BRAND VALUE DRIVERS AND PERFORMANCES:
EVIDENCE FROM THE FOOD INDUSTRY

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Prosperitas est itineris,
non est destinatum
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ABSTRACT

The main objective of this thesis is to enhance the knowledge about brand value within different stakeholders in the food market. This is an attempt to enlighten the role of brand value in marketing strategy of different food producers, by applying complex multivariate research approach. Studies were conducted in different countries (Italy and Sweden), we have applied different research methodologies (self-reporting study and scanner data analysis) as well as different research instruments (multivariate data analysis, regression and cluster analysis).

Chapter 1 represents an overview of the major theoretical approaches and concepts that are employed in the branding theory and enriched-food industry. We have described and defined the most important approaches and different theoretical nuances regarding brand value, branding and brand management. The enriched-food industry has been discussed in details.

The goal of the Chapter 2 is to identify factors that influence the brand and also to determine which factors correlate the brand more, in order to develop more effective business strategies. Our main question is how the factors in a proposed model contribute to brand value in the food industry. An adductive theory approach has been adopted and food managers from Italy and Sweden were questioned. We have used data set of 58 enriched-food brands in the Italian and Swedish markets. The measurement scales have been constructed using theory or suggestions from industry. We have modelled the nine constructs as nine correlated first-order factors. The model includes eight independent variables
(consumer orientation, brand differentiation, brand knowledge, new brand development, values, organization, consumer perception, strategy) and the dependent variable brand success. All variables contain four to six items. This chapter provides insight and empirical evidences on the development and enhancement of brand success. The findings can be employed as more effective brand strategies in a sector that has been under-investigated in academic literature and practice.

A model of the brand value dimensions, measured by brand equity, has been presented in the Chapter 3. The goal of this research is to establish which dimensions and in which way influence the brand equity performance in the researched industry in order to help development of more effective business strategies. We have studied an aggregate data set for various food brands in the Italian market. We found out that marketing investment, price, revenues and perceived quality were highly associated with brand equity. The managerial implications of presented models were discussed as well as possible future research enhancements.

There is no clear answer in marketing literature on how the brand paradigm influences firm strategy in marketing performance context. The Chapter 4 is an attempt to highlight the influence of brand differentiation on branding strategy as well as the impact of innovation on proposed brand framework. We have studied an aggregate data set of 764 enriched-food brands in the Italian market. We found out that brand equity, brand volume, innovation and company type are highly associated with the brand performance outputs. Using cluster analyses, we found out that market share and price are significantly associated with the innovation and company type in the food industry. We have discussed the managerial implication of the presented model, the results of the cluster analyses as well as possible research enhancements.
L’obiettivo principale di questa tesi è di approfondire la conoscenza sul valore del brand per i diversi stakeholders presenti nel mercato dei beni alimentari. Essa rappresenta, pertanto, il tentativo di evidenziare il ruolo del valore del brand nella strategia di marketing di diversi produttori di beni alimentari, attraverso l’applicazione di un approccio di ricerca multivariato e complesso. Gli studi presentati sono stati condotti in diversi paesi (Italia e Svezia), e con l’utilizzo di diverse metodologie di indagine (studi con dati self-reported e scanner data analisi) così come con l’utilizzo di diversi strumenti di ricerca (multivariate data analisi, regressioni e cluster analisi).

Il capitolo 1 presenta una rassegna dei principali approcci teorici e dei concetti chiave utilizzati nella teoria branding e nell’industria enriched-food. Sono definiti e analizzati gli approcci più importanti e le diverse sfumature riguardanti il valore del brand, il branding e il brand management. Un’analisi dettagliata riguarda l’industria enriched-food.

Il capitolo 2 si pone l’obiettivo di identificare i fattori in grado di influenzare il brand e di determinare quelli che vi sono maggiormente correlati, al fine di sviluppare delle strategie commerciali (business) più efficaci. La domanda di ricerca principale è affrontata attraverso l’analisi di un modello empirico che studia i fattori che contribuiscono a rafforzare il valore del brand nell’industria alimentare. I manager dell’industria alimentare italiana e svedese sono stati intervistati applicando un approccio teorico. L’analisi empirica condotta utilizza dati di 58 brand di enriched-food presenti nel mercato italiano e svedese. Le scale di misurazione sono state costruite utilizzando la teoria e i suggerimenti da parte dei managers. Abbiamo modellato i nove costrutti come nove fattori di primo ordine. Il modello analizza il successo del brand (variabile indipendente) attraverso 8 variabili indipendenti (orientamento dei consumatori,
differenziazione del brand, conoscenza del brand, sviluppo del nuovo brand, valori, organizzazione, percezione dei consumatori, strategia). Tutte le variabili contengono dalle 4 alle 6 dimensioni. Questo capitolo contiene suggerimenti ed evidenze empiriche sullo sviluppo e il rafforzamento del successo del brand. I risultati possono essere utilizzati per definire strategie di brand più efficaci in un settore che è stato non adeguatamente analizzato in ambito accademico sia teorico che empirico.

Il capitolo 3 presenta un modello che analizza le dimensioni del valore del brand, misurato dalla brand equità. La domanda di ricerca a cui questo capitolo cerca di rispondere riguarda l’individuazione di quali dimensioni influenzano la performance della brand equità nell’industria alimentare, nonché di studiare in che modalità esse operano, al fine di promuovere lo sviluppo di strategie di brand più efficaci. L’analisi è condotta su un dataset aggregato per diversi brand di beni alimentari nel mercato italiano. Gli investimenti in marketing, il prezzo, i ricavi e la qualità percepita risultano essere fortemente associati alla brand equità. Sono discusse le implicazioni imprenditoriali dei modelli ed anche i possibili sviluppi di ricerca futura.

Nella letteratura di marketing non esiste, ad oggi, una risposta chiara su come il paradigma del brand sia in grado di influenzare la strategia dell’impresa nella performance di marketing. Il capitolo 4 rappresenta un tentativo di sottolineare l’influenza della differenziazione dei brand sulla strategia di brand e in particolare l’impatto dell’innovazione su un dato contesto brand. Il capitolo presenta uno studio effettuato su 764 enriched-food brands nel mercato italiano. L’evidenza empirica ci permette di affermare che il brand equità, la quantità di beni venduti per un dato brand, l’innovazione e la tipologia organizzativa sono fortemente associate con il risultato della brand performance. Utilizzando il cluster analisi si evidenzia che la quota di mercato e il prezzo sono associati in maniera statisticamente significativa con l’innovazione e la tipologia organizzativa nell’industria alimentare. Le implicazioni gestionali del modello, i risultati della cluster analisi e i possibili percorsi di ricerca futura sono discussi.
ACKNOWLEDGEMENTS

One would say that finishing the thesis is the end of a long and exciting journey. When I look back, I see many open questions and dilemmas, many unanswered questions and creative solutions; but also many wins and obstacles, hard work, sleepless nights and joy.

