THE BENEFITS OF MANUFACTURER BRANDS TO RETAILERS

ABSTRACT

Purpose- To investigate how manufacturers' brands benefit retailers and how these benefits affect retailer evaluations of the brand.

Methodology/Approach- The researchers develop a conceptual framework, from a literature review and qualitative interviews, which outlines the benefits of manufacturers' brands for retailers. A series of hypotheses tests the effects of these brand benefits on retailer brand attitudes. Data is collected using a survey of supermarket category buyers and analysed with structural equation modelling in order to validate this framework.

Findings- Manufacturers' brands deliver four benefits to retailers: financial, manufacturer support, meeting customers' expectations and brand equity. Financial benefits and customer expectations have a stronger effect on retailer satisfaction with the brand compared to manufacturer support and brand equity. Retailer satisfaction with the brand is an antecedent to the retailer assessment of brand performance as well as trust and commitment of the brand. An alternative model shows that brand equity influences retailer commitment to the brand and that financial benefits affect retailer performance assessment of the brand.

Practical Implications- Manufacturers should think of their brands as channel resources when dealing with retail buyers and need to consider how to best utilise these four brand benefits to encourage channel support.

Originality/Value of paper- This study proposes a conceptual model and measures the influence of manufacturer brand benefits on longer term retailer attitudes towards the brand, which research has not previously addressed.

Keywords- Manufacturers, Brands, Retailers, Satisfaction, Relationship Outcomes.

Paper Type- Research paper.

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INTRODUCTION

Changes in retailing have made it more difficult for manufacturers to manage their brands. The challenge for manufacturers is to understand how changes such as retail and distribution consolidation, internet retailing and the creation of buying groups impact on their brands. Often a small number of retailers account for a large proportion of a brand's revenue which means that retailer brand decisions can influence both manufacturer performance and consumer purchasing (Farris and Ailawadi, 1992). Furthermore, although manufacturers and retailers have the same end-customer they have different objectives, creating tension within the channel (Choi, 1990). While manufacturers seek to maximize brand distribution intensity, retailers prefer less intensive manufacturer brand distribution and intra-brand competition (Steiner, 1993). Retailers develop retailer equity (Arnett *et al.*, 2003) by marketing their stores as brands (Grewal *et al.*, 2004) and coordinating the manufacturer and store brands (Dawson, 2006).

These tensions have led to a shift in the power balance from manufacturers to retailers (Hingley, 2005). To counter this shift manufacturers emphasise key account management when dealing with retailers, as it is often assumed that they are less able to rely on their brand's 'trade leverage' (Aaker, 1991). Research shows that manufacturer brands are important to retailers for profitability (Ailawadi, 2001), because they build store traffic and function as 'ingredient brands' (Ailawadi and Keller, 2004). However, research has focused on retailer judgements of the manufacturer, not the manufacturer's brand. Thus, there is little empirical evidence concerning the benefits of manufacturer brands for intermediaries (Leone *et al.*, 2006).

This research tests a model of manufacturers' brand benefits to retailers that was developed by the authors (2007) from qualitative interviews and a review of the literature. Unlike previous studies that measure manufacturer effects on retailer satisfaction (e.g. Ruekert and Churchill, 1994; Biong, 1993), we measure these effects from a manufacturer brand perspective. The discussion first examines how manufacturer brands benefit retailers. A conceptual framework is then presented together with hypotheses that show how the benefits of manufacturers' brands affect retailer attitudes towards the brand. The research approach is then explained, followed by the presentation of quantitative results. Finally, there is a discussion of the findings as well as proposed directions for future research.

LITERATURE AND HYPOTHESIS DEVELOPMENT

Extant research

In the retail buying literature there is limited consideration of the role of manufacturers' brands (Collins-Dodd and Louviere, 1999). Early studies investigated the criteria that retailers use to select manufacturer offerings. For instance, Heeler *et al.* (1973) showed that manufacturer advertising was the most important criterion, followed by manufacturer credits and brand gross-profit. Nilsson's (1977) research identified profitability, assortment, consumer value, manufacturer characteristics, introductory marketing allowances, tactical considerations, pricing and storage space requirements as being important to retail buyers. Wagner *et al.* (1989) highlighted the importance of the manufacturer's reputation and size, brand name, price, selling history, delivery and mark-up to department-store buyers. Their research also found that customer criteria such as fashionability and product quality were less important. Gerlich *et al.'s* (1994) research emphasised the importance of future category volume and competition to retail buyers.

Other studies addressed related aspects of branding such as product uniqueness (Rao and McLaughlin, 1989) and manufacturer reputation (Montgomery, 1975). Verbeke *et al.* (2006) measured brand strength using items that focused on innovation and customer need. However these studies do not directly measure brand equity and the few retail buying studies that do include brand measures are inconclusive. For instance Collins-Dodd and Louviere (1999) showed that brand equity influences brand extension acceptance by retailers, but not other decisions such as advertising and pricing. However Baldauf *et al.* (2003) demonstrated that brand awareness and loyalty can influence resellers' perception of a brand's profitability and marketplace performance.

Although this branding research stream has focused on retailer decision making, there is also a greater appreciation of how marketing resources, such as brands, can produce a longer-term advantage within external relationships (Dyer and Singh, 1998) such as with retailers. Retailers use brands as resources to increase customer demand and benefit from complementary resources such as manufacturer brand advertising. They can also obtain market knowledge such as brand and market information from manufacturers. Manufacturer brands thus allow retailers to enhance their competitive advantage through improving sales volume, participating in trade promotions (Murry and Heide, 1998), using price premiums to improve margins (Boulding *et al.*, 1994) and developing the product category. Manufacturer brands therefore have the potential to deliver a range of benefits to retailers. In the next section we discuss the conceptual framework that identifies these benefits and their effects on retailer attitudes to the manufacturers' brand.

Conceptual framework

Figure 1 presents a conceptual model of manufacturer benefits developed by the authors (2007) that consists of ten hypotheses. Within this paper we draw upon and explain this conceptual model to frame our empirical research. The field interviews from our earlier research identified four ways that manufacturers' brands benefit retailers, including financial benefits, manufacturer support of the retailer, together with customer and brand equity considerations. We also examine whether these brand benefits, the exogenous constructs, affect the endogenous constructs -retailer evaluations of the brand. These interviews revealed that the following retailer evaluations of the manufacturer's brand were important: retailer satisfaction of the brand, the retailer's trust of the manufacturer, commitment to the brand, cooperation on matters concerning the brand, dependence on the manufacturer and the assessment of brand performance within the store.

Take Figure 1 here.

Manufacturer brand benefits

The interviews provided insight into how resources associated with a brand, such as financial benefits, brand support, brand equity and customer expectations influence retailer satisfaction. The financial benefits reflected the potential transactional aspects of brands for retailers, such as volume, margins, price reduction and pricing premiums. Price reductions increased brand sales volume while brands with price premiums had lower sales volumes. Leading brands were more likely to be featured in store promotions, while minor brands offered retailers the opportunity to improve margins. Also evident from the interviews was the importance of manufacturer allowances for retailers.

