategies (e.g., see Coe, 1990; Doyle, Shaw, & Wong, 1993):

$$\text{Japanese} : \text{PQ}(1.4)(-) \rightarrow P\&e(0.9)(+) \rightarrow \text{MS}(1.4)$$

$$\text{German} : \text{PQ}(1.4)(+) \rightarrow \text{Price}(1.1)(+) \rightarrow \text{Profits}(1.2)$$

$$\text{American} : \text{Profit Objective}(+) \rightarrow \text{Price}(1.1)(+) \rightarrow \text{Profits}(1.0)$$

In this example, a Japanese firm uses superior product quality (relative PQ = 1.4) as a justification to lower price (10% below its largest competitor) to enable the firm to achieve a market share substantially higher (40% higher) than its largest competitor. The German firm also focuses on achieving superior product quality (40% higher than its largest competitor) as a justification to increase price (10% above its largest competitor) to achieve superior profits (20% above industry average). Meanwhile, the American firm focuses on achieving its profit objective by increasing price (even if some customers and market share are lost due to lower value perceived in its products relative to competitors' products).

These examples are not to imply that all firms in a particular nation follow the same pricing strategy with the same outcomes; some Japanese and British firms exhibit profit-focus pricing strategies, and some American firms exhibit market-growth or competitor-destruction pricing strategies (superior PQ in combination with lower price relative to competitors); for a detailed discussion, see Doyle, Saunders, & Wong, 1992).

PRICE SENSITIVITY

Setting price depends not only on buyers' perceptions of quality and value but also on buyers' sensitivity to price. The notion of price sensitivity builds on the premise that buyers decide whether or not to buy by comparing benefits received for the price they pay. However, this price sensitivity proposition presumes that buyers actually know the price they pay. In fact, researchers report considerable variance in buyers' sensitivity to prices: some buyers pay little attention to price while others pay considerable attention to price. Monroe (2002) notes that price sensitivity is viewable along two separate dimensions: *price awareness* refers to the ability of the buyer to remember prices; *price consciousness* denotes the buyer's sensitivity to price differentials, where differentials appears to refer to the differential between the buyer's internal reference price and actual price.

Gabor and Granger (1964) provide early research on price awareness and suggest that price sensitivity is measurable by measuring price recall (i.e., the proportion or percentage of regular purchasers that remember the price more or less correctly). Dickson and Sawyer (1990) provide a classic study that reports consumers' knowledge of prices to be quite low; their study informs replication studies by Le Boutillier, Le Boutillier and Neslin (1994), and Wakefield and Inman (1993). This stream of research supports the notion that some buyers are more attentive to price information than others, and indeed this evidence from consumer purchases supports the suggestion that many buyers are inattentive to price information. Estelami (2005, p. 126) elaborates the implications of this finding, ''Price awareness not only reflects consumers' own assessment of their knowledge of prices but it also reflects their propensity to commit to the purchase decision, and to absorb and comprehend the complexity of the product and its associated attributes. High levels of price awareness indicate a knowledgeable decision maker capable of understanding and assessing the value of the presented offer. On the other hand, poor awareness of prices indicates a vulnerable consumer who may be unable to distinguish an uncompetitive price from a competitive one.'' Estelami (2005) finds that price awareness is significantly lower for infrequently purchased service categories such as homeowners insurance (23% highly price aware), life insurance (36%), or hiring an accountant (49%) or a plumber (36%) versus frequently purchased service categories such as hair cut (100%), dry cleaning (91%), gym membership (86%), or check account (78%).

Lilien and Kotler (1983) note that a price-aware buyer may not necessarily be a price-sensitive buyer. They suggest that price recall is only a measure of price ''awareness,'' but ''price sensitivity'' represents a deliberate effort to search for lower prices, a behavioral dimension. Further, in addition to the cognitive dimensions of price awareness and price knowledge, Monroe and Petroshius (1981) suggest that price sensitivity has not only a behavioral dimension but also an attitudinal component. Some buyers are innately ''scotch'' attitudinally and prefer to not spend money, and hence are prone to search carefully before parting with their money while others are more cognitive and simply search for the best long-term value for their money. Both types of buyers may search significantly, but the ''Scotch'' person may buy the cheapest alternative; while the more cognitive person may buy another alternative that is more expensive in the short term, but is perceived as less expensive in the long term.

So what drives price sensitivity? First, buyers appear to be more knowledgeable about prices, depending on economic conditions in the marketplace. Estelami, Lehmann, and Holden (2002) report a meta-analysis of 297 price knowledge studies published since the early 1960s that focused on the influence of economic variables on price knowledge. Economic growth had the largest impact on buyer price knowledge, followed by inflation, and the passage of time (all three negatively influencing buyer price knowledge). Interest rates had a positive effect on buyer price knowledge; unemployment and country of study had no impact on buyer price knowledge.

Nagle identifies ten different factors affecting price sensitivity (see Nagle & Holden, 2002).

1. *Unique Value Effect*: Buyers are less sensitive to price the more they value any unique attributes that differentiate it from competitive products. Thus, does the product have unique (tangible or intangible) attributes that differentiate it? How much do buyers value these? For example, Caterpillar has a reputation for highly reliable service, which leads its buyers to be less sensitive to the based price of a tractor or earth-moving equipment.
2. *Substitute Awareness Effect*: The more substitutes buyers are aware of the more sensitive they will be to price. What alternatives do buyers have? Are they aware of these alternatives? For example, agricultural equipment dealers or truck dealers frequently sell only one brand and encourage buyers to not search among other dealerships in an effort to limit substitute awareness.
3. *Difficult Comparison Effect*: Buyers are less sensitive to price when comparison of competing offers is difficult. Thus, are product attributes identifiable by observation, or must the product be purchased to learn about or experience it? Are prices of different suppliers readily comparable, or are they in different sizes, combinations, bundles, or assortments that make comparison difficult? This factor is influential especially with credence goods or services such as commercial painting, or MRO services (maintenance, repair, and operation).
4. *Total Expenditure Effect*: Buyers are more sensitive to price when the expenditure is large versus small in both dollar terms and as a proportion of total income budget. Hence, buyers who purchase large volumes of a product are more price sensitive because the total expenditure on the product is large relative to the buyer's total budget. Or conversely, buyers are usually less price sensitive to add-on accessories or repair parts because they represent a small portion of the buyer's total budget.
5. *End-Benefit Effect*: Buyers are less sensitive to price when (1) they are less sensitive to the expenditure on the end benefit; and (2) when the product's price accounts for a smaller share of the end-benefit's total cost. For example, buyers are less price sensitive to extended warranty and full service programs if purchased at the same they purchase a large valuable piece of equipment.
6. *Shared Cost Effect*: Buyers are less price sensitive the smaller the portion of the price they actually pay. Thus, do buyers pay the full cost of the product? If not, what portion? Thus, business travelers are less price sensitive than pleasure travelers because business travelers' expenditures are fully or partially refunded by the employer.

7. *Switching Cost Effect*: Buyers are less sensitive to price the greater the added cost (both monetary and nonmonetary) of switching suppliers. Thus, for example, if buyers have made investments in parts inventories, in specific equipment training, software, or data or information that is integral to the firm's business operations they will be less sensitive to price incentive to induce switching.
8. *Price Quality Effect*: Buyers are less sensitive to a product's price to the extent that price signals higher quality. If buyers cannot estimate differences in performance or quality among competitive alternatives they will use price as a cue to infer quality (Monroe, 2002; Nagle & Holden, 2002). Thus in commodity markets or in complex products or services such as management consulting or advanced high-technology products in which buyers have little category knowledge, buyers are less versus more likely to be sensitive to higher prices.
9. *Fairness Effect*: Buyers are more sensitive to a product's price when it is outside the range that they perceive as "fair" or "reasonable" given the purchase context. Xia, Monroe, and Cox (2004) note that perceptions of price fairness are influenced by (1) comparative transactions either between or among different sellers and/or between the current price and historical prices; (2) reasonable justification for price changes such as seller cost increases over which the seller has little control; (3) consideration of previous experiences with the seller over repeated previous transactions from which the buyer might infer reasonable motives into a price change; and (4) buyers' general knowledge or beliefs about sellers' practices to adjust their judgments of price fairness.
10. *Framing Effect*: Buyers are increasingly price sensitive when they perceive the price as a "loss" rather than as a forgone "gain;" and when they pay a price separately rather than as part of a bundle. For example, Smith and Nagle (1995) note that buyers often prefer financial relationships with banks in which they must keep a minimum balance (at a lower interest rate) rather than pay out-of-pocket monthly fees for a checking account. Similarly, outsourcing service firms charge a (usually higher) price based on the efficiency savings realized rather than charge a price based on a daily consulting rate.

MEASURING BUYER RESPONSE TO PRICE

Fig. 3 shows hypothetical examples of how different customers may vary in their sensitivities to different prices. Price sensitivities for four customers are

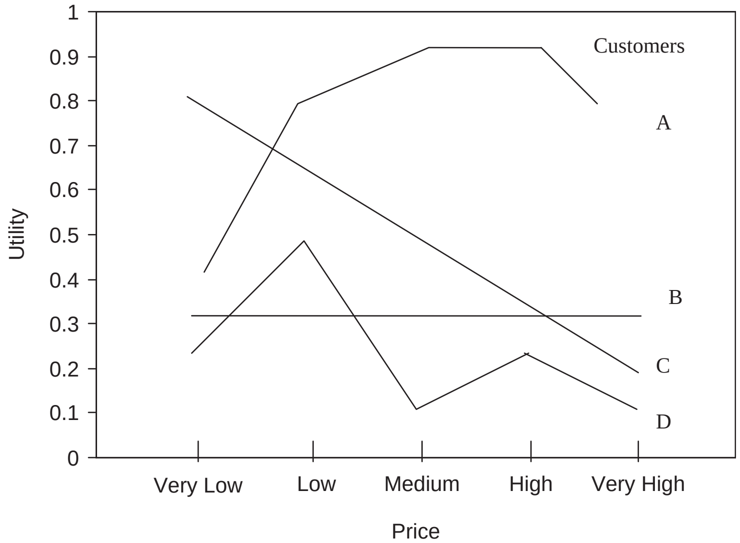

Fig. 3. Consumer Sensitivities to Price.

depicted; each customer represents a price-utility segment of customers. The utility (i.e., customer preference for the product-service) of product options for Customer B appear to be insensitive to price changes. For customer C, increases in price are associated with declines in utility. Customer A prefers to avoid both low and high priced product-services, medium-priced product-service designs are preferred. A modest price and customer sensitivity relationship is indicated for customer D.