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CHAPTER 1

AN OVERALL RESEARCH DESIGN
AN OVERALL RESEARCH DESIGN

1. Thesis introduction

Modern civilization would not exist without branding. Electricity is engine of our societies, computer bits are veins in civilization “body”, but our lives are marked and framed with goods that we consume – with their names, symbolism, true or fake promises. Branding is pivotal social concept because today is practically nothing unbranded. For instance, salt is packaged in branded containers, juices are branded with private whole sellers labels, fruit and vegetables are branded with producer’s or trader’s name – Dole pineapples, Chiquita bananas, etc. (Kotler and Armstrong, 1999).

A brand is an entity that provides to its stakeholders added value based on factors beyond its functional characteristics. These added values, or brand values (Knox, 2000), differentiate a product toward competition and provides a milestone that should satisfy customer preferences and to create loyalty. A modern marketing theory and practice are seeking to provide and describe how brands are managed in order to create higher value for its stakeholders. Unfortunately, growing literature in last decades has not provided straightforward answer on this matter. It is silent on issues of brand creation and brand value in food industry. Branding in the enriched-food industry is underestimated issue in marketing literature and with vague application solutions in practice. This thesis is an attempt to provide insight on branding in the food industry.
We identified two pillars of the thesis: i) brand management, in which we will highlight the brand paradigm and brand value, represented with the brand equity concept, as our academic cornerstones; ii) the enriched-food industry is described in details, as phenomena as well as in subgroups such as functional food, organic food, etc. These two pillars were described in sections one and two, respectively. In section three of this chapter we present research problems addressed in the thesis with major research questions underlined. In the following section we describe basic methods and methodologies applied in the thesis.

1.1. Brand Management

1.1.1. A brand

A product is an organizational offering that may satisfy consumer’s need or wishes. It is hard to find a product these days that has no name, certain design, packaging, or does not bear in itself certain symbolism. Specific products might be sorted in the brand line extension holding brand and/or producer name and bears different product characteristics. In a given product category, under the same brand/producer name, exists additional items, such as new flavours, packaging, forms, size, taste, colours, name adds-on, added ingredients, etc. (Kotler & Armstrong, 1999)

The origin of the word “brand” comes from the Old Norse word “brandr”. The brandr means to fire or burning, that originate from a livestock marking with an owner’s seal. The first usage of this word, according to the Oxford English Dictionary (Oxford, 2009), was taken down in 1552. In this way was established the custom that distinguishes the livestock from those of neighbours; in other
words, it is established the way how easily to identify ownership or an origin of the product.

One of the first records, which can frame basic brand theory as we understand and perceive today (Ambler, 1997), can be traced back to St. Augustine of Hippo (Aurelius Augustinus Hipponensis) in the fifth century A.D. The importance of the St. Augustine work lies in the fact that he was the first to make the distinction among functional utility, as the criterion of value (Jevons, 2007), and the psychological benefits (Ambler, 1997) using the idea of differentiation. These two concepts, the constraint of need (functional utility) and the attraction of desire (benefits of ownership), are similar to modern concepts of needs and wants (Jevons, 2007). San Bernadino of Siena (XV c. A.D.) had made differences in his sermons among virtuositas (functionality), raritas (scarcity) and complacibilitas (psychological benefits); merchants were allowed to take all three in account when setting the price (justum pretium – “just”, fair price) of commodities (Ambler, 1997; Jevons, 2007).

One among the first discussions on a brand and its importance in business literature came from Gardner & Levy (1955). According to them, a brand is embedded with a complex symbolism that represents a variety of attributes and ideas, because brand name is much more than the label that differentiates among products. Gardner & Levy (1955) have argued that brands bear sets of ideas, feelings and attitudes that consumer has about brands; consumer will makes choice by picking one or a few elements from these sets that they find most appropriate.

Gabbott and Jevons (2009) have argued that the term “brand” is a highly contextualized entity of diverse contemporary approaches and understandings; and therefore, never-ending theory development process. The definition
development process in social science has a tendency “to be an endless spiralling of ambiguities of language” (Gabbott and Jevons, 2009: 120). This process can be discussed from the nominal and the real distinct form. The nominal form of a thing (quid nominis) defines its name, but essence can be determinate only if we know the real form (quid rei) of the thing (Gabbott and Jevons, 2009). Stern (2006) has argued that term brand, used as a verb, has dual valence with positive implication – proof of ownership, signal of quality, etc., and negative connotation – to stigmatize, to mark with infamy, etc.

Therefore, it is highly unlikely that we can define one and generally accepted definition of the brand. Gabbott and Jevons (2009: 121) have underlined that here never will be a unifying definition of “brand”, only “a constantly evolving series of contexts or lenses through which the phenomenon is viewed”. They conclude that in the rich, context-laden environment, can exist great number of different “brand” definitions, understandings and approaches.

Two approaches has been established in the literature (e.g. Ambler & Styles, 1997) to define a brand. Traditional approach, also known as “product plus” (Ambler & Styles, 1997) view a brand as an addition to the product. In other words, a brand is an identifier of the product. The second approach is the holistic view in which focus is on the brand itself. According to Ambler & Styles (1997), holistic approach stands for the bundles of attributes that satisfy a consumer; in the same time, these attributes can be tangible and / or intangible, real or fake, rational and / or emotional, etc. A brand is defined, according to American Marketing Association (AMA, 2009), as a feature (name, term, design, symbol) that identifies one seller’s product as distinct from those of other sellers. A brand is defined offering from a known source to consumer (Kotler, 1999). A brand might be a name, term, design, symbol, sign (Kotler, 1999) or any other
feature that identifies one offerer's product as distinct from those of another. The suppliers attempt to signal their *bona fides* to the market. Keller & Lehmann (2006) have suggested that a brand serves as a distinguishing symbol of a firm offering at their most canonical form. A brand may identify one item, a family of items, or all items from an offerer. Thus, a brand signals to the consumer the source of the product and should protect consumer and producer from competitors who would attempt to provide identical product (Aaker, 1991). For instance, a brand name helps consumers to identify products that might benefit and fit them best. Buyers who always buy the same brands know (expect) that they will get the same features, benefits and quality each time they buy that product (Kotler and Armstrong, 1999). There are also benefits for seller. The brand name becomes the basis on which a whole image can be built about a product’s characteristics and values. The seller’s brand name and trademark provide legal protection for unique product features that otherwise might be copied and misused by competitors (Kotler and Armstrong, 1999; Kotler, 1999).

Kotler (1999) has advocated that the branding challenge is how to create and manage a deep set of associations for the brand. The brand is not a name of a product. In its essence, a brand is an offerer’s promise that will delivers continuously a declared features, specific quality, benefits and convenience to a consumer. A brand bears complex symbolism and meaning. Literature suggests six levels of brand meanings (Kotler, 1999): (i) attributes, a brand always bears certain attributes level, (ii) benefits, because attributes must be transformed into functional and / or emotional benefits to a consumer, (iii) a brand always represent offerer’s values, (iv) culture, a brand might bear cultural values and / or image, (v) a brand in many occasions project consumer’s personality, (vi) user, a brand may represent a type of consumer that uses a product.
Modern approach to branding includes a comprehensive list of elements that overlap traditional understanding of brand as feature differentiated by name, colour, or any other visible characteristics but also include intangibles such as brand value or consumer subjectivism. Modern brand paradigm is based on consumer attitudes, loyalty, perception, etc., as well as on organization’s marketing investments in a brand. Key elements of a larger brand paradigm, from strategic point of view, are differentiation and pricing. Brand equity is defined as the value of the brand which is based on the high brand loyalty, perceived quality, name awareness, strong brand associations as well as the assets such as trademarks, patents, advertising, distribution channels (Kotler, 1999; Kotler & Armstrong, 1999; Aaker, 1991) and innovation type.