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Manufacturer support, the second benefit noted, was considered by retailers to be vital. Retailers commented that 'a brand rarely sells by itself' and there was an expectation that manufacturers would not only have consumer brand advertising support but also support the retailer advertising programme. This support extended to the provision of market trend information and collaboration on shelf layouts. Retailers also mentioned that inter-brand competition stimulated product category growth.

A third retailer benefit identified in the interviews was the customer demand for the brand itself. Retailers recognised that competing manufacturer brands offered different levels of brand equity. Leading brands had the capability to generate store patronage, while smaller brands allowed retailers to satisfy niche segments in the market.

The fourth retailer benefit was the expectation that certain brands would be available in-store. Retailers expressed this sentiment as 'looking out for the retailer's customer'. Brand availability was not only an important consideration as part of retailer customer service but also enabled retailers to be competitive compared to other retailers. Customer expectations were therefore important in maintaining the retailer's share of a category.

Retailer satisfaction with the brand emerged as a key relationship outcome. Satisfaction is an important measure in the channels literature (Simpson *et al.,* 2001) and results from the purchase experience over time (Garbarino and Johnson, 1999). Previous studies investigate the influence of manufacturers' marketing variables on retailer satisfaction and loyalty. For instance, Ruekert and Churchill (1984) found that increased retailer satisfaction with the manufacturer was related to financial arrangements and the level of manufacturer support.

Rao and McLaughlin (1989) emphasised that financial variables and product marketing attributes both affected retailer acceptance decisions. Thus:

> *H1a.* The financial benefits of the manufacturer's brand positively influences retailer satisfaction with the brand.

Previous research had addressed the extent of manufacturer activity with the retailer such as cooperative advertising and trade promotions (Murry and Heide, 1998, Montgomery, 1975). In addition consumer brand advertising was important (Ruekert and Churchill, 1984). The interviews indicated that manufacturer support of the brand was much broader than just advertising and trade promotions. Manufacturer support also included providing market trend information for retailers. Furthermore, retailers considered that manufacturer support activity helped stimulate product category growth for the retailer. Manufacturer product and sales support both influence retailer satisfaction (Gassenheimer and Ramsey, 1994). Thus:

> *H1b.* The manufacturer's brand support positively influences retailer satisfaction with the brand.

Manufacturers' brands offer retailers the opportunity to build customer relationships (Webster, 2000) using pre-established brand demand. A third facet of manufacturer brand benefits identified in our interviews was the customer demand for the brand itself or brand equity. High quality brands helped retailers improve their store image (Jacoby and Mazursky, 1984). Having a leading brand and a number of high quality recognizable brands also enhanced a retailer's store image (Porter and Claycomb, 1997). Verbeke *et al.* (2006) find that a manufacturer's brand strength influences retailer shelf allocation and in-store promotional support. Thus:

H1c. The customer brand equity of the manufacturer's brand positively influences retailer satisfaction with the brand.

Another aspect of brand demand identified in the interviews was that retailers know that customers expect their favourite brands to be available in-store. To anticipate these customer expectations, retail buyers select appropriate brands to ensure an attractive assortment and enhance the customer shopping experience (Buchanan *et al.*, 1999). Other studies for example, Nilsson (1977) and Gagliano and Hathcote (1994) also confirmed the influence of customer expectations and satisfaction on retail buyer selection. In a study of power tool retailers, Emerson and Grimm (1999) found that customer power positively influences retailer satisfaction. Thus:

H1d. The customers' expectations of the store with respect to the manufacturer's brand positively influences retailer satisfaction with the brand.

The first two hypotheses reflect previous findings with respect to retailer satisfaction, while *H1c* and *H1d* are new in this study and reflect the qualitative interviews.

Retailer evaluations of manufacturer brands

Retailers assessed how well a brand is performing in relation to decisions such as the promotional program and store layout. These decisions often involved resource commitments by the retailer, such as the purchase of additional product for a promotion. The interviews indicated that retailer satisfaction influenced the other endogenous constructs such as retailer trust, cooperation, dependence commitment and in-store brand performance.

Kumar (1996) highlighted the importance of trust, which allows retailers to more effectively use specialist investments and manufacturer expertise. Ganesan (1994) showed that trust is an

important antecedent of retailers' long-term expectations of manufacturers. A manufacturer's products are more attractive to retailers when the relationship between manufacturer and retailers is stronger (Kaufman *et al.*, 2006). However Verbeke *et al.* (2006) found that trust is less important than brand strength when retailers allocate resources such as shelf space to manufacturers' brands. Selnes (1998) showed that manufacturer satisfaction strongly enhances retailer trust. In addition our interviews showed that retailers attribute trust to the manufacturer of the brand and not to the brand itself. Thus:

> *H2a.* Retailer satisfaction with the manufacturer's brand relates positively to a retailer's trust in the manufacturer on matters concerning the brand.

Retailer commitment to brands is evident from the interviews as retailers commented that they would be more likely to support a successful brand. Although satisfaction is an antecedent of commitment, previous research addresses retailer satisfaction with the manufacturer rather than with the brand. For example, Selnes (1998) found that higher satisfaction levels amongst buyers leads to greater manufacturer commitment. Biong (1993) however showed a positive link between retailer satisfaction with a manufacturer's product and loyalty to the manufacturer. Thus:

> *H2b*. Retailer satisfaction with the manufacturer's brand positively relates to a retailer's commitment to the brand.

Simpson *et al*. (2001) highlighted the importance of increased cooperation between manufacturers and retailers. According to Kasulis *et al.* (1999) some trade promotions, namely manufacturer-consumer promotions and incentive programs, can increase retailer cooperation. To achieve retailer cooperation, manufacturers must have channel power (Murry

and Heide, 1998). Skinner *et al*. (1992) found that a manufacturer's power base influences cooperation with retailers. Thus:

> *H2c.* Retailer satisfaction with the manufacturer's brand positively relates to a
>
> retailer's cooperation with the manufacturer on matters concerning the brand.

Hingley (2005) observed that manufacturer-retailer relationships often are unbalanced in favour of the retailer. Dependence is regarded as the underlying basis of such relationships. Channel dependence is the degree to which a channel partner provides resources when there are few alternatives (Pfeffer and Salancik, 1978). Dwyer and Walker (1981) indicated that having more power in the channel does not enhance retailer satisfaction. Thus:

> *H2d.* Retailer satisfaction with the manufacturer's brand negatively relates to a
>
> retailer's dependence on the manufacturer on matters concerning the brand.