Conjoint and hybrid conjoint analysis are in use extensively in B2B marketing to empirically estimate customer acceptance models of alternative product-service designs (e.g., see Acito & Hustad, 1981; Green & Krieger, 1985; Wind, Grashoff, & Goldhar, 1978; Woodside & Pearce, 1989). Such work includes estimating: individual customer's sensitivities to price changes, estimating the importance of price changes compared to changes in other product-service features, and segmenting customers by their similarities and differences in product-feature sensitivities.

Because price in one factor (i.e., product-service attribute) customers consider in evaluating and selecting alternatives, most B2B pricing studies, that are planned to build formal pricing models, are designed to test customers' willingness to trade-off low price benefits to achieve high levels of other factors (e.g., gain high, product operating performance, such as greater speed). Conjoint analysis is the most popular research method for such model testing.

Conjoint analysis is the joining together of different levels of two or more factors to form alternative, product-service configurations. The following discussion is a brief introduction. In designing a new product, a firm is considering five different prices being combined with three different product operating speeds to create 15 different product configurations: from a very low price and low speed to a very high price and high speed. The firm would like to know how customer's value each combination.

Thus, the dependent variable is customer-perceived value (utility) in each price-product quality combination. To assess customer-perceived value, a sample of customers are asked to rank the 15 alternatives from their most (1) to least preferred (15). The rankings for each customer are then converted to utility scores. Formal models are then used to estimate the impacts of price changes and product speed changes on utility changes. The following formal models might be tested for each customer in the study:

$$\text{Model A}: \quad \mathrm{U} = a - b_1 \text{ Price} + b_2 \text{ Speed} \tag{1}$$

$$\text{Model B}: \quad \mathrm{U} = a + b_1 \text{ Price} - b_2 \text{Price}^2 + \text{Speed} \tag{2}$$

where: a is a constant and the b's are coefficients of influence of price (P) and speed (S) on utility (U), that is, the b's are the amount of change in utility for a one unit change in price or speed. Model A includes the hypotheses that price increases cause decreases in utility and speed increases cause increases in utility. Utility (i.e., customer-perceived value in the product) is hypothesized to be dependent in a linear manner on both of the two independent variables (factors) in Model A.

Model B includes the hypotheses that price increases initially cause increases in utility followed by decreases in utility as prices become very high, that is, a curvilinear (quadratic) relationship between price changes and utility changes is predicted; increases in speed is hypothesized to cause increases in utility in a linear manner in Model B.

Both models may be somewhat accurate in describing the effects of price and speed changes on utility. An important additional issue is which model is more accurate (for a very readable introduction to model designs and testing, see Kerlinger & Pedhazur, 1973). A data matrix is used to test different models for each customer.

To test Model A for this example, the data matrix for one customer would include three columns and 15 rows: a column of prices, a column of speeds, and a column of customer preference rankings converted into utility scores. The 15 rows would be for the 15 combinations of prices and speeds, each row would include the customer utility value for each price-speed combination. A numerical example of a data matrix and a conjoint study is provided later in this section. Assume the following empirical model is estimated from one customer's responses for hypothesized Model A:

$$U = 2.00 - 0.41 \ \text{Price} + 0.83 \ \text{Speed} \tag{3}$$

This empirical model indicates that the customer's initial perceived value (measured by utility) in the product is 2.00; this initial utility level decreases by 0.41 for every unit of increase in price. So if price is measured in dollar units, for every dollar increase in price, utility decreases by 0.41 units. This empirical model (Eq. 3) also predicts that utility increases 0.83 units for every one unit increase in speed.

Because each of the five prices was combined with each of the three different speeds, this study would be described as a two-factor, full-factorial experiment. That is, the study includes all combinations of all factors.

Most actual product-price experiments include more than two factors. If we expanded the example to include four factors, for example, five prices, three speeds, four types of service agreements, and three levels of performance guarantees, then 180 different combinations could be designed: 5 by 3 by 4 by 3. Many customers would be unwilling to rank, or provide other judgments, to 180 product-price feature combinations.

Usually, conjoint studies ask customers to provide rankings (or other evaluation scores) for less than all combinations of factor levels, when the study includes four or more factors with each factor having two or more levels. Thus, most studies apply a fractional design, that is, sampled customers evaluate on a fraction of all the possible factor combinations; usually 18 to 30 product-price combinations are in studies for sampled customers to evaluate.

DETAILED EXAMPLE OF BUYER RESPONSE MODELING

Let us consider the testing of customer acceptance of different designs of a new industrial service. The new service involves cleaning the insides of furnace tubes using a new technology, "shotblasting" (for details see Woodside &

Pearce, 1989). This technique involves forcing propellants in a nitrogen carrier gas through the inside of the furnace tubes to remove scale and coke deposits along the walls of the tubes. The penalty for inadequate tube cleaning is excess fuel consumption, shortened on-stream times, and the potential of catastrophic tube raptures.

The dominant competing technology for furnace tube cleaning is steam air decoking. This tube-cleaning method involves injecting steam and air into furnace tubes while the furnace is fired. The good news about this technique: steam air decoking is much less expensive than shotblasting. However, the resulting tube, energy-carrying efficiency following steam air decoking is low (75%).

Turbining is a third method used for cleaning furnace tubes. Turbining involves cutting or reaming out coke and scale deposits. The good news: high energy efficiency (95%) results from turbining. The bad news: turbining is slow, labor intensive; expensive; and often damages the tubes (punches holes in the tubes).

The key issues: how can we design the new shotblasting service to gain customers away from steam air decoking and turbining? What price, cleaning time, energy efficiency, and tube damage-level-guarantee should we offer? Are different customers influenced differently by price increases for the service? increases in energy efficiencies? cleaning times? damage guarantees? Which existing technology is hurt the most by our new technology: does shotblasting gain business more at the expense of steam air decoking or turbining?

Answering these questions requires testing customer sensitivities to price changes and customers willingness to pay higher prices to gain preferred levels of other factors (i.e., other product-feature levels). For this problem, the strategists designing "the shotblasting service selected four factors as possibly important for customer testing: price, cleaning time, energy efficiency, and tube damage." Three levels were selected for each factor. Thus, a total of 81 different products could be designed; 81 would be shown to customers in a full-factorial experiment (three prices by three cleaning times by three energy efficiency levels by three tube damage levels).

For shotblasting, the three levels for each of the four factors are shown in Table 2. The selections of the specific prices, and levels for the other three factors, were made after lengthy discussions among the product-service strategists. The initial price of the shotblasting service was \$18,000; the decision was made to test on both sides of this price. Senior management believed that the firm would never offer the service at a price below \$13,000; thus, this price was selected as the low price-point for the study. The high

Table 2. Competing Industrial Services Included in the Experiment.

Steam air decoking	
Price	\$6,000
Cleaning time	36 hours
Energy efficiency	75%
Tube damage	0.020″ Carburization loss and thermal fatigue
Shotblasting	
Price	\$13,000, \$18,000, \$22,500
Cleaning time	4, 7, 14 hours
Energy efficiency	75%, 90%, 100%
Tube damage	<0.005″, 0.005″–0.020″, >1/16″ metal loss
Turbining	
Price	\$20,000
Cleaning time	120 hours
Energy efficiency	95%
Tube damage	>1/16″ metal loss

price-point of \$22,500 was selected because it is higher meaningfully than the regular price for turbining.

For shotblasting two competitors the usual service-price configurations found most often in the marketplace are summarized in Table 2. The objective of the study was to test customer acceptance of alternative designs for shotblasting against the designs of the two competing services.

To reduce customer fatigue in answering questions for the study, a fractional-factorial design was used: a total of nine configurations of the shotblasting service were used for the study. The nine configurations are shown in Fig. 4.

Note in Fig. 4 that the different prices appear in the three columns: \$13,000 for product designs T, U, X; \$18,000 for designs R, V, and Y; and \$22,500 for designs S, W, and Z. The three cleaning times are shown in the three different rows, for example, in the first row 4 hours cleaning time are needed for the shotblasting service.

The three energy efficiencies are assigned in a specific manner in the cells in Fig. 4 so that each efficiency level appears only once in any column and row combination. For example, 90% efficiency appears only in row one and once only in column one. The 90% efficiency is joined once with each price level and each cleaning time. This rule holds true for the other two efficiency levels.

The same rule is used in assigning the tube damage levels to the shotblasting designs shown in Fig. 4. Note in Fig. 4 that the middle tube

T	R	S
(A) $13,000 (B) 4 hours (C) 90 % (D) .005″ to .020″	(A) $18,000 (B) 4 hours (C) 75 % (D) < .005″	(A) $22,500 (B) 4 hours (C) 100% (D) l/l6″
U	**V**	**W**
(A) $13,000 (B) 14 hours (C) 75 % (D) l/16″	(A) $18,000 (B) 14 hours (C) 100% (D) .005″ to .020″	(A) $22,500 (B) 14 hours (C) 90 % (D) < .005″
X	**Y**	**Z**
(A) $13,000 (B) 7 hours (C) 100% (D) < .005″	(A) $18,000 (B) 7 hours (C) 90 % (D) l/l6″	(A) $22,500 (B) 7 hours (C) 75 % (D) .005″ to .020″

(A) Price (B) Cleaning Time (C) Energy Efficiency (D) Tube Damage

Fig. 4. Nine Shotblasting Furnace Cleaning Treatments Used in the Experiment.

damage level (0.005″ to 0.020″) appears in the main diagonal (designs T, V, and Z); this tube damage level is combined with each level of energy efficiency in this main diagonal. Each of the other two levels of tube damage appears once only with each level of the other factors.

Consequently, the relationships among the four independent variables (the four product factors) are zero in Fig. 4. A rectangular distribution of points is found when plotting the three levels of any two of the four factors in Fig. 4. Examples of four of these rectangular plots are shown in Fig. 5.

