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Mark S. Glynn*	Judy Motion	Roderick J. Brodie
Postgraduate Group	Department of Marketing	Professor of Marketing
Faculty of Business	University of Auckland	Department of Marketing
Auckland University of Technology	Business & Economics Faculty	University of Auckland
Private Bag 92006	Commerce B Building	Business & Economics Faculty
Auckland 1020	5, Symonds Street	Commerce B Building
New Zealand	Auckland	5, Symonds Street
Tel: +64-(0)9-917-9999 x5813	*Tel: +64-(0)9-373-7599*	Auckland
Fax: +64-(0)9-917-9629	*x85955*	*Tel: +64-(0)9-373-7599*
e-mail: mark.glynn@aut.ac.nz	e-mail:	*x87523*
	j.motion@auckland.ac.nz	e-mail:
		r.brodie@auckland.ac.nz

*Author for Correspondence

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AUT AUTHORS

MARK S GLYNN

Mark S Glynn is a Senior Lecturer in Marketing within the Postgraduate Academic Group at the Auckland University of Technology. He has had extensive commercial experience in both marketing management and market research. His teaching experience has been in Brand Management and Marketing Research and is the Programme Leader for the Marketing and Advertising Majors. His research interests are in the areas of Brand Equity, Brand Extensions, Relationship Marketing and Marketing Channels.

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ABSTRACT

Most of the theoretical and empirical research into brand equity has focused on business to consumer relationships and the value created with end-customers (consumer-based brand equity). Little is known of the processes where brands create value in business-to-business relationships such as in manufacturer-retailer relationships. This article reports the qualitative findings of a research project into this under-researched area investigating the role of brands in business-to-business relationships. The results show that manufacturers' brand equity is linked to the value of the brand performance as perceived by the retailer. This perceived value has an impact on key relationship variables such as commitment, trust, dependence and cooperation. To obtain the optimal value from the brand, both manufacturers and retailers need to manage these sources of brand asset value within the business relationship. Although large brands have considerable influence in the relationship, smaller brands can also offer value to retailers and play an important part in the management of product categories within the store. A conceptual model is developed that shows the impact of the sources of brand value within a business-to-business relationship.

INTRODUCTION

Recently there has been strong interest amongst practitioners and academics about how business relationships create value. This had led organisations such as the Marketing Science Institute (www.msi.org), and the Institute for the Study of Business Markets (www.isbm.org) to place the topic at the top of their research agendas. The topic of value and business-to-business relationships has also recently been the focus of special issues of marketing journals such as Industrial Marketing Management (May 2001) and Journal of Service Research (August 2002) which explore the linkages between value creation, equity, market-based assets and branding. Thus these topics are an important focus for business-to-business research.

The purpose of this article is to investigate the role of brands in business-to-business relationships in order to provide an understanding of the role brands have in creating value for retailers and manufacturers. The sources of brand value are identified, followed by a discussion of the linkages between these sources and the implications for the business-to-business relationship. The article is divided into three parts: firstly the theoretical background and existing literature is reviewed, secondly the research method and key findings are then discussed, and finally concludes with the development of the conceptual model and research propositions.

LITERATURE REVIEW

In the last decade building strong manufacturer's brands has become more difficult due to a number of factors including increased brand competition, retail price promotions and changes in power and control within channels of distribution. Thus the 'trade leverage' that strong brands provide the manufacturer (Aaker, 1991) when dealing with retailers is being eroded (Shocker, Srivastava, & Ruekert, 1994). However countering this is an increased recognition by manufacturers of the strategic value of their brands in building strong channel relationships that overcome conflict and lead to cooperation in the creation of value (Anderson & Narus, 1999). The risk is that a poorly managed manufacturer-retailer relationship can undermine the value of the brand. Given the long-term strategic importance of branding and the necessity

of having strong channel relationships, the question arises as to what role branding has in creating and maintaining value in these relationships?

