The Role of Brands in Manufacturer-Reseller Relationships

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Abstract

The focus of this research is on the role of manufacturer brands for resellers within retail channels. This topic is important because of the strategic value of manufacturer brands and the increasing influence of resellers within channels of distribution. Much of the branding research has emphasised a customer brand knowledge perspective, however emerging perspectives suggest that brands are also relevant to other stakeholders including resellers. In contrast channels research has recognised the manufacturer sources of market power, but has not considered the impact of manufacturer 'push and pull' strategies within channels.

A comprehensive theoretical framework therefore did not exist that addressed the reseller perspective of the brand. As a result, a multi-method research design was adopted and consisted of two phases. The first phase involved in-depth interviews, from which a conceptual framework was developed. In the second phase this framework was tested by means of a survey of supermarket buyers on major and minor brands in several product categories.

Structural equation modelling was used to analyse the survey responses. The structural model showed very good fit to the data and good construct validity, reliability and stability. Brands have several sources of value to resellers including manufacturer support, brand preference and customer demand which influence the reseller satisfaction with the brand. Reseller satisfaction in turn influences other channel outcomes such as trust, commitment and performance. Minor brands are better able to influence trust and commitment than major brands.

A key contribution of this research is the development of a validated conceptual framework on the value of the brand in inter-organisational relationships from the point of view of a reseller. This research shows that it is the resources associated with the brand, not just the brand itself that creates value for resellers in channel relationships.

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1 Introduction

1.1 Problem Orientation

This thesis focuses on two important marketing topics which are of interest to both practitioners and academics; namely branding and channel relationships. A substantial literature has developed in the branding field (Aaker & Keller, 1990; Keller, 1993; Yoo, Donthu, & Lee, 2000; Berry, 2000; Erdem & Swait, 1998). However this literature has had a predominantly consumer focus and gives limited consideration to the inter-organisational aspects of branding (Mudambi, Doyle, & Wong, 1997; Michell, King, & Reast, 2001). Brands have been viewed in the literature as sources of 'trade leverage' (Aaker, 1991) for manufacturers. While this literature recognises the value of brands to the end-customer, the value of brands to resellers has not been addressed. Resellers not only allow manufacturers to more efficiently distribute to the end-customer, but they also provide important customer functions on the manufacturer's behalf (Webster, 2000).

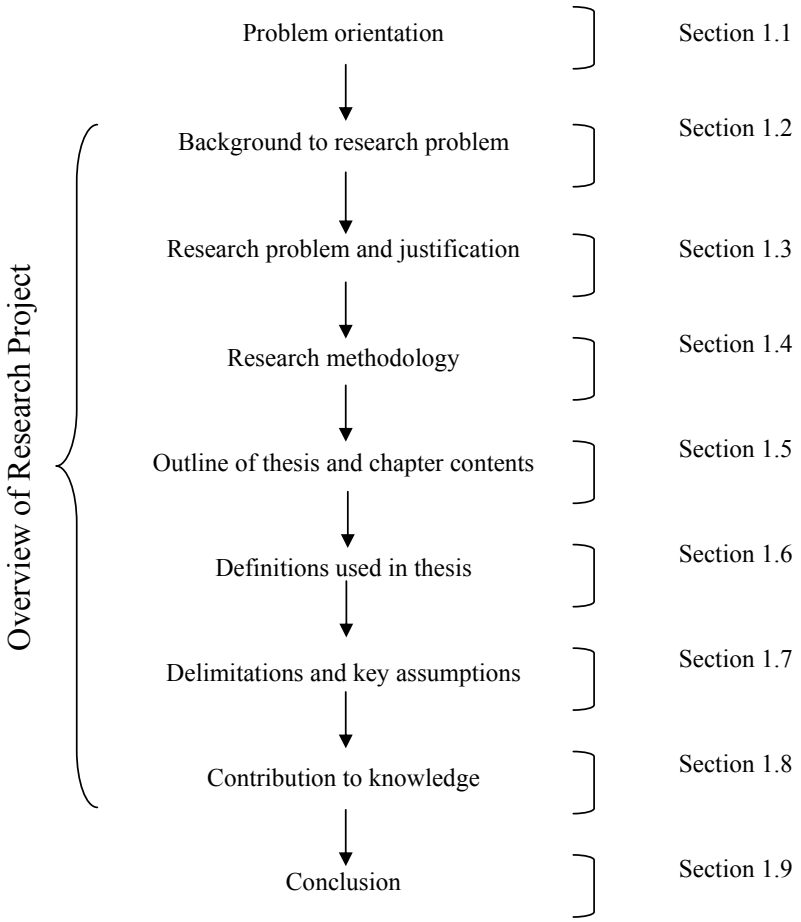
However the task of managing manufacturers' brands within channels has altered, prompted by changes in reseller practice (Stern & Weitz, 1997). These reseller changes include an increased emphasis on private labels, consolidation into larger organisations, expansion beyond traditional national boundaries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

Channel relationships have often been seen as adversarial, emphasising interfirm power and control (Gaski, 1984). Manufacturer influence strategies can not only lead to channel conflict, but also can enhance relationships with resellers (Frazier & Antia, 1995). Brands have been seen as sources of power or pledges of long term continuity in a channel relationship (Anderson & Weitz, 1992; Brown, Lusch, & Nicholson, 1995). As a result there is now more consideration in the channels literature of relational outcomes including relational norms, inter-organisational governance satisfaction, trust

and commitment (Weitz & Jap, 1995; Heide, 1994; Geyskens, Steenkamp, & Kumar, 1998). There is also an increased understanding of how manufacturer resources affect customers within buyer-seller relationships (Cannon & Perreault, 1999; Jap, 1999).

Brands are a valuable resource not only with manufacturers' end-customers, but also with other stakeholders such as resellers (Duncan & Moriarty, 1998). To ensure that end-customer objectives are met, manufacturers also need to ensure that brands are of value to resellers. However the impact of manufacturer resources such as brands on inter-organisational relationships has not yet been considered. This thesis investigates how manufacturer brands create value for resellers within channel relationships. An overview of the thesis is provided in this chapter, with an outline of the chapter given in figure 1-1.

Figure 1-1 Outline of Chapter 1



1.2 Background to the Research Problem

This section examines the context for the research problem: the role of manufacturer's brands in channels. A well managed brand is crucial to a firm's performance and has considerable strategic value (Park, Jaworski, & MacInnis, 1986) which is known as brand equity (Aaker, 1991). The term brand equity represents both the value of the brand to a firm and to its customers. Valuation and measurement methodologies have been developed to gauge the value of brands to firms (Ambler & Barwise, 1998). Brand managers have the task of building the value of a brand and improving the return on investment for firms. A key concern for brand managers is achieving the best mix of marketing activities that will optimise this value (Yoo et al., 2000). Practitioners consider that marketing activities such as advertising can better build brand equity, while other tactics such as trade promotions are said to have negative effects on a brand's value (Buzzell, Quelch, & Salmon, 1990).

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

Increased practitioner and academic interest in the topic of brands has lead to an enhanced appreciation of the strategic value of brands. Research into the value of brands for firms has primarily focused on financial value e.g. Kerin and Sethuraman (1998). However a broader context is emerging that considers the impact of brands within the firm, on the customer, the marketplace and shareholder value (Doyle, 2001). Brands can be viewed as market-based assets that provide firms with valuable resources in managing external relationships (Srivastava, Shervani, & Fahey, 1998). Underlying this market-based assets perspective is the resource-based view (RBV) of the firm

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(Wernerfelt, 1984; Hall, 1992). Brodie, Glynn and Van Durme (2002) note that brand research has not included these emerging perspectives such as market-based assets and brands as sources of value in inter-organisational relationships. Firm resources can create inter-organisational competitive advantage through the exchange of value (Dyer & Singh, 1998; Bowman & Ambrosini, 2000). The RBV provides a useful perspective for understanding how brands and other market-based assets create value for resellers within a channel, leading to competitive advantage. More recent work has also emphasised the importance of operant resources such as brands which produce business outcomes for firms (Vargo & Lusch, 2004).

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

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

However the empirical research that examines branding within marketing channels is limited (Webster, 2000) as is the research on the inter-organisational aspects of branding in industrial marketing. An exception was the study undertaken by (Mudambi et al., 1997) who found that brands offered industrial buyers many tangible and intangible attributes. The merchandise buying literature (Fairhurst & Fiorito, 1990) focuses on product purchasing decisions and has not considered brands or the relationship aspects of merchandise buying. Biong (1993) showed that a manufacturer's market offering including products and manufacturer support affected reseller satisfaction and commitment to the manufacturer. Ganesan (1994), Morgan and Hunt (1994) and Geyskens, Steenkamp, and Kumar (1999) also confirmed the importance of commitment, trust and satisfaction when evaluating channel relationships.

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However channels research has not yet examined 'push and pull' marketing effects on channel members (Frazier, 1999). While push and pull tactics are often viewed from a manufacturer's perspective, resellers also use these same marketing strategies to attract end-customers to their outlets. Within channel relationships it is also important to understand the type of governance mechanisms used (Heide, 1994). Ghosh and John, (1999) showed that value creation for manufacturers is determined by the interaction of firm resources such as brand equity, market positioning, exchange attributes and governance form. Jap (1999) and Dyer and Singh (1998) confirmed that firms, through collaboration and relationship investment, can create inter-organisational competitive advantage and build long term relationships.

Deleted: Some research however Collins-Dodd and Louviere (1999) indicates that brands have limited value in channel decisions.

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

1.3 Research Problem and Research Justification

This section provides an outline of the research problem and justifies the importance of this thesis. The background to this research problem spans several areas in the marketing literature: branding, channels, retailing and buyer-seller relationships. Approaches such as the market-based assets framework which considers the value of firm resources and the channels literature which focuses on manufacturer and reseller exchange are both useful starting points to examine this research problem. Relational exchanges between manufacturers of nationally available brands and the resellers of those brands is the focus of this thesis.

The research problem is stated below:

What sources of value do manufacturer brands have for resellers and how do these sources of value affect reseller relational outcomes towards the brand?

This thesis argues that brands, as an intangible firm resource or market-based asset have multi-dimensional sources of value for resellers and influences key reseller relationship outcomes within the channel.

Marketing managers have long been concerned with the strategic value of brands and recognise that good relationships with resellers are necessary in realising that value (Narus & Anderson, 1988). A poorly managed reseller relationship (Lassar & Kerr, 1996) and reseller decisions concerning a brand can undermine this value (Buchanan, Simmons, & Bickart, 1999; Areni, Duhan, & Kiecker, 1999). The value of a brand to the end-customer is a joint result of manufacturer and reseller decision-making (Anderson & Narus, 1999) and can be best optimised through a partnership.

The major theoretical models of branding are based on consumer brand knowledge. Industrial brand studies have largely adopted this theoretical perspective (Michell et al., 2001). Reseller purchases differ from both consumer and industrial purchases in several respects, first resellers purchase a brand and its competitors, second the purchase is for immediate resale, and third the product is not purchased for consumption (Fairhurst & Fiorito, 1990).

By identifying the benefits of brands to resellers and the relevant channel attitudes, the role of manufacturer brands for resellers and the effects on relational outcomes can be articulated. The development of a conceptual model will serve as a foundation for understanding the value of brands to resellers. Furthermore this development will also enhance the understanding of brands beyond the brand to consumer perspective predominant in the literature. As considerable empirical work has been undertaken in both the branding and channel literatures, any conceptual model developed will need to be empirically tested. Such a model is then evaluated against extant literature and provides a basis for further empirical work in this area.

This research will focus on contemporary reseller practice with its emphasis on product categories (Zenor, 1994). Many retail sectors operate on a category or departmental basis, including liquor retailers, office supplies retailers, department stores, pharmacies and consumer durable retailers. As a result, this research has potential application to a wide range of retail sectors. The development of such a model can also be applied to other inter-organisational contexts where the brand is the focus of the purchase e.g. industrial marketing, co-branding relationships, supplier-manufacturer relationships including OEM marketing, ingredient branding and client-advertising agency relationships.

1.4 Research Methodology

To explore the linkages between manufacturer brands and reseller relationship outcomes, a multi-method research design will be implemented. The first phase consists of qualitative exploratory research, followed by a confirmatory quantitative phase. Within the first phase interviews will be undertaken with both suppliers and resellers in New Zealand grocery and liquor channels. The objective is to gain an understanding of their perspectives on the value of brands and the relationship issues relevant to brands. Three questions guide the first phase of the investigation. The first question is: 'What are the sources of brand value for resellers of manufacturer brands?' Second: 'What are the important relational variables to resellers in the reselling of brands?' The third question is 'How do the sources of manufacturers' brand value influence key reseller relational outcomes?'

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From the qualitative analysis a conceptual model is developed and then quantitatively tested. Within the model, the antecedent constructs are the sources of value that manufacturer brands have for resellers. These antecedent constructs in turn influence the relational outcomes of resellers towards the brand.

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Nine hypotheses are derived from the model and are listed below. The first two hypotheses are concerned with the value of manufacturer's brands and their impact on a key reseller attitude, satisfaction with the brand.

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H_1: The 'sources of a manufacturer's brand value for a reseller' is a multidimensional construct that consists of several sub constructs: financial benefits, non-financial benefits, brand equity and customer demand.

H_2: These 'sources of a manufacturer's brand value' directly influence reseller satisfaction with the brand.

The next set of hypotheses examines the overall reseller satisfaction with the manufacturer's brand in relation to other channel attitudes. Also included is the reseller's assessment of the brand's performance, an important outcome of the RBV in inter-organisational exchange relationships (Cannon & Perreault, 1999).

H_3: Reseller satisfaction with the manufacturer's brand is positively related to the reseller's trust in the manufacturer on matters concerning the brand.

H_4: Reseller satisfaction with the manufacturer's brand is positively related to the reseller's commitment to the brand.

H_5: Reseller satisfaction with the manufacturer's brand is positively related to the reseller's cooperation with the manufacturer on matters concerning the brand.

H_6: Reseller satisfaction with the manufacturer's brand is positively related to the reseller's dependence on the manufacturer on matters concerning the brand.

H_7: Reseller satisfaction with the manufacturer's brand is positively related to the reseller's assessment of the brand's performance.

The next set of hypotheses allows the researcher to control for the effects of moderating variables, such as major or minor brands, within the conceptual framework. Essentially

this hypothesis tests the effect of brand 'trade leverage' (Aaker, 1991) on the relational outcomes as well as performance.

H_{8a}: The effect of 'sources of brand value' on reseller satisfaction with the brand will be greater for major brands than minor brands.

H_{8b}: The effect of reseller satisfaction with the brand on the relational outcomes including performance will be greater for major brands than minor brands.

Finally the last hypothesis allows the researcher to test for mediation of the focal construct, reseller satisfaction with the brand, which is implicit within the conceptual framework.

H_9: Reseller satisfaction with the manufacturer's brand mediates the relationship between the sources of brand value and the relational outcomes including performance.

These hypotheses are tested, in a survey of grocery resellers in New Zealand, with a mail questionnaire addressed to senior category buyers in each supermarket. Retail buyers will be questioned about the sources of brand value and relational attitudes towards a nominated brand. Each buyer completes two surveys: one about a major brand in one category and another about a minor brand from a related category. Existing brand ratings from Young and Rubicam's New Zealand Brand Asset Valuator survey (Young & Rubicam, 1994) are used to determine the major or minor brands used as stimuli in the survey. Buyers then return the completed surveys to the researcher for analysis.

Structural equation modelling (SEM) is used to analyse the data and enables the conceptual model to be empirically tested. This approach allows the validity, reliability and stability of the constructs to be determined through the estimation of measurement models (Steenkamp & van Trijp, 1991). The use of SEM also allows the influence of moderating variables such as major or minor brands to be compared and for alternative competing models to be considered (Anderson & Gerbing, 1988).

1.5 Outline of the Thesis

The following section briefly outlines the chapters in the thesis. Chapter 1 (this chapter) introduces the research project, provides a background to the research problem and a justification of the research in the context of the literature and industry developments. An outline of the multi-method research approach is provided next. Then important definitions are clarified and the limitations of the research are stated. Finally the contribution to knowledge of this research is considered.

Chapter 2 reviews the brand management and marketing channels literature relevant to this research problem. In the brand management literature, the topics of brand equity, the value of brands to firms in external relationships and relevant business-to-business research are examined. Next the literature on branding within the reseller context is discussed including practices such as category management, trade promotions and their effect on brand management. In the marketing channels literature, channel structures, the power and interdependence of manufacturers and resellers are discussed. This is followed by a discussion of buyer-seller relationships and relational outcomes within channels. Gaps in both the brands and channels literatures are summarised and the broad research questions that guide the first phase of investigation are stated. Finally a conceptual direction for this research project is outlined.

Chapter 3 presents the multi-method approach for this research. Various research approaches are first considered, followed by a justification of the research methodology. Then the qualitative method is outlined. In this section the data collection and qualitative coding analysis procedures are explained, together with the issues of research validity and reliability. To conclude the chapter, ethical considerations in the research are discussed.

In Chapter 4 the research context and the data analysis process is explained. This is followed with an analysis of the qualitative data by research question. The conceptual framework is developed and justified, from the patterns evident within data. Within this framework, relevant constructs and hypothesised relationships are identified in terms of its conceptual and empirical meaning.

Chapter 5 explains the quantitative method used to empirically validate the conceptual framework presented in Chapter 4. The operationalisation and measurement of each construct is presented. Next an appropriate research method is discussed that encompasses industry, category and brand selection considerations, sampling and questionnaire design. The data analysis procedure using SEM is justified next, concluding with a discussion of the relevant ethical issues in the implementation of this phase of the research.

Chapter 6 presents the analysis of the quantitative findings. First the profile of respondents and survey response rate is analysed. A preliminary analysis is then undertaken to ensure the suitability of the data for structural equation modelling. The analysis follows the two-step modelling recommendations of (Anderson & Gerbing, 1988). In the first step the questionnaire items are analysed using confirmatory factor analysis (Steenkamp & van Trijp, 1991). In the second step the structural model is fitted to the data and the overall goodness of fit is evaluated. The effect of moderating variables is then assessed through a multi-group analysis (Bagozzi & Yi, 1988). Mediating effects within the model are then tested (Baron & Kenny, 1986). Alternative models are considered and the chapter concludes with a summary of the results of the hypothesis testing and conclusions.

Chapter 7 discusses the survey findings and their implications in light of the literature and the conceptual framework developed for this research. An overview of the study is first presented followed by the significance of the findings and contribution to knowledge. The chapter concludes with a discussion of the managerial implications, research limitations and implications for further research.

1.6 Definitions

Definitions adopted by researchers are not uniform, so in this section key definitions used in this research are explained. The first term is manufacturer brands or national brands. These are also referred to as FMCG (fast moving consumer goods) or CPG (consumer packaged goods) brands. A manufacturer's brand is a brand owned, manufactured and supplied to resellers by an organisation independent of the reseller. While some researchers refer to suppliers or vendors, the term is confusing as suppliers can also supply manufacturers. For this research, the term manufacturer denotes the

organisation supplying the brand to the reseller. The term manufacturer also encompasses a supplier who imports brands manufactured by an organisation in another country.

Reseller refers to an organisation that resells a manufacturer's brand to the end-customer and is the term adopted in this research (Kumar, Stern, & Achrol, 1992). This term refers to retailers who sell brands through retail outlets, wholesalers who sell brands to trade customers through a warehouse and distributors who distribute directly to the reseller's outlet or to a retailer. The distinction between retail and wholesale operations often does not exist in practice as large retail chains have their own warehousing operations. Wholesalers and distributors mainly serve smaller retail operators who are outside the scope of this research.

The term end-customer refers to the customer of the reseller's or retailer's outlet. Manufacturers also refer to the end-customer or consumers and brand equity models show a direct link between the manufacturer's brand and the end-customer e.g. Keller (1993). A considerable level of manufacturer brand marketing activity is also directed to the end-customer. However, as manufacturers use indirect channels of distribution, a manufacturer's primary customer is therefore the reseller (Webster, 2000). Manufacturers who sell direct to end-customers are not a focus of this research.

The term product category refers to the category of similar products as defined by A.C Nielsen (NZ) Ltd who supplies market research information to manufacturers and resellers in New Zealand. Category management is a mechanism used by channel members to refer to management of categories instead of managing individual brands within a store environment (Nielsen, 2001).

A related concept is ECR or efficient consumer response where manufacturers and resellers work together to provide value to the consumer (Alvarado & Kotzab, 2001). This process can include EDI, electronic data interchange and scanning data (the use of product bar codes at a retail and warehouse level). Supply chain management is also used to refer to the physical descriptions of goods through distribution channels (Coughlan, Anderson, Stern, & El-Ansary, 2001).

Pricing strategy definitions include EDLP which is everyday low pricing and HILO strategies. HILO strategies are where brands can be sold at a high price then sold by the reseller at low price for a period of time in a price promotion. Slotting allowances refer to a range of payments made by manufacturers to reseller with respect to the manufacturer's product in the reseller's range. These payments can include display fees and fees to obtain shelf space (Bloom, Gundlach, & Cannon, 2000).

Inter-brand competition refers to competition between two brands within a market. On the other hand, intra-brand competition is competition between two resellers who are selling the same brand. Intra-brand competition is important when price differences exist between the same brands sold by different resellers.

There are also differences in how manufacturers supply or deliver goods to resellers. Some resellers in this research have a system of manufacturer delivery to a central warehouse for distribution to the individual retail outlet, known as central warehousing. Other resellers, particularly those in more perishable product categories, prefer direct delivery to the retail outlet by the manufacturer. Both systems of delivery are extensively used in New Zealand, often in combination.

1.7 Delimitations of Scope and Key Assumptions

This research focuses on manufacturer's brands and resellers in the supermarket industry within New Zealand. Despite the New Zealand focus, the study has implications for manufacturers and resellers outside this country. First the supermarket industry is a major part of retailing internationally. Second the ownership of supermarkets in this country is a mixture of locally owned chains and multinational chains, which is a common pattern in other countries.

Inter-organisational buying processes in New Zealand consist of a mixture of head office centralised purchasing and direct manufacturer purchasing by resellers. There is a head office purchasing function with buying committees which have an overall decision role on retail promotions and the store range. However there also is a local retail buying role where individual store managers and their subordinates make purchasing decisions, which allows the retail outlet to customise its market offering to

customer demand within the local trading area. It is this latter level of reseller buying that is the focus of this research.

The product categories used in the research are also available in other countries. Such categories are mutually agreed by subscribers who purchase this information which is also used by resellers. Thus these product category definitions are accepted by the grocery industry. A mix of local and global brands, a typical position for multinational manufacturers of branded products (Boze & Patton, 1995) was used for this research. Some brands in this study however, may not have identical market share as they may have in other countries.

A potential limitation is the focus on supermarkets or large resellers. The justification for this is that these outlets account for more than 80% of consumer purchases in many product categories where manufacturer's brands dominate (Nielsen, 2001). Buyers in large retailer outlets are also more likely to be aware of category, suppliers and manufacturer resources behind brands.

This study focuses on the reseller's evaluation of manufacturer brands and examines the demand side of distribution channels which consists of buying and merchandising from the reseller's perspective and marketing and sales from the manufacturer's perspective. As a result this study does not cover the supply aspects of the manufacturer-reseller relationship such as service and manufacturing issues (Coughlan et al., 2001). These supply-side aspects were outside the scope of this study, as this research examines the role of the brand for resellers.

Finally this study does not address private label brands which is an important topic in its own right and may represent a further development of the conceptual framework utilised in this research. It should be noted that the development of private labels within supermarkets in this country is lower than other similar countries (Nielsen, 2001). Thus there is a high percentage of manufacturer's brands within product categories in this country.

1.8 Contribution to Knowledge

This thesis makes a number of theoretical, empirical and managerial contributions to marketing knowledge. The theoretical contributions include first the identification of the sources of brand value to resellers. Second the relevant relationship variables for resellers concerning brands are considered. The next contribution is the development of a conceptual model of reseller brand value and its affect on relational outcomes in an inter-organisational relationship. The empirical contributions include the use of a multi-method research design and the operationalisation of the conceptual model with resellers. A further empirical contribution stems from the use of psychometric procedures to validate the measurement and structural models, consider alternative models and conduct mediation tests.

The testing of both major and minor brands within the survey design has both an empirical and managerial significance. Other managerial contributions include an identification of the important sources of manufacturer brand value to resellers. In addition, the structural model highlights the relative importance of manufacturer brands compared to other sources of manufacturer value and their relational consequences for other channel members such as resellers. The study also contributes to the literature by utilising the RBV to examine the effect of brands as a marketing specific resource for resellers who represent the manufacturer's customers within distribution channels.

This research has already contributed to several research conferences and seminars. These seminars include the combined EMAC/ANZMAC Marketing Networks conference 2002, the MSI 'Linking Marketing to Financial Performance and Firm Value' seminar 2002, the Academy of Marketing Science - World Marketing Congress 2001 and a poster session at EMAC 2001. A working paper of the qualitative findings has also been published (Glynn, Motion & Brodie, 2003). The researcher has also been a joint author in a paper indirectly related to this research published in Marketing Theory (Brodie et al., 2002). A paper based on the quantitative findings was presented at the EMAC 2004 conference (Glynn & Brodie, 2004).

1.9 Conclusion

This chapter laid the foundations for this thesis by introducing the background to the research and the research problem. A justification for the research problem was outlined, together with an explanation of the research methodology used. The content of each chapter was then outlined within the overall structure of the thesis. Explanations of key definitions with the retail sector and marketing channels were given next. Overall limitations of the research project were also considered, as well as the potential contribution of this research to marketing knowledge. The next chapter examines the brand management and marketing channels literature relevant to this research problem.

2 Literature Review

2.1 Introduction

In this chapter the literature concerning the role of brands within manufacturer-reseller relationships is reviewed in two parts. The first part examines the theoretical and empirical research into brand management, while the second part considers the nature of channel relationships involving manufacturers and resellers. The review concludes with an evaluation of the contribution of these streams of literature to addressing the research problem.

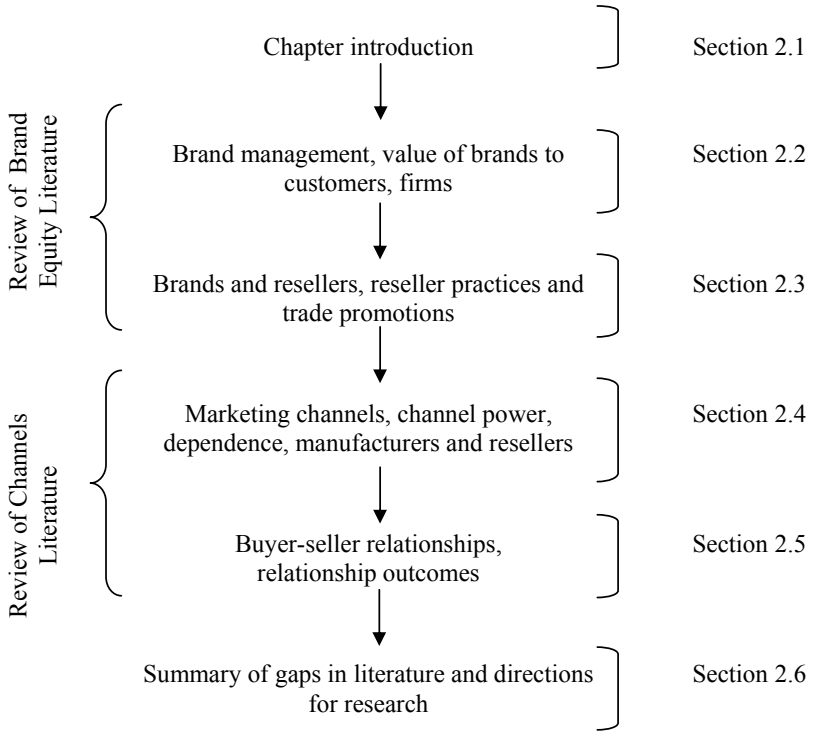
In the first part, developments in brand equity research and brands within retailing practice are examined. These developments include customer-based brand equity, the value of brands to firms and a brand's value in business to business marketing. Here the brand's role as an intangible asset of the firm and its importance in creating value are evaluated. Next the extant research into brands with resellers is presented. The impact of price and other trade promotions is examined and includes a discussion of relevant findings from the analytical modelling literature.

The second part of the review evaluates manufacturer and reseller behaviour within channels of distribution. In this section channel structure, the effects of power and dependence on channel member behaviour, and the implications for manufacturers and resellers are outlined. This is followed by an examination of buyer-seller relationships including relationship outcomes. A summary of knowledge gaps in the literature contributes to an overall conceptual direction from which this research can proceed. An initial conceptual framework is then developed and is based on three key research questions.

The conclusion from the review is that brand researchers have not explored brand equity effects on channel members. As a consequence, a comprehensive theoretical perspective on the research problem does not currently exist. This research problem has

its antecedents in two research traditions, brand equity and marketing channels, which span several areas of research namely: brand management, business to business marketing, retailing, channels of distribution, and relationship marketing. An outline of this chapter is given in Figure 2-1 below.

Figure 2-1 Outline of Chapter 2



2.2 Brand Management

This section examines the branding literature from a broad perspective and assesses its contribution to the research problem. A key development in this literature has been the concept of brand equity, which has strategic, financial and managerial implications for firms. Brand equity results from a strong consumer franchise that a firm's end-customers have with a brand. The strength of this consumer franchise leads to the creation of value for the firm, which has important consequences for marketing strategy. Brand equity became a prominent topic in the 1980s, as firms sought to optimise the strategic value of their brands (Doyle, 1990). At that time, many brands were in mature product categories and leveraging this brand value stimulated further business growth. Another issue for packaged goods manufacturers in particular was excess production capacity (Zerrillo & Iacobucci, 1995) which meant lower returns on investment.

Shareholder and firm performance demands led brand managers to focus on short-term sales increases using tactics such as trade promotions and line extensions (Berthon, Pitt & Leyland, 1999).

Not only has there been practitioner interest, but there has also been significant academic interest in the topic of brand equity. Several journals including the Journal of Marketing Research, International Journal of Research on Marketing and the Journal of Advertising Research, have published special issues on branding. In the editorial for the JMR issue (Shocker et al., 1994) concluded that no comprehensive theoretical framework for brands had yet emerged and that brand research had a predominantly consumer focus. They recommended that a 'systems' view of brand equity be adopted, including the consideration of brands in distribution channels. Shocker et al. (1994) highlighted the shift in power within distribution channels, the changing marketing programmes of national brands and private labels as potential areas of research. Further academic interest has been stimulated by the Marketing Science Institute, in its 2002-2004 list of research priorities, which nominated branding as a key topic area for marketing research. In addition, channels topics also have priority, in particular reseller relationships, channel coordination and trade promotions.

Thus this research problem, the role of brands in manufacturer-reseller relationships, has been signalled as an important area of study by brand researchers and the Marketing Science Institute. Since the publication of these special issues, there has been a high level of research output on many aspects of branding. The remainder of this section examines research in the areas of branding that are relevant to this research problem. These areas include the value of brands to consumers, firms and in business to business marketing.

2.2.1 Customer-based Brand Equity

This section which discusses the value of brands to consumers begins by examining the extant definitions of brand equity, followed by emerging relational perspectives and insights from brand equity measurement. Aaker (1991, p.15) defines brand equity as 'a set of assets and liabilities linked to a brand, its name and symbol that adds or subtracts from the value provided by a product or service to a firm and/or to that firm's customers'. Keller (1993, p.2) describes the concept of customer-based brand equity as

‘the differential effect of brand knowledge on consumer response to the marketing of the brand’. These approaches essentially reflect Farquhar’s (1990) and Leuthesser, Kohli and Harichs’ (1995) definitions which is ‘the brand is the added value endowed to the product’. However while these definitions are similar, Feldwick (1996) shows the term brand equity can have at least three different meanings. The first meaning is the added value of the brand as a separable asset or brand valuation; the second is the strength of the consumer’s attachment to a brand or brand loyalty and the third is a description of the consumer’s brand associations or brand image. A more holistic definition is used by Srivastava and Shocker (1991, p.5); here brand equity is ‘the aggregation of all accumulated memories in the extended mind of consumers, distribution channels and influence agents which will enhance future profits and long term cash flow’. The importance of channels is acknowledged in these definitions, but it is assumed that these brand associations are the same for resellers as for consumers. Overall the main focus of the brand literature is on the brand’s importance to consumers with limited consideration of the brand’s value to external organisations and the financial value to firms.

Outside the branding texts, economists have taken a different approach to conceptualising the brand. Wernerfelt (1988) considers the brand is a quality guarantee signal; this view is based on an information economics perspective. A market signal is a marketing activity that alerts another party to its intentions and commitments. For instance, brand advertising and pricing can affect consumer perceptions about a brand, affecting consumer information search and perceived risk (Erdem et al., 1999). Montgomery and Wernerfelt (1992) compared unbranded and branded products and showed that brands have a risk reducing function with customers. Brands also signal unobservable product quality and product attributes (Rao & Ruekert, 1994). Dawar and Parker (1994) found that these marketing signals, which include physical appearance, price and intangibles like brand names and retailer reputation, also apply across cultures. These ‘intangibles’ created by brand signals (Erdem et al., 1999) are also relevant to business to business purchasing, as well as consumer choice. Other researchers such as Sheth, Newman and Gross (1991) consider that brand choice is a function of five value components which include the functional, conditional, social, emotional and epistemic value of a brand. In particular conditional value refers to the influence of situational characteristics on the brand choice and epistemic value refers to

the brand's ability to arouse curiosity. The value of the brand is also seen as something beyond economic values by Goodyear (1996). These conceptualisations include the tangible product or service components of the brand, which appear to be excluded in the Keller definition with its focus on brand effect.

Implicit in the previous conceptualisations is the notion of brand choice based on immediate product purchase. Aaker, for example, describes the benefits of brands to consumers in terms of information searching, purchase confidence and use satisfaction. While brands are relevant in purchase decisions, they are also important to consumers in the longer term. Fournier (1998) demonstrated this longer term role and the importance of consumer life experiences in reinforcing brand choice and brand loyalty. Within a service marketing context, Berry (2000) includes the customer service experience as a component of brand meaning which leads to brand equity. Krishnan (1996) demonstrated that that customer's direct experience of the brand was an important brand association. The customer experience is also important in internet branding, where brands are seen as powerful tokens of trust (Jevons & Gabbott, 2000). Between consumers of the same brand within marketplace communities McAlexander (2002) showed the role of brand as a focal point. These brand communities consist of stronger communication lines between consumers and weaker links to the producers of the brand (Muniz & O'Guinn, 2001). These perspectives extend the traditional brand to consumer linkage of Aaker (1991) and recognise the value of the customer's brand experience and their wider social experience.

Duncan and Moriarty (1998) suggest that branding affects all stakeholders, not just brand consumers. They propose that brand equity be viewed as part of the wider marketing and communication firm processes, which includes channel members. Brand equity is also placed in a wider perspective by other authors. For instance, Anderson and Narus (1999) consider brand equity (between manufacturer and end-customer) as part of marketplace equity, which is a product of channel equity (between manufacturer and reseller), and reseller equity (between reseller and end-customer). This model not only recognises the role of distributors but includes a link between the brand, customer and the distributor or reseller of the brand. Webster (2000) considers that resellers have an integral role in the creation of value for the brand. By focusing only on customers,

the brand literature ignores the organisational influences on brands which are often outside its control (Koll, Antretter, & Muhlbacher, 2002).

Rust, Zeithaml, and Lemon (2000) consider that brand equity is a part of a wider construct, customer equity which has more relevance to firms seeking to retain customers through service. Brand equity is how the customer sees the value of the characteristics of the firm's offering, whereas customer equity reflects the profitability of the customer. Customer equity comprises brand equity, value equity and retention equity. Value equity is the perception of attributes such as quality, while retention equity reflects customer repeat purchasing. Ambler, Bhattacharya, Edell, Keller, Lemon and Mittal (2002) reconcile these customer and brand equity perspectives, but their analysis shows there is much overlap with many of these equity components.

The measurement of brand equity also contributes to the understanding of its nature. Park and Srinivasan (1994) found that brand equity was based on attributes associated with the product and non-product attributes such as brand associations. The brands with stronger brand equity had higher non-product attribute levels than minor brands. Another approach measures the total value of brand equity (Swait, Erdem, Louviere, & Dubelaar, 1993), which is also useful as managers are provided with a reference point to judge a brand's equity. Swait et al. (1993) found that other components such as consumer interest in the brand itself were important components of brand equity, as well as price, product and brand image. These broader approaches are more managerially useful in diagnosing marketing mix problems. Brand measurements have also highlighted differences in equity between brands. Krishnan (1996) showed that brand association differences accounted for the differences in equity between major and minor brands. This research revealed the importance of unique brand associations in brand equity ratings.

Brand equity measurement research illustrates the importance of other components such as product and price, in addition to the brand effects based on Keller's (1993) conceptualisation. These further conceptualisations suggest that brands are relevant to stakeholders beyond the brand's relevance to consumers. However empirical research into brand equity with other stakeholders, which includes resellers and channels of

distribution, is lacking. In order to address a brand's meaning to other stakeholders, it is necessary to examine the value of a brand to firms which is considered next.

2.2.2 Value of Brands to Firms

The limitations of the customer-based brand equity perspective were highlighted in the last section in conceptualising the value of the brand for other stakeholders. Doyle (2001) criticises marketers' focus on consumer attributes as 'naïve' as these measures, such as brand awareness, may be less relevant to senior management decision making at the boardroom level. As this research problem addresses the inter-organisational context of branding, this section examines studies of the financial value of brands. This discussion leads firstly to the consideration of the brand as a market-based asset within the resource-based view of the firm (RBV).

The essence of the RBV is that competitive advantage differences between firms are the result of the unique assets and capabilities that each firm possesses (Barney, 1991). These assets and capabilities are known as resources which can determine firm performance (Wernerfelt, 1984). For a resource to provide a competitive advantage, the resource has to have value, second the resource must be rare, third the resource cannot able to be imitated by other firms and last the resource is not substitutable. The RBV differs from traditional neoclassical theories of the firm which suggest that performance differences between firms are not sustainable in a competitive market (Barney & Arikan, 2001). An assumption of the RBV is that not only can resources differ between firms but these resources are also immobile. Resources can be divided into tangible assets such as plant and equipment, intangible assets such as brands and capabilities such as a firm's culture. The deployment of these resources by management leads to sustainable competitive advantage and enhanced performance. Competitive advantage occurs when these resources lower costs or increase revenues beyond what would otherwise have been the case.

Critics of the RBV point out that is not clear how resources are defined (Priem & Butler, 2001) and how valued resources might be identified. While the RBV emphasises the importance of the firm's internal resources, the value of these resources is determined outside the firm by its customers (Hunt & Morgan, 1995; Priem & Butler, 2001). Differences in customer preference, heterogeneity of market demand, must be

efficiently managed to produce a valued market offering (Hunt & Morgan, 1995). However the RBV has not been extensively adopted by marketing scholars and there have been a limited number of empirical marketing studies using this framework (Srivastava, Fahey & Christensen, 2001).

This research problem focuses on the role of a firm resource, the manufacturer's brand, a resource of value to a reseller's end-customers. Brands exhibit the characteristics of a resource: they are potentially valuable resources specific to the firm (Aaker & Jacobsen, 1994); they are rare, not being possessed by competing firms; they cannot be easily duplicated by competitors and have low substitutability by the end-customer. Brands also result from the investment of a firm's resources in areas such as advertising (Keller, 1993). Brands are valued by the end-customer and are a source of sustainable competitive advantage for a firm. Srivastava, Shervani and Fahey (1998) use the term market-based assets to describe resources such as brands that are valued by customers and produce value for the firm. Thus the RBV is an appropriate theoretical framework from which to examine this research problem.

Brand equity is often referred to as an asset consisting of intangible resources. Kapfrer (1992) maintains that intangible assets such as brands have become more important than tangible assets to firms. Tangible assets, including plant and equipment, are capitalised in the balance sheet and can be bought and sold in the marketplace. Intangible assets such as brands and business goodwill are more difficult to identify and value (Guilding & Pike, 1990). This has resulted in intangible assets such as brands, customer and channel relationships being undervalued by firms.

Marketers use the terms asset and equity more liberally than accountants and this leads to ambiguity in the way these terms are used in practice. For instance, the terms brand equity and brand assets, are often used to represent a brand's customer franchise which also have financial connotations (Brodie et al., 2002). As a result, marketers tend to overestimate a brand's value, in contrast to financial managers who may undervalue a brand, because the term does not comply with accounting standard definitions and has more limited value in financial reporting. Marketing expenditure is often referred to as an investment in brand building by managers (Keller, 1998). Advertising expenses have been shown to be positively associated with brand value estimates (Barth,

Clement, Foster, & Kasznik, 1998). However from a firm viewpoint, this type of expenditure is accounted for as a marketing expense within the relevant accounting period and is not treated as a capital item in the same way as tangible assets are. Another problem with applying financial terms to marketing is that the accounting meaning is sometimes obscured. As an example, accountants see assets as depreciating over time and must be added to or replaced (Davies & Chun, 2003). Kapfrer (1992) points out that the value of a brand depends on the aim of the valuation. For instance, recognising the value of a brand which has been built over time within the firm will be different compared to brands that have been acquired or sold by a firm. In this situation the value of the non-acquired brand cannot be separated from other intangible assets such as goodwill (Tollington, 1998). Despite the accounting issues that brands raise, intangible assets such as product and company reputation were regarded by CEOs as being more important than employee know-how (Hall, 1992).

From a firm perspective, the value of the brand lies in its ability to build and maintain future earnings over and above the value created by tangible assets (Simon & Sullivan, 1993). This research indicated that brand equity as a proportion of total firm assets varies by industry. Brand equity was more relevant to consumer goods industries than commodity based industries. In other research, Lane and Jacobson (1995) showed that the brand equity components in brand extension announcements are included by investors in stock market returns, as were perceived quality assessments of brands (Aaker & Jacobson, 1994). Positive correlations between market-to-book value ratios and brand equity values were shown by Kerin and Sethuraman (1998). Madden, Fehle, and Fournier (2002) investigated the market performance of US firms with strong brands and found that these firms had better than average monthly returns compared to market benchmarks.

These studies show that there is a linkage between brand value and the financial return for firms. From a practitioner point of view, proprietary methodologies also exist to assess the value of a brand which includes Interbrand, Equi-Trend, and the Brand Asset Valuator of Young and Rubicam (Ourusoff & Panchapakesan, 1993). While the validity of the methodologies is generally considered flawed (Ambler & Barwise, 1998), there remains a widespread acceptance of these techniques among firms. Barth

et al. (1998) investigated the Interbrand methodology and found it sufficiently reliable to reflect the value of a brand within a firm's share price.

The importance of the brand as an intangible asset, together with the need to measure the brand's contribution to overall firm performance, has prompted Srivastava et al. (1998) to examine the brand as an intangible firm asset more closely. They used the concept of a market-based asset which reflects the value of marketing activities external to the firm as a result of a firm utilising that asset (Sharp, 1995). Market-based assets evolve out of a firm's interaction with the entities in its environment such as customers and can be either relational or intellectual. Relational market-based assets include both brand equity and channel equity, whereas intellectual assets reside within the firm reflecting a firm's knowledge of the marketplace. For a brand to be a market-based asset and create value it must be convertible, i.e. able to exploit a market-place opportunity. The Srivastava et al. (1998) conceptualisation of brand equity is based on existing users and excludes potential non-users of the brand. In contrast, Aaker (1991) assumes non-users of the brand to have the same brand equity as brand users.

Bharadwaj, Varadarajan, and Fahy (1993) also consider that brand equity is a useful marketing resource that helps differentiate competitors, serves as a proxy for quality, prevents market share erosion and gives firms time to respond to competitive action. This competitive advantage is a result of three main processes: product development, customer relationships and supply chain effectiveness, which together create value for the firm. Of these three processes, supply chain effectiveness involves a high level of inter-organisational interaction. Market-based assets such as brands can be used for the same purposes as tangible balance sheet assets. Tangible assets enable firms to lower costs through productivity, maintain higher prices, serve as a barrier to entry and can be used with other assets thereby increasing their value. Brands can help firms lower costs through brand awareness (Hoyer & Brown, 1990), attain price premiums which lead to higher perceived value, create superior relationships through brand loyalty (Chaudhuri, 1999; Fournier, 1998). Brand specific associations (Broniarczyk & Alba, 1994) lead to higher perceived value (Jacobson & Aaker, 1987) generate competitive barriers (Bharadwaj et al., 1993) and give managers strategic options through brand extensions (Tauber, 1988; Park et al., 1986).

Branding has considerable value to the firm in creating cash flow and Srivastava, Shervani, and Fahey (1997) showed that brand equity lowers the cost of capital. Brand ownership minimizes some of the volatility (fluctuations in cash flow) and vulnerability (negative occurrences affecting cash flow) for a firm in the marketplace. Brands can accelerate cash flows in the supply chain when firms use distribution intensive strategies, while brand awareness, experience and familiarity reduces consumer information search costs. Enhancing cash flows for a reseller occurs through improved sales volumes, trade promotions, opportunities to up-sell through price premiums and branded variants (Bergen, Dutta, & Shugan, 1996), increased consumer usage (Wansink & Ray, 1996), cross-selling of related products in store (Kasulis et al., 1999) and line extensions (Quelch & Kenny, 1995). Brands face less elastic demand and have more monopolistic power (Porter, 1974). Monopolistic power can be leveraged to extract superior product performance, reducing the vulnerability and volatility of cash-flow. Some marketing activities such as consumer and trade promotions can increase cash-flow volatility because resellers can over buy stock (because of a particularly attractive deal). This process is known as forward buying (Lal, Little, & Villas-Boas, 1996) which leads to reduced post-deal sales.

While market-based assets such as brands offer manufacturer firms clear benefits, these benefits may not be automatically transferred to a reseller in an inter-organisational reseller relationship. For instance, a reseller may be unable to price a brand at a premium because of the pricing actions of another reseller with the same brand. The reseller may have to bear these costs in order to enhance the value perception with their customers (Uusitalo, 2001). Even if the focus is on the brand or the service, customers will patronise a store because resellers themselves create value (Dorsch & Carlson, 1996). Thus the utilisation of the brand as a resource may be different from the reseller's view. For example, resellers have a range of competing brands in a given product category, which reduces risk and vulnerability in the marketplace. Promoting competitive brands could have a more tactical purpose such as reducing volatility for the reseller and can also be used to obtain better deals from national brand manufacturers. There are other brand benefits for manufacturers, that resellers have difficulty imitating (Whitehead, 1986) such as the ability to target consumer segments, new product development, national economies of scale and the capital investment needed with product manufacturing. These manufacturer resource strengths are derived

from unique elements or processes, which include efficiencies of product and distribution, organisation culture, brand portfolio, distribution and manufacturing capacity, quality control, trade servicing, raw material sourcing and trade relationships. By including manufacturer's brands in their range, resellers benefit from these market-based assets or resources.

In other research, brands have been examined as a firm resource along with the sales force, also a relational resource and general marketing expertise (Capron & Hulland, 1999). Brands were more likely to be transferred as a resource from the target firm to the acquiring firm than vice versa and occurred when industries were similar. The affect of this transfer of brand resources did not affect overall market share but improved distribution. Vargo and Lusch (2004) also utilise the notion of an operant resource including brands, which can influence the firm's use of other business resources.

Brand value has been shown to be an important resource in firm performance. However the appreciation by CEO's of this value is hampered by differences in treatment of brands by marketers and accountants. The market-based assets framework provides a perspective of the brand which places value creation within the firm's processes including supply chain management, rather being just a tool for generating customer value as implied by Aaker (1991). Both channel relationships and brands do impact on firm cash-flow (Srivastava et al., 1998). However the Srivastava et al. (1998) framework does not consider how this value is created in the supply chain or channels. Value creation for resellers using manufacturer brands involves the utilisation of inter-organisational resources which is examined in the next section.

2.2.3 Value of Brands in External Relationships

This section reviews the impact of these firm assets on external relationships from the RBV perspective. First the value of a firm's market share in distribution channels will be reviewed. This is followed by consideration of several theoretical frameworks that explain inter-organisational relationships. Lastly the modes of inter-organisational governance (Heide, 1994) and their implications for brand manufacturers will be discussed.

From a firm's perspective the success of market-based assets such as brands are linked to channels of distribution (Reibstein & Farris, 1995). The empirical generalisation is that market share increases are linked to higher distribution levels, which are often linked with major brands (Ehrenberg, Goodhardt, & Barwise, 1990). Reibstein and Farris (1995) concede that the theoretical understanding of this generalisation is limited, in that both distribution and share influence each other, for what influences consumer demand also influences a reseller's willingness to buy. Later research has shown that market share and distribution levels evolve with reseller feedback, which was important in building distribution for a brand in a new product category (Bronnenberg et al., 2000). This feedback included resellers taking into account the prior performance of a brand and the maturity of a product category. They also found that marketing mix investments had an effect on market share and that these effects were apparent to resellers in the early stages of category development.

The use of resellers to distribute brands is a resource benefit for manufacturers. According to Barney (1991) resources such as brands span the firm's boundaries and are embedded within organisational processes. Further benefits may be possible when partner organisations are also willing to make investments. Transaction cost analysis states that firms seek to minimise these external transaction costs. The resource dependence model of Pfeffer and Salancik (1978) explains the effects of these external influences on organisations and resource importance in inter-organisational relationships, which is determined by the magnitude of the exchange and criticality of the resource. Zajac and Olsen (1993) consider that transaction cost analysis does not capture the value of exchanges between organisations, as it emphasises cost minimisation. They maintain that value is created over a series of multiple pathways, not just a series of discrete transactions. Bowman and Ambrosini (2000) describe the transfer of resources between firms as the exchange of value. The manufacturer creates value e.g. the brand, which is then exchanged with resellers who use brands to create further value for their customers. The inter-organisational process is a series of sequential steps as each organisation first weighs up the alternatives, second develops relational norms and trust and third assesses a firm's performance.

Both resellers and manufacturers share a common interest in supply chain management. Christopher and Ryalls (1999) explore the connections between shareholder value and

supply chain strategy. Supply chain management contributes to shareholder value through fixed capital efficiency, centralised distribution, as well as minimising working capital requirements through inventory reduction. Manufacturers can improve cash flow through distribution intensity, while brand marketing activities also enhance the category cash flow for the reseller. However these reseller benefits may be diminished through inter-reseller competition. Thus to obtain the benefits of supply, resellers must adopt close relationships with manufacturers and implement marketing activities that benefit both parties.

Dyer and Singh (1998) consider that the RBV has limitations for studying buyer-seller relationships as these resources reside within the firm. However sources of competitive advantage can arise from the sharing of resources between firms. These inter-organisational sources of advantage include, with examples of manufacturer resources in brackets: relational specific assets (brands), knowledge sharing (brand market information) complementary resources (manufacturer marketing expenditure) and effective governance (sales force and marketing expenditure). These sources of advantage, attributable in part to market-based assets, create relational rents which are preserved through inter-organisational asset connectedness, partner scarcity, resource indivisibility and be difficult to imitate within the industry. Not only are brands sources of advantage in inter-organisational relationships, but their inherent properties allow this advantage to be maintained.

Inter-firm relationships, while creating strategic advantage, also have their costs such as the loss of firm bargaining power and exposure to opportunism as firms look to take advantage of opportunities outside the firm relationship. The manufacturer is financially independent but functionally interdependent (Jap, 1999). Jap showed that inter-firm coordination and idiosyncratic investments are the mechanisms by which a supplier firm's resources lead to profit performance and competitive advantage. Combs and Ketchen (1999) also emphasised the value of resource sharing because manufacturers and resellers both perform functions that no one organisation can complete alone. They showed that firms with less brand equity engage in more inter-firm cooperation than firms with strong brands, as these firms had with fewer resources. Relationships make fewer resource demands in a cooperative relationship as firms do not have to provide all the resources. Resource abundant firms only used inter-firm

cooperation when it helped lower their resource costs. A brand name reduced uncertainty for buyers, making it more costly for competitors to lure buyers away.

Ford and his colleagues (1998) consider that a network representation more accurately reflects the position between manufacturers and resellers. When a manufacturer supplies a brand to its resellers, the brand is the resource link between the two parties which also links to the end-customer. The reseller is therefore the hub of the network linking manufacturers and customers. Each actor in the network has control over different resources. Next the governance implications of brand equity are examined.

Governance is organising and managing transactions within a transaction cost analysis framework (Heide, 1994). In relationship marketing, governance encompasses on-going initiation, maintenance and termination of relationships. The three types of governance are: market, relational and hierarchical. Market governance relies on some sort of incentive, whereas the relational forms rely on monitoring and rules. Relationships are formed in non-market governance can be open-ended (relational) governance. Heide points out that these typologies are ideal states, an actual relationship may involve a combination of these types or plural governance forms (Heide, 2003). His empirical results showed that symmetrical dependence is necessary for bilateral governance to work and the parties must locked into the relationship. While the notion of governance was developed from transaction cost analysis, Ghosh and John (1999) applied these concepts to value creation within buyer-seller relationships.

Ghosh and John (1999) explored the resource differences between firms and their impact of on relationships with their governance value framework (GVA). This framework shows how the differences in marketplace positioning, firm resources, governance form and exchange attributes can create value. Webster (1992) observed that firms rarely create value in isolation but need to align themselves with customers and suppliers. The GVA model includes attributes of exchange and governance which are matched with the firm's resources including brand equity. In this model, a firm's resources are technological, channel and customer based. The manufacturer-reseller relationship with a major brand is characterised as a market governance form, which involves promoting to end-customers using mass communication, arm's length

exchanges and no relationship investment. Vertically integrated businesses or franchises have a hierarchical governance form, where there is an investment in the relationship. Relational governance, which combines both market and hierarchical governance, cannot create value as well as market governance, as firms also have mutual investments in the relationship.

The authors also highlight the problem of claiming the value created in firm exchanges. Once the value is created, each company will try to minimise its stake by the reducing investment in the relationship. They consider that the firm resources such as technology, customer (brand equity) and supply chain (partners) give access to marketplace positions which are valued by customers and influence the governance form and exchange type. Ghosh and John (1999) consider that major brands are more able to use market governance, because strong brand equity adds value to the reseller's offering through the strength of the brand with the end-customer. However at the value claiming stage, the value created by the brand becomes subject to bargaining by the reseller using relational governance. Thus to maintain its value the major brand manufacturer should rely on market governance, as it may become less profitable if closer ties are developed with resellers. Whereas minor brands have to develop closer ties with resellers because of their smaller margins and can better use relational governance. The importance of the Ghosh and John (1999) framework is that it postulates that differences in firm's resources and positioning for major and minor brands have different outcomes for channel members. Ghosh and John (1999) reason that strong brand equity may be a disadvantage for manufacturers in reseller relationships and caution such firms from adopting a more relational approach.

Governance not only helps structure exchange relationships, but also minimises opportunism (Brown, Dev, & Lee, 2000). With vertical integration, there are three governance mechanisms: brand ownership, investments and exchange norms which are expectations about behaviour. Under transaction cost economics, ownership of the brand is desirable and confers a number of benefits in managing franchisees. However this research found that of the three governance mechanisms, relational exchange was the most effective in managing opportunism. Even though the brand ownership and investment in assets was superior from a transaction economics view, firms considered that good relations with franchisees were necessary to protect brand equity from the

effects of opportunism. Heide and John (1992) believe that relational norms are one way of efficiently organising marketing relationships. This section has shown that brand equity is more effective in some governance situations than others and that having strong brand does not allow firms to use relational governance. Next brand equity research within business to business marketing is examined.

2.2.4 Business to Business Branding

In the previous section the role of market-based assets in external firm relationships was highlighted. The previous conceptualisations of brands have focused on consumer attributes of brand equity. In this section the empirical research about brands in inter-organisational relationships will be examined. de Chernatony and McDonald (1998) assert that industrial brands are useful for buyers as relationship builders. Brands also allow industrial buyers to reduce the time spent in selecting alternative brands, offer less risk in addressing possible technical problems and resolving internal production problems. In a comparison of brand equity by industry, Simon and Sullivan (1993) showed that industrial companies had less intangible asset value as a proportion of replacement value than consumer goods companies. In some industries such as metals and petroleum, brand equity was not important. This conclusion suggested that brand equity was less important in an industrial context compared to consumer goods. However Mudambi (2002) showed that in consumer markets, products are standardised and the relationship between buyer and seller is impersonal with a reliance on mass advertising. In contrast, with industrial purchasing there is more emphasis on service, customised products and personal selling.

Initial research in industrial branding considered whether have a brand name conferred any competitive advantage on the selling organisation. Shaw, Giglierano and Kallis (1989) found when complex industrial products such as mainframe computers were purchased, intangible attributes were more important than product performance attributes, because of the future uncertainty about product developments in that industry. Hutton (1997) examined branding in the office products category in a hypothetical purchasing situation. Buyers were more likely to choose well known brands when the purchase was risky and a poor decision could lead to organisational and personal failure. Shipley and Howard (1993) found that industrial firms saw a benefit to their own company of having brand names, but the benefit of branding to

their customers was less important. In Gordon, Calantone, and di Benedetto's (1993) research, brands were ranked fourth out of a series of six factors that influenced an electrical contractor's choice of distributors for electrical switches. This study also found that other parties such as architects and engineers were influential in the final decision and that manufacturer support would enhance brand image. Yoon and Kijewski (1995) examined industrial buyer's brand preferences and found that brand preference was relevant at certain price and volume purchasing thresholds. In a study of accounting firms, Firth (1993) showed if a local accounting firm adopted the name of an affiliated 'big name' accounting firm, this led to higher fee revenue.

Michell et al. (2001) extended the Shipley and Howard (1993) study and found that brands did have benefits in industrial marketing for the selling firm. These benefits were similar to consumer benefits of brands (Aaker, 1991) as differentiation and communication were deemed to be important. Branding was considered to be of less value to a firm's customers and was not seen as a demonstration of customer commitment. However the authors did find that quality, image, market share and price premiums were manifestations of brand equity for industrial marketers. Kim, Reid, Plank and Dahlstrom (1998) developed an organisational buying model from a branding perspective. Environmental factors, seller variables including price, product and the nature of the buying decision, influenced brand equity which was moderated by perceived risk. This model pointed to a wide range of outcomes as a result of brand equity, such as better loyalty, margins, marketing effectiveness and higher switching costs. However unlike the Aaker approach in consumer marketing, the benefits of brand equity to the industrial customer were not explicit and the model has not been empirically tested.