Thus, the nine product designs selected for customers to evaluate include combination of factor levels that eliminate any joint movements among the factors, for example, price increases are not associated with higher levels of energy efficiency. The relationships are planned to be orthogonal (i.e., r's $= 0.00$) among the independent variables. Usually, not always, tests of

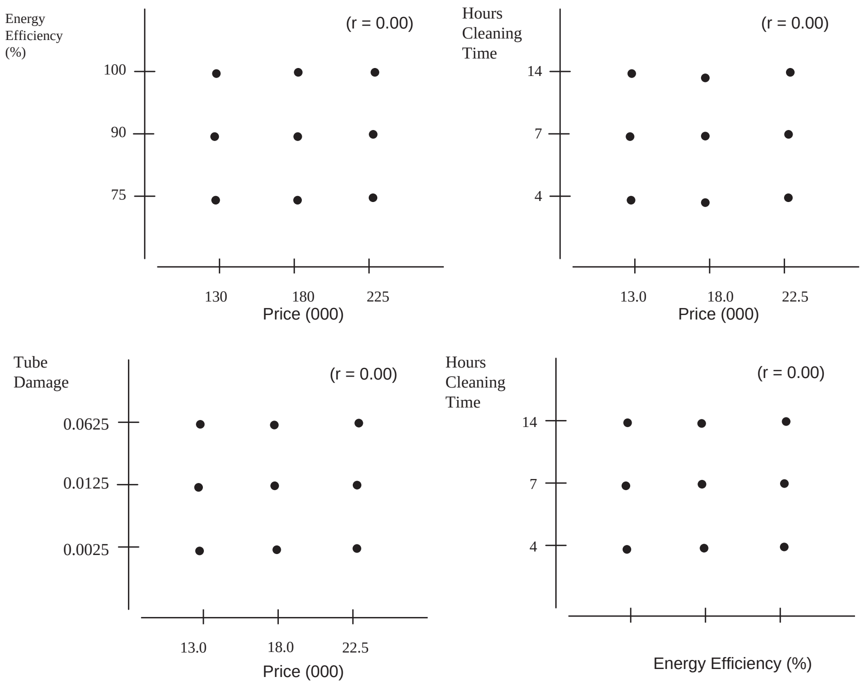

Fig. 5. Relationships Among Selected Independent Variables in Fig. 4.

product-price factors are designed to achieve orthogonal designs. In some instances, the levels of two factors will be included in a study which covary to some extent (e.g., $r = 0.20$) because such covariance occurs in the natural competitive environment. However, when two factors are highly correlated, (say, $r > 0.30$), then confounding of effects of the two factors on the dependent variable (e.g. customer-perceived value in the product designs) occurs.

Fig. 6 is an example of one of the nine pages presented to qualified sampled customers for the shotblasting study. The qualified customers in the study were persons working in chemical plants and oil refineries with responsibilities for buying furnace tube cleaning services. Three choices were presented in each of nine pages to each customer in the sample; the only differences between the pages were the descriptions of the shotblasting service.

Each of the nine configurations shown in Fig. 4 appears on one of the nine pages in the data collection stage; the descriptions for steam air decoking and turbining remained the same for the nine pages. Each customer provided three answers per page: the amount of her/his tube-cleaning needs

Assume that you are faced with the potential need to decoke a 2 pass, 6″ OD, Direct Fired Furnace. From the information presented below, distribute 100 points among the three processes based on the likelihood that you would use that process to decoke the above furnace.

Steam Air Docking

- Price → \$6,000
- Cleaning Time → 36 hrs.
- Energy Efficiency → 75%
- Tube Damage → 0.020″ Carburization Loss and Thermal fatigue

____

Shortblasting

- Price → \$18,000
- Cleaning Time → 4 hrs.
- Energy Efficiency → 75%
- Tube Damage → < .005″ Metal Loss

____

Tutbining

- Price → \$20,000
- Cleaning Time → 120 hrs.
- Energy Efficiency → 95%
- Tube Damage → > l/l6″ Metal Loss

____

Total Points: 100

Fig. 6. Potential Uses of Different Processes for Decoking Furnace Tubes.

he would assign to each of the three services. Note in Fig. 6, that a constant sum scale is used: the total points awarded to the three competing services must total to 100.

Thus, the points awarded per page represent the market shares for the three services for the individual customer for different shotblasting service profiles. We are able to answer the key issues in the study for each customer by examining the customer's responses to the nine competitive scenarios. For example, in Table 3 consider a customer, Production Engineer Smith; market share assignments for shotblasting for the nine product-price designs for shotblasting (see Fig. 4). Ms. Smith assigns 75% of her firm's tube-cleaning business to shotblasting when shotblasting includes the factor levels shown in X in Fig. 4 (low price, medium cleaning time, high energy efficiency, and low tube damage).

The average market shares assigned to shotblasting for the three levels of each factor appear at the bottom of Table 3. Note that dramatic shifts in

Table 3. Example of Customer Responses for Furnace Tube Cleaning Problem.

Design	Market Share Awarded to Shotblasting by Engineer Smith
T	40
R	5
S	0
U	0
V	20
W	15
X	75
Y	0
Z	5

Price	MS	Time	MS
Average market share (MS) for shotblasting for each level for four factors:			
\$13,000	38.3	4 hours	15.0
\$18,000	8.3	7 hours	26.7
\$22,500	6.7	14 hours	11.7

Efficiency	MS	Tube Damage	MS
Delivered			
75%	3.3	<.005″	31.7
90%	18.3	0.005″–0.020″	21.7
100%	31.7	1/16″	0.0

Note: Example: Average for 90% delivered efficiency = (40+15+0)/3 = 18.3.

shares occur for shotblasting with different levels for each factor. For example, shotblasting receives less than 10% of the business available in Ms. Smith's firm when price changes from \$13,000 to \$18,000.

For three of the four factors, positive or negative linear relationships occur: price increases cause decreases in share; increases in delivered energy efficiency increases share; increases in tube damage decreases share. For cleaning time, the relationship is curvilinear: Ms. Smith assigns more share points to shotblasting for 7 hours cleaning time versus 4 or 14 hours; she wants moderate speed when her furnace tubes are cleaned.

You might ask, why not just ask customers about the relative importance of the four factors on how much they influence choice of cleaning services. Conjoint analysis is better than direct questioning on importance because in real-life choices depend on customer perceptions and judgments on relatively complete configurations of products, as presented in conjoint studies. If you ask customers to assign purchase probabilities for different prices, and other product features, of a cleaning service, the customer will answer the questions, but the answers will predict actual behavior less accurately than conjoint analysis modeling. The use of conjoint analysis is widespread in testing alternative product-service (and price) designs because the judgments reflect how customers actually make choices and the formal models developed from conjoint studies predict actual choice behavior accurately.

For Engineer Smith, her utility (perceived value) estimates for the 12 factor levels (three levels for four factors) are listed in Table 4. From Table 3, the average market shares for each factor level are shown in column 3 of Table 4. These average shares are rescaled as utilities; the utilities appear in column 4. The highest average share is for the low price: 38.3 share points for $13,000. This highest average market share is rescaled to be 1.00.

Table 4. Utility Estimates for Factor Levels for Engineer Smith for Furnace Tube Cleaning Problem.

Factor Level Ranked from High to Low Market Share			
Product profile (1)	Factor level (2)	Market share (3)	Utility estimate (4)
Price	$13,000	38.3	1.00
DE	100%	31.7	0.83
TD	< 0.005″	31.7	0.83
Time	7 hours	26.7	0.70
TD	0.005″–0.020″	21.7	0.57
DE	90%	18.3	0.48
Time	4 hours	15.0	0.39
Time	14 hours	11.7	0.31
Price	$18,000	8.3	0.22
Price	$22,500	6.7	0.17
DE	75%	3.3	0.09
TD	1/16″	0.0	0.00

Note: DE = delivered efficiency;
TD = tube damage
Example of utility estimate calculation for time = 7 hours;

$$U_{T=7} = \frac{26.7 - 0.0}{38.3 - 0.0} = \frac{26.7}{38.3} = 0.70$$

The lowest average share is for high tube damage: damage: 0.0 share points for 0.0625″ tube. This lowest average share is rescaled to be 0.0.

All other average share points are rescaled within the range of 1.00–0.00. For example, the average share for 7 hours cleaning time is 26.7 points above 0.0, or 70% of the range between 38.3 and 0.00:

$$\mathrm{U}_{T=7} = \frac{26.7 - 0.00}{38.3 - 0.00} = 0.70$$

Fig. 7 shows the influence of changes of each of the four factors on changes to utilities. Table 5 summarized the relative impacts of changes of the four factors on utility. Note that in this problem the descriptions of influences shown in Fig. 7 and Table 5 would have been the same if market share were used in place of utilities.

In Table 5, changes in each of the four factors have substantial impacts on increasing or decreasing utilities. For cleaning time, the highest and lowest

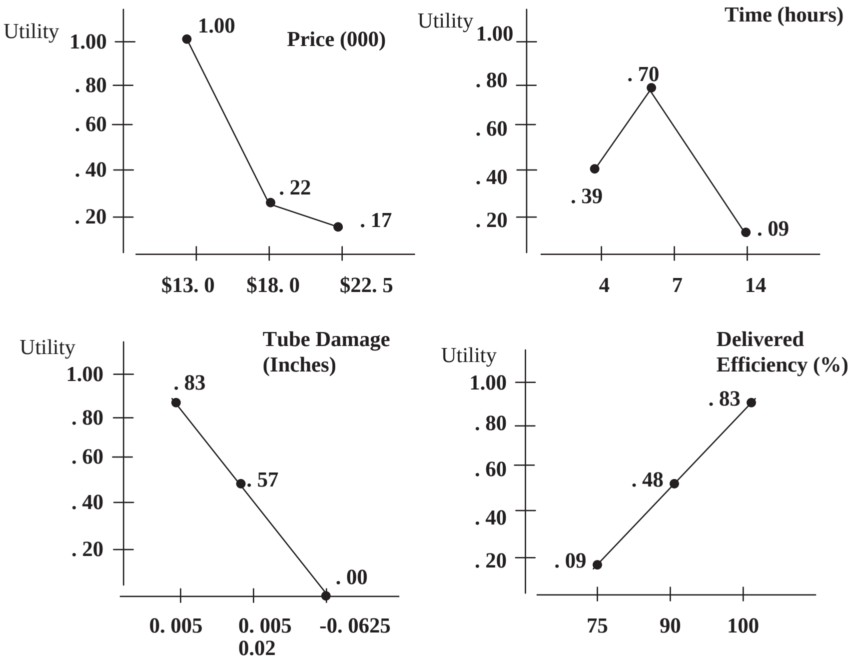

Fig. 7. Graphs of Main Effects of Factor Levels of Product Design Utilities for Engineer Smith.

utility levels are used in calculating the utility range in Table 5: the average utilities for 7 and 14 hours are used, not 4 and 14 hours.

Table 6 is the data matrix for the nine service designs and Engineer Smith's share point assignments for shotblasting. Such data matrixes are used to test formal models of influence of changes of the independent variables (e.g., the levels of the four factors) on the dependent variable (e.g.,

Table 5. Utility Ranges and Impact of Factor on Choice.