Value can be defined as 'the worth in monetary terms of the economic, technical service and social benefits a customer receives in exchange for the price it pays for the market offering' (Anderson, Jain, & Chintagunta, 1993). Value creation within a relationship can be considered as having direct benefits, which influence the performance of the relationship, and indirect benefits, which do not influence performance but may have importance in the future of the relationship (Walter, Ritter, & Gemunden, 2001). While a large body of research examines the role of brands in creating value for end-customers (Keller, 1993), it is only recently that the value of brands for channel members has been considered (Sudharshan & Sanchez, 1998).

The recent text by Anderson & Narus (1999) provides a useful starting point to conceptualise the role of brands in channels. They coin the term "marketplace equity" that is the sum of the brand equity from end-customers and channel relationships. Thus a manufacturer's brand can be an important source of differentiation within the channel and thought of as an asset that provides the manufacturer with a competitive position within the channel and with end consumers ((Porter, 1974), (Srivastava & Shocker, 1991).

Underlying these ideas about marketplace equity and market-based assets is the resource-based view (RBV) of the firm (Srivastava, Shervani, & Fahey, 1998), (Srivastava, Fahey, & Christensen, 2001). This theory provides a useful perspective for understanding how brands and other market-based assets are the basis for the processes that create and maintain value within a channel. In adopting the RBV approach we recognise the broad and diverse history of research in channels, networks and business relationships and the variety of models and frameworks that have been used to investigate the complex functions of business relationships (see Wilkinson (2002) for a comprehensive review of this history). However as noted by Webster (2000) and Brodie, Glynn, & Van Durme (2002), a major limitation of these research traditions is the lack of explicit attention given to the role of brands in business-to-business relationships.

Until recently the role of manufacturers' brands within channels of distribution has not been well articulated (Webster 2000). Studies such as Rao & Monroe (1989) examine branding as it affects retailer buyer attitudes. But this research has not considered the complexities of how brands should be managed within retail channels. Manufacturers and retailers often deal with such complexity by adopting practices such as category management. Some manufacturer strategies such as developing alternative channels and retailer strategies such as developing private label brands can further complicate the business-to business relationship (Frazier & Antia, 1995).

Relationships between retailers and manufacturers traditionally have been seen as adversarial (Gaski, 1984). Channels research has moved away from studies of power and conflict to focus on the relational elements that hold a channel relationship together (Weitz & Jap, 1995). These relational elements include constructs such as trust, commitment, and performance. Channels research has shown the value of channel partners in adopting this relational perspective e.g. Boyle, Dwyer, Robicheaux, & Simpson (1992) and Ganesan (1994).

Brand equity research in business-to-business markets also demonstrates the importance of relational branding as well as the traditional customer-based thinking (Gordon, Calantone, & di Benedetto, 1993), (Shipley & Howard, 1993). Hutton (1997) found industrial buyers more willing to pay a price premium while Firth (1993) showed that users of professional accounting services were also willing to pay a price premium to use an accounting firm with a well-known name and reputation. Mudambi, Doyle, & Wong (1997) highlighted the importance of intangible attributes in industrial purchasing where differentiation is difficult to maintain. Michell, King, & Reast (2001) extended Shipley and Howard's research and showed the key benefits of industrial brand equity were greater confidence in the purchase decision, an enhanced reputation of purchasing company, a competitive advantage for the buying organisation, and increased corporate credibility. Research into branding in business-to-business relationships has moved from describing the benefits of branding to now considering the relational aspects. In business-to-business research the focus has been on a single brand in the purchase decision whereas in retail channels as Nevin (1995) points out retailers purchase multiple brands across many

categories and therefore the business-to-business relationships are more complex. There has been little research on the business-to-business marketing activities associated with building brand equity within channel relationships. The research problem in this article therefore seeks to answer questions in an under-researched area.

Academics and industry commentators have typically viewed the topic of brands within retail channels as an issue of brand power (Stobart, 1994). Such a view is based on a model of buyer decision-making that reflects a transactional exchange perspective (Dwyer, Schurr, & Oh, 1987). These views do not take into account the range of emerging perspectives on brand equity such as: 1) a market-based asset 2) a source of competitive advantage 3) having a financial value and 4) being based on customer brand knowledge.