The interviews demonstrated that retailers assess brand performance in terms of their retail outlets rather than using manufacturer measures such as market share. Frazier, Gill and Kale (1989) defined manufacturer's performance as being how well manufacturers carry out their role within the channel. Jap (1999) showed a link between supplier investments and reseller performance. Kumar, Stern and Achrol (1992) also found that manufacturer satisfaction with a retailer influenced performance. Thus this hypothesis proposes a link between satisfaction with the brand and the retail performance of the brand:

> *H2e.* Retailer satisfaction with the manufacturer's brand positively relates to a
>
> retailer's assessment of the brand's in-store performance.

The interviews revealed that satisfaction with the brand influenced future brand commitments such as the listing of new variants. Other studies also attest to the mediation role of

satisfaction (Biong, 1993; Garbarino and Johnson, 1999). Thus H3 tests for mediation between satisfaction with the brand and other retailer attitudes.

>*H3.* Retailer satisfaction with the manufacturer's brand mediates between the brand benefits and trust, commitment and performance.

Hypotheses *2a*, *2b* and *3* are based on the qualitative interviews, while *H2c*, *H2d,* and *H2e* reflect previous findings on retailers' evaluation of manufacturers.

METHOD

To test these hypotheses self-completion questionnaires were mailed to 1404 retail buyers from 357 supermarket outlets in New Zealand. The sampling frame was a supermarket directory listing containing the address and phone contact details of all supermarket managers. A pre-survey telephone call to each supermarket established the category responsibility of each of its buyers and identified knowledgeable respondents. Within a supermarket local buyers are responsible for the ordering of product, the store display and customer sales and service for the category. To test the generalisability of the proposed framework, we surveyed sixteen brands from eight product categories (jam, fruit juice, toothpaste, shampoo, dishwashing liquid, laundry detergent, wine and beer) from four buyers within each supermarket. The buyer's category responsibilities determined which set of brand questionnaires the buyer received. Each survey set contained two questionnaires on two different brands. Buyers completed surveys on different brands from product categories within their area of responsibility. Within each category both a market leader and minor brand in equal proportions were included to avoid any influence of market share levels on the buyer evaluations.

The first mail-out resulted in 240 survey sets being returned. A follow up survey was mailed four weeks later to those retailers who had not responded and resulted in a further 186 sets. A comparison of the first group of surveys with the second revealed no differences in the

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questionnaire items between the two sets (Armstrong and Overton, 1997). The total number of survey sets returned was 426, an overall response rate of 30.3%. There were 16 unusable responses, leaving 410 usable survey sets. This response rate compares favourably with other brand retailer studies such as Baldauf *et al.* (2003) who obtained a response rate of 20%. As each retailer evaluated two brands from different product categories, the number of observations for analysis was 820.

Measures

Table I presents the definitions of the constructs and the measurement items. Pre-testing of the questionnaire was conducted with the authors' peers and several retail buyers. Seven-point Likert scales record the retailers' responses, anchored with 1 = Strongly disagree and 7 = Strongly Agree. In the case of financial benefits the seven point scales were anchored with 1 = Very low and 7 = Very High. For brand performance the anchors were 1 = Well below expectations and 7 = Well above expectations.

The financial benefit scale items related to the potential pricing, margin and volume benefits of that brand for the retailers. The items for the manufacturer support scale included consumer brand advertising, participation in store advertising and its importance in the store range, category growth, providing additional customer choice and the value of manufacturer information. For the brand equity scale, Yoo *et al.* (2000)'s measure was adapted to measure the retailer's perception of consumer brand equity. Items in fourth brand benefit scale (adapted from Nilsson, 1977) included the retailer's perceptions of brand popularity, whether customers would be concerned and complain if the brand was not available, and whether customers expected the brand to be in the retailer's range.

Extant scales also measure the satisfaction, commitment, trust, cooperation, dependence and performance constructs. An adaptation of Cannon and Perreault (1999)'s supplier satisfaction and performance scales measured overall retailer satisfaction with the brand and brand performance outcomes for the retailer. Trust on matters concerning the brand was measured by Kumar *et al.'s* (1995) scale, representing the level of honesty and benevolence of the manufacturer. Further testing of this scale revealed that only the benevolence aspect was relevant to brands. Commitment to the brand was measured by another Kumar *et al.* (1995) retailer scale, reflecting affective commitment. The cooperation measure (Skinner *et al.*, 1992) showed whether the retailer would help the manufacturer on matters concerning the brand. The dependence measure (Johnson, 1999) considered how easily the brand could be substituted by the retailer.

Common method variance is a concern in survey research and was addressed in this study by using multiple item constructs to capture the bias caused by a single item measure. Harmon's one factor test was also applied. All questionnaire items were subjected to an exploratory factor analysis (Harmon, 1967) which found that no single factor explains the majority of the variance in these items.

Table I about here

ANALYSIS AND RESULTS

Measurement Models

The two-step structural model approach of Anderson and Gerbing (1988) was used. This approach advocates estimating smaller measurement models before the structural model. The scales were divided into two subgroups consisting of exogenous variables (manufacturer brand benefits) and endogenous variables (relationship outcomes of manufacturer brands). A

confirmatory factor analysis (CFA) assessed the unidimensionality, reliability, convergent and discriminant validity of these scales which involved the deletion of weak and cross-loading items. The structural modelling used LISREL 8.54 with maximum likelihood estimation and covariance matrix input.

An inspection of the correlations and the item-to-total correlations showed three constructs had high alpha coefficients, but the fourth construct, financial benefits had a low alpha coefficient and low factor loadings. Further examination of this fourth construct revealed a lack of unidimensionality because two of the four items had low item-to-total correlations. As a result, only two of these items were used in the financial benefits scale. Some items in the manufacturer support and customer expectation scales also had low item-to-total correlations and were deleted accordingly.

The manufacturer brand benefit constructs all had high construct validity, as shown by the high item loadings onto the theorised construct, item-to-total correlations and coefficient alpha estimates. The composite reliability and variance extracted estimates also have strong reliability exceeding the 0.6 and 0.5 thresholds respectively (Bagozzi, Yi and Phillips, 1982). High factor loadings and significant t values for the items demonstrate convergent validity. Discriminant validity between the four constructs is evident as the average variance extracted exceeds the correlation squared for each construct pairing except for manufacturer support and financial benefits. A further test of discriminant validity was conducted using an alternative measurement model where the correlation between these two constructs was set to 1. There was a significant change in the chi-squared statistic compared to the four-factor model which confirmed satisfactory discriminant validity. Thus the manufacturer brand benefits model confirms the theoretical direction of the qualitative findings. The fit indices

are χ^2 (59) = 262, p = 0.000, CFI = 0.99, NNFI = 0.99, RMSEA = 0.065 and are within acceptable limits (Hair et al., 1998).

Estimating the six endogenous constructs measurement model initially showed a poor fit with the data. The poor fit was attributable to weak and cross-loading items associated with the dependence and cooperation constructs. Therefore the model was re-specified by deleting the dependence and cooperation constructs and some items from the satisfaction and performance constructs. The revised four-factor model, consisting of satisfaction, performance, trust and commitment, had a satisfactory fit to the data: χ^2 (48) = 213, p = 0.000, χ^2/df = 4.4, CFI = 0.99, NNFI = 0.98 and RMSEA = 0.065.