Factor	Utility Range	Impact of Factor
Price	1.00−0.17 = 0.83	28%
Time	0.70−0.09 = 0.61	20
Damage	0.83−0.00 = 0.83	28
Efficiency	0.83−0.09 = 0.74	24
	Total = 3.01	100%

Note: All four factors influence choice; however, more information is provided from Fig. 6 than in this table.

Table 6. Data Matrix for Furnace Tube Cleaning Designs Including Engineer Smith's Assignments of Market Share.

Design	(*P*) Price (000's)	(*T*) Time (hours)	(*E*) Efficiency (Percent)	(*D*) Damage (Inches)	(*S*) Share (Percent)
T	13.0	4	90	0.0125[a]	40
R	18.0	4	75	0.0025[b]	5
S	22.5	4	100	0.0625	0
U	13.0	14	75	0.0625	0
V	18.0	14	100	0.0025	20
W	22.5	14	90	0.0125	15
X	13.0	7	100	0.0025	75
Y	18.0	7	90	0.0625	0
Z	22.5	7	7s	0.0125	5

Models for Market Share for Shotblasting.

Users in chemical Plants	$S = 103.53 - .0023\ P - .225\ T + .210\ E - 824.7\ D$
Users in oil refineries	$S = 32.61 - .0089\ P - .865\ T + .502\ E - 642.1\ D$

[a]For 0.005″–0.020″, 0.0125 average is used.
[b]For 0.0025″, the midpoint between 0.000″ and 0.05″ is used.

the market share awarded to shotblasting). The bottom of Table 6 includes the estimated empirical models for predicting market share for shotblasting for two customer segments: cleaning service customers in chemical plants and cleaning service users in oil refineries. Ordinary least squares, multiple regression analysis was used to estimate these models.

Both models work well in explaining much of the variation in market share awarded to shotblasting (Woodside & Pearce, 1989). Because raw scores were used in estimating the b coefficients in the empirical models shown in Table 6, the relative size of the b coefficients are not comparable. For example, for the first model at the bottom of Table 6, the b of -0.0023 for price is not comparable to the b of -0.225 for time for chemical plant shotblasting user customers because the measuring scales used for price and time are different.

Scales for different factors can be standardized by converting raw scores about their means to estimate models so that b (now beta) coefficients can be comparable. The use of such standardized regression models in testing pricing and other factors (product features) has been used in conjoint analysis in B2B research (e.g., Woodside, Sanderson, & Brodie, 1988).

Because price changes, and changes to other product-service features, can often have curvilinear influences on customers choice, the average customer responses should be calculated for each factor level. Note that the negative b coefficients (-0.225 and -0.825) for cleaning time in the two models at the bottom of Table 6 is misleading, at least for Engineer Smith. These coefficients indicate a negative, linear relationship between cleaning time and share of business awarded to shotblasting. If Ms. Smith's responses are similar to many other customers, a curvilinear relationship might more accurately reflect how cleaning time affects gaining business for shotblasting. Thus, the plots of the average dependent scores across the levels should be examined for each independent factor. When curvilinear relationships are found, then nonlinear models will provide more accurate data fits.

Note also that the constants (the a-values), that is, the starting points of the two empirical models, differ dramatically. The model based on shotblasting users in chemical plants indicates that much more business may be available among customers in this industry for Shotblasting, since the starting point begins slightly above 100% of the available business. The model for shotblasting for oil refinery customers begins much lower with a constant of 32.61; thus, the opportunity to gain business for shotblasting may be much less for oil refinery customers (within the design constraints of the study).

Because choice data are collected for all three competitors for the nine different product-price profiles of shotblasting, share models can be estimated for other two competitors based on changes to the four product features (i.e., price, damage, efficiency, and time) for shotblasting. Thus, cross-elasticities can be estimated, for example, how do price increases in shotblasting influence customer assignments of their business to steam air decoking and to turbining? which competitor benefits the most? Which competitor is hurt the most when shotblasting is designed to include high energy efficiency and very low tube damage? Answer such questions is a form of ''what if'' sensitivity analysis.

For the tube-cleaning problem, all 81 possible product-feature combinations are listed in Table 7. From empirical models built from customer responses to the nine shotblasting and competitor's scenarios, estimates of market shares for the three competitors can be forecasted. These three sets of estimates appear in the last three columns of Table 7.

Look over Table 7; what is the highest market share that shotblasting is forecasted to achieve when priced ''High'' ($22,500)? Assuming that the principal goal for marketing strategist for shotblasting is to maximize market share, which product profile for this service would s/he select? (Answers: 43% for service design number 1, and design 55, respectively).

What market share is forecasted for shotblasting, given that the shotblasting company wants to offer the service with the following profile of feature levels, high price, 7 hours cleaning time, 0.0125 tube damage, and 90% energy efficiency? Answer: the shotblasting service profile is design 14 in Table 6; 37% share is forecasted for shotblasting.

Based on useful empirical models of customer responses to product-service profiles and competitive situations, marketing and financial strategists can work together to use the forecasts from the customer (i.e., market) response models to prepare financial spreadsheet analyses. These spreadsheet analyses include forecasts of net profit (or loss) contributions that follow from different marketing decisions. The best introductory source for detailed examples of combining market response models and financial spreadsheet forecasts may be the work by Clarke (1993).

The typical conjoint research study to assess customer sensitivities to price changes and other product features (i.e., factors) includes the following steps:

1. Decide on the product attributes and their levels – price is almost always included as one of the attributes in conjoint studies.
2. Create 9–30 profiles of the products using a fractional-factorial design (software programs are available to help the researcher achieve orthogonality when combining the levels of factors in the fractional factorials).

Table 7. Furnace Tubing Decoking Market Share for Total Population.

Service Design	Price[a]	Time in Hours	Tube Damage	Energy Efficiency	Market Share in Percent		
					SAD[b]	Shotblasting	Turbining
1	High	4	0.005	100	54	43	3
2	High	4	0.005	90	56	41	3
3	High	4	0.005	75	76	20	4
4	High	4	0.0125	100	56	41	3
5	High	4	0.0125	90	60	37	3
6	High	4	0.0125	75	80	16	4
7	High	4	0.0625	100	62	35	3
8	High	4	0.0625	90	66	31	3
9	High	4	0.0625	75	88	8	4
10	High	7	0.005	100	55	42	3
11	High	7	0.005	90	57	40	3
12	High	7	0.005	75	76	20	4
13	High	7	0.0125	100	57	40	3
14	High	7	0.0125	90	60	37	3
15	High	7	0.0125	75	80	16	4
16	High	7	0.0625	100	63	34	3
17	High	7	0.0625	90	67	30	3
18	High	7	0.0625	75	89	7	4
19	High	14	0.005	100	57	40	3
20	High	14	0.005	90	59	38	3
21	High	14	0.005	75	78	18	4
22	High	14	0.0125	100	59	38	3
23	High	14	0.0125	90	63	34	3
24	High	14	0.0125	75	82	14	4
25	High	14	0.0625	100	65	32	3
26	High	14	0.0625	90	69	28	3
27	High	14	0.0625	75	91	5	4
28	Medium	4	0.005	100	49	49	2
29	Medium	4	0.005	90	53	U	3
30	Medium	4	0.005	75	72	24	4
31	Medium	4	0.0125	100	50	47	3
32	Medium	4	0.0125	90	56	41	3
33	Medium	4	0.0125	75	76	20	4
34	Medium	4	0.0625	100	57	40	3
35	Medium	4	0.0625	90	60	37	3
36	Medium	4	0.0625	75	84	12	4
37	Medium	7	0.005	100	50	47	3
38	Medium	7	0.005	90	53	44	3
39	Medium	7	0.005	75	73	23	4
40	Medium	7	0.0125	100	52	45	3
41	Medium	7	0.0125	90	58	39	3
42	Medium	7	0.0125	75	77	19	4
43	Medium	7	0.0625	100	58	39	3
44	Medium	7	0.0625	90	61	36	3

Table 7. *(Continued)*

Service Design	Price[a]	Time in Hours	Tube Damage	Energy Efficiency	Market Share in Percent		
					SAD[b]	Shotblasting	Turbining
45	Medium	7	0.0625	75	85	11	4
46	Medium	14	0.005	100	52	45	3
47	Medium	14	0.005	90	55	42	3
48	Medium	14	0.005	75	74	22	4
49	Medium	14	0.0125	100	55	42	3
50	Medium	14	0.0125	90	58	39	3
51	Medium	14	0.0125	75	78	18	4
52	Medium	14	0.0625	100	60	37	3
53	Medium	14	0.0625	90	65	32	3
54	Medium	14	0.0625	75	87	9	4
55	Low	4	0.005	100	44	53	3
56	Low	4	0.005	90	47	50	3
57	Low	4	0.005	75	68	28	4
58	Low	4	0.0125	100	45	52	3
59	Low	4	0.0125	90	49	48	3
60	Low	4	0.0125	75	74	22	4
61	Low	4	0.0625	100	49	48	3
62	Low	4	0.0625	90	54	43	3
63	Low	4	0.0625	75	79	17	4
64	Low	7	0.005	100	45	52	3
65	Low	7	0.005	90	48	49	3
66	Low	7	0.005	75	68	28	4
67	Low	7	0.0125	100	46	51	3
68	Low	7	0.0125	90	50	47	3
69	Low	7	0.0125	75	71	25	4
70	Low	7	0.0625	100	50	47	3
71	Low	7	0.0625	90	55	42	3
72	Low	7	0.0625	75	60	16	4
73	Low	14	0.005	100	47	60	3
74	Low	14	0.005	90	50	47	3
75	Low	14	0.005	75	69	27	4
76	Low	14	0.0125	100	49	48	3
77	Low	14	0.0125	90	52	45	3
78	Low	14	0.0125	75	73	23	4
79	Low	14	0.0625	100	54	43	3
80	Low	14	0.0625	90	57	40	3
81	Low	14	0.0625	75	62	14	4

[a]High – $22,500; Medium – $18,000; Low – $13,000.
[b]Steam Air Docking.