Thus in order to clarify the role of manufacturer brands in channel relationships this research focuses on three broad research questions:

1) What are the sources of brand asset value within manufacturer-retailer relationships?
2) How do these sources of brand asset value impact on the value creating processes within the manufacturer-retailer relationship?
3) How does the value created by the brand asset influence key retailer relational outcomes?

RESEARCH METHOD

The method used was in-depth interviewing in order to understand the role of brand equity on relational outcomes within the channel. In-depth interviewing provided a process whereby the construct of brand equity could be explored in terms of its relevance to retailers. This approach allowed the relevant constructs to be identified and linkages between constructs to be identified for the development of the conceptual model. There are precedents within the marketing literature to use field interviews to determine the conceptual model e.g. Kohli & Jaworski (1990). A semi-structured approach was taken with the field interviews and an interview protocol was

developed. This interview protocol consisted of pre-determined open-ended questions, which allowed the interviewer to probe and clarify issues raised during the interview. A total of sixteen interviews were obtained representing eight manufacturer informants and eight retailer informants.

The individuals for this research were selected because of their involvement in manufacturer-retailer relationships. The selection criteria were that the individuals had to be familiar with retail operations and could comment on the impact of brand equity at retail level for a range of product categories that were frequently purchased. Brands in frequently purchased consumer categories in the grocery sector have been the focus of much brand equity research. The key informants for this research were manufacturers and retailers selected from the retail grocery and retail liquor industries in New Zealand. The manufacturer informants consisted of marketing managers and sales managers while the retailer informants consisted of head-office buyers and retail store managers. The objective was to gain a contemporary understanding of both manufacturers' and retailers' perspectives on the role of brands, and the relationship issues involved at different organisational levels. Because the role of the brand had not previously been examined in terms of channel relationships, the research protocol focused on issues or activities where the role of the brand is relevant to retailers. The interviews were conducted and transcribed and resulted in one hundred and seventy single-spaced pages of data. These transcripts were then sent back to informants to check the transcription accuracy.

A thematic approach (Zorn & Ruccio, 1998) was used to code the data and generate meaning. This coding was independently verified by the researcher's academic colleagues. A within-case analysis (Miles & Huberman, 1994) was then conducted between the constructs using QSR N5 qualitative software. The resulting data matrix was used to explore these relationships and provided an analysis of patterns within the data. These patterns were mapped to a conceptual model generating testable propositions. Major themes were then developed, including key phrases and quotes based on the words of the participants. This process is summarised in table 1.

Analysis Step	Research Tactic	QSR N5 Analysis Procedure
1. Create analysis frame work	Visualise analysis plan	Create nodes for base data and tree nodes for research questions. Devise coding scheme
2. Create codes	Create coding scheme based on reading of transcript based on literature and research questions	Create a node for each code and place text that applies into node
3. Phrase study in words of participants	Locate commonly used words or phrase	Use text search procedure
4. Include relevant quotes in analysis	Identify good quotes that provide evidence	Categorise into separate tree nodes
5. Create tables	Compare and contrast categories	Use index search and compare node function. Use matrix table feature to examine linkages between nodes
	Print tables of relationships amongst the data	

Table 1: Analytical Procedure

Therefore within each research question a number of themes emerged. Thematic analysis was used "to identify the issues in the words of the participants that they use to conceptualise relational episodes" (Zorn and Ruccio, 1998). To be considered as a theme, the theme had to be recurrent (frequency), occur in a least 75% of interviews and have relevance to the research questions.

