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The brand management system and service firm competitiveness☆

María Leticia Santos-Vijande [a,*], Ana Belén del Río-Lanza [a], Leticia Suárez-Álvarez [a], Ana María Díaz-Martín [b]

[a] Marketing, Universidad de Oviedo, Facultad de Economía y Empresa, Departamento Administración de Empresas, Avda. del Cristo s/n, 33071 Oviedo, Spain
[b] Marketing, Universidad Autónoma de Madrid, Facultad de Ciencias Económicas y Empresariales, Dpto. de Financiación e Investigación Comercial, Avda. de Tomás y Valiente — Campus Cantoblanco, 28049 Madrid, Spain

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ABSTRACT

Despite the growing body of literature acknowledging that strong brands are crucial for firms' long-term competitiveness, little research examines how firms should manage their brands internally to maximize their value and the firm's commercial performance. On the basis of the brand management system (BMS) that Kim and Lee (2007) and Lee, Park, Baek, and Lee (2008) describe, the current research extends these authors' work and develops a multidimensional BMS scale comprising three dimensions: brand orientation, internal branding, and strategic brand management. The BMS represents the basic internal management infrastructure necessary to sustain brand-building activities and brand equity creation. The study also conceptualizes the BMS as a dynamic capability that constitutes a potential route to acquiring a sustainable competitive advantage. The data from a sample of 151 knowledge-intensive business services firms show that the BMS effectively helps firms to perform better than their competitors and that market orientation and innovativeness are key antecedents for the development of the system. These results contribute to the scarce literature on managing brands in business services.

1. Introduction

Many academics and practitioners acknowledge nowadays that creating strong brands is one of the key factors for achieving a competitive advantage and guaranteeing the firm's long-term survival (Zablah, Brown, & Donthu, 2010). Brand building involves the development of systematic and structured management processes (Merrilees, Rundle-Thiele, & Lye, 2011), although research on how best to develop the internal management of the brand to maximize its market value and the firm's commercial performance is scarce (Lee, Park, Baek, & Lee, 2008). In this sense, Madhavaram and Hunt (2008, p. 77) underline the need to "conceptualize a brand management capability", that is, the firm's ability to develop and nurture a strong brand or an effective portfolio of strong brands.

Kim and Lee (2007) and Lee et al. (2008, p. 849) introduce the "Brand Management System" (BMS) concept. These authors define the BMS as a set "of any systems, organizational structure, or culture of a firm supporting brand building activities". The BMS represents the way firms should conceive and develop the internal management of their brands to facilitate the creation and maintenance of strong brands in the long term, and constitutes a distinct concept from both the specific brand-building activities and the organization's culture.

Following the theoretical development of the strategic marketing literature, this study defines the BMS as an organizational dynamic capability that allows firms to continuously adapt to the rapid pace of market evolution leading to the sustained development of strong brands (Ni & Wang, 2008; Teece, Pisano, & Shuen, 1997). The definition of the BMS as a dynamic capability encapsulates a systemic orientation at the heart of the construct. Previous research analyzes the BMS as a single construct, ignoring its potential internal structure and does not define the system as a marketing capability. Thus the first objective of this research is to advance in the literature by conceptualizing the BMS, analyzing its dynamic capability nature and testing its underlying dimensions.

The second objective of this study is to examine the relation between the BMS and firm performance in order to verify whether the system improves firms' competitiveness in the long term and hence constitutes a valuable organizational capability (Grant, 1995).

From this perspective, the potential antecedents of the BMS are also of academic interest and constitute one of the "key research avenues for marketing strategy" (Madhavaram & Hunt, 2008, p. 78). Accordingly, the third objective of this study is to analyze the role of the firm's innovativeness (Aaker, 2007) and market orientation (Lee et al., 2008) as key determinants of the development of a BMS.

The recent literature that examines the link between capabilities and performance highlights the need to evaluate concurrently the impact of

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* Corresponding author. Tel.: +34 985 10 28 23.
E-mail addresses: lsantos@uniovi.es (M.L. Santos-Vijande), adelrio@uniovi.es (A.B. del Río-Lanza), lsuarez@uniovi.es (L. Suárez-Álvarez), ana.diaz@uam.es (A.M. Díaz-Martín).

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various capabilities to achieve a further understanding of their relative contribution to firms' competitiveness (Merrilees et al., 2011). Market orientation (Hooley, Greenley, Cadogan, & Fahy, 2005) and innovativeness (Madhavaram & Hunt, 2008; Menguc & Auh, 2006) are also themselves valuable marketing capabilities. Thus the fourth objective of this research is to examine the relative contribution of innovativeness, market orientation and the BMS to firms' performance.

Finally, the study here seeks to extend the literature on business-to-business branding. Research into branding is at an incipient stage of development in the business-to-business context compared to the business-to-consumer literature (Baumgarth, 2010; Zablah et al., 2010).