3. Collect customer assessments of the product-price profiles using rankings, ratings, or customer assignments of share points, as illustrated in the furnace tube cleaning example.
4. Estimate the utilities of each factor level, usually using some kind of regression method, such as OLS multiple regression analysis (the standardized *b* coefficients (betas) for price, and other product features in the models are utility estimates)
5. Segment customers based on their sensitivity profiles to different product features (group customers according to their profiles of high and low betas among the different product features in the study) do "what if analysis" – estimate the amount of business gained for all product concepts, for example, the 81 product concepts in the four factor furnace tube cleaning study
6. Look at the demographic characteristics of customers highly sensitive versus not sensitive to price, and other product features, usually customers highly sensitive to price are found in different standard industry classification (SIC) codes compared to customers not sensitive to price, but sensitive to other product features; this analysis is an example of backward segmentation.

Several advances have been made in research on testing and modeling customer sensitivities to changes to prices and other product features; see Green and Krieger (1985); Dobson and Kalish (1993). Some of these advances eliminate some of the steps just described. However, central to all formal modeling methods of influences of price-product features on customer preference is field measurements to collect customer evaluations of alternative price-product profiles.

SEGMENTED PRICING

Segmented pricing is based on economic theory of price discrimination: the offering of different prices for the same product, for example, in the form of discounts for more price-sensitive buyers. As shown in Fig. 8 (left side), if a firm offered a product at one price-point P1, demand would be Q1, and the firm would leave considerable consumer surplus "on the table" for buyers – they would be willing to pay more, but instead pay just P1. By offering multiple price points (P2 and P3) the firm can sell the product for different prices, serve lower priced customers it did not serve previously, and serve customers willing to pay more at higher prices – thus increasing profits to

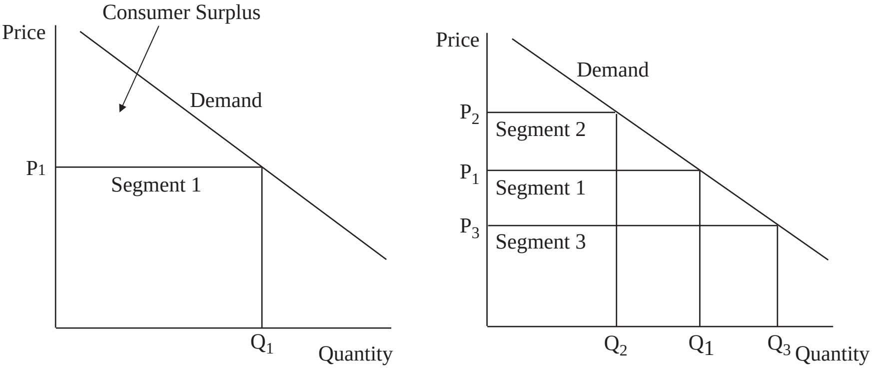

Fig. 8. Theory of Price Discrimination.

the firm by "soaking up" some of the consumer surplus previously left on the table.

Many B2B firms frequently wrestle with segmenting pricing issues. For example, many firms sell their product or service in some metric unit, say per pound, or per piece, or per kilobyte, etc. Some may offer volume discounts to high versus low volume customers, but otherwise do not do very extensive segmented pricing. Airlines in particular are very adept at segmented pricing. For example, airlines segment pricing by class of service (first class, business class, coach), priority pricing (regular, standby, peak load pricing), step pricing (refundable, non-refundable tickets), time of purchase (7 days, 21 days in advance of flight), bundling (round trip versus one-way fares, tour bundles, hotel bundles, etc.), type of needs (weekend stay restrictions, funeral fares), buyer identification (students, senior citizens), type of buyer (corporate, business travel, pleasure), loyalty (frequent flyer programs).

Various ways are available to segment markets along price and willingness to pay, using what Nagle and Hogan (2006) term "fences" to separate segments so that higher willingness to pay customers do not cross over and get high value for low price. We summarize some of these methods here (see Nagle & Holden, 2002 for additional related discussions).

(1) *By Priority Pricing*: Harris and Raviv (1981) show that in cases of fixed supply and when demand exceeds supply, that a monopolist can increase profits by adopting "priority pricing," where each buyer chooses a price he is willing to pay. Buyers are willing to pay more to reduce the risk of not being able to get product, especially if supply is finite and/or limited. For example, retailers offer closeout sales at the end of the fashion year for

merchandise left over at substantially reduced prices, but those wanting to be sure they get the fashion merchandise they desire pay premium prices early in the season to ensure they get what they want. Priority pricing is also a useful way to differentiate an otherwise less-differentiated product, where differentiation in this case becomes the probability of obtaining the product. Semiconductor manufacturers use higher prices for earlier delivery lead times as a way of doing segmented pricing. Sellers can "create" scarcity by limiting the number of units to be produced.

(2) *By Deal Proneness*: Blattberg, Buesing, Peacock, and Sen (1978) argue that one method of segmenting markets for pricing is by "deal proneness." They argue that the family can be considered a "production unit" that optimally allocates its resources (i.e., minimizes time transaction costs, storage costs, stockout costs). They find that families that own a car and home are more deal prone, because they have lower storage costs; low-income families are more deal prone, because they have lower opportunity costs of time (fewer options to spend leisure time on), and hence lower transaction costs; families with both partners professionally employed should be less deal prone, because of increased transaction costs (i.e., less time to do shopping); families with more children should be less deal prone, because of increased transaction costs (i.e., less time to do shopping). Narasimhan (1984) notes that manufacturers typically justify using coupons as a means of inducing trial. Yet, if this were the case then manufacturers would have an incentive to cut off coupon use after the first purchase. However, he suggests that coupons are a means of price discrimination, which means that the firm has no incentive to restrict use, but to promote its use. He shows that consumers with lower costs (e.g., cost of time to search, organize, clip, store, and retrieve) will be more price sensitive than those with higher costs (i.e., working women, families with several children at home).

(3) *By Buyer Self-Identification*: Nagle and Hogan (2006) note that sellers can induce buyers to reveal their price sensitivity by paying them in the form of discounts for such information. Thus, students or senior citizens must show an ID card before receiving a special price. Business travelers must present a corporate identification number, or a membership number in a travel association or professional association (e.g., the American Marketing Association).

(4) *Bundling*: Adams and Yellen (1976) note that bundling can profitably sort customers into groups with different reservation prices and hence can extract consumer surplus. In the real world, reservation prices are typically unknown, and even if they were known laws like

Robinson–Patman prevent using them in an overtly discriminatory scheme. They note that a firm can increase profits by using pure bundling strategies rather than component "a la carte" pricing, and further can increase profits by using "mixed" bundling strategies by pricing bundles to some buyers and a la carte pricing to other buyers who have high reservation prices for one particular product.

Price bundling strategies in consumer markets include many examples: for example, value meals at fast food restaurants, season tickets to sporting goods events involving highly attractive versus less-attractive games. In B2B markets bundling is often used with contract pricing in which firms sell a product and accompanying service for a bundled price, and yet sell both the product and service separately and individually. Though, often firms end up selling the product at its normal price but then substantially discount the service to ensure that they sell the product, or sometimes even give away the service for free – all forms of bundled pricing.

(5) *By Purchase Quantity*: Quantity discounts acknowledge the fact that buyers purchasing in large volumes are more price sensitive because their total expenditure on the product is large relative to their total income or budget. But volume discounts to large buyers are also less costly to serve. Volume discounts may violate legal restrictions (e.g., Robinson–Patman in the United States) unless the discounts are fully justified by cost differences in serving customers. Other forms of discounts include order discounts, where sellers prefer large infrequent orders to small frequent orders, because of the lower per unit cost of order processing; or step discounts where a high unit price is charged for light users (e.g., of electricity), but a lower unit price is available for purchases beyond a certain volume level to encourage heavier usage.

(6) *By Metering and Tie-Ins*: Here segmented pricing is achievable by use intensity. Rather than merely selling an asset for a given price, the seller sells the asset for a lower up front price but then recovers a greater portion of the value delivered by selling tie-in accessory products, such as consumables, that are necessary to use the core asset or product. This is especially useful as a means to reach high-intensity and low-intensity users. For example, heavy users receive high value because they use heavy volumes of the product, and they pay considerably more for the asset/consumable because they consume far more consumables over time. Light users receive less value and could never afford to pay what heavy users pay, but they can afford the lower up front price of the asset and the associated modest expenditure on consumables because of their

lower usage intensity. Ink-jet printer manufacturers use this strategy to segment buyers into high-intensity versus low-intensity segments.

(7) *By Time of Purchase*: Buyers are often willing to pay more or less depending on when they buy. For example, peak load pricing is used to manage demand, and sets prices higher when demand is high relative to supply. During peak and nonpeak periods the firm must charge enough to cover normal operating costs. However, during peak periods, the firm must also charge enough to cover potential incremental costs, such as capacity costs, i.e., of expanding capacity temporarily to handle peak volume, or the opportunity cost of turning some customers away. Thus, during peak periods at a hotel the hotel should charge a higher price to cover the potential incremental cost of satisfying peak demand, i.e., of say leasing extra room space at a nearby location to handle customers. Peak pricing also encourages more price-sensitive buyers to use the service at nonpeak times.

SEGMENTED PRICING AND YIELD-MANAGEMENT SYSTEMS

Yield management systems include segmented pricing, particularly in service industries in conditions of perishable inventory and capacity constraints. Desiraju and Shugan (1999, p. 45) describe yield management systems as "tools for implementing an optimal, multi-period pricing strategy in which each price is a function of forecasted excess capacity. Yield management systems employ a pricing strategy that involves discounting early prices but reserves some capacity for later sale at a higher price." These systems thus consider, for example, the price in a given period that will maximize overall profitability for product or service sales prior to final expiration of capacity (e.g., the departure of an airplane flight, hotel bookings for a given night, etc.). Specific tools include discounting early sales, limiting sales, and overbooking (e.g., selling more airline tickets than available capacity physically would allow).

Shy (2008) provides a simplified example of how yield management systems operate. Say that a seller sells to two markets with linear demand and unlimited capacity (for now). Fig. 9 shows segments 1 and 2 have demand functions as follows:

$$p_1 = 100 - 0.5q_1 \quad \text{and} \quad p_2 = 50 - 0.1q_2$$

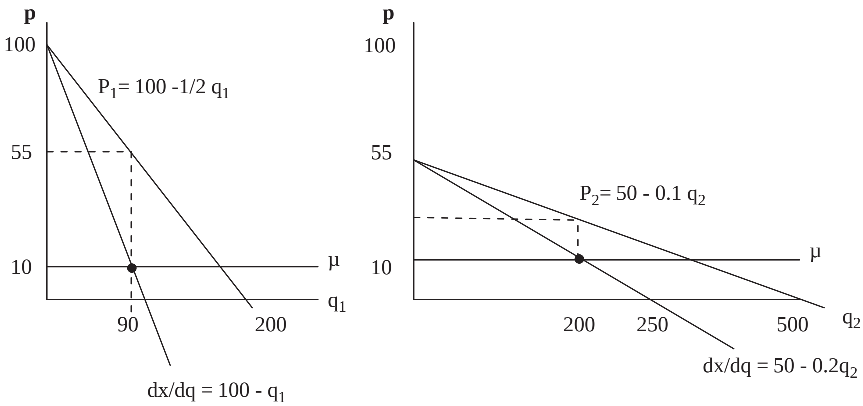

Fig. 9. Price Discriminating Firm Selling in Two Markets.