The endogenous constructs also have good reliability as shown by the variance extracted estimates and item-to-total correlations. Each item loads onto the correct construct indicating unidimensionality, while the significant t-values high item loadings demonstrate convergent validity. For each construct, the average variance extracted between each pair of constructs exceeds their squared correlations confirming discriminant validity (Fornell and Larcker, 1981). The findings also confirm that extant supplier satisfaction, performance, trust and commitment measures are relevant to manufacturer brands. Table II summarises the final measurement constructs and items and the Appendix provides a correlation matrix.

Table II about here.

Structural model estimation

The structural model has four pathways that represent the effects of manufacturer brand benefits on retailer satisfaction:

- financial benefits *(H1a),*

- manufacturer brand support *(H1b),*

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- the retailers' assessment of brand equity *(H1c)* and

- customer expectations *(H1d)*.

There are three pathways reflecting the consequences of retailer satisfaction of the manufacturer's brand on:

- trust in the manufacturer on matters concerning the brand *(H2a),*

- commitment to the brand *(H2d)* and

- the brand's in-store performance *(H2e)*.

The fitting of the structural model to the data proceeds by first estimating the structural model and second, assessing the stability of the model using the calibration and validation datasets which tests the internal consistency of the measures. This assessment includes a multi-group comparison of both the calibration and validation datasets. Third, there is a consideration of two alternative models to the hypothesised structural model.

Figure 2 and Table III show a satisfactory fit of the model to the data: χ^2 (262) = 1230, p = 0.000, CFI = 0.99, NNFI = 0.99, RMSEA = 0.067. The normed chi-squared statistic is 4.7 and the p-value is significant which is not unexpected, given the large sample size. Three of the four hypothesised pathways, between manufacturer brand benefits and retailer satisfaction with the brand are significant. Furthermore, all the pathways between retailer satisfaction and the relationship outcomes are statistically significant.

Figure 2 and Table III about here.

Hypothesis tests

An examination of the manufacturer brand benefit pathways within the model shows that the financial benefits associated with the brand has the largest impact on retailer satisfaction (0.55) supporting *H1a*. The effect of customer expectations (0.24) was also

significant supporting *H1d*. In contrast the pathway for manufacturer support of the brand (0.09) was weaker and not significant, therefore *H1b* was not supported. However, the effect of brand equity on retailer satisfaction with the brand (0.08) was marginally significant and thus *H1c* was supported $p < 0.10$.

Turning to the effects of the endogenous constructs, testing of *H2* reveals that retailer satisfaction with the brand has the strongest impact on the commitment (0.84) and performance (0.85) constructs. The pathway for satisfaction with the brand to trust of the manufacturer on brand matters is also significant (0.69). Thus *H2a*, *H2d* and *H2e* are supported.

The stability of the structural model was tested using separate calibration and validation datasets (Steenkamp and van Trijp, 1991). Every second observation was chosen for the calibration dataset $n = 409$ while the remaining observations were included in the validation dataset $n = 411$. The model results for both the calibration and validation datasets had good fit indices. Furthermore, a multi-group analysis conducted between the two datasets indicated no statistically significant differences. The change in chi-square statistic was below the $p < 0.05$ threshold which is $\chi^2 (3) = 7.8$ in all instances.

Baron and Kenny (1986)'s procedure tests for mediation of retailer satisfaction with the brand *(H3)* and requires that four conditions be met:

1. The antecedents, the sources of brand benefits should affect the mediating construct, retailer satisfaction with the brand,
2. The antecedents should influence the dependent constructs,
3. The mediating construct should influence the dependent constructs,

4. The antecedents should not influence the relationship evaluations when the mediating construct is included in a fully estimated model.

Estimation of the structural model shows that conditions 1 and 3 are satisfied as the pathways are all significant (except for the manufacturer support to satisfaction pathway which has a good correlation). Thus the following paragraph discusses the mediation results for conditions 2 and 4 for the effects of the antecedents on performance, trust and satisfaction.

First, retailer satisfaction of the brand only partially mediates the brand benefits and performance pathways as three pathways –brand equity, manufacturer support and customer expectations to performance are not significant. The mediation results for performance between the mediating and saturated models show the change in chi-square is significant. Second, retailer satisfaction with the brand fully mediates the brand benefits to trust pathway, as none of the brand benefit pathways to the endogenous constructs in the saturated (fully estimated) model are significant. Furthermore the change in chi-square between the mediating and saturated models for trust is not significant. Third the commitment mediation testing shows that only two of four pathways, financial benefits and manufacturer support to commitment are non-significant. These results confirm partial mediation. Furthermore, the change in chi-square between the mediating and saturated models for commitment is significant. Overall these mediation results support *H3*.

Alternative models

Next, we examine two alternative models by considering the effects of all possible pathways within the structural model. We know that retailer satisfaction fully mediates the effects of brand benefits on trust and partially mediates customer expectations and brand

equity to performance and commitment, as well as financial benefits and manufacturer support to commitment. These pathways are therefore not included in the first alternative estimation as these pathways are already non-significant in the mediation tests. The first alternative model thus includes the three remaining possible pathways: financial benefits to performance as well as brand equity and customer expectations to commitment.

These results for the alternative model show that the financial benefits to brand performance pathway is significant (0.58) as are the customer expectations (-0.23) and brand equity to commitment pathways (0.12). The effect of manufacturer support on retailer satisfaction is now significant (0.17). While the financial benefits (0.39) and consumer expectation pathways (0.33) both influence retailer satisfaction with the brand, the brand equity pathway is now non-significant. The alternative model fit indices are: χ^2 (259) = 1117, p = 0.000, CFI = 0.99, NNFI = 0.99, RMSEA = 0.064. Furthermore, when we compare this model to the initial model estimation in Table II, there is an improvement in overall fit.

Many buyer seller studies conceptualise trust as influencing commitment (Morgan and Hunt, 1994). Thus, a second alternative model was estimated that included a pathway from trust to commitment, replacing the satisfaction to commitment pathway. This model showed a worse fit compared to the original model: χ^2 (262) = 1258, p = 0.000, CFI = 0.99, NNFI = 0.99, RMSEA = 0.068.

Thus the first alternative model fits the data better than both the initial and the second alternative models. In the alternative model brand equity has a significant effect on commitment, but not on satisfaction. Comparing the pathways' effects with the initial model firstly shows the financial benefits effects are stronger with respect to performance than to

satisfaction. Secondly the manufacturer support and customer expectation pathways have a stronger impact on retailer satisfaction in the alternative model and are both significant. There is a stronger effect of satisfaction with the brand on commitment, but a reduced effect of satisfaction on performance. The stability of the alternative model was again compared using the calibration and validation datasets. A multi-group analysis indicated no statistically significant difference between the two datasets for the structural model. This comparison showed the change in the chi-square statistic was below the $p < 0.05$ threshold for the corresponding change in degrees of freedom.