RESEARCH FINDINGS

To establish the sources of brand asset value within manufacturer-retailer relationships, informants were asked to comment on what benefits they thought manufacturer brands had for retailers and clarify which benefits/aspects they thought were most important. Three major themes that emerged were financial benefits that manufacturer brands offered retailers, non-financial benefits to retailers (usually in the product category) and benefits relating to satisfying the retailers' customers. The first theme was the financial benefits which reflect the profit benefits of brands to the retailer's business (Zenor 1994). Informants considered that the main financial considerations were having a good margin, the ability to charge a price premium and the fact that reducing the brand's selling price could stimulate sales. For a leading brand, the margins were linked to sales volume. However, as a result of competition

amongst retailers themselves, some leading brands were sold below cost often to attract customers. The rationale was that although retailers could lose money on a particular brand it was anticipated that customers would buy other products in the store. For manufacturers this was a problem because often pressure was applied to offer a better deal to compensate the retailer for this loss. Manufacturers and retailers reported that low pricing often altered consumer's expectations so that a return to 'normal pricing' subsequently resulted in decreased sales. 'Loss leader' pricing was considered 'difficult to get out of' by retailers although reducing margins and selling at lower prices increased sales volumes. On the other hand retailers were wary of charging too much for brand as this reduced sales volume. For a less well-known brand to be accepted by a retailer a better gross margin needed to be offered by the manufacturer compared to leading brands. Both manufacturers and retailers recognised the need to manage margins, as price was an important marketing tool for retailers to attract customers. Leading brands were more likely to be sold at reduced prices by retailers, while smaller selling brands often had to offer better margins to achieve a listing in the retail chain.

The second theme was the non-financial benefits that brands brought to a retailer's business or product category (Dussart, 1998). Often retailers have to balance satisfying the demands of the customer with the need to optimise profit within the category (Broniarczyk, Hoyer, & McAlister, 1998). Manufacturer brands allow retailers to offer an assortment to their customers as retailers cannot provide this themselves. Retailers mentioned supplementing the local manufacturer brands with imported lines to satisfy the need for an assortment. However the shelf space allocated to a category was often a limitation, with slow selling lines subject to deletion. Some retailers commented that it was difficult to get slow lines "out of the system". Because of the need to provide an assortment retailers were supportive of manufacturers' initiatives to increase sales of slow selling lines and often worked collaboratively to solve this problem.

Retailer informants highlighted the fact that strong brands required less effort to sell. Manufacturers' own advertising and support for a brand was seen as necessary and retailers commented that 'a brand rarely sells by itself". The brand's marketing mix also had benefits in stimulating the product category often through new products

and innovation. Manufacturers also provided product assistance in the form of supply chain arrangements and sharing of market information. Despite the availability of scanning data retailers relied on the brand manufacturer to assist them by providing market information, keeping up with market trends and collaborating on store shelf layouts.

The size of the category was an important consideration to retailers. For instance the wine category was not only a high value category, offering the retailer an above average margin, but was a growth category as well. Brands in this category are often frequently featured in price promotions. Leading brands were regarded as category captains, although some retailers were wary of a brand being too dominant, preferring to have inter-brand competition within a category. The management benefits of brands stated by the respondents related mainly to retailer concerns about the brand within the product category. References to wider organisational concerns as found by Hogarth-Scott & Daprian (1997) were not reflected in the respondents' comments, except for the role of the brand as part of the retailer's promotional programme. Brand manufacturers were expected to support the retailers' promotional programme with cooperative advertising. The level of support was expected to be in line with the brand's market share. Retailers and brand manufacturers also worked collaboratively on joint promotions outside of the regular cooperative advertising programme. These often involved investments in point of sale display stands.

The third theme was that a brand allowed the retailer to meet consumer demand overall and demand for that brand (customer-based brand equity of the brand (Keller 1993)). Informants regularly commented upon the requirement to satisfy the needs of their customers and frequently mentioned well-known brands that fulfilled this role for them. While large brands were seen by retailers as useful in attracting customers, small brands had a valuable role as they provided the variety in the store assortment. Retailers commented on the need to offer variety in the store assortment often supporting the smaller brand.

