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Industrial brand value and relationship performance in business markets — A general structural equation model

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Abstract in Korean

본 연구는 브랜드자산 구성요소에 대한 기존 문헌의 고찰을 통해 그동안 그 중요성에도 불구하고 산업재 시장에서는 거의 다루어지지 않고 있는 브랜드 자산형성 요인의 일반적 구성모델을 제시하고 있다. 구조방정식모델을 통해 브랜드 태도형성 요인인 브랜드 인지/연상, 브랜드 가치, 브랜드 전환비용, 브랜드만족, 브랜드 충성도 및 관계몰입과 기업성과 및 구매자가치에 미치는 영향을 분석하였다.

기업성과 및 구매가치에 영향을 미치는 8 가지의 브랜드 자산요인들에 초점을 두고 있다. 실증분석은 산업재 구매자를 대상으로 설문조사하였는데 구조방정식에 의한 모델분석 결과, 브랜드에 대한 태도를 형성하는 요인인 브랜드 인지/연상, 브랜드 가치, 서비스 품질은 브랜드 충성도에 유의한 영향을 미치는 것으로 나타났으며 브랜드에 대한 행동을 형성하는 요인인 브랜드 전환비용, 브랜드만족 또한 브랜드 충성도에 유의한 영향을 미치는 것으로 나타났다. 그리고 각 영향요인들이 브랜드 충성도에 미치는 정도를 파악해 보았을 때 주요 영향요인들은 브랜드에 대한 태도를 형성하는 요인들 보다는 브랜드에 대한 행동을 형성하는 요인들인 것으로 나타났다. 이와 더불어 브랜드 충성도가 클수록 공급자-조직구매자 간의 관계몰입과 기업성과 및 구매가치가 더 높은 것으로 나타났으며 관계몰입은 브랜드 충성도와 구매가치, 기업성과에 더 중요한 매개적인 역할을 하는 것으로 나타났다.

ABSTRACT

This paper develops a general model of industrial brand value and relationship performance in business-to-business markets from the perspectives of consumer and industrial marketing literature. The structural equation model integrates the analysis of industrial brand value and relationship performance. The model describes the extent to which supplier–buyer transaction performance is influenced by the eight important factors: supplier competence, purchasing value, customer satisfaction, switching cost, brand trust and loyalty, relationship quality, commitment, and transactional performance.

The general model is applied to organizational buyer groups of comprehensive industrial markets (Electronics, Chemicals, Equipment, etc). The analysis finds that supplier competence directly affects purchasing value and customer satisfaction, and via purchasing value and customer satisfaction, it indirectly affects commitment, switching cost, brand trust and loyalty. The managerial implications of the study results are also discussed.

1. Introduction

While brands and their management have dominated the marketing of goods and services to consumers, industrial brands have been slow to take hold in business-to-business marketing area. This issue results in part from the belief that because brands are irrational, they have little significance when dealing with an organizational buyer (OB) that makes buying decisions on a rational basis (Bendixen, Bukasa, & Abratt, 2004). Discussions of marketing in technical fields have largely focused on the performance characteristics of products or on the manner in which products address buyer needs (Doney & Cannon 1997; Lages & Lages, 2005). However, it has been noted that

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the price and tangible attributes of a physical product cannot always fully explain purchasing decisions, as intangibles such as overall supplier reputation matter even in rational and systematic decision making (Mudambi, Doyle, & Wong, 1997).

The question that arises is whether rational, well-trained professional industrial buyers who normally operate within buying centers can be influenced by brand images that are based on nonfunctional and subjective attributes. According to Gorden, Calantone, and di Benedetto (1993), business-to-business product and service providers stand to gain sustainable competitive advantages through the development and strategic use of brand equity, particularly when competing in today's global economy. By investing in a brand image that is likeable, strong, and positive among all stakeholders, industrial marketers may reap, albeit to a lesser degree, the same benefits that consumer marketers enjoy.

Industrial brand loyalty and trust are the main brand-value-generating variables. Two lessons may be derived from this fact. First, a loyalty and trust claim can only be effective if there is substance to the claim. Industrial marketers have to make sure their efforts to build a positive brand value are not undermined by poor supplier competence, purchasing value, and organizational buyer satisfaction. Second, simply creating a brand value is not enough. Industrial marketers have to translate brand value into supplier–buyer relationship performance. Industrial customers deliberately make it difficult for suppliers to determine who actually makes buying decisions. Therefore, industrial marketers must create a brand value that is seen as positive by all stakeholders associated with the company. To achieve this, the supplier company must look beyond marketing communication and develop a total corporate communication program to augment the corporate brand.