Figure 3 and Table IV about here.

DISCUSSION

Research findings

The results provide strong support for Webster's (2000) assertion that manufacturers' brands play an important role with retailers. Our research confirmed the multidimensional benefits of branding for retailers and the impact of these benefits on retailer relationship brand outcomes. These manufacturer brand benefits consisted of four dimensions: the financial benefits for retailers, customer expectations of the brand, manufacturer support and brand equity. The financial benefits of the brand had the strongest effect on retailer relationship outcomes. The findings also indicated that retailers anticipate their customers' expectations that certain brands will be part of that retailer's range. The construct of customer expectations revealed in the qualitative interviews has not been that evident in previous research, except for Nilsson (1977). In contrast to previous research, manufacturer support not only includes providing promotional support for the retailer, but also developing the category. Marketing support has a weaker effect on brand satisfaction but the findings are consistent with Biong's

(1993) research which showed a marginal impact on supplier support. Brand equity has an effect on retailer commitment to the brand, but a much weaker influence on retailer satisfaction with the brand.

These manufacturer brand benefits affect retailer satisfaction, performance, trust and commitment. Brand satisfaction, performance, trust and commitment were measured with established scales previously used for supplier evaluation. However the research showed that other supplier scales such as dependence and cooperation were not relevant to retailers when assessing manufacturer brands. The findings also show that retailers conceptualised trust in terms of organizational trust rather than trust of a brand per se.

This research identifies the relative importance of each brand benefit on retailer evaluations of the brand, unlike Biong (1993) who considered the effects of the manufacturer's marketing mix on retailer satisfaction and (loyalty) commitment. These effects were only addressed using separate multiple regressions (Biong, 1993). In contrast this study uses structural equation models to simultaneously measure these manufacturer's brand benefit effects on satisfaction, trust, commitment and performance.

While the structural model in Figure 2 confirms six of the ten hypotheses, the first alternative model in Figure 3 provides a better fit to data. This alternative model provides additional insight into the different ways that manufacturer brand benefits influence retailer brand satisfaction, performance, commitment and trust. Most important is the financial benefit of manufacturer brands, which primarily impacts on the retailer's assessment of brand performance. Next is the retailer's expectation of customer demand which strongly affects satisfaction and commitment to the brand. Manufacturer brand support is the third ranked antecedent of retailer satisfaction with the brand. The fourth benefit, the retailer's assessment

of brand equity, influences the retailer's commitment to the brand not retailer satisfaction in the alternative model. Comparing the initial structural and the alternative models shows a similar pattern as financial and customer expectation benefits have more influence on retailer satisfaction while manufacturer support and brand equity have less influence.

The results also show that retailer satisfaction with a brand partially mediates the pathways between the manufacturer brand benefits and trust, commitment and performance. Previous research, where satisfaction with the relationship led to enhanced perceptions of performance, also supports these findings (Kumar *et al.*, 1992). Geyskens *et al.* (1999) show that channel satisfaction is an antecedent to commitment and trust, a finding also confirmed by this research.

In our study brand trust was expressed as a belief that manufacturers will understand should problems arise with the brand. This research contrasts with Verbeke *et al.* (2006) who find that trust does not interact with brand strength when measured as trust in the manufacturer. Testing of a second alternative model showed that retailer's trust of a brand depends on a retailer's satisfaction with the brand rather than commitment to the brand. While retailers anticipate that manufacturers will always support their brand, this finding may also reflect the retailer's greater power in the channel and the established nature of retailer-manufacturer relationships.

This study shows that commitment reflects the degree of attachment and identification that the retailer has with the brand and has three influences. The first is overall satisfaction with the brand, the second is brand equity which is an important source of referent power in the manufacturer-retailer relationship, while the third, customer expectations, is negatively related

to commitment. Cannon and Perrault (1999) showed that supplier performance is a distinct construct from satisfaction, a finding confirmed by this study. The brand performance construct measures how well the brand meets the retailer's business expectations. The findings show that performance is affected more directly by the financial benefits of the manufacturer brand and less by retailer satisfaction with the brand.

Managerial Implications

The research challenges the view that the value of the manufacturers' brands to retailers is simply financial or transactional. Furthermore this study clarifies the nature of the 'trade leverage' of a manufacturer's brand. The findings suggest that the 'trade leverage' associated with the brand consists of four relevant business-to-business benefits to retailers. We show these four manufacturer's brand benefits affect both longer-term (satisfaction, trust and commitment) retailer evaluations as well as shorter-term performance within the store. The financial benefit attributable to the brand has the largest effect on retailer satisfaction with the brand, followed by customer expectations and then manufacturer support of the brand. Manufacturer brand support is less influential on satisfaction with the brand compared to the financial and customer expectation benefits.

Manufacturer brand marketing support not only includes advertising and trade promotion but also the manufacturer's role in building the product category for the mutual benefit of the channel. Key account managers tend to emphasise financial and marketing support benefits when dealing with retailers, but these results suggest that they should also focus on customer expectations which is an important consideration for retailers. The fourth benefit, customer-based brand equity, more strongly influences retailer commitment to the brand and is a weaker influence on satisfaction than the other brand benefits. By thinking of their brands as

a channel resource, manufacturers could more effectively consider how to use such a resource to enhance retailer support.

For manufacturers, channel support is important in managing indirect channels and brands are a key part of that process (Anderson and Narus, 2004). Channel support mediates the linkage between the marketing program and the end-customer, which affects brand performance (Keller, 2003). These findings show this support is multifaceted and consists of retailer satisfaction with the brand which builds retailer commitment and trust of the brand and influences the assessment of brand performance.

The results suggest that brand channel decisions including store promotions and cooperative advertising should not be left to key account management (Webster, 2000). Brand managers need to consider how financial benefits, brand support and customer expectations can enhance channel support as much customer brand decision making occurs at point of purchase (Buchanan *et al.,* 1999). Furthermore these brand benefits enhance trust in the manufacturer. Manufacturers should remember that although brand equity does not influence retailer satisfaction with the brand, it has a useful role in maintaining retailer commitment in the longer term. Retailer commitment towards a brand shows the brand's role as a relationship builder and may be crucial to the manufacturer when retailers review range assortments, shelf layouts and delisting decisions (Davies, 1994).

Implications for future research

When interpreting the results several limitations of the study are evident. The research design focuses on supermarket retail buyers, and brand perspectives at other levels within retail organisations may well be different. In this research context, the relationships between retailers and supplying manufacturers were well established. These findings may not apply to

other retail sectors that either have less concentrated ownership or are more dynamic. In supermarket retailing the range of brands offered to customers is extensive. However, work in other retailer contexts would further test the framework. One example is where distributors sell branded goods to smaller retailers who offer a less extensive range of goods.