Theme	Sub-theme	Definition	Sample Quote
Financial benefits	Margins	Financial benefit: from selling a brand less cost	*It's usually in the **gross margin. A brand** will not be ranged, if it's only going be at number three or four. If its profitability is not 5%-10% more than the number one or two brand, because we have no reason to sell a product when the number one or two brands can offer us the sales*
Financial benefits	Price premium	A price premium is charged for the brand	*"They give us the opportunity to perhaps charge a **little bit more for the brand**".*
Financial benefits	Reduced Pricing	Retailer sells brand by price reduction	*An example of that is the Pxxxx's release… The supermarkets sold it for ... I think they're making about 2% profit. And of course, we **weren't going to drop our price to that**"*
Category benefits	Enhances retail productivity	Brand enhances retailer business	*"Frozen foods were in decline because there was no innovation. As soon as suppliers started **innovating** and **bringing** new ideas and a **lot more support, the categories started taking off"**.*
Category benefits	Category importance	Importance of retail category	*"Some of our smaller categories like salsa, or tomato paste or condiments and so a **small versus a large category**, they're not going to spend much time on it"*
Category benefits	Product assistance	Brand manufacturer assistance to retailer operations	*"Merchandising is an important function of the retailing business that we have product in-store all the time and therefore we've got **(a manufacturer) maintaining stock levels***
Category benefits	Manufacturer support	Support including brand advertising & cooperative advertising	*"You've got to actually have that **marketing support and brand awareness**, before it actually sells. It's rare that you can just put something on a shelf and expect it to sell"*
Retail customer benefits	Consumer demand	Retailer need to satisfy customer demand with brands	*If… a brand happens to be successful because there is a substantial **consumer demand** for it, then, we have even greater reason to stock that particular product"*
Retail customer benefits	Customer based brand equity	References to Brands and Brand Equity	*"Jxxx 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"*

Table 2: Sources of Brand Asset Value

The second and third research questions addressed the impact of sources of brand assets on the value creating processes and relational outcomes within the

manufacturer-retailer relationship. To address these questions respondents were asked to describe their relationship with brand manufacturers and the aspects of the relationship that were important.

The sources of brand asset value impacted on the retail brand performance which emerged as an important value creating variable in the business-to-business relationship. Retailers and manufacturers repeatedly made reference to how well brands were performing in the retail store. As both manufacturers and retailers had extensive access to scanner data, this information was seen as crucial to measuring brand performance. Many retailers had their own internal measures as to what a brand should achieve in terms of performance. These measures included sales volume, sales value, product category volume, product category growth, return per square foot of shelf space, hurdle rate, return on inventory, KPIs (key performance indicators). Both manufacturers and retailers had regular performance reviews together on brands. These reviews tended to focus on financial rather than market considerations. A key aspect of these reviews was assessing what the brand could do to enhance the retailers' market offering. Thus performance value was adopted as a focal construct in measuring the value of the brand in the channel relationship.

The third research question considered how the value of the brand influences other relationship outcomes which were identified as commitment, trust, dependence and cooperation. These relational variables were associated with category management benefits and consumer demand. The benefits that brands brought to this business-to-business relationship, such as brand advertising, product assistance and market information, meant that retailers needed to take advantage of these benefits to satisfy their customers. This explains why retailers were often reluctant to delete slow selling lines. Retailers have also made a considerable investment in the relationship including the promotion programme. Some retailers recognised the importance of brands in the category and the need to support manufacturers to achieve the optimum return. Examples of retailer's comments on how brand performance can impact on these variables are shown in Table 3.

Theme	Sub-theme	Definition	Sample Quote
Focal construct	Perceived value of brand for the retailer	Brand meets the retailer's expectations	*The retailer knows when they puts a **brand** on promotion, how **well it goes** and that way they are able to see the dollars at the end of the line*
Relational variables	Commitment	Desire for the retailer continue with the brand	*"Kxxx (brand) -an up and coming winemaker, **doing exceptionally well** and **tripling his amount of wine every year**, for a place like us we **need to be able to keep up** with that, it's very important we're able to and **we can keep pushing it**"*
Relational variables	Trust	Belief that one party acts in the best interest of the other	*"The **consistency** of their (manufacturers) processes and systems. You can have a company with a very big **brand** that you could never imagine ever stepping outside the bounds of a deal or giving this retailer more than that retailer, but God help them if we found out that they did"*
Relational variables	Dependence	The potential for inter-organisational influence	*So we **rely** heavily on the manufacturer to supply the product, to give us money to do some special prices for the customer, and be able to contribute to our advertising*
Relational variables	Cooperation	Coordinated actions taken by firms to achieve mutual outcomes	*"Hxxx beer is doing a reasonably large promotion with the Tennis Open (event). **We extended that promotion**, so guaranteeing Hxxx display space in the premium area"*