2. Review of brand management literature

2.1. The new perspective in brand management and the BMS

In the last decade, an important line of research in the brand literature argues for adopting relational perspectives in brand management; in this way, brand management emerges as an ongoing dynamic process in which multiple entities (consumers and firms) co-construct brand meaning. Louro and Cunha (2001) point out that this option will require big changes in traditional brand management structures. Merz, He, and Vargo (2009) also establish that from 2000 a new era starts in the õbranding literature, where the brand conceptually becomes a dynamic and social process in which the entire firm's stakeholders participate, establishing a network of relationships with the brand and interacting with each other socially. Thus the conception of the brand has evolved from being a merely physical thing that helps identify and differentiate the firm's products (Louro & Cunha, 2001) to being a key intangible, strategic resource that has its basis on the development of valuable social relationships. This evolution applies particularly to service firms, where the brand's meaning to customers derives mainly from their experiences with the organization and the employees that deliver the service (Brodie, Whittome, & Brush, 2009; Dall'Olmo Riley and de Chernatony, 2000).

Adopting this new brand management perspective is essential in today's competitive environments characterized by very similar commercial goods and services, the rapid imitation of innovations, and an intense competition. Brands need more than ever to build strong relationships with their customers, accordingly, firms critically require developing an efficient BMS that allows them to meet the new environmental challenges and achieve a competitive advantage by creating and maintaining strong brands. The BMS is neither the general brand management process nor the potential relations between the brand-building activities comprising that process (Aaker & Joachimsthaler, 2000; Katsanis, 1999). Instead, the BMS is a dynamic capability that sustains the brand management chain model (see Fig. 1).

The model of the brand management chain seeks to illustrate two fundamental questions: (1) how can firms create and maintain strong brands; and (2) what constitutes a strong brand (Keller, 2011). The second question has generated a broad number of studies that analyze the concept of brand equity, which according to Christodoulides and de Chernatony (2010) can subdivide into brand assets, brand strength, and brand value. The branding literature has mainly focused on brand equity (Davis, Golicic, & Marquardt, 2008). In contrast, this work stresses the importance of studying how to create and maintain strong brands. The BMS involves managing the brand inside the firm with a systematic and strategic approach that considers the brand a central element in the business strategy and sets down the bases for implementing and controlling the brand-building actions in an integrated and coordinated way (Kim & Lee, 2007).

2.1.1. Dimensions of the BMS

Recent studies stress the need for a strong brand-supporting corporate culture, or brand orientation, which ensures that the brand has an important role in the business model (Baumgarth & Schmidt, 2010). Researchers also focus on the internal branding concept as a key instrument for obtaining employees' commitment to the brand and their collaboration during service encounters to guarantee consistency of the brand experience (Beverland, Napoli, & Lindgreen, 2007; Punjaisri, Evanschitzky, & Wilson, 2009). The literature also recommends treating the brand as a core strategic resource (Brodie et al., 2009; Urde, 1999). Thus M'zungu, Merrilees, and Miller (2010) suggest three stages of strategic brand management for building and protecting strong brands: adopting a brand orientation mindset, developing internal branding capabilities and consistent delivery of the brand.

On the basis of these ideas, this study conceptualizes the BMS as consisting of three underlying dimensions: brand orientation, internal branding, and the strategic management of the brand activities. The dimensions constitute a system because only their comprehensive implementation, rather than their consideration in isolation, can sustain the firm's ability to develop successful brands (Beverland et al., 2007). In this sense, the method section presents the conceptualization of the BMS as a second-order reflective construct.

2.1.2. Brand orientation

Brand orientation refers to the extent to which the firm recognizes the importance of brands as valuable assets and centers its marketing strategy and activities on developing the ability to build strong brands. This concept was initially defined by Urde (1994, 1999), and implies that top management attributes a critical importance to branding. Brand orientation in this sense is a mindset, a type of organizational culture that ensures that the brand will have a dominant role in the firm's strategy (Baumgarth, 2010; Wong & Merrilees, 2007).

According to Wong and Merrilees (2007), firms with an embryonic brand orientation consider the brand an optional strategy that is not necessarily important for achieving competitive advantage. For firms

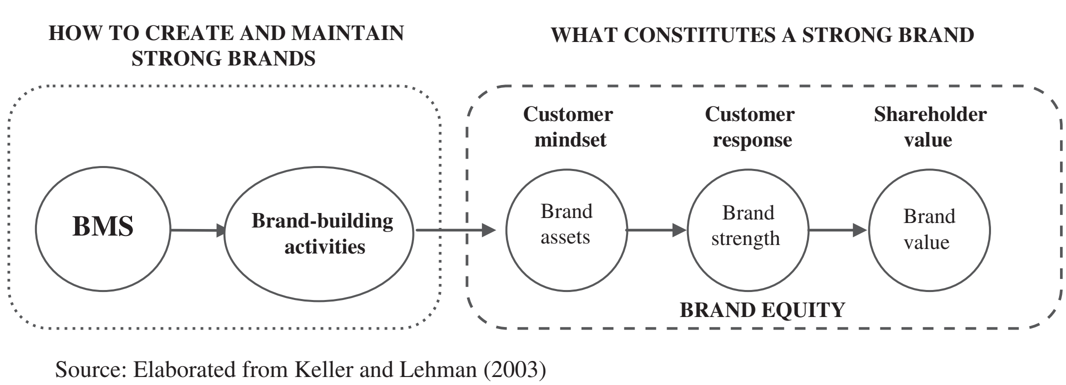

Fig. 1. The brand management chain and the BMS.
Elaborated from Keller and Lehman (2003).