One measurement issue is the elimination of cooperation and dependence in the scale validation process. These scales had previously assessed retailers' perceptions of manufacturers, not brands. Deletion of the cooperation construct may mean that cooperation with a manufacturer on brand matters occurred anyway and was less of a concern. The deletion of the dependence construct may indicate that given the large number of brands in supermarkets, this scale may not be sufficiently sensitive to measure brand dependence from a retailer perspective.

In this study we also focus on the demand side of brands but not the supply side. Research could investigate supply-side issues such as the effect of service quality, sales force relationships and other demand issues such as the general marketing expertise of manufacturer. Furthermore, we used mainly grocery categories where the retailer resource investment is less than other supermarket categories such as chilled and frozen foods. Research could examine the effects of manufacturer brands in categories that require greater levels of retailer investment.

Conclusion

The research demonstrates that manufacturers' brands have several benefits for retailers, which influence retailer satisfaction with the brand, performance trust and satisfaction. Thus, our research challenges the view that manufacturers' brands are not as

important to retailers. The findings also show that the value of a manufacturers' brand to retailers is not only financial but also includes three other benefits that affect retailer brand evaluations.

Manufacturer brand benefits to retailers derive not only from brand equity but also from the relationship with the retailer's customer, the financial benefits and the manufacturer support of the brand which influences retailer satisfaction with the brand. These brand benefits also impact differently on performance, trust and commitment. Financial benefits affect retailers' assessment of brand performance, while brand equity affects retailer commitment towards the brand, but not retailer satisfaction. Retailer satisfaction with a manufacturer's brand influences in-store brand performance, brand commitment and brand trust. Thus it is not just the brand name but also the associated brand benefits that create 'trade leverage' for manufacturers.

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Figure 1: Retailer's Satisfaction with Manufacturer Brand Benefits

Brand benefits   Relationship outcomes

```
  ┌─────────────┐                                            ┌──────────────┐
  │ Financial   │                                            │ Trust in the │
  │ benefits    │                                            │ manufacturer │
  └─────────────┘ ╲                                        ╱ └──────────────┘
                   ╲                                      ╱
  ┌─────────────┐   ╲ H₁ₐ                          H₂ₐ  ╱  ┌──────────────┐
  │ Manufacturer│    ╲                                  ╱   │ Commitment to│
  │ support     │─────╲──── H₃ ───────────────────────     │ the brand    │
  └─────────────┘      ╲  ┌────────────────────┐           └──────────────┘
             H₁ᵦ        ╲ │ Retailer satisfaction│   H₂ᵦ
  ┌─────────────┐─────────│ with the brand     │─────────  ┌──────────────┐
  │ Brand equity│      ╱  └────────────────────┘           │ Cooperation with│
  └─────────────┘ H₁ᵧ ╱                           H₂ᵧ  ╲   │ the manufacturer│
                     ╱                                  ╲  └──────────────┘
  ┌─────────────┐  ╱ H₁ᵨ                                 ╲ ┌──────────────┐
  │ Customer    │ ╱                               H₂ᵨ    ╲│ Dependence on │
  │ expectations│╱                                        │ the manufacturer│
  └─────────────┘                                         └──────────────┘
                                                   H₂ₑ   ┌──────────────┐
                                                         │ Performance of│
                                                         │ the brand     │
                                                         └──────────────┘
```

Figure 2: Structural Model - Retailer Satisfaction with Manufacturer Brand Benefits

Brand benefits   Relationship outcomes

```
  ┌──────────────────┐
  │ Financial benefits│
  └──────────────────┘
                  0.55**

  ┌──────────────────┐
  │Manufacturer support│   0.09
  └──────────────────┘                ┌──────────────┐                              ┌──────────────┐
                                       │   Retailer    │                             │   Trust in    │
                        0.08*          │ satisfaction  │         0.69**              │ manufacturer  │
  ┌──────────────────┐                │  with brand   │                             └──────────────┘
  │   Brand equity    │               └──────────────┘         0.85**               ┌──────────────┐
  └──────────────────┘   0.24**                                                     │ Commitment to │
                                                                                     │    brand      │
  ┌──────────────────┐                                         0.84**               └──────────────┘
  │Customer expectations│                                                           ┌──────────────┐
  └──────────────────┘                                                              │ Performance of│
                                                                                     │ brand instore │
                                                                                     └──────────────┘
```