Table 3: Relationship Outcomes

Trust was an important outcome in the manufacturer retailer relationship. Retailer trust focused on the reliability of brand supply, credibility of marketing information shared, and the expertise of the leading brand manufacturer or the 'category captain'. Retailers expected fairness and honesty particularly when brand manufacturers dealt with competing retailers. Retailers expected consistency in trading terms and discounts offered and monitored the promotional programmes of their competitors to ensure that manufacturers were being honest. Retailers also expected consistency of supply; 'out of stocks' were a concern, particularly with major brands. The concern, because the manufacturer was not able to supply a particular brand, was that the retailer would be less competitive. Retailers expected that large brand manufacturers, because of their resources and systems, would be more reliable and trustworthy than brands supplied by smaller manufacturers.

Manufacturers and retailers were dependent in this relationship. Manufacturers realised that retailers provide access to the end-customer, while retailers were dependent on manufacturers for brands to satisfy customer demand and provide variety. Retailers needed manufacturer's brands to provide innovation and brand support to help develop the product category. Retailers viewed category management as a way of limiting this dependence on brand manufacturers, for example, through stocking small brands and offering house brands within the limitations of available shelf space.

To remain competitive with other retailers and satisfy consumer demand retailers needed to cooperate with manufacturers to access the potential benefits that brands offer. These included supply chain management, pricing and margins, promotional activities, category management including store shelf layout and product category growth.

CONCEPTUAL MODEL DEVELOPMENT

This section discusses the development of the conceptual model from these findings. The model shows the linkages between the sources of brand asset value and the relational outcomes. The major finding from the exploratory analysis was that brands bring a number of significant benefits to retailers. These benefits have been depicted in the model as antecedent variables, which are labelled "brand asset value sources". These sources of brand asset value create value within the business-to-business relationship through the retailer-perceived performance of the brand. The retailer's perception of performance value of the brand in turn influences several key relationship variables. The model (Figure 1) has been structured following the guidelines of Bagozzi (1984). The focal construct is the retailer performance value of the brand and the antecedents of this construct are the sources of value the brand brings to the business-to-business relationship. The results of the focal construct are the relational outcomes.

Focal Construct

Retailer performance is influenced by industry concentration in both the manufacturing and retail sectors and inter-retailer rivalry. Aaker and Jacobson (1994) and Simon and Sullivan (1993) have shown important linkages between brand equity and financial outcomes. We have shown that one of key areas where brands create value is potential financial and category management benefits. Zenor (1994) has shown the benefits that accrue to a retailer as a result of category level co-ordination as opposed to having an individual brand level focus. Thus the perceived value of the manufacturer's brand to retailers has to be jointly managed by both manufacturers and retailers. Previous research such as Lassar (1998) used brand sales volume and profitability as the retail performance measures, our findings showed other measures complete the picture including category profitability, category sales volume, category sales value, stock-turn and return on inventory.