It appears industrial buyers have different predispositions towards branding. Mudambi (2002) found some industrial buyers were branding receptive, while others either had low interest in branding or were more tangible in their approach. In this research branding was one of three important decision attributes, along with product and service, and was influenced by both buyer characteristics and purchase characteristics.

Much of the research into industrial branding has focused on benefits to the selling firm rather than value to buyer. In fact when buyer aspects were examined these were not

rated as important by selling firms. An exception to this research is the work of Mudambi et al. (1997) who described the performance benefits of industrial branding for the buyer. Mudambi et al. (1997) identified four decision criteria for industrial buyers when considering brands. These were product features, distribution, support services and company reputation which all had both tangible and intangible attributes. While the product and its tangible aspects were the fulcrum of the components of brand value, the intangible attributes were also important to the industrial purchaser. Koll et al. (2002) consider that a brand is made up of all associations held by exchange partners about an organisations offering stimulated by all direct and indirect contacts with it. The first point is that an exchange offering can be due to influences or actions not controlled by an organisation. Second customers who are not part of the exchange process may also have brand equity. Organisations make purchasing decisions based on not only the core offering, but on the additional benefits they receive.

Other researchers have adopted network perspectives. Metcalf, Frear and Krishnan (1992) showed that an interaction process exists between organisations in a network consisting of social and information exchanges, product importance, cooperation and adaptation of the buying organisation. This research not only included a product importance measure but showed its impact on relationship outcomes, along with other sources of value. Lindblom (1999) considered the brand to be a social construct, part of a firm's business network. The brand identity construct was conceived along three dimensions, identity (e.g. awareness), strategy (financial value) and customer orientation (measured by relational variables such as customer satisfaction). In the business network, relationship characteristics play more of a part in brand building than marketing communication activities. Rosenbröijer (2001) also takes a network approach to the understanding of the brand in industrial settings and compares and contrasts the use of an own brand strategy compared with reselling a manufacturer's brand. Marketing an own-label brand causes the industrial distributor to spend more time and money in marketing, whereas with a manufacturer brand, the distributor can spend fewer resources in promoting it. The branding decision whether to produce an own brand or distribute a manufacturer brand has considerable resource implications for the firms involved. The benefits of manufacturer branding are resource interdependence and connections within the network.

2.2.5 Brand Management -Summary of Knowledge Gaps

In this section brands have been shown to have value to other organisations from a market-based assets perspective and are important in external industrial firm relationships. This review of brand equity conceptualisations included the component based approach of Aaker and Keller, which is based on cognitive psychology and the information economics approach of Erdem et al. (1999). The predominant conceptualisation is the brand's value to consumers and does not explicitly include resellers. Aaker, for instance, does not articulate a 'value of brands to resellers' category in his brand equity model. However, many researchers such as Anderson and Narus (1999) and Duncan and Moriarty (1998) maintain that brands have relevance to other stakeholders such as resellers. The relational or longer term properties of brand equity have also been explored and emphasise the longer term aspects of brands for consumers.

Marketers have long used the terms asset and equity in relation to brands, however this usage does not always follow accounting convention. Marketing assets such as brands are intangible, which has made it difficult for the financial value of a brand strategy to be assessed and evaluated. This has led firms to undervalue brands because of this intangibility. The RBV enables the brand to be viewed as a market-based asset within the firm capabilities of product development, supply chain and customer relationship functions. However the concept of a market-based asset does not consider the value generating capabilities of a brand from the point of view of an organisation such as a brand reseller which is external to the brand owner. To ensure the value creating capabilities of market-based assets are realised in channel relationships, firms need to consider coordination mechanisms and relationship investments (Jap, 1999). The network approach of Combs and Ketchen (1999) emphasises resource sharing between firms and shows that firms with fewer resources are more willing to cooperate with firms that have other resources of importance. This conclusion is important as manufacturers with high brand equity products may less willing to cooperate with resellers. Dyer and Singh (1998) emphasise four means of resource advantage sharing between firms. However the Dyer and Singh analysis does not take into account the competitive nature of reseller business and the impact of intra-brand competition. The

governance value analysis model of Ghosh and John indicates that brands may not automatically confer an advantage in relational governance mechanisms.

The industrial buying literature showed the use of customer-based branding measures in some studies does not reflect the complexity of industrial purchasing. This research has also been descriptive rather than explanatory. A more holistic approach is needed as industrial buyers need to consider a range of variables including product specification, environment issues, selling firm attributes, which are tempered by the risk involved in the purchase decision. Much of the research into industrial branding focuses on benefits to the selling organisation, not to the buyer. It has been shown some industrial buyers are more receptive to branding under certain conditions. However a consensus among the theoretical models advanced so far is that industrial purchasing decisions are a result of product, brand and service attributes, which impact on purchase choice. These studies do confirm the broad thrust of the RBV and that brands in industrial selling can be regarded as market-based assets, which are important in external relationships.

The network approach recognises that the brand is a focal resource between organisations, but it can also impact on relational outcomes such as interdependence. The type of branding strategy adopted may influence the level of marketing resources needed by different firms in a network. Some industrial branding research, (Shaw et al., 1989; Metcalf et al., 1992; Mudambi et al., 1997) does confirm the impact of market-based assets on the buying organisation relationship.

The gaps in the literature centre on the lack of a theoretical explanation of branding within channels. Most brand research is focused on consumers not with other organisations. This research ignores influences on a brand not controlled by an organisation and the role of brands in inter-organisational relationships. Industrial branding empirical research does indicate that brands have multiple sources of value for buyers. As there are many differences in the ways that industrial buyers and retail buyers operate, the value of brands for resellers is explored next.

2.3 Brands and Resellers

This section will background the external firm relationships involving manufacturers and resellers. Resellers, the focus of this research problem, are different to industrial

buyers in several respects. The first is that industrial purchases can be larger in magnitude; second the purchases become part of the organisation production process and may be influenced by organisational purchasing policy. In contrast, resellers purchase brands for immediate sale, not consumption and thus more directly affect the organisation's competitive advantage, market and financial performance (Buchanan, 1992). Because of the size of many reselling organisations, the performance of the reseller can ultimately affect the performance of manufacturers themselves. A further difference between industrial purchasing and resellers is the ability of manufacturer to implement end-customer marketing strategies through resellers (Murry & Heide, 1998).

In this section the role of reseller within channels and the linkages with brands will be outlined. This includes firstly consideration of category management and other retail practices. Second the theories of merchandise buying and their relevance to the buying of manufacturer brands is considered. The third section examines the role of trade promotions and manufacturer and reseller strategies. The final section considers the effect of brands on trade promotions and includes evidence from the analytical modelling literature.

2.3.1 Brands and Channel Strategy

As previously discussed the role of distribution channels in the conceptualisations of Aaker (1991) and Keller (1993) is recognised but received limited coverage. Aaker briefly referred to how constructs such as perceived quality can enhance a reseller's store offering. Brand loyalty also creates 'trade leverage' for manufacturers, as resellers need to have a range of brands that customers prefer. Channel considerations are also implicit in Keller's model as brand association attributes e.g. price and packaging. However the consumer selling price is not always within a brand manager's control, as several manufacturers such as Procter and Gamble have recognised. Procter and Gamble implemented everyday low pricing strategies (EDLP) to smooth out demand fluctuations (Ailawadi, Lehmann, & Neslin, 2001). Lal and Rao (1997) compare the EDLP and high versus low pricing (HILO) strategies and conclude that EDLP caters to the one-stop shopper segment while the 'cherry picker' shopper prefers the HILO format. Brand packaging ensures that product quality is maintained through the supply chain as well as providing product identification. The product category, important to resellers, is also indirectly addressed within the Keller framework as consumers have

category-based brand associations and brand unique associations. Keller described these particular category associations as points of parity while unique associations are points of difference (Keller, 1998). Brand marketing strategies such as brand and line extensions also impact on the reseller's ability to manage categories (Quelch & Kenny, 1995).

The Brand Value Model (Keller & Lehmann, 2001) explicitly links customer-based brand equity to the creation of shareholder value. The brand's marketing program builds customer appreciation of the brand which is enhanced by external multipliers, including channel support. These multipliers drive brand performance and determine shareholder value. In this model the benefits to the firm are loyalty, better margins, and reduced elasticity to price increases, trade cooperation, communication efficiency and extension opportunities. The role of channel members is one of supporting the manufacturer's brand, but the model does not address how channels can enable firms to realise these benefits. For instance, communication efficiency for many brands depends on distribution intensity. A brand's price elasticity depends on its pricing relative to competitors; therefore cross-price elasticity is important. Resellers are also responsive to the marketing activities of competitors. The success of extension strategies, for instance, is governed by reseller space considerations, with manufacturers often having to delete slow moving lines to accommodate new lines (Quelch & Kenny, 1995). Keller (1998) considers that a firm's channel strategy is a part of a brand's marketing communication mix, as a secondary brand association. However as Ghosh, Chakraborty and Ghosh (1995) point out, the marketer's ability to use marketing tools often requires reseller cooperation. Marketing tools such as sampling, point of purchase displays and couponing are useful in influencing consumer information searches, trial and post-purchase evaluation, but also need to be of value to resellers in order to achieve their support. Thus resellers are an important part of manufacturer brand building activities and are also influenced by consumer behaviour (Verbeke, 1992).

The traditional view of brands within channels focuses on brand loyalty and perceived quality as reasons why resellers should support brands (Aaker, 1991). However the preceding discussion has shown that resellers can influence consumer brand associations and the use of marketing strategies and tactics require reseller support. For this support to occur there must be benefits for resellers (Webster, 2000). These

benefits include reseller knowledge of pre-established brand demand, image enhancement for the reseller, a signal of commitment by the manufacturer to generate customer demand, margin benefits, a good relationship with the customer, better inventory turnover and lower selling costs. The customer-based brand equity concept and the brand value model do not address these inter-organisational brand benefits. Traditional views of brands within channels focus on trade leverage which represents a form of market power in channels. In contrast many of the brand benefits, outlined by Webster for resellers, reflect relationship constructs such as commitment, governance, as well as resource benefits such as lower costs. Webster considers that manufacturers should regard resellers as customers and working partnerships are necessary between manufacturers and resellers, as both channel members have the same end-customer (Narus & Anderson, 1988). Davis (2000) suggests that managers can maximise channel influence by highlighting the value of brand resources to resellers such as funding for trade promotions, pricing collaboration and service. Again this advice reflects the importance of inter-organisational relationships, as in the industrial buying literature.

The role of the reseller as a manufacturer's customer was important in the early development of national brands. Modern branded products first became available in the 1870's when improvements in production techniques, packaging, colour printing and the emergence of media advertising, made the mass-marketed brand feasible (Low & Fullerton, 1994). However cooperation of resellers was also important in these initial stages of establishing brands. Low and Fullerton noted there was initial reseller resistance towards manufacturer brands as they offered smaller profit margins compared to the more profitable bulk unbranded products they were replacing. Branded goods manufacturers such as Heinz and Gillette gradually overcame this trade resistance, through a combination of push strategies using the sales force and pull strategies with advertising and promotions. Thus manufacturers' brands were not established solely because of consumer demand or trade leverage, but through working with resellers as customers to achieve the necessary distribution intensity and to overcome reseller resistance.

In the early part of last century resellers were smaller in size and more fragmented, which meant manufacturers could very effectively use push and pull strategies to establish their brands. However in recent years resellers have consolidated into larger

sized firms, operating across national boundaries. These changes in retail practice have had implications for manufacturers (Stern & Weitz, 1997) with the push and pull strategies that manufacturers used to influence resellers, becoming less effective. Resellers now decide the customer assortment, the trade promotions and scanning technology now allows item performance including category sales, promotions, costs and unit profitability to be monitored. The outlet location and in-store layout are used by resellers to attract and retain customers. Retail formats have also changed with large size store formats, larger ranges and discount formats now being offered by resellers to customers. Inter-reseller competition has increased with many goods now available in competing channels, including direct sales through the internet, factory outlets and increased store opening hours. These changes in retail practice have meant an emphasis on cost containment by resellers, which has led to obtaining monetary concessions from manufacturers in order to subsidise shelf price reductions, secure shelf space and distribution (Narasimhan, 1990). This section has shown that consumer–based brand equity models assume reseller support based on trade leverage or market power. Current reseller practices and the impact of brands as market-based assets are considered next.

2.3.2 Reseller Practices

This section looks at contemporary management practices within retailing and the ways manufacturers and resellers can build competitive advantage. These collaborative practices include category management, ECR (Efficient Consumer Response), retail display, slotting allowances and shelf space management. A further practice is the participation of manufacturers and resellers in trade promotions, which involves manufacturer marketing expenditure. As these trade promotions are major aspect of retailing practice, this will be discussed separately in the next section.

Category management (CM) is a coordination mechanism between manufacturers and resellers to build total category sales and profit for mutual benefit (Harlow, 1994). Dhar, Hoch and Kumar (2001, p.169) define CM as 'the distributor-supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value'. A key focus of CM is on profitable category assortment with manufacturer brands and their variants offering breadth and depth in the assortment (Pearce, 1996).

Category management can often expose poor performing minor brands, which leads to item reduction (Dussart, 1998). Quelch and Kenny (1995) therefore question the wisdom of manufacturers using line extension strategies, as this often means a proliferation of product lines on reseller's shelves and is counter-productive within a channel relationship, as category profitability is reduced. Putsis (1997) found that brand proliferation also increased the price of branded products. However if a smaller share gap exists between brands, then prices will be reduced, but when there are greater differences between brand shares, there is more room for resellers to charge higher prices. Broniarczyk, Hoyer and McAlister (1998) showed that consumers are not always aware of any reductions in store assortment. This coordination between manufacturers and resellers with category management also should reduce out of stocks, which can decrease a consumer's loyalty to the retail store or brand (Verbeke, Farris, & Thurik, 1997).

In category management resellers set the prices within the category to enhance performance and profit. Dhar and Hoch (1997) also showed the breadth and depth of brands within the assortment both affect the category performance. Leading manufacturers can influence these shelf plans by sharing knowledge such as market share and other trend data with resellers. Manufacturers welcome the opportunity to focus on profit, not just margin and price and to be involved in the category strategy (Pearce, 1996). Hogarth-Scott and Daprian (1997) interviewed manufacturers and resellers and found while category management is inclusive of manufacturers, more benefits accrue to resellers in the area of new product introduction, assortment optimisation, and promotions. Full reseller implementation of CM required automated ordering and replenishment, while from the manufacturer's point of view EDI, funds transfer, item bar-coding and activity-based costing is required. CM has been introduced in a low margin retail environment and coordination is necessary to allow channel partners to access the resources of the other partnership firm.

A manufacturer that has price sensitive brands, with high cross-elasticity and market share, achieves profit benefits by adopting CM (Zenor, 1994). However these benefits are negated when a competitor adopts CM, as the reseller can increase profits further. This study showed that CM is not always beneficial to consumers, and that sales volume may decrease as channel members maximise profitability. Basuroy, Mantrala and

Walters (2001) examined this impact of category management on reseller prices and performance. Coordinated pricing meant that prices rose under CM compared to resellers that did not adopt this practice. This affects reseller performance if the consumer segment is price sensitive. CM adoption produced maximum benefits for resellers when inter-brand competition is high and store substitution is low.

Category management is part of a wider manufacturer-reseller collaboration known as ECR. Alvarado and Kotzab (2001) view ECR as an example of relational inter-organisational governance (Heide, 1994). ECR consists of Supply Chain Management (SCM) which focuses on the logistical aspects of supply and EDI for pricing, ordering and receipt of goods. SCM eliminates duplication, unnecessary inventory levels, uses inter-organisational technology and focuses on pallet loading, carton size, both of which are a function of a brand's packaging. Alvarado and Kotzab (2001) found in their case study of the Austrian grocery industry, that to realise the benefits of ECR both suppliers and distributors have to work towards relational outcomes such as customer satisfaction, trust and compromise. The use of push strategies and power plays were not effective. This study found that bilateral relationships based on ECR, reduced costs and increased revenue growth. Buzzell and Ortmeyer (1995) compared and contrasted the traditional arm's length manufacturer reseller relationship with one based on a partnership using ECR. Under a partnership system resellers could be more involved in new product development, assortment planning and joint sales promotion. Category management and ECR partnerships are examples of inter-organisational processes that produce relational rents using the RBV. These processes involved resource and knowledge sharing between channel members and affect brand performance. Further examples of these practices between manufacturers and resellers are discussed next.

Reseller practices regarding the display of brands in a retail outlet also affect the brand performance. Buchanan et al. (1999) found that when resellers altered the display context of major versus minor brands to favour the minor brand, the major brand's equity was reduced. When consumers encountered disconfirming evidence about a brand in a retail setting, their brand evaluations were altered. If a reseller alters the consumer's expectations on certain category attributes within the store layout, then brand purchase likelihood is affected (Areni et al., 1999). When a featured brand is linked to an attribute, then the attribute salience in the purchase decision increases. If

the reseller emphasises that salient attribute at point of sale, this can cause inter-brand substitution.

As well as price coordination, category management also allows resellers to manage the limited shelf space imposed on channel members by the physical retail environment. Resellers allocate shelf space according to consumer shopping needs and by category. They also take into account category importance, size of store, brand competition, assortment and consumer related factors into account in brand shelf space allocation (Davies & Ward, 2000). This shelf allocation was based either on store specific movements or shelf reorganisation (Dreze, Hoch, & Purk, 1994). However location within the store itself had a larger impact on sales, whereas changes to the number of facings for a brand had far less impact than expected.

To manage these shelf space limitations, resellers sometimes charge fees, known as slotting allowances, which are regularly paid by manufacturers to resellers. These payments including presentation fees, shelf space fees, display fees, pay-to-stay fees and failure fees. According to Bloom et al. (2000) there are two possible motivations for these fees, one being to achieve more efficient use of shelf space, the other being a reflection of the reseller's market power. Resellers tended to see these payments as way of efficiently organising shelf space, whereas manufacturers considered that these payments reflected reseller market power. The role of introductory allowances for new products was also studied by White, Troy and Gerlich (2000) who found these were risk reducing factors for resellers and were influenced by market related and financial variables.

While reseller strategies can affect channel outcomes for a brand, strategies adopted by manufacturers are also important. A strategy of distribution intensity ensures that a brand is widely available for consumers in distribution channels. This strategy creates a basic tension within the distribution system as resellers prefer exclusive distribution and reduced inter-reseller competition. Developing brand equity reduces this tension (Frazier & Lassar, 1996), as brands generate volume for resellers. Frazier and Lassar found that high quality brands were more likely to follow a selective distribution policy. In contrast, lower quality brands required high distribution levels and relied on intra-brand competition to enhance sales volume. High distribution intensity is also needed

for high volume brands, enabling a wide variety of customers to be served. Manufacturer support programs were found to be related to high distribution levels as good manufacturer support attracted keen resellers. This study emphasised the importance of reseller resources such as support and collaborative practices in achieving distribution intensity.

Cespedes (1992) argues that high distribution intensity leads to the loss of manufacturer control over the flow of products in the channel and the product presentation to customers. Lassar and Kerr (1996) found a distributor's commitment to a brand is heightened by the manufacturer's willingness to provide support. A strong support program reduces the reseller's risk and promotes satisfaction with the relationship. Lassar and Kerr investigated the impact of Porter's generic strategies on channel management, structure and the type of relationship. Merchandise differentiators had higher levels of reseller support and manufacturer coordination, however cost leaders had moderate degrees of manufacturer support too. Cost leaders had the lowest level of channel monitoring, in contrast to the differentiators. Differentiators had a higher level of distribution intensity which was an unexpected finding, as cost leaders were the only ones expected to have high distribution intensity. Dealer support was also high for cost leaders. The degree of differentiation of the manufacturer's product was expected to result in more channel monitoring and coordination. However differentiators, focus strategy manufacturers and cost leaders all had good trade support.

Fein and Anderson (1997) discuss instances where manufacturers limit the distribution intensity of a brand (brand selectivity). Brand selectivity depends on the classification of goods whether they be shopping, convenience or speciality goods (Coughlan et al., 2001). For convenience goods, an intensive distribution strategy is needed. For shopping goods, selective distribution is regarded as better so resellers can encourage customer loyalty to their outlet. A firm's brand name can be a source of relationship instability between manufacturer and reseller from the reseller's viewpoint, because the brand can be sold to other customers including direct sales to the end-customer. From the manufacturer's point of view, the reseller's influence over the customer is also a potential source of instability. Resellers may enjoy a favourable advantage in the marketplace from having a strong brand in their assortment. But because of distribution

intensity, this additional advantage may be reduced. However resellers may lose if they don't have a particular brand in their range, so there is an opportunity cost involved too.

Brand selectivity also affects reseller brand performance (Lassar, 1998). In this research, manufacturers had territorial restrictions on the number of brands resellers were allowed to carry, but also had a strong support network including reseller coordination. The level of reseller control is the perception of manufacturer influence with the reseller i.e. interest in conforming to supplier standards regarding the brand. The manufacturers that showed the greatest level of retail control also had the greatest brand profitability for the reseller. Reseller profitability may suffer when manufacturers expose resellers to high inter-brand competition. Brand volumes were enhanced when there was more dealer control and less market control.

Manufacturer extension strategies have been shown to be problematic for channel members in terms of reseller assortment (Quelch & Kenny, 1995). However these strategies can also benefit resellers by allowing them to offer different variants of the same brand. These 'branded variants' include size, models of different specifications and varieties and encourage resellers to accept selected variants which increase brand distribution (Bergen et al., 1996). Reseller differentiation is increased, because each reseller will have different variants from the brand's wider range. The consumer also benefits by having a more manageable range of choice. These authors show as the number of variants provided by the manufacturer increases, the service level provided by the reseller increases, as does the distribution intensity of the brand.

This section has shown that market-based assets can be important resources in inter-organisational practices between manufacturers and resellers. Reseller practices such as category management are a key facet of retailing, as are the distribution intensive strategies of many manufacturers. The next section considers the importance of brands within established theories of merchandise buying.

2.3.3 Brands and Reseller Buying

This section examines the theory of merchandise buying developed from research within both the department-store and supermarket retail sectors. The criteria that resellers to use to select merchandise will be examined, followed by the consideration of

the brand as part of that selection criteria. The overall finding of this section is that brands have only indirectly been considered as selection criteria by resellers.

The role of the retail buyer is meet the sales goals set by management (Buchanan, 1992). In order to achieve these goals the buyer has to stock the right brands and consider the end-customer's shopping experience. Merchandise differentiation compared to other resellers is important, there are also margin and performance objectives to be achieved and merchandise has to be sold at the right price, minimising markdowns. Buyers negotiate with suppliers for discounts and trade off the use of store resources and the acquisition of resources from the supplier. Retail buyers are often regarded as gatekeepers (Magrath, 1990), as the goods purchased are directly offered for sale. The role of the reseller buyer contrasts with the industrial buyer whose purchases provide for the continuous operation of the business (Webster, 1984). Wagner, Ettenson and Parrish (1989) considered that retail buying behaviour theory is more limited in comparison to the organisational buyer behaviour literature.

Early studies of retail buying behaviour focused on merchandise choice decisions in departmental store buying. Wagner et al. (1989) reported the manufacturer's reputation, brand name, price, manufacturer's size and selling history were also important decision variables. They also found that selling history, delivery and mark-up were important criteria, while customer variables such as fashionability and product quality were secondary criteria. Fairhurst and Fiorito (1990) adapted Sheth's (1981) model to include financial performance measures and buyer attributes. They found that a retailer's performance depended on the merchandise quality, type of buying decision (i.e. a new product or re-buy) and the personal attributes of the buyer. Although this result explained about half the variance in the data, most of the independent variables identified as being important to resellers were not statistically significant. When store buyers purchased imported manufacturer brands, the key decision criteria were product positioning, expected sales volume, assortment issues, price deal, supply conditions and supplier size (Shaw, Dawson, & Blair, 1992).

Within the supermarket sector, acceptance of new products by retail buyers has been the focus of studies by Gerlich, Walters and Heil (1994), Heeler, Kearney and Mehaffey (1973) and Montgomery (1975). Gerlich et al. (1994) examined the reseller's

interpretation of marketplace intelligence and manufacturer information leading to the acceptance or rejection of food products. Factors that were important in this acceptance decision included advertising, gross margin, profit, future category volume, product category competition. Unimportant factors were manufacturer deals, category volume and manufacturer reputation and efforts by manufacturers to stimulate demand. This research showed that manufacturer resources have a clear influence on new product decisions, which was moderated by whether the product was new or a product extension.

Early research also examined financial decision criteria. Grashof (1970) carried out a simulation experiment among distribution companies using a range of financial performance decision criteria. The only significant qualitative criteria were whether the item was new and its future role in the reseller's range. Heeler et al. (1973) modelled supermarket product selection as a function of perceived product attribute importance. Not all the selection criteria, which included cooperative advertising, manufacturer allowances, sales volume, profits and discounts, supplier advertising, point of sale material, competing items and sales representation, were important. Supplier advertising was the most important followed by supplier credits with brand gross profit being the least important. Nilsson's (1977) research identified profitability, assortment, consumer value, supplier characteristics, introductory marketing allowances, tactical considerations, pricing and storage space requirements as being important to retail buyers. Rao and McLaughlin (1989) modelled financial variables, marketing attributes including product uniqueness and category variables and found product uniqueness affected acceptance decisions. Gross margin was weakly correlated with buyer acceptance confirming earlier studies and that buying decision criteria were not just based on financial variables. The emphasis in these studies was on retail buyer product decision choices, with limited consideration of brands as a decision variable.

Montgomery (1975) developed a more comprehensive model, which ranked products by reputation. For high reputation brands whether the product was new or was to be advertised was important, however for low reputation brands, newness was the only important factor. Products with average reputations needed to satisfy a wider set of criteria to be accepted. McGoldrick and Douglas (1983) investigated product decisions in relation to competing brands. The reasons behind resellers stocking more than one

brand in a category were to optimise consumer demand, possible supply shortages, assortment and supplier balance. Customer demand, including quality of the brand and general reliability of suppliers were also important in product range decisions. Alpert, Kamins and Graham (1992) used a multi-attribute approach to model reseller buying attitudes for pioneering products in the marketplace. The important attributes were to build incremental sales, provide an advantage to consumers, increase supplier competition, reduce dependence, generate consumer excitement, and use the manufacturer's marketing expenditure. Alpert and Kamins (1995) also looked at criteria important to retail buyers when buying 'me too' brands. They categorised some manufacturer characteristics such as size, power and brand strength as non-adjustable, while deals and slotting fees were adjustable characteristics and could be negotiated. This study found that 'me-too' followers had to offer buyers better deals in order to be accepted, but a strong brand was more readily accepted even if it was a 'me too' product. An important reseller benefit was the 'guarantee' of business success offered by strong brands because of their consumer franchise. Collins-Dodd and Louviere (1999) incorporated brand effects as well as pricing, trade discounts, advertising and competition in a study of retailer choice. Brand names had an effect on the acceptance of brand extensions; however brand names did not affect reseller decisions in other areas such as advertising and discounts. This study suggested that the brand name has no advantage for a manufacturer in reseller marketing mix decisions.

Trade surveys have highlighted the importance of relational variables in the evaluation criteria of a brand (Magrath, 1990). Banting and Blenkhorn (1988) showed that resellers value reliability, continuity of supply and trustworthiness. Ruekert and Churchill (1984) measured channel member satisfaction and found that the sales force or social interaction, manufacturer's product, financial, store advertising support and merchandise assistance were important sources of satisfaction. In a study of resellers' long-term orientation to vendors, Ganesan (1994) showed that satisfaction and trust were important antecedents.

Sudharshan and Sanchez (1998) examined the relationship marketing aspects of manufacturer and reseller buyers. Knowledge management (Glazer, 1991) is an important asset in a reseller relationship and allows more effective coordination of the relationship. This model, which was based on Keller (1993), included brand knowledge

measures such as awareness and image as well as product design, pre-emption advantage, customer preferences, and product range. Marketing mix elements included shelf position, channel compensation such as fees and allowances and the development of communication material for end-customers. The benefits to manufacturers of these knowledge relationships were increasing the number of products available and revenues, as well as the speed and reduced cost of product introductions. This model blended the marketing aspects of brands and channel relationships and suggested that channel members could also act as market mediators, offering better product performance for manufacturers and more strategic flexibility. The outcome of this relationship knowledge was distribution equity, the value that manufacturers offer distributors. However these relationship dimensions are conceptualised in terms of the manufacturer not the reseller.

The effect of brand equity components (awareness, quality and loyalty) have been operationalised on reseller performance (Baldauf, Cravens & Binder, 2003). Brand loyalty was found to have the greatest weighting and these components combined explained a little over 30% of the variance in market performance and profitability for resellers. Resellers were asked about the customer perceived value of the brand and it was found the indicators of brand equity explained even less of the variance, when this variable was included. This study does point towards the importance of brands in reseller attitudes towards their customers.

Studies of the brand effects at the store level show that brands can enhance store image (Grewal, Krishnan, Baker, & Borin, 1998). Many resellers have adopted alternative warehouse or discount formats which provide limited service compared with traditional resellers. Jacoby and Mazursky (1984) showed when a positive brand image is linked to a low-quality store, the store rating improves. But if a high quality store is linked to a low quality brand then the store rating is reduced. Apparel stores that carried a large number of recognisable brands had a better store image compared to those that carried a lower number of brands which included some unknown brand names (Porter & Claycomb, 1997).

In contrast to industrial buying, retail buying emphasised the importance of both product and augmented services on buying decisions, involving standardised products.

Models of retailer buying indicated a sophisticated approach to decision making, however there was little emphasis on branding. The next section examines the effects of manufacturer and reseller marketing practices in channels once the reseller has accepted the brand as part of its range.

2.3.4 Trade Promotions

The previous section focused on the initial 'gate-keeping' role of reseller buying. Instead of the one-off purchase, as in the case of industrial buying, many brands are a regular 'rebuy' or replenishment purchase. Trade promotion is an important practice to resellers because of the impact on performance and inter-reseller competitive advantage. Trade promotions are part of the general category of sales promotions. Sales promotions can include sales force promotions such as a sales incentive, consumer promotions such as a coupon to achieve brand trial and reseller or trade promotions such as a brand display or price off in-store. Manufacturers and resellers use promotions to directly stimulate brand purchase (Rossiter & Percy, 1998).

Manufacturers fund trade promotions through a range of payments to resellers including cooperative advertising, display allowances, and case price discounts. The manufacturer benefits through an increased in-store presence with off-shelf displays, and temporary price reductions which alters the brand price relativity within the category. For manufacturers these promotions positively influence inter-brand competition. While price promotions are important to manufacturers and resellers, empirical evidence shows that in-store consumer brand choices tend to be low involvement, where very little price processing occurs (Dickson & Sawyer, 1990).

Trade promotions have been criticised by Buzzell et al., (1990) for diverting funds away from brand media advertising at the expense of building brand equity (Jones, 1990). Advertising is regarded as a brand image reinforcement mechanism (Rossiter & Percy, 1998) and has a longer term effect while the effects of promotions are short term and impact only on brand switching and repeat purchase (Mela, Gupta, & Lehmann, 1997). The fragmentation of media channels has also made advertising less effective (Aaker, 1996), prompting a greater emphasis on trade promotion by brand manufacturers. The long term effect of promotions on brand preference is mixed (Kopalle, Mela & Marsh, 1999). However Buzzell et al. (1990) concede that promotions do have value for

manufacturers in obtaining trial for brands, countering competitive activity, inducing brand switching, lowering the reseller risk in promoting a brand and appealing to price sensitive consumers. Manufacturers use trade promotions for new product introductions, obtaining retailer support, achieving targets, shelf space, consumer usage, sales force motivation, to reduce inventory and for competitive reasons (Narasimhan, 1990).

The necessity of trade promotions for manufacturers is now recognised (Ailawadi, Farris, & Shames, 1999). However arguments against trade promotions are that these harm manufacturer profits, lower sales immediately after the promotion and may induce possible competitor retaliation. Lal et al. (1996) show that forward buying may be useful for a manufacturer as it can reduce consumer competition, by causing the reseller to over buy one brand at the expense of the other. Zerrillo and Iacobucci (1995) consider that trade deals are a fact of life and give resellers a temporary increase in margin, if the total value of a trade deal is not passed through to the consumer. Trade deals can also have other consequences for manufacturers as the relative prices of national brands could increase and provide an opportunity for private label entry.

'Deep cut' promotional prices and reseller forward-buying are potentially damaging for manufacturers. Manufacturers can find themselves in a 'prisoners' dilemma' where two competing manufacturers are both compelled to undertake trade promotions and are worse off as a result. By not participating in trade promotions, one manufacturer concedes ground to other, hence all manufacturers must promote to maintain volume and share in the category (Kahn & McAlister, 1997). Many commentators also regard trade promotions as non-routine; however the frequency of these promotions suggests that these are a routine retail practice (Murry & Heide, 1998). Another concern of manufacturers is the high proportion of brand sales supplied to resellers with a deal, with sales at the manufacturer's non-deal or list price representing a smaller proportion of total sales.

Trade promotions are a function of channel member strength which reflects the attractiveness of one party to the other (Quelch & Harding, 1996). By using trade promotions to obtain shelf space, promotional support or quantity purchases, the manufacturer attempts to alter the reseller's behaviour. Kasulis et al. (1999) consider

brands as one of the four origins of market power which also include consumer loyalty, competitive position and category importance within the channel. The three outcomes of promotions are compliance, identification and internalisation or long term cooperation and these outcomes suggest that a supplier in dominant position should minimise trade promotions. When a strong symmetric relationship between reseller and manufacturers exists, promotions can strengthen trade relationships. In situations where the supplier and reseller are both weak, price-orientated promotions are recommended. Kasulis et al. (1999) show that different types of trade promotion can produce different types of interfirm cooperation and overcome many hurdles not addressed by the traditional brand building techniques advocated by Keller (1998). They also classify the types of trade incentives by relationship outcome, for instance a discount signals reseller compliance, whereas in-store promotions requires the reseller to work more closely with the manufacturer. These outcomes reflect different levels of commitment on behalf of the reseller.

The preceding discussion focuses on the dynamics of trade promotions between resellers and manufacturers. A wider perspective is adopted by Clarke (2000) who looked at how changes in reseller power have affected consumer choice. The market power of manufacturers coupled with the competition between resellers has reduced the number of smaller retail outlets available to consumers. True market power by either reseller or manufacturers is rare, because of inter-brand competition (Butaney & Wortzel, 1988). Resellers are themselves in an imperfectly competitive market as consumers choose between the brands available in the store (Steiner, 1993). Because of these vertical restraints imposed on resellers, Steiner also considered that inter-brand competition is an important determinant of a manufacturer's margin. As consumer mobility improves intra-brand competition between resellers and manufacturers intensifies and limits the costs to the manufacturer.

Steiner (1993) maintained that many economic analyses of manufacturer-reseller relationships are based on a 'single stage' perspective, with manufacturers selling direct to consumers. Steiner includes the role of the reseller in a two-stage model with manufacturers selling direct to resellers, then resellers to consumers. Three additional effects: retail penetration, dealer support and retail gross margin are apparent in this two-stage analysis. Webster (2000) also recognised the two-stage effect when

considering the role of the reseller as a partner in value creation for manufacturers and consumers within channels.

Intra-brand competition is the most important determinant of competition, as manufacturer's advertising increases competition among stores. As consumers become more brand loyal, a brand's consumer demand curve becomes less elastic. The combination of retail margin and reputation has an effect on the margins of the unadvertised brand, forcing these low demand brands to offer more margin to resellers and achieve lower selling prices. If the major brand reduces retail prices, competing brands also have to reduce their prices, putting pressure on their margins. Minor brands have high inter-brand cross elasticity and low intra-brand elasticity, as consumers are unlikely to switch between stores for a low demand brand. The opposite is true for major brands which have high margins and where resellers have low margins. Steiner argued that resellers can increase the margin on minor brands, without losing sales to the other resellers. Lal and Narasimhan (1996) showed that despite the fact the major brands are advertised more and have retail higher prices, they earn lower margins for the reseller. However for the manufacturer, major brands can earn higher margins.

Advertising intensity is associated with higher rates of return for manufacturers. This reduces the differences between the cost and the selling prices due to inter-reseller rivalry. Resellers are more likely to dominate in unadvertised categories, as resellers can easily substitute a brand that does not have a strong consumer brand loyalty. In intensively advertised categories the inter-store substitutability is removed, as the consumer sees no difference between brands in either store. If the reseller cuts the price on a major brand, this brand should benefit in comparison to minor brands. If price cutting breaks out between resellers, then brand manufacturers are concerned that the reseller will switch customers to higher margin, lesser known brands. The price elasticity associated with promotions may not always favour the brand leader (Krishnamurthi & Raj, 1991). Major brands may be less sensitive in a choice decision, but more sensitive when it comes to a purchasing a quantity of that brand. However advertised brands can squeeze reseller margins by creating demand for the brand which creates intra-brand competition (Lal & Narasimhan, 1996). When conducting trade promotions, resellers must balance the magnitude of the promotional discounts and the frequency of discounts, which may reduce the customer purchase frequency for a

category. Tellis and Zufryden (1995) showed that trade promotions need to take into account demand, brand loyalty and consumer behaviour such as stockpiling.

In trade promotions the focus of both manufacturers and resellers is on the consumer or end-customer. The role of customers in trade promotions was examined by Moreau, Krishna, and Harlam (2001) who assessed the consumer knowledge about trade and consumer promotions. Resellers maintain that they are often more attuned to the requirements of consumers than manufacturers are. These researchers found that both channel members had inaccurate views of consumer's perceptions of where promotions came from. Consumers were aware that both manufacturers and resellers contributed to the funding of trade promotions.

Cooperative advertising is a type of trade promotion that features the manufacturer's brand as part of the reseller's store advertising. This form of advertising can strengthen the image of the brand and increase reseller sales and share (Huang, Li, & Mahajan, 2002). Huang et al. (2002) showed that the channel profitability benefits, if both parties participate cooperatively, rather than adopt an adversarial approach. As cooperative advertising has manufacturers paying for part of the reseller's advertising, it is often regarded as a coercive influence strategy that does not create goodwill within the channel (Roche & Cullen, 1996). Cooperative advertising is a key mechanism in channel control, as resellers reply more heavily on manufacturers for resources. Second, cooperative advertising is linked to channel satisfaction (Ruekert & Churchill, 1984). Third, cooperative advertising increases the supplier's ability to control the agent (Etgar, 1986). Resellers are concerned that manufacturers could load the channel with stock from these promotions (Roslow, Laskey, & Nicholls, 1993).

Bergen and John (1997) showed that manufacturers should pay a greater proportion of cooperative advertising when media such as TV is used and where there are more inter-reseller competition effects. More generous manufacturer participation should occur where there is more intense reseller competition and where the brand has a strong image. This analysis recognises that cooperative advertising has a benefit for the manufacturer too, building the image of the brand, increasing market share. Murry and Heide (1998) examined the effect of manufacturer initiated programmes on reseller compliance. While interpersonal attachments between manufacturers and resellers were

important in reseller agreement, the mechanics of the promotion were more important for resellers. Monitoring channel members and payment terms tended to reduce channel compliance and increase opportunism.

Researchers have also examined the effects of these various practices on the overall profitability in the retail industry. Messinger and Narasimhan (1995) and Farris and Ailawadi (1992) concluded that at an industry level, profits have not shifted in the channel. This observation may be explained by Kim and Staelin (1999) who showed that although a reseller may be able to extract more concessions from a manufacturer, they may not be able to translate this into profit, as consumers tend to view retail outlets as similar. In contrast, Kadiyali, Chintagunta and Vilcassim (2000) found that resellers do take more channel profits, however their analysis does not take into account reseller fixed costs. Ailawadi, Borin and Farris (1995) concluded that resellers have not been able to translate increased power versus manufacturers into profit because of no increases in manufacturer competition and low reseller competition. Their research also shows that the economic value added (EVA) of the retail sector in the US is due to the Wal-Mart chain. When Wal-Mart is removed from the analysis, then the EVA of manufacturers and resellers is more equal. Increased reseller power should have led to higher manufacturer competition and lower profits and reseller competition and lower profits. In the 1970s and 1980s, reseller profit margins had remained relatively constant while manufacturer margins had increased (Farris & Ailawadi, 1992).

Bloom and Perry (2001) found that large scale suppliers to Wal-Mart may do better than suppliers who supply other chains and small suppliers. They suggest that manufacturers who have a relationship with Wal-Mart are better off in terms of market share than other manufacturers, but not in terms of profitability. However Ailawadi (2001) found that manufacturer profitability had improved relative to resellers. Working in a partnership, as suggested by Webster (2000) and Narus and Anderson (1988), can bring substantial benefits to both parties. By granting concessions, manufacturers are willing to forgo profits in return for a higher market share. This can make it difficult for other manufacturers to gain access to the reseller. Bloom and Perry found that even though Wal-Mart extracts more manufacturer concessions, these manufacturers are more profitable than their counterparts who do not give away these concessions and have to deal with other resellers.

Kim and Staelin (1999) also show that because of inter-reseller competition, trade promotion forces brand switching and within store switching. Consumers are more easily able to compare and shop between stores. So not only has the reseller to reflect a good price for the brand, the price also has to be competitive with other resellers. Their model illustrated how resellers can obtain greater side payments, but see greater decreases in profits. This decrease was primarily due to inter-reseller competition, because of low store loyalty among consumers, as stores are perceived as similar. Store substitution increases with reseller activity. If the industry becomes more concentrated then manufacturers will give lower trade deals. The danger is that consumers become more sensitive to price differences between stores, especially if brands become less differentiated.

Gerstner and Hess (1995) found that both trade and consumer promotions actually help resellers and manufacturers avoid double marginalisation. Double marginalisation occurs where both parties take a high gross margin, which can exclude many potential customers because of high prices. Targeted price promotions, where manufacturers offer a price discount directly to the end-consumer, are more profitable for the manufacturers but offer little benefit to the reseller. These types of promotions induce product trial, attract brand switchers, enhance repeat purchasing, consumption and even reinforce advertising messages. The next section examines more closely the impact of market-based assets such as brands, by considering findings from the analytical modelling literature.

2.3.4.1 Trade Promotions and Brands

In this section the empirical evidence on the effects of trade promotions on brands is reviewed. Four aspects of promotions are reviewed. The first aspect examines the effect of price promotions and major brands while the second aspect concerns the frequency of price promotions. Third the cross-promotional effects of promotion between major and minor brands are assessed, followed by the evidence for the negative long term effects of promotions on brands.

Trade promotions can account for the largest portion of an FMCG marketing budget (Bucklin & Gupta, 1999). Price promotions are an important aspect of such marketing activity and directly effect sales and profits. Examining the impact of price promotions

on brands, Tellis (1988) showed that loyal consumers react more strongly to promoted brands by purchasing more volume. Advertising was less effective on brand switching than price reductions, displays and features. Kumar and Leone (1988) showed that price promotions produce more brand substitution than in-store features and displays. This is because it is the inter-reseller competition that forces the reseller to pass on part of the manufacturer's trade promotion payment to the consumer. If the retail market becomes more concentrated, then resellers pass through less of the payment, as a result, manufacturers can reduce the amount of trade allowances to resellers. Manufacturers were negatively affected in terms of profits when consumers become sensitive to cross-store price differences. This increased sensitivity causes resellers to promote more and manufacturers become worse off, as brands become less differentiated.

Promotions involving higher quality, higher price brands can induce brand switching amongst all other brands, however lower quality, lower priced brands cannot take share from brands in a higher price tier (Blattberg & Wisniewski, 1989). Brands with higher market shares are less deal elastic or more price inelastic (Bolton, 1989). Bolton (1989) investigated the market share effects of price elasticity and promotional effects, such as displays and retail advertising, on price elasticity. The frequency of display and feature advertising within the category had much larger effects on sales than brand price and category price display activity. This research found that the level of promotional activity within the category is as important as a brand's promotional activity. Variability in the category sales was related to the magnitude of the price discounts, while the increased frequency of discounts led to less variability in category sales. Categories with more competitive intensity had lower sales increases. An emphasis on price promotion may lead to a category revenue reduction, if all sales are at the reduced price (Kopalle et al., 1999).

Hardie, Johnson and Fader, (1993) showed that the price/quality relativity in brand choice was explained by the consumer's reference point such as a favourite brand and the overall loss or gain in the final purchase. This research showed there were variables other than brand preference that explained the purchase decision made. Bronnenberg and Wathieu (1996) included the effects of brand positioning into promotional response analysis, showing that the positioning advantage i.e. the ratio of price/quality advantage

is important. A higher quality brand may not have the same sales volume increases when promoted, compared to a larger share lower quality brand.

Minor brands tend to benefit more from trade promotion, these brands are less frequently promoted and the average price discount is higher (Raju, Dhar, & Morrison, 1994). Mulhern, Williams and Leone (1998) confirmed that major brands are less price responsive than minor brands. Price sensitivity is greater for more frequently promoted products, indicating that consumers may wait to purchase a brand whenever it is price promoted. They also found that price elasticity is greater for major brands, which contradicts the findings of Bolton (1989). Mulhern et al.'s (1998) study was conducted in the less competitive liquor retailing environment where consumer characteristics are different, which may account for these different elasticity results compared to Tellis (1988) and Ehrenberg (1995) who reported lower price elasticities. Danaher and Brodie (2000) found that price elasticity was determined by several factors including the level of competition in a category and market share.

The frequency of the deal determines the reference price, thus if a brand is promoted then the consumers price expectations are affected resulting in a loss of equity (Kalwani & Yim, 1992). Although brand loyal consumers are less price sensitive, when it comes purchasing greater quantities of their preferred brand, these consumers are more quantity sensitive (Krishnamurthi & Raj, 1991). Sethuraman (1996) showed that national brands could draw sales from local competitors without reducing their prices below these brands. This model suggests that managers need to identify the source of the discount effect, which is a function of brand strength and price relativity to competing brands. Grover and Srinivasan (1992) considered the impact of promotions on variables such as the store share of the category and category volume. Brand loyalty was related to particular market segments, but could not be assumed to apply to other segments in the category. They also found that consumers switched segments during a price promotion and that a sales drop after a promotion did not necessarily lead to a sales trough for the following non promotion weeks, as a brand had attracted buyers from other segments.

To counter the effects of price promotions, advertising is often recommended for brand managers (Jones, 1990). Agrawal (1996) compared the defensive nature of advertising

in reinforcing brand loyalty and the offensive nature of price promotions. Trade deals are necessary to secure shelf space, distribution, reseller cooperation and attract new users to the brand. Manufacturers only price promote if the advertising is not effective to begin with, thus the weaker brand is more able to defend its loyal franchise. A minor brand should invest in advertising, while a brand with strong loyalty may not need to advertise as much as a minor brand as it is less of a threat. Thus price promotions can attract consumers away from the minor brand. However advertising can build up the loyalty base of smaller brands, assuming that the advertising is cost effective. Therefore resellers were more likely to discount strong loyal brands by a smaller discount amount. Sethuraman and Srinivasan (2002) re-examined the cross-promotion elasticity effect and found that a price reduction of a lower share brand has a greater effect on the share of a higher brand than the reverse.

Customers have an important role in manufacturer-reseller interaction (Butaney & Wortzel, 1988). Research shows that promotional sales increases for a brand comes from several sources: increases from a brand's existing consumers, switching by competing brand users, store switching and new buyers into the market (Karande & Kumar, 1995). This research also focused on both sales of the promoted and non-promoted brands and shows that brand characteristics explain more variation in cross-price elasticities than reseller policy such as the type of display. Dillon and Gupta (1996) investigated the sources of sales increases for reseller promotions and found these increases were mainly from brand switchers and stockpiling by consumers. Brand switching was more likely to occur with brands that were closer together on the perceptual map, but that the volume increases came from heavy users in the category.

Tellis and Zufryden (1995) modelled the effects of purchase incidence, brand choice, quantity, margins and manufacturer deals. They concluded that promoting competing brands at the same time is counterproductive and resellers take higher margins during trade deals. Major brands should be promoted less frequently because there is a larger group of loyal users. Mela, Gupta and Lehman (1997) found that promotions do increase price sensitivity, while Sethuraman and Tellis (2002) showed that price sensitivity was a function of whether the advertising was reseller informative or brand based.

Mela, Jedidi and Bowman (1998) consider that most promotion analyses do not take into account consumers' stockpiling behaviour. They found that exposure to promotions has a negative long term effect on purchase incidence, making households less promotion sensitive. Promotions have a short term positive effect on stock piling, reducing the incidence of purchase. This leads to reduced category profitability and greater inventories, suppressing demand during non promotional periods. Consequently this pattern means that customers can 'wait' for promotions, which leads to further volatility in category sales. Boulding, Lee and Staelin (1994) found in the long run a brand can insulate itself from price competition with communications that reinforce brand differentiation. Kadiyali et al. (2000) examined brands within the context of reseller power and manufacturer competition. They showed that reseller pricing power has a greater effect than manufacturer pricing power. This difference is due to the intense manufacturer pricing competition in the category.

A key concern for brand managers is the potential negative effect of trade promotions (Dodson, Tybout, & Sternthal, 1978). Davis, Inman and McAlister (1992) found that brand evaluations after a store price promotion had little effect on repeat purchasing. Non price signals e.g. an off shelf display without a price cut, can trigger more profit than a promotion based solely on a price discount (Inman & McAlister, 1993). Gedenk and Neslin (1999) examined the role of retail promotion in determining future brand loyalty based on feedback effects. Price promotions have a negative impact on post promotion feedback compared to purchasing non-price promotions, although the impact on the brand franchise is not that great. Non-price promotions such as product sampling can build loyalty. High knowledge consumers are more influenced by brand name, whereas low knowledge consumers are influenced by more by price discounts as well as brand and store name (Grewal et al., 1998).

The effects of reseller promotions involving price can have short-term effects on consumer behaviour, category performance and brand relativity within a product category. The analytical modelling literature uses scanner data or sales-based models to show these effects on sales and margins within the channel. Next the overall contribution from the brand and retail literature are potential gaps in knowledge are summarised.

2.3.5 Brands and Resellers -Summary of Knowledge Gaps

In reviewing reseller practices, the assumption in much of the brand literature is that channel members are passive supporters of a manufacturer's activities with the brand. However these brand marketing activities are influenced by reseller decisions such as pricing. Furthermore marketing strategies and the use of marketing tools often require reseller cooperation. Reseller cooperation was necessary when brands were first established, but reseller practice has changed and the use of coercive strategies by manufacturers is no longer as effective. In terms of the RBV, manufacturers bring resource benefits to resellers as highlighted by Webster (2000). Partnerships are now more necessary because of these changing reseller practices, in order for manufacturers to generate value from the same end-customer and resellers themselves who are also affected by consumer brand behaviour. These partnerships can create value through manufacturer reseller practices which involve relationship specific assets, knowledge sharing, collaboration and lowering costs.

Channel practices now reflect a relational collaborative process rather than market governance or 'trade leverage' approach by manufacturers. Research has shown that manufacturer profitability is enhanced if the reseller manages price setting for the category. This conclusion highlights the important role of resellers in brand performance which has not been recognised in the broader branding literature e.g. Keller (1998). However while category management is supposed to have consumer benefits, most benefits appear to accrue to resellers. Category management also impacts on shelf space allocation, which has led some resellers to charge slotting allowances to manage manufacturer demand for shelf space. New products and extension strategies are key manufacturer mechanisms for increasing brand share.

These inter-organisational practices allow manufacturers and resellers to obtain relational rents and create competitive advantage. Category management involves knowledge sharing with price coordination, whilst shelf space allocation represents the use of complementary resources such as manufacturer market-based assets such as brands. Manufacturer brand strategies such as intensive distribution can affect how channel members use these resources within the inter-organisation relationship.

Sometimes manufacturers may opt to limit distribution depending on the type of goods, which can affect a reseller's profits.

The reseller buying literature has shown the merchandise attributes in buyer decision making are multi-dimensional in nature. In contrast to industrial purchasing research, profitability, customer and brand attributes are important considerations for retail purchasers. However in much of the retail buying research the role of the brand or the customer is either not included or only indirectly assessed using surrogate measures such as product uniqueness and product quality. There a few studies that have included brand affects within the model (Montgomery, 1975; Collins-Dodd & Louviere, 1999; Baldauf et al., 2003). The findings from these studies are mixed with respect to the influence of brand on resellers. At a conceptual level there has also been the inclusion of relationship variables such as trust and commitment as part of distribution equity (Sudharshan & Sanchez, 1998). However this model considers the channel relationship from the point of view of the manufacturer and not from a reseller perspective.

Trade promotions are a form of channel collaboration and control and are associated with short-term performance effects. These promotions reflect the market power of both manufacturers and resellers and should be viewed from a two-stage perspective which includes resellers along with manufacturers and consumers. Trade promotions are relevant to this research problem, as brands can build store traffic for resellers and volume for manufacturers. The market power of manufacturer and resellers is mutually attractive, which can lead to relationship commitment. However resellers have not translated this increased buyer power into profitability due to inter-reseller competition. Inter-organisational collaborative practices such as trade promotion have an effect on the performance of channel members within the relationship.

This literature shows that promoting brand assets through reseller channels has a significant impact on the performance outcomes as far as resellers and end-customers are concerned. The research into trade promotions shows the concessions extracted by resellers from manufacturers have not translated into increased channel profits. Major brands are more able to take share from minor brands in trade promotions. However the cross-promotional effects of price reductions by minor brands is more pronounced on major brands, but relative market positioning also influences promotional volume. The

frequency of price promotions also determines the sales response, but brand loyal consumers can anticipate when these promotions will occur. There is evidence that price promotions do not necessarily lead to negative brand evaluations, although the empirical evidence supports the long term effects of advertising and short term effects of promotions. Short-term price effects increase consumer price sensitivity and influence stockpiling behaviour. The impact of the manufacturer's resources including the brand, its marketing expenditure including advertising, promotional money and promotional frequency on both reseller and reseller customer behaviour has been shown. The findings from this literature also illustrate the value of the dual-stage perspective of manufacturer and reseller interaction as suggested by Steiner (1993).

This first section of the literature review has shown gaps in the knowledge about the value of brands to resellers. The dominant theoretical model in the brand equity literature is consumer behaviour based. While there is acknowledgement of the partnership of role of resellers, there is little empirical research on this topic. However there are many manufacturer-reseller practices, such as trade promotions that have marketing consequences or brand managers. Many of these practices have their theoretical and empirical grounding in the study of marketing channels which will be discussed next.

2.4 Marketing Channels

In this section the structure of inter-organisational relationships within these channels is discussed. The nature of channel power is first outlined, as brand assets are a source of power for manufacturers. This section will conclude by examining channel dependence, influence strategies and the implications for manufacturer-reseller relationships.

Marketing channels are behavioural systems as the conduct of each channel member influences their effectiveness and efficiency. There are several research traditions that explain channel behaviour. The first is the political economy paradigm (PEP) (Stern & Reve, 1980), which focuses on how channel relationships are structured. Channels are affected by both economic and social/political forces such as power and dependence. The second is transaction cost analysis (TCA), which identifies two mechanisms, market and hierarchical, with which firms govern transactions in channels (Heide &

John, 1988). Transaction costs of purchasing involve invoice, acquisition and possession costs. Organisation performance is improved when these transactions match the appropriate governance structure. Noordewier, John and Nevin (1990) discuss the importance of purchasing repetitively used items, investments specific to the transaction and the uncertainty of the exchange. They showed that relational governance improved buyer purchasing performance, but only at high levels of uncertainty.

The third research tradition is agency theory which determines the most effective contract with which to govern a relationship (Bergen, Dutta, & Walker, 1992). Here the principal and agent in the relationship are motivated by self interest. The best outcome for the principal (e.g. manufacturer) is one imposed by the business situation, rather than maximising utility between the agent and principal. However the manufacturer depends on the reseller to fulfil certain functions, which often leads to channel conflict. Therefore, a manufacturer might use certain mechanisms to control the reseller for instance a trade deal. However agency theory does not address resellers dealing with multiple manufacturers.

Robicheaux and Coleman (1994) highlight several areas where these three research traditions converge. The first is dependence balancing which combines aspects of the PEP and the TCA paradigms. Channel synergy is the second, where channels achieve efficiency by combining market offerings to customers, for instance, in category management. The third is strategic networks. This channel relationship structure model combines transaction cost analysis into the political economy paradigm together with behavioural outcomes. Achrol (1997) considers that business networks describe many types of business relationships and that marketing channels are vertically integrated market networks. Interorganisational power is at the heart of a channels network and is an integrator that coordinates the supplier firms and their distributors (Wilkinson, 1973). The political economy of networks also considers the polity variables such as commitment and interdependence, as well as the economic consequences. Commitment is an important outcome because it reflects an attachment, e.g. to a brand within the channel, beyond its functional considerations. Interdependence is reflected through the exchange of goods and services, however Achrol considers that because of channel conflict, this may not be always be the best basis for commitment.

2.4.1 Channel Power

The concept of power is relevant to manufacturers and resellers as although they are independent, each has to satisfy the end-customer. Power is defined as the potential or ability to influence a channel member (Coughlan et al., 2001). There have been two approaches to examining channel power, first a micro-economic or transaction cost approach and second a focus on the behavioural aspects of power (Heide, 1994). The behavioural approach focuses on power and dependence as a means of coordinating transactions between two independent organisations. Frazier (1999) points out that high joint power between channel members promotes trust, commitment and relational behaviour because of mutual interest. Some channels researchers e.g. Weitz and Jap (1995) consider the term power to have negative overtones and is associated with authoritative control mechanisms. However Frazier and Antia (1995) concluded that power is present in all relationships, not just contractual exchanges.

Porter (1974) analyses the power of resellers within the context of consumer behaviour. Porter examined three assumptions about market power: that it is unaffected by consumer behaviour, the resellers do not have any influence, and that this power is an intangible asset related to market share. Product differentiation is reflected in consumer behaviour expressed as the cross-price elasticity of demand. The reseller's contribution to this product differentiation is the influence exerted on consumer purchase decisions, through trade promotions and the provision of information about other brands. Thus brand image and reseller power interact to affect consumer demand for the brand and brand performance.