The marginal revenue functions corresponding to these demand functions are:

$$\mathrm{d}x_1 \frac{(q_1)}{\mathrm{d}q_1} = 100 - q_1$$

$$\mathrm{d}x_2 \frac{(q_2)}{\mathrm{d}q_2} = 50 - 0.2q_2$$

Now if the marginal cost for each segment is 10, then equating marginal revenue with marginal cost and solving for q, and then substituting this value and solving for p yields:

$$q_1 = 90, \quad \text{and} \quad p_1 = \$55$$

$$q_2 = 200, \quad \text{and} \quad p_2 = \$30$$

If fixed costs to serve each segment are \$500 per segment, and corporate overhead is \$1,000 then total profit is given by: $\Pi = (55-10)90-500 +(30-10)200-500-1000 = \$6050$.

Now incorporating a capacity constraint we can adjust the algorithms as follows. The example above gave a profit-maximizing solution of 290 total units (90+200). But say that capacity is constrained at 150, $K = 150$. When capacity is limited the seller can price higher than at the point at which marginal revenue equals marginal cost because of the shortage of supply generated by the capacity constraint. Now the seller must ensure that capacity is allocated among market segments so that the marginal revenue levels are equal across all served market segments. In this example, the seller must solve the system of two equations with two variables given by:

$$\mathrm{d}x_1\frac{(q_1)}{\mathrm{d}q_1} = 100 - q_1 = 50 - 0.2q_2 = \mathrm{d}x_2\frac{(q_2)}{\mathrm{d}q_2} \quad \text{and} \quad q_1 + q_2 = K$$

Note that with unlimited capacity the profit-maximizing solution is found by equating marginal revenue in each served market segment to the marginal cost. But under capacity constraints, Shy (2008, p. 86) explains, "the marginal cost does not explicitly enter into the optimization's marginal condition as this condition requires that only marginal costs in all served markets will be equalized to a level that may exceed the marginal cost, and that in addition total output should be set to equal the given capacity level K."

Now solving for q_1 and q_2, and then further substituting these profit-maximizing output levels into the market inverse demand functions yields p_1 and p_2 as follows:

$$q_1 = \frac{200}{3}, \quad \text{and} \quad q_2 = \frac{250}{3}$$

Hence:

$$p_1 = \frac{200}{3}, \quad \text{and} \quad p_2 = \frac{125}{3}$$

Total output equals capacity so that $q_1 + q_2 = 150 = K$

And the total profit is then given by:

$$\Pi = \left(\frac{200}{3} - 10\right)\left(\frac{200}{3}\right) - 500 + \left(\frac{250}{3} - 10\right)\left(\frac{250}{3}\right) - 500 - 1{,}000 = \$4{,}416$$

Now generalizing to real-world applications, Harris and Peacock (1995) note that the key to yield management models is estimating the demand function for a given product or service. For an airline for example, the firm would estimate a demand function for each flight, departing from each airport, for any given day in the year, and using time-series analysis, expert opinion, market experiments, and other methodologies to determine how capacity fills over time leading to that demand estimate in response to price and other variables. This demand function applies to calculate profit-maximizing prices for the subsegments that purchase tickets, and these prices are then used to calculate an expected pattern of demand. For example, ticket sales for an airline flight from Boston to Los Angeles might exhibit an S-shaped function, selling slowly from days t-90 thru t-45, then selling more rapidly from t-45 through t-21, then selling more slowly again as capacity limits are approached. This "expected" demand pattern then becomes a plan against actual ticket sales are measured and monitored. When sales patterns fall below the expected demand function then the firm reduces ticket prices to influence more rapid ticket sales so that actual sales more closely match expected ticket sales.

Desiraju and Shugan (1999, p. 52) conclude that complex yield-management systems "are far more profitable when a service provider faces different market segments that arrive at different times to purchase the service. One segment must be willing to pay more for the service but also have a high cost of making an early purchase" (e.g., business travelers who are reimbursed by corporate travel budgets are willing to pay higher prices, and need flexibility to adjust their travel schedule depending on business demands and conditions and thus have a high cost of making an early purchase). Simultaneously, "the other segment must be more price sensitive and have a lower cost associated with making an early purchase" (e.g., pleasure travelers who pay for travel out-of-pocket are willing to pay lower prices and have a low cost of making an early purchase because they can commit early to fixed travel plans more easily).

COMPETITOR RESPONSE ASSESSMENT

The pricing decision strategist must consider competitors' reactions to the signals and actions you give to the marketplace, including pricing as a signal. Competition among firms generally is significantly higher since the 1980s and the threat of a recession or worse in the coming months and years threatens excess capacity in many industries. Consequently, competitors have motivation to lower prices to drive growth or attract customers of other competitors, leading to greater price competition.

At the same time, firms have more information available and more methods available to gather information about the signals, intent, and capabilities of competitors. Workers laid off from one organization's downsizing efforts are readily hired by competitive organizations, providing easy access to competitors' management psychology and methods for competitive interaction. The Internet offers many opportunities to gather publicly available information from a large variety of sources on corporate intent and capability. Computer technology gives managers the ability to store, analyze, and interpret competitive information more expediently.

The economics literature examines competitive interaction using game theory (see Wilson, 1989), which is beneficial in predicting the behavior of players in competition. Marketing researchers apply game theory in various contexts (see McAfee & McMillan [1996a] for a review), such as sales force compensation (Coughlan & Narasimhan, 1992), new product research (Hoffman, Mankhaus, Chakravarti, Field, & Whipple, 1993), and the emergence of electronic markets (McAfee & McMillan, 1996b).

Repeated games in particular, involving repeated rounds of a game, introduce the dimension of time and the opportunity for cooperation or retaliation. If our firm chooses to price low in this round, the competitor may retaliate with the threat of a prolonged price war, resulting in losses for an indefinite period of time. The logic of repeated games changes the dynamics of price competition. Rather than competing based simply on rational self-interest, players have an incentive to compete based on strategic mutual interest. If players believe they can achieve long-term cooperation, then there is motivation to consistently choose high price strategies, even though there is some risk of competitive opportunism. The competitive dynamics of strategic mutual interest require trust, predictability, consistency, and credibility.

This suggests several important variables that need to be considered to interpret competitive behavior and to formulate competitive pricing strategy:

(1) *Prior Information*: Competitive price history helps the firm predict how competitors will react in competition. Competitive reputation is generally an important indicator of future behavior.
(2) *Competitive Signaling*: Competitors may signal their strategic intent by the pattern of pricing choices they make. This includes the *sequence* of price choices, as well as the *timing* of when price choices are deployed. For example, Texas Instruments consistently signaled opportunism by choosing low prices early on in the evolution of its businesses, e.g., calculators, personal computers, integrated circuits.
(3) *Stated versus Revealed Intent*: Competitors may signal by pre-announcing or post-explaining their intent (i.e., *stated intent*) using public announcements. These stated signals may or may not be consistent with the *revealed intent* of actual pricing choices they make. Stated pricing signals may be used as more or less reliable predictors of actual pricing behavior.

(4) *Signaling Ambiguity*: Signals may be ambiguous, depending on the *clarity* and *specificity* of the information communicated, and the context in which it was delivered.

Smith (1998) proposes a ''price signaling framework'' to help diagnose the competitive pricing interactions between competitors (see Fig. 10). Using a dyadic prisoners' dilemma as the basis for competitive interaction, competitive moves are analyzed based on competitor A's response to competitor B's last move, and vice versa. For example, if competitor B priced low last move and competitor A responded by also pricing low in this move then this is a retaliatory signal. If competitor B priced high last move and competitor A responded by pricing low in this move then this is an opportunistic signal.

Thus, the framework suggests four categories of reactive price signals based on your competitor's recent pricing behavior:

(1) *Opportunistic Pricing Signals*: A firm chooses a low price in response to competitors' recent high prices. Opportunistic pricing communicates a firm's *intent to deceive* competitors with the objective of getting customers to switch and thereby gain market share. It is an indicator of unstable price competition within the industry. Opportunistic pricing signals offensive competitive pricing behavior.

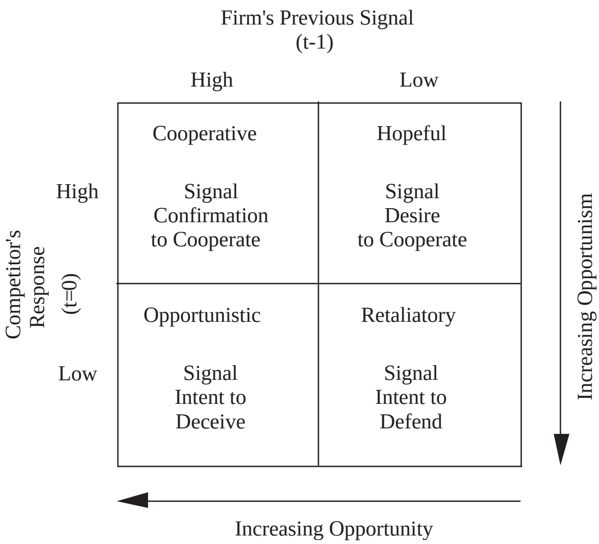

Fig. 10. Price Signaling Framework.

(2) *Retaliatory Pricing Signals***:** A firm chooses a low price in response to competitors' recent low prices. Retaliatory pricing communicates a firm's *intent to defend* its customers and markets from the opportunistic pricing behavior of competitors. Retaliatory pricing signals defensive pricing behavior. It is a threat, or warning of future sanctions that may be used to discipline opportunistic pricing behavior. It is an indicator of unstable price competition within the industry.
(3) *Hopeful Pricing Signals*: A firm chooses a high price in response to competitors' recent low prices. Hopeful pricing communicates a firm's *desire to cooperate* with other competitors' pricing, and is often employed to signal a desired end to recent price competition. It is the most risky of reactive price signaling strategies, and is frequently accompanied by stated pricing signals, such as pre-announcements. It is an indicator of uncertain price competition within the industry.
(4) *Cooperative Pricing Signals*: A firm chooses a high price in response to a competitors' recent high prices. Cooperative pricing communicates a firm's confirmation of cooperation with other competitors' pricing, and is an indicator of stable price competition within the industry.