Antecedents   **Focal Construct**

Brand Asset Sources   Relational Outcomes
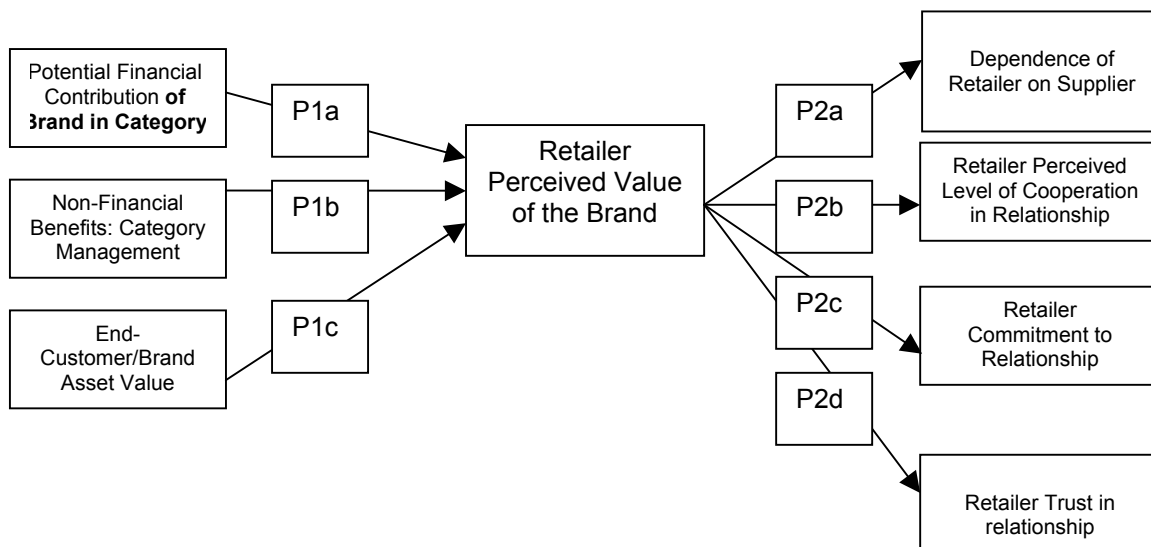
Figure 1: Retailers' Perceived Value of the Brand Asset Model

Antecedent Variables

Based on the thematic analysis the following propositions were developed which represent the role of the sources of brand asset value or the brand asset capability on the retailer's performance satisfaction with the brand:

P1a: A retailer's perception of the performance value of a brand will be positively influenced by whether the brand has an above average level of financial benefit in that category.

P1b: A retailer's perception of the performance value of a brand will be positively influenced by whether the brand has an above average level of non-financial benefit in that category.

P1c: A retailer's perception of the performance value of a brand will be positively influenced by whether the brand has a high end-customer value and high brand equity in that category.

Relational Outcomes

Other key relationship variables that emerged from the data as being important in the manufacturer retailer relationship were: commitment, dependence, performance satisfaction and cooperation. The financial sources of brand asset value tended to be linked to relational variables such as cooperation while dependence was more likely to be associated with brand non-financial benefits and consumer demand. Ogbonna & Wilkinson (1998) found that the adversarial or relational nature of manufacturer-retailer relationships often depended on whether or not a particular manufacturer dominated a particular product category. As category management is a key process in retailer performance, this research confirms the earlier Gruen & Shah (2000) work on the importance of relational variables such as commitment in category performance.

This leads to the second set of propositions:

P2a: That brands with high levels of performance value will increase the level of retailer dependence within the relationship.

P2b: That brands with high levels of performance value will be associated with higher levels of coordinated activity between suppliers and retailers within the channel.

P2c: That retailers will be more committed to brands with high levels of performance value.

P2d: That brands with high levels of performance value will be more likely to be associated with higher levels of retailer trust within the relationship.

CONCLUSION

Using the resource based view of the firm and the market based assets framework has allowed the development of a model that links brand equity to the outcomes of a business-to-business relationship in retail channels. Brands with strong consumer-based brand equity bring a number of benefits to retailers reselling the brand to their customers. Brands offer the retailer a margin, which may be reduced by the retailer to attract customers to the store or alternatively could enhance returns from a category. Brands are usually supported by manufacturers with other resources such as advertising, participation in the retailer's promotional programme and market information. Retailers need to take advantage of these additional resources to optimise performance value and to satisfy customer demand. The perceived value of all these sources of brand asset value has important relational outcomes and impacts on relationship trust, commitment, dependence and cooperation. The linkages within the model are supported by the extant literature and the findings of this research. The next stage of this work is to test and refine the model through survey research and provide linkages to more general research about value and business-to-business relationships.

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