Different types of reseller outlets can influence consumer behaviour and Porter distinguishes between convenience and non-convenience outlets. In convenience outlets such as supermarkets there is no salesperson influence, suggesting that if the brand has strong brand equity, the reseller has little bargaining power and influence over consumer purchases. For a product sold through non-convenience outlets where sales personnel are more influential, the reseller is more able to alter consumer decisions by suggesting another brand. When a brand is unable to develop an image through advertising, the reseller becomes a powerful ally, allowing the less differentiated brand to gain distribution. In this situation Porter considers that manufacturer efforts must

involve selling to the reseller. This analysis highlights the countervailing power of resellers to market power or brand equity.

Early channels research focused on several sources of channel power such as reward and punishment (Frazier, 1983a). This research examined the degree of influence over the elements of channel decision making. Lusch and Ross (1985) considered that economic sources of power such as coercion, reward and legal and indirect sources led to direct control, but had a negative impact on channel members' beliefs about the relationship. Non-economic sources of power such as information sharing and advertising assistance had a favourable influence on beliefs.

Frazier (1983a) operationalised reward power sources in the automobile industry, an industry which has a high level of dealer dependence. These power sources included manufacturer generated demand which reflected the market standings of the automobile manufacturers. The performance of the manufacturer affected the dependence of the dealer. There is some evidence that power reduces satisfaction (Wilkinson, 1973), but leads to performance increases (Etgar, 1976). Gaski (1984) showed that sources of power, dependence and conflict led to increased reseller satisfaction and performance. Gaski (1984) also distinguished between coercive power (punishments) e.g. delaying delivery and non-coercive power (rewards) e.g. trade allowances. These power sources directly guide the behaviour of another channel member and are known as mediated sources of power. His research showed that both exercised and unexercised reward power sources had a positive effect on channel satisfaction and performance. However exercised coercive power sources negatively impacted on channel satisfaction and performance.

Gaski (1986) examined other power sources including expert, referent and legitimate power where the channel member does directly control the behaviour of another partner in the channel. Expert power is where the manufacturer has some special expertise in the marketplace, whereas referent power occurs when the reseller identifies with some aspect of the supplier. Brand equity could be considered a source of referent power, as resellers identify with the brand associations (Wilkinson, 1978) on which customer brand knowledge is built (Keller, 1993). Legitimate power reflects the supplier's legal

right to dictate a reseller's business activity. These power sources may be offset by a countervailing power or environmental forces.

Influence strategies are the means by which power is applied in a channel relationship. Frazier and Summers (1984) found that manufacturer power was negatively related to two types of influence strategy. The first type of influence strategy endeavours to alter a channel member's perceptions e.g. supplier suggestions. The second strategy requires immediate compliance such as promises, threats, legal requirements and requests. For firms that had high inter-firm agreement, information exchange was the most frequently used influence strategy. The possession of power reduced the need for it to be exercised and encouraged the use of non-coercive power. A firm with high power in a relationship will therefore avoid the use of coercion in order to maintain a strong relationship (Frazier & Rody, 1991). A firm's power is inversely related to its use of coercive strategies, whereas conflict is positively related to the use of coercive strategies. Boyle, Dwyer, Robicheaux and Simpson (1992) found that recommendations and information exchange were associated with relational exchange, while the compliance or threats were negatively related to relational exchange. Relational variables such as trust and relationship continuity partially moderate between influence strategies and power (Kim, 2000).

Brown et al. (1995) note that channel relationships based solely on economic considerations are short-lived. Whereas commitment based on identification with the manufacturer, is more enduring and increased by non-mediated power sources. Non-mediated power sources such as brands resulted in better performance, as opposed to the use of mediated power e.g. legal sanctions which achieved lower performance ratings. As the reseller's commitment to the relationship increases, the assessment of relationship performance increases. Brown et al.'s (1995) analysis provides evidence of manufacturer power in the channel influencing relational outcomes. Gassenheimer and Calantone (1994) consider the impact of manufacturer support on the use of coercive power in a relationship. The authors suggest when suppliers have a vested interest in a major asset such as a brand, suppliers have a greater long term stake in stabilising the supplier-dealer relationship. The use of coercive power is reduced when moderated by supplier relationship variables such as information exchange and continuity in supply.

The existence of power within channel structures means that dependence is present in channel exchanges and will be discussed in the next section.

2.4.2 Channel Dependence

Channel dependence is defined as the degree to which a channel partner provides resources for which there are few alternative sources (Pfeffer & Salancik, 1978). Gassenheimer, Calantone, Schmitz and Robicheaux (1994) examined the role of a weaker party between dealers and major and minor suppliers in the office furniture industry. Dealers considered themselves economically dependent on the primary supplier but not on the minor supplier. The use of power positively affects the relationship between the major supplier and dealer, but does not affect the minor supplier. Major suppliers make less use of influence tactics than minor suppliers. A secondary supplier's support of dealers however had a positive effect on dealer satisfaction. This study showed that the manufacturer's use of power and the existence of power both had a positive affect on dealer satisfaction, which is an indication of the effectiveness of the future actions of a firm.

Many studies have measured the dependence of one party or have statistically controlled for a partner's dependence (Gundlach & Cadotte, 1994), but not relative dependence. These authors measured interdependence within the channel as the mutual percentage of business of each channel member. They found that some coercive strategies decreased with increasing interdependence, unlike non-coercive strategies that were positively associated with interdependence. Interdependence was associated with more favourable associations of performance and reduced conflict.

Resellers often balance the dependence on another party by having offsetting investments, making the manufacturer more replaceable (Heide & John, 1988). Resellers preferred to reduce dependence even though this meant increased transaction costs (Chatterjee, Hyvonen, & Anderson, 1995), which is known as balanced sourcing. The advantages of balanced sourcing include an increased awareness of cost prices, market conditions and product offerings, plus an ability to switch purchases more readily and reduced exposure to supplier's problems such as out of stocks.

Anderson and Narus (1990) investigated relative dependence which is the dependence of the manufacturer on the reseller less the reseller's dependence on the manufacturer. Relative dependence was related to the amount of influence by the supplier in the relationship and was linked to conflict. However the comparison outcome levels between one channel partner and another had a positive effect on manufacturer satisfaction. Provan and Gassenheimer (1994) found there is a positive relationship between dealer dependence and market leading suppliers regardless of commitment. Dependence on the franchisor leads to better performance and satisfaction with the franchisor's performance (Lewis & Lambert, 1991). Buchanan (1992) considered that dependence on brands enabled a store buyer to better address the marketplace needs of its customers. Dependence had a good or bad impact of performance depending on the symmetry of inter-firm dependence levels. Power dependence imbalance highlights the resource differences between channel members. In channel relationships, the benefits of dependence reflects first the inherent value of a partner's resources e.g. the brand, second the willingness to invest in resources and to work with suppliers. Mutual dependence positively influenced the reseller's satisfaction. If the resources are unequal in value, the incentives of the two parties in the relationship differ and the resource of the dependent partner can easily be replaced. The retail buyer's ability to differentiate the store and add value to the customer's shopping experience depends on the symmetry of the relationship. In more uncertain trading environments it is better to have a symmetric than an asymmetric relationship. This is because the certainty of market demand and the value of the supplier's goods reduce the need for merchandise price reductions. Buchanan's findings are consistent with Noordewier, John and Nevin (1990) who found that channel relationships can be advantageous to the dependent partner because of the dominant partner's resources.

Gassenheimer and Ramsey (1994) looked at the use of power on dependence. A power imbalance has an effect on satisfaction levels, but the effect is more pronounced for key suppliers. They also found satisfaction was highest with the major supplier. Resellers felt the major supplier demanded more from them compared to a minor supplier, so pressure from the major supplier had a negative effect on reseller satisfaction. A buyer's dependence is strongly associated with relationship commitment and has an effect on satisfaction (Andaleeb, 1996). Trust is also connected to dependence, as a lack of trust means that dependent channel members will seek alternative suppliers.

Cooperation and conflict stem from the use of coercive and non-coercive power and dependence in a relationship. Skinner, Gassenheimer and Kelley (1992) found that the use of coercive strategies reduced satisfaction within the channel. However dependence was not related to relationship conflict. Celly and Frazier (1996) investigated coordination mechanisms in channel relationships and found suppliers that were difficult to replace were given greater attention by resellers.

Heide and John (1992) showed that while the distributor effort in pushing a particular product line increased dependence, at the same time they were less likely to look for replacement products. The ability of the firm to replace a supplier increases its overall profitability. In later research it was shown that the more a buyer invests in relationship assets with a supplier, the less control they have in the relationship. However relational norms such as flexibility, can mediate that linkage, giving a buyer more of a sense of control. Thus relational norms impact on the sense of dependence that buyers might have with suppliers. Mohr and Nevin (1990) suggested that power symmetry also determined the effectiveness of communication channels and affect channel outcomes such as satisfaction and performance. For instance Procter and Gamble's sources of power are based on brand equity, which gives them a high degree of control in channel relationships (Mohr, Fisher & Nevin, 1999). Manufacturer communication had an increased effect on reseller satisfaction in situations when the manufacturer lacked control over the dealer.

The more symmetrical the power between channel members, the more likely relational and supportive strategies will be adopted. Lusch and Brown (1996) found that high dependency between supplier and distributor led to less formal contracts and improved performance. When a distributor is dependent on a supplier, the distributor develops a long term orientation towards the relationship. However when a supplier is dependent on a distributor, more formal contracts exist and the distributor has a higher performance. Fein and Anderson (1997) examined the importance of channel dependence when considering consolidation in the retail industry. One of the strategies recommended to manufacturers when dealing with larger reseller organisations is partnering using preferred supplier agreements. When a brand has little brand equity, customers will give weight to other areas such as price, service and quality.

Ganesan (1994) found that a reseller's dependence on a supplier was negatively influenced by diversity in the trading environment and transaction specific investments by the suppliers. Ogbonna and Wilkinson (1998) argue that dependency is a major source of power whether or not it is exercised. Others such as Hunt and Nevin (1974) argue for the presence of countervailing power, which is present in reseller relationships (Howe, 1998). Resellers are dependent on manufacturers that dominate a category, even though that manufacturer may account for only a small percentage of the reseller's turnover. Developing a relationship with a smaller manufacturer, also allows a reseller to be more competitive with other resellers as well as other manufacturers. The types of interdependence vary as to the strength of the brand. Many secondary brands in a category mean manufacturer dependence, whereas few brands and concentrated resellers mean strong brands and interdependence. Where there are few brands and many resellers, resellers are dependent, but many brands and resellers lead to channel independence. The nature of these channel relationships between manufacturers and resellers is considered next.

2.4.3 Manufacturers and Resellers in Channels

This section examines channel studies that have focused on manufacturers and resellers. The importance of product saleability and advertising allocation decisions and their impact on exchanges between manufacturers and resellers is also addressed. Inter-organisational relationships are strategic, multifaceted and cooperative and bring long term benefit through integrated action (Hogarth-Scott, 1999).

White (2000) showed that in the fresh food industry, channel relationships lasted longer and were not one-sided in favour of retail buyers as was commonly thought. This research indicated that relational outcomes such as trust, commitment and cooperation were favourable when sales volumes were high. Interdependence along with product quality and reliability were seen as important criteria. This research indicated that both manufacturers and resellers are managing portfolios of relationships, which are each at different stages of development. Kumar (1996) highlighted the importance of trust, the need to create interdependence and use specialist investments and manufacturer expertise as key influence strategies in manufacturer-reseller relationships.

Resellers are seeking stability in their relationships with manufacturers. Partnering with a reduced number of suppliers with support for key brands leads to relationship stability (Dawson & Shaw, 1995). Resellers sought consistent quality, flexible response, joint product development, brand differentiation, product ranges, frequent contact, ordering and delivery systems. Duke (1998) considered the factors both within and outside the channel that might influence this relationship. The channel factors consisted of power, nature of negotiation, personal factors, organisational factors and reseller objectives. The external influences included social, political pressure and inter-firm communications. Dwyer and Oh (1988) describe how firms such as resellers in cooperative relationships are able to function without a centralised bureaucracy. Larger resellers and wholesalers emphasise assortment, promotion and brands, however independent stores can tailor their offering for a market niche, often aiming at low price orientated customers.

Manufacturers and resellers also tend to minimise the inefficiencies associated with vertical integration (Weitz & Jap, 1995). Manufacturers are less interested in vertical channels and resellers are not interested in manufacturing. Thus companies are looking to create competitive advantage through relationship management. However Frazier and Antia (1995) suggest that the emphasis on competitive advantage has not necessarily resulted in firms becoming more cooperative. Manufacturers can use multiple channels including the internet to reduce dependence on resellers. As firms are reduce their operating costs, this often leads to fewer sales personnel and outsourcing which reduces service in the channel and does not help channel relations.

Channel relationships can also affect marketing decisions e.g. the advertising versus trade promotion allocation (Anselmi, 2000). When the exchange is long term, then relational norms are important mechanisms for control. Better channel relationships lead to better advertising allocation decisions (Low & Mohr, 1999). A long term view of a relationship indicates that if brands are better for relationships then manufacturers are less inclined to focus on trade promotion. The advertising allocation decision was tested by interviewing packaged goods manufacturers. In more relational exchanges, the advertising allocation was increased at the expense of the promotions budget. The effect of market share on the exchange type and advertising allocation was examined. Manufacturers were more likely to allocate further advertising in relational exchange,

but this effect was weaker for major brands. Thus a manufacturer's decision to allocate advertising funds should take into account the strength of the relationship. Minor brands appear to benefit more in a relational exchange than major brands. A below average relationship with resellers may mean manufacturers are less effective in allocating advertising budgets. This research suggests that minor brands may be able to build different relationships with resellers because they are more responsive. Jorgensen, Taboubi and Zaccour (2003) examined the effect of cooperation on brand image in reseller promotions. They concluded that for minor brands, cooperation is beneficial where both reseller and manufacturer pay the costs of the promotion and brand image is not harmed. However for major brands who build equity through advertised media, then cooperation is not desirable.

Hogg, Kalafatis and Blankson (1996) found that tangible product variables were very important; however the intangibles such as reliability, service and friendliness were ranked last. Product importance was a significant predictor of adaptation as was making significant investments in a relationship and cooperation on marketing matters (Metcalf et al., 1992). Product saleability is a key marketing determinant of relationship commitment (Goodman & Dion, 2001). Their findings showed that only trust, product saleability, communications and idiosyncratic investment had an impact on commitment with product saleability having the highest impact. Anderson, Lodish and Weitz (1987) examined the impact of the amount of time allocated by a reseller based on the supplier's resources. They found that time allocation was influenced by financial considerations and supplier participation within the channel. Smith, Venkatraman and Wortzel (1995) found the manufacturers are better off developing strategies e.g. merchandise differentiation versus price differentiation that are compatible with a reseller's strategy. Resellers who pursued a price leadership strategy found manufacturer price activity to be more important than manufacturer merchandise activity. Ravald and Grönroos (1996) consider elements such as product quality, brand equity and support as being transactional in nature and not valuable in a long term relationship.

2.4.4 Marketing Channels -Summary of Knowledge Gaps

This section has reviewed the channel structure, sources of power and dependence within channels of distribution. The importance of channel power, type of goods and

consumer behaviour were examined. Brands are a source of referent power for manufacturers and non-coercive influence strategies impact on relational outcomes for resellers. These power sources create channel dependence, which has often been viewed as a negative construct in literature. However recent research shows that dependence can enhance channel performance, and is a function of the value of resources and support strategies of channel members. This has led to a greater focus on the nature and extent of channel partnerships. Major brands and strong resellers however are seen to be mutually dependent. However resellers also engage in dependence balancing so as to minimise the risk of relying on one supplier. The RBV explains the value of brand assets to resellers. Examining the channel power and dependence of brand market-based assets shows these are important sources of power in channel relationships and affect relational outcomes such as satisfaction and performance.

The literature on channel power shows that brands can be regarded as sources of referent manufacturer power for resellers. Resellers have the power to influence consumer behaviour as shown by Porter (1974). Whether or not power is exercised, the type of influence strategy has an effect on relational outcomes such as satisfaction and commitment.

Manufacturer-reseller research has not focused to any extent on the effects of marketing determinants such as brands on channel outcomes. Research does indicate that the type of manufacturer strategy is important and that the type of relational exchange can effect advertising and promotion decisions.

2.5 Buyer–Seller Relationships

The last section examined channel structure, the impact of channel power and influence strategies on dependence and manufacturer-reseller relationships. This section first examines the theoretical basis of relationship marketing and relational exchange, followed by consideration of channel relationship constructs such as satisfaction and performance.

2.5.1 Relationship Marketing

In this section the theoretical framework of buyer-seller relationships is outlined (Dwyer, Schurr, & Oh, 1987). This framework describes buyer-seller exchanges as ranging from discrete exchanges to relational contracts. Relational exchange reflects the on-going transfer of value between channel partners (Frazier, 1999). The characteristics of relational exchange are both situational and process based. Situational characteristics refer to the circumstances of the parties in the exchange, while process characteristics describe the attributes of the exchange. While brands themselves are a facet in long term relational exchange, the Dwyer et al. (1987) framework does not imply that all exchanges are relational in nature, which depends on the buyer and seller motivation. If the motivation for the exchange is low, then only discrete exchanges occur. When both parties are highly motivated, then relational exchanges occur and bilateral relationships develop. Siguaw, Baker and Simpson (2003) provided evidence that relational exchange is a second order construct which reflected the reseller's perception of investment, customer orientation and communication of the supplier.

Almost all channel transactions have relational elements (Weitz & Jap, 1995). However the focus in the literature has shifted away from studying discrete transactions to an emphasis on the dynamics of relational exchange. Weitz and Jap (1995) discussed the control mechanisms used in channel management research and concluded that multiple mechanisms are used to control channel relationships. Dwyer et al. (1987) also considered how buyers and sellers move beyond discrete transactions and outlined a relationship development process for relational exchanges. This process starts with an awareness of the buyer and seller requirements and leads to a deeper involvement of buyers and sellers, resulting in a commitment which reflects the relative dependence of both parties.

The exchange process involves resources such as brands (Dorsch & Carlson, 1996) which can be described as either having tangible and intangible characteristics. Dorsch and Carlson consider the categorisation of Dwyer et al. (1987) rather simplistic. Because they view customer exchanges as potentially unbalanced, a reseller may receive benefits from a customer exchange without a corresponding payment. Whether these payments are economic e.g. customer loyalty cards or social e.g. personalised

service, the exchange process can be leveraged to increase customer equity in a buyer-seller relationship.

The objective in relationship marketing is to preserve the continuity of the relationship (Sheth & Parvatiyar, 1995). As these relationships are not formally controlled, the motivation for an emphasis on relationship building is risk reduction. There are two sources of risk reduction, first achieving an adequate return and second achieving a fair share of the returns. A basic expectation of manufacturers and distributors is that the relationship will last (Anderson & Weitz, 1989). They point out that by being independent; channel members can assist manufacturer product development, provide market research, sales and service support, respond to manufacturer requests and be able to react to contingencies with goodwill. Asymmetric or unbalanced channel relationships are inherently unstable and unprofitable. Continuity in a relationship is characterised by trust and communication and trust is enhanced when manufacturer support is provided (Anderson & Weitz, 1989).

Much of the business to business research has examined dyads, but has not included network connections (Anderson, Håkansson & Johanson, 1994). As indicated by Steiner (1993), Webster (2000) and Anderson and Narus (1999), the brand manufacturer and customer relationship is not a single stage linkage, but is a connected two-stage relationship between the reseller, customer and brand manufacturer. The network consists of resources, activities and actor relationships. Thus brands, the marketing strategies including promotions and resellers and customers form a network for this research problem. There are both social and economic outcomes of this exchange including cooperation and commitment.

Buyer-seller relationships are important in the creation of value. Value can be defined as 'the worth in monetary terms of the economic, technical service and social benefits that a customer receives in exchange for the price it pays for the market offering' (Anderson, Jain, & Chintagunta, 1993, p.5). A relationship has both direct and indirect benefits and may influence relationship performance. Direct benefits are immediate outcomes such as profit and volume. The other benefits are indirect, which do not influence performance, but may have importance in the future of the relationship by indirectly influencing other parts of the network such as competitors and customers

(Walter, Ritter, & Gemunden, 2001). These authors found that the direct functions contributed most to supplier value, but that the product or service value is only part of the value created.

Anderson and Narus (1990) developed a model of manufacturer reseller partnerships from a social exchange perspective and include relationship variables such as trust and satisfaction in addition to power and conflict. Their research suggests that relative dependence, communication and compared outcomes leads to trust, then cooperation, conflict and satisfaction. For resellers, relative dependence leads to conflict as did cooperation which also led to trust. However satisfaction as a dependent variable was not significant for resellers. Comparison outcomes and trust were positively linked to satisfaction while conflict reduced satisfaction. Satisfaction was seen as the consequence of trust, performance and cooperation.

Cannon and Perreault (1999) classified buyer-seller relationships by examining tangible market and situational characteristics such as brands which are external to the relationship itself. These characteristics are joined by relationship connectors that lead to favourable outcomes. Of the relationship connectors studied, operational linkages such as category management and cooperative norms had the greatest relevance to manufacturer-reseller relationships. The types of relationships that performed best were the cooperative systems with high operational linkages and low adaptations by the buyer and seller. These relationships had high ratings of customer performance on satisfaction. This study shows that different types of buyer-seller relationships influence supplier evaluations.

With manufacturer and supplier relationships there can be long term benefits for each partner (Kalwani & Narayandas, 1995). Their research showed that the attitude and perspective toward the relationship is more important than the long standing nature of the relationship. The results suggested that net sales improve in the long term and inventory holding costs reduce over time, with increases in return on investment. In contrast, gross margins seemed to decline over the long-term.

Jap (1999) maintained a firm's ability to generate profits also depended on the strategic fit with the environment as well as the strategies that the firms were following and the

combination of organisational and relationship resources available. Jap's research found that idiosyncratic investments e.g. investments in support and collaboration e.g. joint promotions over time, led to realised competitive advantages and profit enhanced performance. Collaboration was driven by goal congruence, complementary capabilities, interpersonal trustworthiness and also influenced profitability. Environmental factors did not influence the buyer coordination, but did influence this variable from the seller's point of view. Dyer and Singh (1998) note that arm's length exchanges characterised by non-specific investments and coordination devices are incapable of generating profits beyond other buyer-seller combinations because of inimitability. By adopting a relational approach, firms can create competitive advantages.

Channel relationships are also important interfirm assets. Johnson (1999) showed that the interfirm relationship was a resource that moderated performance in distributor relationships. Some of the relationship marketing literature has played down the effects of marketing determinants compared to the relationship itself when choosing business to business service suppliers (Wathne, Biong, & Heide, 2001). In their research interpersonal relationships were rated the least important compared to marketing determinants when deciding to switch to a new bank. Siguaw, Simpson and Baker (1998) looked at the effects of another determinant, marketing orientation on the channel relationship. Trust and commitment did lead to better financial performance, unlike cooperation and market orientation. In the next section the literature concerning a selection of relationship outcomes relevant to manufacturer-reseller relationships is examined.

2.5.2 Channel Relationship Outcomes

This section examines the key constructs in buyer-seller and channel relationship research. Wilson (1995) outlined a list of key variables that contribute to successful buyer-seller relationships. Commitment was the most common dependent variable and is relevant to this research problem, because brands have a long term strategic value for a firm and imply relational continuity. Trust is whether other partner will fulfil their obligations as a partner and is an expression of confidence, signalling a willingness to rely on other partners. Mutual goals are potentially important as both parties have a shared interest in the brand. Cooperation implies a synchronicity between firms. Other

variables include interdependence and power, comparison of outcomes against alternatives, adaptation, non-retrievable investments, technology, social bonds between channel members and performance satisfaction which includes both economic performance and attributes such as satisfaction. Wilson discussed how these variables can develop within a buyer-seller relationship, but did not address the business components such as manufacturer resources that contribute to relationship formation. In reseller channel relationships, tangible product outcomes are the basis for relationship formation.

Many of these variables outlined by Wilson are relevant to different stages of the relationship development process (Dwyer et al., 1987). These constructs are commitment, trust, cooperation, performance, satisfaction, power and dependence. Power and dependence have been previously discussed and will only be considered in this section where relevant to these other constructs. Commitment is the first variable to be discussed and is considered by Wilson to be one of the most important relationship outcomes.

2.5.2.1 Commitment

Commitment is defined as an enduring desire to maintain a positively valued relationship (Moorman, Deshpande, & Zaltman, 1993). Commitment is an implicit pledge of relational continuity between relational exchange partners (Dwyer et al., 1987) and indicates a willingness to make sacrifices to accrue long term benefits. Continuity of commitment is enhanced by the presence of trust (Anderson & Weitz, 1989) and reflects the likelihood that the relationship would be terminated. Commitment also provides the basis for the development of social norms of governance. Gundlach, Achrol and Mentzer (1995) also highlight the problem of uneven commitment within the relationship which can make one party open to opportunism. When parties are committed to the relationship, there is less risk of either partner acting opportunistically. Commitment also represents a mature stage of relational bonding (Wilson, 1995).

Trust and commitment are important mediating variables in buyer-seller relationships (Morgan & Hunt, 1994). Both variables are influenced by termination costs, benefits, shared values, communication and opportunistic behaviour. The outcomes of these

mediating variables are acquiescence, propensity to leave, cooperation, conflict and uncertainty. This theory covers a number of possible business relationships, with the conceptualisation of commitment based on the theory of social exchange. Commitment to a relationship entails a desire to develop a stable relationship and a confidence in the stability of the relationship. There are three components of commitment (Gunlach et al., 1995): behavioural commitment (e.g. action taken by one party), attitudinal (e.g. a positive attitude towards the relationship) and continuity (e.g. a commitment over time). A similar typology is used by Kim and Frazier (1997) who found that trust, conflict and dependence were important antecedents of commitment. Affective commitment was a result of supplier performance, reseller investment and trustworthiness, while behavioural commitment was determined by dependence.

Anderson and Weitz (1992) examined pledges as antecedents of reseller commitment. Pledges are actions taken by channel members to demonstrate good faith and include exclusivity, idiosyncratic investments, communications and reputation for fairness. Idiosyncratic investments in reseller relationships include store displays, discounts, cooperative advertising etc. These investments increase relationship commitment and are a powerful signal to the other channel member. Because of the need to commit resources to all resellers, it is debatable whether high levels of idiosyncratic investment exist in manufacturer-reseller relationships. Nevertheless brands do represent pledges of resource investment to resellers. In contrast, Biong's (1993) study of grocer commitment showed that the manufacturer's product, sales force and profitability and satisfaction accounted for half the variance in manufacturer loyalty. Manufacturer support was a non-significant variable, measured by considering market support rather than idiosyncratic investments with the reseller. Kasulis et al. (1999) consider the types of idiosyncratic investments by manufacturers in trade promotions affect reseller commitment.

Frazier (1983a) suggests that the more dependent the channel members are, the greater the commitment. Kumar, Scheer and Steenkamp (1995b) found that commitment was affected by the asymmetric nature of the relationship when examining interdependence within automobile dealers. Mediated power (e.g. legalistic) had a negative effect on commitment while non-mediated power (e.g. brands) had a strong impact on attitudinal commitment (Brown et al., 1995). Non-mediated power had a negative effect on

instrumental commitment, as resellers are less obliged to follow a supplier's suggestions. Mohr, Fisher and Nevin (1996) found the more manufacturer control, the larger the effect on relationship commitment. Commitment was measured as affective commitment and was reduced when there was more collaborative control. Moorman, Zaltman and Deshpande (1992) measured affective commitment to relationships between market research companies and client organisations. Their research examined individual versus organisation commitment and found that commitment between organisations was not a predictor of market research utilisation. Trust and interactions between the organisations did influence commitment, but not involvement. However Grayson and Ambler (1999) replicated this study and showed involvement did lead to commitment.

Dorsch, Swanson and Kelley (1998) examined the impact of trust, commitment and satisfaction by the type of vendor. The vendors were stratified by status with the more highly rated vendors being regarded by resellers as having stronger perceptions of affective commitment to the relationship. The behavioural commitment measures were only significant for distinguishing the best and worst vendors. In this research commitment was only measured by a single item scale. Kumar, Hibbard and Stern (1994) stated that affective commitment resulted in better performance, a finding confirmed by Holm, Eriksson, and Johanson (1999). The meta-analysis conducted by Geyskens et al. (1999) showed that satisfaction was an antecedent to commitment as well as trust.

2.5.2.2 Cooperation

Cooperation is acting in a way so as to maximise joint value and involves actions taken by firms in interdependent relationships to achieve similar outcomes. Some examples of manufacturer-reseller cooperation are: just in time delivery, EDI, category management and ECR systems and trade promotions (Kumar, 1996). Anderson and Narus (1990) measured cooperation from the reseller's perspective and found that communication was an antecedent of cooperation which influenced conflict and trust. From the manufacturer's point of view, cooperation influenced trust but not conflict. Han, Wilson and Dant (1993) showed that as long term buyer-seller relationships develop, most firms reduced costs and developed closer ties and became more

cooperative. The benefits of these closer supplier ties were improved performance, reduced costs and increased technical knowledge.

Skinner et al. (1992) examined cooperation in terms of dependence and sources of power. Dependence and non-coercive sources of power are positively related to cooperation, unlike coercive sources of power. Cooperating with other firms makes fewer resource demands as the resources are shared. Inter-firm cooperation should allow market-based assets to enhance cash-flow within the relationship (Dyer & Singh, 1998). However the strategies used for market-based assets require reseller cooperation (Ghosh et al., 1995). Hunt, Ray, and Wood (1985) considered inter-firm cooperation was necessary to maximise channel profit. Combs and Ketchen (1996) found that brand name reputation and cooperation to be negatively related, as brand names with less equity will be more likely to use interfirm resources.

Cooperation is an important relationship facilitating variable (Hardy & Phillips, 1998). Heide and John (1992) suggested that cooperation also gave firms more flexibility in dealing with changing business conditions. Cooperation is essential in achieving coordination and was an important variable in firm adaptation in a relationship (Metcalf et al., 1992). Cooperative norms were a key relationship connector in collaborative relationships as opposed to more transactional relationships (Cannon & Perrault, 1999). Kasulis et al. (1999) discussed particular types of trade promotions that were linked to increased reseller cooperation, namely manufacturer consumer promotions and reseller incentive programs. The manufacturer must have the clout to achieve reseller cooperation (Murry & Heide, 1998), which is assisted through high allowances or discounts, strong interpersonal attraction, compensation and monitoring. Cooperation was strongly correlated with trust and flexibility (Hausman, 2001). Dahlstrom and Nygaard (1999) regarded cooperation as a control mechanism which lowered opportunism within franchising arrangements. Cooperation also lowered firm bargaining costs and allowed firms to better establish communication.

Anderson, Håkanson and Johanson (1994) proposed that a network identity construct, which reflects the anticipated resource, activity and actor relationships, had a positive effect on cooperation and commitment. Comparison outcomes for the firm and for other alternative suppliers were linked to cooperation as firms sought to maintain the

satisfactory nature of past outcomes. Young and Wilkinson (1989) found that firms saw cooperation as being necessary to achieve individual goals and that cooperation was not always an antecedent of trust, as it could be coerced. Buyer substitutability is negatively related to cooperation with goal compatibility and buyer necessity being positively related to cooperation (Turner, LeMay, & Hartley, 2000). Buyer necessity reflects the importance of manufacturers in offering buyers differentiated brands which ensured their cooperation.

2.5.2.3 Trust

The importance of trust in buyer-seller relationships has already been highlighted (Anderson & Weitz, 1989). Antecedents of trust are manufacturer support, reputation, age and goal compatibility. Trust allows partners in a relationship to take risks, because the partner is not expected to act opportunistically. Davies (1994) found when trust was absent in a reseller relationship, a brand was in danger of being de-listed. Kumar (1996) considered certain social norms such as flexibility and informality ensured that trusting relationships developed. Trusting relationships have reduced transaction costs and manufacturers can adapt more quickly to the market place. Trust reflected both dependability and fair-play in terms of manufacturers and resellers keeping promises. However reseller actions such as promoting a private label could reduce trust between the manufacturer and reseller (Geyskens et al., 1998). In this review the theoretical basis of trust is examined in buyer-seller relationships, followed by an outline of the key empirical work and its implications. In addition to buyer-seller trust, brand trust from a customer-based brand equity perspective is also considered in the light of this research.

Trust helps manufacturers and resellers to realise their potential, by sharing confidential information and dedicate resources to assist each other. Young and Wilkinson (1989, p.115) considered that trust was a 'feeling or attitude that a respondent had on behalf on their firm about a trading partner'. They showed that trust was a function of the duration of the relationship, relative power and cooperation. Trust seems to develop where there are no written contracts i.e. relational governance and confidence in future expectation and goodwill (Ring & Van de Ven, 1992).

There are two approaches to defining trust, first as a measure of confidence that the partner firm will not engage in actions that will harm the other party (Anderson &

Narus, 1990). Second, Morgan and Hunt (1994) define trust as reliability and integrity of the other partner. Researchers seem to either focus on trust as an expression of reliability or benevolence (Geyskens et al., 1998). Hogarth-Scott (1999) considered that in order to build trust in a relationship resources are required and that high inter-organisational trust reduces the importance of inter-personal trust. Here trust is viewed as calculative e.g. costs and benefits, norm based e.g. common values and process based e.g. using past experience and predictability. The goodwill aspect of trust must be considered as well as the predictability aspect (Hardy, Phillips, & Lawrence, 1998). Busch and Wilson (1976) found that sales personnel with high referent power were more likely to be considered trustworthy.

While trust is typically measured using multidimensional constructs, Wilson and Jantrania (1994) claim that trust cannot be broken down into its constituent parts as trust develops over time (Ambler, 1997). Trust is also related to brand equity in that resellers can rely on a brand with some confidence. Geyskens et al. (1998) consider that while honesty and benevolence are so interwoven, the question arises as to whether they are they should be measured separately. Honesty measures reliability while benevolence measures whether a firm is prepared to reduce their self interest for the good of the relationship. Their meta-analysis showed that trust was an important mediator variable in buyer-seller relationships. The antecedents of trust were environmental uncertainty, dependence, coercive power use, communication and economic outcomes. The consequences of trust were satisfaction and long term orientation. The brand as a market-based asset addresses many resellers' sources of value, in particular the role of the brand in reducing risk and the potential economic outcomes from having the brand in the range.

Doney and Cannon (1997) examined the impact of supplier trust building processes on a buying firm. The first stage of the process was calculative, considering the costs of doing business which is related to supplier firm factors including size and reputation. The second and third stages were prediction and capability, representing confidence in the salesperson. Next is intentionality where the suppliers' motivations were examined. The final stage was transference where the buyer looked for evidence from firm related factors. Supplier size and willingness to customise affected a buying firm's trust. This study showed that trust between organisations is built and transfers from the salesperson

to the supplier and is related to future intentions to do business with the supplier. In comparing the influence of the salesperson and supplier marketing variables, it was found the marketing mix component actually made the sale, not the salesperson's expertise. This study highlighted the salesperson's role in building trust. The purchase choice was related to supplier firm trust, product performance, price, and purchase experience.

Ganesan (1994) showed that specific investments by a partner impacted on honesty as did manufacturer reputation (fairness) and satisfaction with previous outcomes. According to Kumar, Scheer and Steenkamp (1995b) trust is less likely to be found in the presence of greater idiosyncratic investments and emerges when the interests of the parties are convergent. Greater balances in power structures had a positive impact on trust as did high levels of interdependence between buyer and seller.

Garbarino and Johnson (1999) defined trust as customer confidence in the quality of the goods and services offered. This research indicated that the key marketing variables such as familiarity and satisfaction had a positive relationship with trust examined occasional and regular theatre patrons. Among occasional customers, satisfaction mediated the future transactions unlike more regular customers where trust and commitment were predictors of future intentions to patronise a theatre. They showed that Morgan and Hunt's theory did not apply to occasional or low relational customers, as trust did not always mediate future outcomes.

Trust in a reseller was important when category management was adopted and was influenced by the objectivity of the category management plan (Gruen & Shah, 2000). Selnes (1998) examined the role of trust in enhancing the continuity in the relationship for products in a foodservice channel. The antecedents of trust were the firm specific factors and the results showed that satisfaction influenced trust and continuity in the relationship. However the measurement of both satisfaction and trust was made with one item scales, hence reliability of the measure could not be calculated. Ravald and Grönroos (1996) suggest that the success of the relationship is mutually profitable providing episode and relationship value develop continuously. Trust develops after several satisfied transactions when the reseller feels safe with the supplier.

The next section examines trust in the consumer context. Jevons and Gabbott (1999) and Dussart (2001) consider that brands are a fundamental part of trust when shopping on the internet, due to the uncertainties associated with this channel, by signalling certain values to the buyer. Gurviez (1997) conceptualised the brand trust construct in the same way as channels researchers consisting of benevolence and credibility. This author distinguished between four levels of trust: distrust, unstable brand trust, hopeful brand trust and bonding brand trust. A conceptual model was presented where the marketing mix variables are predictors of trust, which forms the basis of a brand relationship. The combination of trust in a brand and brand characteristics were important as a part of consumer brand equity (Lau & Lee, 1999), as trust builds sales if customers are satisfied (Ambler, 1997). Delgado-Ballesta and Munuera-Aleman (2001) showed that brand trust was an antecedent to brand commitment. Brand trust is also different to brand affect and strongly influences purchase loyalty and attitudinal loyalty (Chaudhuri & Holbrook, 2001).

2.5.2.4 Satisfaction

Satisfaction is a fundamental construct in understanding channel relationships (Ruekert & Churchill 1984). This section reviews the theoretical foundations of this construct. The influence of market-based assets as sources of referent power on satisfaction and other relational constructs is discussed. Satisfaction is a summary evaluation of the experience with the product (Spreng, MacKenzie & Olshavsky, 1996).

Satisfaction has been defined by Anderson, Fornell and Lehmann (1994, p.54) as 'the overall evaluation based on the total purchase and consumption experience with a good or a service over time'. They found that return on investment is strongly affected by customer satisfaction and that quality also affected customer satisfaction. Firms cannot have both a high market share and customer satisfaction, as when market share increases customer satisfaction decreases. A high market share brand will find it difficult to serve a greater range of customers or have more frequent interaction with the suppliers, unlike a niche brand. Gupta and Stewart (1996) examined the affect of brand expectation and performance on consumer satisfaction. Their results indicated that lower brand expectations resulted in positive disconfirmation and higher feelings towards the brand. Johnson, Krapfel and Grimm (2001) describe satisfaction as a

relational construct as opposed to consumer behaviour conceptualisations such as the disconfirmation of expectations. Measuring customer satisfaction in channels as result of comparisons between performance and expectations is difficult because of external influences from customer power, size and competition between firms. As these organisations have repeated ongoing contact, transactions are routine, satisfaction judgments result from the cumulative experience with the brand.

Fornell (1992) outlined the benefits of satisfaction which are loyalty for the reseller, reduced price elasticities, competitive protection, lower costs of attracting new customers and enhanced reputation for the firm. There are two conceptualisations of satisfaction: the first is transaction specific and the second is behavioural satisfaction. Transaction specific satisfaction is a judgment on a specific occasion while behavioural satisfaction is based on experience over time. Bloemer and Lemmink (2001) found customer satisfaction influenced brand and dealer loyalty in the automobile industry. Frazier (1983b) considered satisfaction to be a cognitive state, reflecting the rewards from a relationship. Hunt and Nevin (1974) demonstrated that advertising, product and advice were important non coercive power influences on satisfaction. Referent power sources such as brands also had a positive effect on reseller satisfaction (Gaski & Nevin, 1985).

Ruekert and Churchill (1984) found that increased reseller satisfaction with the manufacturer led to fewer terminations of channel partnerships. It was also related to financial arrangements and the level of manufacturer support. The dimensions influencing satisfaction were social interaction, product, financial, advertising and manufacturer support. They assessed two dimensions of satisfaction, first with the relationship itself and second satisfaction with specific aspects of the relationship and found a high correlation between these two measures.

However the channel structure in terms of power and dependence may negatively influence satisfaction. Dwyer and Walker (1981) indicated that having more power in a channel does not necessarily lead to more satisfaction. Frazier and Summers (1986) showed that the use of coercive power reduced satisfaction. Parker, Pettijohn and Pettijohn (2002) found that a salesperson's use of incentives to persuade customers in automotive parts and accessories to switch from a preferred brand to another brand that

had a more lucrative sales incentive, reduced customer satisfaction. In contrast, Emerson and Grimm (1999) found that the market power of the customer can positively influence reseller satisfaction. They also examined another brand related variable differentiation and its impact on rivalry. The results indicated supplier flexibility influenced customer satisfaction directly and that the interaction between customer service and product line growth also influenced customer satisfaction.

A number of studies also examined the impact of supplier resources on reseller satisfaction. Biong (1993) showed that satisfaction evolves as a consequence of one party's experience with another. Building on the model of Ruekert and Churchill (1984), the antecedents of reseller satisfaction were the sales force performance, product, profitability and support of the manufacturer. Biong (1993) showed these sources of satisfaction had different effects on reseller satisfaction and commitment. Product and support variables influenced commitment but not satisfaction. However the financial and sales force variables influenced satisfaction, but not commitment. The results showed that the sales force and profitability items were statistically significant when satisfaction was the dependent variable. When loyalty or commitment was the dependent variable all independent variables were significant, except for support.

Geyskens et al. (1999) in their meta-analysis of satisfaction hypothesised that trust preceded satisfaction and that economic outcomes were antecedents to relationship success. This analysis also confirmed that satisfaction was a conceptually different construct from trust and commitment. Mohr et al. (1996) found that manufacturer control had a significant main effect on reseller commitment and satisfaction. Cooperation was necessary in obtain satisfaction in a relationship (Skinner et al., 1992). Gassenheimer and Ramsey (1994) comment that suppliers often engage in support services with resellers to enhance the value of the relationship and found that logistics, sales and product support all influenced on reseller satisfaction. In contrast, Ganesan (1994) found that satisfaction with the relationship did not influence trust.

Garbarino and Johnson (1999) regarded overall satisfaction as an evaluation based on the purchase experience with a good or service over time. They found for low relational customers, trust and commitment to a marketing offering was a result of overall

satisfaction. McAlexander, Kim and Roberts (2003) extended this study and showed that brand associations were also antecedents of satisfaction and commitment.

Wang (2002) linked branding with trust, satisfaction and commitment in a study of customer-based brand satisfaction. This study was administered across several product categories and showed limited support for a linkage between satisfaction and brand support. Fontenot, Vlosky, Wilson and Wilson (1997) showed that trust, communication, and satisfaction were positively related to commitment which in turn was positively linked to performance. Mohr and Spekman (1994) measured satisfaction with manufacturer support, which was associated with commitment, trust and profit satisfaction.

Value is a cognitive assessment which precedes satisfaction is an affective construct and is linked to conative variables such as repurchase intention (Eggert & Ulaga, 2002). Relationship satisfaction was influenced by the ability to voice concerns with the channel partner, investment and reducing the attractiveness of alternative sources of supply (Ping, 2003).

2.5.2.5 Performance

The final channel outcome to be discussed is the performance which refers to the ability of firms to operate successfully. Performance is a multifaceted construct that can focus on return on investment measures, market-based measures such as market share or effectiveness indicators (Venakatraman & Rananujam, 1986). A criticism of the political economy paradigm is that performance is not included as part of this framework (Arndt, 1993). However many researchers, e.g. Geyskens et al. (1998) and Jap (1999) include this variable as a relationship outcome. Achrol and Etzel (2003) consider the reason that performance has had a limited role in channels research is that the manufacturer's goals in channels are often regarded as the same as a reseller's goals. This section examines the various conceptualisations and measures of the performance construct.

In section 2.2.2 brands were shown to influence financial performance of firms. Performance has been considered a subset of organisational effectiveness, as well as a financial measure that captures operational performance. Performance has also been

linked to satisfaction in buyer-seller research (Wilson, 1995). Donaldson and O'Toole (2002) comment that performance is often excluded from relationship research. In many relationship studies Donaldson and O'Toole point out that performance is not the main aim of the research. There are many definitions of performance, which mainly relate to financial outcomes and operational efficiency (Murphy, Trailer, & Hill, 1996). The discussion proceeds as follows: first the buyer-seller relationship aspects of performance are outlined, which is followed by consideration of the RBV perspective. Then the impact of key relational constructs on performance is considered and finally the measurement aspects of performance are examined.

Heide and Stump (1995) showed that performance increased when there are high levels of uncertainty or transactional difficulty and specific assets. Heide and John (1988) found when agents that had specific assets invested in the relationship and invested in alternatives outside of the principal agent dyad, their performance improved. O'Toole and Donaldson (2000) showed that performance did vary depending on the governance form. Noordiewer, John and Nevin (1990) examined acquisition costs and performance for repeatedly used items and found under conditions of high uncertainty that high relational governance improved purchasing performance. In transaction cost analysis, performance improvements are achieved when the cost of governance is reduced.

The RBV emphasises that performance is a result of the accumulation of resources and capabilities which are difficult to imitate (Jap, 1999). Jap showed there was a linkage between relationship investments and coordination effort and profit performance. The link between resources and performance has been shown in other studies. Wilson and Jantrania (1994) noted that the supplier's product offering, cost/price and product performance were all key selection criteria in value creation. A manufacturer commitment to category management in the retail sector influenced perceived category performance (Gruen & Shah, 2000). Brand name reputation was a significant predictor of return on assets, but not market-to-book ratio (Combs & Ketchen, 2000). This finding was confirmed by Madden et al. (2002) who also showed that brand resources can affect financial performance. Brand awareness, quality and loyalty had a positive impact on reseller performance (Baldauf et al., 2003).

Relationship constructs such as interfirm cooperation also influence perceived performance (Frazier, 1983a). There is also a relationship between supplier power and satisfaction and firm performance (Gaski, 1986). Research has emphasised financial performance rather than relationship performance (Gunlach & Cadotte, 1994). They examined broader aspects of relationship performance such as competence, market knowledge, competition and the ability to work effectively with a partner. Interdependence had a positive effect on the channel's perception of channel performance. The less dependent parties valued the performance of dependent parties more.

A strong correlation between performance, satisfaction and channel coordination was shown to exist by McNielly and Russ (1992). Information exchange also positively influenced relational performance (Boyle & Dwyer, 1995). Relational performance was measured by assessing the efficiency and effectiveness of the relationship. Buyer satisfaction had an impact on the share of business, as did the quality of the supplier offering (Leuthesser & Kohli, 1995). Artz (1999) examined OEM manufacturing and demonstrated an association between commitment and performance. Brown et al. (1995) measured the role performance of the supplier and the effect on reseller performance. The results showed that as a reseller became more affectively committed to the relationship, their perception of the supplier's performance increased. Lusch and Brown (1982) found no linkages between distributor performance, relational behaviour and relational dependence. In contrast Buchanan (1992) found that performance increased when dependence is high among store buyers. Li and Dant (1997) consider that perceived performance can be conceptualised as a channel member's overall assessment of the outcomes with an exchange with the other party. However the performance scale used reflected satisfaction, rather than either a financial or economic based scale. In addition, Geyskens et al. (1998) also showed that trust is an antecedent of performance.

Performance can be measured by either utilising objective measures such as secondary data or primary data to capture subjective attitudes. Murphy et al. (1996) found that most entrepreneurship researchers used primary data sources. One reason for the predominance of primary measures is a lack of access to confidential secondary data. Using financial measures is problematic as respondents are often unwilling to provide

such data (Siguaw et al., 1998). However Venakatraman and Rananujam (1986) considered there was a likelihood of bias and the relationship of self-report measures to financial performance cannot be easily quantified. Johnson (1999) showed there was a high correlation between objective and subjective measures of performance. Performance was measured by assessing whether or not the performance was better or worse than expected on a number of criteria. Spriggs (1994) observed that performance has been measured with many single item scales which can be less valid than using multi-item scales.

However there are a range of measures used to measure reseller performance, for instance Lassar used profitability and volume (Lassar, 1998). Anderson and Narus (1990) measured performance as the comparison level of outcomes, while Ganesan (1994) measured satisfaction with previous outcomes. Sales effectiveness was used as a performance measure by Crosby et al. (1990) and Jap (1999) asked channel members to rate profit performance. Kumar et al. (1992) examined reseller performance from the point of view of the supplier. This research tested a wide range of performance facets and found that global performance measures had strong validity and reliability. These studies have examined the role of other channel members such as manufacturers on reseller performance. Achrol and Etzel (2003) found that the interaction of the reseller own goals as far as the marketplace, productivity and integration within the channel influenced a reseller's financial performance.

2.5.3 Buyer-Seller Relationships -Summary of Knowledge Gaps

The empirical and theoretical literature on buyer-seller relationships has been reviewed. The type of relational exchange is important and marketing determinants influence the outcomes of these relationships. There are several approaches to examine such relationships. One approach is to study relational norms including solidarity, flexibility and mutuality. Others have examined operational linkages between buyers and sellers and the outcomes on relationship variables such as satisfaction, trust and performance. Buyer-seller relationships studies have tended to focus on behavioural variables, not marketing determinants such as brands.

This section has also reviewed six important channels constructs namely: trust, commitment, cooperation, satisfaction and performance. These constructs have been

extensively researched within the context of buyer-seller relationships. Resources such as brands can be seen as pledges of commitment to a buyer. Brands do represent a manufacturer investment in the channel, however this investment cannot be described as idiosyncratic when manufacturers pursue distribution intensive strategies. Commitment is a desire to continue an enduring relationship of value and allows social norms to develop, forming the basis for governance. It has been defined as a multidimensional construct of three components, although only one component affective commitment has been consistently studied in empirical research. Its antecedents are satisfaction and trust, and its outcome is performance. Market variables are important antecedents and act as pledges of continuity in a relationship like idiosyncratic investments. Interdependence enhances commitment which can in turn enhance performance.

Cooperation is important in inter-organisational exchange because it allows both firms in the buyer-seller relationship to use fewer resources. Coercive sources of power are negatively related to cooperation. Cooperation is considered an antecedent for relationship variables such as trust. The review of the trust literature has addressed the theoretical and measurements issues concerning this construct. Trust is a feeling of confidence that the channel member has about the actions of another party and is a central construct in many relationship models. Many definitions of trust focus on the confidence and goodwill aspects of trust. Hardy, Phillips and Lawrence (1998) point out that trust is influenced by the level of power embedded in the relationship. Trust is usually measured along two dimensions, honesty and benevolence, although many researchers do measure trust as a single construct. The antecedents of trust broadly include market-based assets, either as a source of power or as being of economic importance to a channel member.

Satisfaction is a central construct in channels research, which captures the overall attitude of the channel members towards the relationship. The antecedents of satisfaction for resellers include profitability and manufacturer support. Sources of referent power also influence reseller satisfaction. Satisfaction reflects the cumulative experience of one channel member with another. Reseller satisfaction is also an important antecedent of other relational outcomes such as trust and commitment.

The review of the performance literature indicates that it is an under-researched variable in channels and business relationship studies. From a RBV perspective, performance is the result of the firm resources and organisational capabilities that provide the competitive advantage. Several studies have shown the impact of these firm resources, including brands, on performance. Channel relationship constructs such as satisfaction, trust and commitment are also strongly associated with performance. Performance has been measured from a range of perspectives including economic considerations; while others have examined relational performance using more satisfaction based measures. In terms of the research problem, performance is a construct that reflects the success of market-based assets such as brands within a channel relationship.

This review indicates that while these relational outcomes are important, there is a gap in the literature as to the impact of market-based assets such as brands on these channel outcomes. While brand research in the consumer behaviour area is now beginning to use these constructs, there has been little consideration of the reseller perspective. The next section summarises the overall conclusions from this review.

2.6 Overall Summary of Knowledge Gaps in Literature

The following table 2-1 summarises the key contributions or gaps in both the branding and the channels literature with respect to the research problem. As outlined in the first chapter, the research problem is:

What sources of value do manufacturer brands have for resellers and how do these sources of value affect reseller relational outcomes towards the brand?

The research problem seeks to answer questions in the area of buyer-seller relationships in retail channels about the role of brands from a RBV perspective. Extant research does not take into account emerging resource based perspectives on brands such as market-based assets (Srivastava et al., 1998), the brand as an operant resource (Vargo & Lusch, 2004), the brand as a source of firm competitive advantage (Bharadwaj et al., 1993), having value for industrial customers (Mudambi et al., 1997), the creation of brand meaning in service marketing (Berry, 2000), the brand's value to resellers in creating marketplace equity (Anderson & Narus, 1999; Webster, 2000).

Table 2-1 Knowledge Gaps Brands and Reseller Relationships

Section/Topic	Knowledge Contribution	Gap in literature
2.2 5 Brand management	Conceptualisation of brand reflects consumer focus (Aaker, 1991; Keller & Lehmann, 2001; Keller, 2003) and the value to the firm.	Limited theoretical explanation and little empirical research on the role of resellers in brand management.
	RBV of firm regards brands as assets which enhance firm performance including external relationships (Srivastava et al., 1998; Dyer & Singh, 1998). Achievement of brand performance requires a manufacturer partnership with resellers (Webster, 2000).	No empirical research on brands as market-based assets in inter-organisational relationships and performance.
	Brand equity may not be always an advantage in reseller relationships (Ghosh & John, 1999).	Limited empirical research on buyer benefits of branding for organisational buying.
	Research addresses branding benefits to the seller but limited research into buyer benefits. Mudambi et al. (1997) showed brand value for industrial buyers is multidimensional.	The benefits of brands for resellers have not been addressed.
2.3.5 Brands and resellers	Reseller practices: category management, ECR and trade promotion decision requires collaboration and investment from both manufacturer's and resellers.	Limited theoretical frameworks exist, that address the relational impact of channel practices in brand management.
	Merchandise buying models included merchandise, environment and buyer characteristics which influence buyer decisions (Fairhurst & Fiorito, 1990). Limited empirical studies of branding in these decisions (Montgomery, 1975). Findings are mixed as to the effect of brands.	Limited empirical research on the role of market-based assets as part of this collaboration. Brand equity is not directly addressed as a source of value in these models.
	Conceptualisation of trade promotion effects is based on single stage perspective. Steiner (1993) dual-stage analysis of manufacturer/ reseller/consumer shows importance of intra-brand competition and cross elasticity of demand.	Management and academic commentary does not address the effects of intra-brand competition for brand managers.
	Analytical modelling research shows that brand performance in trade promotions is influenced by reseller, competitive and consumer behaviours.	Research into reseller attitudinal and behavioural outcomes of channel promotional activity is needed.
2.4.4 Channel power	Brands are sources of referent power and non-coercive strategies such as manufacturer support positively influence manufacturer reseller outcomes, advertising allocation affected by exchange type.	Brands are not directly addressed in literature as sources of power or dependence.
2.5.3 Buyer-seller relationships	Marketing resources in inter-organisational relationships require collaboration mechanisms and relationship investment, advertising allocation is affected by type of exchange.	The impact of marketing resources such as brands on buyer-seller relationships has not been considered.
	Satisfaction, trust and commitment are key outcomes of channel relationships, with more limited consideration of performance and cooperation aspects.	Limited coverage of marketing determinants such as brand equity on relational outcomes.

Brand research also does not consider emerging relational perspectives including the brand's role in inter-organisational governance (Ghosh & John, 1999), being part of relational exchange (Combs & Ketchen, 1999), long term end-customer relationships (Fournier, 1998), community relationships (Muniz & O'Guinn, 2001), the brand as part of customer equity (Rust et al., 2000) and stakeholder relationships (Duncan & Moriarty, 1998).

Brands are market-based assets in the RBV (Srivastava et al., 1998). The industrial branding and merchandise literature highlight that the value of these market-based assets to resellers (Mudambi et al., 1997; Fairhurst & Fiorito, 1990; Ruekert & Churchill, 1984). While this research emphasises the importance of the brand in an interorganisational context, many brand equity models assume a single-stage perspective consisting of a manufacturer's brand and the linkage to consumers.

Many brand researchers regard the role of channels as one of support, with little recognition being given to the cooperation and partnership aspects of manufacturer-reseller relationships. Contemporary channels practice offers many opportunities for collaboration between manufacturers and resellers including category management and trade promotions, which have an effect on brand performance. However the effect of these practices on reseller attitudes and behaviours towards brand manufacturers is unknown. The RBV offers a theoretical perspective to address this research problem in an inter-organisational setting.

The political economy structure (Stern & Reve, 1990; Robicheaux & Coleman, 1994) places the role of market-based assets as an antecedent variable to the operational, decision-making and structural aspects of a distribution channel. There has been much research into channel structure and power and dependence; however research has yet not investigated the role of marketing determinants such as brands on resellers. The buyer-seller literature has shown limited consideration of marketing determinants such as brands on relational outcomes. The outcomes of market-based assets are reflected in economic performance and relational constructs such as commitment and satisfaction. Thus there is a gap in the literature on the inter-organisational aspects of branding as a marketing resource from the perspective of the reseller. The research questions will be discussed next, followed by an outline of the broad conceptual framework.

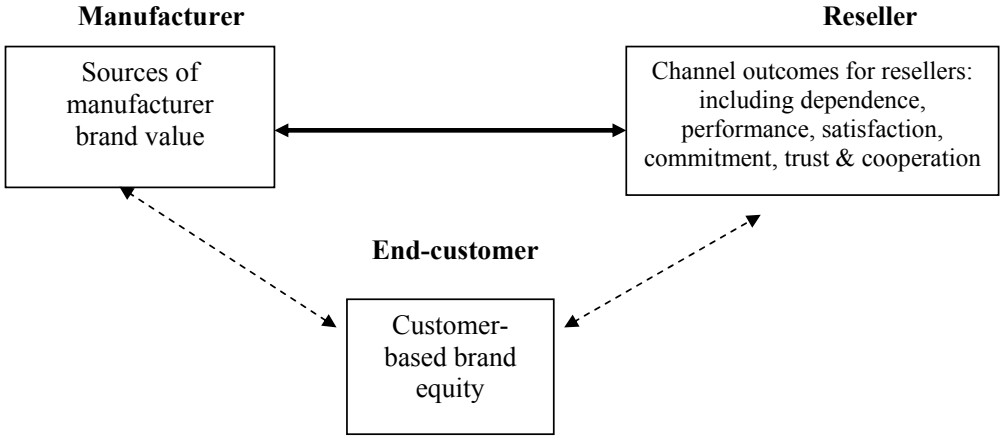
2.6.1 Development of Research Questions

To address the research problem, a contemporary perspective of what brands mean to resellers is required. Next the relational outcomes important for resellers, where brands are the focus in the relationship, need to be identified. Finally this research will investigate how brands as market-based assets, affect the outcomes of relational exchange for resellers. To guide the initial stages of this research, three broad research questions have been developed which are outlined next:

Research Question One:	What are the sources of brand value for resellers of manufacturer brands?
Research Question Two:	What are the important relational variables to resellers in the reselling of brands?
Research Question Three:	How do the sources of manufacturers' brand value influence key reseller relational outcomes?