1.1.2. The value of a brand – The brand equity (BEq) concept

Modern marketing theory and practice recognize brand equity (BEq) paradigm as a key business strategic asset of the company. Keller & Lehmann (2006) have argued that a brand represents its influence at three primary market levels: customer, product and financial market; a value accrued by these markets can be named brand equity. The brand equity paradigm has been discussed to a great extent in marketing literature and many researchers offered definition for the brand equity concept (Aaker, 1991; Farquhar, 1989; Sriram et al., 2007) as well as different viewpoints on the factors that influence it. A widely used definition in marketing literature defines the brand equity as the value added by the brand name to a product without that brand name (Farquhar, 1989; Sriram et al., 2007). More comprehensive definition of brand equity characterizes it as the value of the brand, which is based on the high brand loyalty, perceived quality, name awareness, strong brand
associations as well as the assets such as trademarks, patents and distribution channels (Kotler, 1999; Kotler & Armstrong, 1999; Aaker, 1991). Similar definition offers Temporal (2002) in which brand equity refers to the descriptive aspects of a brand where symbols, imagery, consumer associations and perceptions have an important role. Widely accepted BEq definition in the literature has came from Aaker (1991, p.15) who defined it as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers”. Ambler et al. (2002; pp. 23) have suggested that brand equity describes the asset created by marketing effort of a company that will “drive future cash flows from the sales of that brand”. In the brand equity concept the brand has been considered as an asset, which can be sold or bought for a certain price (Aaker et al., 2004). This term is partially misleading because the word “equity” has financial origin (Temporal, 2002), but in its core has a subjective view and held intangible values for the consumer. For instance, Ambler et al. (2002) have argued that BEq represents the customer mind-set with respect to a brand, which include perceptions, thoughts, experiences, attitudes, images, etc.

Brand equity should be formally measured, but searching for a single financial performance measure, the silver metric indicator, is misleading approach (Ambler, 2008). Financial performance measures are generally short time oriented and not include intangible brand assets, measured by brand equity (Ambler, 2008), and using only this type of brand performance assessment may jeopardize long-term business performance (Collins & Porras, 2000). In other words, the brand measurement must include non-financial measures, such as consumer loyalty, which reflects consumer willingness to pay premium price (Ambler, 2008), market share, brand awareness, purchase intentions, etc. (Keller, 1993; Park & Srinivasan, 1994; Lehmann & Reibstein, 2006).
In a general sense, brand equity is considered as a positive marketing outcome because of the presence of a certain brand name, i.e., that marketing outcome would not occur if the same product does not have that name (Farquhar, 1989; Keller, 1993), i.e., if it is unbranded.

We believe that this view limits this theory and disables further research. Each consumer – brand encounter occurs when a consumer has the knowledge on brand name, logo, packaging or use of the product. In these situations, as it is suggested by Raggio and Leone (2007), consumers automatically generate perceptions and associations about the brand. Therefore, it is not possible for a brand to have no brand equity.

It is obsolete idea to compare branded vs. unbranded products these days, for two reasons:

1. There are no unbranded products in industrial markets. Each product, which is legally in the market, has a certain level of packaging and a name. Even a food at the green market is traded under the name of producer, has a product traceability and consumers buy it from a legal trading firm.

2. Some researchers have used comparison between branded products and private labeled brands (Ailawadi et al., 2003; Choi & Coughlan, 2006), e.g., brands created for retailers and wholesalers, for their studies. Private brands compete on price, usually discounts, and perceived quality guaranteed by the owner of the brand name (Kotler and Armstrong, 1999; Choi & Coughlan, 2006). Nowadays it is obsolete to think comparing branded vs. private labels because these products have name, attributes and perceived quality – so, they are not unbranded. Second, several products in the same category is on a shelf and only one retailer’s which suggest biased brand comparison. Third reason is that private labels are clearly favoured by owners, in comparison with other brands, in sense of placement on a shelf, dispose of quantity, what
will be featured in internal circulars (Kotler and Armstrong, 1999), price (Davcik et al., 2009) and sales promotion.

Despite numerous conceptual and operational definitions and models of BEq, there are a limited number of quantitative researches examining its constructs that are based on solid empirical data (Atilgan et al., 2005). Our standing is that, in order to enhance further research in the field, it is necessary to take into consideration more comprehensive BEq definition as well as to establish dimensions that influence BEq performance. In order to investigate in more details this paradigm, it is necessary to test dimensions and their factors within the industry, i.e., within existing branded products as well as to observe possible differences among BEq factors and implications for the theory and marketing practice.

1.1.3. Sources of the brand equity determinants

The brand equity concept can be discussed from different perspectives – the investor, the manufacturer, the retailer and the consumer (Cobb-Walgren et al., 1995). The investor is more interested in the financial side of this paradigm (Cobb-Walgren et al., 1995), manufacturers are interested in strategic application of the concept (Keller, 1993) in order to achieve targeted marketing and financial goals, while retailers are dominantly interested in the marketing implications of the BEq concept. It is important to investigate sources of the brand equity determinants from an organizational point of view, because it is the subject that creates and manage the offer. The complex BEq research demands multi-research approach that will also take into consideration importance of consumer behaviour and buying consequences.
Little conceptual developments or empirical researches have addressed which marketing activities create brand equity (Barwise, 1993; Yoo et al., 2000) in academic literature. Despite tremendous interest of the researchers in the brand management theory, particularly in the brand equity concept, the dominant focus has been on the measurement issues of BEq, not on its sources or partial elements.

In table 1.1 has been presented the main brand equity concepts, research focuses on brand value and its exemplars. Taxonomy describes the various models and brand value approaches on different brand equity concepts and its determinants – either if they were conceptualised, establish metric concept or determinants sources of brand equity.

The conceptual approach in defining the BEq concept is annotated with letter C. Concepts that are investigating the brand equity metrics are annotated with M, and studies that explore the source of brand equity determinants are marked with DS. Presented conclusions are summaries of employed studies with remained open questions and dilemmas on brand equity creation and management.

