Research Paper Management

Structural Relationship of Brands And Market: An Empirical Investigation of Organized Retail

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ABSTRACT

Brand and it market performance connect is essential to explore the business. This state of research conceptually investigates the relationship among the dimensions of company's brand strategy, brand equity, channel strategy and market performance. The purpose of this study is to develop a model showing the linkages among brand strategy, brand equity, channel strategy and market performance. Using linear structural relations (LISREL) refer to the organized retailers is developed to illustrate these interactions. The questionnaire is primary instrument in conducting this study. The results show that channel strategy has significant influence on market performance when retailers make their channel strategy more clearly in marketing channels. And also, brand strategy has significant influence on channel strategy when company's channel strategy is more supported by its brand strategy. Moreover, when a customer perceived a better brand equity from a product, brand strategy is able to influence more on brand equity.

KEYWORDS Brand Strategy, Brand Equity, Channel Strategy, Market Performance

Introduction

Brand is an intangible equity for an enterprise. However, the operation of realistic market economy has also explained that brand can function as a tangible equity as well. Brand has ability to create and appreciate its' value. It has demonstrated that during the evaluation of brand value, brand should not be evaluated as tangible object, capital, currency or patent. On the contrary, brand should be evaluated as an asset or capital. Moreover, equity and capital are owned by capital owner. Therefore, the evaluation and estimation of brand is the evaluation and estimation toward the brand owner.

The research on evaluation and estimation of brand was since 1980. In associate with different methods and topics, scholars have addressed different opinion and thought. Various brand evaluation model has been brought up by professionals and scholars. One of the most well-known case is Business Week in U.S.A is cooperating with famous enterprise consulting firm, Interbrand Company. They announce the top hundred of most valuable global brand, and pick the top ten from it to be important index and reference for enterprise to establish their developing strategy.

The evaluation model brought by Interbrand is based on seven factors from stability to supporting.The strategy from Interbrand is attempting to determine the current net value of brand according to the prediction on the future profitability of brand to buyer or seller. As for other brand evaluation organization such as Young & Rubican is as often adopted as Interbrand. However, their concept of evaluation is based on organization. This concept does not consider the opinion from customer or consumer.

Therefore, this research is concentrating on opinion from customers toward brand and combining with channel. Moreover, the research is looking forward to discuss the relationship of brand equity, brand strategy and channel performance through consuming experience of customer from associated service. Hence, the research purpose is as following:

1. Discuss the effect of organized retail channel strategy to brand performance.
2. Discuss the effect of retail brand power to channel strategy.
3. Discuss the effect of organized retail brand strategy to channel strategy.
4. Discuss the effect of retail brand power to brand strategy.

Literature Review

A "brand strategy" can be thought of as the translation of the business strategy for the marketplace (Osler 2003).It defines the manner in which the offering will present itself to the marketplace, which will, in turn, influence the way in which targeted customers think of offering – creating the brand's image. Aaker (2000) has provided guidance on brand strategy and the importance of brands to both build customer loyalty and to gain internal efficiencies. Brands create differentiation for customer and they also can help the company gain efficiencies in their marketing expenditures and activities.

The Marketing Science Institute (MSI) state that "brand equity" can be viewed by customers" as both financial and as a set of favorable associations and behaviors" (MSI 1989). Aaker (1991) suggests that brand equity consists of brand associations (brand image), brand loyalty, brand awareness, perceived quality, and other brand assets. Aaker (1996)indicates that loyalty is one sufficient importance that other measures, such as perceived quality and associations, can often evaluated based on their ability to influence it. Keller (1993) describes the consumer's memory as a function of a set of nodes and links of the various associations related to a brand. Perceived quality has been shown to be associated with price premiums, price elasticties, brand usage, and remarkably, stock return (Aaker 1996). Brand awareness reflects the salience of the brand in the customer mind (Faircloth, Capella & Alford 2001).

In discussing "channel strategy", however, a common assumption is that a manager's primary objective is to optimize distribution arrangements for a product or product line. Accordingly, much advice tends to focus on the product in developing frameworks for analyzing firm's market coverage such as intensive, selective and exclusive distribution arrangements and vertical integration decisions such as direct and indirect channels (Stern, El-Ansary and Coughlan 1996). Manufacturers must recognize that channel strategies affect not only internal process, but also external relationships as well. For example, in order to achieve specific market objectives and enhance industry competiveness, manufacturing firms are increasingly adopting multiple channel strategies to sell and distribute their products or services (Reda 1999; Lee& Rhee 2007).

Good management of a portfolio of brands and markets starts with having common measures of performance (Aaker 1996). Market share or sales data are also extremely sensitive to distribution coverage (Verbeke, Bagozzi& Paul Farris 2006). Sales may be dramatically affected when a brand gains or loses a major market or expands into another distribution channel.