In addition to these actual price moves, nonprice signals by competitors need examination for their competitive intent – what Smith (1998) calls ''stated price signals,'' such as public announcements of price or non-price-related moves. Porter (1980) outlines a number of such signals, including announcements of new capacity additions, new products in the planning process, significantly lower prices in a threatened segment, new warranty programs, changes in advertising spending, and threats of legal action.

Some of these signaling actions are likely to be more opportunistic than others, and some are more likely to be interpreted as more defensive than offensive in nature. For example, increasing advertising spending is a likely signal that the firm is diverting its resources toward nonprice competition and will likely want to maintain higher margins to fund new advertising investments. Conversely, an announcement by a competitor of plans to build a new plant in the heart of a firm's home market is likely to be interpreted as an opportunistic move to steal the market share away from the incumbent firm. Fig. 11 adapts the price signaling grid, to categorize examples of nonprice market signals:

(1) *Opportunistic Nonprice Signals*: A firm announces or engages in activities or behaviors that have a reasonable probability of enabling or leading it to engage in future opportunistic pricing. This may be due to capital investments that will result in significantly lower variable

Cooperative	Hopeful
Public announcements of outlook Non-price investments, e.g., advertising, warranty, quality Threats of enforcement	Non-price investments, e.g., advertising, warranty, quality Persuasive market research Legal tactics
Opportunistic	**Retaliatory**
Threatening investment in new or expanded capacity Introduction of discontinuous new product innovation Acquisition of competitor by more aggressive parent	Flanking brands for price sensitive buyers Specific, limited, targeted defensive promotions Surgical price retaliation

Fig. 11. Stated or Inferred Nonprice Signals.

costs, e.g., investment in new plant and equipment, a discontinuous new product innovation. Also, the location or proximity of investments that appear to target or threaten important customers or markets may portend likely future price competition.

(2) *Retaliatory Nonprice Signals*: A firm announces or engages in activities or behaviors that would appear to indicate or confirm its engagement in retaliatory price signaling. This would include investment in flanking brands with lower variable cost structures that may appeal to price-sensitive buyers who are likely to be vulnerable to competitive price opportunism. Also, the customer requirements, specificity, and limiting conditions of special promotions or offers may indicate a firm's intent to signal specific limited retaliation to send a warning, rather than broad-scale retaliation to get even. The location or proximity of selected price discounts that target or threaten an opportunistic competitor's important customers or markets send a similar limited retaliatory warning, a surgical retaliatory strike that reinforces the pointed focus of the signal.

(3) *Hopeful Nonprice Signals*: A firm announces or engages in activities or behaviors that are reasonable indicators of a firm's desire to cooperate; hence it engages in hopeful price signaling behavior. This would include investment in nonprice activities, such as advertising, warranty, service, legal maneuvers, or new product refinement or innovation; expansion into new or unrelated markets that distract from price competition in the home market. Also releasing market research data that encourages competitors to consider alternative pricing strategies. Mobil Oil released

the results of a large-scale survey of gasoline buyers in the public press to convince competitors that price competition appealed to only a small portion of the overall market.

(4) *Cooperative Nonprice Signals*: A firm announces or engages in activities or behaviors that tend to affirm the firm's continuing commitment to engage in cooperative pricing behavior. This would include public announcements of the firm's market perspective, of its unique position within the market. It would also include investment in nonprice barriers, such as advertising, warranty, service, legal maneuvers, or new product refinement or innovation. A large and dominant firm should communicate its ability and determination to maintain competitive pricing discipline using public announcement or press releases. Intel released detailed data on the magnitude of investments in plant, equipment, assets, and related costs to communicate its large competitive advantage to competitors and its ability to deter market entry, maintain market discipline, ensure market stability.

COSTING AND CONTRIBUTION ASSESSMENT

The final step in planning pricing is costing and assessing the profitability of your pricing and the segments you serve. Most standard cost accounting systems can produce at an instant the cost to manufacture a product – materials, labor, energy, the allocated overhead burdens assigned to that product, and the investments required to support the product – inventory, assets, and human resources. However, few companies can use the same costing system to print out the cost to serve a given customer or market segment. Fewer still can report the gross margins or total gross profit generated by a given customer or market segment. In short, most companies are able to measure with great precision the costs and profitability of their operations, but have little or no ability to measure the costs and profitability of the customers or market segments they serve.

The pricing propositions this paper describe are forward-looking, driven by demand projections, customer perceptions of quality, value, and willingness to pay. Smith (2002) similarly proposes that costing should be market-driven – that is concerned with assessing the profit potential of market opportunities – of selling and delivering the product or service to the next customer. Smith (2002) argues that gross profits (revenues minus variable costs) should be the incremental revenues minus the incremental costs the firm will incur in delivering incremental volume to a customer or customer segment (see Nagle & Holden, 2002). This definition is forward-focused. The view focuses on the next order, or the next business opportunity the firm is considering. A key advantage of this incremental focus is that it substantially reduces the number of cost items business managers must track when evaluating gross-profit opportunities. The focus sets aside any fixed or sunk costs that do not vary in the short term. Thus, costs relevant to pricing in this true gross-profit conceptualization include the following:

(1) Variable costs, such as materials, energy consumption, or production labor – these usually can be derived from the firm's costing system and may need adjustment to reflect the prospective market opportunity;
(2) Incremental support costs, such as supervisory staff to manage order taking, service staff to manage help centers, or engineering staff to manage change orders – these require estimation, for example using activity-based costing (ABC);
(3) Incremental capacity costs, such as leasing or building new capacity to deliver the incremental volume demanded by the market opportunity; and
(4) Opportunity costs, such as incremental business forgone during peak demand periods, or higher-profit business that will likely be displaced by taking this business – for example, business committed to long-term contract.

Smith (2006) notes that ABC in particular is a useful tool to measure how support costs change with increments in sales volume. For example, traditional cost accounting systems use bases like direct labor and machine hours to allocate to products the expenses of support activities. Instead, ABC segregates support expenditures by activities, and then assigns those expenditures based on the drivers of the activities and how they are linked to product sales volume. ABC enables managers to identify the characteristics or drivers that cause some customers to be more expensive or less expensive to serve. Robert Kaplan (1997) identified the following differences in characteristics of high cost-to-serve versus low cost-to-serve customers (see Table 8).

However, activity-based costing ignores the opportunity costs of serving one customer opportunity rather than another – that may not be of much consequence when a business operates with excess capacity. But when capacity is tight, or is projected to tighten up, the consequences of filling capacity with low gross-profit opportunities at the expense of later turning away high gross-profit opportunities may be significant.

Table 8. High Versus Low Cost-to-Serve Customer Characteristics.

High Cost-to-Serve Customers	Low Cost-to-Serve Customers
Order custom products	Order standard products
Small order quantities	High order quantities
Unpredictable order arrivals	Predictable order arrivals
Customized delivery	Standard delivery
Change delivery requirements	No changes in delivery requirements
Manual processing	Electronic processing (EDI)
Large amounts of presales support (marketing, technical, sales resources)	Little to no presales support (standard pricing and ordering)
Large amounts of postsales support (installation, training, warranty, field service)	No postsales support
Require company to hold inventory	Replenish inventory as produced
Pay slowly (high accounts receivable)	Pay on time

Source: Adapted from Kaplan (1997).

PRICING DECISION RECOMMENDATIONS

Concerns about investment decisions were key drivers in management theory and practice for much of the twentieth century – measurement by return-on-investment, allocated overheads, and so on. Concerns about operating decisions are drivers of management focus for the most recent two decades– measurement of quality, cost savings, process efficiency, delivery performance, customer satisfaction, productivity, and so on. This paper proposes a shift in managerial focus as the focus relates to pricing, to thinking about market opportunity decisions where market opportunities happen – at contexts that include the customer and market segment level, with measurements such as market segment margins based on the true cost to serve, gross profit.

Managers often assume that a key goal of pricing should be to increase or sustain market share (see Nagle & Hogan, 2006). However, this view builds on the faulty assumption that greater market shares are associated with greater profits. In an award-winning paper, Jacobson and Aaker (1985) tested empirically the market share-profits hypothesis. Earlier studies build on the PIMS database to report that a 10% difference in market share leads to a 5% difference in ROI (see Buzzell & Gale, 1987). Two explanations inform the link between market share and profitability: (1) larger firms have advantages arising from experience curve and economies of scale effects. However, experience curve effects are usually found in capital intensive process manufacturing; and experience is not automatic, but requires management, training, capital utilization, etc. (2) Market share creates market power, i.e., extract favorable concessions from channel members, command higher prices, etc.

However, no causal link likely exists. Instead, quality of interpretations and decisions by executives in response to specific market contexts may be the key drivers of both SOM and ROI. The relationships are due, in part, to luck. Of course, these antecedents are not mutually exclusive, and all may be occurring simultaneously.

Jacobson and Aaker (1985) replicate the PIMS results and find the typical relationship that, with ROI as the dependent variable in a regression, the coefficient on the market share term is 0.5; thus a 1% increase in market share leads to a 0.5% increase in ROI. However, they argue that this effect is biased because of misspecification (variables omitted from the regression).

To clarify the effect of market share on ROI, they do two things: (1) remove unanticipated shocks to market share (i.e., due to recent takeover, merger, poison scare in the market, product recall) by regressing market share on a variety of explanatory variables. This market share model is then used to create an adjusted market share, devoid of exogenous shocks, which is then plugged in the ROI equation. (2) They include lagged ROI, as well "to account for surrogate influences" not otherwise accounted for in the ROI equation. (3) They finally create a revised ROI model, where ROI is a function of anticipated market share (i.e., the SOM cleaned up above), ROI lagged, and other explanatory variables.

In this model, the coefficient on anticipated market share is only 0.09. Thus, they conclude that the direct impact of market share on ROI is substantially less than widely presumed (0.5) shown earlier by Buzzell and Gale (1987). Market share may be relevant to pricing decisions but a more accurate and actionable measure may be share of target market segment that the firm intends to own or be a significant player in.