The extant academic literature does not provide an appropriate measurement method that will allow better understanding the sources of the brand equity concept (Park and Srinivasan, 1994).
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| 1   | Farquhar (1989) | marketing management | C | strategic aspects and leveraging brand equity | - Brand endows a product  
- Brand equity is the added value  
- Development of a strong brand is imperative | - What is a proper strategy for leveraging brand equity?  
- What are determinants of brand value? |
| 2   | Aaker (1991) | customer-based brand equity | C | consumers | - A management of brand equity and brand portfolio is a guardian of the brand value  
- Defines underlying assets of the brand equity | - How to identify specific features that constitute underlying brand assets?  
- How brand can serve as a tool for long-term vs. short-term business strategy? |
| 3   | Keller (1993) | customer-based brand equity: conceptual framework | C | individual consumers | - Implications for sales, market share and profits  
- A brand has a positive customer-based brand equity if consumers are attached to the brand | - What are valid benchmarks?  
- What are the affects of brand equity dimensions on business strategies?  
- How marketers can create value for a brand? |
| 4   | Simon & Sullivan (1993) | financial market-based approach | M | financial aspect of brand value | - The value of brand equity is extracted from the value of the firm’s assets  
- Not applicable on non public companies  
- Aggregated macro approach not applicable on brand-level data (individual brands) | - More refined measures of market share and advertising are needed, in order to estimate brand equity more accurate.  
- Which factors should be included to improve brand equity estimations? |
| 5   | Yoo, Donthu & Lee (2000) | marketing management | C, DS | marketing mix | - The interaction effect of marketing mix on brand equity  
- Sales has influence on brand equity  
- Price is related to quality; consumers use it as a proxy for the quality | - Has limited marketing efforts from a long-term perspective of brand management  
- Comprehensive research on the interaction effect of brand equity dimensions on brand equity is needed.  
- The role of brand equity in the firm’s success need to be investigated. |
| 6   | Ailawadi, Lehmann & Neslin (2003) | revenue premium | M | financial contribution of brand value | - Lack of insight into “the consumer-based sources of brand equity” (pp.15)  
- Additional brand building investment (e.g., advertising) in the brand raise the brand value. | - What is the identification of the benchmark brand?  
- What are structural relationships in the development process of high-equity brands? |
| 7   | Ambler (2008) | financial marketing metrics | M | determination of silver metrics for performance assessment | - Financial performance measures are necessary, but not sufficient in valuing brand equity. | - What is the silver metric for brand equity?  
- “…should brand valuation be limited to the additional value of branding compared to the profit stream from the equivalent unbranded product?” (pp.417) |
| 8   | Keller & Lehmann (2003, 2006) | the brand value chain (BVC) | C, M, DS | brand value creation | - The financial marketplace creates strategic implications for the brand value  
- The BVC measurement approaches are based on the customer mindset, product and financial market  
- From managerial point of view, the BVC suggest where and how value is created for the brand.  
- The relative success or failure of a brand programme is based on recognising the uncontrollable nature of factors that influence a brand value creation. | - How much the value reported in the performance of a brand transforms to shareholder value?  
- How much is the value creation dependent from established and executed marketing programme?  
- How is determinate the interdependence between factors that inhibit a brand value creation? |

Note: C – BEq conceptualization approach; M – BEq metrics approach; DS – Sources of the BEq determinants approach
Academic community has to pay more attention on the development of more “system view” of brands and products (Shocker et al., 1994), in order to develop more comprehensive theoretical approaches and business techniques, which will includes relationships among pricing, promotion activities, distribution decision, strategic implications within the BEq concept as well as possible buyer decision process. We believe that further investigations in this field are needed. Undoubtedly, further research should investigate a brand value focusing on the consumer and company domain as well as to enlighten the domain of financial and marketing constructs of the brand value concept.

Figure 1-1: Brand value concepts position matrix

We have created figure 1-1 by applying above presented taxonomies and concepts. This figure represents positions of the main brand value concepts within the consumer and company domain as well as with the financial and marketing domain. The consumer-marketing dimension is positioned in the
upper-right part of the matrix. This dimension is dominantly driven by marketing approach in explaining brand value, focusing on consumer-based studies. The financial-company dimension is positioned in the lower-left part of the matrix. This dimension is driven by financial approach, with focus on company actions, in explaining the brand value determinants.

Our study intends to be positioned in the centre of this multi-research crossing, which applies different focuses and approaches, because in our focus are companies and consumers and we take into account complex financial and marketing phenomena. Our approach is in line with the suggestion from Keller & Lehmann (2003, 2006) that conceptualise and test the model in a reduced form: marketing activities => product-market results => financial impact; adapted and “localized” within brands and enriched-food case.

1.2. Enriched food

We have witnessed the scientific and technological progress as well as a great increase of people on our planet in the last century. Agricultural industrialization brought about specialized production, which, with the help of chemically synthesized substances, concentrates, new assortment types pushing the original characteristics of the product into the background, and large amounts of energy, has only one aim—to produce more. Because of the high quantity imperative and economic profitability, conventional agriculture completely distanced itself from the basic biological processes. In case that soil conditions are not satisfactory, new artificially created types (GMO types) are created with the intensive use of pesticides and mineral fertilizers which, paradoxically, results in an even greater degradation of the soil and water
systems, and subsequently leads to an even greater need for pesticides and fertilizers. In order to meet the new paradigm in the food industry – rising of the food quality standards, raises the life quality standards and values – it is necessary to make shift from quantitative to qualitative approach in food management. A saturation of the traditional markets as well as changes in consumers’ preferences in the developed countries can obtain new market possibility by creating new products in the food industry.

The modern human (average) food consumption is consisted from high level of synthetic chemical elements (pesticide residues, additives, preservatives, hormones, artificial colours, etc), which is one of the basic reasons for modern mankind illnesses, such as: cancer, allergies, cardiovascular diseases, etc. (Dich et al., 1997). According to the World Health Organization (WHO, 2009) statistical data, more than 30 million food poisoning cases have been registered every year in which more than 100.000 cases have resulted in dead. Consumption of organic and functional food has many advantages versus conventional food (Davcik, 2004): better organoleptic quality, higher dry content level, richer in vitamins, minerals and enzymes; organic food has bigger energy power which is directly responsible for human organism solidity and vitality.

This thesis investigates the enriched-food brands (EFB). Under this reference, we understand brands that have added value or characteristics different from conventional food. This food category represents a food with added value, such as vitamins for instance, functional as well as organic foods. In this approach might be embedded a broad categories of healthy products, such as dietary, organic, functional, integrative, etc., in which each of these specific sub-groups have been characterized by a specific functional ingredient or trait (Boesso et al., 2009a). For instance, the health enhancing food might be defined
as natural or processed food or food ingredients that bear health enhancing benefits beyond their primary nutritional functions (Bogue & Sorenson, 2001). In this subgroup can be included functional and organic foods.

The food industry is highly regulated and internationalized industry in which monitoring and control of food safety and quality standards in the market were traditionally responsibility of government bodies and bureaucracy apparatus. The globalization of the agrifood system, production and distribution introduced private retail standards as well as international food related standards such as ISO and HACCP (Unnevehr and Jensen, 1999), and shifted this task to the third – party certifiers (TPC) (Crespi and Marette, 2001; Hatanaka et al., 2005). In the context of this research, we address the value-added products, in comparison to conventional products, such as: functional food, organic and wellness products. Regulations in the food industry can be taken into account from the point of (i) national (or international) law as well as production and distribution standards, and (ii) internationally recognized food standards, as already mentioned, ISO, HACCP, etc. In the organic food industry a legal framework for all subjects are national and international standards (Schmidt, 2004). Due to the different levels of development and ways of improving organic production, there came into being three types of standards: national, made by each country individually (NOP in USA, JAS in Japan, etc.), multinational (such is the case of European Union and regulations EN 2092/91 and 45011 which make standards for organic products/inspectional organizations), and international standards, which, for example, are set by IFOAM\(^1\) and represent private standards (Willer, 2005).