A conceptual model of the research problem is outlined below in figure 2-2. This research focuses on the solid arrow in the model between manufacturers and resellers and shows the impact of the manufacturer's brand resource, in terms of value for the reseller on reseller relational outcomes. The other linkages, shown by the dotted arrows, represent aspects of the literature that are not directly part of this research project. A multi-method research design will be used to address this problem and is justified in the next chapter.

Figure 2-2 Conceptual Framework for Research Problem



3 Research Approach and Qualitative Method

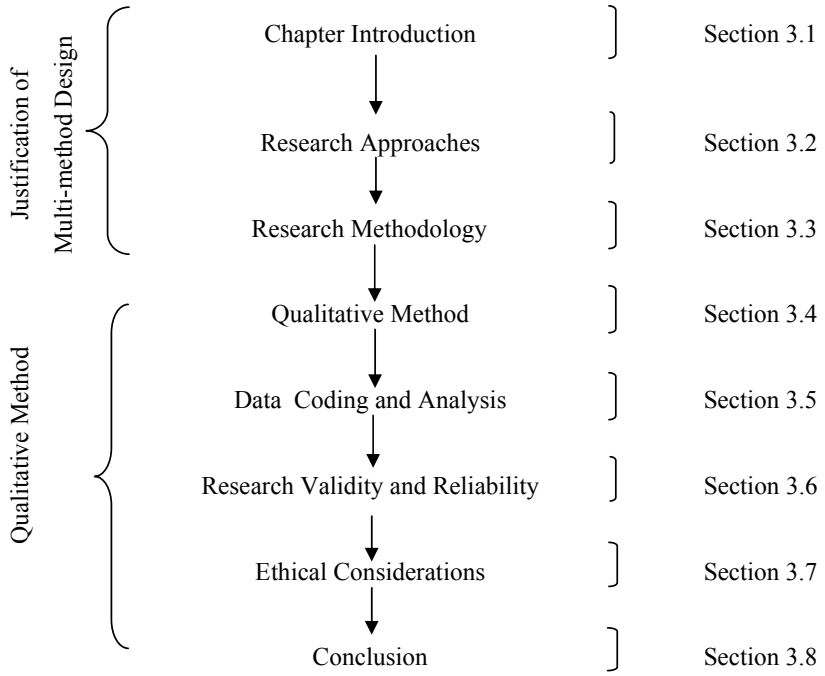
3.1 Introduction

This chapter explains the research approach utilised in this study to examine the research problem. In the last chapter it was shown that the branding literature has focused on customer-based brand equity, but has not considered brand equity in relation to other stakeholders of the firm such as resellers. In the channels literature the focus has been on the behavioural aspects of reseller relationships, but with little emphasis on the impact of marketing variables such as manufacturer brands. A significant gap therefore exists in understanding of the role of brands in external firm relationships with resellers. The RBV of the firm provides a theoretical basis through which this research problem can be studied. The literature review showed that some theoretical and empirical work did inform certain aspects of the research problem. However a comprehensive theoretical framework of branding for buyer-seller relationships does not exist. To address the research problem a conceptual understanding of the brand's role within reseller relationships is first needed. Second it is necessary to evaluate this conceptual understanding in relation to the wider aspects of the marketing literature.

To ensure the conceptual understanding and the research results follow established research practice, it is necessary to examine the philosophical approach behind the research paradigms. These research paradigms influence the choice of research methodology. To fully address the research problem, a multi-method design was adopted to identify the branding and buyer-seller relationship constructs that were relevant to resellers. In this chapter, the methodological approach is explained along with the qualitative data collection. The research methodology consists of two phases: an exploratory qualitative phase and a confirmatory quantitative research phase. A sequential research process was followed which had the qualitative findings leading into the design of the quantitative phase.

The first part of this chapter justifies the research approach and methodology, while the second part focuses on the qualitative design, management and analysis procedures. From the analysis of the qualitative findings, a conceptual model is developed, together with testable research hypotheses, which is reported in Chapter 4. The testing of this conceptual model is then explained in Chapter 5 which discusses the quantitative method. The chapter outline appears in Figure 3-1 below.

Figure 3-1 Outline of Chapter 3



3.2 Research Approaches

The research problem explores a gap in marketing knowledge regarding the role of brand in reseller relationships. This research enhances branding knowledge by adding the reseller's perspective and examines the role of market-based assets within the context of an inter-organisational relationship. To ensure the research questions outlined in Chapter 2 are adequately addressed, it is necessary to justify the research approach. The research approach is examined in terms of the assumptions and their practical consequences.

A research paradigm is a set of beliefs or assumptions that guide researchers (Creswell, 1998). There are number of research paradigms and a variety of research approaches.

The main research paradigms are: positivism, post-positivism or realism and critical theory which have different beliefs about approaches to research (Lincoln & Guba, 2000). Positivism is dominant in the scientific literature, as a researcher in this paradigm measures quantitative facts about the world. Post-positivism or realism also obtains facts about the world, but the nature of this data is regarded as subjective. Critical theory contends that reality is shaped and changed by values such as social and political forces over time.

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

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

assumptions, types of reasoning, research process and determining the quality of the research. These consequences will be addressed next.

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

The types of reasoning to develop theory are also different within the research paradigms. The two major paths to developing theory are 'inductive' and 'deductive'. Deductive research is associated with the positivist paradigm, while the inductive approach is more associated with the critical theory and realism paradigms (Perry, 1998). In deductive research, the starting point is theory with subsequent testing of relevant hypotheses leading to empirical generalisations. With inductive research, the relevant variables are formed into a conceptual framework with testable propositions. Perry (1998) considers it is unlikely that these processes of research can be separated and the process often evolves concurrently. This is a pluralistic approach, a blend of induction and deduction. These approaches also influence the language used by the researcher. Positivists write in a formal way using the third person perspective. In other paradigms a less formal language and use of the first person is more predominant.

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

3.3 Research Methodology

Research methodology is concerned with the design of appropriate data collection instruments so that theory can be analysed and tested. This section applies the preceding discussion of research approaches to this research problem. The role of theory is discussed which influences the researcher's choice of methodology.

Perry (1998) considers it unlikely that researchers are 'theory free' in marketing research and that the level of prior theory determines how inductive the research process will be. Pure induction may in fact prevent the researcher from utilising existing theory. The RBV of the firm provides a useful framework for studying the research problem. However this framework had not been operationalised to examine the role of brands in manufacturer-reseller relationships. Therefore an initial inductive approach was required to address the problem. A series of research questions discussed at the end of Chapter 2 guided the initial stages of this investigation. Inductively deriving theory using qualitative data, in conjunction with the literature review, allows the development of a conceptual framework. The resultant conceptual framework offers insights into the linkages between brands and channel relationships. Such a framework can be then tested quantitatively using the deductive approach which requires the development of hypotheses. Eisenhardt (1989, p.532) comments: 'by developing theory from observing previous literature, the ties to actual data are often tenuous'. This investigation therefore requires a pluralistic approach using elements of various research paradigms.

Mingers (2001) argues that while assumptions of the research paradigms can be identified, this does mean the researcher must always utilise research methods associated with that paradigm. He adopts a realist perspective by considering multidimensional aspects of the world and views research as a process that has phases and is not just a single event. It is important that the research methods are used critically and knowledgeably. Therefore the research methods must have commensurability, which does occur in the positivist and realism paradigms (Lincoln & Guba, 2000). The research approach chosen for this study is multi-method in nature. Using both inductive and deductive reasoning means the research paradigm of this research is post-positivism or realism.

In the information systems literature, Mingers (2001) argues that this multi-method approach has several advantages. First, different paradigms and methods provide multiple perspectives on a research problem. Second, the research process often passes through a number of development phases. Third, multi-method research can validate data by combining a range of methods, stimulate a fresh perspective, potentially elaborate the analysis and broaden the research scope by providing new insights (Amaratunga, Baldry, Sarshar, & Newton, 2002). The multi-method design is used in a 'sequential' way (Mingers, 2001). When the findings of primary research are evaluated in the context of the literature, the data is triangulated across these sources.

In the marketing literature there is also support for a more pluralistic approach. (Anderson, 1995) considers that too much relationship marketing research is cross-sectional in nature. Longitudinal designs are useful, but are considered often impractical for academic purposes. Such designs often rely on secondary data sources, rather than the collection of primary data. As a practical solution, Anderson (1995) advocates the use of dual methodologies and qualitative approaches which are more ideal for theory building. Gilmore and Carson (1996) and Carson, Gilmore, Perry and Gronhaug (2001) maintain the adoption of multi-method research can eliminate the weaknesses of single method research. A multi-method approach can also enhance the strengths of each method eliminating potential weaknesses. The benefit of the qualitative approach is the ability to represent the wider picture of the research problem. This perspective ensures that all relevant constructs are considered in the research design. The limitation of exclusively using a qualitative approach is that the findings are based on small sample sizes. While sample size is less important in qualitative traditions, in the positivist tradition, this prevents the findings from being considered generalisable. However Hammersley (1992) suggests that comparisons with larger samples through survey research can allow the representativeness of qualitative research to be established. The benefits of quantitative research are that researchers rely on large samples to show statistical effect and can generalise the findings from the sample to the population (Churchill & Iacobucci, 2002). The limitation of a quantitative approach in this instance is that a theoretical perspective for the research problem has not yet been developed. Thus any research using a quantitative approach alone would yield limited theoretical insights. Quantitative research may then confirm or reject the theory developed as a result of the qualitative findings. Feedback loops are possible between

the methods and can help refine the research agenda. Many researchers view qualitative and quantitative methodologies as complementary e.g. Carson and Coviello (1996).

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

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

This section justified a multi-method approach to addressing this research problem. There is broad support in the marketing literature for multi-method research. Mingers (2001) considers at the level of research methods, methods associated with a number of research paradigms can be usefully combined in ways which ensure commensurability. A multi-method approach overcomes many of the deficiencies of single method research. In addition a multi-method approach allows the researcher to uncover theoretical insights with one method and subsequently confirm the theory using a different method. The lack of a meaningful theoretical framework meant an exploratory

approach was initially required for this research. The framework developed can then be tested with a quantitative approach using fieldwork. In the next section the implementation of the qualitative phase will be outlined.

3.4 Qualitative Method

A sequential multi-method design is employed for this research. Qualitative data collection is the first part of the sequence, which allows the role of brands to be described by resellers in the context of business to business relationship. The research method of in-depth interviewing is described, followed by details about locating participants, sampling, recording and storing data. This section describes the operations of the qualitative data collection, with the quantitative method being fully described in Chapter 5. In section 3.5 the data coding and analysis is described.

3.4.1 Data Collection

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

To derive a theoretically grounded picture of the relevant constructs, in-depth interviews of key participants within the brand manufacturer and reseller relationship were therefore used as primary sources of evidence. In-depth interviewing is appropriate when it is necessary to gain an understanding of a particular construct within a

particular context (Fontana & Frey, 2000). Interviews provide an opportunity for the researcher to uncover new clues and open up new dimensions of a problem (Easterby-Smith, Thorpe, & Lowe, 1991). In-depth interviewing provides a process whereby branding can be explored in terms of its relevance to resellers.

A semi-structured form of interview protocol was used rather than a more structured approach. The interview protocol consisted of pre-determined open-ended questions which allowed the interviewer to probe and clarify issues raised during the interview. Participants could also more freely answer the questions relevant to the important constructs. Later, linkages between these constructs can be identified for the conceptual model development. In addition responses can be compared between participants. The use of an interview protocol was not completely inductive; however the semi-structured format ensured a consistent coverage of the topics between the interviews.

There are precedents within the marketing literature in using field interviews to determine conceptual models e.g. Murry and Heide (1998). The brand is a key integral part of the manufacturer-reseller relationship. The interview protocol focused on issues or activities where the role of the brand is relevant to resellers and was built around the three research questions guiding this initial phase of the investigation. An outcome of the interview protocol was a list of relevant and testable constructs on the sources of brand value to resellers, relationship variables and the impact on relationship outcomes. The interview protocol was reviewed by the researcher's supervisors and is shown in table 3-1.

While the interview protocols for both manufacturers and resellers were similar, there were changes in wording to reflect their different perspectives (please refer to Appendix 1 for the full interview protocol). For instance manufacturers were asked: 'What benefits did manufacturer brands have for resellers?', while resellers were asked: 'What benefits did manufacturer brands have for them?'

Table 3-1 Interview Protocol by Research Question

Research question	Topics for discussion or probes
What are the sources of brand value to resellers?	• Value of manufacturer support • Differences between major or minor brands • Reseller image, policy • Brand's relationship with resellers' customers • Product category, range and store offering • Differences between resellers and manufacturers regarding brands
What are the characteristics of manufacturer-reseller relationships	• Satisfaction • Trust • Commitment • Cooperation • Mutual goals • Comparison level of the alternative • Dependence/Power imbalance • Adaptation • Performance • Conflict • Social bonds • Shared investments, technology
How do these sources of brand value impact on the reseller relationship?	• Value of brands in influencing business and meeting corporate goals • Category management issues • Trade promotion participation • Influence of competing brands • Competing resellers • Category captain importance • Other collaboration e.g. joint promotions

The process of obtaining qualitative data consists of several stages (Creswell, 1998) and is shown in table 3-2. The remainder of this section describes in detail, how the participants for the research were obtained.

3.4.2 Locating participants

The participants are manufacturer marketing personnel and reseller purchasing personnel, selected because of their involvement in manufacturer-reseller relationships. From the manufacturer perspective, they are either in marketing management or sales management roles, and purchasing or store management from the reseller perspective. This approach also allows potential data collection issues to be explored for later use in

the quantitative phase of the study. Relevant key participants are necessary to establish valid and reliable data on the manufacturer-reseller relationship. This allowed the researcher to gain an in-depth understanding from both sides of the dyad and the relationship issues involved, at the relevant organisational boundaries. The common linkage between both sides of the supply chain was that the participants had to be familiar with retail operations and could comment on branding and its impact at the retail level.

Table 3-2 Qualitative Data Collection Steps

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

Several retail industries were considered. The main criterion was that these resellers and their suppliers sold a large number of brands across a range of product categories. These categories were frequently purchased items rather than occasional purchases such as consumer durables. Frequently purchased goods (FMCG) have often been the focus in branding research (Grime, Diamantopoulos, & Smith, 2002). Thus the grocery and liquor retail segments were chosen because of the large number of well-known frequently purchased brands in their respective ranges. The reason both manufacturers and resellers were interviewed was that the manufacturer perspective informed the researcher as to the role of the brand as a market-based asset in the external firm relationship. The reseller perspective provided insight into the nature of the brand offering as a market-based asset and the relational outcomes. Both perspectives are important when considering the research problem from a RBV perspective of inter-organisational relationships.

To locate relevant participants, the population of interest was specified. The population was management personnel in the grocery and liquor retail trade in New Zealand. The grocery channel also sells wine and beer and competes with the liquor channel in these categories. Another consideration was that the manufacturer-reseller relationships involved the resale of manufacturer brands not private label brands. This was important as private labels are not a focus of this research. Both channel types were resellers of major and minor brands.

3.4.3 Sampling

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

Potential participants were contacted by letter to explain the nature of the research and to obtain their agreement to participate in the research. The researcher then phoned the participant to arrange an interview. Initially marketing managers were contacted to test the interview protocol and to obtain relevant reseller contacts. With reseller participants at least one retail manager at a head office level was interviewed and one retail store manager. The general merchandise manager (or equivalent) was contacted in the retailing organisation to obtain permission to interview the relevant retail buyers.

3.4.4 Conducting Interviews

The research protocol used in the in-depth interviews was designed to be of one hour's duration and the data was collected over a six-month period from May to November 2001. An equal number of manufacturer and reseller participants were sought for the interviews. The number of interviews was to be least twelve or until theoretical saturation had been reached and no further insight was provided by respondents

(Silverman, 2000). This number of interviews was consistent with the recommendations of Eisenhardt (1989), Perry (1998) and Yin (1994) for exploratory data collection. The interview process was further guided with trade syndicated data on market share, brand advertising expenditure and published company performance of the manufacturers and resellers where available. This information allowed the researcher to ascertain the major and minor brands within a product category and obtain information about the nature and scope of the participants' businesses. The interview was recorded at each participant's place of work. Field notes were made for each interview reflecting the interviewer's impressions of the interview.

3.4.5 Recording Data

The interviews were recorded on a pocket audio tape-recorder, transcribed into a word processor and then coded using QSR N6. The participants were told the focus of the research was an investigation into branding in retail channels. This approach allowed the participants to fully discuss their experiences of brands within their own retail context. These audio tapes were transcribed and saved as word-processed text files. The transcripts were checked by the researcher against these tapes. The text files were then imported into QSR N6 qualitative software, which was used to analyse transcripts. The next section describes the analysis procedures for the transcripts.

3.5 Data Coding and Analysis

The procedure prescribed for qualitative data analysis by Miles and Huberman (1994) is discussed next and consists of three stages. The first stage is summarising and packaging the data, second is aggregating the data and finally developing propositions to construct the conceptual framework.

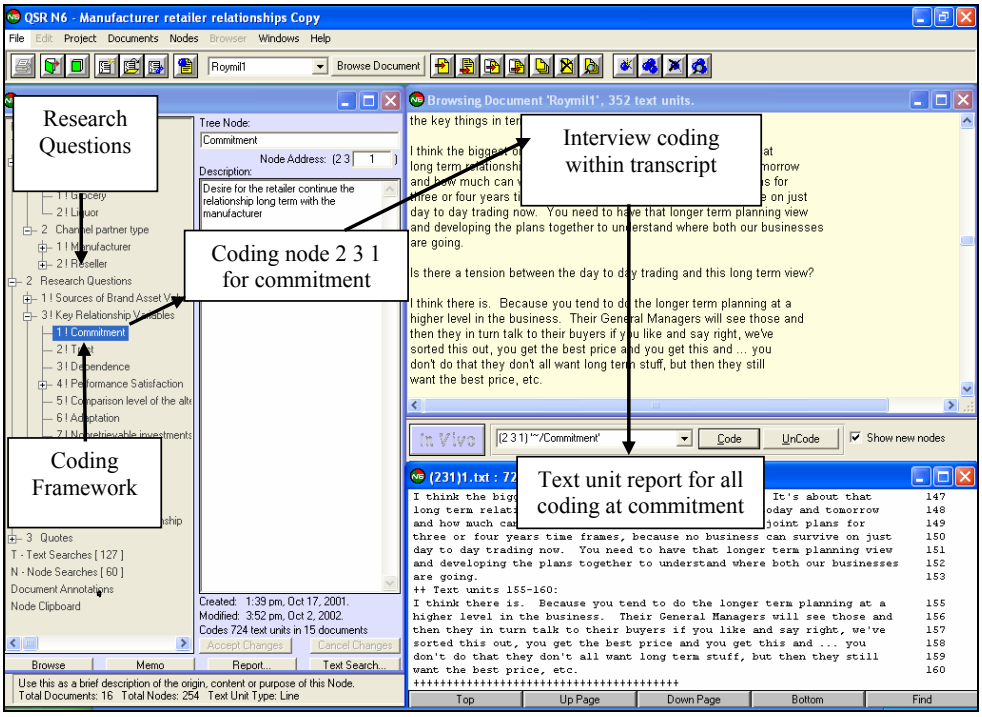
In the first stage the data was coded using the three research questions as a guide. Thematic analysis was used to code and categorise the data (Zorn & Ruccio, 1998). The following criteria were used to identify a theme, first was frequency of mention and second, salience or importance to the research question. There were a number of themes in the interviews, but only the ones relevant to the research questions were analysed. A theme also needed to be present in more than 75% of the interviews.

Within these questions common categories were found within the data. Information on each subject, whether they were a reseller or manufacturer, their position in the organisation and the channel liquor or grocery, was coded as base nodes within QSR N6. Then the research questions were categorised as tree nodes, which allowed related categories to be 'nested' within each node forming a related hierarchy. Thus the three research questions had separate categories and each research question had several sub categories or sub themes. The set-up of these nodes in QSR N6, including base and tree nodes in this manner, allowed the coding to begin.

The coding occurred by first reading the transcript of each interview. Coding structures were developed for each research question. Each coded structure had a description of the meaning of the code, so that the coder could adopt a consistent protocol in categorising the data. The coding process involved allocating a portion of the text to a code within node structure. These sections of the text are known as text units. For this analysis each line represented a text unit in QSR N6. This text unit was chosen as it allowed the researcher to gauge the importance of the issue to the subject and within the data in total by counting the number of text units. A system was adopted for referencing the text units in later analysis and to preserve confidentially of responses. The first letter of the subject's surname and the organisation and text unit line number from the relevant interview referenced the relevant category of the text. This referencing allowed easy retrieval and cross-checking of the data. The text units could then be analysed using the retrieval and search functions of the database.

Figure 3-2 shows the data entry process using QSR N6. The research questions, structure of the coding framework nodes and a portion of transcript are highlighted. The text unit in the transcript has been coded as an example of reseller commitment and is then displayed in a report of the text units coded under the heading of 'commitment'. Reports were then produced of the text unit coding for each category.

Figure 3-2 Qualitative Data Entry and Coding



In the second stage of the analysis these categories were further examined to determine any relationships between the concepts and the extent that they answered the research questions (Miles & Huberman, 1994). Resultant themes were developed for each research question; these were entered into QSR N6 as analytic memos, which also noted all refinements made in the coding. These refinements included recoding and reattaching nodes within the tree structure. The relative frequency of key words was computed as a result of these text searches. The categories were also analysed by means of text searches to ensure all participants data had been fully scrutinised. Relevant quotes for each theme were then extracted. These quotes consisted of at least six quotations that encapsulated the meaning of the themes in terms of respondent's language. These were stored in QSR N6 as tree nodes to allow further analysis.

The last stage of the analysis involved identifying relationships in order to develop the conceptual framework. To search for relationships between these themes the 'search and compare nodes' function was utilised. This allowed the categorised data to be cross-checked and allowed the categories to be integrated into one framework. The index search function allowed tables of data to be produced using the matrix operators.

Relationships between categories can be compared by the intersect function of QSR N6. These categories and relationships were grouped together in a conceptual display format that represented the role of brands within manufacturer-reseller relationships. Reports were produced on these groupings or displays, which enabled the researcher to explain any underlying linkages between the constructs.

3.6 Research Validity and Reliability

This section outlines the procedures to assess the quality of the data. Reliability refers to whether the results of the research are stable and dependable while validity refers to whether the data has been collected in an unbiased way relevant to phenomena being researched. Miles and Huberman (1994) discuss a range of tests and tactics used in this research to address construct validity, internal validity, external validity and reliability.

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

The interview not only describes the experiences of the participant but also highlights any differences that may exist between the manufacturer's and the reseller's perspective. Transcripts of each interview were sent to each participant for clarification. The interview protocol, transcripts, tapes and signed consent forms are an 'audit trail' or a chain of evidence, as the actual sequence of data and the records are traceable. The data which includes the tape recordings, transcripts, consent forms and computer files have been retained and is available for re-analysis by others.

Internal validity establishes causal linkages within the data. While internal validity is sometimes considered less important in exploratory research, it was assessed by

examining patterns, themes and clustering (Miles & Huberman, 1994). The use of the search and compare node function, key word searches and matrix tables within QSR N6 allowed evidence of any relationships within the data to be demonstrated. The relative weighting of data coding within a theme or the overall data assisted with developing constructs and explanations. If predicted patterns from the literature are also matched to the findings, then internal validity is further strengthened. However the data may be affected by events external to the research. In addition, small samples can also affect the validity of the research. The quantitative phase also enables additional confirmation of research validity. Views of both manufacturers and resellers were obtained during this first phase of the research, which enabled evidence of common meaning and disagreement within the supply chain to be examined.

External validity is strengthened through replication logic. The survey analysis will be used to confirm the substance of the qualitative findings. Jick (1979) encourages qualitative researchers to systematise the observations using quantitative research. This approach can clarify the interpretation of results, statistical relationships and the clarification of contradictory findings.

Reliability refers to the consistency of the findings and the research can be replicated if the interview procedures are followed. The use of an interview protocol and coding scheme ensured that the coding was consistent. As indicated previously, a qualitative research database, QSR N6 was used to analyse the relationships between these coded text units, which ensured a consistent analysis approach was adopted. The coding scheme was verified by the researcher's supervisors and the interview coding was independently checked by the researcher's peers, using a sample of the transcripts. The qualitative analysis was also reviewed by the researcher's supervisors and used as the basis of a conference paper on the development of the conceptual model. These results and the theoretical model were also sent to the participants for their comment and confirmation.

In summary, in-depth interviews are the main source of evidence in this phase of the research. These interviews with the major boundary personnel provided different perspectives to the research problem and were supplemented by published secondary data where relevant. An explicit research process is supported by appropriate evidence

and the transcripts were verified as being correct by participants. In addition, the research analysis and the conceptual framework were presented at an academic conference in marketing (Glynn, Brodie, & Motion, 2002).

3.7 Ethical Considerations

The qualitative research proposal was submitted to a university ethics committee for approval in May 2001. This approval, obtained in the following month, ensured that participants in the research were not harmed or disadvantaged by taking part in the research project. The participants for this research were obtained from a range of sources including personal contacts, trade directories and information from A.C Nielsen (NZ) Ltd, a market research firm that specialises in retail research. A covering letter was sent to both manufacturer and reseller participants and was followed up by a phone call by the researcher.

Once participation in the research was agreed, an information sheet was then sent to all participants detailing the research procedures. These procedures included the provisions for the privacy of the information and of the participants. Any participant who had concerns about the research was able to contact the executive secretary of the ethics committee. Because the information given may contain proprietary information, the identity of the participants was kept confidential with respect to research publication.

At the interview participants were given a consent form to complete and sign which confirmed their agreement to participate and their understanding of the research procedures. The participants were able to withdraw from the interview at any time. The interviews were initially recorded on audio tape in full view of the participant. The data which includes audio tapes, word processor files of transcripts, QSR N6 project files and printouts are stored in a secure cabinet in the researcher's office.

3.8 Conclusion

This chapter outlined and justified a multi-method approach to address the research problem and information requirements explained in chapter 2. The lack of a comprehensive theoretical framework for the research problem required exploratory

research followed by a confirmatory phase. Possible research approaches were then examined in terms of the assumptions of each research paradigm. The multi-method design is based on the realism paradigm and support for the relevance of this design was evident within the marketing literature.

The qualitative method and data collection was justified and described in terms of accessing participants, sampling and recording the data. In-depth interviews were selected as the means of data collection, using a semi-structured interview protocol. The interview protocol was outlined followed by the data coding and analysis procedures using QSR N6. A discussion of the procedures used by the researcher for ensuring data validity and reliability was presented. Finally the ethical aspects of the research were discussed.

In conclusion the justification for using a multi-method approach was based on consideration of the research problem within the literature. Although there was extensive research in both channels and branding literatures, a gap has been identified on the role of brands in manufacturer-reseller relationships. A qualitative approach was therefore needed to clarify linkages between brands and their value for resellers which allowed a conceptual model to be developed. The analysis of the qualitative data collected is discussed in the next chapter, together with the development of the conceptual model.

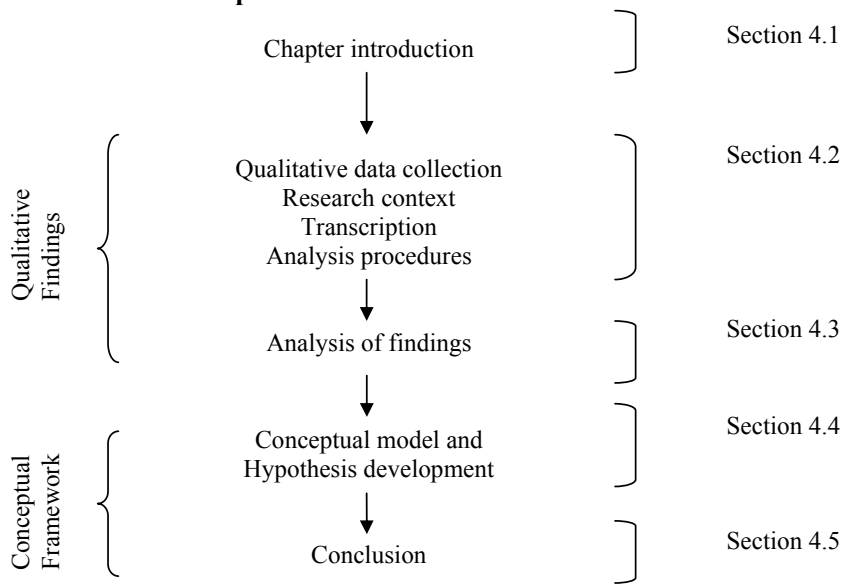
4 Developing the Conceptual Framework

4.1 Introduction

In this chapter the analysis of the qualitative findings is presented, together with the development of the conceptual framework. This chapter is divided into two sections. In the first section, the data qualitative collection steps are outlined, followed by an analysis of each research question. Based on this analysis, the conceptual model will be presented in the second section, together with supporting research hypotheses.

The retail context for the in-depth interviews, the development of a coding framework and the thematic analysis of the interview data will be first discussed. The viewpoints of both resellers and manufacturers are compared and contrasted together with the implications for manufacturer brands. Thematic analysis is used to identify the key themes which will become antecedents and consequences within the conceptual framework. This framework will form the foundation of the quantitative phase of the research. An outline of this chapter is shown in Fig 4-1.

Figure 4-1 Outline of Chapter 4



4.2 Qualitative Data Collection

The data collection process describes the research context for the data collection and includes a background on the New Zealand grocery industry and details of the research participants. This is the followed by a discussion of the transcription and analysis procedures.

4.2.1 Research Context

The context of this research was the distribution channels for the supply and resale of manufacturer's brands in New Zealand. Within these distribution channels, key managers from manufacturing and retailing were selected as research participants. These research participants were able to inform the researcher on the issues concerning the supply of manufacturers' brands to the end-customer. Participants from two distributive sectors, grocery and liquor retailing were selected for the interviews. A brief description of the scope and size of these retail sectors in New Zealand is now given. In food retailing, the sector turnover for the year 2000 was $31 billion. Comparable figures for the liquor sector were not available; however there were 668 outlets in liquor retailing compared to 2760 food retail outlets (Nielsen, 2001). This comparison indicates that the liquor sector is much smaller in scope than food retailing. In addition some food resellers also sell wine and beer in contrast to liquor resellers who sell wine, beer and spirits. Next the major companies in each of these channels are discussed in more depth, starting with the grocery channel.

At the time of the research three major resellers dominated the grocery channel in New Zealand. These resellers were Foodstuffs NZ Ltd, Foodland NZ Holdings Ltd and Woolworths NZ Ltd. Foodstuffs NZ Ltd was a cooperative retail chain consisting of independently owned outlets that operate as three regional cooperatives. The retail chains controlled by Foodstuffs included New World, Pak 'N Save and Four Square. Foodland NZ Holdings Ltd. owned the Foodtown and the Countdown chains and was itself a subsidiary of Foodland Australia. Woolworths NZ Ltd. controlled the Woolworths and Big Fresh chains and was part of Dairy Farms International, a Hong Kong based firm. Inter-reseller rivalry was intense and all resellers had a range of different retail formats with extensive retail promotional programmes. These retail formats included full-service supermarkets e.g. New World, discount supermarkets e.g.

Pak'N Save, convenience stores e.g. Four Square and wholesaling operations. As the turnover in this sector is concentrated in the full-service and discount supermarkets these outlets were chosen for the study because they were theoretically relevant to the research problem and had more frequent interaction with manufacturers (Yin, 1994). In comparison, convenience stores had much smaller turnover, limited interaction with manufacturers and tended to deal with a wholesaler or distributor. It should be noted after these interviews were completed, Foodland NZ Ltd acquired the Woolworths NZ Ltd. business from Dairy Farms International.

The liquor industry consisted of two major national retail chains, Liquorland and Liquor King and a number of smaller outlets such as Glengarry Hancock. Glengarry Hancock was also a national supplier of liquor brands to liquor and grocery resellers as well as the restaurant trade. Thus this company owned both a supply and a retailing operation. Table 4-1 profiles the reseller participants.

Table 4-1 Reseller Participants

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

Table 4-2 over the page summarises the manufacturer participants. Three of the five manufacturer participants supplied major brands to resellers (Nielsen, 2001). These companies with their brands and categories in brackets were: Danone NZ Ltd (Griffins biscuits), Heinz-Wattie Ltd (Watties canned and frozen foods), and New Zealand Milk Corporation (Anchor dairy products). These brands are all amongst the top ten New Zealand brands in terms of supermarket dollar turnover (Nielsen, 2001). The remaining participants supplied minor brands including Eta, Ngatarawa Wines, Sara Lee and Moccona to supermarkets; although in some categories these were market leaders.

Table 4-2 Manufacturer Participants

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

4.2.2 Interview Transcription

A total of sixteen interviews were conducted which represented eight manufacturers and eight resellers. The interviews ranged in length from 45 minutes to 1½ hours. All interviews were taped and transcribed to assist in the recall and analysis of data. The transcription process resulted in one hundred and seventy pages of single-spaced data. Printouts of the transcriptions were then checked against the original audio-tapes to ensure the wording and meaning had been accurately transcribed. Where sections of the tape were unclear, the participants were re-contacted by phone to clarify the relevant section of the transcript. These clarifications were mainly concerned with the brand names and jargon used.

The transcripts were then forwarded to each of the participants for verification as to the accuracy of the transcription. The transcripts were also saved as word-processor files and converted into text files for analysis. Before the analysis commenced, the principal researcher read a printout of each interview and then developed a thematic coding scheme based on the literature and analytical memos. Another coder, a colleague of the researcher, then verified this coding scheme. As a further verification check, a working paper containing the resulting conceptual model was subsequently produced and made

available to the participants. The text files of the transcripts were then imported into QSR N6 for analysis.

4.2.3 Data Analysis Procedures

In this section the data analysis approach is described (Creswell, 1998) which included the analysis steps, the qualitative research tactics adopted and the QSR N6 procedure that corresponds with each step. An analytical framework was devised that detailed the coding scheme and an explanation of operational definitions used. Major themes were developed, supported with key phrases and quotes from the participants. To develop the conceptual model, the transcribed interviews were coded to find common categories within the data. These categories or themes were further examined to determine any relationships between the concepts (Miles and Huberman, 1994). A within-case analysis was then conducted between these themes using the text searching and node comparison functions of QSR N6. The resulting data matrix was used to explore these relationships and provided an analysis of numerical patterns within the data. These patterns were mapped on to a conceptual model and generated testable hypotheses. This process is summarised in table 4-3.

Table 4-3 Qualitative Analysis Process

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

The data set was coded with each line of text representing a text unit. This text unit setting allowed the relative weighting of each theme to be quantitatively analysed within the data set. The total number of text units coded in the data set was 7762. The relative weighting for each theme, including sub-themes was expressed in each data display as follows:

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

The data weightings were computed by the Report function for each node. In addition a text search allowed a frequency table of keywords within a node to be calculated. This step ensured that the theme reflected the language of the participants and also that all relevant texts had been coded correctly.

4.3 Analysis of Findings

The analysis of the findings is now presented, based on the research questions outlined in Chapter 3. A number of codes emerged for each research question. The coding scheme initially adopted for each question was based on relevant constructs in the literature such as Webster (2000), Biong (1993), Ruekert and Churchill (1984) and Fairhurst and Fiorito (1990). Owen's criteria for thematic analysis (as cited by Zorn, 1998) was used analyse the transcribed text. The logic behind this type of analysis is 'to identify the issues in the words of the participants that they use to conceptualise relational episodes'.

The data display for the first theme in research question one is shown in table 4-4. In the first column the theme is shown, together with the node address in QSR N6. Next, the second column represents one sub-theme, with a data definition, followed by a sample quote in the third column. This quote has a number identifying the participant and the relevant location of the text unit within the transcript. These identification codes were necessary to preserve the confidentiality of the participant's responses. In the final column the weighting of the theme/sub-theme within the transcripts is given. For each table the first row shows the total number of text units coded against a theme followed by the percentage of text units for the theme (Tw) and total dataset (Dw) respectively. In subsequent rows, the sub-themes are then given.

4.3.1 Analysis of Research Question One

Research question one was: What are the sources of manufacturers' brand value within manufacturer-reseller relationships? Within the interview protocol, participants were asked: "What benefits they thought manufacturer brands had for resellers". Then the participants indicated which benefits they thought were most important. The term 'benefits' was considered more neutral than the word 'value' which may have inadvertently implied a 'value for money' focus. A further consideration was that these benefits were antecedents to the outcomes of the relationship. To be considered as a theme, the item had to be recurrent, occur in at least 75% of the interviews and have relevance to the research questions. In summary, there were many themes within the transcripts, but only those frequently recurring and relevant themes were coded.

The major themes that emerged from the analysis of research question one (the sources of brand asset value for resellers) were reseller/margins and profitability, reseller benefits and benefits relating to the resellers customers. The first theme reflected respondent references to the financial benefits of the relationship and was thus labelled 'Financial benefits of brands to resellers'. The second theme referred to non-financial manufacturer benefits that brands offered resellers such as advertising support, importance to the category and merchandising support. These first two themes were consistent with the analyses of Ruekert and Churchill (1984) and Fairhurst and Fiorito (1990). Reseller's consideration of their 'customers' which also included references to brand equity was reflected in the third theme.

4.3.1.1 Financial Benefits

The sub themes within the 'Financial benefits' theme are shown in table 4-4. This table reflects both the manufacturer perceptions of the benefits for resellers and the resellers' view. Participants considered that the main financial benefits of brands for resellers were providing a good margin, the ability to charge a price premium, meeting product category or corporate benchmarks and being able to stimulate sales or customer through promotional price reductions. For major brands, margins were often inversely linked to sales volume. Increased sales volume was an important consequence of a price reduction because it reflected the ability to generate store traffic and how well resellers were faring compared to competitors.

Table 4-4 Reseller Financial Benefits of Brands Theme

Theme/ Sub-theme	Definition	Sample Quote	Text units Theme/ Data Weighting
Financial Benefits Node 2 1 1	Brand influences a financial variable in reseller organisation	Axxx or Txxxx, so we basically negotiated - put a tender up and said whoever's got **the cheapest price,** will have full ranging. [AD 270-272]	1014 text units 100% Tw 13% Dw
Financial margins Node 2 1 1 1	Brand influences margin	It's usually in basic **gross margin**. The reality is that a brand will not be ranged, where it's only going to sit at number three or number four. If it's profitability is not 5%-10% more than the number one or number two brand, because we have no reason to want to sell a product when number one and number two can offer us the sales. [LM 217-220]	807 text units 80% Tw 10% Dw
Price premium Node 2 1 1 2	This brand allows price premium to be charged	They give us the opportunity to perhaps **charge a little bit more for the brand.** They also may be willing to spend some more buying Persil. [LM 25-26]	160 text units 16% Tw 2% Dw
Lower price Node 2 1 1 3	Brand reduces reseller margins, often by price reduction	An example of that is the Penfold's release. Now they have their Penfolds xxxx I think they're making about 2% profit. And of course, we weren't going to **drop our price** to that. [JG 354-356]	569 text units 56% Tw 3.6% Dw

As a result of reseller competition, major brands were also often sold below the cost price to attract retail customers. The rationale was that although resellers could lose money on a particular brand, it was anticipated that customers would buy other profitable products in the store. Resellers sometimes applied pressure to manufacturers to offer a better deal to compensate for this loss.

Manufacturers and resellers 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' in the long term by resellers, even though selling at lower prices increased sales volumes. On the other hand, resellers were wary of setting high retail prices for brands, as this could reduce potential sales volume. For a minor brand to be accepted by a reseller, an opportunity to achieve a better gross margin needed to be offered by the manufacturer compared to other brands in that category. Minor brands offered resellers an opportunity to improve

category profitability. Both manufacturers and resellers recognised the need to manage margins, as price was an important marketing tool for resellers to attract customers.

One of the key benefits of the brand reported in the literature is the ability to charge a price premium. However these findings indicate that it is the resellers who determine a brand's retail price and that premium pricing references in the dataset were outweighed by comments about price reductions. Further premium pricing was often associated with particular variants in the brand's range. For instance in the wine category, a brand could have different price points depending on the variant within the brand's range. Resellers mentioned selling one part of a brand's range at a low price while leaving other variants in the range at the premium price. The reseller benefited by attracting customers with low prices and also providing the opportunity to sell other variants at a higher price. Premium-priced brands were associated with both high status and slower selling lines. As a manufacturer resource, brands offer resellers the ability to attract customers using a brand's price elasticity of demand. Minor brands and variants within the range offered the reseller a chance to improve the profitability of the category.

4.3.1.2 Non-Financial Benefits

The second theme reflected the benefits that brands offered a reseller's business or product category (Dussart, 1998) other than financial benefits. The data display for this theme is shown in table 4-5. Often resellers have to balance satisfying the demands of the customer with the need to optimise profit within the category (Broniarczyk, Hoyer and McAlister, 1998). Manufacturer brands allow resellers to offer a wide assortment to their customers, as resellers cannot provide this entirely by themselves. Resellers did also mention supplementing the local manufacturer supplied brands with imported lines to satisfy the customer's need for an assortment. However the shelf space allocated to a category often limited the assortment offered and as a result, slow selling lines were often subject to deletion. Some manufacturers commented that it was difficult to get slow lines out of the 'system'.

Reseller participants highlighted the fact that major brands required less effort to sell. The brand's marketing mix was seen as a necessity by resellers and some resellers commented that 'a brand rarely sells by itself'. Brand advertising and support also had benefits for the reseller in stimulating the product category.

Table 4-5 Non-Financial Benefits Theme

Theme/ Sub-theme Node address	Definition	Sample Quote	Text units Theme/ Data Weighting
Management Node 2 1 2	Brand influences reseller operations non- financial references other than consumer demand/brand	Usually you've got to actually have that **marketing pull** as well in that brand awareness, before it actually sells in the stores. It's actually really rare that you can just put something on a shelf and expect it to sell. [AD 153-157]	3501 text units 100% Tw 45% Dw
More productive Node 2 1 2 2	Makes reseller resources more productive	Uxx was really good at putting the whole concept together, the packaging was good, the product was good, and it tasted excellent. The quality was **excellent and they were prepared to get in behind it and really meet the sales**. They'd spend the promotional money, advertised and created brand awareness. [AD 223-229]	1379 text units 39% Tw 18% Dw
Category importance Node 2 1 2 3	Category importance to reseller	So that can be a negative effect because it's not growing those brands are not **contributing to the growth of the category**. [GA 376-377]	1479 text units 42% Tw 19% Dw
Product assistance Node 2 1 2 4	Product assistance by manufacturer to reseller	Merchandising is an important function; that we have product in-store all the time and **we've got somebody maintaining stock levels, we don't** want empty shelves because we'll lose customers so it is important to have that merchandising in-store. [GA 247-249]	593 text units 17% Tw 8% Dw
Manufacturer support Node 2 1 2 5	Manufacturers commitment to promote brand	It's very important to have the right marketing, the **right advertising programmes behind it**, rather than just price discount and the promotional support behind it; it actually creates awareness and people wanting the product. [AD 98-100]	965 text units 27% Tw 12% Dw

Manufacturers also provided product assistance in the form of supply chain arrangements and sharing of market information. Despite the availability of scanning data, resellers often relied on the brand manufacturer to assist them by providing information about market trends and collaborating on store shelf layouts. Resellers' store promotional programmes to generate customer traffic were important, and brands were an integral part of that programme. Participation in reseller promotions involves manufacturer resources such as cooperative advertising payments. Manufacturers were expected to contribute to the reseller's programme according to their brand's share of the market. Besides the store promotional programme, resellers were also involved in other store promotions involving additional displays, which often took advantage of a manufacturer brand marketing activities such as a sponsorship of a particular event.

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

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

4.3.1.3 Customer and Brand Benefits

The third theme captured the benefits of brands in assisting resellers to meet overall customer demand and the data display is shown in table 4-6. Participants regularly commented upon the requirement to satisfy the needs of their customers and frequently mentioned major brands that fulfilled this role for them. Essentially this third theme recognised two aspects of brands that are of benefit to resellers. The first is 'looking out for the reseller's customer, the second is the capability of brands to generate store patronage.

Table 4-6 Customers and Brands Theme

Theme/ Sub-theme	Definition	Sample Quote	Text units Theme/ Data Weighting
Customer Node 2 1 3	Benefits that brands bring for reseller's customers	The brands we sell are tools to **fulfil our customer' expectations**. [LM 372-373]	3201 text units 100% Tw 41% Dw
Customer demand Node 2 1 3 1	Channel member specifically refers to consumer demand,	By providing the end consumers with their wants and needs, the philosophy of our company is just that. So therefore when **consumers** come to our stores, they **expect to see those key brands** in our stores. [GA 120-122]	1136 text units 35% Tw 15% Dw
Customer-based brand equity Node 2 1 3 3	Explicit references to the brand the process of building demand or brand equity	Janola as an example, it's a household brand that everybody knows, it's just extended from a standard old common garden bleach to in the bowl and in the cistern, toilet cleaners, so they **bring all that sort of equity**. [LM 38-40]	2483 text units 78% Tw 32% Dw

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

In summary, brands bring a number of benefits to the resellers. These can be broadly classified as financial, non-financial benefits (category management) and the value to the reseller in addressing demand of the reseller's customer which included brand equity. The first two themes have been documented in the literature previously (Lassar, 1998; Biong, 1993; Ruekert & Churchill, 1984). However the evidence from the third theme on the importance of brands to customers had not been explored in any great extent in the literature. Resellers are well aware of brand equity in terms of its relationship to customers with major and minor brands being of relevance to resellers. The next section analyses research question two and identifies the relational variables important for manufacturers and resellers.

4.3.2 Analysis of Research Question Two

The second research question asked: What are the important relational themes to resellers in the context of a buyer-seller relationship involving the reselling of brands? Respondents were asked to describe their relationship with brand manufacturers and then asked to list these relationships in terms of their importance and reasons why. As many of these relationship constructs are unobservable, manufacturers and resellers were asked to give examples of relationship interaction. By adopting a semi-structured question format, questions on these relationship facets were able to be analysed in terms of the participant's experience. This allowed the researcher to code the relevant relationship theme illustrated through the examples given by the participants. A list of relationship themes outlined by (Wilson, 1995) was used to code this question.

Not all of these relationship themes were relevant to the research problem. Each theme had to be mentioned in 75% of the documents coded and the results showed that five main relationship themes, satisfaction, cooperation, dependence, trust and commitment were important, which have been coded as sub-themes. The removal of the less relevant themes enabled the researcher to focus on the important constructs in the research problem and in the channels literature. The data display in table 4-7 ranks the coding occurrences by relationship theme and shows that satisfaction with the channel member has the highest frequency. This table was produced in QSR N6 using the matrix 'intersect' function which searched for text units within the 16 documents with relational codes that were either coded as a manufacturer or a reseller.

Table 4-7 Relationship Theme Frequency by Channel Member

Relationship Theme (Node)	Manufacturer	Reseller	% of Total documents
Satisfaction 2 3 4	962	1009	94
Commitment 2 3 1	291	433	94
Dependence 2 3 2	236	355	94
Cooperation 2 3 8	352	299	88
Trust 2 3 3	279	233	81
Comparison of Alternatives 2 3 5	28	85	44
Social Bonds 2 3 10	29	32	44
Structural bonds 2 3 9	2	12	18
Non retrievable investments 2 3 7	0	9	6

Units = Text Units

The analysis of the first research question highlighted the importance of the major and minor brands, together with the manufacturer and reseller perspectives. These relational themes were further analysed in terms of the major and minor brands with relevant manufacturer and reseller sample quotes. Tables 4-8 and 4-9 summarises the relevant themes over the page. For each theme the first row shows the manufacturer's quote and the second row, the reseller's sample quote. In the fourth column of the data display, the number of text units, theme weighting (Tw) and data weighting (Dw) for the theme including the manufacturer's and reseller's perspective is summarised. Next, the analysis of each relational theme is discussed, starting with commitment.

Commitment was an important relationship theme, but was seen differently by resellers and manufacturers. Resellers commented that commitment to a brand meant satisfying consumer demand through maintaining an adequate supply of stock. Minor brands were seen as less of a priority, except in larger volume product categories. Resellers expected manufacturers to commit to the resellers' promotional programme through cooperative advertising. In contrast, manufacturers expected resellers to purchase and allocate shelf space for their brands according to market share. Most manufacturers considered that resellers' shelf space allocation of their brands was often below market share.

Trust was the next key relationship theme to emerge in the analysis. Reseller trust focused on the reliability of brand supply, the credibility of marketing information shared, and the expertise of the major brand manufacturer or 'category captain'. Resellers expected fairness and honesty, particularly when manufacturers dealt with competing resellers. Consistency in trading terms and discounts offered was expected and resellers monitored the promotional programmes of their competitors to ensure that manufacturers were being honest. Resellers also expected reliability of supply and 'out of stocks' were a concern, particularly with major brands. If a manufacturer did not maintain supply of a particular brand, resellers were concerned that they would be less competitive than other resellers and lose customers. Major brand manufacturers, because of their resources and systems, were seen by resellers as more reliable and trustworthy than minor brands supplied by manufacturers, who were regarded as having fewer resources. In contrast, manufacturers commented on the need to treat all resellers fairly to minimise potential channel conflict.

Table 4-8 Relationship Themes -Major Brands

Theme	Definition	Channel Member	Sample Quote	Text units Theme/Data Weighting
Commitment Node 2 3 1	The reseller wishes to maintain a long term relationship with brand	Manufacturer	Lindauer is a huge brand, even then you have to have enough stock of it; **the resellers push it as much as they can**. [PH 303-305}	724 text units Tw 20% Dw 9%
		Reseller	Kim Crawford (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. [JG 300-303]	
Trust Node 2 3 2	Belief one party acts in the others best interest	Manufacturer	It gives the reseller the **reassurance** that what we do with our brand is going to work. [MK 264-265]	565 text units Tw 16% Dw 7%
		Reseller	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 reseller more than that reseller, but God help them if we found out that they did. [LM 160-161]	
Dependence Node 2 3 3	The need for the relationship to achieve goals	Manufacturer	They don't want to give us too much **power**, and go up to 60% market share. [RN 435-437]	591 text units Tw 16% Dw 8%
		Reseller	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. [GA 31-33]	
Satisfaction Node 2 3 4	Brand meets reseller's expectations	Manufacturer	The reseller knows when they promote a **brand**, how **well it goes** and that they are able to see the dollars at the end of the line. [KB 356 -357]	2061 text units Tw 57% Dw 27%
		Reseller	Bigger **brands** are more important to us; therefore we're more likely to give these suppliers prompt appointments and better promotional weeks. [LM 197- 199]	
Cooperation Node 2 3 8	Coordinated actions to achieve mutual outcomes.	Manufacturer	They know the brands that are important and can **drive category growth**. It gives us the weight to go in and sell new brands, concepts and ideas. [SB 245-246]	660 text units Tw 18% Dw 9%
		Reseller	Heineken beer is doing a reasonably large promotion with the Tennis Open (event). **We extended that promotion**, so guaranteeing Heineken display space in the premium area. [SBL 550-554]	

Table 4-9 Relationship Themes -Minor Brands

Themes	Definition	Channel Member	Sample Quote	Text units Theme/Data Weighting
Commitment Node 2 3 1	The reseller wishes to maintain a long term relationship with brand	Manufacturer	If you are Anatoths jam, it's much **harder** to get their time. [SB 400-401]	724 text units Tw 20% Dw 9%
		Reseller	The second or third tier brand has to go the **extra mile**. [NP 150-151]	
Trust Node 2 3 2	Belief one party acts in other's best interests	Manufacturer	If you fail to be **consistent** you could get a reseller voting us out. [KB 370-371]	565 text units Tw 16% Dw 7%
		Reseller	They (smaller brands) keep the bigger brands **honest**. [LM 210-211]	
Dependence Node 2 3 3	The need for relationship to achieve goals	Manufacturer	A lot of brands are small, they are hard to sell, **and you've got to have money put behind them** to pay for supermarket advertising slots. [PH 322-326]	591 text units Tw 16% Dw 8%
		Reseller	Smaller brands coming into the market can help **stimulate** the main ones. [GA 357-358]	
Satisfaction Node 2 3 4	Brand meets reseller's expectations	Manufacturer	The resellers **get tired** of promoting the major **brands** all the time, they also want some of the boutique brands for more variety. [PH 53-55]	2061 text units Tw 57% Dw 27%
		Reseller	They may be second tier, but are **still an important** part of the overall range of the store. [GA 101-102]	
Cooperation Node 2 3 5	Coordination to achieve mutual outcomes	Manufacturer	The resellers are a bit **relaxed** when they deal with us, compared to our bigger brands. [RN 434-436]	660 text units Tw 18% Dw 9%
		Reseller	Some small brands have done very well because of their **flexibility** and unique value-added. [AD 201-202]	

Dependence was important as manufacturers and resellers are mutually dependent. Manufacturers realised that resellers provided access to the end-customer, while resellers were dependent on manufacturers for brands to satisfy customer demand and provide variety. Resellers needed manufacturer's brands to provide innovation and brand support to develop the product category in their retail outlets. Category management was viewed as a way of better managing this dependence on brand manufacturers. Resellers perceived minor brands as helping them counter the dependence on major brands within a category. Having minor brands and offering private label brands also reduced reseller dependence. Manufacturers viewed minor

brands as being more costly to promote through retail outlets. This was because cooperative advertising costs were a fixed cost to the manufacturer, but minor brands achieved smaller sales volumes from these promotions than major brands. Essentially this theme reflected the shared nature of manufacturer and reseller resources in the channel.

As indicated in table 4-7 satisfaction with the channel member was the most frequently coded relationship theme. Reseller satisfaction is an important construct in the channels literature (Anderson & Narus, 1990; Ruekert & Churchill, 1984; Geyskens et al., 1999) and was a key dependent variable in Biong's (1993) study among grocery suppliers. Coding for this theme reflected the outcomes or consequences of the business relationship with manufacturers. This coding was differentiated from the financial benefits theme which reflected potential rather than the realised benefits. Comments by both resellers and manufacturers concerned the general satisfaction with a manufacturer's strategy such as providing new lines to enhance a reseller's business. However from a manufacturer's viewpoint dissatisfaction was expressed with a reseller's strategy, for example too much 'discounting'. Satisfaction with the performance of the channel member was also evident. Manufacturer participants mentioned sales performance and market share while resellers also used internal measures such as stock turn. Satisfaction with manufacturer's brands was often the subject of formal category reviews between resellers and major manufacturers. Thus within the satisfaction coding, two aspects were identified overall channel sentiment 'how well things were going' and specific references to economic measures such as sales and market share.

The last relationship theme was cooperation. To remain competitive with other resellers and satisfy consumer demand, resellers needed to cooperate with manufacturers to access the potential benefits that brands offered. These benefits included supply chain arrangements, pricing and margins, promotional activities, and category management. Because of the need to provide an assortment of brands for their customers, resellers were supportive of manufacturers' initiatives to increase sales of slow selling lines and often worked together to solve this problem. Resellers and manufacturers also worked collaboratively on joint promotions for particular brands outside of the regular cooperative advertising programme. These collaborations often involved joint

investments in promotions in the reseller's store. Resellers were willing to cooperate with major brands to build store traffic and sales volume, but manufacturers viewed resellers as being less flexible on matters concerning major brands. In contrast resellers were regarded by manufacturers as much more flexible when dealing with minor brand suppliers.

4.3.3 Analysis of Research Question Three

This research question investigated how the sources of manufacturers' brand value influenced key reseller relational outcomes. To examine this question the search and compare function of QSR N6 was used to analyse the intersection between the coded nodes for sources of value and the relational themes. Comparison (matrix) tables were generated that showed the overlap between the text units within the coding framework. These tables showed the linkages between the sources of brand asset value (research question one) and relationship themes (research question two). Satisfaction emerged as an important variable for resellers in judging the brand within the relationship as the data display in Table 4-10 indicates.

Table 4-10 Comparison of Sources of Brand Value with Relational Themes

Relationship theme (node)	Financial benefits 2 1 1	Non-financial benefits 2 1 2	Consumer benefit 2 1 3
Satisfaction 2 3 4	437	1118	1130
Commitment 2 3 1	123	376	400
Dependence 2 3 2	65	367	382
Cooperation 2 3 8	90	383	276
Trust 2 3 3	45	203	282

Units = text units

This table shows that the non-financial and consumer benefits which included branding were more likely to be linked to the relational outcomes than financial benefits. The next table 4-11 shows that the sources of brands of value are linked to relationship outcomes. However in many instances these relationships are likely to be attributed more to the supplier of the brand than the brand itself. Resellers were more likely to cooperate with, depend on or trust a supplier on matters concerning the brand. In contrast outcomes such as satisfaction and commitment were more readily attributable to the brand by resellers.