Reichheld (1993) argues that customer retention is a key goal for marketing – and hence pricing. Few companies have systematically revamped their operations with customer loyalty in mind. MBNA credit cards and State Farm Insurance are successful because they design their business around customer loyalty – a self-reinforcing system in which the company delivers superior value and reinvents cash flows to find and keep customers and employees. When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up and the cost of acquiring new customers goes down. In fact, according to Reichheld (1996) most corporations lose half their customers every five years. But managers fail to address that fact head-on by striving to learn why those defectors left. By analyzing the causes of defection, managers can learn how to stem the decline and build a successful enterprise. The longer customers stay with a company, the more they are worth.

CONCLUDING OBSERVATIONS

This final section includes five observations for applied research and strategies for making better pricing decisions. First, pricing strategists carry around in their memories some kinds of representations of the causal assertions about circumstances of when and why they have to increase, maintain, or decrease prices. The strategists' representations, that is, their policy maps, over-simplify important complexities involved in the relationships among policy variables and goal objectives. Research on the details of pricing processes and outcomes (documenting feedback loops) is needed; we need to develop descriptive theories of the policy maps that strategists use, as well as descriptive theories of valid linkages among pricing-related policy variables and outcomes.

Second, pricing strategists often make at least four telling errors in the policy maps they use in making pricing decisions. (1) They do not consider the effects of pricing decisions on multiple goal variables; the focus is often too much on profit and too little on customer retention, market share, and competitors' responses.

Third, pricing system modeling is relevant for developing more useful maps of the actual linkages and feedback loops among policy, intervening and outcome variables. Research findings of pricing system modeling are useful by pricing strategist to make effective pricing decisions. Relating improvements in marketing decisions include combining better pricing decisions with better product, promotion, and distribution decisions.

Fourth, senior management expects marketing strategists to be able to build useful customer response models (i.e., formal models of customer sensitivities to alternative product-price designs) and to incorporate these models in what-if financial spreadsheet analysis (see Smith & Nagle, 1994; Clarke, 1993).

Fifth, behavioral models of pricing strategies deepen our knowledge and insight into the thinking and choice processes of these strategists. Behavioral pricing models complement the work of pricing system modeling. Behavioral pricing models focus on microcontextual phenomena of linkages among pricing thoughts and choices; pricing system models are descriptions of the macrophenomena of the organization's pricing policies and outcomes.

Deepening our knowledge about both is necessary for making better pricing decisions.

The appendix gives you the opportunity to work as a consulting on a real-life pricing case. Consider reading the case and sending your one- to two-page solution to both of the authors by email and ask for an assessment of your report.

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APPENDIX. SOLVE THIS CONSULTING ASSIGNMENT

A manufacturer of a new fencing wire wants to know if he should price the wire above, equal to, or below a larger competitor's product. What do you recommend?

The fencing wire industry in New Zealand consists of two major suppliers: the Steel Wire Company and the Kiwi Fencing Company (While the basic information in this case is based on real-life events, all names of persons and firms mentioned in this case are fictitious and several details of the case have been disguised.)

The Steel Wire Company supplies traditional, galvanized steel fencing wire; Steel Wire has approximately 95% of the "traditional" wire market share. Kiwi Fencing supplies "electrified" plastic stranded fencing wire and has approximately 80% of the electrified wire market share. The largest end-user of both wires is the agricultural sector and the wires are distributed to this sector by the two companies through merchant resellers and agent middlemen. Most of agricultural equipment distributors in local agricultural areas stock wiring from both Steel Wire and Kiwi Fencing; about half of the agent middlemen representing Kiwi Fencing also represent Steel Wire. The agent middlemen do not take legal title to products; these middlemen represent product lines of noncompeting principals. Principals are manufacturers who prefer to use agent middlemen instead of developing and managing their own sales force (a ''direct'' sales force).

Agent middlemen are paid on a commission-only basis; they are not paid for their marketing expenses by their principals. The sales commissions of ''manufacturing reps'' must be substantial enough to cover the agents' marketing expenses and produce profits.

Competition between the two wiring manufacturing companies is limited because of the different product uses. The traditional galvanized fencing wire is primarily used for permanent boundary fences, subdivision of large paddocks, trellis systems, and other similar types of permanent fence construction. In contrast, the electrified plastic stranded wire is primarily used for temporary internal barriers in break feeding, intensive grazing, or in conjunction with permanent galvanized wire as an inner barrier. In the mid 1970s when Kiwi Fencing started to distribute its fencing on a national basis, Steel Wire informed the agents representing the Steel Wire products line that Steel Wire viewed Kiwi Fencing as a competitor and that Steel Wire preferred that its representatives did not represent Kiwi Fencing. Most of Steel Wire's representatives agreed to not represent Kiwi Fencing. However, by the late 1970s many of Steel Wire representatives were ''carrying'' the Kiwi Fencing product line because many of their customers (both distributors and farmers) asked about the product and were buying Kiwi Fencing products as well as Steel Wire fencing. While Steel Wire had threatened to drop any agent who started to carry Kiwi Fencing, Steel Wire had not done so.

Kiwi Fencing was able to develop a national manufacturing rep marketing channel between 1973 and 1978. The sales manager, Steve Dakin, and assistant sales manager, Bob Hamilton, each invested about 50% of their time with agents jointly calling on distributors and medium to large farmers and sheep/cattle station managers. (Mr. Hamilton and Mr. Dakin tried to coordinate their schedules so one of them would be at Kiwi Fencing's manufacturing plant to ''cover the phone.'' Ten to twenty reps, distributors, and/or farm/station managers would call per day with questions, problems, and requests for quotations.)

Almost all farmers and station managers wanted to buy locally through distributors for repeat purchase items, whenever possible. These customers do not want to tie-up their operating funds in equipment inventory. The farmers and station managers expected that "their local distributor" would carry a wide range of equipment and have the equipment available locally when needed. Usually the farmers and station managers would travel in their own trucks to local distributors to buy and transport equipment.

Plaswire: A New Kiwi Fencing Product

By early 1990 Kiwi Fencing wanted to be competing nationally in the traditional galvanized steel fencing market with a new type of permanent fencing wire that Kiwi Fencing intended to manufacture in New Zealand. The product, Plaswire, is a plastic wire made from polyethylene terephthalate and is designed to be used as replacement for galvanized steel wire in permanent fencing construction. Plaswire has the following product features:

1. High tensile strength – compatible breaking strength with steel wire lightweight – approximately 17% of the weight of steel wire in the same gauge.
2. Durability – no significant change in tensile strength from ultra violet rays, no degradation form agricultural chemicals, tantalized fenced posts or oxidation from water or salt contact, fire retardation.
3. Resistance to temperature extremes – original tension maintained in extreme heat or cold with no brittleness occurring in freezing conditions.
4. Handling ease and tight knot performance – special flexibility for handling ease and no movement at the knot point.
5. Minimum elongation – large Young's modulus of elasticity for minimum elongation.
6. High ultimate yield point – ability to be restrained after permanent wire stretch occurs at lower yield points.
7. Choice of colors – high visibility for trellis systems, pathways, and other areas where visibility is required
8. Ability to be "barbed" – no rust or corrosion from surface nicks when barbed.
9. Strength against bending – endures 360-degree bending without breaking.
10. No special straining equipment or tools required.

Kiwi Fencing currently enjoys the prominent position in the "electrified" fencing market with significant brand loyalty from distributors, farmers, and station managers. The introduction of Plaswire into its product line would position Kiwi fencing in direct competition against Steel Wire.

Customer attitudes toward the traditional galvanized steel wire supplied by Steel Wire indicate strong positive product associations arising from the historic use of steel wire on New Zealand farms. However, irregular supplies to resellers and agent middlemen, recent product price increases, and shorter product life from corrosive reaction with chemicals suggest changes may occur in customer attitudes toward galvanized steel wire.

Marketing Plaswire

To compete effectively, Kiwi Fencing intends to offer a complete permanent fencing product line, including plain, barbed, and lacing wire, wire netting and wire chain link netting.

The president of Kiwi Fencing, Peter Gurney, has requested Bob Hamilton to implement a pricing strategy for Plaswire that will help achieve national distribution. Mr. Gurney believes that pricing Plaswire substantially lower (30% less) than Steel Wire's prices will help gain distributors' acceptance of the product because some farmers and livestock station managers may be sensitive to a low price level of the new product. Mr. Gurney feels certain that Steel Wire's management will not respond by lowering its prices in response to a low introductory price on Plaswire because the cost of galvanized steel raw material for manufacturing Steel Wire products is 300% higher than plastic raw materials used for manufacturing Plaswire. A low pricing strategy for Plaswire will produce an estimated net profit to sales ratio of 25%; an estimate substantially above the 20% target objective for the new product.

Bob Hamilton is responsible for recommending a final pricing decision. He knows from looking at many pricing lists of industrial distributors of agricultural products that when manufacturers introduced new products at retail prices well below competing products, their competitors responses most of the time (three out of four cases) with price reductions that matched or more than matched the new products' prices; the final result was failure or very low market share for new products (failure or very low market share in 92 of the 96 cases. Mr. Hamilton was able to find where a new product was introduced with a lower price than competing products and the competitors reacted by lowering their prices).

However, Mr. Hamilton also knew Mr. Gurney often had predicted correctly whether or not Steel Wire would decrease its prices when Kiwi

Fencing offered a lower price; Mr. Gurney had been correct in his predictions in tow of three recent cases.

Mr. Hamilton favors pricing Plaswire to match the price of competing Steel Wire products. This pricing strategy would guarantee a very substantial return on the financial investment in developing and marketing Plaswire, and Kiwi Fencing would be likely to gain a ''meaningful'' share of the market for permanent boundary fences, assuming that Steel Wire did not lower its prices.

Mr. Dakin recommends pricing Plaswire 10% above the price of competing Steel Wire prices. He feels that few agricultural customers will buy the new permanent boundary wire because of a low price and Steel Wire will lower its prices to match or beat the price of Plaswire. He notes that in most cases since 1985 (cases in industrial distributors' records) of new product introductions with prices higher than competitors' prices on existing products, only one in ten competitors reacted by lowering the price on an existing competing product. The new products were still available for most of the other nine products introduced at prices higher than competitors' prices.

SOLUTION FOR MARKET INTRODUCTION OF NEW FENCING WIRE

Your Solution

Given the following options, what pricing decision would you select?

Mr. Gurney's solution should be followed: price Plaswire 30% below the prices of competing Steel Wire products.

Mr. Hamilton's solution should be followed: price Plaswire to equal the prices of competing Steel Wire prices.

Mr. Dakin's solution should be followed: price Plaswire 10% above the prices of competing Steel Wire products.

Depending on your choice of answers to this test, a score of zero to five points can be earned.

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