Appearance of the organic food production concept came about as respond to enormous usage of chemicals in primary production, devastation of

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\(^1\) Further readings on the IFOAM standards and legislation might be found at: [www.ifoam.org](http://www.ifoam.org)
biodiversity and great number of reported cases of human poisoning by conventional food usage (Davcik, 2004). This completely new concept, and developed methodology, is known in different regions and languages as: ecological (eco), biological (bio), organic food – and represents synonyms for biologically value added food, produced under certain international (or national) standards, strictly controlled production conditions and recognizable organoleptic quality. The usage of synthetic chemical products for plant protection (pesticides), synthetic fertilizers, GMO products, artificial additives and colours are excluded in organic production. Today we can discuss about wide variety of organic products that are produced according to specific production methodology and national or international standards – such as: food for human usage, seedlings, animal food, every day products from genuine materials², etc.

The most visible difference between these two food production approaches is in opposing quality concept. In the conventional food production there is, so called, retroactive or static quality concept which is based on a final product production and then, on samples, company detect its biological and physical – chemical attributes. In organic food production there is, so called, proactive or dynamic quality concept, which is based on control of every phase in food production. This methodology is based on control and detection of biological and physical – chemical attributes, processing according to defined standards for organic agriculture, detailed book keeping as well as product traceability (Davcik, 2004).

The World's market of organic food amounted to 26,5 billion dollars (20,2 billion euros) in 2004, and from this the European Union induced about 11 billion euros (Willer, 2005). Primary organic products covered 26 million hectares of land, plus 14,5 million of wild population, which altogether makes

² For instance: pillows, wood chairs, cosmetics, clothing, etc.
over 40 million hectares of organically certified land. In 2004, 558,449 organic farmers were registered in the whole world. It is anticipated that during the year 2007 the market of organic products in the U.S.—with its average five-year growth of 21.4% between 2002 and 2007—will amount to 30.7 billion American dollars (Willer, 2005). At the rate it is going now, in 2010 the sale of organic food will make 10% of all the food consumption in USA.

In the functional food industry is evident lack of an official law in EU (Mark-Herbert, 2002; Castellini et al., 2002) as well as internationally accepted standards (as we have seen in case of organic food industry) which will unify this industry. Some countries (Canada, USA, Japan) adopted their own national legislation, but included in this class different products (Castellini et al., 2002). Due to the different, sometimes controversial, definitions on functional food we will accept approach which this problem tackles from narrower and broader point of view. A general definition says that the functional foods are those foods in which have been added additional health – value (Menrad, 2003; Boesso et al., 2009a). From a narrower point of view, we understand the functional food as foods in which are added bacteria that provides health benefits to host. From a broader point of view, all foods that bear additional ingredients that improve their basic nutrient value, such as added vitamins, “less fat” claims, “more fibres” claims and similar, we will call wellness products.

The functional food group is consisted by probiotics, prebiotics and synbiotics products. A probiotics are microorganisms that actively interact in the intestine and exert positive health effects on human organism. In the market exist numerous probiotic microorganisms, such as Lactobacillus rhamnosus GG, L. reuteri, bifidobacteria, etc., that are used in a probiotic food, in most cases in dairy and juice products. Basic mechanisms of probiotics are benefits attributed
to probiotic bacteria, the (transient) modulation of the intestinal micro flora and “the capacity to interact with the immune system directly or mediated by the autochthonous micro flora” (de Vrese & Schrezenmeir, 2008). A prebiotics are "a selectively fermented ingredient that allows specific changes, both in the composition and/or activity in the gastrointestinal micro flora that confers benefits upon host well being and health" (de Vrese & Schrezenmeir, 2008). The synbiotics concept represents a product with prebiotics and probiotics characteristics. Danone Activia yoghurt is well known example because contains inulin, which has fat replacement characteristics, despite the fact that marketing approach is focused on the ability of the Bifidus Digestivum, which improve natural digestive transition3.

According to several researches and reports (Menrad, 2003; Hilliam, 2000), the global functional food market is estimated to 33 billion US$. In USA, the annual turnover is around 15 billion US$, with a market share of approximately 2% in the whole US market. In Japan, estimated turnover is nearly 14 billion US$ (Hilliam, 2000). European functional food turnover is around 8 billion US$ (Hilliam, 2000), that represents around 1% of the whole food market (Menrad, 2003).

Menrad (2003) advocates that the growth limit of the functional foods is 5 % of the whole food market in Europe, in next 10 years. Therefore, functional food industry will not develop to a mass market but will rather represent heterogeneous multi-niche market that will be characterized with different product segments and diversified brand categories.

3 Further readings and additional information on: www.activia.com
1.3. Research problem

The successful application of brand management might fully exploit the organization resources and boost additional benefits to its stakeholders. Brand management has drawn considerable attention in academic community and practice in last two decades. The reasons for these shifts are the high costs that are related to the launching of new brands, the high failure rates of new products (Crawford, 1993; Pappu et al., 2005), high cost of advertising as well as very high costs of attracting and keeping new consumers.

Aaker (1989) has advocated that brand might develops sustainable and long-term competitive advantage for organization if consumer perceives a brand as more valuable than competitors. Importance of successful brand building has been discussed in academic literature (Pappu et al., 2005), because it can protect an organization from the turbulent changes in environment (King, 1991), it develops stronger competitive position against the power of retails (Park & Srinivasan, 1994) as well as defending market position against competition and building market share (Adams, 1995). Managing a successful brand that is differentiated and consumer oriented can provide a comprehensive competitive advantage. Factors that influence the brand have been under investigated in academic literature and practice. Major question that investigates this relation is; 

**RQ1: How is a successful brand determined?**

It is conventional wisdom that an organization has to manage the brand, i.e., to invest in its brand portfolio. However, the literature and practice offers limited knowledge and solutions on strategies and determinants of the brand value. One reason might be very heterogeneous knowledge on a very broad
number of industries and countries, which implies lack of generalizability in theory or business solutions. Second reason might be no existence of general theory on a brand value, which is applicable in all or at least in most of industry cases. The extant literature review (Temporal, 2002; Ailawadi et al., 2003; Aaker, 1991; Yoo et al., 2000) has strongly suggested that great number of variables, such as marketing investment in the brand, sales volume, price, revenue, quality, etc., have been a key success factors in developing brand value. Brand value might be understood as the amount that a brand bears in terms of consumer loyalty, income, market reputation, etc. This literature review offers very heterogeneous solutions for creation, measure and management of brand value. Our research question, based on these premises is; 

**RQ2: What are the determinants of brand value in the enriched-food industry?**

There is no clear answer in marketing literature on how brand influence brand strategy. Literature is also silent on determinants of the applied brand strategy in the market. It is also very vague how brand can be successful in the market, especially in the specific industrial subsector. Success of a firm has been described with several marketing performance measures in modern business practice; of which, premium price and market share are most often used. The brand performance outputs are not used only to describe a firm position in a market or the current status of the brand portfolio, but also to signal future performances and business endeavours. In marketing literature exist a very few researches on application and managerial implication of brand strategy on pricing (Duke, 1994; Shocker et al., 1994) or market share in foods. We want to address this issue with the following research question; 

**RQ3: How does brand value shapes a company performance in the enriched-food market?**
1.4. Methodology

We applied multi-research approach in this thesis. Motivation for such a complex and demanding methodological approach lies in fact that the brand value issue has the great importance for the market-oriented organization and has many organizational, social and business layers.