This study tests a general construct model that describes the extent to which transactional performance in the industrial market is influenced by supplier competence, purchasing value, organizational buyer satisfaction, switching cost, brand trust, brand loyalty and relationship commitment, and relationship quality. More generally, this study investigates the effect of brand values on business relationships between industrial buyers and suppliers. Factors hypothesized to influence values in a brand include brand characteristics (supplier competence, purchasing value, organizational buyer satisfaction, switching cost, brand trust and loyalty), relationship commitment, relationship quality, and transactional performance.

This study aims to fill gaps in the largely fragmented field of industrial brand value research by offering an empirically verified general theory. Some related studies sought to determine the basic antecedent variables to increase brand value (Hocutt, 1998). Other studies, such as those of Bitner, Booms, and Tetreault (1990) and Price, Arnould, and Tierney (1995), have considered either a single incident or critical encounters, as well as the longitudinal interactions or relationships between these variables.

Despite the fact that research in this area largely relies on stochastic and deterministic approaches to industrial brand value, few comprehensive, empirically tested, structural models of the customer retention process are evident in the marketing literature. Even the understanding of the inter-relationships between brand value perceptions, or how these relate to overall supplier–buyer relationships, appears unclear. Furthermore, a customer behavior modl that holistically defines the processes by which customers choose between several competing brands or providers is still to be developed. Some progress has been made to this end by evaluating the known alternatives that are factored into customer assessments and disconfirming expectations (Boulding, Kalra, Staelin, & Zeithaml, 1993). While this approach measures the difference between pre and post consumption assessments, it provides only a partial explanation of how industrial customer retention mechanisms might operate (Bagozzi, Gopinath, & Nyer, 1999; Price et al., 1995).

This paper examines the following industrial brand value issues within the general supplier–buyer environments of the comprehensive industrial market:

- What is the impact of industrial supplier competence on purchasing value and organizational buyer satisfaction in the industrial market?
- How does purchasing value impact organizational buyer satisfaction?
- What is the effect of purchasing value and organizational buyer satisfaction on brand trust and loyalty?
- How does organizational buyer satisfaction relate to switching costs?
- How does brand trust and loyalty impact relationship quality and commitment?
- What is the impact of transactional performance on relationship quality and commitment?
- How does supplier competence contribute to industrial supplier–buyer commitment?
- What is the effect of relationship quality and commitment on transaction performance?

2. The research model

Several researchers have found satisfaction and attitude to be major antecedents of brand value (Innis, 1991; Roest & Pieters, 1997). In this context, OB satisfaction and purchasing value reflects the overall level of industrial customer pleasure and contentment that results from experience with supplier competence. Attitude is the customer's positive, neutral or negative learned disposition (often as a result of past evaluative experiences), with respect to the good or service, company, or brand value under consideration (Roest & Pieters, 1997). However, the precise relationship between brand value constructs and transactional performance for industrial transactions remains unclear. In the literature, different terms have been used for similar or closely related brand value constructs.

Examples of terms used are, buyer satisfaction (Fornell, Johnson, Anderson, Cha, & Bryant, 1996), brand choice (Manrai, 1995), loyalty (Elena & Jose, 2001), value (Crosby & Stephens, 1987), competence (Lerner & Almor, 2002), brand preference (Mantel & Kardes, 1999) and brand trust (Elena & Jose, 2001).

This paper purports that a separate and distinct evaluation of alternatives (brand value) must precede an understanding of supplier–buyer relationship performance (Doney & Cannon 1997; Ganesan & Shanker, 1994; Kalwani & Narayandas, 1995). Thus, the major antecedents to relationship performance, as developed for the conceptual model presented herein, are: supplier competence → purchasing value → OB satisfaction → brand trust and loyalty → relationship performance:

The research model, shown in Fig. 1, delineates the key factors that precede industrial brand value and relationship performance. The model components are defined as follows:

- *Transaction performance*. An industrial buyer's perception of the economic and managerial performance of a specific transaction relative to past transactions with the same supplier, taking into account the current situation and likely circumstances.
- *Commitment*. An exchange partner's belief that an ongoing relationship with another partner warrants maximum efforts related to its maintenance.
- *Relationship quality*. The amount of information sharing, quality of communication, long-term relationship orientation and satisfaction associated with a relationship.
- *Switching cost*. An industrial buyer's estimate of the personal loss or sacrifice in time, effort and money associated with changing suppliers.
- *Brand loyalty*. The degree to which an industrial buyer has repeatedly purchased a particular supplier's brand during recent