Table 4-11 Sources of Brand Value by Relationship Themes

Brand Value Theme -Node	Relationship theme-Node	Sample Quote	Text units Theme/Data weighting
Financial benefits 2 1 1	Satisfaction 2 3 4	If a supplier can lower their costs to us, then we can work our supply chain more efficiently and **that is a win for everybody**. [AD 130-134]	437 text units Tw 43% Dw 6%
	Commitment 2 3 1	The sales have dropped of the Sxxxx brand in Fxxxx and the buyer is concerned, **wants to look at how it can be fixed up**. [KB 370-374}	123 text units Tw 12% Dw 2%
	Trust 2 3 2	There are two things a reseller wants the first is **transparency** from suppliers, the second is a better deal than any one else. [LM 104-105]	45 text units Tw 5% Dw 0.5%
	Cooperation 2 3 8	It is **important to work with suppliers** because it is an investment on their side and is sometimes a cost to us but also an opportunity. [SBL 537-540]	90 text units Tw 9% Dw 1%
	Dependence 2 3 3	If you don't have a good relationship with Coke, then you probably **won't perform well** in the beverage category. [GA 201-204]	65 text units Tw 6% Dw 0.8%
Non-financial benefits 2 1 2	Satisfaction 2 3 4	We help the resellers set **mutual targets and budgets** for the year including a **promotional plan**. [SG 344-345]	1118 text units Tw 37% Dw 14%
	Commitment 2 3 1	The bigger the brand, **the more likely they will be given opportunities to promote**. [LM 200-201]	376 text units Tw 12% Dw 5%
	Trust 2 3 2	They are able to offer **consistency** of supply consistency in their brand they have got a lot of money to spend on the brand. [GA 21-22]	203 text units Tw 7% Dw 3%
	Cooperation 2 3 8	The **reseller's involvement with a breakfast promotion** is worth $12 million to each of them and increases category consumption. [SB 232-235]	383 text units Tw 13% Dw 5%
	Dependence 2 3 2	The stronger the brand the **more likely they are going to use it** as a loss leader. [KB 509-510]	367 text units Tw 12% Dw 5%
Consumer benefits 2 1 3	Satisfaction 2 3 4	As for Coruba customers just know it and know we stock it, **you don't have to work for your dollar** with this one. [JG 418-420]	1130 text units Tw 4% Dw 14%
	Commitment 2 3 1	We found out that consumers did not have any loyalty to a particular brand so we **negotiated an exclusive arrangement** with a supplier. [AD 267-273]	400 text units Tw 12% Dw 5%
	Trust 2 3 3	When we launched muesli bars, **they were happy for us to be in that market,** we arrived with all the information. [RN 238-241]	282 text units Tw 9% Dw 4%
	Cooperation 2 3 8	**Baileys is easier to work with** and it is what customers are actually looking for. [SBL 328-330]	276 text units Tw 9% Dw 4%
	Dependence 2 3 2	If we've a terrible relationship with the supplier, but the customers love the product **then we are not going to disadvantage our customers** because it is a difficult company. [AD 236-240]	382 text units Tw 12% Dw 5%

The second aspect of research question three was the relationship between these themes. A supplementary analysis examined the extent that reseller satisfaction was associated with reseller commitment, cooperation, dependence and trust on matters concerning the brand. In addition, the economic performance aspect identified in the satisfaction theme is also displayed. The data display in table 4-12 shows some examples of the linkages between reseller satisfaction and the other relationship themes.

Table 4-12 Satisfaction and Relational Themes Including Performance

Themes Node	Sample Quote	Text units Theme weighting
Commitment 2 3 1	We have a brand called Exxxx, with three in the range and Foodtown has taken the whole range and they've done really well with it and because it was performing so well, the other two supermarkets took the product on. And we've just got another range extension to the Exxxx range with a straight Merlot. So because they know the brand has a really good name and has done extremely well, the range was established, **we got a listing straightway on the strength of that.** [PH 179-185]	248 text units Tw 4% Dw 3%
Trust 2 3 3	If the supplier understands they have to turnover stock, to return margin based on retail footage, then you have **a reasonably solid basis** for relationships that could be long term. [RC 186-189]	157 text units Tw 2% Dw 2%
Cooperation 2 3 8	The supplier made sure that it went into those stores, that it was well looked after, that everything that could possibly increase the sales, were done in those stores, so it **worked really well, so we put it in more stores**, and more stores, and now (the brand) is extremely successful. [AD 201-206]	195 text units Tw 3% Dw 2%
Dependence 2 3 2	We do have some big suppliers and **without them we'd find it hard to do** business. [NP 124-126]	220 text units Tw 3% Dw3%
Performance 2 3 4 2	Because, at the end of the day, **we really work on more a sales, a profitability and customer count, return on shelf space**… so it's a lot more financial, than it is subjective. [AD 246-249]	506 text units Tw 25% Dw 7%

Examples in this table show how satisfaction with the brand within the relationship can lead to commitment to the brand in terms of taking additional lines, cooperation with resellers, recognition of relationship dependence and performance outcomes.

The analysis of research question three has shown the relational impact of the brand market offering to resellers. The resources associated with the brand such as financial benefits, a brand's advertising and promotion, customer base and branding strength have an impact on channel member satisfaction. Resellers are required to assess how well a brand is performing in relation to decisions that are made in terms of the end

customers, promotional programme and store layout. These decisions often involve a commitment of resources of behalf of the reseller such as the purchase of additional product volume. Satisfaction with the brand can lead to more reseller cooperation and commitment and is reflected also in the satisfaction with the economic performance outcomes, which is a key aspect of the political economy paradigm (Robicheaux & Coleman, 1994).

The analysis of the three research questions has shown that firstly that manufacturer brands have value to resellers. This value to the reseller is manifested in the financial benefit themes, such as pricing and margins, and the non-financial benefit themes, which include manufacturer resources such as advertising, merchandise support and category development. A second aspect, not fully addressed in the literature, is the value that brands offer the reseller's customer. This view of the brand offering is similar to the findings of Mudambi et al. (1997) which examined the wider benefits of branding to industrial purchasers. However, as both manufacturers and resellers have the same end-customer, then customer benefits become a further source of value for resellers. The next section discusses the development of the conceptual model, from these findings.

4.4 Conceptual Framework Development

The research hypotheses and the development of the conceptual model are discussed next. The key finding from the qualitative analysis was that brands offer several sources of value or benefits to resellers. These benefits have been depicted in the model as antecedent variables, which are labelled 'brand value sources'. These variables create value for the reseller through the reseller-perceived satisfaction with the brand. The reseller's perception of satisfaction was the most frequently coded relationship outcome which in turn influenced several other relationship outcomes. The model shown in Figure 4-2 has been structured following the guidelines of Bagozzi (1984) on theory construction. The focal construct is the reseller satisfaction of the brand with its antecedents, the four sources of brand value and the consequences being the relational themes and economic performance.

Before the model can be tested, it needs to be specified in terms of both its conceptual and empirical meaning. The validity of the empirical meaning is assessed by linking the

theory with measures of observed items (Bagozzi, 1984). This is achieved by highlighting the elements in the model and the structural relationship between them, taking into consideration the random error and systematic error present.

To specify the conceptual meaning of the model, the attributional, structural and dispositional definitions of the constructs must be outlined. In addition to the conceptual meaning, the antecedents of the focal concept and likely consequences of the theory need to be detailed. The attributional definition states the characteristics of the focal concept, while the dispositional definition outlines the action tendencies or consequences of the constructs. On the other hand, the structural definition within the model specifies how these concepts are related.

The attributional definitions of the model are now discussed. The focal concept is the reseller satisfaction with the brand. Satisfaction with a business to business supplier represents an important outcome of relational exchange (Cannon & Perreault, 1999). The antecedents of reseller satisfaction with the brand are based both on the qualitative findings and the literature e.g. Biong (1993) and Hogarth-Scott & Daprian (1997). In the analysis of research question one; the third theme consisted of reseller customer's benefits and brand benefits. As these benefits reflect two external relationships i.e. the customer with the reseller and the brand with the customer, it was decided to include these as two separate constructs, brand equity and customer demand, in the model. In summary these antecedent constructs for the sources of brand value are: financial benefits, non financial benefits, reseller's perceived brand equity and customer demand.

The sources of brand value are clusters of attributes that impact on reseller satisfaction of the brand. These indicators are described as clusters rather than summative attributes, as not all of the attributes always impact on reseller satisfaction. The consequences of reseller satisfaction with the brand are the relational exchange outcomes. These outcomes are the reseller's assessment of the brand's performance, the reseller's trust in the manufacturer on matters concerning the brand, the reseller's commitment to the brand, the dependence on the brand and cooperation with the manufacturer on matters concerning the brand. These attributional definitions of the relational outcomes will be explained next.

Economic performance is a key customer evaluation variable in business to business relationships and an outcome of the RBV. Within the branding literature brands have been linked to firm performance (Lane & Jacobson, 1995) as well as customer performance in inter-organisational relationships (Combs & Ketchen, 1999). Performance measures the reseller's evaluation of the financial performance and sales volume and growth of the brand in the category. Reseller's trust in the manufacturer on matters concerning the brand reflects the reseller's belief 'that its needs will be fulfilled in the future by actions taken by the manufacturer' (Anderson & Weitz, 1989, p.312). Trust has two attributes: trust in the benevolence and the honesty of the firm. Commitment is the desire of the reseller to continue with the brand as part of its range. Commitment has three facets (Kim & Frazier, 1997) with a brief description in parentheses: behavioural commitment (the extent to which the reseller provides help to the manufacturer of brand); continuance commitment (the reseller's desire to continue with the brand) and affective commitment (reflects the extent reseller identifies with the brand). Dependence was a key finding and is defined as the degree of difficulty the reseller would have in replacing the brand with an equivalent. Cooperation is a coordinated action taken by the firm to achieve mutual outcomes with expected reciprocation over time (Anderson & Narus, 1990).

The structural definition considers how the concepts in the model are related. The sources of brand value themes which are manufacturer's resources have been shown to influence relationship outcomes (Combs & Ketchen, 1999; Cannon & Perreault, 1999; Jap, 1999). Further theoretical support is demonstrated by the RBV and the governance value analysis of Ghosh and John (1999). Furthermore the merchandise buying literature shows a broad link from manufacturer resources such as brands to reseller satisfaction (Biong, 1993; Ruekert & Churchill, 1984). This conclusion is also indirectly demonstrated in the analytical modelling literature in terms of brand effects in trade promotions with resellers.

The dispositional definition of a construct reflects the tendency of one concept to influence another concept. Satisfaction has been linked to performance in a number of studies (Mohr & Nevin, 1990; Kalwani & Narayandas, 1995) and trust and commitment (Geyskens et al., 1999; Ganesan, 1994). Hunt and Nevin (1974) also show that satisfaction is linked to cooperation. Satisfaction of customer has been shown to

positively increase perceived performance of the supplier (Cannon & Perreault, 1999; Geyskens et al., 1999).

The conceptual meaning of the reseller satisfaction has been defined by specifying its antecedents and consequences. This allows the empirical meaning of these constructs to be derived through the use of a structural model. The conceptual model will be formally developed through the statement of hypotheses in the next section.

4.4.1 Hypothesis Development

The hypotheses related to these research objectives are now outlined. The research objectives are to assess the value manufacturer brands have for resellers and the effect of this value on reseller relationships. The sources of brand benefits are the antecedents which are linked to the consequences, the measures of relational outcomes including performance.

The first hypothesis relates to the focal concept, reseller satisfaction with the brand which is a mediating variable within the model. This hypothesis indicates the types of brand value relevant for resellers. The second hypothesis shows the impact of these sources of brand value on reseller satisfaction with the brand.

H_1: The 'sources of a manufacturer's brand value for a reseller' is a multidimensional construct that consists of several sub constructs: financial benefits, non-financial benefits, brand equity and customer demand.

H_2: These sources of manufacturer's brand value (financial benefits, non financial benefits, brand equity, customer demand) directly influence reseller satisfaction with the brand.

The next set of hypotheses examines how the focal construct, reseller satisfaction with the brand, impacts on the various relationship outcomes trust, commitment, dependence, cooperation and an economic outcome, performance. One of the findings from the interviews was that resellers more readily associated some relationship variables with the supplier rather than the brand. These variables were trust, cooperation and dependence.

H_3: Reseller satisfaction with the manufacturer's brand is more positively related to the reseller's trust in the manufacturer on matters concerning the brand.

H_4: Reseller satisfaction with the manufacturer's brand is more positively related to the reseller's commitment to the brand.

H_5: Reseller satisfaction with the manufacturer's brand is more positively related to the reseller's cooperation with the manufacturer on matters concerning the brand.

H_6: Reseller satisfaction with the manufacturer's brand is more positively related to the reseller's dependence on the manufacturer on matters concerning the brand.

H_7: Reseller satisfaction with the manufacturer's brand is more positively related to the reseller's assessment of the brand's performance.

The analysis of research question two showed that major brands were regarded differently and sometimes had different roles in a category compared to minor brands. As customer considerations were an important source of value for resellers, the standing of the brand in the marketplace would influence reseller satisfaction. Thus the next set of hypotheses states that differences in brand strength will influence these relationship variables.

H_{8a}: The effect of 'sources of brand value' on reseller satisfaction with the brands will be greater for major brands than minor brands.

H_{8b}: The effect of reseller satisfaction on the relational outcomes including performance will be greater for major brands than minor brands.

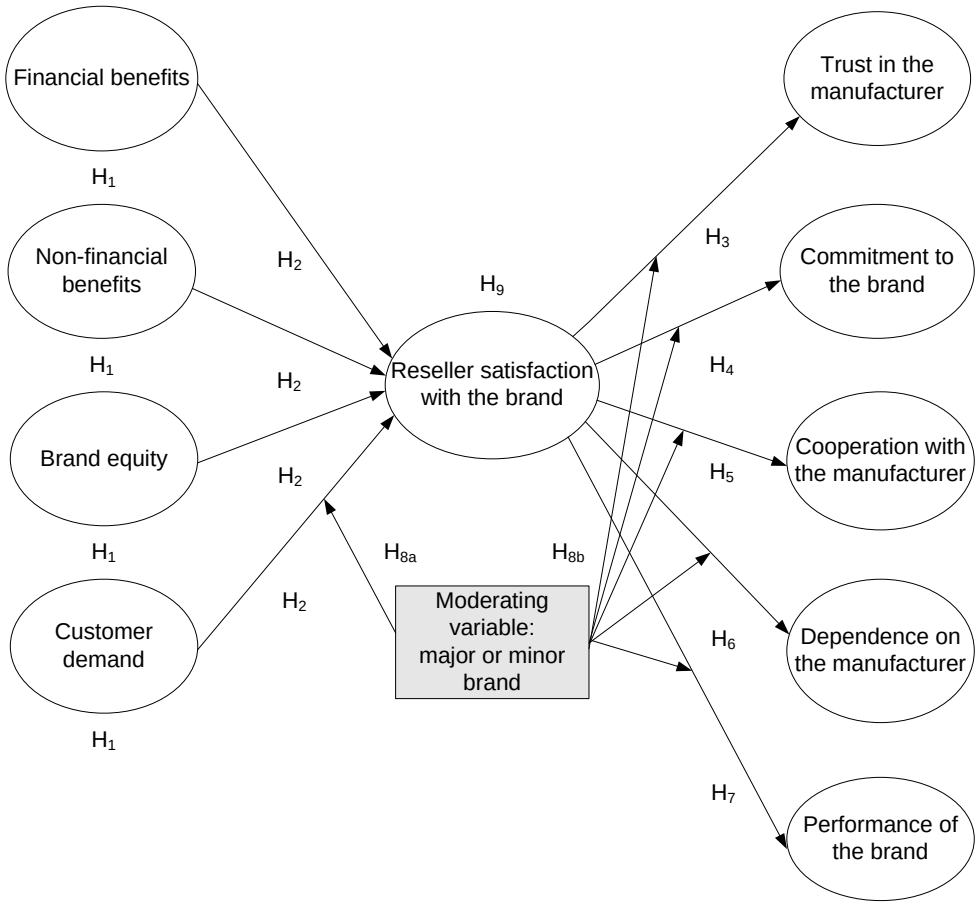
The last hypothesis allows the researcher to test for mediation of the focal construct within the conceptual framework.

H_9: Reseller satisfaction with the manufacturer's brand positively mediates the relationship between the sources of brand value and the relational outcomes and the performance outcome.

The conceptual model is shown in Figure 4-2.

Figure 4-2 Reseller's Satisfaction with the Value of Manufacturer Brands Model

Antecedents **Focal Construct** **Channel Outcomes**



4.5 Conclusion

The purpose of the qualitative research was to develop a conceptual framework that reflected the sources of value or benefits that brands have for resellers and the impact on relationship outcomes. The qualitative research showed that these sources of brand value were multidimensional and that both the reseller's customers and brand equity were important considerations. This view of the brand in the reseller context is consistent with the conceptualisations of industrial brands (Mudambi et al., 1997). These sources of brand value influenced the relational constructs, in particular reseller satisfaction. Further findings indicated that reseller satisfaction was an important focal construct which also influenced other relational variables. Evidence from the findings

showed that the brand did have an impact on relational outcomes as well as performance and that the strength of the brand was also influential.

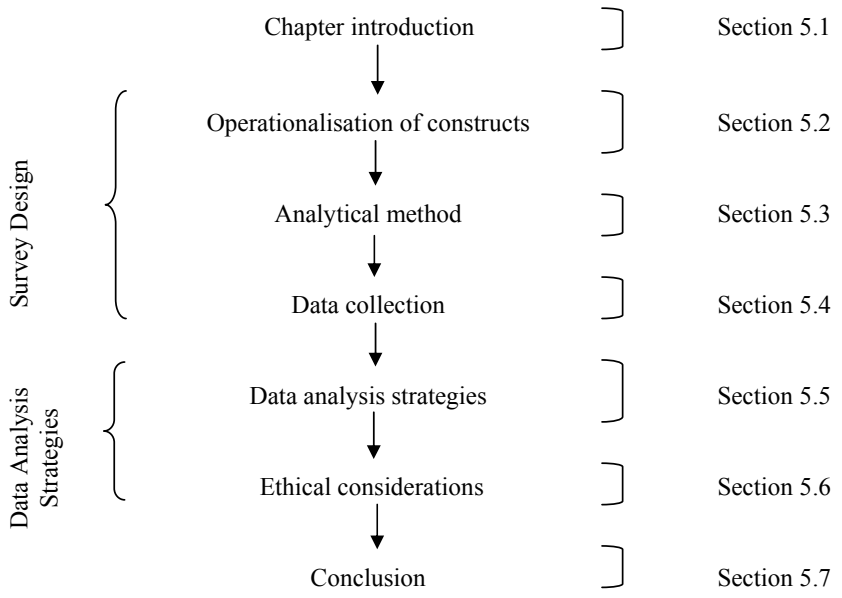
The RBV and the market-based assets framework has provided the foundation for the development of an integrative model that links brand equity to the outcomes of channel relationships with resellers. The model is grounded in the both channels and buyer–seller literatures which show that supplier resources such as brands are important antecedents in external firm relationships outcomes. Moreover the channel literature also highlights the key role of reseller satisfaction, trust and commitment. There are nine hypotheses underlying the model which shows that effects of the sources of brand on relationship outcomes. In Chapter 5 this conceptual framework is operationalised and the quantitative method is explained.

5 Testing the Conceptual Framework

5.1 Introduction

The purpose of this chapter is to justify and outline the quantitative method used to test the conceptual framework developed in the previous chapter. The conceptual framework and related hypotheses were based on the qualitative analysis and the literature review. Within the qualitative phase of the research, the sources of manufacturer brand value and impact of these on relational outcomes for resellers were explored. In this quantitative phase of the study, the conceptual model will be validated. In addition, this phase provides an opportunity to discover additional relationships, which can potentially broaden the scope of the study and form the basis for further empirical work. An outline of this chapter is given in figure 5-1.

Figure 5-1 Outline of Chapter 5



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5.2 Operationalisation of the Constructs

This section discusses the operationalisation of the constructs based on the conceptual model developed in chapter 4. As highlighted in the literature review, an integrated framework did not exist for this study. Therefore a conceptual model was developed that allowed the impact of the sources of manufacturer brand value on reseller relational outcomes to be measured. As some of the constructs in the model had been used in previous studies, existing scales were utilised where possible in this research.

The approach to developing marketing constructs followed the recommendations of Churchill (1979) and the procedures of Gerbing and Anderson (1988). The items for the antecedent constructs were developed from the sources of reseller brand value findings outlined in the previous chapter, while the items for the relationship constructs were based on existing scales. Table 5-1 summarises the constructs and definitions used in the conceptual model. In the first two columns the construct and its conceptual definition derived from the literature and qualitative findings are shown. Next the items relating to each construct are shown, which are based on the qualitative findings and previous scales where relevant.

Table 5-1 Model Constructs, Definitions, Items and Sources.

Construct	Conceptual definition	Construct items	Scale Anchors	Source of items
Financial benefits	The capability of the brand to offer financial benefits	Retail margin Sales volume potential Manufacturer allowances Retail selling price	Very low/high	Biong (1993) Qualitative phase
Non-financial benefits	Capability of the brand to enhance the resellers store operations	Advertising support Store promotion Manufacturer support Key part of category Additional choice in category Category importance Category information	Strongly agree/disagree	Qualitative phase Biong (1993)
Brand equity	The reseller's expectation of the consumer brand equity	Expectation that customer will purchase based on price, quality and product similarity	Strongly agree/disagree	Qualitative phase Yoo, Donthu and Lee (2000)
Customer demand	Reseller's customer expectations of the store with respect to the brand	Concern not in store Concern not in range Popular with my customers Expect to find in-store	Strongly agree/disagree	Qualitative phase Nilsson (1977)
Satisfaction with brand	Resellers general satisfaction with brand	Overall satisfaction Regrets having in range Pleased with brand Happy with brand Would still have in range	Strongly agree/disagree	Cannon and Perrault (1999)
Trust in manufacturer on issues concerning the brand	Honesty Benevolence	Accuracy of information Promises kept Best judgment Truth of explanations Consider us Support available Understand problems Would offer assistance	Strongly agree/disagree	Kumar, Scheer and Steenkamp (1995b)
Commitment to the brand	Affective Behavioural Continuance	Enjoy association Positive feelings Like association Work with manufacturer Invest more effort Invest to support brand Have indefinitely in range Unlikely to have in range Ordering is automatic	Strongly agree/disagree	Kumar, Scheer and Steenkamp (1995b)
Dependence	Dependence on manufacturer on matters concerning the brand	Difficulty in replacing Loss in income Limited alternatives	Strongly agree/disagree	Johnson (1999)
Cooperation	Cooperation with the manufacturer on matters concerning the brand	Helps out manufacturer Good working relationship Goals best achieved with manufacturer	Strongly agree/disagree	Skinner et al. (1992)
Performance	Performance of brand in store	Sales volume Sales $ revenue Profit Sales growth Store traffic	Well below/above expectations	Johnson (1999) Brown, Lusch and Nicholson (1995)

The last two columns of table 5-1 contain the scale anchors which form the basis of the attitude rating and the sources of each scale.

The items in the first four constructs measured the sources of brand value for resellers and are now explained. The financial benefit items relate to the potential benefits that brands offered resellers and were based on the participant's comments and key studies in the literature such as Ruekert and Churchill (1994). Four items were selected to represent this construct. The first three items, retail margin, manufacturer allowances and price, were financial considerations, whereas the fourth, sales volume potential, reflected the ability of a brand to generate additional sales revenue for the reseller. Sales volume potential was frequently mentioned in the qualitative interviews when discussing price promotions.

The items for the second construct, non-financial benefits for resellers, were based on the manufacturer brand marketing mix. These items included consumer media advertising support, the value of manufacturer support of local advertising and in-store displays. Merchandising support referred to the additional manufacturer services such as shelf filling and in-store promotion of the brand. The remaining items referred to the brand's role in the product category, including its importance in the store range, importance in category growth and whether the brand provided additional choice. Finally manufacturers provided market information to resellers on trends and market share, which was measured by an item on the value of category information.

The third construct related to the reseller's perception of brand preference. An existing scale, overall brand equity was adopted for this research based on Yoo, Donthu and Lee's (2000) measure. Their scale had shown good reliability and had been replicated by Washburn and Plank (2002). Essentially the items in this scale measured the consumer brand preference in comparison to another competing brand. For this study the scale was modified so that resellers were asked what they expected consumer preference would be if a competing brand was the same quality or was similar in some way. The importance of retail price promotions also has been highlighted in the literature. Thus a further item was included that measured what resellers expected consumer preference to be if a competing brand was the same price. Another reason for using this scale was that the nature of the questionnaire focused on the brand itself. In

essence, this scale captured the Keller (1993) definition of customer-based brand equity. It should also be noted that Baldauf et al. (2003) used a similar approach when asking resellers to rate their customer expectations in relation to tile brands.

The fourth construct, customer demand, related to the finding in the qualitative interviews about the importance of customer demand for resellers. Four items based on these findings were developed to measure this construct. These items relate to the reseller's expectations of customer behaviour if the brand was or was not available in the reseller's range. One item measured the reseller's perceived popularity of the brand with customers, another measured whether or not customers would complain if the brand was not available. The other items measured whether customers expected the brand to be in the reseller's range and the degree of customer concern if the brand was not available. As mentioned in the literature review, the reseller to end-customer linkage has only been considered indirectly in merchandise buying studies e.g. Ettenson and Wagner (1986) and Nilsson (1977) who questioned resellers about 'consumer value'.

The items in the relational constructs, satisfaction, commitment, trust, cooperation, dependence and performance are discussed next. Satisfaction was measured by a scale that captured the affective attitude or overall satisfaction with the brand. An existing scale 'satisfaction with supplier' was used and had shown good reliability (Cannon & Perreault, 1999). For these items resellers were asked to rate their satisfaction level of the brand. The use of this scale also allowed the researcher to clearly differentiate satisfaction from the performance measure of the brand.

Trust was measured by two measures that had been previously used in manufacturer-reseller research. Kumar, Scheer and Steenkamp (1995b) measured trust as two constructs reflecting the honesty and benevolence of the seller. In the qualitative findings both aspects of trust were evident. For instance, manufacturers had to be transparent in terms of any trade deals offered to a reseller's competitors and resellers also relied on the manufacturer in terms of brand supply. The four honesty items reflected the accuracy of manufacturer information, ability to keep promises, truthfulness and sincerity of judgment on matters concerning the brand. The four

benevolence items related to the expectation that the manufacturer would support and consider the reseller when necessary.

Commitment was measured by a total of nine items that reflected the affective commitment, behavioural commitment and continuance commitment. With affective commitment, resellers were asked whether they liked being associated with the brand. Behavioural commitment measured whether the reseller would take any action on the brand's behalf and resellers were asked to what extent they would make an extra effort to support the brand. In contrast, the items for continuance commitment reflected whether the reseller considered the brand to be a long term part of the range. These items were based on Kim and Frazier (1997) who identified these facets of commitment which were each measured by three items. Ganesan (1994) had also shown that these facets of commitment have different effects with reseller relationships.

The cooperation construct consisted of three items which measured whether the reseller helped the manufacturer out on matters concerning the brand. These items were based on Skinner et al. (1992) who studied the sources of power between manufacturers and resellers in relation to satisfaction and cooperation. Dependence was also measured by three items. This measure was based on Johnson's (1999) measure of dependence in inter-firm relationships and concerned the replaceability of the brand. Performance was measured with five items, again based on Johnson's performance scale and also (Brown et al., 1995) which reflected the economic outcomes of the relationship. In this study, resellers were asked to rate the brand performance based on sales volume, value, growth, profit and store traffic.

In summary the operationalisation of the constructs reflected both new scales and the use of existing measures where appropriate. The conceptual definitions for the sources of brand value and relational outcomes were based on the qualitative findings, also supported in part by the findings of previous studies. These items also reflected the participants' comments in the qualitative phase of the study. Each measure asked the reseller to rate the relevant aspect of the brand in relation to other brands in the category. Thus the questionnaire items focused on the brand's relativity within the product category. This approach was also consistent with the analytical modelling literature and current retail practice. Aspects of construct measurement including rating

scale anchors will be more fully discussed in the section on questionnaire wording later in the chapter.

5.3 Analytical Method

Two issues influenced the choice of analytical method. First, the need to empirically test the research propositions developed as a result of the literature review and the qualitative phase. Second, the qualitative findings from the previous chapter do not generalise to a wider population and causal relationships cannot be inferred. In order to validate the conceptual model developed from qualitative findings and to achieve generalisability, a causal research approach was adopted. Two main research methodologies are considered suitable for causal research, surveys and experimental designs. This section discusses the approach to test the conceptual framework with structural equation modelling and is followed a discussion of the survey method.

5.3.1 Structural Equation Modelling

The conceptual model contains a number of hypotheses about the sources of brand value constructs that impact on several other constructs. These constructs consist of multi-item measures which influence the choice of research design and analytical approach. To test these hypotheses, multivariate analysis techniques are necessary. Multi-item measures within constructs are often analysed with factor analysis. The model also has a number of structural or causal paths to be tested and contains several independent and multiple dependent constructs. A multivariate technique, structural equation modelling (SEM) allows multiple dependent constructs to be tested simultaneously (Hair, Anderson, Tatham & Black, 1998). It also enables these constructs to be individually measured through multi-item scales, then validated and incorporated into a causal model in order to test the structural paths. This analysis contrasts with the approach of Biong (1993) who analysed multiple dependent variables of satisfaction and commitment separately with multiple regressions. In addition, Biong also appeared not to have conducted a factor analysis of the individual independent constructs in the regression. Therefore Biong was unable to show the full extent of the inter-relationships between these independent and dependent variables. Thus SEM offers several advantages, namely construct measurement and path analysis between multiple independent and dependent constructs not possible in Biong's approach.

The focal construct in this model is the reseller's satisfaction with the brand. The antecedents are the sources of brand value, while the consequences are the relational outcomes for the reseller. Causal paths will link the measurement model to a measure of value creation, which is the reseller satisfaction with the brand. In turn, the consequences of the theory will be specified by linking the measure of reseller brand satisfaction to the key relational outcomes by means of a structural model.

To test the conceptual model, the data will be collected from resellers and validated following the Steenkamp and van Trijp (1991) recommendations (SVT). SEM allows the conceptual model to be tested with field observations based on interval scales and the researcher to identify both measurement error in the constructs and structural error in the model. In addition, the reliability and validity of each construct can be assessed (Bagozzi, 1984). This procedure will allow the assessment of both the empirical and theoretical meaning of the model. First the measurement model of the sources of brand value and relational outcomes for resellers will be determined. Then the structural model will be fitted to the data in order to determine the causal relationships. The conceptual model will be validated by assessing the unidimensionality, convergent validity, discriminant validity, reliability, stability and nomological validity.

5.3.2 Survey Design

The process of choosing the quantitative method to collect the data for analysis by SEM was a consideration in the qualitative phase of this research. The difficulty in collecting reseller data has been noted in the literature (Ettenson & Wagner, 1986). Participants in the qualitative phases agreed that resellers at the local store level would be able to respond to the types of questions addressed in this study. Thus the survey method was considered most appropriate in obtaining this data (Alreck and Settle, 1990).

Several forms of survey data collection methods were evaluated. As previously mentioned, the population of supermarket resellers was spread across a wide geographic area throughout New Zealand. The difficulty and cost of reaching these informants meant that the use of a personal interview was not feasible. An alternative, the telephone interview was considered, but the logistics of interviewing resellers during business hours at a mutually convenient time of day, the length of questionnaire and the potential negative impact on the response rate, meant this option too was not practical.

The remaining two options were an electronic questionnaire administered via the internet or a mail survey. Email addresses were also not available for resellers and it was not certain which individual resellers had internet access at their place of work and whether they would be motivated to respond to an electronically administered survey. Therefore an electronic survey approach was not able to be adopted. A fax survey was ruled out because of the potentially low response rate and the likely poor quality of faxed survey material sent to respondents. This left the mail survey as the most practical means of obtaining a national sample of reseller opinion.

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

Reseller response to the items in the conceptual model was measured by means of a self-administered mail questionnaire. To capture reseller attitudes and behaviours it was decided to question resellers about actual brands in their store range. This research approach has been previously used in brand equity research notably by Yoo, Donthu and Lee (2000), Broniarczyk and Alba (1994) and Krishan (1996). Thus the brands served as stimuli for the research.

This form of fieldwork is known as a mixed experimental design (Cook & Campbell, 1979). A 2 (brand affect) by 8 (product category) design was used. Brand affect was a between-subjects factor that compared the major and minor brands within a category. Product category was a within-subjects replication factor representing the eight product categories tested. Resellers evaluated questions relating to two brands, each from eight different categories in either of two categories. The two brands were systematically assigned to resellers. Thus sixteen versions of the questionnaire were prepared. However the subsequent analysis was conducted at an aggregate, not at an individual brand level. Channels research has however tended to adopt the survey methodology as the primary means of data collection (Phillips, 1999). The research design allowed the researcher to obtain statistically independent measures of reseller's attitudes to brands

based on the constructs within the model and be able to evaluate the data at an aggregate level.

5.4 Data Collection

This section outlines the mechanics of the data collection process. The internal and external validity of the design are addressed, followed by a discussion of the brand selection, sampling and questionnaire design.

To address the external validity of the research design, various approaches in the literature are first examined. Branding research in industrial marketing has emphasised the supplier and purchaser dyad and examples include Mudambi et al. (1997) and Hutton (1997). Such research has tended to focus on one brand supplied within a single product category e.g. Lassar (1998). Other research designs have been more descriptive such as the approach of Michell, King and Reast (2001) who questioned industrial managers about their attitudes to brands in general. These questions focused on aspects of brands such as the market leading brand or the favourite brand. However this approach would not be valid in this instance, as supermarkets typically have from 3000 to 10,000 items per retail outlet. As resellers are dealing with a wider range of brands, the use of more general brand questions would have given descriptive rather than the causal data required. Resellers were therefore questioned about the brands in their store range over several product categories. This approach also enhanced the external validity of the research by ensuring that relationship measures referred to a common set of brands on which all informants could knowledgeably comment.

The internal validity of the research was enhanced by choosing brands for the study that were stocked by all supermarkets in New Zealand. Other potential threats to internal validity in this research include: history effects, the selection bias of respondents and the instrumentation effects attributable to the questionnaire itself (Sekaran, 2000). History effects in this instance referred to whether the market position of the major or minor brand may have changed since the Young and Rubicam survey was completed. Independent verification of a brand's market position was checked using the A.C. Nielsen Market Information Digest 2001. This information showed that the selected brands had not changed market position substantially during this period.

Selection bias was minimised by allocating surveys on the relevant categories to the appropriate person responsible for that category within the store. In addition, for each category set, surveys were systematically allocated throughout the contact listing. The allocation process is now illustrated for two categories. The first store on the list received a questionnaire about a major brand in the first category and a questionnaire about a minor brand in the second category. The next store received the questionnaire about the minor brand in the first category and the major brand in the second category. This process was repeated for the remaining stores/names in the category listings. Informants were evaluating two unrelated brands, which achieved statistical independent measures of the major and minor brands in the product category. Instrumentation effects were minimised by using identical survey questions across all brands.

The reason for selecting both major and minor brands was to control for the possible effects of brand strength on the relational variables in the model. If these brand types were not identified, possible confounding effects in the data would not be able to be assessed. Controlling for brand strength by measuring both major and minor brands allowed the researcher to manipulate this variable within the analysis. Measuring several brands across different product categories also eliminated any selection bias that may have come from a single brand focus on one product category.

Another potential threat to the integrity of the research design is sampling error. Sampling error was eliminated as the entire population of supermarket managers was surveyed; therefore this survey is effectively a census of reseller attitudes towards the brand. The next section discusses the selection of brands for the survey.

5.4.1 Brand Selection

As indicated in the last section, informants commented on actual brands rather than on brands in general. Brands are therefore the unit of analysis. This approach is common in consumer branding research, but does not appear to be as common in channels or business to business research. Not only did the brands have to be competing brands within the category, but the brands themselves had to be supplied by different manufacturers. That meant that a competing major or minor brand from the same

supplier within a category could not be selected, as the responses would be about an identical relationship with the manufacturer and could confound the results.

The next step in the research design was to select a valid set of competing brands with different contrasting levels of brand strength. Available secondary data sources on brands within the grocery sector were first checked. There are several different sources for this information including the trade press, proprietary sources such as A.C. Nielsen, and external measures of consumer brands.

An external measure of brand equity was available through the results of the Brand Asset Valuator survey commissioned by Young and Rubicam and reported by Agres and Dubitsky (1996) and Aaker (1996). This survey had been conducted by the Young and Rubicam advertising agency in New Zealand during 2000, interviewing 2400 respondents aged 18-55 years. The results of the survey produced a rating of a brand's asset value (BAV) and ranged between 0 and 100. A brand with no brand equity had a rating of 0, whereas a brand with maximum brand equity was rated at 100 (Bain, 2001).

Brand asset ratings were provided by Young and Rubicam to the researcher and covered 491 brands in the food and beverage sector, which are found in supermarkets. For each category, two brands were selected; one that had a high BAV score which was the major brand and the other, a minor brand which had a low score. The second requirement was that these brands were widely distributed and were a part of every supermarket's range. A distribution check, which entailed the researcher visiting each supermarket chain or phoning out of town chains, was conducted for each brand. This check ensured that the supermarkets did have these brands in their range and resellers could knowledgeably comment on each question. Several categories were not considered as some of the brands were not available in some retail chains. These tended to be the lower scoring or minor brands. Thus the selection of brands within a product category was determined by a combination of a brand's BAV rating and its general availability throughout the grocery trade.

The categories were selected by inspecting a printout of the BAV results. The interpretation of the results was guided by the BAV ratings and personal communication with Young and Rubicam executives. Each brand had a percentile

rating from one to one hundred and was grouped as follows 0-20, 20-40, 40-60, 60-80 and 80-100. Each product category was inspected for brands that had both high and low BAV scores. It was apparent that many of the brands with a rating below 40 were in very limited distribution or were deleted lines. This restricted the brand selection to brands with scores of 40 and above. Minor brands were selected from the 40-60 group and the major brands were selected from the 80-100 group. Some categories were not considered for the survey as a result of the BAV scores. For instance Coca-Cola which had a high BAV was not able to be compared with Pepsi, which while having a lower market share also had a good BAV score. Another lower ranked brand, Mirinda (also a Pepsi product), would have been suitable as a minor brand, except that it was not part of one supermarket chain's range. Other categories did not have strongly rating brands, such as the wine category. In this instance, the selection of brands was determined by comparing the highest rating brand with one of lowest rating brands.

5.4.2 Sampling

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

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

To access the reseller attitudes towards the brand, a key informant method (Brown & Lusch, 1992) was adopted. In this technique informants are chosen because they have the expertise or knowledge of the research issues within an organisation. This method ensured access to respondents that could meaningfully comment on the research questions. The key informant methodology is also an economical way of reaching potential respondents (Kumar, Stern & Anderson, 1993).

Thus senior managers within each store were chosen who had knowledge of the relevant product categories. Each chain had slightly different ordering processes. For instance Foodstuffs stores could either order directly though the Foodstuffs' warehouse or directly from the manufacturer, whereas Progressive stores could only order from their central warehouse. Foodstuffs' supermarkets are independently owned as part of regional cooperatives, whereas Progressive stores are company owned. Thus store owners, store managers and category managers responsible for the ordering of brands from each category within the store were chosen as the key informants for the survey.

Sending one large omnibus-type survey about sixteen brands to a single supermarket could result in a high level of non-response. It was therefore decided to send several smaller surveys on a more limited number of brands to several informants within a single supermarket outlet to achieve a better response rate. These informants had specific buying responsibilities within each supermarket, e.g. one buyer was responsible for the wine and beer categories. These individuals were more likely to be knowledgeable about the manufacturer relationship for particular product categories that they were familiar with.

When selecting the categories, it was found that buying responsibilities within each supermarket were clustered into related categories. For instance, the buyer looking after the toothpaste category also typically looked after the shampoo category, a related category in the 'health and beauty' section. Therefore in order to find a range of categories that managers could knowledgeably comment on, related categories were selected. These were the liquor, grocery and health and beauty products. Other areas considered were frozen and chilled foods. However there was insufficient data in the BAV to select brands from these latter two categories.

5.4.2.1 Sampling Frame

The sampling frame used for this research was a supermarket directory listing published by Review Publishing (FMCG, 2003). The supermarket directory listed each supermarket in New Zealand and contained the names of store owners or managers together with their address and phone contact details. Each supermarket was contacted by telephone to obtain the name of individuals responsible for ordering products for the relevant category. The list of supermarket outlets was supplemented by searching the

telephone directory and publications by the retail chains themselves, for details of any supermarkets that were not listed. This served as a check for any inaccuracies in the FMCG supermarket directory. As a result of this check several additional stores, which were mainly new store openings, were added to the list. Thus the sampling frame represented a complete listing of all New Zealand supermarkets as at April 2003.

5.4.3 Questionnaire Design and Administration

The next section explains the questionnaire design process and the steps taken in pre-testing the questionnaire, administration of the questionnaire. Question content, wording, response format, the structure and order of questions, and physical layout of the questionnaire are also addressed.

The administration of the mail questionnaire which followed the Dillman (2000) procedure is discussed next, together with a telephone screening process to obtain the names of key informants. Greer's suggestions were also included in the questionnaire administration to increase the response rate of the survey. Two considerations were important: first the questionnaire had to be short and easy to complete and second it had to be relevant to the individuals concerned (Greer et al., 2000).

The following steps from Dillman's procedure were implemented to ensure a good response rate. A covering letter, personalised with the reseller's name and address, was devised. This letter included the benefits of the survey, the value of the reseller's opinion, privacy considerations, a closing date when replies were required and a reply paid envelope. To further encourage the response, a prize-draw was offered where every returned survey had a chance of winning a prize which was $200 worth of petrol vouchers. A short summary of the report's results was offered to participants if requested. For those respondents who had not replied within four weeks, a follow up mail-out was then sent.

The questionnaire could now be drafted on the basis of the informants, brands and categories being tested, questionnaire objectives, method of communication and the questionnaire length. The important considerations in drafting the questionnaire were the measurement scales, the general layout, wording and an appropriate format for business to business research.

5.4.3.1 Structure and Sequence of the Survey

Telephone screening was used to obtain the names of at least four informants from each supermarket who could answer questions about the brands in the selected categories. Where this name was not able to be obtained, the survey covering letter (shown in appendix 2) was addressed to the 'category buyer'. Each informant was sent a survey package, consisting of two survey forms labelled either A and B, relevant to their category responsibility within a retail outlet. The survey package also contained a covering letter, an informant's participation sheet and a consent form. Each survey form had an identification code, which enabled informant non-response to be checked.

Survey form A contained questions about a major brand from a category and survey form B contained questions about minor brands from a different category. Major and minor brands from eight different categories were surveyed. As different brands were being assessed, the questions for each of the sixteen brands were printed on different colour pages, to quickly communicate to informants that each survey form represented two different sets of survey questions. Each retail outlet received up to four survey packages addressed to the buyer with relevant category responsibility within that outlet.

In the telephone screening several stores indicated they did not have a liquor section so a reduced number of surveys were dispatched for the wine and beer categories. A total of 1404 survey packages across eight categories were sent to respondents. There were eight groups of questionnaire combinations of major and minor brands which are shown in Table 5-2 together with the BAV ratings from Young and Rubicam. As an example a reseller was sent two surveys: one from group 1 on Colgate toothpaste, a major brand and the other on Alberto VO5 shampoo, a minor brand. The next reseller on the list was sent surveys from group 2: one on Pantene a major shampoo brand and the other Aim, a minor toothpaste brand. Thus category evaluations for the major and minor brands were completed by informants from different reseller outlets.

This table shows the clear differences between the BAV ratings for the major brand compared to the minor brand within each category. The major and minor brands within each category were supplied by different manufacturers and were available in all supermarkets.

Table 5-2 BAV Ratings and Survey Category Groups

Category	Major Brand	BAV Rating	Group	Minor Brand	BAV Rating	Group
Toothpaste	Colgate	85	1	Aim	50	2
Shampoo	Pantene	70	2	Alberto VO5	42	1
Jam	Craigs	81	3	Cottees	43	4
Fruit juice	Just Juice	95	4	Keri	38	3
Laundry powder	Persil	86	5	Reflect	32	6
Dishwashing detergent	Palmolive	85	6	Morning Fresh	56	5
Wine	Lindauer	77	7	Penfolds	44	8
Beer	Steinlager	92	8	Fosters	41	7

5.4.3.2 Questionnaire Wording

In drafting the questionnaire, the question content and wording, the response format, the structure or order of questions and the physical layout of the questionnaire were considered. The questionnaire wording was kept as simple as possible. Ambiguity, leading questions, implicit assumptions and generalisations were avoided. Double-barrel questions were also avoided by having the items contain one thought or concept only. These principles were followed when designing and pre-testing the questionnaire to ensure the use of familiar words and phrases to resellers.

An itemised rating scale was used to measure each item. This approach had the advantage of both being easy to construct and understood by respondents. The number of categories in such a scale can range from five to nine points. A seven point scale was used to give sufficient and meaningful distinction between the categories. Complete itemisation of each scale was not possible because of space limitations on the questionnaire. However all scales had at least three itemised points and most had five points. The seven point scale was preferred over a five point scale as the ratings from these scales tend to be more reliable (Churchill and Iacobucci, 2003). Each scale was balanced with a neutral point and three positively and three negatively worded labels. Every scale was labelled and also had a numeric indicator ranging from one to seven. A rating of seven indicated strong agreement while a rating of one indicated strong disagreement with the items being rated.

An odd rather than even number of scale points was preferred because there are circumstances in which it is valid for respondents to adopt a neutral position. Consistent use of the seven-point scale through the questionnaire also makes it easier for respondents as they do not have to continually readjust to different scale items. A final reason for selecting seven-point scales was that these scales were suitable for data analysis using structural equation modelling.

Following the design of questions, the next step in the questionnaire design process was to structure the questions into a logical flow. It was important to keep the order logical, interesting and reduce any position bias of the questions. The first section consisted of items about the sources of brand value. The stem of the first question was 'How does (the brand) compare with other brands in that particular category on the following?' The first items on this stem answered by respondents related to the non-financial benefits. These items were of a more general nature and were easier for the respondents to answer, so were placed first on the survey form. Questions relating to the overall brand equity and the consumer benefit items followed next.

The second section asked the reseller to rate the financial benefits of each brand. These items were considered more difficult to answer and asked the reseller to rate the brand compared to other brands in the category. This section also had a different rating scale ranging from very low to very high. The third section asked the reseller about the relational constructs: 'The extent to which they agree or disagree with the statements relevant to the brand in their store'. In the fourth section resellers were asked to rate the overall performance of the brand compared to other brands in the category. Here the rating scale ranged from well below expectations to well above expectations.

The final section consisted of general questions about the nature of the reseller's trading environment including an estimate of the number of competing resellers and consumer preferences within each category. In this final section questions were designed to explain any unexpected variation in the data. These questions were based on the environmental uncertainty construct used by (Kumar et al., 1992).

The last issue to be addressed was the physical characteristics of the survey form. As the questionnaire was administered by mail, the instructions to respondents needed to be

self-explanatory. These instructions were highlighted in a different font to distinguish them from the items and item response scales. The stem of the question was highlighted in a bold font. Each alternate item in the questionnaire was highlighted with darker shading, so that the respondent could match the correct item to the correct area of the response scale. This step minimised any respondent error in completing the survey form. The survey form was printed double-sided on one sheet and consisted of 59 items on two pages. This layout had cost advantages, but more importantly was intended to convey to the potential respondent that this survey would not take a lot of time to complete (Dillman, 2000). An example of the survey form is included in appendix 2.

5.4.3.3 Questionnaire Pretesting

The questionnaire was then pretested to eliminate possible weaknesses and flaws in the design. The first pretest was with resellers to refine the language of some questions. Particular attention was paid to the correct terminology and language used by resellers when referring to various retail processes. Second the questionnaire was pretested among an expert panel, including the researcher's doctoral supervisors from the marketing department of the University of Auckland. Then the final version was tested by potential users of the questionnaire and some minor changes were made to some words and expressions used. As an example of the type of minor wording changes, resellers suggested that the term 'category' rather than 'market' information in item 5 of the questionnaire was more relevant.

5.5 Data Analysis Strategy

This section outlines the data analysis strategy to analyse the responses to this survey. The selection of an appropriate data analysis strategy should take into account the research problem, the purpose and the underlying assumptions of the statistical techniques (Malhotra, 1996). The research problem identified in the first chapter is 'What sources of value do manufacturer brands have for resellers and how do these 'sources of value' affect reseller relational outcomes towards the brand?' As a result of the literature review and the qualitative research, a conceptual model addressing this problem was developed. Multivariate analysis was required to validate this model. There are a number of assumptions about multivariate techniques such as SEM. The first assumption is normality, which is the correspondence of the response distribution

to the normal distribution curve. The second assumption is that linear relationships existed amongst the items measured.

Another consideration for data analysis is the measurement scale used. A seven-point itemised scale was used in the data. Because of its numbered scale points this scale was treated as an interval scale. The category labels also suggest that this scale has ordinal properties. LISREL 8.54 was selected for this analysis, because this SEM software is widely used in the business, social science and research methodology literatures. LISREL also allowed the researcher to analyse the data either as an interval scale using covariance matrices or as an ordinal scale using matrices based on polychoric correlations.

5.5.1 Assessment of Instrument Reliability and Validity

A major issue with any measurement instrument is that it accurately and consistently measures what it is supposed to measure. The types of validity that concern researchers are content validity, construct validity and criterion related validity. Content validity is the degree to which the items within the construct measure the concept under study. This is achieved through conceptually defining the domain of the construct (Churchill & Iacobucci, 2003). The domain of each construct was defined through the literature review, the results of the qualitative research, expert feedback and questionnaire pre-testing.

Construct validity measures how well the results obtained from the use of the measures fit the theory and is assessed using the recommendations of Steenkamp and van Trijp (1991). Convergent validity was assessed through examining a construct's unidimensionality. Here a confirmatory factor analysis is carried out to produce congeneric models for each construct. Inspection of the item-to-total correlations and the standardised residuals further refines each construct. In the case of the new scales, an exploratory factor analysis will also be conducted to confirm the underlying factor structure.

The next step is to assess the within-method convergent validity and reliability of the constructs. Cross-validation of the model will be achieved by comparing calibration and validation samples. This comparison is achieved in LISREL using multi-group

analysis which involves checking for differences by constraining various parameters within the model. Within-method convergent validity is achieved by comparing the LISREL output between the calibration sample and validation sample specifically examining the significance of parameters and correlations of each item with the construct. The construct reliability and variance extracted for each construct will be calculated using the Fornell and Larcker (1981) formula.

The stability of the measurement model is assessed, by testing for factor invariance (Byrne, 1998). Here the validity of the factor structure is tested first by examining the invariant pattern of factor loadings, invariant factor covariances and the equality of factor invariances. Next discriminant validity will be assessed by several tests including Fornell and Larcker's (1981) test which compares the average variance extracted to the square of the correlation between the constructs. Criterion-related validity refers to whether the measures from different brand types behave as predicted. Multi-group analyses will enable the measurement responses to be analysed according to whether the brands are major or minor.

The last stage is to assess nomological validity which tests to what extent one particular construct theoretically networks with other related constructs. Alternative structural models will be evaluated and compared to the original conceptual model. Specifically the validity of the nomological net between the sources of brand value and reseller brand satisfaction and the other relational constructs is examined. The validation recommendations are summarised in table 5-3.

Comment [A1]: (Same source error could also be tested for).

Table 5-3 Model Validation Steps

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

SPSS 11.5 is utilised to conduct some exploratory analyses such as frequency tables, correlations, comparison of means, cross-tabulations, assess missing data, compute reliability statistics and for exploratory factor analysis. The PRELIS data preparation programme is used to assess how well the assumptions of multivariate analysis are being met. It will also output the covariance matrix that will be used by LISREL to test the model. A covariance matrix is generally preferred to a correlation matrix as the input for SEM because it provides a more valid comparison and a "true test of theory" (Hair et al., 1998). A further aspect to be tested is the extent of mediation of reseller satisfaction between the sources of brand value and the relational outcomes of trust, commitment, dependence, cooperation and performance. These mediation tests are also conducted using SEM (Baron & Kenny, 1986).

5.5.2 Cleaning and Screening the Data.

The cleaning and screening of data involved editing, checking questionnaire completion, additional data coding and the treatment of missing data. The first step in the editing process was to check the questionnaire response level and assess which stores had responded. Each questionnaire was stamped with the relevant return date to enable comparisons to be made with early and late responses (Armstrong & Overton, 1977). The next step involved checking for correct completion of the questionnaires. Any questionnaires with incomplete data were followed up by the researcher with the respondent concerned, to ensure any missing items were subsequently completed.

The third step involved data coding; any missing data was assigned the numerical code of nine. The corresponding scale number from one to seven that was coded by the respondent for each item was the numeric code used in the analysis. Additional coding was carried out for each returned survey, to enable further analysis on the representativeness of the survey. These codes included a respondent identification code, the brand, the category, brand type (major or minor), the supermarket chain, region and whether the response was from the first or second mail out. The data was then entered into SPSS via Microsoft Access which allowed the data entry accuracy to be further checked. No further errors in the dataset were identified during this check. Five items in the questionnaire were reverse coded, which were subsequently recoded using SPSS.

Once the data had been entered to the database, frequency distributions were run in SPSS to check for out of range responses and missing data. Some minor corrections were made to the dataset at this point. Then every fifth database entry was manually double checked against the original questionnaire for correct data input.

Next the level of missing data in the dataset was addressed. There are several approaches to dealing with this problem. These include: deleting complete cases where missing data is found, deleting the incomplete variables themselves or using statistical imputation. The missing data was analysed in SPSS to see if the data is MCAR (Missing Completely at Random). If this is the case, an imputation method, expectation maximisation, will be used to replace any missing data.

5.6 Ethical Considerations

Consideration was given to the ethical issues at all stages of the research design process (Tolich, 2001). Ethical approval was obtained through the university ethics committee and addressed the fact that the respondents' responses were about various suppliers to their organisation. It was important that the informants were able to give their honest view on the questions. The respondents were sent a covering letter which emphasised the confidentiality of replies. Respondents were reassured that the information in the questionnaire would not be passed on to any other person within the organisation, the store and also would not be passed on to their suppliers.

Each respondent was provided with a participation information sheet outlining the purpose of the research, the research procedure, how people were selected for the study and how their privacy would be protected. A separate consent form was included where respondents gave their voluntary consent to the research. If respondents had concerns they were advised in the covering letter to either contact the researcher or the executive secretary of the ethics committee. To minimise the burden on respondents, only the questions necessary to address the research problem were asked of the respondents. In summary, all the relevant ethical steps of care and confidentiality were given at all stages of the research design.

5.7 Conclusion

This chapter has reported the methodology to be used in this study to test the conceptual framework. Operationalisation of the constructs included developing measures based on the qualitative findings and utilising previous scales. Causal research was the appropriate mode in which to conduct the research using a survey methodology. The survey assessed reseller's perceptions of both major and minor brands across a number of product categories, which allowed the potentially confounding effect of the different brands to be controlled for in the research design. Brand selection was based on secondary information obtained from the Young and Rubicam survey, which gave brand ratings across many categories.

The data was collected with a mail survey of supermarket resellers in New Zealand using the key informant methodology. These resellers were the managers responsible for product ordering in eight selected categories for each store. A questionnaire was developed based on Dillman's (2000) recommendations and sent to 1404 category buyers in 357 supermarkets. The questionnaire wording reflected both the qualitative findings and the literature. Appropriate pre-testing with both resellers and experts in research design was undertaken to ensure that the research instrument was valid and reliable. The questionnaire was designed to achieve a good response rate and be straightforward to complete. A follow up mail out was then sent to those who had not responded.

Seven-point Likert scales were used to record the informant's responses. This itemised rating scale was not only easy for respondents to complete, but meant the data could also be analysed by SEM. Data cleaning and screening steps including exploratory analyses were undertaken to test the integrity of the data. Structural equation modelling using LISREL 8.54, allows the measurement models and relationships within the model to be comprehensively analysed. The procedures outlined by Steenkamp and van Trijp (1991) were followed in fitting the conceptual model to the data. These steps allowed each construct to be confirmed as well the validity and reliability of the data. Ethical considerations which concerned the respondent's privacy and confidentiality of responses were also discussed. The next chapter reports the results and findings from this second stage of the investigation.

6 Analysis of Data

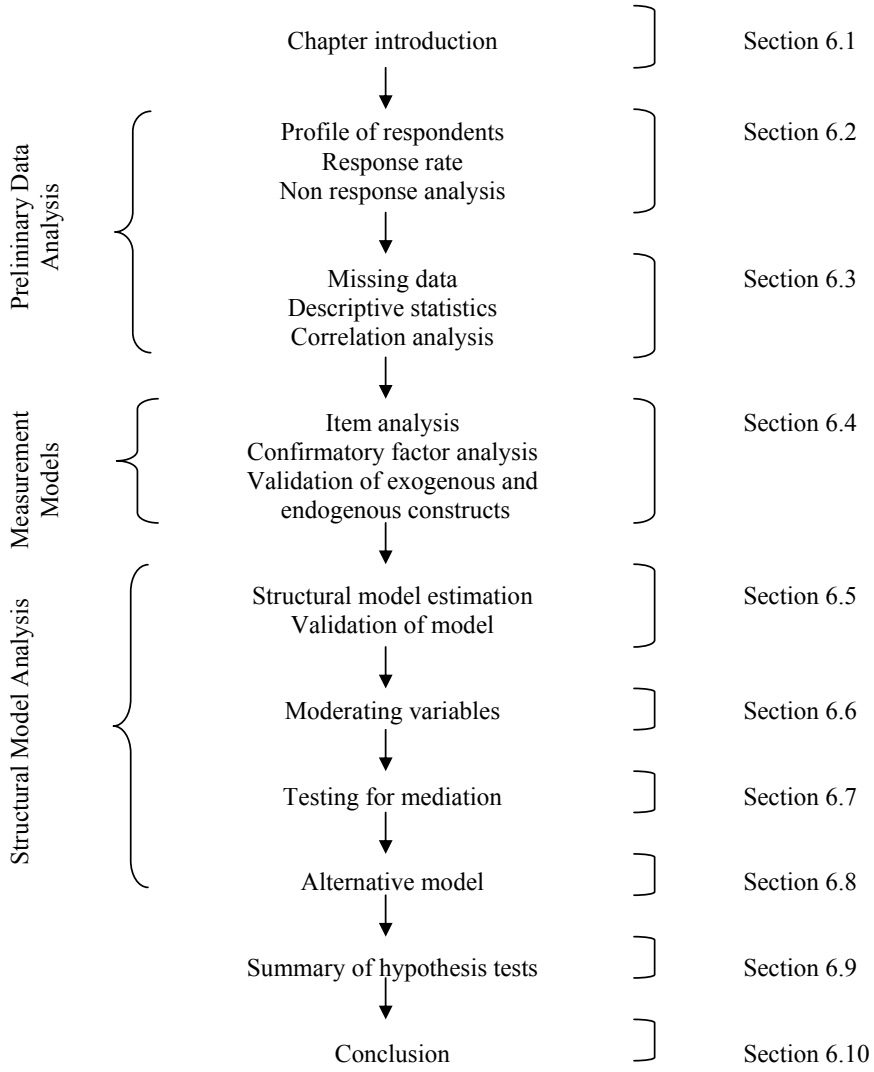
6.1 Introduction

In this chapter the results of the survey data collection are presented consisting of three main sections. An outline of the chapter is shown over the page in figure 6-1. The first section consists of a preliminary analysis of the dataset, while measurement models are developed in the second section and followed in the third section by the structural model analysis.