We conducted an online survey research in order to enlighten the determinants of a successful brand (RQ1). In this survey, we questioned Italian and Swedish managers about their opinions and attitudes toward factors that influence the brand success. One may question this approach because we base our approach on subjective and self-report research. Applying the perceptual approach in the brand success study, instead of studying archive and objective data, has been conducted from two reasons. First is due to the impossibility to obtain such data from companies because of proprietary and confidentially issues. Second reason is that this approach is well known and established in theory and academic community (Venkatraman & Ramanujam, 1987; Jaworski & Kohli, 1993; Singh & Ranchhod, 2004). Strong correlation and interdependence has been found between perceptual data from managers and objective performance statistics (Venkatraman & Ramanujam, 1987; Singh & Ranchhod, 2004).

The complex nature of the branding studies require deeper and thorough understanding of phenomenon such as brand value and its determinants (RQ2) as well as evidences on branding results in the market (RQ3); i.e., what are the
drivers of the brand performance outputs. In order to enlighten these issues we conducted two statistical approaches – namely, regression and cluster analyses – and we used two different archive data – AC NIELSEN panel data and AIDA data on company financial statements.

One source is market-based data from AC Nielsen research on the food buying patterns that investigated 20,000 Italian households. These data has been obtained from ACNielsen Italy employing the Consumer Panel Solutions (CPS) as well as Homescan® panel tool (ACNielsen, 2008). The CPS obtains consumer-centric marketing solutions that allow better understanding purchase behaviours, demographic profiles, etc. This broad sample size longitudinal panel provides key consumer patterns in 28 countries based on consumer purchase information from more than 300,000 household worldwide (ACNielsen, 2008). Nielsen Homescan® is a multi-outlet panel that captures all consumer purchase information. The Homescan® consumer panel has been established as a leading consumer purchase panel in the world, providing consumer insights in 27 countries and consumer purchase info from over 260,000 households (ACNielsen, 2008). Our second source is data from the Bureau Van Dijk Electronic Publishing AIDA financial statements database (AIDA, 2008) that have the information on 940,000 Italian companies. The AIDA database includes company accounts, ratios and financial activities of the companies included. The accounts are in a detailed format and include 50 financial ratios.
1.4.1. Survey research indicators and reliability measures

The scale development paradigm has been established by Churchill’s (1979) work in the marketing measurement literature (Finn & Kayande, 1997). This marketing measurement paradigm has been investigated and improved by numerous research studies and researchers, with special emphasize on the reliability and validity of a survey research indicators and measures. However, Finn & Kayande (1997) have suggested that the composite reliability, based on so-called Cronbach’s Alpha indicator, cannot be solely assessment indicator because it is limited by its scope only on the scaling of person, rather on the scaling of objects such as firms, advertisements, etc. They proposed, so called G-theory, measured by G-factor that includes wider marketing facets. This measure has not wider application in marketing academia due to robust measurement metrics and its high cost. There are evidences in the literature (e.g. Finn & Kayande, 1997) that a piece of research, with 200 respondents, may cost app. 10.000 US$ (in 1995 prices).

We present two most important survey research indicators in following subsections.

1.4.1.1. Composite reliability – Cronbach’s Alpha

Most likely that no other statistic has been reported more frequently as a quality indicator of test scores in the literature than Cronbach’s (1951) Alpha coefficient (Sijtsma, 2009). Any quantitative research must be based on accuracy and reliability of measurement (Cronbach,
1951). A reliability coefficient demonstrates accuracy of designed construct (RQ1) in which certain collection of items (Cronbach, 1951) should yield interpretation on construct and its elements. The Cronbach’s Alpha measures how well a set of items measures a single unidimensional construct. In other words, Cronbach’s Alpha is not a statistical test, but a coefficient of item’s reliability and/or consistency. In the standardized form, Cronbach’s Alpha can be calculated as a function of the total items correlations and the inter-item correlations:

\[
\alpha = \frac{N \times \bar{c}}{\bar{v} + (N - 1) \times \bar{c}}
\]

where, N is item numbers, c – bar is the average item-item covariance and v – bar is the average variance. From this formula is evident that these items are measuring the same underlying construct, if the c – bar is high. This coefficient refers to appropriateness of item(s) that measure a single unidimensional construct.

Recommended value of the Cronbach’s Alpha range from 0.6 to 0.7 (Hair et al., 1998) but in academic literature is commonly accepted value higher than 0.7 for a multi-item construct and 0.8 for a single-item construct.

Finn & Kayande (2004) have stressed their concern on possible further scale modification, after the marketing scale has shown dimensionality and construct validity. They have pointed out that effects of modified scale on scale performance is under investigated in the literature, because scale adopted to a particular marketing context as well as scale refinement are not covered by classical reliability theory.
1.4.1.2 Common method bias

Many of the academic findings that are disseminated in the marketing community are based on self-report research studies (Podsakoff and Organ, 1986). Problems with self-reporting arise because the subject is asked to express specific opinion and attitude that can be questioned and changeable during the time and in different environment. In other words, as discussed by Podsakoff and Organ (1986), we ask from subjects to go beyond their higher-order cognitive process. Problem may arise when one interpret correlation among variables. This problem is known in the literature as a common method variance. Research measures might be contaminated, because all measures come from the same respondent; with presumption that source answers in same fashion and way of thinking (Podsakoff and Organ, 1986); which might be the case in our research operationalization in RQ1. This problem is (usually) tackled using Harman’s one-factor test (Harman, 1967) in order to control for common method variance (Podsakoff and Organ, 1986). All variables are entered into a factor analysis in this procedure. The unrotated factor solution results are examined in order to determine the number of factors that account for the variance in examined variables (Podsakoff and Organ, 1986); applying commonly accepted threshold for the eigenvalue above value 1.

1.4.2. Regression analysis

Testing the determinants of brand value (RQ2) might be addressed with the single – equation linear models that are widely used in
marketing applications. Except in some special cases, these models are estimated with ordinary least squares (OLS) method.