Conceptual Framework and Hypothesis

In this research, examine the extent to which descriptions of brand strategy and brand equity will affect channel strategy as well as market performance. Building on advances in the prior literature (Farquhar 1990; Aaker 2000; Hu & Sheu 2005; Mcquiston 2006), a comprehensive framework is proposed, as presented in Fig. 1, to characterize the interrelationships of the four critical constructs such as Brand Strategy, Brand Equity, Channel Strategy and Market Performance.

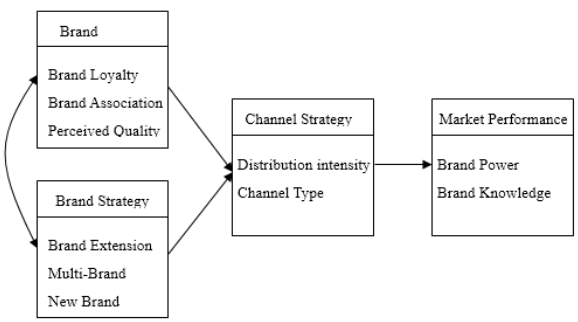


Fig. 1: Conceptual framework of the proposed model

Relation between channel strategy and market performance

If channel strategy is made more accurate, brand performance will be better (Lassar 1996). Therefore, the above suggests the following formal research hypothesis:

H1: As more effective retailers' channel strategy is, as higher market performance will be.

Relation between brand equity and channel strategy

Marketers need a more thorough understanding of consumer behavior as a basis for making better strategic decisions about target market definition and product positioning, as well as better tactical decisions about specific marketing mix actions Keller (1993). Therefore, the above suggests the following formal research hypothesis:

H2: As more brand equity consumer perceived, retailers' channel strategy will be more effective.

Relation between brand strategy and channel strategy

Upshaw and Taylor (2000) suggest that all companies can benefit from adopting a Masterbrand strategy, where company name becomes the "umbrella" over all products and service. Retailer investments are expenditures in resources the retailer must make to sell the brand effectively (Corey, Cespedes, and Rangan 1989).

H3: the more supported brand strategy, the more effective retailers' channel strategy will be.

Relation between brand equity and brand strategy

Kotler (2005) suggest that the most important reason for managing brand strategy successfully is to manage its product extension, brand extension, multi-brand and new brand effectively and efficiently. Therefore, the above suggests the following formal research hypothesis:

H4: The more brand equity consumer perceived, the more effective a brand strategy is.

Method

To examine the validity of the proposed hypotheses, empirical tests were conducted using the linear structural relations (LISREL) analytical tool. There are three major procedures are involved in the tests: (1) specification of operational measures, (2) model formulation, and (3) sampling and data collection. They are detailed below.

Specification of operational measures

According to the properties of LISREL, two types of variables, including (1) latent variables and (2) manifest variables, should be appropriately identified before system analysis. Table 1 summarizes all the variables.

Table 1
Summary of operational measures

Latent Variables	Corresponding manifest variables
ξ1:Brand Equity	X1: Brand Loyalty X2: Brand Association X3: Perceived Quality X4: Brand Awareness
η1: Brand Strategy	Y1: Brand Extension Y2: Multi-Brand Y3: New Brand
η2: Channel Strategy	Y4: Distribution Intensity Y5: Distribution Type
η3: Market Performance	Y6: Brand Power Y7: Brand

Model formulation

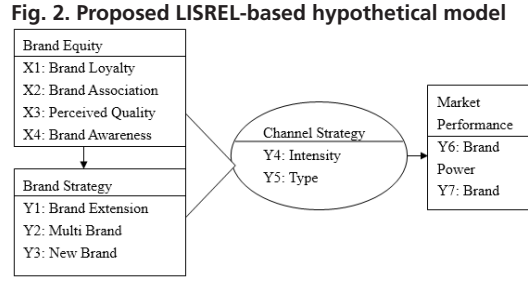
The main analytical technique used in this study is linear structural relations (LISREL model), which has been extensively used for the analysis of causal hypotheses on the basis of nonexperimental data (Bagozzi, 1981; Bagozzi & Yi, 1988; Joreskog & Sorbom, 1993; Qiu, 1999). Employing LISREL program, the proposed conceptual framework is reformulated as a hypothetical model, as presented in Fig. 2.

Sampling and data collection

Data used for this experiment were collected through interview questionnaire survey aimed at the buyers of organized retail (Reliance, Spencer, More, Prestige, Sony, Samsung etc) of north costal Andhra Pradesh. A total of 160 consumers were sampled to fill out the questionnaire. Using the returned interview surveys, the final valid sample size is 145 after elimination of 15 out of the 160 returned questionnaires because of either incomplete information or questions not answered. Following the measures suggested in Cooper and Emory, the 145 samples were then examined with the Cronbach's a tests to ensure the reliability of these samples to represent the corresponding population for the experiment in this study (Cooper & Emory, 1995; Cronbach, 1951).