In the first section the respondent profile and survey response rate is examined. Further preliminary analysis is undertaken to ensure the data is suitable for structural equation modelling (SEM), the principal method of analysis. This step includes examining missing data, assumptions of normality and the correlations between the questionnaire items. In the second section the measurement models for the 'sources of brand value' and the relational constructs, based on the conceptual framework in chapter 4, are developed. For each of the constructs, the related questionnaire items are analysed using confirmatory factor analysis. These constructs are then purified using the construct validation procedure of Steenkamp and van Trijp (1991). This procedure also assesses the unidimensionality, cross-validation, reliability, stability and discriminant validity of each construct in the model.

In the third section, the hypothesised structural model is fitted to the data and the fit indices evaluated. This involves analysing the total dataset and includes a comparison of the calibration and validation datasets. The impact of moderating variables is then assessed through multi-group analysis (Bagozzi & Yi, 1988). Next, mediation tests are conducted on the focal construct in the model, followed by an examination of alternative models to the hypothesised conceptual framework. Finally the results of the hypothesis testing will be summarised with conclusions. The interpretation of the results will be discussed in the following chapter.

Figure 6-1 Outline of Chapter 6



6.2 Profile of Respondents

The purpose of profiling and analysing respondents is to establish a clear picture of those who answered the questionnaire and their representativeness compared to the total population of reseller personnel in the supermarket industry. The survey response rate and an analysis of those who did not respond are discussed next.

6.2.1 Response Rate

A total of 1404 survey sets were despatched to resellers, with each survey set containing two questionnaires. The first questionnaire consisted of questions on a major brand,

while the second contained identical questions about a minor brand in another product category. Sixteen different brands were surveyed consisting of one major and one minor brand from each of eight categories. These eight categories were divided into four category groupings which allowed the research design to be administered as shown in Table 6-1.

The survey was despatched to respondents on the 2nd April 2003. A follow up survey was mailed four weeks later on the 2nd May 2003 to those resellers who had not responded by the end of April to the survey. This first mail-out resulted in 240 survey sets being returned, while the second follow up resulted in a further 186 sets. The total number of questionnaire sets returned was 426, an overall response rate of 30.3%. This response rate compares favourably with other reseller studies such as Lassar (1998), Baldauf et al. (2003), Kumar, Sheer and Steenkamp (1995b) and Biong (1993) who obtained response rates of 12%, 20%, 28% and 36% respectively.

The total number of supermarkets in New Zealand at the time of the survey was 357. Therefore 357 survey sets were sent to respondents for each of the first three category groupings. With the fourth category grouping, a number of supermarkets did not have a wine or beer section, due to local area liquor regulations. This reduced the number of stores available to respond in this grouping to 333. Table 6-1 shows the response rate by category group returned. The highest number of responses was from the shampoo and toothpaste group, but the highest response rate was from the wine and beer grouping.

Table 6-1 Response Rate by Category

Category groupings	Group	Number of survey sets mailed out	Survey sets returned	Response rate %
Shampoo and Toothpaste	1	357	124	34.7
Fruit Juice and Jam	2	357	90	25.2
Laundry Powder and Detergent	3	357	91	25.5
Wine and Beer	4	333	121	36.3
Total		1404	426	30.3

A number of survey sets were incomplete and unusable as shown in table 6-2. When these unusable surveys are deducted from the total returned, this left 410 usable survey sets or 820 survey forms; an effective response rate of 29.2%. The number of usable survey forms for the first wave of responses was 456 and 364 for the second wave.

Table 6-2 Usable Surveys and Reasons for Incompleteness

Total surveys returned	426	Reasons for incompleteness	No. of Surveys
Less incomplete surveys	16	Declined to participate	7
		Person no longer with company	2
		No knowledge of category	2
		Blank or incorrectly completed	5
Useable survey sets	410		

The response to the survey indicates that there are sufficient observations to analyse the dataset with SEM. Hair et al. (1998) considers that samples of 100 to 200 are sufficient for SEM analysis. Sample sizes of 400 to 500 can be too sensitive resulting in poor goodness of fit indicators. While this is a potential problem in this dataset, n = 820, the opportunity exists to assess the effect of sample size on smaller samples such as the calibration and validation datasets. The other criterion is the number of parameters in the model compared to the sample size. Hair et al. (1998) states there should be a minimum of five observations for every parameter in the model. In this dataset there are 52 items and a sample of 820 means that there are at least fifteen observations per parameter. Thus the sample size requirements for SEM are met on both criteria.

6.2.2 Non-response Analysis

With a response rate of 30%, care must be taken to ensure the actual responses received are representative of the population of supermarket buyers. Using the Armstrong and Overton (1977) recommendations, the first wave of responses was compared to the second wave to check for any differences in the questionnaire items. T-tests were conducted to compare whether there was any significant differences between the two waves of responses. The results revealed only six out of the 52 items in the questionnaire or 12% showed a significant difference at the $p < 0.05$ level, between the two waves. The significantly different items were: ‘concern not in range’, ‘regrets

having brand', 'shares best judgement', 'work with to achieve goals', 'indefinitely in the range' and 'offers support'. Given the differences in the brand stimuli inherent in the design, no other plausible reason existed for these differences in these items. It was concluded that no major differences existed between the first wave of survey responses and the follow up second wave.

6.3 Preliminary Analysis

This section considers the impact of missing data and analyses the response by category region and supermarket chain. The purpose of this analysis to explore whether the survey responses are biased due to any potential over-representation of product categories, brands, brand type or reseller.

6.3.1 Missing Data

As the survey was administered as a self-completion questionnaire, missing data is a potential source of survey error as there was no interviewer present to ensure that the intended respondents completed the survey correctly. The audit of the remaining usable 410 surveys showed some twenty four survey forms were incomplete, having two or more questionnaire items missing. These respondents were re-contacted to complete and return the form. Nineteen respondents returned the survey forms, leaving only five remaining surveys that had missing data of two items or more. The level of overall missing data was low, with only six items out of 52 having more than 2% missing data. Serious problems with a dataset are indicated when levels of missing data are above 5% (Tabachnick & Fidell, 2001). The analysis for this dataset in table 6-3 shows missing data levels are well below this overall 5% threshold level.

Table 6-3 Analysis of Missing Data

Missing Data Level	No. of items with missing data	%
More than 2.0 but less than 2.5%	6	12
More than 1.0 but 2.0%or less	24	46
1.0% or less	22	42
Total	52	100

There are several methods of dealing with missing data. These methods include list-wise deletion, pair-wise deletion and statistical imputation. List-wise or complete case

deletion effectively deletes all the cases where one missing observation is found. Pair-wise deletion is where the item is not included in the analysis of the variable in question but other observations in that case remain. The third method statistical imputation estimates the value of the missing variable based on other variables and cases in the dataset.

While list-wise and pair-wise deletion retains the reliability of the items in a dataset, the effect is to reduce the size of the dataset and eliminate potentially useful responses. Using list-wise deletion in this dataset would have resulted in a 15% reduction to 697 cases. Following the recommendations of Hair et al. (1998) a statistical imputation method, expectation maximisation was used to estimate replacements for the missing data. This allowed all the valid responses to remain in the dataset while estimating the missing values based on the variance within the variable. Expectation maximisation calculates the estimated statistics for the missing data and then uses a maximum likelihood estimation to fill in the missing variables in the dataset. The analysis of the dataset using Little's MCAR test showed no significant difference between the complete cases and the cases with missing data. The results for this test were χ^2 (5055) = 5163, $p < 0.142$. The next section shows the survey responses by category and brand.

6.3.1 Response by Category, Brand, Reseller and Region

Table 6-4 shows the wide spread of responses across both major and minor brands. The responses were analysed by region and supermarket chain and shows an even representation of the supermarket chains and regions. There is a wide representation of brands across the eight categories in the dataset. For each category the major brand is listed on the top row, while the minor brand is shown on the bottom row.

In table 6-5 the first column shows the total responses received, the second column is the response as a percentage of the total. In the third and fourth columns are the total supermarket numbers and percentage from A.C Nielsen (Nielsen, 2001) for comparison. This table shows that the responses to the survey were biased slightly towards the independently owned supermarkets such as the New World and Pak'N Save chains and the North Island. However the overall response by supermarket chain is close to the Nielsen profile.

Table 6-4 Response by Category, Brand and Brand Type

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

Table 6-5 Response by Region, and Supermarket Affiliation

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

Source: Tables 5 and 6. Field Data, Statistics New Zealand/ A.C. Nielsen

In summary, these tables show the data is comprised of a wide spread of categories, brands, supermarkets and regions. All regions and supermarket chains responded to the survey. The overall survey response is therefore representative of reseller buyers in the New Zealand supermarket industry.

6.3.2 Normality

Normality is important as the presence of non-normal data affects the choice of estimation method in SEM. The variables were tested at a univariate level for skewness and kurtosis using PRELIS. The *Z*-score threshold level for skewness is 2.0 and for kurtosis is 7.0. There was some evidence of skewness in the dataset, however there was little kurtosis with no variables having a *Z*-score value of greater than 7.0. Given the presence of a moderating variable, the major and minor brands, the dataset then was examined by brand type. This analysis showed that the skewness was more apparent in the minor brand dataset. Curran, West and Finch (1996) consider that datasets with both skewness over 2.0 and kurtosis over 7.0 are extremely non-normal and weighted least squares estimation should be used. Overall the data can be considered to be moderately non-normal. Hence the maximum likelihood estimation procedure can be used which is robust to moderate violations of the normality assumption (Curran et al., 1996). Furthermore, the parameter estimates in SEM are generally unaffected by non normality (Sharma, 1996).

6.3.3 Category Analysis

The qualitative findings suggested that the value of the product category may influence the reseller's perception of brands. Accordingly, several additional questions relating to the product category were asked of resellers. These questions include the 'category importance in future growth', 'customer preferences', 'changing customer preferences', 'customer demand' and 'number of competing brands' in the category. The mean scores of the responses to these items were compared using one-way ANOVA to examine any differences between categories.

The one-way ANOVA with a Scheffe post-hoc test shows that the wine and beer categories ratings were significantly different at $p < 0.05$ level compared to the other categories for several questions. These questions were 'category importance in future growth', 'changing customer preference', 'customer demand' and 'number of

competing brands'. Resellers considered the wine and beer categories more important and more competitive than other categories. This finding is confirmed by trade statistics that show the wine and beer categories are amongst the top ten supermarket categories by value (Nielsen, 2001). None of the other categories in this survey were ranked as highly in this trade data. It is concluded that the wine and beer categories are important because of their value and growth potential. This difference between these categories will be included in the model as a moderating variable and discussed later in the chapter.

In summary, the data cleaning ensured that the observations were accurately entered into the dataset. The data screening identified and addressed the issues of response rate, missing data, outliers and non-normality. A good level of response to the survey was achieved, when comparable reseller studies are considered. The sample size is sufficient for SEM analysis and representative of supermarket resellers. Moderate skewness is evident in the dataset; but the maximum likelihood procedure in SEM can be used. An analysis of the supplementary questions shows that two categories are of greater importance to the reseller. This finding is now included as a potential moderating variable in the analysis which is described in the next section. To assist the interpretation of the item labels in the next section, appendix 3 provides a guide to items used and their labelling in the subsequent tables.

6.3.4 Descriptive Statistics

Summary statistics for each of the items in the survey are reported in table 6-6 for the sources of brand value items, and by the major and minor brands which were moderating variables in the model. A listing of the item labels and the corresponding question is shown in Appendix 3. As discussed in chapter 5 these brands were classified on the basis of the Young and Rubicam data. This table shows that the reseller ratings are significantly different for major compared with minor brands at the $p < 0.00$ level. The reseller ratings for the major brands are higher as expected than for the minor brands.

This result confirms the predictive validity of the high and low BAV ratings for these brands as significant differences on all items being obtained between the brands. Only one item, 'retail margin' was not significant. This result is of interest given the

differences found in all the other items. It would appear that resellers do not perceive any margin differences between major and minor brands. Further *t*-tests were conducted on the brand pairs within the eight categories using the overall brand equity construct items. This result also confirmed the stability of the results, as significant differences existed between the major and minor brands at the $p < 0.05$ level. From this point onwards in the chapter, the data analysis is sourced from the field data.

Table 6-6 Mean Scores, Standard Deviations -Sources of Value by Brand Type

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

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

The next table 6-7 shows the ratings for the relational constructs in the model. This table confirms the pattern evident in table 6-6 showing statistically significant differences for each item between the major and minor brands. Again the major brands have higher ratings than the minor brands.

Table 6-7 Mean Scores, Standard Deviations-Relational Constructs by Brand Type

Endogenous constructs	Items	Mean (std. dev) All brands	Mean (std. dev) Major brands	Mean (std. dev) Minor brands
Satisfaction	Overall satisfaction	5.0 (1.2)	5.4 (0.9)	4.5 (1.2)
	Regrets having (R)	5.6 (1.3)	6.1 (1.2)	5.1 (1.2)
	Pleased with brand	4.9 (1.2)	5.3 (1.0)	4.4 (1.2)
	Not happy with brand (R)	5.0 (1.5)	5.4 (1.5)	4.6 (1.4)
	Still have in range	5.4 (1.2)	5.9 (1.0)	4.9 (1.2)
Trust	Inaccurate information (R)	4.9 (1.3)	5.0 (1.4)	4.7 (1.2)
	Promises kept	4.7 (1.0)	4.9 (1.0)	4.5 (1.0)
	Shares best judgement	4.7 (1.0)	5.0 (1.0)	4.5 (1.0)
	Truth of Information	4.3 (1.0)	4.4 (1.1)	4.2 (1.0)
	Respond with understanding	4.9 (1.1)	5.2 (1.1)	4.7 (1.1)
	Offers assistance	5.0 (1.1)	5.2 (1.0)	4.8 (1.1)
	Consider reseller	4.5 (1.2)	4.8 (1.2)	4.3 (1.1)
	Support available	4.8 (1.1)	5.0 (1.2)	4.5 (1.2)
Cooperation	Help manufacturer	4.6 (1.0)	4.8 (1.1)	4.4 (1.0)
	Good relationship necessary	4.9 (1.3)	5.1 (1.3)	4.7 (1.3)
	Work with to achieve goals	5.2 (1.1)	5.4 (1.0)	5.0 (1.2)
Dependence	Difficult to find replacement	4.2 (1.5)	4.8 (1.4)	3.6 (1.3)
	Limited alternatives	3.6 (1.3)	3.8 (1.3)	3.4 (1.2)
	Loss in income	4.4 (1.6)	5.0 (1.4)	3.7 (1.4)
Commitment	Automatic choice	4.8 (1.3)	5.3 (1.1)	4.2 (1.3)
	Unlikely in future range (R)	5.0 (1.5)	5.5 (1.6)	4.5 (1.3)
	Enjoy association	4.6 (1.2)	4.8 (1.1)	4.3 (1.1)
	Link to customer	4.3 (1.2)	4.5 (1.1)	4.1 (1.1)
	Will invest more	4.3 (1.1)	4.5 (1.0)	4.1 (1.0)
	Request support	4.3 (1.1)	4.5 (1.1)	4.2 (1.1)
	Indefinitely in range	5.0 (1.2)	5.4 (1.0)	4.5 (1.2)
	Positive feelings	4.5 (1.2)	4.9 (1.2)	4.2 (1.2)
	Will not drop	4.5 (1.3)	4.9 (1.2)	4.1 (1.3)
Performance	Sales volume	4.3 (1.3)	4.9 (1.0)	3.8 (1.3)
	Sales revenue	4.2 (1.2)	4.7 (1.0)	3.8 (1.2)
	Profit	4.1 (1.2)	4.3 (1.2)	3.9 (1.2)
	Sales growth	4.2 (1.3)	4.6 (1.0)	3.8 (1.3)
	Store traffic	4.0 (1.3)	4.4 (1.1)	3.5 (1.3)

Items measured on 7 point scales: the higher the rating, the more favourable. R = reverse scored item, n = 820.

6.3.5 Correlation Analysis

The last stage in the preliminary analysis was to consider the pattern of correlations between the focal construct and the other items in the model. Correlations between the items in the measurement model and the focal construct reseller satisfaction with the brand are reported in table 6-8. A correlation analysis is also conducted between the focal construct and relational outcomes and is shown in table 6-9.

Table 6-8 Correlations between Sources of Brand Value and Satisfaction

Exogenous constructs	Items	Overall satisfaction	Regrets having	Pleased with brand	Not happy with brand	Still have in range
Financial benefits	Retail margin	.31	.10	.27	.21	.17
	Sales volume potential	.57	.43	.56	.36	.56
	Level of discounts	.54	.28	.56	.36	.44
	Retail selling price	.17	.12	.23	.11	.24
Non-financial benefits	Advertising support	.56	.38	.52	.32	.51
	Part of store advertising	.50	.37	.47	.36	.48
	Merchandising support	.46	.34	.47	.35	.39
	Key part of range	.65	.49	.62	.41	.62
	Category information useful	.42	.29	.40	.26	.38
	Key brand category growth	.64	.45	.63	.42	.51
	Additional choice	.46	.34	.50	.29	.47
Brand equity	Brand equity quality	.52	.31	.53	.32	.45
	Brand equity price	.56	.33	.53	.35	.47
	Brand equity not different	.49	.36	.47	.30	.45
	Brand equity prefer	.55	.35	.54	.33	.50
Customer benefits	Concern not in range (R)	.58	.55	.55	.45	.61
	Expect in store	.63	.55	.60	.44	.68
	Complain if not in store	.60	.53	.58	.39	.64
	Popular with customers	.70	.50	.60	.46	.65

All correlations are significant at the $p < 0.01$ level. R = reverse scored item, $n = 820$.

Table 6-8 shows the sources of brand value are all significantly correlated with the items relating to brand satisfaction. It confirms that the variables are worthy of initial testing in the measurement model. However some variables, 'retail margin' and 'retail selling price' are not strongly correlated with the satisfaction items, which indicates that these may not be significant predictors of reseller satisfaction with the brand. In

addition, the reverse-scored items in the satisfaction scale have lower level of correlation compared to the other items. The correlation analysis in table 6-9 between the relational items and the focal construct also shows significant correlations.

Table 6-9 Correlations between Relational Variables and Satisfaction

Endogenous constructs	Items	Overall satisfaction	Regrets having	Pleased with brand	Not happy with brand	Still have in range
Trust	Inaccurate information (R)	.24	.37	.27	.28	.33
	Promises kept	.48	.30	.49	.33	.45
	Shares best judgement	.52	.32	.51	.37	.46
	Truth of information	.33	.12	.35	.23	.26
	Respond with understanding	.47	.34	.44	.35	.39
	Offers assistance	.48	.37	.48	.38	.43
	Consider reseller	.46	.25	.48	.33	.36
	Support available	.52	.30	.52	.38	.42
Cooperation	Help manufacturer	.42	.23	.43	.29	.39
	Good relationship necessary	.34	.26	.40	.27	.32
	Work with to achieve goals	.41	.34	.45	.33	.45
Dependence	Difficult find replacement	.57	.40	.53	.41	.52
	Limited alternatives	.30	.12	.30	.19	.21
	Loss in income	.62	.43	.60	.43	.56
Commitment	Automatic choice	.62	.44	.60	.42	.62
	Unlikely in future range (R)	.37	.48	.36	.30	.45
	Enjoy association	.57	.34	.56	.41	.47
	Link to customer	.50	.22	.52	.33	.40
	Will invest more	.45	.25	.50	.32	.38
	Request support	.42	.23	.43	.28	.34
	Indefinitely in range	.61	.49	.59	.42	.65
	Positive feelings	.60	.39	.59	.41	.53
	Will not drop	.61	.45	.58	.45	.56
Performance	Sales volume	.65	.38	.64	.40	.59
	Sales revenue	.63	.37	.62	.41	.56
	Profit	.54	.29	.53	.41	.43
	Sales growth	.63	.39	.61	.40	.55
	Store traffic	.61	.32	.58	.38	.51

All correlations are significant at the $p < 0.01$ level. R = reverse scored item, $n = 820$.

This table indicates the variables that may perform well in the structural equation modelling. All correlations are significant at the $p < 0.000$ level. The majority of correlations are over 0.3 indicating a good level of association between the relational

constructs and the focal construct. Some trust and cooperation items both had relatively weak correlations, in contrast to the performance items which had strong correlations of 0.5 or more. The reverse scored items have lower correlation levels, compared to the other items in the satisfaction scale; a similar pattern was noted for the exogenous items.

In summary, the analysis of the descriptive statistics show significant differences between the item ratings for the moderating variable, brand equity type. The robustness of the brand type measures is confirmed in several *t*-tests of the questionnaire items. The correlation analysis identifies the items from both the exogenous and endogenous variables that are strongly correlated with the focal construct, reseller satisfaction with the brand. This analysis shows the data is suitable for SEM, which begins with the estimation of the measurement models.

6.4 Measurement Models

This section details the development of the measurement models for the exogenous and endogenous constructs. This section follows the two-step approach of assessing structural models advocated by Anderson and Gerbing (1988). The first step involves the validation of the items for each construct and estimation of a measurement model, before the full structural model is fitted to the data in the second step. The advantage of this first step is that the statistical significance of all path coefficients and the likely fit of the model can be assessed. In addition, model modifications and evaluations of alternative models can be made, which ensures the items within each construct are robust. LISREL 8.54 is the SEM software used in the analysis.

This analysis proceeds as follows: first a complete analysis of the items in the full dataset is presented, followed with an assessment of the fit indices. This item analysis, using SPSS 11.0, shows the coefficient alpha, adjusted item-to-total correlation, together with the initial estimates of the squared multiple correlations (SMC), factor loadings, and *t*-values for each construct. Both the exogenous and endogenous models are analysed in this manner. The ordinal properties of the dataset are then compared to the initial analysis which assumes the data is interval scaled. The re-specification of the model involves an inspection of these fit indicators, as well as consideration of the standardised residuals and modification indices for each item in relation to its construct.

Once a satisfactory fit of the model to the data has been achieved, then composite reliability and variance-extracted estimates are calculated for each construct. This allows the unidimensionality, reliability and convergent validity to be considered, followed by assessments of cross-validation, stability, and discriminant validity. As part of this process, the data is split into two datasets for comparison. The dataset is randomised and every second response selected for the calibration dataset. The remaining data becomes the validation dataset. Both datasets contain similar numbers of major and minor brands.

Evaluation of the models estimated with LISREL, whether they are congeneric, measurement or structural, follows established criteria in the literature (Bagozzi & Yi, 1988). These criteria include assessments of preliminary fit, such as factor loadings, standard errors, overall model fit and the fit of the internal structure of the model. Table 6-10 summarises the criteria for acceptable model fit.

Table 6-10 Criteria for Evaluating Structural Model Fit

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

The Chi-square statistic is commonly used to evaluate a structural model; however this statistic has been shown to be sensitive to large samples. Hair et al. (1998) consider that normed chi-square values of between 2.0 and 3.0 show a good fit of the model to the data.

6.4.1 Exogenous Constructs Measurement Model

The exogenous constructs, the sources of brand value, are estimated in this section. First the unidimensionality of the total data is assessed, followed by an assessment of the stability of the measures using the calibration and validation datasets.

6.4.1.1 Unidimensionality

To test the unidimensionality of the sources of brand value constructs, all items were subjected to a confirmatory factor analysis (CFA). An inspection of the correlations and the item-to-total correlations shows that some items do not load well on to their particular construct. To test the construct initially, all available items are used in the analysis. Items not having a corrected item-to-total correlation of greater than 0.5 are candidates for deletion. As shown in table 6-11, all items had significant factor loadings with *t*-values exceeding 1.96. Three constructs have high alpha coefficients, but the fourth, financial benefits had two items that did not load well on to this construct and an alpha coefficient of less than 0.7. Some further items had SMCs of less than 0.5 which meant the construct explained less than half the variance in the item.

On the basis of the item-to-total correlations, three financial items, and one customer benefit item were candidates for deletion from the model. The inspection of the measurement model fit revealed indices that were a little below accepted thresholds: χ^2 (146) = 920, p = 0.000, χ^2/df = 6.3, GFI = 0.89, AGFI = 0.86 CFI = 0.98, NNFI = 0.98, and RMSEA = 0.08. To achieve a better fit, the exogenous measurement model was re-specified.

Inspection of the standardised factor loadings, confirmed the initial observation that several items do not load satisfactorily on to the appropriate factor. These were the financial benefit items, 'retail margin' and 'retail selling price' which all have low item-to-total correlations. In addition several items in the non-financial benefit category also had low factor loadings; these were 'merchandising support', 'category growth', and 'additional choice'. These items also had low SMCs which indicate that only a small percentage of these items' variance is explained by the non-financial benefit factor.

The pattern of standardised residuals also revealed several items that exceeded | 2.58 | which indicated misspecification, including loading on to other factors. One item, 'popular with customers' in particular, was subsequently removed from the model.

Table 6-11 Item Analysis Sources of Brand Value Construct

Construct	Items	Coefficient α	Item-to-total correlation	Sq. multiple correlation	Std. factor loading	*t*-value
Financial benefits	Retail margin	.63	.43	.08	.23	7.7
	Sales volume potential		.35	.67	.85	26.3
	Level of discounts		.53	.47	.65	21.0
	Retail selling price		.32	.08	.27	7.9
Non financial benefits	Advertising Support	.88	.71	.58	.76	25.3
	Part of store advertising		.66	.50	.71	22.7
	Merchandising Support		.57	.34	.57	17.8
	Key part of range		.80	.82	.91	33.0
	Category information useful		.55	.31	.55	17.0
	Key category growth		.80	.76	.87	31.0
	Additional choice		.56	.36	.60	18.6
Brand equity	Brand equity quality	.92	.83	.77	.88	31.4
	Brand equity price		.84	.79	.89	32.2
	Brand equity not different		.76	.64	.80	27.0
	Brand equity prefer		.84	.78	.89	31.9
Customer benefits	Expect in store	.74	.74	.81	.78	26.4
	Concern not in range (R)		.59	.61	.90	32.8
	Complain if not there		.69	.75	.87	30.9
	Popular with customers		.42	.78	.88	31.9

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

Another problem was a high correlation between the non-financial benefits and the customer benefit constructs. A comparison of the square of this correlation with the variance extracted revealed a lack of discriminant validity between these constructs. As a result eight items were removed from the four-factor measurement model, because of

low item-to-total correlations and high standardised residuals. The eight items removed were: the four financial benefit indicators, 'popular with customers' from the customer benefits factor, 'merchandising support', 'category information', and 'additional choice' from the non-financial benefits factor. The removal of these items resulted in an eleven item, three-factor measurement model.

Following this initial item analysis, as two of the three constructs used scales developed for this study an exploratory factor analysis was conducted on these remaining measures. The exploratory factor analysis used principal axis factoring and oblique rotation in SPSS 11.0 with the results shown in Table 6-12. A three-factor model was estimated and all items exhibited high factor loadings greater than 0.5 and high communalities between 0.57 and 0.86. The factor solution accounted for 80% of total variance and had a KMO measure of sampling adequacy of 0.94.

Table 6-12 Exploratory Factor Analysis - Sources of Brand Value Constructs

Items/ Construct	Non financial benefit	Brand equity	Customer benefit
Advertising Support	**.77**	-.02	.02
Part of store advertising	**.79**	.17	.02
Key part of range	**.67**	-.04	-.24
Key category growth	**.57**	-.20	-.14
Brand equity quality	.09	**-.88**	.09
Brand equity price	.10	**.-89**	.10
Brand equity not different	-.07	**-.75**	-.12
Brand equity prefer	-.09	**-.84**	.15
Expect in store	.22	-.06	**-.55**
Concern not in range (R)	.04	-.02	**.89**
Complain if not there	.03	-.04	**.85**
% of cumulative variance	64	74	**80**

N. B. Pattern matrix is shown. R = reversed scored item.

The results of the CFA for three-factor measurement model showed the fit indices were above accepted thresholds (Bagozzi & Yi, 1988; Hair et al., 1998). This re-specified model gave a better fit to the data: χ^2 (41) = 216, p = 0.000, χ^2/df = 5.3, GFI = 0.95, AGFI = 0.92 CFI = 0.99, NNFI = 0.99 and RMSEA = 0.072. An inspection of the SMCs showed these ranged from 0.51 to 0.86. Given these results it is concluded that

the sources of brand value items in this measurement model are unidimensional with respect to the relevant construct.

Convergent validity is shown by whether or not the factor loadings are of sufficient magnitude and are significant (Steenkamp & van Trijp, 1991). Another requirement is that the overall fit of the model is acceptable. All standardised factor loadings range from 0.71 to 0.93 and are significant with *t*-values ranging from 25.4 to 34.3 exceeding the *t*-statistic threshold of 1.96 at $p < 0.05$. Although the normed chi-square and *p*-values are significant and indicate poor fit, these indices are sensitive to sample size. The other indices show good fit of the model to the data and provide evidence of convergent validity of the items for each construct.

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

6.4.1.2 Stability

The next step is to assess the stability of the exogenous measurement model. The data was randomly split into two equal datasets (Diamantopoulos, 1994) for calibration and validation as per SVT's recommendations. The items deleted from the measurement model were retained, to check whether or not the responses from held true within the dataset or were just due to chance. The calibration dataset confirmed the initial estimation including the pattern of factor loadings for the deleted fourth factor. The model fit indices for four-factor estimation are: χ^2 (146) = 554, $p = 0.000$, GFI = 0.87, AGFI = 0.84, CFI = 0.98, NNFI = 0.98 and RMSEA = 0.083. Therefore the analysis proceeded with the re-specified three-factor model which was tested in both the calibration and validation samples.

The calibration and validation samples also allowed the findings of the measurement model to be cross-validated and within-method convergent validity and reliability to be

assessed. In table 6-13 the calibration dataset shows a better fit of the model to the data. Confidence in the three-factor measurement model is shown by the similarity in the patterns of factor loadings between the datasets indicating within method convergent validity and reliability. It is concluded that the three-factor model is valid for both samples. This analysis also shows that when the model is estimated with smaller sample sizes, the fit indices improve.

Table 6-13 Cross-validation –Sources of Brand Value Measurement Model

		Calibration *n* = 409		Validation *n* = 411	
Construct	Item	Std. estimate	*t*-value	Std. estimate	*t*-value
Non-financial benefits	Advertising Support	.78	18.3	.75	17.5
	Part of store advertising	.74	17.1	.68	15.3
	Key part of range	.92	23.8	.92	23.7
	Key category growth	.88	22.1	.84	20.7
Brand equity	Brand equity quality	.88	22.3	.88	22.2
	Brand equity price	.89	22.7	.89	22.6
	Brand equity not different	.80	19.2	.80	19.0
	Brand equity prefer	.88	22.3	.89	22.5
Customer benefits	Expect in store	.80	19.2	.76	17.7
	Concern not in range	.94	24.6	.92	23.4
	Complain if not there	.90	23.0	.89	22.8
Fit indices	Chi-square (*df* = 41)	94	*p*-value	167	*p*-value
	Chi-square/*df*	2.3	.000	4.1	.000
	RMSEA	.056		.087	
	GFI	.96		.93	
	AGFI	.94		.94	
	CFI	.99		.98	
	NNFI	.99		.98	

The stability of the three-factor measurement model was assessed by testing for invariance of the parameters, from both samples simultaneously, using a multi-group analysis. Then each of the nested models was compared to a base model using sequential chi-squared tests. The fit indices for estimation of the base model were: χ^2 (82) = 261, p = 0.000, CFI = 0.99, NNFI = 0.99 and RMSEA = 0.073. The testing of the nested models follows the example of (Byrne, 1998). To test for invariance, the factor loadings (lambda X matrix) between the calibration and validation samples are

constrained to be equal in model 2. As the difference in chi-squared statistic between model 2 and the base model is not significant, it is concluded that the factor loadings are the same across both samples. The model 3 comparison examines the simultaneous invariance of the factor loadings and the error covariances. Here the factor loadings and error covariances (theta-delta matrix) are constrained to be invariant and showed no significant differences between the samples. The next comparison examines the variances between the factor loadings and the factor covariances in model 4. Here the lambda X matrix is invariant and the phi matrix is constrained to be equal. As the difference in chi-squared statistic between models 2 where lambda X is also invariant and model 4 is significant, it is concluded that there are differences in the factor covariances across these samples. Finally in model 5 the factor loadings, factor covariances, and error variance are simultaneously tested for invariance. The differences between this model and model 4 are not significant. Overall the invariance tests show no significant differences between the base model and the constrained models except for the differences in factor variances in model 4. The meaning of the constructs, the individual items and the reliability of the sources of brand value construct are stable within the total dataset.

Table 6-14 Invariance Tests – Sources of Brand Value Constructs

Model	Competing models	Chi-square	*df*	$\Delta\chi^2$	Δ *df*	χ^2 $p < 0.05$	Model comparison	Significance at $p < 0.05$
1	Base model	261	82	-	-			
2	Factor loadings invariant	264	90	3	8	15.5	1 & 2	Not significant
3	Factor loadings & error variance invariant	274	101	13	11	19.7	2 & 3	Not significant
4	Factor loadings & factor variance invariant	282	96	18	6	12.6	2 & 4	Significant
5	Factor loadings, error variance & factor variance invariant	293	107	9	11	19.7	4 & 5	Not significant

The next step is to assess the discriminant validity of the measurement model using the procedure outlined by Fornell and Larcker (1981). These authors recommend comparing the average of the variance extracted estimate with the square of the correlation between any two constructs. The calculation of the variance extracted estimate follows the formula given in Hair et al. (1998). Discriminant validity is

demonstrated when the variance extracted average exceeds the square of the correlation of the construct. These results of these calculations are shown in Table 6-15 based on the three-factor, eleven item model for the full dataset.

Table 6-15 Discriminant Validity -Sources of Brand Value Constructs

Construct	Variance extracted	Brand Equity Average variance extracted	Brand equity Squared correlation	Customer Benefits Average variance	Customer Benefits Squared correlation
Non financial benefits	.67	.71	.55	.72	.75
Brand equity	.75	-	-	-	
Customer benefits	.76	.76	.53	-	

The average variance extracted exceeds the correlation squared in two of the three constructs, non financial benefits and brand equity, customer benefits and brand equity, but not between customer benefits and non financial benefits. As discriminant validity was shown in only two of the three constructs, two additional tests were undertaken (Arnold & Reynolds, 2003). The first test based on Anderson and Gerbing (1988) is that correlation between the factors plus the 2 times the standard error must not include 1. This calculation showed the confidence level of the correlation of customer benefits and non-financial benefits was 0.87 +/-0.012, which is between 0.882 and 0.85. As this confidence level does not include 1, discriminant validity is shown. The second test is to set the correlation between these two factors to 1 (phi 3 1) and check for any significant change in the chi-squared statistic for the overall model. The fit indices from the second test are: χ^2 (44) = 963, p = 0.000, RMSEA = 0.16, GFI = 0.83, CFI = 0.93. The change in the chi-squared statistic equals 748, which is significant when compared to the threshold chi-square statistic (χ^2 (3) = 7.8 at $p < 0.05$). This test showed that this re-specified model did not fit the data well and again confirmed the discriminant validity between these two constructs, customer benefits and non-financial benefits. The next section considers alternative measurement models for the sources of brand value.

6.4.2 Alternative Measurement Models

Following the discussion of discriminant validity, another model possibility is a two factor model consisting of the brand equity construct (4 items) and 7 items combining the reseller benefits and customer benefit constructs. Estimating this model provided a further test of discriminant validity (Bagozzi, Yi, & Phillips, 1991). Results of this

estimation were: χ^2 (43) = 1727, p = 0.000, RMSEA = 0.219, GFI = 0.72, CFI=0.93. The change in chi-squared statistic is 1512 compared to the three-factor model and is significant when compared to the chi-square statistic threshold (χ^2 (1) = 3.8 at $p < 0.05$). Thus the two-factor model does not fit the data at all well.

Table 6-16 Measurement Model Summary –Sources of Brand Value

Construct	Items	Coefficient α	Construct reliability	Variance extracted	Std. factor loading	Sq. multiple correlation
Manufacturer support	Advertising Support	.88	.86	.67	.76	.59
	Part of store advertising				.71	.51
	Key part of range				.91	.84
	Key category growth				.86	.74
Brand preference	Brand equity quality	.92	.92	.75	.88	.78
	Brand equity price				.89	.79
	Brand equity not different				.80	.63
	Brand equity preference				.84	.78
Customer expectations	Expect in store	.89	.93	.76	.78	.61
	Concern not in range (R)				.93	.86
	Complain if not there				.90	.80

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

The results of the measurement model in table 6-16 showed that a three-factor model for the sources of brand value provides the best fit to the data, confirming the multidimensional nature of the construct. Three constructs non-financial benefits, overall brand equity and reseller customer benefits, were the key dimensions of sources of brand value. A fourth dimension, financial benefits was initially estimated but was discarded because several items showed poor item-to-total correlations.

Given the purification that has occurred in the development of the measurement model, the opportunity was taken to re-label these constructs to better reflect the meaning of the remaining 11 items. Thus the non-financial benefits construct was renamed 'Manufacturer support', brand equity was renamed 'Brand preference' and customer

benefits was now 'Customer expectations'. This re-labelling also recognises the source of the value for resellers.

The measurement model has high construct validity, which is shown by unidimensionality, items loading onto the theorised construct, item-to-total correlations and coefficient alpha estimates. Composite reliability and variance extracted estimates show strong reliability. Convergent validity is demonstrated with high factor loadings for the items, which all had significant *t* values. Discriminant validity between the three constructs was evident as the result of several established tests. The invariance tests show the stability of the factor loadings, factor and error variances. The endogenous constructs are estimated next.

6.4.3 Endogenous Constructs Measurement Model

To assess the validity of the endogenous constructs: satisfaction, performance, trust, dependence, cooperation and commitment, the SVT procedure is again followed. Turning to the items in table 6-17, all had high coefficient alphas, item-to-total correlations, except for two reversed score items 'inaccurate information' and 'unlikely in range'. All factor loadings are significant, however many are less than the recommended 0.5 level, in particular the items in the satisfaction and commitment scales. Three further items can be considered for deletion from the model, one item each from the cooperation, dependence and commitment scales. The inspection of the model fit indices showed these are well below accepted thresholds: χ^2 (480) = 3839, p = 0.000, χ^2/df = 8.0, GFI = 0.87, AGFI = 0.74 CFI = 0.97, NNFI = 0.978 and RMSEA = 0.092. Re-specification of the model was required.

6.4.3.1 Unidimensionality

Each construct will be evaluated and re-specified according to the results of the initial measurement model and a series of congeneric models which were also estimated for each construct. The estimation of the congeneric models supports the measurement model conclusions. The first construct is reseller satisfaction with the brand, the focal construct in the model. An inspection of the items in this construct revealed two reverse scored items 'not happy with the brand' and 'regrets having' loaded poorly onto this construct. These two items were removed from the model. This scale was based on Cannon and Perrault's (1999) satisfaction with supplier scale which had a coefficient

Table 6-17 Item Analysis -Relational Constructs

Construct	Item	Coefficient α	Item-to-total correlation	Sq. multiple correlation	Std. factor loading	*t*-value
Satisfaction	Overall satisfaction	.88	.77	.71	.40	17.8
	Still have in range		.75	.61	.39	19.7
	Pleased with brand		.74	.68	.40	19.7
	Regrets having		.65	.36	.32	19.7
	Not happy with brand		.65	.37	.37	18.1
Trust	Respond with understanding	.87	.76	.55	.54	18.1
	Shares best judgement		.75	.61	.51	17.4
	Support available		.74	.66	.54	17
	Offers assistance		.73	.65	.61	16.9
	Promises kept		.67	.50	.44	18.5
	Consider reseller		.67	.55	.56	16.7
	Truth of information		.57	.37	.41	19.2
	Inaccurate information (R)		.28	.11	.27	20.0
Cooperation	Help manufacturer	.77	.49	.36	.44	18.0
	Good relationship necessary		.66	.60	.69	13.7
	Work with to achieve goal		.67	.69	.65	109
Dependence	Difficult to find replacement	.74	.68	.62	.51	15.6
	Limited alternatives		.44	.19	.24	19.6
	Loss in income		.59	.71	.57	12.6
Commitment	Automatic choice	.90	.68	.56	.41	18.6
	Unlikely in future range (R)		.36	.18	.28	20.0
	Enjoy association		.73	.63	.39	18.0
	Link to customer		.71	.57	.36	18.5
	Will invest more		.69	.51	.32	18.9
	Request support		.61	.41	.30	19.3
	Indefinitely in range		.74	.60	.40	18.3
	Positive feelings		.77	.69	.43	18.3
	Will not drop		.79	.70	.46	17.3
Performance	Sales volume	.94	.88	.86	.62	14.1
	Sales revenue		.88	.81	.58	16.1
	Profit		.71	.53	.46	19.1
	Sales growth		.87	.81	.60	16.0
	Store traffic		.83	.76	.61	17.1

R = reverse scored item.

alpha of 0.84 compared to 0.88 for this study. The next construct trust showed several items did not load at all well. These were 'inaccurate information', 'promises always kept', 'judgement of the manufacturer', and 'respond with understanding', all of which had low SMCs and high standardised residuals. These items were deleted from the model leaving three items.

Another explanation for the poorly fitting items could have been that the trust items were better represented by a two-factor model. To test this possibility a two-factor model for the trust construct was estimated with four items representing an honesty factor and four items for a benevolence factor, and follows Kumar et al.'s (1995b) conceptualisation for resellers. The results showed χ^2 (19) = 99, RMSEA = 0.073, GFI = 0.97 and CFI = 0.95. Inspection of the residuals revealed the items loading onto to the benevolence factor are significant, but for the honesty factor two items did not load at all well. The overall result of the scale with honesty and benevolence together with a coefficient alpha of 0.87 is comparable to the Kumar et al.'s (1995b) scale which reported a coefficient alpha of 0.92. These authors did not report a separate reliability score for benevolence. However the one-factor model of trust representing benevolence towards the manufacturer of the brand is a superior model fit to the data.

Four of the items on the commitment scale, 'automatic ordering', 'unlikely to drop', 'willing to link brand with the customer' and 'willing to make further investment in the brand' had high standardised residuals above 2.58. These were removed from the analysis and the remaining items, which reflect an affective commitment attitude towards the brand, showed good fit to the data. However these items may also reflect the fact that there are other factors within the construct. An alternative explanation of model misfit is a three-factor model and was estimated for comparison. The results of the three-factor model show a poor fit of the model to the data: χ^2 (24) = 206, RMSEA = 0.101. Inspection of the items showed high standardised residuals and modification indices and a pattern of SMCs similar to the one-factor model. Thus the one-factor commitment model was adopted consisting of mainly affective commitment items. The overall result of the commitment scale with a coefficient alpha of 0.90 is comparable to the Kumar et al.'s (1995a) scale which reported a composite reliability of 0.82. These authors did not report a separate reliability score for affective commitment.

The performance construct was examined next; two items profit and revenue had high residuals and were deleted from the analysis. This construct captured three items of interest to resellers, the performance of a brand's sales, sales growth and ability to build store traffic. This scale with a coefficient alpha of 0.92 was derived from Johnson (1999) who did not report scale reliability and Brown et al. (1995) who reported an alpha coefficient of 0.87. It is interesting to note the items deleted were financial in nature, a pattern also evident in the financial benefits construct in the exogenous indicators.

An examination of the standardised residuals for cooperation showed that the 'good relationship necessary' item had high standardised residuals. This resulted in only one item for cooperation which is not ideal for SEM. The dependence construct had one item 'difficult to find replacement' which had high standardised residuals. As with the cooperation construct this resulted in a one item which is unsatisfactory for model testing. Given the poor fit of the six-factor model, these two constructs were both deleted from the model.

A four-factor model was re-estimated consisting of trust, commitment, satisfaction and performance. The fit indices were: χ^2 (48) = 213, p = 0.000, χ^2/df = 4.4, GFI = 0.96, AGFI = 0.93 CFI = 0.99, NNFI = 0.98 and RMSEA = 0.065. The endogenous constructs are unidimensional, and the re-specification gives a more satisfactory fit of the model to the data.

6.4.3.2 Stability

To assess the stability of the endogenous model, the data were randomly split into the calibration and validation datasets. As per SVT's recommendations, these models were first estimated with all six factors and twenty-two items and confirmed the pattern evident within the full dataset. The fit indices were for the calibration dataset χ^2 (480) = 2399, p = 0.000, RMSEA = 0.1 and GFI = 0.73. The validation dataset indicators were: χ^2 (480) = 2059, p < 0.000, RMSEA = 0.09 and GFI = 0.77.

As these findings confirmed the full dataset estimation, the cross-validation proceeded with the four-factor model. The results of the four-factor measurement model for the relational constructs across the calibration and validation datasets are shown in table 6-

18. This cross-validation confirmed the similarity of the factor loading patterns and item reliability.

Table 6-18 Cross-validation -Relational Variables

Endogenous Constructs	Item	Calibration *n* = 409		Validation *n* = 411	
		Std. estimate	*t*-value	Std. estimate	*t*-value
Satisfaction	Overall satisfaction	.88	22.1	.86	20.8
	Still have in range	.87	21.6	.84	20.3
	Pleased with brand	.82	19.6	.79	18.3
Trust	Support available	.78	18.0	.79	18.7
	Offers assistance	.84	20.1	.88	22.1
	Respond with understanding	.85	20.2	.90	22.6
Commitment	Enjoy association	.81	19.3	.81	19.3
	Positive feelings	.88	21.8	.83	20.2
	Will not drop	.83	19.8	.87	21.4
Performance	Sales volume	.92	24.0	.91	23.7
	Sales growth	.93	24.3	.90	23.3
	Store traffic	.88	22.4	.89	22.6
Fit Indices	Chi-square (*df* = 48)	119	*p*-value	102	*p*-value
	Chi-square/*df*	2.48	.000	2.10	.000
	RMSEA	.060		.052	
	GFI	.95		.96	
	AGFI	.93		.94	
	CFI	.99		.99	
	NNFI	.99		.99	

Table 6-19 shows the results of invariance testing between the calibration and validation dataset for the four-factor model. The pattern of factor loadings is confirmed as stable as the chi-square difference between the factor loadings is less than the $p < 0.05$ value. The last three rows of this table each show a significant change in the chi-squared statistic. There are differences in the measurement error and factor variances with these constructs. This indicates some instability in these items within the measurement model and will be taken into account when interpreting the overall structural model.

Table 6-19 Invariance Tests -Relational Constructs

Model	Competing models	Chi-square	*df*	$\Delta\chi^2$	Δ *df*	χ^2 at $p <$ 0.05	Model comparison	Significance at $p < 0.05$
1	Base model	221	96					
2	Factor loadings invariant	240	108	19	12	21.0	1 & 2	Not significant
3	Factor loadings & error variance invariant	273	120	33	12	21.0	2 & 3	Significant
4	Factor loadings & factor variance invariant	258	114	18	6	12.6	2 & 4	Significant
5	Factor loadings, error variance & factor variance invariant	295	126	37	12	21.0	4 & 5	Significant

Discriminant validity is again assessed using the Fornell and Larcker (1981) method and is reported in Table 6-20. The highest correlation reported is between trust and commitment, $r = 0.8$. As the variance extracted estimates all exceed the average of the squared correlation discriminant validity is demonstrated between each construct. The table reads as follows: the first column shows the variance extracted for each construct. The second column shows the average variance between trust and the other constructs, this is compared to the squared correlation between trust and another construct in the third column. The remaining constructs are compared in similar manner.

Table 6-20 Discriminant Validity -Relational Constructs

Construct	Variance extracted	Trust Average variance	Trust Squared correlation	Commitment Average variance	Commitment Squared correlation	Performance Average variance	Performance Squared correlation
Satisfaction	.70	.71	.35	.71	.55	.66	.63
Trust	.71						
Commitment	.70	.71	.64				
Performance	.61	.66	.41	.66	.64		

Table 6-21 summaries the validity, reliability of the relational constructs. These indices are all above accepted thresholds for inclusion in a structural model. The construct reliability scores are above 0.7 and the variance extracted estimates are above 0.5 (Bagozzi & Yi, 1988). Convergent validity is also evident in the good squared multiple correlations and the indices of the measurement model.

Table 6-21 Measurement Model Summary -Relational Constructs

Construct	Items	Coefficient α	Construct reliability	Variance Extracted	Std. factor loading	Sq. multiple correlation
Satisfaction	Overall satisfaction	.88	.88	.70	.91	.83
	Still have in range				.71	.50
	Pleased with brand				.87	.77
Trust	Support available	.87	.89	.71	.79	.62
	Offers assistance				.87	.76
	Understanding				.88	.75
Commitment	Enjoy association	.87	.89	.70	.81	.66
	Positive feelings				.86	.73
	Will not drop				.84	.71
Performance	Sales volume	.93	.79	.77	.90	.80
	Sales growth				.64	.41
	Store traffic				.78	.61

Fit indices: χ^2 (48) = 213, p = 0.000, GFI = 0.96, AGFI = 0.93, CFI = 0.99, NNFI = 0.98 and RMSEA = 0.065.

The results of the measurement model for the relational construct showed that a four-factor model best fitted the data and was consistent with the theoretical requirements. The model was initially estimated with six constructs; however two had to be discarded because some items had large residuals and poor item-to-total correlations. Two other constructs trust and commitment were also modified substantially with many items showing poor fit with their respective constructs. Overall, these measures were derived from existing scales and perform well in comparison. The four-factor model showed good construct validity. Unidimensionality is shown with each item loading onto one construct, the items have good construct reliability, shown by the variance extracted estimates and item-to-total correlations. Convergent validity is demonstrated with high item loadings all with significant *t*-values. Discriminant validity was shown, as the variance extracted between the constructs exceeded the squared correlations. Invariance testing showed that the pattern of factor loadings and factor variances was not consistent within the dataset. The trust and commitment constructs now reflect particular aspects of these constructs, however for consistency and ease of explanation, the existing labels will be retained. These remaining four constructs can now be tested in the structural

model in the next section. Before this can occur, the type of scale, interval versus ordinal, specified in the analysis is addressed.

6.4.4 Ordinal Scales

The measurement models were calculated on the assumption that data was continuously scaled. However the Likert scale can also be viewed as having ordinal properties, as the scales were labelled. To assess the possible impact of the scale type on the LISREL output, the CFA for the sources of brand value was re-estimated as an ordinal scale. This was achieved by using both a correlation matrix and an asymptotic covariance matrix in place of the covariance matrix, as the input to the model (Byrne, 1998).

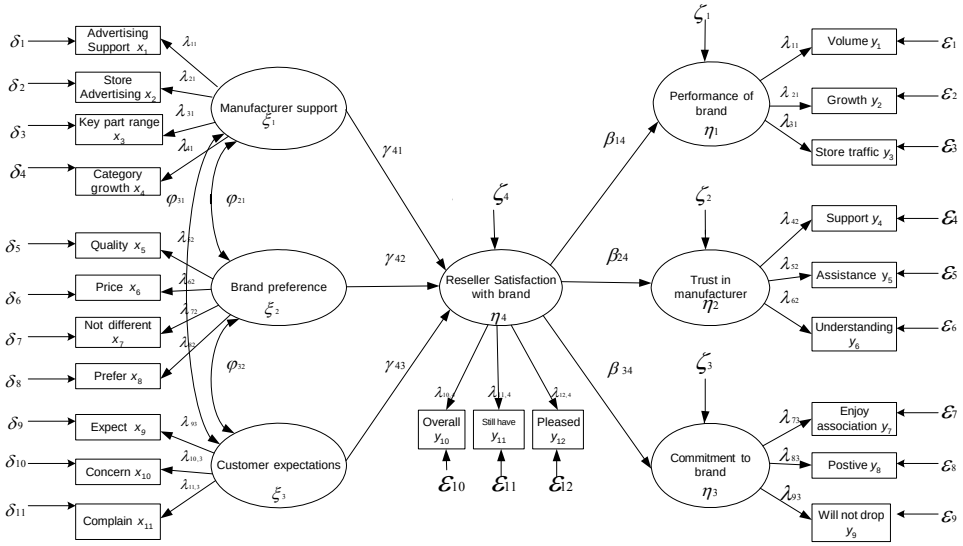
The inspection of the three-factor model fitted to ordinal data revealed that the pattern of fit indices largely reflected the findings with the continuous data. The fit indices were: Santorra-Bentler χ^2 (146) = 26, p = 0.000, GFI = 0.83, AGFI = 0.78 CFI = 0.96, NNFI = 0.95, standardised RMR = 0.06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

6.5 Structural Model Estimation

The next section details the estimation of the structural model which is shown in figure 6-2. The three constructs in the sources of brand value measurement model all show statistically significant pathways to the focal construct reseller satisfaction with the brand. Reseller satisfaction with the brand influences the three other relational constructs performance, trust, and commitment. The sources of brand equity are represented by three exogenous constructs consisting of eleven items in the lambda X matrix. These constructs are manufacturer support, reseller assessment of brand preference and customer demand. There are three pathways (γ_{41}, γ_{42} and γ_{43}) from these constructs to the focal construct reseller satisfaction with the brand which consists of three items. The paths from the focal construct to other endogenous constructs are represented by a further nine items in the lambda Y matrix. There are four endogenous

constructs reseller satisfaction with the brand, performance of the brand, trust in the manufacturer on matters concerning the brand and commitment to the brand. The structural model consists of thirty-three items in total and the structural equations are written in full LISREL notation in appendix 4.

Figure 6-2 Path Diagram of Structural Model with LISREL Notation



The fitting of the structural model to the data proceeds as follows: first the structural model with the full dataset is estimated. Second, the stability of the model is assessed using the calibration and validation datasets. The structural models are estimated separately and then both datasets are compared simultaneously with multi-group analysis. The model estimation results are shown in table 6-22. Inspection of the fit indices shows a satisfactory model fit: the GFI is above 0.9, the AGFI is above 0.9 and the RMSEA is acceptable at 0.064, and is below 0.08. However the normed chi-squared statistic is 4.3, above 3.00 and the *p*-value is significant. The hypothesised pathways, the γs between the exogenous constructs and the focal construct all have substantial factor loadings and are significant. The hypothesised pathways between the relational outcomes and the focal construct are also substantial and statistically significant.

Table 6-22 Structural Model Estimation

Parameter (n = 820)	Lisrel notation	Std. estimate	t-value
Manufacturer support→satisfaction	γ_{41}	.46	7.2
Brand preference→satisfaction	γ_{42}	.18	4.9
Customer expectations→satisfaction	γ_{43}	.28	4.8
satisfaction→performance	β_{14}	.84	16.6
satisfaction→trust	β_{24}	.69	15.1
satisfaction→commitment	β_{34}	.84	15.2
Chi-square (df=221)	951	GFI	.91
Chi-square/df	4.3	CFI	.93
RMSEA	.064	NNFI	.99
p-value	<0.000	AGFI	.90

An examination of the pathways within the structural part of the model shows that manufacturer support having the largest factor loading on reseller satisfaction followed by customer expectations, then reseller perceived brand preference. Reseller satisfaction has the strongest impact on the commitment and performance constructs.

6.3.6 Cross-validation of Structural Model

The stability of the structural model was validated using the calibration and validation datasets shown in Table 6-23. As with the measurement models the dataset was randomised and every second case was chosen for the calibration dataset n = 409, the remaining cases became the validation dataset n = 411. The results shown are similar to the full dataset estimates, which show significant p-values and satisfactory fit indices.

Table 6-24 presents the results of the multi-group analysis between these two datasets. The multi-group analysis shows the results of the structural parameters both freely estimated in model 1 and then with the parameters held invariant as indicated in the comparison models. The results indicate no statistical differences between the two datasets as the change in chi-square statistic between the models is below the threshold which is χ^2 (3) = 7.8, $p < 0.05$. The parameter estimates in the structural model are stable between the calibration and validation datasets. The incremental fit indices including the CFI show no change.

Table 6-23 Structural Model Cross-validation

		Calibration n = 409		Validation n = 411	
Parameter	Lisrel	Std. estimate	t-value	Std. estimate	t-value
Manufacturer support→satisfaction	γ_{41}	.47	4.7	.44	5.1
Brand preference→satisfaction	γ_{42}	.21	3.5	.15	3.1
Customer expectations→satisfaction	γ_{43}	.23	2.8	.35	4.0
Satisfaction→performance	β_{14}	.84	12.1	.84	11.3
Satisfaction→trust	β_{24}	.71	10.8	.69	10.6
Satisfaction→commitment	β_{34}	.85	11.1	.85	10.5
Chi-square (df = 221)		528	p-value	683	p-value
Chi-square / df		2.4	0.000	3.1	0.000
GFI		.90		.87	
RMSEA		.058		.07	
CFI		.99		.98	
AGFI		.87		.84	
NNFI		99		.98	

Table 6-24 Multigroup Analysis Structural Model Calibration/Validation Datasets

Model	Chi-square statistic	df	$\Delta\chi^2$	Δdf	Model comparison	CFI	RMSEA	Significance of change $p < 0.05$
1. All pathways estimated	1296	491	-	-	-	.99	.063	-
2. Sources of brand value → satisfaction invariant	1299	494	3	3	1 & 2	.99	.063	Not significant
3. Satisfaction → relational constructs invariant	1298	494	2	3	1 & 3	.99	.063	Not significant
4. All pathways invariant	1300	497	1	3	2 & 4	.99	.063	Not significant

In summary, the fit indices for the structural model show a satisfactory fit apart from the normed chi-square. The parameters are significant for all pathways. Strong pathways are observed from satisfaction to performance and commitment. All hypothesised relationships were also confirmed in the calibration and validation datasets. As this model estimation is on the aggregated data, the impact of moderating variables on the model will be discussed next.

6.6 Moderating Variables

Earlier in the chapter statistically significant differences between the major and the minor brands were observed for each of the questionnaire items in the model. The SEM analysis so far has included both types of brand within the overall model. This section addresses the potential effects of moderating variables with the structural model. In addition a further moderating variable, the value or importance of the product category was identified and will also be analysed in this section.

These moderating variables are dichotomous i.e. the major and minor brands and the high and low value product categories. The analysis proceeds as follows: the dataset will be split into their respective groupings e.g. a major brand dataset and a minor brand dataset. Separate structural models will be estimated for each dataset, this is followed by a multi-group analysis to compare both datasets. Finally further multi-group analyses will be conducted if necessary to test for any statistically significant differences between the individual structural parameters in each dataset. This comparison allows the researcher to test whether a statistically significant difference exists between for example the satisfaction to performance pathway for major compared to minor brands.