The basic population model is linear in its parameters (Wooldridge, 2001):

\[ y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_k x_k + u \]

where \( y \) is observable, dependent (e.g., brand value, price, market share, etc.), random scalar, \( x_1, x_2, ..., x_k \) are observable, independent (e.g., sales, marketing investment in the brand, price, etc.), random scalars, \( u \) is the unobservable error term, and \( \beta_0, \beta_1, \beta_2, ..., \beta_k \) are the estimated parameters. The \( \beta \) coefficients measure the marginal effects of the presented independent variables on the presented dependent variable \( y \).

The statistical properties of OLS for estimating the parameters (Wooldridge, 2002) in a population model are established with following six assumptions: i) the multiple linear regression model (MLR) is linear in parameters; ii) the model has a random sample of \( n \) observations; iii) the error term \( u \) has zero conditional mean; iv) in the population model none of independent variables has a constant value, in other words there is no perfect collinearity among them; v) Important theoretical assumption in the ordinary least square method is that the variance of the error term \( u \), conditional on regressors, is constant. Violation of this assumption is well known as heteroskedasticity; vi) normality assumption states that unobserved error term is normally distributed in the population model.
The primary importance for a researcher is to estimate model’s goodness-of-fit. In other words, a researcher wishes to measure how well the independent variable $x$ explains the dependent variable $y$ (Ezekiel, 1941; Wooldridge, 2002). The R-squared of the regression ($R^2$), also known as the coefficient of determination, represent the ratio of the explained variation compared to the total variation (Wooldridge, 2002). This value range from 0.0 to 1.0, where 1 represents perfect model fit.

1.4.3. Cluster Analysis

Testing a company performance (RQ3) can be undertaken with application of the clustering concept that is widely discussed in management literature. Clustering is the classification of objects into different groups, e.g., the partitioning of data set into subset (clusters), so that the data in each subset dominantly share common trait. In a currently available management literature clusters are discussed from their geographical traits, so it is common practice to treat and to name this topic only as geographical clusters (Porter, 1998a). Cluster, according to Porter’s theory of competitiveness, also include organizations in downstream industries, complementary products, government, standard-setting agencies as well as specialized organizations that provide training, education, information, research and technical support (Porter, 1998a; Porter, 1998b). Having all said in mind, cluster might be defined as a system of interconnected firms and organizations whose value as whole is greater than the sum of its parts (Porter, 1998a). Within this thought, we want to follow idea that in cluster concept exists other important and interconnected links and traits. In the context of this research, common traits will be innovation and company type. In this manner, we want to define innovation type clusters as a relevant measure.
of brand difference among food producers within mega-cluster, as Italy undoubtfufully is. This mega-cluster can be “narrowed” to the three northern Italian regions: Veneto, Lombardia and Emilia Romagna; because most of the producers are from these regions. Due to the facts that in our focus are not geographical traits or factors / variables that influence food cluster, we want to emphasize innovation type clusters from (i) production and (ii) marketing point of view. This view can be seen as further development of Porter’s view on complementarities (Porter, 1998a). He states that a cluster can enhance productivity by facilitating complementarities between the activities of cluster participants and the parts of the cluster which are often mutually dependent; in other words, lack in performance by one part of this chain of a cluster can jeopardize the success of others (Porter, 1998a; Porter, 1998b). Rare in the literature, and good example of the cluster operationalization using innovation and company strategy, might be the work from Boesso et al. (2009b) that have studied new product development initiatives on pricing and sales.

The SPSS TwoStep Clustering Component is a scalable analysis method designed to handle large data sets (SPSS TwoStep, 2009). This method can handle both continuous variables, such as brand price, and categorical variables, such as innovation and company type in this study. This method is applied in two steps: i. pre-clustering the records into small sub-clusters; ii. clustering the sub-clusters into the desired number of clusters (SPSS TwoStep, 2009). The desired number of clusters may be defined by user, otherwise TwoStep Component will does it automatically. In the pre-cluster step is applied a sequential clustering approach that scans the data one by one and decides if the current record should be merged with the previously formed clusters or starts a new cluster based on the distance criterion (SPSS TwoStep, 2009). In the second step, the TwoStep
Component takes sub-clusters from the first step as inputs and groups them into the defined number of clusters (SPSS TwoStep, 2009).

CHAPTER 2

BRAND SUCCESS AND ITS FACTORS: A CASE OF THE ENRICHED-FOOD INDUSTRY
2.1. Introduction

The organizational resources can boost additional value to its stakeholders if brand management is successfully used and exploited. Brand management has attracted considerable attention in academic and business community during the last two decades. The reasons for this increased awareness are the high cost of new brands launching, the high failure rates of new products (Crawford, 1993; Pappu et al., 2005), raising cost of promotional activities as well as very high costs of attracting and keeping new consumers.

If consumers perceive that a product with a specific brand adds more value than the competitors brands, this might develops sustainable and long-term competitive advantage for organization (Aaker, 1989; Agres & Dubitsky, 1996). Importance of successful brand building has been discussed in academic literature (Pappu et al., 2005; Agres & Dubitsky, 1996). If a brand is successful,
it can protect an organization from an unstable environment (King, 1991), it can develop a stronger negotiating position to its retailers (Park & Srinivasan, 1994) as well as help defending market position against competition and boosting market shares (Adams, 1995).

We can adapt famous Jaworski & Kohli (1993) question in: Why are some organizations more successful than others? Why their brands are more favourable and expensive than others?; we can add. These are just a few questions that have been raised by many managers every day, but there is no clear answer or theory. Our motivation to conduct this study is based on the need to provide a better understanding of factors affecting brand effectiveness in the enriched-food industry. Development and management of an effective brand strategy in this industry has been under-investigated in the business practice and academic literature. One may ask: why it is important or relevant to study the enriched-food industry? This industry has been chosen as a case because it has strong growing rate, it is highly differentiated in a comparison to conventional foods (Boesso et al., 2009a), it is a mainstream food industry segment, includes high level of innovativeness and comprehensive marketing efforts in maintaining differentiation strategies.

Our intention is to contribute to the existing literature on branding in several ways. First of all, an industry-specific branding scale has been developed and tested empirically in two countries. Second, the characteristics of underlying factors of brand success in the enriched-food industry were examined. Third, this study has avoided the conventional focus on single-authored measures (e.g., Singh & Ranchhod, 2004) as well as with added operationalization adjustments from an industry, as we use a multifaceted approach to branding. Instead of
focusing on a single perspective (e.g. financial, customer oriented), this approach includes internal, external as well as interactive items in each variable.

A brief overview of marketing literature on successful brand building and its applicability will be presented in the following section. Background information on the industry context, the sample and data collection will be presented in section 3, together with measures and modelling procedure. In this section, varieties of statistical techniques are employed to confirm the reliability of the brand success scale. In section 4, the findings of the study will be discussed. The study concludes with a discussion of managerial implications of the findings and some suggestions for further research directions are examined.

2.2. Successful brand and underlying factors

Brand management is considered, by theory and practice, as a concept that can fully exploit the assets of an organization as well as generate additional value from the brand investments (Pappu et al., 2005). Advantages of successful brand building have been widely discussed in the literature (Pappu et al., 2005; King, 1991; Park & Srinivasan, 1994; Adams, 1995), but only a few conceptual and quantitative studies on its antecedents took place.