* = pathway significant p < 0.1, ** = pathway significant p < 0.05
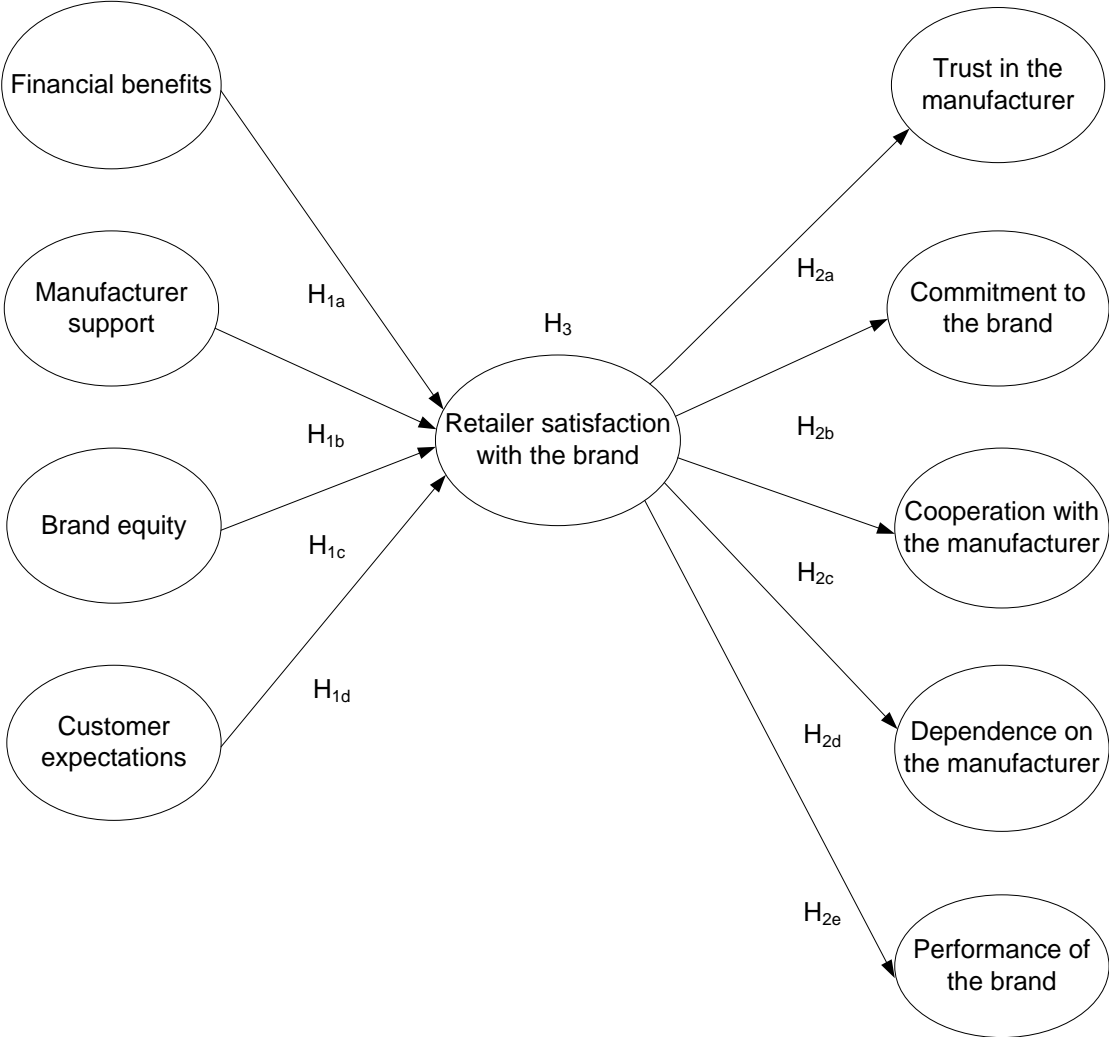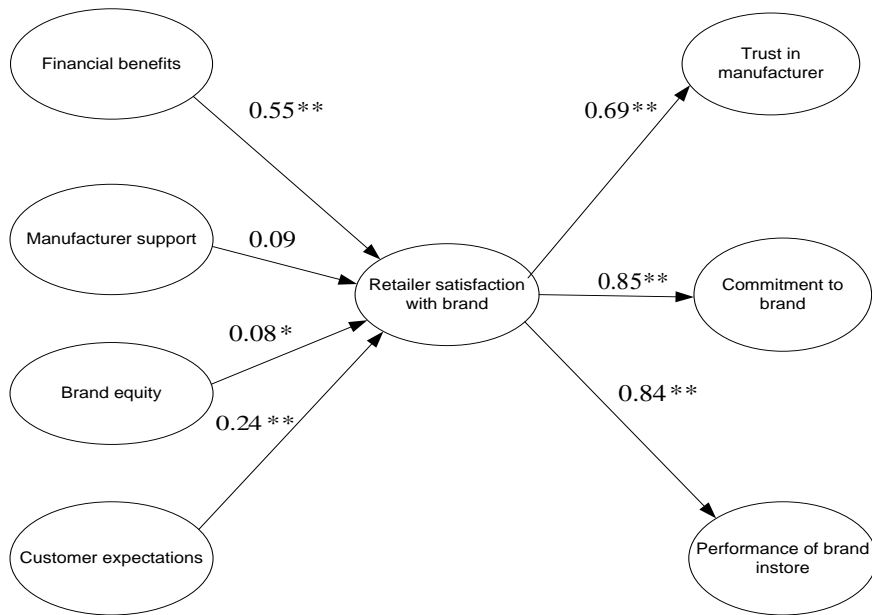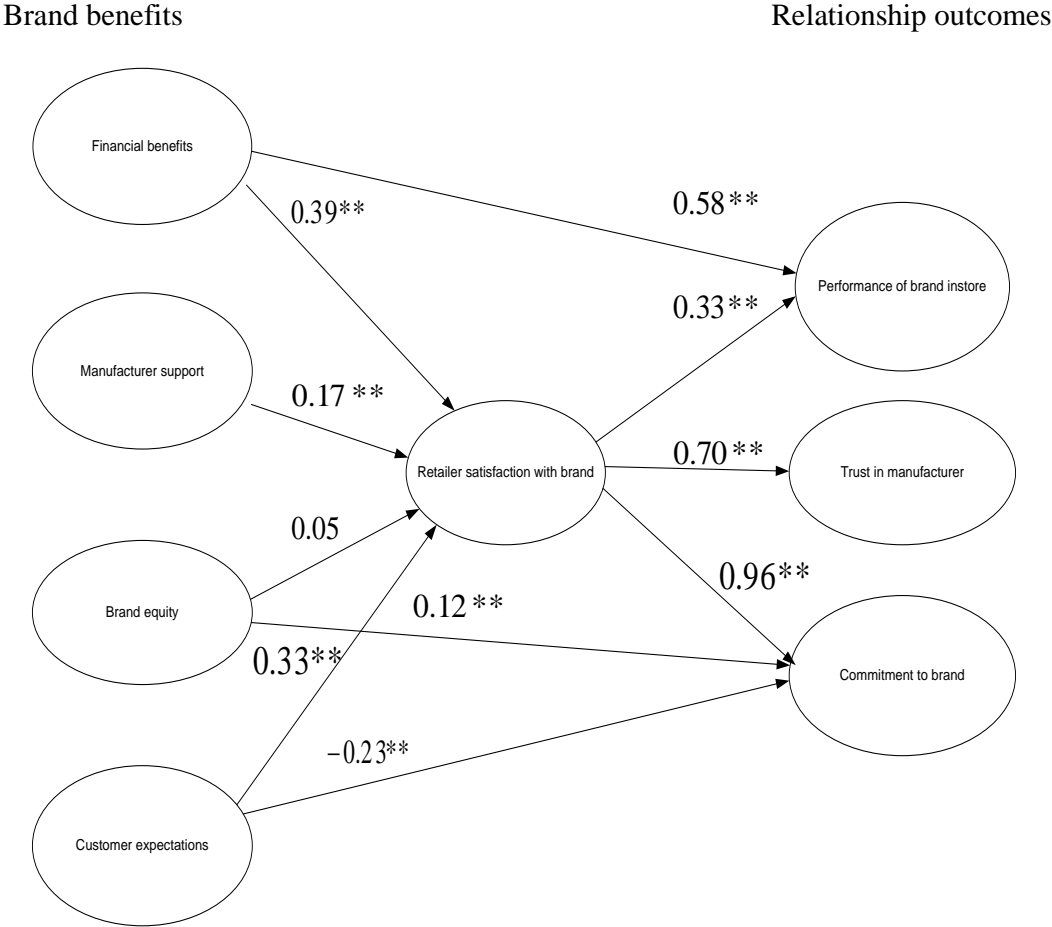
Figure 3: Alternative Model - Retailer Satisfaction with Manufacturer Brand Benefits