6.6.1 Effect of Brand Type

H_{8a} stated that the equity of a brand modified the relationship between the sources of brand value and the impact on satisfaction, while H_{8b} was concerned with this effect on the relational outcomes. To test both hypotheses the dataset was split into two, one dataset consisting of major brands n = 416 and other consisting of minor brands n = 404. Structural models using the two datasets were first estimated separately, with the results shown in table 6-25. From this table it can be seen that the parameter estimates are equivalent between the minor brands for the sources of brand value on satisfaction compared to the major brands. The fit indices show the major brand model fits the data better than the minor brands.

Table 6-25 Structural Model Estimation -Major and Minor Brands

		Major brands $n = 414$		Minor brands $n = 406$	
Lisrel	Parameter	Std. estimate	*t*-value	Std. estimate	*t*-value
γ_{41}	Manufacturer support→satisfaction	.55	4.9	.41	6.3
γ_{42}	Brand preference→satisfaction	.21	3.5	.19	3.5
γ_{43}	Customer expectations→satisfaction	.09*	1.0	.37	5.5
β_{14}	satisfaction→performance	.72	10.0	.83	11.9
β_{24}	satisfaction→trust	.65	9.5	.75	10.6
β_{34}	satisfaction→commitment	.78	9.3	.89	10.2
	Chi-square (*df*=221)	556	*p*-value	652	*p*-value
	Chi-square /*df*	2.51	.000	2.95	.000
	RMSEA	.061		.069	
	GFI	.90		.88	
	CFI	.98		.99	
	NNFI	.97		.98	
	AGFI	.87		.85	

*= not significant at $p < 0.05$.

To assess the statistical significance of these effects, the base model is then compared to a model which holds the structural matrices to be equal or invariant. This analysis provides the equivalent statistical test to ANOVA, but also allows the researcher to control for measurement error (Bagozzi & Yi, 1988).

Table 6-26 Multi-group Analysis Major versus Minor Brands

Competing models	Chi-square	*df*	$\Delta\chi^2$	Δdf	Model comparison	RMSEA	CFI	NNFI	CAIC	Significance at $p < 0.05$
1. All pathways estimated	1504	491		-	-	0.071	0.98	0.98	1975	-
2. Sources of brand value to satisfaction invariant	1531	494	27	3	1 & 2	0.072	0.98	0.98	1979	Significant
3. Satisfaction to relational constructs invariant	1525	494	21	3	1 & 3	0.071	0.98	0.98	1973	Significant
4. All pathways invariant	1543	497	12	3	2 & 4	0.072	0.98	0.98	1967	Significant

Table 6-26 shows all parameters jointly estimated as per the original structural model and indicates an adequate fit of model 1 to the data. Model 2 estimates the model with the γ parameters held invariant with the remaining nested models 3 and 4 as shown. In comparing differences in the structural models between groups, an additional fit index is shown, the CAIC (Consistent Akaike Information Criterion). The NNFI and CAIC indices are useful because they account for fit and model parsimony and penalise the fitting of additional parameters (Steenkamp & Baumgartner, 1998). This table shows that there is a statistically significant difference between the major and minor brands as far as the impact of the sources of brand value constructs on reseller brand satisfaction. The change in chi-square statistic between the models is above the threshold which is χ^2 (3) = 7.8, $p < 0.05$. In addition, there is a separate effect of the brand type on the relational outcomes. This finding confirms the significance of the differences in parameter estimates observed in table 6-25 between the two brand types.

The next stage is to assess significance of the difference between the individual parameters themselves with the model. This is achieved by constraining the individual parameters to be equal between the two groups and comparing the results to an unconstrained estimation. The results of these tests are reported in table 6-27 and show the difference between the major versus minor brands is due to the potential customer expectations of brands for resellers.

Table 6-27 Multi-group Analysis -Major/Minor Brands, γ & β Pathways

Competing models	Chi-square	*df*	Δ χ^2	Δ *df*	Model comparison	CFI	NNFI	RMSEA	CAIC	Significance $p < 0.05$
1. γ & β freely estimated	1504	491				.98	.98	.071	1975	
2. Manufacturer support→ satisfaction invariant	1505	492	1	1	1 & 2	.98	.98	.071	1967	Not significant
3. Brand preference→ satisfaction invariant	1504	492	0	1	1 & 3	.98	.98	.071	1967	Not significant
4. Customer expectations→ satisfaction invariant	1509	492	5	1	1 & 4	.98	.98	.071	1972	Significant
5. Satisfaction → performance invariant	1504	492	0	1	1 & 5	.98	.98	.071	1967	Not significant
6. Satisfaction→ trust invariant	1517	492	13	1	1 & 6	.98	.98	.071	1980	Significant
7. Satisfaction → commitment invariant	1511	492	7	1	1 & 7	.98	.98	.071	1974	Significant

Table 6-27 confirms that significant differences exist between the major and minor brands as far as the relational construct in the model are concerned. There was no difference for the effect of satisfaction on the performance pathway. However the minor brands had a stronger effect on the satisfaction onto trust pathway than did the major brands. This pattern was repeated on the satisfaction to commitment pathway.

The multi-group analysis showed that there were differences within the structural paths of the model. While the effects of the sources of brand equity were different on reseller satisfaction for the two brand types, there are several interesting results among the constructs. First there are no differences between the brand types with the effects of the brand preference construct and manufacturer support on reseller satisfaction. However the impact of customer expectations was different and stronger for minor than major brands. Overall there is a significant difference in favour of minor brands on the reseller satisfaction to trust and satisfaction to commitment pathways.

6.6.2 Effect of Product Category

The initial analysis of the dataset showed the wine and beer categories were considered more important to resellers than the other categories tested. The validity of this finding is reflected in the dollar value of these categories as shown in trade data. To test the moderating effect of the value of the category on the model, the dataset is again split to include the wine and beer brands in one dataset and remaining brands in the other. The sample size for the high value dataset was n = 237 and n = 583 for the low value dataset. The results are reported next in table 6-28. The results show that the high value categories appear to fit the model well. In particular the beta pathways show that the higher value categories are important in terms of the reseller assessment of trust, commitment and performance. The overall model does not change when both the gamma and beta matrices are held invariant. However there are differences in the relational outcomes between the high and low value categories as shown in table 6-29. The chi-squared statistic difference for model 3 and 4 is above the threshold (χ^2 (3) = 7.8, $p < 0.05$). The high value categories lead to higher estimates of relational outcomes by resellers.

Table 6-28 Structural Analysis High and Low Value Categories

	Categories	High value	*n* = 237	Low value	*n* = 583
Parameter	Lisrel	Std. estimate	*t*-value	Std. estimate	*t*-value
Manufacturer support →satisfaction	γ_{41}	.94	4.5	.99	5.9
Brand preference→satisfaction	γ_{42}	.36	2.9	.41	4.2
Customer expectations→satisfaction	γ_{43}	.61	3.3	.51	3.3
satisfaction→performance	β_{14}	.88	10.0	.73	13.9
satisfaction→trust	β_{24}	.66	9.5	.43	12.5
satisfaction→commitment	β_{34}	.85	9.3	.75	12.7
Chi-square (*df* = 221)		517	*p*-value	714	*p*-value
X^2/df		2.34	.000	3.23	.000
RMSEA		.075		.062	
GFI		.84		.90	
CFI		.98		.99	
AGFI		.80		.88	
NNFI		.98		.99	

Table 6-29 Multi-group Analysis High and Low Value Categories

Competing models	Chi-square	*df*	$\Delta\chi^2$	Δdf	Model comparison	CFI	NNFI	RMSEA	CAIC	Significance at $p < 0.05$
1. γ & β est.	1357	491				.99	.99	.066	1828	
2. γ invariant	1360	494	3	3	1 & 2	.99	.99	.066	1807	Not Significant
3. β invariant	1377	494	20	3	1 & 3	.99	.99	.066	1825	Significant
4. $\gamma + \beta$ invariant	1383	497	23	3	2 & 4	.99	.99	.066	1807	Significant

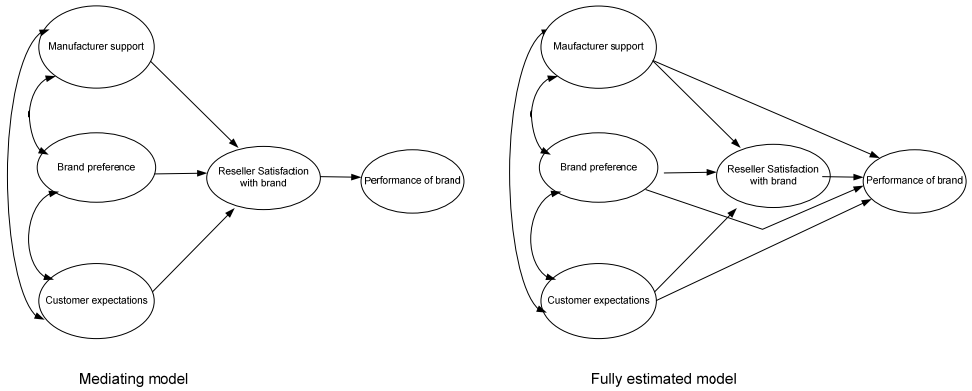
6.7 Testing for Construct Mediation

In this section reseller satisfaction is assessed as a mediating construct within the model and tests hypothesis 9. The structural model has satisfaction as the focal construct which mediates role between the sources of brand benefits for resellers and the relational outcomes of performance, commitment and trust. The mediation testing procedure of (Baron & Kenny, 1986) is followed. To establish whether or not a construct mediates within the model, four conditions must be satisfied. First the antecedent constructs, the sources of brand benefits should affect the mediating construct, reseller satisfaction with the brand. Second the antecedent constructs must

influence the dependent constructs, third the mediating constructs must affect the dependent constructs. Fourth the antecedent constructs should not influence the relational outcomes when the model is controlled for the mediating construct.

To test for mediation, first the results of the structural model analysis are used; second to assess the mediating effect, separate structural models are estimated. These results will be compared to that of a saturated model with all paths estimated. Chi-squared difference tests will be conducted to assess their significance. Three mediated and saturated models will be investigated to estimate the sources of brand value and satisfaction effect on performance, trust and commitment respectively. Conditions one and three have already been met, through the previous estimation of the structural model. This shows that sources of brand value influence reseller satisfaction which in turn influences the relational outcomes. The gamma and beta pathways are all significant.

Figure 6-3 Mediation Tests -Path Diagram Examples



The first model to be estimated is the effect of reseller satisfaction on performance which is condition two, the sources of brand value effects on the performance. These results show a significant relationship for two out of the three constructs. Next the mediated model consisting of the sources of brand value, reseller satisfaction and one relational construct is estimated. Gamma pathways were estimated from the sources of brand value onto reseller satisfaction and reseller satisfaction onto performance. The fully estimated model includes the mediated model and additional gamma pathways from the sources of brand value to performance. This process was repeated for the other two constructs, trust and commitment, with an example of the models shown in Figure

6-3. Table 6-30 shows the results of the mediation testing by the performance construct.

This table shows the effects of including reseller satisfaction as all the gamma coefficients are reduced when the fully estimated and mediating models are compared. The comparison shows the fully estimated model fits the data better. The chi-squared difference of 57 between the mediated and saturated models is significant (χ^2 (3) = 7.8, $p < 0.05$). This finding does not support a mediating hypothesis for this construct, rather the results in table 6-31 show partial mediation.

Table 6-30 Mediation Tests -Reseller Satisfaction and Performance

n = 820		Condition 2		Mediating		Fully estimated	
Parameter	Lisrel	Std. estimate	*t*-value	Std. estimate	*t*-value	Std. estimate	*t*-value
Manufacturer support→satisfaction	γ_{41}			.47	7.6	.43	6.5
Brand preference→satisfaction	γ_{42}			.16	4.2	.12	2.9
Customer expectations→satisfaction	γ_{43}			.31	5.3	.36	5.8
Manufacturer support→ performance	γ_{11}	.50	7.2			.28	4.0
Brand preference→performance	γ_{12}	.26	6.0			.19	4.8
Customer expectations→ performance	γ_{13}	.08*	1.2			-.11*	-1.62
Satisfaction→performance	β_{14}			.83	26.16	.51	8.7
Chi-square		310	*p*-value	488	*p*-value	431	*p*-value
df		71	.000	112	.000	109	.000
RMSEA		.06		.06		.06	
GFI		.95		.94		.94	
CFI		.99		.99		.99	
NNFI		.99		.99		.99	
AGFI		.92		.91		.92	

* = not significant at $p < 0.05$.

Table 6-31 Mediation Tests -Reseller Satisfaction and Trust

n = 820		Condition 2		Mediating		Fully estimated	
Parameter	Lisrel	Std. estimate	*t*-value	Std. estimate	*t*-value	Std. estimate	*t*-value
Manufacturer support→satisfaction	γ_{41}			.42	6.5	.43	6.5
Brand preference→satisfaction	γ_{42}			.12	3.1	.12	3.0
Customer expectations→satisfaction	γ_{43}			.37	5.9	.36	5.8
Manufacturer support→ trust	γ_{11}	.21	2.3			-.04*	-0.5
Brand preference→ trust	γ_{12}	.13	2.3			.06*	1.06
Customer expectations→ trust	γ_{13}	.27	3.1			.05*	0.6
Satisfaction→trust	β_{14}			.64	16.4	.60	7.5
Chi-square		301	*p*-value	439	*p*-value	437	*p*-value
df		71	.000	112	.000	109	.000
RMSEA		.06		.06		.06	
GFI		.95		.94		.94	
CFI		.99		.99		.99	
NNFI		.99		.99		.99	
AGFI		.93		.92		.92	

*= not significant at $p < 0.05$

The comparison of the mediating and fully estimated models for the trust construct shows there is no difference between the mediating and saturated models. The chi-square difference is 2 which is below the threshold (χ^2 (3) = 7.8, $p < 0.05$). This finding supports a mediating hypothesis for this construct. All conditions for the mediation test of reseller satisfaction and trust are met, as the gamma coefficients are significant in condition 2 and are not significant in the fully estimated model. Next table 6-32 shows the findings for the commitment construct.

Table 6-32 Mediation Tests -Reseller Satisfaction and Commitment

		Condition 2		Mediating		Fully estimated	
Parameter	Lisrel	Std. estimate	*t*-value	Std. estimate	*t*-value	Std. estimate	*t*-value
Manufacturer support→satisfaction	γ_{41}			.44	6.9	.43	6.5
Brand preference→satisfaction	γ_{42}			.15	3.8	.12	3.0
Customer expectations→satisfaction	γ_{43}			.32	5.3	.36	5.7
Manufacturer support→ commitment	γ_{11}	.40	5.0			0.06*	0.78
Brand preference→ commitment	γ_{12}	.25	5.0			0.16	3.4
Customer expectations→ commitment	γ_{13}	.11	1.5			-0.17*	-2.28
Satisfaction→ commitment	β_{14}			.81	21.7	0.79	11
Chi-square		292	*p*-value	431	*p*-value	414	*p*-value
Df		71	.000	112	.000	109	.000
RMSEA		.062		.059		.058	
GFI		.95		.94		.94	
CFI		.99		.99		.99	
NNFI		.99		.99		.99	
AGFI		.93		.92		.92	

*= not significant at $p < 0.05$

This table shows the effects of including reseller satisfaction in the model as the gamma coefficients are reduced in the fully estimated model. The comparison of the mediating and fully estimated model for the trust construct shows there is a significant difference between the models, as the chi-squared difference is 17 compared to the threshold level ($\chi^2(3) = 7.8$, $p < 0.05$). However, only one parameter is significant in the expected direction. This finding supports a partially mediating hypothesis for reseller satisfaction and commitment. Overall these results indicate that reseller satisfaction partially mediates the sources of brand value and the relational constructs. However these tests do provide evidence of mediation when reseller satisfaction is included in the model and supports hypothesis nine.

6.8 Alternative Model Estimation

In this section alternative specifications of the model are considered. This analysis follows on from the previous discussion of mediating constructs and a partially mediating structural model will be estimated. The analysis proceeds as follows: first the effects of the re-specification are evaluated. Then the stability of the partially mediated

model is reanalysed in terms of the calibration and validation datasets to cross-validate the structural parameters. Last the effects of major and minor brands as moderating variables are considered.

6.8.1 Alternative Model Pathways

An alternative model considers the effects of all possible pathways between the sources of brand value and trust, performance and commitment. However from the mediation tests it was known that reseller satisfaction fully mediated the trust construct and partially mediated customer expectations to performance and commitment constructs; as well as the manufacturer support to commitment constructs. As these pathways were non-significant in the mediation tests, these were not estimated in the alternative specification. To test this alternative model, three additional pathways γ_{11}, γ_{12}, γ_{32} in the gamma matrix were estimated with results shown in table 6-32.

Table 6-33 Alternative Structural Model

Parameter *n* =820		Std. estimate	*t*-value
Satisfaction→performance	β_{14}	.54	9.5
Satisfaction→trust	β_{24}	.70	15.0
Satisfaction→commitment	β_{34}	.80	13.0
Manufacturer support→satisfaction	γ_{41}	.45	6.7
Brand preference→satisfaction	γ_{42}	.15	3.7
Customer expectations→satisfaction	γ_{43}	.31	5.0
Manufacturer support→ performance	γ_{11}	.19	3.5
Brand preference→ performance	γ_{12}	.16	4.1
Brand preference→ commitment	γ_{32}	.06*	1.6
Chi-square (*df* = 218)	911	GFI	.91
chi-square/*df*	4.2	CFI	.99
RMSEA	.062	NNFI	.99
p-value	.000	AGFI	.89

* = not significant at $p < 0.05$ level.

It should be noted that one of the additional pathways is not significant. In addition when compared to table 6-22, there is very little improvement in model fit and the AGFI is below the 0.90 threshold. The chi-square difference between the original fully mediated and partially mediated model is $\chi^2 = 40$ and is significant (χ^2 (3) = 7.8, $p < 0.05$). The stability of the model is now estimated using the calibration and validation datasets, which is followed by a multi-group analysis.

Table 6-34 Cross-validation -Alternative Model

		Calibration	$n = 409$	Validation $n = 411$	
Parameter	Lisrel	Std. estimate	*t*-value	Std. estimate	*t*-value
Satisfaction→performance	β_{14}	.60	7.5	.48	6.1
Satisfaction→trust	β_{24}	.71	10.8	.69	10.6
Satisfaction→commitment	β_{34}	.83	9.2	.78	9.3
Manufacturer support→satisfaction	γ_{41}	.48	4.6	.40	4.4
Brand preference→satisfaction	γ_{42}	.17	2.7	.11	2.2
Customer expectations→satisfaction	γ_{43}	.25	3.0	.40	4.2
Manufacturer support→ performance	γ_{11}	.04*	0.5	.30	4.1
Brand preference→ performance	γ_{12}	.24	3.7	.12	2.5
Brand preference→ commitment	γ_{32}	.02*	0.4	.09*	1.7
Chi-square (*df* = 218)		509	*p*-value	656	*p*-value
Chi-square/*df*		2.3	.000	3.0	.000
RMSEA		.057		.070	
GFI		.90		.88	
CFI		.99		.99	
NNFI		.99		.99	
AGFI		.88		.85	

* = not significant at $p < 0.05$ level

The alternative model was fitted to the calibration and validation datasets, with the results shown in table 6-34. This comparison shows that the manufacturer support to performance pathway is not significant in the calibration dataset. The brand equity benefit to commitment pathway is not significant in both datasets confirming the estimate in the previous table.

The multi-group analysis of the calibration and validation datasets is now conducted. The brand preference to commitment pathway has been deleted and the alternative model now contains only two additional pathways from manufacturer support and brand preference to performance. Model 1, with the structural parameters freely estimated, shows a good level of fit with the data. When either the γ or β matrices are invariant there is no significant difference between models 2, 3 & 4 and model 1, as the changes

in chi-squared statistic are below the thresholds (χ^2 (3) = 7.8, χ^2 (5) = 11.1, $p < 0.05$). The multi-group analysis in table 6-35, shows this alternative model is stable.

Table 6-35 Multi-group Analysis Alternative Model –Calibration/Validation

Competing models	Chi-square	*df*	$\Delta\chi^2$	Δdf	Model comparison	CFI	NNFI	RMSEA	CAIC	Significance at $p < 0.05$
1. γ & β est.	1251	487				.99	.99	.062	1752	
2. γ invariant	1261	492	10	5	1 & 2	.99	.99	.062	1723	Not Significant
3. β invariant	1255	490	4	3	1 & 3	.99	.98	.062	1732	Not Significant
4. γ + β invariant	1262	495	3	3	2 & 4	.99	.99	.062	1707	Not Significant

Table 6-36 Alternative Model -Major and Minor Brands

		Major brands *n* = 414		Minor brands *n* = 406	
Parameter	Lisrel	Std. estimate	*t*-value	Std. estimate	*t*-value
Manufacturer support→satisfaction	γ_{41}	.55	4.8	.39	6.3
Brand preference→satisfaction	γ_{42}	.16	2.7	.17	3.5
Customer expectations→satisfaction	γ_{43}	.10*	1.1	.39	5.5
Manufacturer support→ performance	γ_{11}	.02*	0.2	.22	3.2
Brand preference→ performance	γ_{12}	.21	3.6	.12	2.2
Satisfaction→performance	β_{14}	.57	6.4	.54	11.9
Satisfaction→trust	β_{24}	.66	9.4	.76	10.6
Satisfaction→commitment	B_{34}	.78	9.1	.89	10.2
Chi-square (*df* = 218)		542	*p*-value	634	*p*-value
Chi-square/*df*		2.5	.000	2.9	.000
RMSEA		.060		.068	
GFI		.90		.88	
CFI/NNFI		.98	.98	.99	.99
AGFI		.87		.85	

*= not significant at $p < 0.05$ level.

The alternative model was then cross-validated using the calibration and validation datasets. Estimation of these models revealed one further pathway of non significance, customer expectations to satisfaction. The alternative model was tested for invariance with structural pathways fixed and compared to the base model as with previous

analyses. These results showed that the alternate model was stable. This alternative model was estimated across the moderating variable brand type with the results shown in table 6-36.

The alternative model shows a similar pattern of structural coefficients compared to table 6-25. The γ_{11} and γ_{43} pathways are not significant for major brands. The estimates for minor brands do not fit the model as well as the major brands, a pattern evident in the original model. However all pathways are significant in the minor brand model. The differences between the pathways in the model will now be investigated and shown in table 6-37.

Table 6-37 Multi-group Analysis Alternative Model -Major and Minor Brands

Competing models	Chi-square	*df*	$\Delta\chi^2$	Δdf	Model comparison	CFI	NNFI	RMSEA	CAIC	Significance at $p < 0.05$
1. γ & β est.	1469	487				.98	.98	.070	1970	
2.γ invariant	1498	492	29	5	1 & 2	.98	.98	.071	1960	Significant
3.β invariant	1488	490	19	3	1 & 3	.98	.98	.071	1967	Significant
4.$\gamma + \beta$ invariant	1511	495	13	3	2 & 4	.98	.98	.071	1950	Significant
5. β_{14} invariant	1469	488	0	1	1 & 5	.98	.98	.070	1962	Not significant
6. β_{24} invariant	1480	488	11	1	1 & 6	.98	.98	.071	1973	Significant
7. β_{34} invariant	1474	488	5	1	1 & 7	.98	.98	.070	1968	Significant
8. γ_{41} invariant	1469	488	0	1	1 & 8	.98	.98	.070	1962	Not significant
9. γ_{42} invariant	1469	488	0	1	1 & 9	.98	.98	.070	1962	Not significant
10.γ_{43} invariant	1473	488	4	1	1 & 10	.98	.98	.070	1967	Significant
11. γ_{11} invariant	1472	488	3	1	1 & 11	.98	.98	.070	1966	Not significant
12. γ_{12} invariant	1469	488	1	1	1 & 12	.98	.98	.070	1963	Not significant

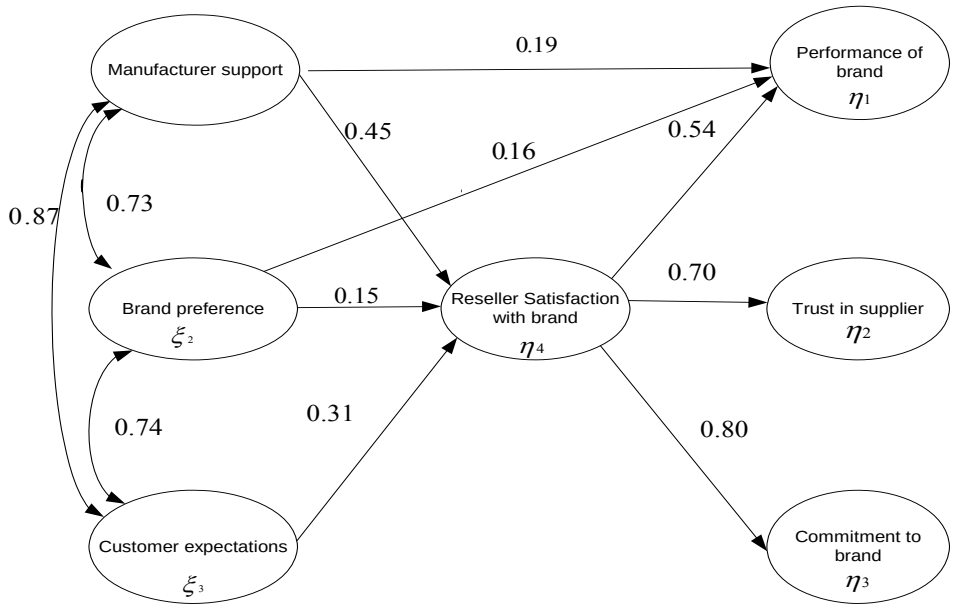
This table confirms the pattern of the multi-group analysis for the original model. Models 2 to 4 show significant differences compared model 1 (χ^2 (3) = 7.8 and χ^2 (5) = 11.1 at $p < 0.05$). There are significant differences between major and minor brands for the customer expectations to satisfaction path, with the effect being greater for the minor brand (χ^2 (1) = 3.8 at $p < 0.05$). This pattern is repeated for the satisfaction to

commitment path and satisfaction to trust with reseller satisfaction for minor brands being higher than for major brands. This analysis is also a test of nomological validity of the original conceptual framework. The alternative model shows an equivalent model fit, the pathways are all significant and are the hypothesised direction. The alternative model is stable and the nomological validity of the hypothesised pathways has been shown. Thus nomological validity cannot be proven conclusively within LISREL for the original model. However an inspection of the correlation matrix which is shown in table 6-38 between the endogenous and exogenous constructs does give further confidence in the nomological validity of the original hypothesised model. It should be noted however that two exogenous constructs manufacturer support and customer expectations have a high correlation 0.87 indicating potential collinearity (Hair et al., 1998) between these constructs. However this correlation coefficient is below the cutoff point of 0.90 recommended by Hair et al. (1998) and discriminant validity was shown to exist between these two constructs. This table shows a strong level of correlation between satisfaction and the other constructs in the model. Figure 6-4 shows a diagram of the key constructs in the partially mediated model.

Table 6-38 Correlation Matrix -Structural Model Constructs (Ksi and Eta)

	Performance	Trust	Commitment	Satisfaction	Manufacturer support	Brand preference	Customer expectations
Performance	1.00						
Trust	.58	1.00					
Commitment	.70	.59	1.00				
Satisfaction	.84	.69	.85	1.00			
Manufacturer support	.71	.59	.71	.84	1.00		
Brand preference	.61	.51	.62	.73	.74	1.00	
Customer expectations	.68	.57	.69	.82	.87	.73	1.00

Figure 6-4 Alternative Model -Path Diagram



6.9 Summary of Hypothesis Tests

This section summarises the results of the hypotheses developed in chapter 4.

H_1: The 'sources of brand value' is a multidimensional construct that consists of the financial benefits, non-financial benefits, brand equity and customer demand.

The multidimensional nature of the sources of brand value for resellers was confirmed. The 'sources of brand value' construct was shown to be a three-factor not a four-factor model as originally envisaged. The items loading on to each construct showed convergent validity and significance and were greater than 0.7. These constructs were also cross-validated and was stable with the measurement model fitting the data well. Reliability was shown with the construct reliability and variance extracted estimates over 0.85 and 0.67 respectively. Discriminant validity between the constructs was also shown. Thus H_1 is supported.

H_2: The sources of brand value directly influences reseller satisfaction with the brand.

The gamma pathways between the 'sources of brand equity' constructs and reseller satisfaction have significant path coefficients and strong parameter estimates. There are

differences in weighting between these constructs with manufacturer support being the most important followed by customer expectations, and then brand preference. While brand preference is a consideration in reseller thinking, it appears to be lower ranked in comparison to the other constructs. H_2 is supported.

H_3-H_7 Reseller satisfaction is associated with trust in, cooperation with, dependence on of supplier on matters concerning the brand as well as commitment to the brand and performance of the brand.

The estimation of the measurement model resulted in two constructs, dependence and cooperation being deleted from the model. Support does not exist for hypotheses five and six, which relate to these two constructs. There was a strong relationship between satisfaction and performance, satisfaction and trust and satisfaction and commitment.

H_3: The effect of reseller satisfaction with the brand on the reseller's trust in the manufacturer on matters concerning the brand is supported.

H_4: The effect of reseller satisfaction with the brand on commitment to the brand is supported.

H_5: The effect of reseller satisfaction with the brand on cooperation with the manufacturer is not supported.

H_6: The effect of reseller satisfaction with the brand on dependence with the manufacturer is not supported.

H_7: The effect of reseller satisfaction with the brand on the reseller's assessment of the brand's performance is supported.

The next hypotheses examine the effect of brand type on the structural pathways within the model.

H_{8a}: The effect of 'sources of brand value' on reseller satisfaction with the brands will be greater for major brands than minor brands.

H_{8b}: The effect of reseller satisfaction on the relational outcomes including performance will be greater for major brands than minor brands.

In both the original and the alternative models the structural pathways were influenced by whether resellers evaluated a major or a minor brand. However the estimates for the

pathways were higher for minor brands compared to the major brands. This finding contradicts the initial *t*-test results which show that major brands had higher ratings for all items. An analysis of the gamma pathways shows that there were no significant differences between brand type for the manufacturer support and the brand preference measures. However the reseller assessments of customer expectations were more important for minor brands. Thus H_{8a} is not supported, although differences between major and minor brands exist, these differences are not in the hypothesised direction. For the satisfaction to trust and satisfaction to commitment pathways, minor brands seem to have more effect than major brands and H_{8b} is not supported. Minor brands appear to influence the manufacturer-reseller relationship just as strongly if not more so than major brands.

H_9: Reseller satisfaction with the manufacturer's brand mediates the relationship between the sources of brand value and the relational outcomes.

H_9 was supported as the mediation tests showed partial mediation of the focal construct between the antecedent constructs and outcomes of the model.

6.10 Conclusion

This chapter reported the results of the data analysis for quantitative phase of this thesis. A good response to the survey was achieved and the profile of the respondents was representative of supermarket resellers. The dataset was also shown to have an even representation of major and minor brands across the eight categories and sixteen brands surveyed. An exploratory analysis showed very low levels of missing data but some skewness was present in the responses. Examination of the item descriptive statistics and their correlations with the focal construct produced no unexpected results. T-tests were conducted between the major and minor brands to check the validity of the brand stimuli based on the BAV brand ratings. The results showed that the ratings were valid both within the dataset and product categories and were able to be used as a moderating variable in the analysis. One further moderating variable, the effect of product category value was also identified.

The two step procedure of Anderson and Gerbing (1988), which required measurement models to be estimated before the structural analysis, was followed. The items for the

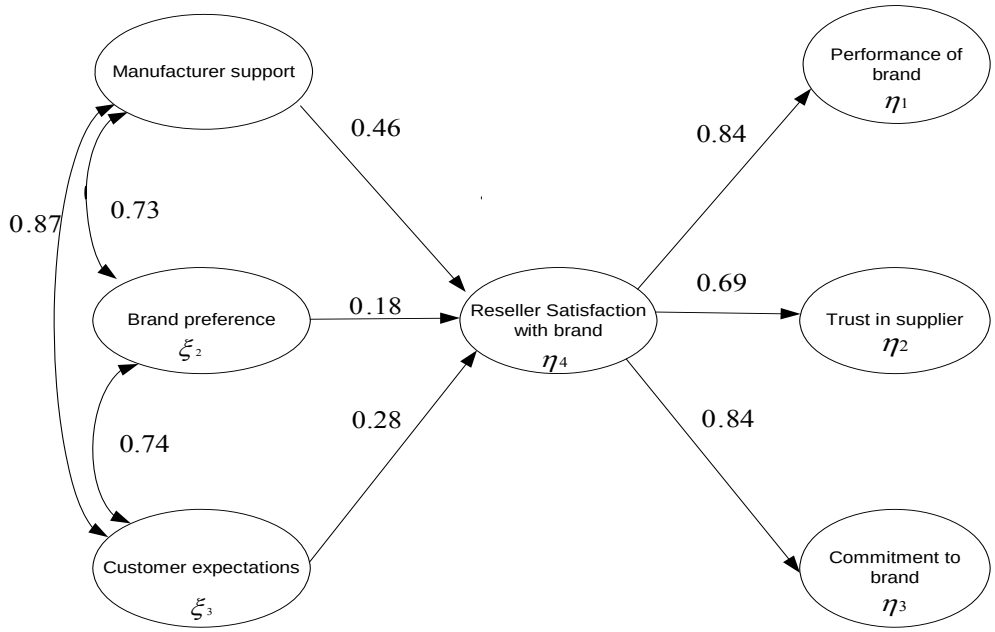
exogenous constructs, the 'sources of brand value to the reseller' were derived from the literature and the qualitative findings. A three-factor model resulted after one factor 'financial benefits' was deleted. The items in the remaining factors showed good convergent validity. The measurement model for the exogenous constructs had good construct validity, within-method convergent validity, reliability, stability and discriminant validity. These constructs were relabelled following the scale validation process, to better reflect the underlying theme of the remaining items and the retail buying literature. The items for the endogenous constructs, the relational outcomes were sourced from existing scales in the literature. Of the six initial endogenous indicators two, cooperation and dependence, were dropped from the model. The four remaining indicators satisfaction, performance, commitment and trust each showed good convergent validity. This measurement model also showed good within-method convergent validity, reliability, stability and discriminant validity.

The structural model results showed a good fit of the model to the data. All structural pathways were significant and the model was stable. The structural model indicated that the three sources of brand value for reseller each had a different level of impact on the focal construct, reseller satisfaction with the brand. The resources important to reseller were first manufacturer support, then customer expectations and third brand preference. Thus the model provides a strong test of the hypothesised relationships between the sources of brand value, the focal construct and the relational outcomes.

The impact of the moderating variable brand type was examined with a multi-group SEM analysis. This analysis showed that there were differences between major and minor brands. For the sources of brand equity, minor brands had a stronger effect overall than major brands on reseller satisfaction. An examination of these individual constructs showed that the effect was due to the customer expectations of minor brands being more important to resellers. This finding contradicted hypothesis 8_a as the results were not in the predicted direction. For the relational constructs in hypothesis $8_{b,}$ there were also differences between the major and minor brands which were due to the stronger effect of minor brands on the satisfaction to trust pathway and the satisfaction to commitment pathway.

Differences in the product category importance ratings by resellers were found in the preliminary analysis. A multi-group analysis showed that higher value categories had a stronger effect within the model as far as the relational outcomes were concerned than the lower value categories. Mediation tests were conducted on the focal construct reseller satisfaction and showed that this construct did mediate the antecedents and consequences of the hypothesised model. However for two of the three constructs reseller satisfaction only partially mediated the relational outcomes. An alternative partially mediated model with additional significant structural pathways estimated had an equivalent fit to the original hypothesised model. The hypothesised pathways within this partially mediated model confirmed the original conceptual model summarised in figure 6-5. The implications of these findings are discussed in the next chapter.

Figure 6-5 Structural Model -Path Diagram

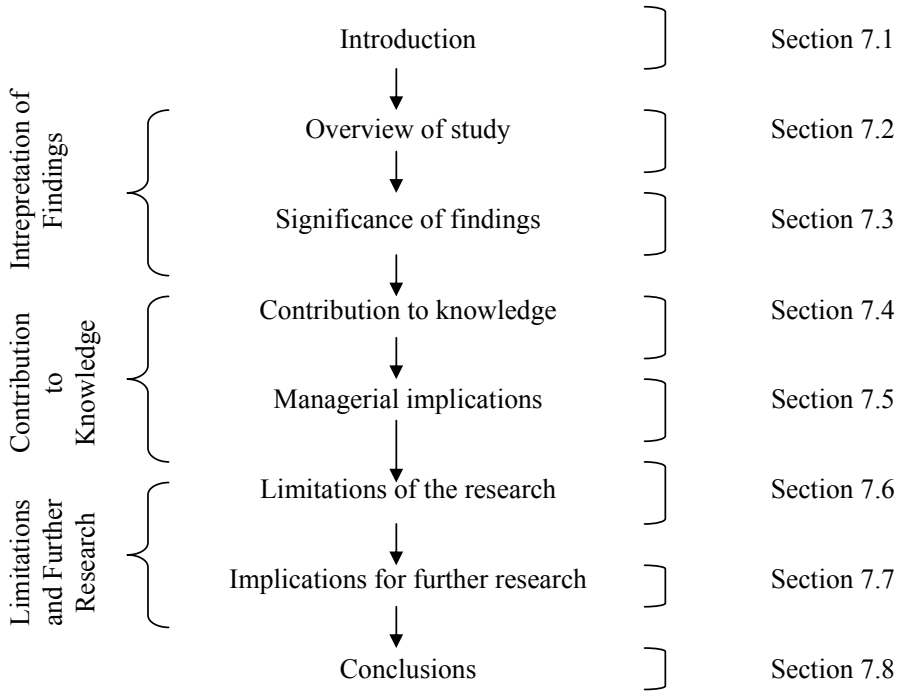


7 Conclusions and Implications

7.1 Introduction

The purpose of this thesis was to investigate the role of brands in manufacturer-reseller relationships. In this chapter an overview of the study is first presented, followed by an evaluation of the survey findings and their significance. This section includes the implications from the qualitative interviews and survey results which are evaluated in terms of the research objectives and the literature. The findings are then further discussed in terms of the contribution to knowledge and relevance to managers. Finally the limitations of this investigation and recommendations for further research on the topic area are outlined. A chapter outline is shown in figure 7.1.

Figure 7-1 Outline of Chapter 7



7.2 Overview of Study

This research project examined the value of manufacturers' brands to resellers and the value of brands within buyer-seller relationships. The topic is important because brands have usually been thought of as having 'trade leverage' for the manufacturer within channels. Despite this view, it is widely considered that manufacturers are losing ground to resellers who are said to have more channel power. Retailing practice, which has been seen as adversarial, is now more collaborative. This collaboration involves a more integrated approach and the sharing of resources between manufacturers and resellers (Duke, 1998). Very little research has been conducted on the value of brands in inter-organisational relationships involving resellers.

The literature review showed that an integrative theoretical framework did not exist to address this research problem. The brand equity conceptualisation of Keller (1993), which is based on consumer brand knowledge, experience and consumption, is of limited value when considering brands from the reseller's point of view. Many researchers however assume the customer-based perspective of the manufacturer also applies to resellers as they both have the same end-customer. This assumption is also reflected in much of the business to business research on branding. Research into the value of brands to firms has focused on the shareholder or financial value resulting from customer preference or loyalty, but has not addressed the effects of value creation both within and outside the firm (Doyle, 2001). As a result, brand value to firms is seen primarily as resulting from communication-based marketing activities directed at consumers (Keller & Lehmann, 2002; Park et al., 1986). Furthermore these customer-based brand perspectives do not explain the value of brands within channels.

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

Webster considers that manufacturer brands offer a range of customer, organisational and performance benefits to resellers. These benefits are achieved through partnerships and recognise that both channel members have the same end-customer (Butaney & Wortzel, 1988). The nature of this partnership is different to many buyer-seller relationships in that a pluralistic form of inter-organisational governance exists between manufacturers and resellers (Heide, 2003). One conclusion from the governance literature is that the trade leverage attributed to brands may not necessarily be an advantage to a major brand in channel relationships.

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

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

To investigate this research problem a multi-method research approach was adopted. A sequential approach consisting of qualitative research, which became the foundation for the quantitative study, was implemented. The qualitative findings showed that brands

have several sources of value which were linked to reseller relational outcomes. These sources of brand value included manufacturer support resources such as brand advertising, the importance of the brand to the reseller's customer, customer attitudes to the reseller and financial benefits. Major and minor brands had different roles for resellers in terms of generating store traffic, enhancing the assortment and as a source of countervailing power for resellers.

A conceptual model was developed that showed the impact of the antecedents, sources of brand value, on the focal construct reseller satisfaction, which in turn influenced other constructs such as trust, commitment and performance. The model was then tested through a national survey of resellers responsible for category buying within supermarkets. The survey design measured reseller responses to questions about sixteen different major or minor brands across eight product categories.

The quantitative data was analysed using LISREL and the results showed that brands were a multidimensional source of value for resellers. There were statistically significant pathways between each hypothesised construct, with satisfactory fit indices for the conceptual model. Multi-group analysis in LISREL allowed the impact of moderating variables such as major and minor brands to be compared. This analysis showed that minor brands had a more significant impact on some relational constructs than others. In addition, the value of the product category also influenced these relational outcomes. An alternative model was compared to the original theoretical model and showed equivalent levels of fit. However the alternative specification had several non-significant pathways and no competing theoretical perspective existed to support this analysis. As a result, the original theoretical model was preferred to this alternative. The next section discusses the significance of these findings.

7.3 Significance of Findings

This section evaluates the survey findings in the context of the research problem. Each construct within the model is examined, starting with the antecedents, the focal construct, followed by the relational constructs. Then the results of the hypothesis testing of the theoretical model are summarised and discussed. Finally the impact of the moderating variables and the mediation tests will be considered.

7.3.1 Antecedent Constructs

The qualitative findings showed there were several 'sources of brand value' for resellers, which were the exogenous antecedents in the structural model. A measurement model for these constructs was estimated and compared to alternative specifications. A three-factor model consisting of manufacturer support of the reseller, brand preference and reseller's customer expectation, showed good fit indices. The items in the manufacturer support construct had been broadly established by the literature as a source of reseller value. Two new constructs, brand preference and customer expectations emerged as being important in the reseller's assessment of the brand. The relevant items loaded on to these constructs as predicted, although some questionnaire items were deleted in the scale validation and purification process (Steenkamp & van Trijp, 1991).

The measurement model broadly confirmed the qualitative findings except for the construct of financial benefits. This particular construct had poor item-to-total correlations and low item reliability scores. It seems that reseller financial decisions are not determined by brand or manufacturer considerations but by other considerations such as the product category, the type of store or the local trading environment. Some merchandise buying studies focus on financial attributes (Grashof, 1970; Gerlich et al., 1994). However in other studies, gross profit was of minor importance (Heeler et al., 1973) and the financial items in Ruekert and Churchill's (1984) research showed both low reliability and low factor loadings. Thus the findings from the literature are mixed as to the importance of financial benefits to resellers. Another more likely explanation is that brands do not have any inherent financial benefits in relation to other brands. One of the benefits of a brand is said to be its ability to generate above average returns. However in a dual-stage perspective, inter-reseller competition may neutralise any such benefit attributable to a brand for the reseller (Kim & Staelin, 1999). These findings indicate that product line financial decisions made by resellers are as a result of variables not directly related to the brand itself.

Despite the lack of support for the financial benefits construct, the first hypothesis was largely supported, which stated that multidimensional sources of brand value for resellers existed. These findings are confirmed by Mudambi et al. (1997)'s research

which showed that industrial purchasers had a number of intangible and tangible sources of value such as company support and service. This broader conceptualisation follows the notion of the augmented product (Doyle & Saunders, 1985) and the market offering (Anderson & Narus, 1999). Here the product is the core of the value offering and is augmented by other related purchaser benefits. In this study the brand is the core of the offering, which is enhanced by manufacturer support such as product category importance, advertising support, customer expectations and brand preference. Research into brand equity measurement such as Park and Srinivasan (1994) and Swait et al., (1993) also confirmed the multidimensional nature of brand value to customers.

The literature has focused on a multi-attribute approach to pre-purchase decisions in merchandise-buying (Ruekert & Churchill, 1984). A key difference in this study is that the sources of brand value are being evaluated post-purchase on a longer term basis. In industrial marketing terminology this type of reseller decision can be described as 're-buying', as the reseller is purchasing a standardised product. However as McGoldrick and Douglas (1983) point out these decision-making attributes are also important long term, as a reseller needs to be satisfied with the brand in order to maintain the store listing. The merchandise-buying literature identifies merchandise, supplier and buyer characteristics as influences in the buying choice decision. Heeler et al., (1973) showed that supplier advertising was a reseller benefit, as was brand reputation (Montgomery, 1975). As with previous studies manufacturer support is important, as well as the influence of brand strength and the reseller's customers.

In contrast with previous research into merchandise buying, these findings emphasise the importance of the reseller's customer as a source of brand value. As brand equity is conceptualised in terms of customer brand knowledge, it is logical that this construct would also be important to resellers. The construct reflects the expectation of customers that preferred brands are part of the reseller assortment. Customer demand and brand quality were important in McGoldrick's research and with Alpert et al.'s (1992) study of pioneer advantage. In other research the saleability of the merchandise and sales volume customer considerations are also important (Ettenson & Wagner, 1986).

In this study the reseller estimate of brand preference reflected the reseller's perception of anticipated customer behaviour towards the brand. The scale used in this research

was a development of the (Yoo et al., 2000) (YDL) overall brand equity scale, the reliability of which has been confirmed by Yoo and Donthu (2001) and Washburn and Plank (2002). This thesis research showed that the scale translated well into the reseller contexts. An item relating to price was included in the measures, as pricing promotions are a key part of retailing. As a result the YDL scale better reflected reseller attitudes and had very good construct validity and reliability.

The measurement model provided evidence of the brand as a market-based asset and its value in inter-organisational relationships. Webster (2000) and Anderson and Narus (1999) maintain that this value creation is the result of interaction between manufacturers, consumers and resellers. There were three sources of brand value important to resellers. The first source represents the manufacturer support benefits such as advertising, participation in store advertising, category importance and category growth. The second source is the reseller's expectation of customer behaviour with respect to the brand, the brand preference measure. It reflects the value of the brand in the external relationship with the consumer. The third source is the reseller's expectation of the customer demand and reflects the reseller to customer link. Essentially this resource enhances the resellers' offering to their customers. In the following section the effects of these resources on the focal construct, reseller satisfaction with the brand is discussed.

7.3.2 Focal Construct

The second hypothesis showed that the sources of brand value affected reseller satisfaction, a construct well established in the channels literature. In this section the measurement of the construct and the impact of these antecedents on satisfaction are discussed in relation to the research problem. This discussion is followed by an evaluation of the sources of brand value on reseller outcomes.

Ruekert and Churchill (1984) found that reseller satisfaction had a number of multidimensional sources. However this study measured reseller satisfaction with the brand, in contrast to previous research that examined overall supplier satisfaction (Ganesan, 1994). Channel satisfaction according to Ruekert and Churchill (1984, p227) reflects 'all characteristics of the relationship between a channel member and another institution in the channel which the focal organisation finds rewarding, profitable,

instrumental and satisfying'. The scale used for reseller satisfaction with the brand was based on Cannon & Perreault (1999). In this research the resulting three-item scale had good psychometric properties and showed higher reliability estimates than Cannon and Perreault's measure, although two reverse-coded items did not score well in comparison. This measure was superior to other channel satisfaction scales which used fewer than three items, namely Kumar et al. (1992), Garbarino and Johnson (1999) and Biong (1993).

Estimation of the structural model established the relative weighting of the antecedents constructs that affected reseller satisfaction. The manufacturer support construct had the greatest weighting, followed by customer expectations and then brand preference. This finding shows that brand preference is not the most important consideration in determining reseller satisfaction. Other research also supports this conclusion, for example Biong (1993) showed that 75% of reseller satisfaction was explained by the sales-force then profitability, product and support.

The structural model shows the relative influence of these manufacturer resources 'the sources of brand value' on the focal construct, reseller satisfaction. Brand preference is an antecedent of reseller satisfaction but is less important than the other sources of value. However these other constructs reflect the manufacturer and customer resources that brands offer resellers. All pathways for the antecedents on reseller satisfaction were positive and significant. The sources of brand value which are the manufacturer resources are strongly related to reseller satisfaction with the brand. Manufacturer resources create value or relational rents for the reseller (Dyer & Singh, 1998). In the following section the findings for the relationship outcomes in the model are examined.

7.3.3 Relationship Outcomes

This section examines the relational constructs trust, commitment and performance in the structural model. The relationship between these constructs and reseller satisfaction with the brand is then considered.

Trust was measured by two concepts honesty and benevolence, based on the scale of Kumar, Scheer and Steenkamp (1995b). In the scale purification process, the honesty items were deleted. Doney and Cannon, (1997) consider that organisational trust

signals that the manufacturer is acting in the best interests of the buyer and is important because of the risks inherent in reseller purchasing. The honesty items referred to the information and promises made by the manufacturer about the brand. Honesty may be an issue relevant to organisations in general, rather than to aspects of an organisation such as a brand. Alternatively the type of information and promises provided by manufacturers about brands may not be as critical to resellers. Trust based on benevolence indicates that resellers believe that manufacturers will support them when needed. It captures the sentiment that the manufacturer is acting in the best interests of the reseller. This response highlights an expectation on behalf of resellers which may reflect the reseller power in the relationship. Reseller power may also be indicated by the willingness of manufacturers to work with resellers. Doney and Cannon (1997) consider that trust is developed in stages with honesty and credibility being important at the beginning of the relationship, with the benevolence aspects of trust becoming more evident in later stages. Therefore the emphasis on benevolence in this research may reflect the established nature of the manufacturer-reseller relationships among the respondents.

In this research three aspects of commitment: continuance, behavioural and affective commitment were measured. Continuance commitment measured the extent to which the brand was likely to continue in the reseller's range, while the behavioural commitment reflected the extent to which the reseller would support the manufacturer when needed. The only construct that was retained from the scale purification process was affective commitment, which measured the extent the reseller wanted to be associated with the brand. Unlike the trust measure which related to the supplier on matters concerning the brand, this measure focused on reseller commitment to the brand. The deletion of these two sentiments may reflect the established nature of the relationship, with continuance commitment reflecting early stages of the relationship. While resellers expected that manufacturers would support the reseller as indicated by the benevolence trust measure, a reseller would not necessarily always reciprocate that commitment towards the manufacturer. The lack of a behavioural commitment measure may reflect the brand as a non-mediated power source. This research confirmed that the brand is a source of referent power in the manufacturer-reseller relationship, which impacts on affective commitment (Busch & Wilson, 1976). Brown et al. (1995) found that non-mediated power sources increased affective commitment to the relationship.

The performance construct has been a secondary focus in channels research (Achrol & Etzel, 2003) but is an important relationship outcome and is part of the political economy paradigm (Geyskens et al., 1998). Performance is important in the market-based assets framework from the RBV perspective. Srivastava et al. (1998) consider that market-based assets affect the vulnerability and volatility of cash flow. The performance of the brand is also influenced by manufacturer and reseller decisions regarding trade promotions. In this study performance was measured by three items: profit, sales volume and generating store traffic. These items were measures of economic performance in relation to the other brands in the category. Overall, high reliability scores were achieved reflecting three distinct, yet convergent aspects of performance.

As indicated in the analysis, the constructs of dependence and cooperation were deleted from the measurement model. The dependence construct reflected the replaceability of the brand in the range. Cooperation, on the other hand, reflected the resellers' desire to work with the manufacturer. The cooperation items were similar in sentiment to behavioural commitment, which also reflected the intention to work with the manufacturer. While this finding may reflect limitations on what resellers will actually do for manufacturers, another explanation is that cooperation is not as important for resellers because the individual brands represent a low proportion of the reseller's business. Because of the wide range of categories on offer at a supermarket, cooperation with manufacturers may be less of an imperative for the reseller. Previous reseller studies have focused on situations where the supplier was a greater proportion of the reseller's business (Lassar, 1998). Measures of dependence referred to the replaceability of supplier's products range in general (Johnson, 1999) rather than the brand. This may imply a greater level of importance is attached to a manufacturer than simply a dependence on one product or brand. Resellers may feel less cooperative or dependent when evaluating a brand compared to evaluating the complete range of the manufacturer. Therefore the deletion of these constructs from the model may reflect issues of scale and importance to the reseller with respect the brand.

The next section examines the pathways from the focal construct, satisfaction, to the relational outcomes of commitment and trust. Geyskens et al. (1999) found that channel satisfaction is an antecedent to commitment and trust, a finding broadly confirmed by

this research. The channels literature has also linked power sources and influence strategies to long term exchange outcomes such as trust and commitment (Brown et al., 1995). These relational constructs showed a high degree of construct validity, reliability, discriminant validity. Within the structural model there were significant pathways from the satisfaction construct to commitment and performance. There was also a significant link from satisfaction to trust but the parameter was weaker than the other relational constructs. The mediation tests showed that satisfaction fully mediated the relationship between the sources of brand value and trust. Previous research, where satisfaction with the relationship led to enhanced perceptions of performance, also supports these findings (Kumar et al., 1992).

Ganesan (1994) found that satisfaction did not have an impact on vendor's trust in benevolence but did affect commitment. The results of this research confirm that brands are long term investments or manufacturer pledges and influence reseller behaviours such as commitment and trust (Anderson & Weitz, 1992). While brands themselves are not idiosyncratic investments, manufacturer support and customer importance signal a firm's commitment to the reseller. The positive linkages in this research between satisfaction, performance, trust and commitment all have support in the channels literature. Many channel studies have focused on examining the relationships between these relational constructs rather than address the impact of firm variables such as market-based assets. In the next section the relationships between all the constructs in the conceptual model are considered.

7.3.4 Conceptual Model Evaluation

This section evaluates the conceptual model by first summarising the supporting evidence for the first seven hypotheses. Hypothesis eight is then examined in terms of the effects of major versus minor brands followed by the discussion of the mediating hypothesis. Finally the overall structural model is evaluated and a discussion of additional findings not originally hypothesised is included. A summary of hypotheses is shown in table 7-1.

From table 7-1 it can be seen that five out of the seven hypotheses were supported by the findings. 'Sources of brand value' is a multidimensional construct which significantly influenced reseller satisfaction. Reseller satisfaction mediated the

relationship between these sources of brand value and performance, trust and commitment. The fit indices were satisfactory and all hypothesised pathways were significant. Although the overall model was significant and showed a high normed chi-square, this was attributed to the large sample sizes. However when the model was analysed with smaller sample sizes, the normed chi-square statistic was well within the acceptable range of 2.0 to 3.0 (Hair et al., 1998).

Table 7-1 Reseller Perception of Brand Value Model-Hypothesis Summary

	Hypothesis Effect	Evidence	Support
H_1	Multidimensional nature of sources of brand benefits	Three-factor measurement model. Constructs showed good construct validity, reliability, discriminant validity and stability. GFI 0.95, AGFI 0.92, RMSEA 0.072	Yes
H_1	Financial benefits	Coefficient alpha low (0.62) item-to-total correlations low	No
H_1	Manufacturer support	Coefficient α 0.88 VE 0.67	Yes
H_1	Brand preference	Coefficient α 0.92 VE 0.75	Yes
H_1	Customer expectations	Coefficient α 0.89 VE 0.76	Yes
H_2	Sources of brand value influence reseller satisfaction	All pathways are significant to reseller satisfaction	Yes
H_2	Manufacturer support→ satisfaction	γ_{41} 0.46 *t*-value 7.2	Yes
H_2	Brand preference→ satisfaction	γ_{42} 0.18 *t*-value 4.9	Yes
H_2	Customer expectations→ satisfaction	γ_{43} 0.28 *t*-value 4.8	Yes
H_3	Satisfaction→Trust	β_{24} 0.69 *t*-value 15.1	Yes
H_4	Satisfaction→Commitment	β_{24} 0.84 *t*-value 15.2	Yes
H_5	Satisfaction→Cooperation	Construct did not meet fit criteria for model	No
H_6	Satisfaction→Dependence	Construct did not meet fit criteria for model	No
H_7	Satisfaction→Performance	β_{24} 0.84 *t*-value 16.6	Yes

An alternative model was devised that estimated all unidimensional pathways between the exogenous and endogenous constructs. As expected, this model did have better fit indices as more pathways were freed. The evaluation criteria for this alternative model were based on Durvasula, Andrews, Lysonski and Netemeyer (1993) and included fit indices, the number of significant pathways, stability, reliability and model parsimony.

There were a greater number of non-significant pathways evident within the alternative model. Structural parameters were also less reliable, but the model was stable across the calibration and validation samples. The key difference with the alternative model was the addition of two pathways from manufacturer support and brand benefits to performance of the brand. The AGFI index, which accounts for additional parameters in a model, was below the threshold level for satisfactory fit and the AGFI from the original theoretical model. When considered alongside the fact that a competing theoretical explanation did not exist, this finding led to the original theoretical model being preferred.

Table 7-2 Summary of Hypothesis Eight- Major versus Minor Brands

Hypothesis	Effect	Evidence	Support
8a	Manufacturer support→satisfaction	No significant difference	No
8a	Brand preference→satisfaction	No significant difference	No
8a	Customer expectations→satisfaction	Significant in opposite direction	No
8b	Satisfaction→performance	No significant difference	No
8b	Satisfaction→trust	Significant in opposite direction	No
8b	Satisfaction→commitment	Significant in opposite direction	No

Next the moderating effect of the major and minor brands on reseller satisfaction and the other relational outcomes was examined in hypothesis eight. The estimation of separate models for these brand types in Table 7-2 shows there was no significant difference as far as the manufacturer support and brand preference constructs on reseller satisfaction are concerned. These findings are important despite the initial *t*-tests of the items showing higher overall ratings for the major brands. For the customer expectations construct, a statistically significant difference was evident in favour of minor brands and was in the opposite direction to the hypothesis. This result can be explained post-hoc by considering the effects of market share, a variable often linked to brand equity (Ehrenberg et al., 1990) on satisfaction. It has been shown that high market share brands produced less customer satisfaction (Anderson, Fornell, & Lehmann, 1994). One explanation may be that major brands are expected to be in store anyway so customer demand is not a concern for resellers. Minor brands are a countervailing source of power for resellers enabling them to expand the assortment

(Bergen et al., 1996) and the reseller appeal with the customer. While this finding appears to favour the minor brands, nevertheless the structural model estimated with the major brands showed better fit indices.