Results of the preliminary tests indicated the reliability of the collected survey data. According to the numerical results of the Cronbach's a tests, all the Cronbach's a measurements are greater than 0.7, implying high reliability of the collected data.

Fig. 2. Proposed LISREL-based hypothetical model



Analysis and Results

This section summarizes the numerical results obtained from the LISREL analytical tool, and corresponding discussions are provided below.

Assessment of overall model fit

Using LISREL, the present model yielded a not significant x^2 (p = 0.072) is greater than the corresponding critical value 0.05,

suggesting a statistical consistency between the hypothetical structure and the data. Table 2 shows that the entire structure of the proposed conceptual framework is appropriate to characterize the interrelationships of these latent variables. According to the assessment criteria suggested by Anderson and Gerbing (1988), the estimates of both GFI (GFI=0.936) and AGFI (AGFI=0.895) are greater than the corresponding critical value 0.90and 0.80; similarly, RMR (RMR=0.05), SRMR (SRMR=0.04) and RMSEA (RMSEA =0.04) are equal and less than the corresponding critical value 0.05. Correspondingly, all the assessment measures indicate that the proposed conceptual framework exhibits a very good fit to collected data.

Table 2
Results of goodness-of-fit tests

Assessment measure	Estimate	Critical vale	Indication
x^2			
Goodness-of-fit index (GFI)	P = 0.07	0.05	Good fit
Adjusted goodness-of-fit index(AGFI)	0.93	0.90	Good fit
Root-mean-square (RMR)	0.89	0.80	Good fit
Standardized RMR (SRMR)	0.05	0.05	Good fit
Root-mean-square error of approximation (RMSEA)	0.04	0.10	Good fit
	0.04		

Influence analysis of manifest variables

This test scenario investigates the capability of a given manifest variable to characterize the corresponding latent variable with the influence index (λ) provided by LISREL. According to the numerical results summarized in Table 3, it can be inferred that overall, the influences of the manifest variables on the corresponding latent variables are significant.

Table 3
Summary of the influence indexes (λ) for influence analysis

Dependent variables		
Manifest variables	Latent variables	
	Channel Strategy	Market Performance
Distribution intensity	1	*******
Distribution type	0.36	*******
Brand power	*******	1
Brand Knowledge	*******	0.91
Independent variables		
Manifest variables	Latent variables	
	Brand Equity	Brand Strategy
Brand loyalty	1	*******
Brand Association	0.84	*******
Perceived quality	0.59	*******
Brand awareness	0.83	*******
Brand extension	*******	1
Multi-brand	*******	0.28
New brand	*******	0.73

As we have seen in Fig3, the hypotheses are all supported besides Hypothesis 2 after careful analysis. The estimate of the corresponding direct effect of brand equity is 0.17 which indicated not significant. Such numerical results imply that brand equity does not seem to facilitate channel strategy. Therefore, there is no reason strong enough to accept Hypothesis 2, implying that the effect of brand equity on channel strategy is not significant. The result suggests that brand equity is not the only factor should be considered to influence channel strategy in the marketing strategy sector. Therefore, it should be noted that brand equity and channel strategy is not positive related. However, the estimate of the corresponding aggregate effect of brand equity is 0.669; it implies that brand equity might influent channel strategy via brand strategy.



Fig. 3. Illustration of direct relationships among latent variables.

Conclusion and Implementation

This paper has presented a comprehensive conceptual framework to investigate the interrelationships among brand equity, brand strategy, channel strategy, and market performance, which is regarded as the marketing management. For convenience, the corresponding analytical results of these hypotheses tests are summarized in Table 4.

Table 4 Analytical results of hypotheses tests

Hypothesis	Statement	Result
H1	As more effective retailers' channel strategy is, as higher market performance will be.	significant
H2	As more brand equity consumer perceived, retailers' channel strategy will be more effective.	Not significant
H3	the more supported brand strategy, the more effective retailers' channel strategy will be.	significant
H4	The more brand equity consumer perceived, the more effective a brand strategy is.	significant

Finding should be viewed as valuable insight toward a better understanding of channel relationships, because they suggest several directions for further research.

The effects of brand strategy on both short-term and long-term channel strategy signify more investigations in retail sector. Evaluation of the corresponding effects on channel strategy under various conditions of brand strategy pursues further investigation. It should also be noted that different combinations of brand strategy, and extensions for managing brand equity may have diverse effects on channel strategy.

Conclusion:

This study has contributed to theory by clarifying the relationship between the brand strategy and channel strategy. These are important issues addressed, and an understanding of them is likely to lead more effective market performance and marketing management. Finally, this study has provided directions for future research regarding multiple brand and channel strategies in organized retail.

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