Brand benefits   Relationship outcomes

** = pathway significant p < 0.05

Table I: Measurement Items

Construct	Conceptual definition	Construct items
Please rate Cottees Jam compared to other jam brands in your store:		
Financial benefits	The capability of the brand to offer retailer financial benefits compared with other brands in category	Retail margin [*] Sales volume potential Level of manufacturer promotional allowances/discounts offered Retail selling price [*]
How does Cottees Jam compare with other jam brands on the following:		
Manufacturer support	Capability of the brand to enhance the retailer's store operations compared with other brands in category	Cottees jam has strong consumer advertising support Cottees jam is a regular part of our store's advertising programme Cottees is a key brand in the jam range offered by this store The category information supplied by the manufacturer about Cottees jam is useful [*] Cottees is an important brand in the future growth of this product category Cottees enables this store to offer its customers additional choice in this category [*]
Brand equity	The retailer's expectation of the consumer brand equity compared with other brands in category	I expect that my customers will buy Cottees instead of another similar competing brand even if it is of the same quality Even if another competing brand is the same price as Cottees, I expect my customers would prefer to buy Cottees If another brand is NOT different from Cottees in any way, I expect my customers would think it better to buy Cottees Even if there is another jam similar to Cottees, I expect my customers would prefer to buy Cottees
Customer expectations	Retailer's customer expectations of the store with respect to the brand compared with other brands in category	My customers would NOT be too concerned if this store did not have Cottees jam in its range My customers expect to find Cottees jam in this store My customers would complain if this store did not have Cottees jam Cottees jam is popular with my customers [*]
To what extent do you agree or disagree with these statements as they apply in this store:		
Satisfaction	Retailer's general satisfaction with brand	Overall we are very satisfied with Cottees jam Our store regrets the decision to have Cottees jam in its range [*] We are pleased with what Cottees does for the jam range in this store Our store is not completely happy with Cottees jam [*] If we had to do it all over again we would still have Cottees in our jam range
Trust	Benevolence towards manufacturer on issues concerning the brand	When it comes to things that are important to us we can count on the manufacturer support being available for Cottees jam Whenever we have problems concerning Cottees jam we know the manufacturer will respond with understanding Though circumstances change, we believe the manufacturer of Cottees jam will be willing to offer us assistance and support
Cooperation [*]	Cooperation with the manufacturer on matters concerning the brand	Our store helps out the manufacturer of Cottees jam in whatever ways they ask on matters concerning Cottees Our store's future profits from Cottees jam depend on maintaining a good working relationship with the manufacturer Our store's future goals in the jam category are best reached by working with the manufacturer of Cottees rather than against
Dependence [*]	Dependence on manufacturer on matters concerning the brand	It would be difficult for our store to find a replacement jam for Cottees Our store's sources of comparable brands to Cottees jam are extremely limited in this category By not having Cottees in our range we would suffer a significant loss in income in this category
Commitment	Affective commitment to the brand as part of the assortment	We have Cottees jam in our range because we genuinely enjoy our association with it This store's positive feelings towards Cottees jam are a major reason we continue with it Even if we could we would not drop Cottees jam because we genuinely like being associated with it
Please rate the performance of Cottees Jam compared to other jam brands in your store:		

| Performance | Performance of brand in store compared with other brands in category | Generating sales volume
Generating sales revenue $ [*]
Generating profit [*]
Generating sales growth
Generating store traffic | |

[*]Construct and items deleted in scale purification.

Table II: Measurement Items Summary

Construct	Items	Coefficient α	Construct Reliability	Variance Extracted	Std. factor loading	Sq. multiple correlation
Financial benefits	Sales volume potential	N/A	.75	.59	.83	.69
	Level of discounts/allowances				.68	.46
Manufacturer support	Brand has advertising support	.88	.88	.69	.76	.59
	Brand is part of store advertising				.71	.51
	Brand is key part of range				.91	.84
	Key brand in category growth				.86	.74
Brand equity	Customers will buy brand even if competing brand .. is same quality	.92	.92	.75	.88	.78
	..is same price				.89	.79
	..is not different				.80	.63
	..is similar				.84	.78
Customer expectations	Customers expect brand in store	.89	.93	.76	.78	.61
	concern if brand not in range (R)				.93	.86
	would complain if brand not there				.90	.80
Satisfaction	Overall satisfaction with brand	.88	.88	.70	.91	.83
	Still have brand in range				.71	.50
	Pleased with brand				.87	.77
Trust	We can count on support being available for brand	.87	.89	.71	.79	.62
	The manufacturer will always offer assistance/support with brand				.87	.76
	When we have problems with brand we know manufacturer will be understanding				.88	.75
Commitment	Enjoy association with brand	.87	.89	.70	.81	.66
	Positive feelings towards brand				.86	.73
	Would not drop brand				.84	.71
Performance	Generating sales volume	.93	.79	.77	.90	.80
	Generating sales growth				.64	.41
	Generating store traffic				.78	.61

R = reverse scored item. *N* = 820

Table III: Hypothesis Tests

Hypotheses	Lisrel notation	Std. estimate	*t*-value
H$_{1a}$ Financial benefits→satisfaction	γ_{41}	.55	4.5
H$_{1b}$ Manufacturer support→satisfaction	γ_{42}	.09*	1.0*
H$_{1c}$ Brand equity→satisfaction	γ_{43}	.08	1.8
H$_{1d}$ Customer expectations→satisfaction	γ_{44}	.24	4.0
H$_{2a}$ Satisfaction→trust	β_{14}	.69	13.8
H$_{2b}$ Satisfaction→commitment	β_{24}	.84	13.0
H$_{2e}$ Satisfaction→performance	β_{34}	.85	13.1

Chi-square/*df* =4.7, RMSEA =.067, NNFI=.99, CFI=.99   * *n.s. p< 0.05*

Table IV: 1st Alternative Model

Pathways	Lisrel notation	Std. estimate	*t*-value
Financial benefits→satisfaction	γ_{41}	.39	4.5
Financial benefits→performance	γ_{14}	.58	8.0
Manufacturer support→satisfaction	γ_{42}	.17	2.0
Brand equity→satisfaction	γ_{43}	.05*	1.1*
Brand equity→commitment	γ_{32}	.12	2.7
Customer expectations→satisfaction	γ_{44}	.33	5.3
Customer expectations→commitment	γ_{33}	-.23	-3.6
Satisfaction→trust	β_{14}	.70	14.3
Satisfaction→commitment	β_{24}	.96	10.9
Satisfaction→performance	β_{34}	.33	5.3

Chi-square/*df* =4.3, RMSEA =.064, NNFI=.99, CFI=.99   * *n.s. p< 0.05*

Appendix: Correlation Matrix -Structural Model Constructs

	Performance	Trust	Commitment	Satisfaction	Financial benefits	Manufacturer support	Brand equity	Customer expectations
Performance	1.00							
Trust	.58	1.00						
Commitment	.70	.59	1.00					
Satisfaction	.84	.69	.85	1.00				
Financial benefits	.75	.61	.74	.88	1.00			
Manufacturer support	.71	.59	.71	.84	.89	1.00		
Brand equity	.61	.51	.62	.73	.75	.74	1.00	
Customer expectations	.68	.57	.69	.82	.81	.87	.73	1.00
Mean [a]	4.15	4.89	4.55	5.06	4.54	4.80	4.26	5.21
Std.dev.	1.19	1.00	1.09	1.06	1.14	1.31	1.20	1.33

[a] Variables summated and averaged.