There were overall differences between major and minor brands with the influence of satisfaction on trust, commitment and performance. The multi-group analysis showed the differences between the two brand types and the relational outcomes were due to differences in trust and satisfaction. This finding, while not consistent with the trade leverage perspective, is consistent with the predictions of Ghosh and John (1999) who reason that minor brands are better off using relational governance and that major brands are better off using market governance. Other relational studies also support this finding such as Combs and Ketchen (1999) who showed that brand name reputation did not enhance cooperation in the restaurant industry. Brown et al. (2000) investigated brand name effects in a study of hotel franchising and found that even hotels with strong brand names had to maintain good relations in order to manage opportunism amongst franchisees. Anselmi (1999) concluded that minor brands may be able to increase their advertising versus promotional spend at a greater rate in relational exchange compared to major brands. This finding is also consistent with the RBV which considers that inter-organisational relationships enable firms to minimise their own resource use and optimise the resources of the channel partner.

Combs and Ketchen (1999) also found differences in performance ratings between major and minor brands. Their research used financial measures of performance such as ROI, whereas this study used economic performance measures. In this research there were no differences between brand types with respect to performance. Overall financial measures were not a significant aspect of the items in this study.

Hypothesis nine confirmed the mediating role of reseller satisfaction which was implicit in the model specification. The mediation tests showed that reseller satisfaction did mediate between the sources of brand value and performance, trust and commitment. In the case of performance and commitment the mediation is considered partial, whereas with trust, full mediation was achieved as the parameters were non-significant when the satisfaction factor was included in the model. This finding confirms that reseller trust in the supplier of the brand does not develop unless reseller satisfaction of the brand is

present. Reseller perceptions of the performance of the brand are mostly but not entirely influenced by reseller satisfaction with the brand.

The overall model is evaluated in relation to merchandise buying studies which include the work of Biong (1993), Fairhurst and Fiorito (1990), Ruekert and Churchill (1984), Collins-Dodd and Louviere (1999), Montgomery (1975) and Heeler et al. (1973). These studies vary enormously in their scope and the extent to which they include the brand as a variable. However the results of this research are informative in terms of reseller attitudes to manufacturers. Both Fairhurst and Fiorito (1990) and Ruekert and Churchill (1984) confirmed a multi-attribute model based on factor analysis.

Biong (1993) linked the multi-attribute approach of Ruekert and Churchill (1984) to reseller satisfaction. In his study the findings were mixed as some variables such as profitability and the sales force support were linked to satisfaction and others such as advertising and product variables affected commitment. His results were estimated with separate multiple regression equations, which did not allow the manufacturer effects and relationship outcomes to be controlled for simultaneously as in structural equation modelling. The results of this study differ from Biong's findings in that profitability did not emerge as an influence on satisfaction, but that product (brand preference) and manufacturer support did. In addition, the sales force measure used by Biong included many of the items used in this study as manufacturer support. Collins-Dodd and Louviere (1999) showed that brand names are only important in brand extension decisions, but not when resellers consider other types of decisions such as advertising and pricing. The 'sources of brand value' constructs do largely reflect Biong's findings except for the brand and financial measures. In addition, these findings of this research demonstrate stronger effects of these sources of value on the relationship outcomes. Unlike the Collins-Dodd and Louviere (1999) study, brand preference was found to be important, but its influence was not as great as other sources of value for resellers. In the next section, additional analyses that were not part of the original focus of the study are examined.

7.3.5 Additional Findings

Product category importance or value emerged as a moderating variable in the exploratory data analysis. The wine and beer categories were regarded by resellers as

significantly more important than the other categories. A multi-group analysis found that significant differences existed between the liquor and the lower value categories. The value of the category did affect the relational pathways between reseller satisfaction and the other relational outcomes, trust, performance and satisfaction. There is an effect of product category on reseller evaluations of the brands in this study and the findings also provide an opportunity to examine the integrity of the conceptual model. The parameter estimates of the sources of brand value were similar in effect on reseller satisfaction compared to the original model. However the high value products had significantly stronger effects on the relational outcomes compared to the low value products.

In summary the sources of brand value for resellers is a three-factor model which impacts on reseller satisfaction. Manufacturer support is the most important construct followed by customer expectations and brand preference measures. This pattern was also validated in the analysis of other sub-groups within the data including high and low value product categories. Reseller satisfaction affected the perceived performance of the brand, trust in the supplier on matters concerning the brand and commitment to the brand. The structural model showed a satisfactory fit of the model to the data and the validation criteria of Steenkamp and van Trijp (1991) were met. The direction of the moderating effect of brand type was not supported as minor brands appear to satisfy resellers more than major brands. For the relational outcomes minor brands had greater reseller trust and commitment. Reseller satisfaction was confirmed as a partially mediating variable in the model. Nomological validity is also indirectly confirmed as the network of constructs in the model behaved as predicted. In the next section the contribution to knowledge of these findings is discussed.

7.4 Contribution to Knowledge

This section evaluates the contribution to marketing knowledge of nine different aspects of this study. The first aspect is the identification of the sources of brand value, a market-based asset, to resellers. Second, the reseller relational outcomes relevant to these market-based assets are considered. Brand preference is identified as a source of value to resellers which represents the third contribution. The fourth contribution is the development of a conceptual model showing the effects of market-based brand assets on reseller relational outcomes. A fifth contribution is the assessment of brand strength as

a moderating variable within the model. The application of a multi-method approach allowed the development of a model that reflects a contemporary reseller context which is the sixth contribution. The seventh contribution is that this research evaluates market-based assets from an inter-organisational reseller perspective. This research evaluates the value of brands from a product category perspective which is the eighth contribution and reflects current manufacturer and reseller practices. Finally the study uses the RBV as the theoretical framework from which to model the value of market-based assets in reseller relationship.

7.4.1 Sources of Brand Value

The identification of the sources of brand value for resellers is the first contribution. These antecedents are based on the RBV which considers that brands are an intangible firm asset of value in inter-organisational relationships. Brands have been considered a market governance mechanism, reflecting the strength of the brand in the marketplace or with the end-customer. Relationship marketing researchers have also considered brands to be a reflection of transaction-based marketing (Ravald & Grönroos, 1996). In transaction marketing, these arm's length exchanges are characterised by non-specific investments, minimal information exchange, low levels of interdependence and low transaction costs. Evidence from the qualitative phase of the research highlighted the relational nature of exchanges between manufacturers and resellers with respect to the brand. Recent developments in the branding literature (Fournier, 1998; Muniz & O'Guinn, 2001) have also emphasised the importance of a relational perspective.

For a market-based assets view to be relevant in this research, the brand must have value in external organisational relationships (Webster, 2000). A comprehensive theoretical rationale did not exist that supported a role for brands in these external inter-organisational relationships. Many researchers have recommended the value to firms of sharing resources e.g. Borys and Jemison (1989) and Simonin and Ruth (1998). Dyer and Singh (1998) discuss the ways in which firm assets or resources can have value or be a source of relational rents in inter-organisational relationships. The first is that channel members must invest in assets specific to the relationship. Branding is a source of relational value for sellers and although a strong brand is not easily imitated, the benefit to resellers is tempered by its availability to others. Next there should be knowledge exchange between the parties. This exchange occurs formally through key

account visits, trade advertising, and category management and informally through the reseller's own brand knowledge and experience. The distribution channel is a resource which enables a manufacturer to efficiently reach the end-customer. This research showed that there was an end-customer function provided by manufacturers that resellers could not provide by themselves. Thus there is a complementarity of resources between reseller and manufacturer. Resellers do not have the resources by themselves to fully generate customer demand. Finally collaboration mechanisms need to exist between the parties in the relationship. Examples of such mechanisms are category management, ECR and trade promotions (Basuroy et al., 2001; Ailawadi et al., 1999). While the Dyer and Singh (1998) perspective is an extension of the RBV, one aspect not fully addressed by these authors is the effect of manufacturer competition. As this aspect can affect value creation within the channel relationship, it was included in this research design, by comparing major and minor brands.

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

the brand knowledge of brand quality, pricing and support. The last source of value focuses on the reseller's expectations regarding the customer. Brands are an inter-organisational resource that benefits the end-customer of both the manufacturer and the reseller.

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

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

7.4.2 Channel Outcomes

The second contribution to knowledge is the identification of relationship variables relevant to the reseller attitude towards brands. In the channels literature, commitment, trust and satisfaction reflect channel attitudes and behaviours within the political economy paradigm (Robicheaux & Coleman, 1994; Stern & Reve, 1980). Reseller satisfaction is an affective response to another channel member (Ruekert & Churchill, 1984). In measuring reseller satisfaction of the brand, an overall measure of satisfaction rather than an attribute based measure was used (Cannon & Perreault, 1999). Adopting an overall measure allowed reseller satisfaction to be measured within the context of a long term channel relationship.

The channels literature has developed measures such as satisfaction, trust and commitment which are more appropriate outcomes for this research setting. Within the branding literature researchers are beginning to examine ways of measuring relational aspects of brand equity (Ambler, 1997). Chaudhuri and Holbrook (2001) for instance, developed a scale of brand commitment and Fournier (1998) considered the foundations of brand relationship quality within the life story of a consumer. Thus the branding literature is enhanced with measures such as satisfaction that are relevant to brands within inter-organisational relationships. This research also contributes to the growing literature on the relational properties of brands (Dall'Olmo-Riley & de Chernatony, 2000) and the importance of the customer experience (Berry, 2000).

Reseller satisfaction also influences other factors such as commitment, trust and performance of the brand. These relational variables are measures of reseller attitude or sentiment within the relationship. Commitment and trust have been shown to be important variables, but are affected by the manufacturer's use of power and influence strategies. In addition a firm's investment in the relationship also influences these outcomes. Commitment is important in the generation of value. In this study it was the affective commitment which represents reseller identification with the brand that was important. In terms of the RBV, collaboration and idiosyncratic investment with resellers can lead to competitive performance advantages (Jap, 1999). Kasulis et al. (1999) consider that the different strengths of resellers and manufacturers dictate which promotional tactics are optimal for channel members and enhance relational outcomes.

7.4.3 Brands as Inter-Firm Assets in Channel Relationships

The third contribution is that the brand, a firm specific asset, based on the brand to customer relationship, has also been shown to be important within channel relationships. The weighting of this brand preference construct is lower than the other benefits, however the consideration of a brand's standing with the reseller's customers is still significant. In this research the brand is the unit of analysis, unlike previous studies that have examined reseller buying from a product or a supplier perspective. A large number of reseller studies had buyer decision making as the dependent variable, but did not address the relational outcomes. Many channel researchers, for example Ganesan (1994) have examined the effects of channel structure, such as dependence, and channel conduct, such as the use of influence strategies, on relational outcomes (Geyskens et al., 1999). A feature of this literature is that a wide variety of channel constructs represent channel structure, conduct and outcomes. This means that common agreement on what constitutes commitment, trust, performance and satisfaction often varies from researcher to researcher. Where possible however the measures adopted for this research had been used in previous reseller studies.

7.4.4 Conceptual Model Development

The development of the conceptual model is the fourth contribution and has application to other retail sectors and other industry contexts. The model was developed as a result of the qualitative analysis, and identified two new brand related constructs, brand preference and customer expectations. The conceptual model was then tested with a reseller survey. The contribution is that the sources of value for brand for resellers and their effect on relational outcomes can be measured. Excellent construct validity, reliability, good stability and discriminant validity existed between the constructs within the model. Satisfactory fit indices with significant pathways between the theorised constructs were evident and were also in the hypothesised direction. The structural model applied equally well to the major and minor brands, to the calibration and validation datasets, as well as to the high and low value product categories. Thus the model has been replicated and extended under different conditions and is generalisable. It compares well to similar buyer-seller models where linkages have been shown between a firm's resources and the impact on a firm in an external relationship e.g.

Biong (1993), Ganesan (1994), Lassar (1998), Jap (1999) and Cannon and Perrault (1999).

7.4.5 Effect of Brand Strength

Incorporating brand strength into the conceptual model is the fifth contribution. In previous related studies e.g. Lassar (1998) and Collins-Dodd and Louviere (1999), the levels of brand type were not controlled for. However this approach has been adopted by other researchers in consumer branding research e.g. Broniarczyk and Alba (1994) and Krishan (1996). The validity of the Young and Rubicam classification of major and minor brands was confirmed, as there were statistically different mean scores for each item response by brand type in the expected direction. Eight different product categories were used in the research design and the same pattern of difference scores was evident. The impact of these brand types in the model was assessed through multi-group analysis, but the impact of these measures on the relational outcomes was mixed. These results show that minor brands have an impact on certain relationship outcomes such as trust and commitment but not performance. Differences were also evident in the sources of brand value as customer considerations were important for minor brands but not major brands. Thus different sources of value are important to resellers depending on the type of brand. This finding is consistent with the RBV and is also supported by Combs and Ketchen (1999) and Ghosh and John (1999). Firms with fewer resources or minor brands are more likely to engage in relational exchange and this affects positively affects relational outcomes such as satisfaction, trust and commitment.

7.4.6 Mixed-method Research Design

The sixth contribution is the multi-method research design of this study. The lack of a comprehensive theoretical model was the principal driver in adopting the research design. The first stage required an inductive approach from which the conceptual model was then developed. The model was then translated into a survey design which allowed generalisable findings to be produced. Many studies in inter-organisational branding have utilised either a qualitative approach e.g. Mudambi et al. (1997) and Rosenbröijer (2001) or a quantitative approach e.g. Baldauf et al. (2003) and Michell et al. (2001). However there have been relatively few instances of multi-method research in the branding literature.

The benefits of adopting a multi-method approach were the development of a sound theoretical model and the possibility of feedback between the qualitative and quantitative findings. In the qualitative stage, semi-structured interviewing allowed participants to state what value brands provided their businesses. These sources of brand value had not been identified in the literature, although some items had been used in some merchandise buying studies. The qualitative phase enabled the impact of the brand on reseller attitudes to be identified which had not previously been examined. At the same time differences in the role of the major and minor brands for resellers were noted. This facet was incorporated into the quantitative research design. Information about supermarket buying practices, the feasibility of contacting category buyers and an assessment of their competence to provide relevant data was also obtained at this phase of the research. These observations showed that several key individuals usually had responsibility for buying decisions of a range of related categories with a retail outlet.

As a result of these findings, it was decided to interview several category buyers on different categories from each supermarket. The choice of items and the wording used within the questionnaire was influenced also by the qualitative research and established measurement scales. Further confirmation of the validity and reliability of the qualitative findings was also possible using a multi-method approach. In the quantitative stage of the research several items and constructs were deleted from the conceptual model in the scale validation process. The use of structural equation modelling to analyse the data provided a means by which the relationships between the exogenous and endogenous constructs could be tested within a theoretical framework. Comparing alternative models and testing for mediation was also possible using SEM. Thus the quantitative study also provided feedback on the validity and the relationships between the constructs identified in the qualitative phase.

7.4.7 Reseller Perspective

This study is among the first to examine brand equity from a reseller perspective and is the seventh contribution. In much of the industrial branding literature a manufacturer or 'value of branding to the selling firm' approach has been adopted rather than a purchaser perspective. Many inter-organisational studies have also measured brand name affect only, e.g. Baldauf et al. (2003) rather than adopting the more holistic perspective of Mudambi et al. (1997). These studies have also tended to be descriptive;

however this research study is explanatory, showing significant links between the sources of brand value and relational outcomes. Other studies such as Collins-Dodd and Louviere (1999) focused on brand affects but showed limited impact on reseller decision making. Biong (1993) considered branding within an overall product construct, but his research design did not consider the multiple linkages between this construct and the satisfaction and commitment measures. While brand preference was identified as a separate construct, it was part of the overall sources of brand value to resellers.

An established construct, overall brand equity (Yoo, Donthu & Lee, 2000) was adapted to measure the reseller evaluations of consumer based brand equity known as brand preference. This construct showed good reliability and discriminant validity. In terms of the RBV, this research shows that the brand is a relationship specific asset of relevance to resellers in inter-organisational relationships. The source of this value is the consumer perceptions of brand strength. While this measure is not a direct reflection of customer brand sentiment; nevertheless it measures the reseller's assessment of likely customer brand preference. As noted previously a similar approach was used by Baldauf et al. (2003) to assess brand consumer value with resellers.

7.4.8 Category Management Context

The final contribution of this research is the examination of brands within a product category context. Resellers manage brands by category and focus management resources on enhancing category performance rather than managing brands individually (Gruen & Shah, 2000). Category management is a key tool of relationship collaboration used internationally by manufacturers and resellers (Basuroy et al., 2001). A manufacturer's brand is one of many within the reseller's range, where its overall importance may be somewhat diminished. However a category management perspective meant that the brand was evaluated in terms of its importance to the reseller within that category. In previous research, such as Biong (1993), the impact of product categories was ignored and resellers were surveyed on a more general level. Consideration of product category effects also allowed the model to be extended.

The analytical modelling literature has always considered brand effects within the product categories. Furthermore, a key marketing strategy for brand manufacturers

involves extending brands within a category and into other categories. So evaluation of the brand within the category context was relevant both from a reseller and a manufacturing point of view. Several categories were used in this research which enhanced the generalisability of the findings, unlike other studies such as Frazier and Lassar (1996), Baldauf et al. (2003) and Hutton (1997) which reported results from one category only. Differences in reseller response across the categories were also evident in this study. A comparison of category responses found that the liquor categories were regarded as more important to resellers than the grocery categories. This finding was incorporated in the structural equation analysis.

7.4.9 Resource-based View of the Firm

Finally the last contribution of this research is in the use of the RBV as a theoretical framework for examining the effects of market-based assets such as brands on reseller relational outcomes. This research focuses on the customer relationship management processes between manufacturers and resellers within the confines of the retail supermarket channel (Srivastava et al., 1999). Within the RBV framework, the value for the firm of the market-based-asset is determined externally (Barney, 1991; Srivastava et al., 2001; Hunt & Morgan, 1995). This study examines the brand as a market-based asset in which manufacturers invest considerable marketing resources within the distribution channel to affect end-customer brand preference (Keller & Lehman, 2002).

One of the criticisms of the RBV is that these marketing specific resources are not easily identifiable (Priem & Butler, 2001). Srivastava et al. (2001) consider the relevance of the RBV to marketing is enhanced if such resources are identified and reflect some attributes of the RBV. The qualitative research conducted in this study did identify these resources which were the sources of manufacturer brand value for resellers. Furthermore market demand or heterogeneity which determines the customer value attributable to the market-based asset was able to be externally quantified through the use of the BAV brand preference data (Young & Rubicam, 1994). The research design incorporated this brand preference difference as a moderating variable within the conceptual model. Then the structural equation analysis was then able to confirm the value of this marketing resource in relation to other manufacturer resources used to build value for the reseller. The structural model was also able to identify any

differences between the value of the various product categories tested. Thus this research contributes to a small number of marketing studies utilising the RBV of the firm e.g. Hall (1992), Capron and Hulland (1999) and Combs and Ketchen (1999) that focus on aspects of branding and secondly on relational outcomes e.g. Jap (1999) and Johnson (1999).

While this research study has highlighted these important contributions to knowledge, there are also several managerial implications of the findings which will be discussed in the next section.

7.5 Managerial Implications

This research has shown strong linkages between the sources of brand value and the relationship outcomes for resellers. While the importance of resellers is recognised in the brand literature, the focus has been on brand attributes, associations and benefits for consumers. The conceptualisations of Aaker (1991) and Keller (1993) emphasise a multidimensional view of brand equity based on the consumer's knowledge of the brand. Aspects of these conceptualisations have been utilised in organisational branding research, even though the buying process is different from consumer purchasing. The qualitative research showed that brands are both a source of value to resellers and a manufacturer resource that resellers can to use to benefit their customers.

The first implication for marketers is that brands matter to resellers. Brand preference was shown to be a separate source of value to resellers, reflecting the manufacturer to consumer link. Brand preference also brings to resellers other sources of value such as customer expectations about the brand and manufacturer support resources of the brand in the marketplace. However marketing managers must not over-estimate its importance, as the brand preference construct was ranked third as a source of brand value. This finding generalised across all samples analysed and applied to major brands as well as minor brands. The identification of the sources of brand value shows that it is the brand related resources such as participation in store advertising that are important to resellers. Brands are therefore a relationship specific asset, which includes customer expectations, manufacturer support resources as well as brand preference. In essence it is the overall sources of brand value that are important to the reseller not just customer-based brand equity.

That 'sources of brand value' influence relationship outcomes within the channel is the second implication from this study. Satisfaction with a brand does influence the reseller's perception of a brand performance, increases trust in a supplier and reflects the reseller's commitment to the brand. The conceptual model shows that reseller satisfaction with the brand mediates the sources of brand value and the relational outcomes. By focusing on aspects of value to resellers, manufacturers can enhance a buyer-seller relationship and use market-based assets to obtain competitive advantage.

The third implication is that while manufacturers often focus on a brand's standing within a market, this brand preference does not automatically translate into a satisfied reseller or improved relational outcomes. It has been evident in the literature that market share is inversely related to customer satisfaction (Anderson, Fornell & Lehmann, 1994). Ghosh and John (1999) consider that minor brands are better able to make use of relational governance in order to build closer channel ties. Minor brands can build reseller satisfaction because they offer an opportunity for the reseller to enhance the assortment to customers (Bergen et al., 1996). Customer expectations were an important source of brand value when resellers evaluated minor brands but were not as important for major brands.

If resellers are concerned with the value of the manufacturer's total offering including the brand, then manufacturers should not be too concerned if a reseller wishes the manufacturer to produce a private label brand. A fourth managerial implication is that if a manufacturer's focus is on building relationships with resellers then supplying private label brands may not be detrimental in terms of the relationship (Dunne & Narasimhan, 1999). However from the reseller's perspective having private label brands could be seen as a limitation within the RBV as resellers may be less able to take advantage of the sources of brand value provided by the manufacturer.

The fifth implication is that reseller satisfaction is an important influence on a reseller's perception of performance. Both manufacturer and reseller use scanning data to detail brand performance and standings within the market. Much of this data is used at an aggregate level. From the qualitative interviews it was evident that resellers do not analyse the market from a manufacturer perspective but use other metrics instead. This means that market information provided is sometimes not as relevant to resellers, as

local customer preferences may also differ to the overall market. This research showed that local supermarket managers can assess the performance of a brand and this is influenced by reseller satisfaction. As a consequence the deletion of the category information item from the reseller support scale indicates that resellers do not find this manufacturer information useful or an important source of brand value.

The sixth implication highlights that not all aspects of trust and commitment are important in buyer-seller relationships. Minor brands appear to be better able to influence these relational outcomes. Only the benevolence aspects of trust and the affective commitment were relevant to brands. The branding literature e.g. Aaker (1996) focuses on building the value of major brands through communication and market governance. Although there is little research on building the value of minor brands, this study demonstrates that these types of brands can better utilise relational governance.

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

The last managerial implication is that the value of the product category is a major indicator of reseller satisfaction. Resellers do differentiate between levels of category value when evaluating brands. This finding is logical as resellers will invest in resources in areas where they obtain better returns such as the liquor categories. Their perception of the brand was enhanced by the value of the category which influenced the relational outcomes.

This research has made a contribution to brand management practice and shows that brand equity does not automatically translate into trade leverage as is generally considered. Rather it is the overall sources of value including the brand that influence

resellers. Customer expectations are important to reseller satisfaction as much as brand preference and manufacturer support. The findings suggest that by thinking of brands as market-based assets of value to resellers, manufacturers should consider how such firm resources can be used to build enhanced channel relationships and returns for shareholders. In terms of the brand value chain (Keller & Lehmann, 2001), channel relationships appear to mediate the linkage between the marketing programme and the end-customer which ultimately affects the market performance of the brand. The evidence from this study shows that resellers take into account a firm's brand support resources and the brand to end-customer relationship. Trade promotions and collaborative channel activities should be an integral part of a brand management programme, rather than often being regarded as a sales-force function (Webster, 2000) and separate from the brand manager's role (Low & Fullerton, 1994). As well as focusing on the market governance aspects in order to build a brand, minor brands could benefit by focusing on the inter-organisational aspects of relational governance. Managers need to consider channel relationships as an integral part of brand building, as well as brand communication aspects. Channel management of brands should emphasise the range of firm resources that best enhance reseller satisfaction.

7.6 Limitations of Research

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

Within the quantitative phase, it was decided to interview resellers about brands rather than canvas manufacturer opinion as well. This decision was made because reseller perceptions of brands were not evident in the literature. Several studies had interviewed marketing managers about distribution effects of branding e.g. Smith (1992), but the findings of this research were of limited value in understanding the reseller point of view. The qualitative stage also indicated that a focus on reseller perceptions would be more productive for the researcher. Because of the focus on firm resources and the collaborative nature of the buyer-seller relationship, it would also be worthwhile to obtain a manufacturer perspective of the resources important in the channel management of brands. This perspective may well be different in terms of how

manufacturers perceive channel relationships. Access to manufacturer respondents and obtaining sufficient sample size was also a factor in adopting a reseller only focus. Thus the resources of the researcher and practicalities of obtaining a dyadic perspective prevented the collection of manufacturer data in this instance.

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

This research focused on the retail supermarket sector where the resellers are well established. In addition the manufacturer's brands were also supplied by established firms. The same stability in the trading environment may not apply to other retail sectors that have less retail concentration of ownership and include smaller operators such as in the retail stationery sector. The focus of this research on one retail sector may limit the generalisability of results. Brands were eventually chosen from well established manufacturers which meant the resources among the suppliers of major and minor brands may not be perceived as that different to the reseller. As national brands were surveyed, firms require a minimum level of resources to achieve national distribution. Thus smaller firms that supply resellers at a regional level were not included in the research and may have greater resource differences compared to firms with nationally distributed brands. However this limitation arose partly because of the need to establish an objective means of classifying brands according to consumer strength by using the Brand Asset Valuator survey.

The choice of brands for the questionnaires may have influenced the survey results. The Young and Rubicam survey covered over 500 brand names that were part of the range in all supermarket chains. However the selection of these brand names may have biases unknown to the researcher. The research was restricted to brands in the dry groceries and liquor categories which had been included in the Young and Rubicam survey. Other categories such as frozen foods, general merchandise and chilled foods were not considered because of the lack of suitable data. One further limitation of this

choice process was that some product categories were excluded because there were no clear major or minor brands.

The scope of the research is delimited by the scope of the constructs specified, measured and evaluated. One measurement issue includes the elimination of the financial benefits construct in the scale validation process. The deletion of these items could be due to the fact that the items in the questionnaire on pricing and margins did not measure the construct domain very well. This observation also applies to the some of the relational constructs that were eliminated. One conclusion might be that these items were not relevant to the brand. Given that this research represents a first attempt to examine the relational properties of brands for resellers, these findings may primarily be the product of an exploratory analysis.

A further limitation is that the endogenous and exogenous constructs were measured at the same time within the one survey. There could be some influencing effects between these constructs or common-method variance. However care was taken to eliminate these influencing effects in the question wording. The study is also cross-sectional in nature and only captures the state of manufacturer-reseller relationships. In a reseller study, Ganesan (1994) specified satisfaction with the product over the past year and considered this a measure of past satisfaction. However the satisfaction measure used in this research also reflected past experience. A similar stance was adopted by Cannon and Perrault (1999) where the measures focused on the present state of the relationship, rather than a time lagged effect as implied in the Ganesan study.

The nature of the research question was based around brands as the unit of analysis. This provided focus to the research but did not allow the researcher to consider the impact of other firm marketing resources or relational assets on the manufacturer-reseller relationship. These other marketing resources of the firm may also be influential in the findings.

Another possible limitation is the lack of objective measure for some constructs such as the financial measures for both performance and the financial benefits construct. However the availability of such data and its confidential nature meant that attitudinal ratings were the only practical means of obtaining such measures. The findings may be

limited to a New Zealand context and may not necessarily reflect reseller organisations in other countries. For instance the level of individual ownership and store managerial autonomy that was found in the qualitative research may not exist to the same extent elsewhere.

Many of the limitations in the research were due to research design decisions taken by the researcher in order to obtain respondent participation. This has been previously recognised as a problem in obtaining reseller's cooperation to participate in research studies (Ettenson & Wagner, 1986). The next section considers these limitations in the context of future research in this area.

7.7 Implications for Future Research

This research has focused on the impact of brands as market-based assets on relational outcomes for resellers. The findings have shown that brands are important to resellers because of the related resources offered by manufacturers. Directions for future research can be classified into these areas: first the generalisability of the model to other business to business contexts, where brands are the focus of the relationship. Second the applicability of the model to different types of channel structure, and to different category and competitive contexts. Third the relational processes that build trust and commitment with major and minor brands can be further investigated.

The structural model is applicable to other business contexts such as industrial purchasing. Industrial branding research has tended to focus on manufacturer benefits rather than the purchaser's perspective. The measurement model 'sources of brand value' allows the benefits of a brand to another organisation to be quantified. This model could be applied to different types of industrial purchasing such as new purchases, re-buying or modified re-buying. It could also be applied in circumstances where industrial purchasing involves brands that already have a consumer market e.g. purchasing BIC pens or other office supplies, in contrast to generic items that may be offered. Other contexts of industrial purchasing that are relevant include the supply of branded OEM products or services to a manufacturer or unbranded products to a branded manufacturer. Both these purchasing decisions involve the assessment of the value of the supplier's resources.

A further type of business to business purchase is the supply of marketing resources and services to branded manufacturers such as with client-advertising agency relationships which also involve relational exchange. Research could examine the extent that having an account of a major brand or minor brand influences the attitudes and behaviour of the agency personnel. The model developed in this research is applicable in this instance as the brand resource is central and influential on another organisation. Such relationships have been studied by Moorman, Zaltman and Deshpande (1992), Grayson and Ambler (1999) and LaBahn and Kohli (1997), but not from an RBV perspective.

This research has focused on packaged goods resellers in the supermarket sector where the range of goods offered is extensive. However other reseller contexts, for instance where distributors sell branded goods to smaller resellers, would provide a further test of the model where the range of goods is less extensive. The research suggests that the value of the product category was an important consideration for resellers. Another product category context is categories which have strong private label brands. The model therefore has application in assessing the impact of private labels in comparison to national brands. The private label manufacturer-reseller relationship is of interest involving more manufacturer dependence compared to national brands where the manufacturer is less dependent Hoch (1996) and Hogarth-Scott (1999). As indicated private label brands may have different sources of value for resellers in relational exchange. By applying the conceptual model to different business to business contexts further insights could be provided on the importance of market-based assets in buyer-seller relationships.

The unit of analysis in this study is the brand as a market-based asset in the manufacturer-reseller relationship. However other marketing resources as suggested in the literature could also be investigated in terms of organisational relationships. Capron and Hulland (1999) analysed the sales force relationships and general marketing expertise as also being market-based assets of interest to firms. Further research could also explore the linkages between these other market-based assets and brands on channel relationships. In this respect the use of different marketing strategies such as brand extension on reseller relational outcomes could be investigated as well.

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

The RBV implies that inter-organisational competitive advantage and enhanced performance is achieved when organisations collaborate and invest in the relationship (Jap, 1999). Future research could investigate the nature of collaboration within the inter-organisational relationship between manufacturers and resellers of branded goods. In supply chain relationships Spekman, Kamauff and Myhr (1998) consider there is a sequence of steps to achieve collaboration, starting from market governance to cooperation, then coordination. Differences in how firms with major and minor brands use resources in terms of collaboration and investment could be further explained.

The research of Garbarino and Johnson (1999) also points towards an area of further research into the nature of the relationship between manufacturers and resellers. They found that satisfaction mediated trust and commitment for low relational or casual customers. In contrast, for more committed customers, satisfaction was not a mediating variable. This finding suggests further research could be conducted on the closeness of the relationship between manufacturers and resellers in terms of the sources of brand value.

A further area of research suggested by the findings is that minor brands influence trust in and commitment to the manufacturer to a greater extent than major brands. Given that trust and commitment are important relational constructs, future research could investigate further the reasons for this finding. Also customer considerations were important for minor brands, but not for major brands. The inter-organisational

processes as to how these brand types build trust and commitment could be further investigated. The research also found that commitment in terms of continuity and willingness to invest were not relevant in this model, and the reasons for the differences between these items and the affective commitment construct are worthy of further investigation.

7.8 Conclusions

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

The key finding is that brands represent a multidimensional source of value which influences reseller satisfaction. These sources of value include brand preference, as well manufacturer support and benefits for the reseller's customer. This study shows that value to resellers is derived not only from manufacturer sources but from the brand's relationship with the customer which also influences the reseller. However the consumer brand preference or 'trade leverage' is not the most important variable in determining reseller satisfaction. A key aspect of this research is the statistically significant linkages from these sources of brand value to reseller satisfaction in determining commitment, trust and performance perceptions. Because the brand itself is only one of three constructs influencing reseller satisfaction, minor brands appear to influence trust and commitment more effectively than major brands.

A multi-method research design allowed the development of a theoretical model from in-depth interviews, which was then tested on resellers from the supermarket retail sector. The structural equation analysis showed satisfactory fit indices, stability and construct validity. An alternative model was specified, but did not result in a noticeably better fit, some pathways were not significant and there was no competing theoretical justification either. Thus the conceptual model was preferred and showed equivalent model fit.

This thesis examined the role of brands as market-based assets in marketing channels from an inter-organisational perspective. The findings show that the value of brands to

resellers involves three distinct, but related sources of value in inter-organisational relationship. The first source reflects the brand's relationship with the end-customer or brand preference, which has been well documented in the literature, the second is the manufacturer support of resellers and the third is the reseller's expectations of the end-customer. The brand as a market-based asset encompasses these sources of value which affect reseller satisfaction, trust commitment and performance evaluation. Minor brands appear to be better able to influence these channel outcomes. In conclusion it is the resources associated with the brand, not just the brand itself that creates brand leverage for manufacturers in channel relationships.

Appendices

Appendix No:

Appendix 1.1 Qualitative Research Participant Information Sheet

Project Title: "The Role of Brands in Manufacturer Retailer Relationships: A Qualitative Case Study".
The following information is provided for you to decide whether you wish to participate in this voluntary study, which is part of a long-term research project being undertaken by the Faculty of Business at the Auckland University of Technology. You should be aware that you are free to decide not to participate or withdraw at any time. This study is for academic purposes only and does not have any specific commercial benefit.

What is the purpose of the study?
The aim of the study is to understand the role of brands in manufacturer-retailer relationships. The procedure will be a holistic case study. The research will involve obtaining both manufacturer and retailer perceptions of the role of brands.

How was a person chosen to be asked to be part of the study?
Key executives from the grocery industry have been selected from information provided in the Nielsen Information Digest 2000 publication.

What happens in the study?
Data collection in the study will consist of an interview, which will last from 20 minutes to 50 minutes. During this time the interview will taped using a dictaphone. The interviews will be transcribed for further analysis. The finished transcript will be forwarded to you to check for accuracy.

What are the benefits?
The benefit of this study is an increased understanding of the role of brands within the grocery industry. The study is intended to increase what is known about the role of brands from the point of view of retailers within channels of distribution. Do not hesitate to ask questions about the study either before or during the study.

How is my privacy protected?
All responses are private and confidential and no information will be used in a way, which could identify individuals. There is no part of the interview that requires information of any kind that would be considered embarrassing or personal. All information provided will remain confidential and will not be used for other purposes besides this research.

Participant Concerns
Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor. Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEC, Madeline Banda, madeline.banda@aut.ac.nz ,917 9999 ext 8044.

Further information
Should you have any further questions about the scope of this research please do not hesitate to contact Mark Glynn, mark.glynn@aut.ac.nz .

Please sign your consent with full knowledge of the nature and purpose of the procedures. A copy of the consent form will be given to you to keep.

_____ _____
Signature of Participant **Date**

Project Supervisor: Mark Glynn ph 917 9999 ex 5813
Approved by the Auckland University of Technology Ethics Committee on 28 April 2001
AUTEC Reference number 01/84

Appendix 1.2 Interview Protocol Resellers

Project Title: "The Role of Brands in Manufacturer Retailer Relationships: A Qualitative Case Study".

Time and Date of interview:

Place

Interviewer:

Interviewee:

Position of Interviewee:

Questions:

1. Tell me a little about your experiences with manufacturer brands? What product categories are you responsible for?

2. Thinking about brands in general within these categories what benefits do you think manufacturer brands have?

3. What aspects of manufacturer brands are important to you, and/or the retailers? Do you think there is a difference between your company and manufacturers in emphasis on what is important as far as brands are concerned?

4. How would you describe the business relationship your firm has with brand manufacturers?

5. What aspects of this relationship are important? Can you give me any examples?

6. In what ways do brands influence this relationship?

7. What aspects of this relationship do you think may have enhanced manufacturer brands? Please describe some instances where this may have happened.

8. Are there aspects of this relationship that may have harmed manufacturer brands? Can you again describe some instances?

9. Thinking about other competing brands in the product categories you are involved with, how do they influence the relationship you have with a particular manufacturer?

10. How does the product category as a whole influence this relationship?

11. How important are manufacturers' brands in helping you meet your own corporate goals?

12. How important is your store image in attracting manufacturer support?

13. How important is the brands relationship with consumers?

14. To what extent do you cooperate or collaborate with manufacturers to enhance with your business?

15. Are there preferred suppliers or category captains?

16. How significant is the manufacturer commitment to a brand? What do you expect the manufacturers to commit to? To what extent do manufacturer activities with other retailers concern you?

Thank you for participating in this interview.
All responses will remain completely confidential.

Appendix 1.3 Interview Protocol Manufacturers

Project Title: "The Role of Brands in Manufacturer Retailer Relationships: A Qualitative Case Study".

Time and date of interview:

Place

Interviewer:

Interviewee:

Position of Interviewee:

Questions:

1. Tell me a little about the brands do you have responsibility for?

2. Thinking about brands in general when dealing with retailers what benefits do you think manufacturer brands have?

3. What aspects of the brand are important to you, and/or the retailers? Do you think there is a difference between your company and retailers in emphasis on what is important as far as brands are concerned?

4. How would you describe the business relationship your firm has with retailers?

5. What aspects of this relationship are important? Can you give me any examples?

6. In what ways do brands influence this relationship?

7. What aspects of this relationship have enhanced your brands? Please describe some instances where this may have happened.

8. Are there aspects of this relationship that have harmed this brand? Can you again describe some instances?

9. Thinking about other competing brands in the product categories you are involved with, how do they influence the relationship you have with your retailers?

10. How does the product category as a whole influence this relationship?

Thank you for participating in this interview. All responses will remain completely confidential.

APPENDIX 1.4 QSR N6 Coding Scheme

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Project: Manufacturer retailer relationships

1=    Index Tree
2=    (1) Base data
3=    (1 1) Industry
4=    (1 1 1) Grocery
5=    (1 1 2) Liquor
6=    (1 2) Channel partner type
7=    (1 2 1) Manufacturer
8=    (1 2 1 1) Marketing
9=    (1 2 1 2) Sales
10=   (1 2 2) Reseller
11=   (1 2 2 1) Woolworths
12=   (1 2 2 2) Foodtown
13=   (1 2 2 3) Foodstuffs
14=   (1 2 2 4) Liquor
15=   (2) Research Questions
16=   (2 1) Sources of Brand Asset Value (Less sales)
17=   (2 1 1) Margin & Profitability (less sales)
18=   (2 1 1 1) Financial Margins
19=   (2 1 1 2) Price Premium
20=   (2 1 1 3) Lower Margins, Price
21=   (2 1 2) Managerial (retailer)
22=   (2 1 2 2) More productive
23=   (2 1 2 2 1) Retailer competitive barriers
24=   (2 1 2 2 2) Mgt options-cobranding
25=   (2 1 2 2 4) Competition
26=   (2 1 2 2 10) Retailer Assortment
27=   (2 1 2 5) Category importance
28=   (2 1 2 5 4) Space allocation shelf
29=   (2 1 2 5 7) Information sharing
30=   (2 1 2 6) Product assistance
31=   (2 1 2 8) Manufacturers support
32=   (2 1 3) Consumer
33=   (2 1 3 1) Consumer demand
34=   (2 1 3 3) Brand
35=   (2 1 3 3 1) Major brand
36=   (2 1 3 3 2) Minor brand
37=   (2 3) Key Relationship Variables
38=   (2 3 1) Commitment
39=   (2 3 2) Trust
40=   (2 3 3) Dependence
41=   (2 3 4) Performance Satisfaction
42=   (2 3 4 1) Financial Performance
43=   (2 3 4 2) General Satisfaction
44=   (2 3 4 4) Sales
45=   (2 3 5) Comparison level of the alternative
46=   (2 3 6) Adaptation
47=   (2 3 7) Non-retrievable investments
48=   (2 3 8) Cooperation
49=   (2 3 9) Structural Bonds
50=   (2 3 10) Social Bonds
51=   (2 3 11) Mutual Goals
52=   (2 4) Brand impact on relationship
53=   (3) Quotes
54=   (3 1) Themes
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APPENDIX 2.1 Survey Cover Letter

Mr Jxxx
New World Supermarket Panmure
22 Jellicoe Court
Panmure
Auckland

Dear Jxxx,

We invite you to participate in the following Research Project:

"Retailers' Perceived Value of Manufacturers' Brands."

The aim of the study is to understand in more depth, the value that brands have to retailers. While much is known about brands from a consumer point of view, not much is known about what makes a brand of value to retailers.

The enclosed survey will take no more than 10 minutes to complete.

As we are interested in only particular categories, you have been sent only the survey forms relevant to you which are the toothpaste and shampoo categories. Once we receive both your completed survey forms, the responses will be analysed in depth to measure overall trends in the data.

The benefit of this study is a better understanding of the ways in which retailers can use brands to create better value for their businesses.

The study results will be published in an international scientific journal. Please return both completed survey forms together with the consent form in the enclosed reply paid envelope. As a way of saying thanks for your help, you will be entered into a draw to win $200 worth of petrol vouchers.

All responses are private and confidential and no information will be used in a way, which could identify individuals, stores or organisations. The information will NOT be passed on to any of your suppliers or to others within your organisation and will not be used for other purposes besides this research.

Further information on the study is given over the page. If you have any further questions or comments about the study I would be happy to talk with you. You can contact me on (09) 917 9999 ext. 5813.

Thank you very much in advance for helping with this important study.

Yours faithfully,

Mark Glynn
Senior Lecturer
Postgraduate Programmes

Enclosed: 2 survey forms,
Consent form,
Reply paid envelope.

Appendix 2.2 Survey Participant Information Sheet

Project Title: "Retailers' Perceived Value of Manufacturers' Brands."
The following information is provided for you to decide whether you wish to participate in this voluntary study, which is part of a long-term research project being undertaken by the AUT Faculty of Business. You should be aware that you are free to decide not to participate or withdraw at any time. This study is for academic research purposes only and does not have any specific commercial benefit.

What is the purpose of the study?
The aim of the study is to understand the value that brands have to retailers. While much of the knowledge about brands is from a consumer point of view, not much is known about the value of brands within retail channels.

How was a person chosen to be asked to be part of the study?
Key executives from the grocery industry have been selected from published lists of retailers in New Zealand.

What happens in the study?
Participants in the study will complete a short questionnaire, which will take no more than 10 minutes. As we are interested in only particular categories, you will only need to complete questions on the categories that you deal with. Once we receive your two completed survey forms, the overall responses will be further analysed.

What are the benefits?
The benefit of this study is a better understanding of the ways in which retailers can use brands to create value for their businesses. Do not hesitate to ask questions about the study either before or during the study by contacting the writer. The study results will be published in an international scientific journal. As a way of saying thanks for your help, please return the consent form together with both your completed survey forms and we will enter you into the draw for $200 worth of petrol vouchers.

How is my privacy protected?
All responses are private and confidential and no information will be used in a way, which could identify individuals, stores or organisations. There is no part of the questionnaire that requires information of any kind that would be considered embarrassing or personal. This information will NOT be passed on to any of your suppliers or to others within your organisation. All information provided will remain confidential and will not be used for other purposes besides this research.

Participant concerns
Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor. Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEC, Madeline Banda, madeline.banda@aut.ac.nz, phone (09) 917 9999 ext 8044.

Further information
Should you have any further questions about the scope of this research please do not hesitate to contact Mark Glynn, mark.glynn@aut.ac.nz phone (09) 917 9999 ext 5813. A short summary of the published results may be of interest to you. If you would like to obtain a copy of these results please complete and return the consent form included with this letter and we will forward a report to you.

Please sign the enclosed consent form with full knowledge of the nature and purpose of the procedures.
To enter the draw for $200 worth of petrol vouchers please complete and return both the survey forms together with the consent form by April 30th.

Approved by the Auckland University of Technology Ethics Committee on 12 December 2002, AUTEC Reference number 02/119.

APPENDIX 2.3 Example of Questionnaire

SURVEY FORM A Instructions: Please read each item and CIRCLE the number that most accurately reflects your opinion. Circling a 1 means you strongly disagree with the statement and circling a 7 means you strongly agree OR you may circle any number in the middle that shows how strong your opinion is. **START HERE:**

1. How does JUST JUICE compare with other fruit juice brands on the following?	**strongly disagree**		**disagree**	**neither agree nor disagree**		**agree**	**strongly agree**
JUST JUICE has strong consumer advertising support	1	2	3	4	5	6	7
JUST JUICE is a regular part of our store's advertising programme	1	2	3	4	5	6	7
Merchandising support provided by the manufacturer for JUST JUICE is useful	1	2	3	4	5	6	7
JUST JUICE is a key brand in the fruit juice range offered by this store	1	2	3	4	5	6	7
The category information (such as Nielsen figures) supplied by the manufacturer about JUST JUICE is useful	1	2	3	4	5	6	7
JUST JUICE is an important brand in the future growth of this product category	1	2	3	4	5	6	7
JUST JUICE enables this store to offer its customers additional choice in this category	1	2	3	4	5	6	7
I expect that my customers will buy JUST JUICE instead of another similar competing brand even if it is of the same quality	1	2	3	4	5	6	7
Even if another competing brand is the same price as JUST JUICE, I expect my customers would prefer to buy JUST JUICE	1	2	3	4	5	6	7
My customers would NOT be too concerned if this store did not have JUST JUICE in its range	1	2	3	4	5	6	7
If another brand is NOT different from JUST JUICE in any way, I expect my customers would think it better to buy JUST JUICE	1	2	3	4	5	6	7
My customers expect to find JUST JUICE in this store	1	2	3	4	5	6	7
My customers would complain if this store did not have JUST JUICE	1	2	3	4	5	6	7
Even if there is another fruit juice similar to JUST JUICE, I expect my customers would prefer to buy JUST JUICE	1	2	3	4	5	6	7
JUST JUICE is popular with my customers	1	2	3	4	5	6	7

fold here___

2. Please rate JUST JUICE compared to other fruit juice brands in your store:	**very low**		**low**	**neutral**		**high**	**very high**
Retail margin	1	2	3	4	5	6	7
Sales volume potential	1	2	3	4	5	6	7
Level of manufacturer promotional allowances/discounts offered	1	2	3	4	5	6	7
Retail selling price	1	2	3	4	5	6	7
3. To what extent do you agree or disagree with these statements as they apply in this store?	**strongly disagree**		**disagree**	**neither agree nor disagree**		**agree**	**strongly agree**
Overall we are very satisfied with JUST JUICE	1	2	3	4	5	6	7
Our store regrets the decision to have JUST JUICE in its range	1	2	3	4	5	6	7
We are pleased with what JUST JUICE does for the fruit juice range in this store	1	2	3	4	5	6	7
Our store is not completely happy with JUST JUICE	1	2	3	4	5	6	7
If we had to do it all over again we would still have JUST JUICE in our fruit juice range	1	2	3	4	5	6	7
The information supplied by the manufacturer about JUST JUICE has often proved inaccurate	1	2	3	4	5	6	7
The promises made by the manufacturer about JUST JUICE are always kept	1	2	3	4	5	6	7
Whenever the manufacturer of JUST JUICE gives us business advice about JUST JUICE we know that it is sharing its best judgment	1	2	3	4	5	6	7

fold here__

3 (contd). To what extent do you agree or disagree with these statements as they apply in this store?	strongly disagree		disagree	neither agree nor disagree		agree	strongly agree
Even when the manufacturer gives us a rather unlikely explanation about JUST JUICE we are confident that it is true	1	2	3	4	5	6	7
Our store helps out the manufacturer of JUST JUICE in whatever ways they ask on matters concerning JUST JUICE	1	2	3	4	5	6	7
In the future we know we can count on the manufacturer to consider how its decisions about JUST JUICE will affect us	1	2	3	4	5	6	7
Our store's future profits from JUST JUICE depend on maintaining a good working relationship with the manufacturer of JUST JUICE	1	2	3	4	5	6	7
When it comes to things that are important to us we can depend on the manufacturer support being available for JUST JUICE	1	2	3	4	5	6	7
Our store's future goals in this category are best reached by working with the manufacturer of JUST JUICE rather than against	1	2	3	4	5	6	7
It would be difficult for our store to find a replacement fruit juice for JUST JUICE	1	2	3	4	5	6	7
Our store's sources of comparable brands to JUST JUICE are extremely limited in this category	1	2	3	4	5	6	7
Ordering supplies of JUST JUICE is almost an automatic choice	1	2	3	4	5	6	7
By NOT having JUST JUICE in our range we would suffer a significant loss in income in this category	1	2	3	4	5	6	7
It is unlikely that we will still have JUST JUICE in our range in two years	1	2	3	4	5	6	7
We have JUST JUICE in our range because we genuinely enjoy our association with it	1	2	3	4	5	6	7
In the future we will work to link our store with JUST JUICE in the customer's mind	1	2	3	4	5	6	7
We are willing to put more effort and investment in supporting JUST JUICE in this category	1	2	3	4	5	6	7
If the manufacturer requested it we would be willing to make further investment to support JUST JUICE in this category	1	2	3	4	5	6	7
Having JUST JUICE in our range is something our store intends to continue indefinitely	1	2	3	4	5	6	7
This store's positive feelings towards JUST JUICE are a major reason we continue with it	1	2	3	4	5	6	7
Even if we could we would not drop JUST JUICE because we genuinely like being associated with it	1	2	3	4	5	6	7
Whenever we have problems concerning JUST JUICE we know the manufacturer will respond with understanding	1	2	3	4	5	6	7
Though circumstances change, we believe the manufacturer of JUST JUICE will be willing to offer us assistance and support for this brand	1	2	3	4	5	6	7

fold here__

4. Please rate the performance of JUST JUICE compared to other fruit juice brands in your store:	well below expectations			as expected			well above expectations
Generating sales volume	1	2	3	4	5	6	7
Generating sales revenue $	1	2	3	4	5	6	7
Generating profit	1	2	3	4	5	6	7
Generating sales growth	1	2	3	4	5	6	7
Generating store traffic	1	2	3	4	5	6	7

5. Please indicate whether you agree or disagree with these statements about this category:	strongly disagree		disagree	neither agree nor disagree		agree	strongly agree
The number of competing retailers that carry JUST JUICE in this store's local area is high	1	2	3	4	5	6	7
Fruit juice is an important category in the future growth of this store	1	2	3	4	5	6	7
Customers in this area vary a lot in their preferences for fruit juice	1	2	3	4	5	6	7
Customer demand for fruit juice in this area is strong	1	2	3	4	5	6	7
The number of competing fruit juice brands to JUST JUICE is high	1	2	3	4	5	6	7
Customer preferences for fruit juice are changing	1	2	3	4	5	6	7

fold here__

APPENDIX 3.1 Item Labels and Item Questionnaire Wording

Construct	Item label	Item questionnaire example
Manufacturer Support	Advertising support	Cottees jam has strong consumer advertising support
	Part of store advertising	Cottees jam is a regular part of our store's advertising programme
	Merchandising support	Merchandising support provided by the manufacturer for Cottees jam is useful [b]
	Key part of range	Cottees is a key brand in the jam range offered by this store
	Category information useful	The category information (such as Nielsen figures) supplied by the manufacturer about Cottees jam is useful [b]
	Key brand category growth	Cottees is an important brand in the future growth of this product category
	Additional choice	Cottees enables this store to offer its customers additional choice in this category [b]
Brand Preference	Brand equity quality	I expect that my customers will buy Cottees instead of another similar competing brand even if it is of the same quality
	Brand equity price	Even if another competing brand is the same price as Cottees, I expect my customers would prefer to buy Cottees
	Brand equity not different	If another brand is NOT different from Cottees in any way, I expect my customers would think it better to buy Cottees
	Brand equity prefer	Even if there is another jam similar to Cottees, I expect my customers would prefer to buy Cottees
Customer expectations	Concern not in range (R)	My customers would NOT be too concerned if this store did not have Cottees jam in its range
	Expect in store	My customers expect to find Cottees jam in this store
	Complain if not there	My customers would complain if this store did not have Cottees jam
	Popular with customers	Cottees jam is popular with my customers [b]
Financial Benefits [a]	Retail margin	Retail margin
	Sales volume potential	Sales volume potential
	Level of discounts	Level of manufacturer promotional allowances/discounts offered
	Retail selling price	Retail selling price
Satisfaction	Overall satisfaction	Overall we are very satisfied with Cottees jam
	Regrets having (R)	Our store regrets the decision to have Cottees jam in its range [b]
	Pleased with brand	We are pleased with what Cottees does for the jam range in this store
	Not happy with brand (R)	Our store is not completely happy with Cottees jam [b]
	Still have in range	If we had to do it all over again we would still have Cottees in our jam range
Trust	Inaccurate information (R)	The information supplied by the manufacturer about Cottees jam has often proved inaccurate [b]
	Promises kept	The promises made by the manufacturer about Cottees jam are always kept [b]
	Shares best judgement	Whenever the manufacturer of this jam gives us business advice about Cottees we know that it is sharing its best judgment [b]
	Truth of information	Even when the manufacturer gives us a rather unlikely explanation about Cottees jam we are confident that it is true [b]
	Respond with understanding	Whenever we have problems concerning Cottees jam we know the manufacturer will respond with understanding
	Offers assistance	Though circumstances change, we believe the manufacturer of Cottees jam will be willing to offer us assistance and support
	Consider reseller	In the future we know we can count on the manufacturer to consider how its decisions about Cottees jam will affect us [b]
	Support available	When it comes to things that are important to us we can depend on the manufacturer support being available for Cottees jam

APPENDIX 3.1 Item Labels and Item Questionnaire Wording (continued)

	Item label	Item questionnaire example
Cooperation [a]	Help manufacturer	Our store helps out the manufacturer of Cottees jam in whatever ways they ask on matters concerning Cottees
	Good relationship necessary	Our store's future profits from Cottees jam depend on maintaining a good working relationship with the manufacturer
	Work with to achieve goals	Our store's future goals in the jam category are best reached by working with the manufacturer of Cottees rather than against
Dependence [a]	Difficult to find replacement	It would be difficult for our store to find a replacement jam for Cottees
	Limited alternatives	Our store's sources of comparable brands to Cottees jam are extremely limited in this category
	Loss in income	By not having Cottees in our range we would suffer a significant loss in income in this category
Commitment	Automatic choice	Ordering supplies of Cottees jam is almost an automatic choice [b]
	Unlikely in future range (R)	It is unlikely that we will still have Cottees jam in our range in two years [b]
	Enjoy association	We have Cottees jam in our range because we genuinely enjoy our association with it
	Link to customer	In the future we will work to link our store with Cottees jam in the customer's mind [b]
	Will invest more	We are willing to put more effort and investment in supporting Cottees jam in this category [b]
	Indefinitely in range	Having Cottees in our jam range is something our store intends to continue indefinitely [b]
	Positive feelings	This store's positive feelings towards Cottees jam are a major reason we continue with it
	Will not drop	Even if we could we would not drop Cottees jam because we genuinely like being associated with it
	Request support	If the manufacturer requested it we would be willing to make further investment to support Cottees jam in this category [b]
Performance	Sales volume	Generating sales volume
	Sales revenue	Generating sales revenue $ [b]
	Profit	Generating profit [b]
	Sales growth	Generating sales growth
	Store traffic	Generating store traffic

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

APPENDIX 4.1. **Structural Equations**

Reseller's Satisfaction with the Value of Manufacturer Brands Model.

Structural Model:

$\eta_1 = \beta_{14}\eta_4 + \zeta_1$
$\eta_2 = \beta_{24}\eta_4 + \zeta_2$
$\eta_3 = \beta_{34}\eta_4 + \zeta_3$
$\eta_4 = \gamma_{41}\xi_1 + \gamma_{42}\xi_2 + \gamma_{43}\xi_3 + \zeta_4$

Measurement Model:

Endogenous Indicators

$y_1 = \lambda_{11}\eta_1 + \varepsilon_1$
$y_2 = \lambda_{21}\eta_1 + \varepsilon_2$
$y_3 = \lambda_{31}\eta_1 + \varepsilon_3$
$y_4 = \lambda_{42}\eta_2 + \varepsilon_4$
$y_5 = \lambda_{52}\eta_2 + \varepsilon_5$
$y_6 = \lambda_{62}\eta_2 + \varepsilon_6$
$y_7 = \lambda_{73}\eta_3 + \varepsilon_7$
$y_8 = \lambda_{83}\eta_3 + \varepsilon_8$
$y_9 = \lambda_{93}\eta_3 + \varepsilon_9$
$y_{10} = \lambda_{10,4}\eta_4 + \varepsilon_{10}$
$y_{11} = \lambda_{11,4}\eta_4 + \varepsilon_{11}$
$y_{12} = \lambda_{12,4}\eta_4 + \varepsilon_{12}$

Exogenous Indicators

$x_1 = \lambda_{11}\xi_1 + \delta_1$
$x_2 = \lambda_{21}\xi_1 + \delta_2$
$x_3 = \lambda_{31}\xi_1 + \delta_3$
$x_4 = \lambda_{41}\xi_1 + \delta_4$
$x_5 = \lambda_{52}\xi_2 + \delta_5$
$x_6 = \lambda_{62}\xi_2 + \delta_6$
$x_7 = \lambda_{72}\xi_2 + \delta_7$
$x_8 = \lambda_{82}\xi_2 + \delta_8$
$x_9 = \lambda_{93}\xi_3 + \delta_9$
$x_{10} = \lambda_{10,3}\xi_3 + \delta_{10}$
$x_{11} = \lambda_{11,3}\xi_3 + \delta_{11}$

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