The discussion that follows presents a brief explanation of the factors employed in this study to measure brand success. The items construct in table 2.5. reflects an attempt to offer a solution for a brand management application in a business framework, as well as a starting point for future discussions and further research.
Brand success cannot be achieved without appropriate marketing performance audit and activity measurement. Clark & Ambler (2001: 231) have defined marketing performance measurement as the assessment of “the relationship between marketing activities and business performance”. O’Sullivan & Abela (2007) advocated that marketing performance measurement research has the three important streams: i) measurement of brand equity, ii) measurement of marketing productivity, and iii) identification of metrics in use. We will focus on a brand equity approach, because it is beyond the scope of this study to describe and discuss all streams. It is widely accepted that brand equity represents the value of the brand (Aaker, 1991; Aaker et al., 2004; Kotler, 1999; Kotler & Armstrong, 1999), which is a cornerstone for brand success in the market. Price premium and market share have been recognized as the value delivered to a consumer that represents effectiveness-oriented concept of firm performance (Sandvik & Sandvik, 2003). This is in line with de Chernatony & Cottam (2006), who have argued that there is no one (unique, the silver metrics) comprehensive methodology to define and/or to measure a brand success. They have defined a successful brand performance using a great range of measures such as: market share, consumer perception; managers’ opinions on a brand value, future financial trends and premium price likelihood, etc. (de Chernatony & Cottam, 2006).

These lead us to our first proposition:

P1: Brand success can be measurable by marketing efficiency indicators, such as premium price, market share, return on investment, brand value, higher profit margin and brand loyalty.
The business strategy literature (e.g. Porter, 1996; Porter, 1998) advocate four basic competitive positioning strategies that can be followed by companies – three winning (overall cost leadership, differentiation, focus on segment) and a losing one (middle-of-the-roaders). Kotler (1999: 287) has defined differentiation as “…the act of designing a set of meaningful differences to distinguish the company’s offering from competitors’ offerings”. There are evidences in the literature (Narver & Slater, 1990) that company which employ differentiation strategy is more market oriented than those that employ cost-leadership strategy. This is the case because differentiators compete on brands that gain higher prices in the market, while cost leaders are more oriented on low price competition (Sandvik & Sandvik, 2003, Davcik et al., 2009). Agres & Dubitsky (1996) have concluded, in their study on successful brand building strategy, that delivering differentiating brand benefits are more appealing and successful strategy than improving product quality.

Agres & Dubitsky (1996) have argued that knowledge is not a media consequence, but the results of a communication process between an organization and its stakeholders. Literature and practice recognises many examples of such stakeholders – suppliers, consumers, competitors as well as knowledge sources; as universities or consultancy. It is important for the organization to find information from all these stakeholders in order to be able to load the brand with relevant content. In this study such knowledge from stakeholders is termed brand knowledge. Many operationalizations on knowledge and its consequences exist in general marketing literature. Unfortunately, there are very few operationalizations on knowledge that influences the brand success. Development of a successful brand occurs if consumers perceive the brand as differentiated, if it is relevant for them, if it has developed the consumer’s
attachment to the brand and if consumer has the knowledge about the brand (Agres & Dubitsky, 1996; Erdem et al., 1999).

*Consumer orientation* represents a capability to understand the consumer’s needs (current and/or latent) that shall be satisfied in an efficient and timely manner. Deng & Dart (1994) have argued that consumer orientation represents the extent to which marketers succeed to increase long-term consumer satisfaction. The marketing concept, and its operationalisation side – market orientation, are based on a premise that all organizational activities must be focused on satisfaction of client’s need (Kotler, 1999; Deng & Dart, 1994).

A *value* plays a crucial role in any marketing activity (Holbrook, 1999). In the literature (Kotler, 1999; Holbrook, 1999) have been argued that marketing, as managerial process, facilitate the exchange of interest as a transaction between two parties in the process where each of them offers some value in return for a greater value. In its essence, consumer value represents the evaluation of an object offered by organization. The complexity of this concept lies in fact that “object” is multi-dimensional “effect” framed by shape, name, (in)tangibles, colours, promises, experiences, etc. – it has each of these constructs or a very few of them. Consumer value can be, literally, everything – future promise, taste, emotional attachment, physical characteristics, etc. It can be advocated that brand value is represented by appealing quality attributes that frame brand’s promise defined by offerer.

There are a large number of scientific approaches and theories on most effective and state-of-the-art *organizational design*, but the most intricate organizational paradigm in last two decades is related to the contingency factors approach. This research approach is based on congruence hypothesis, e.g., that effective organizational structuring requires a fit between contingency factor and
design parameter (Mintzberg, 1980). Lawrence and Lorsch (1967) have found clear relations between external variables, organizational design and organizational performance. Cyert & March (1963) have suggested that a business organization is constrained by the uncertainty of its environment. Organizations have problems to maintain a viable coalition and have limitations with its capacities for assembling, storing and utilizing information. As a result, a company can be characterized as an adaptively rational system rather than an omnisciently rational system. Because of that, organization must obtain information from environment because it wants to reduce uncertainty with more information. New information from the environment – new brands, market results, competitors’ actions, etc. – gives new sense to an organization. Weick et al. (2005) have advocated that an organization must develop its capacity to make sense of events in order to construct meaning and establish organizational actions.

Knox (2000) has argued that brands are strategic management tools because they represent the company (e.g. its reputation and values). According to him, branding has proved to be the critical factor in all marketing processes, as well as a common denominator to business success. Porter (1996) defines strategy as a process, in which a unique and valuable position is created involving a different set of activities. In other words, strategic positioning represents “…performing different activities from rivals’ or performing similar activities in different ways” (Porter, 1996: 62).

Brand success, as discussed above, has a positive affect on business performance. In order to reach brand success, new brand development is important. This is valid for service industries (e.g. Berry, 2000) as well as for goods producing industries (e.g. Wong & Merrilees, 2005). New brand
development is highly relevant also in food industry, as Nevo (2001) argued that a firm’s growth in cereal industry was driven by “aggressive marketing, rapid introduction of new brands and fuelled by vitamin fortification, pre-sweetening and the surge of interest in natural cereals” (Nevo, 2001: 310). John et al. (1998) have shown that development of new brands are a strong complement to brand extension, as brand extensions may dilute the original brand and decrease profit. New brands can create new markets that do not affect established brands and erode existing markets. It can therefore be assumed that new brand development is positively associated with brand success.

A preceding discussion leads us to the second proposition:

**P2.** Numerous factors contribute to brand success performance; of which, the most prominent are: consumer orientation, brand differentiation, brand knowledge, new brand development process, values, organization, consumer perception and creation of the brand strategy.

An overall correlation structure of the possible relationships amongst the constructs (Wong & Merrilees, 2005), that can facilitate future quantitative (multivariate data analysis) approach, has been framed by propositions P1 and P2.

2.3. **A proposed model**

2.3.1. **Sample and data collection**
The data were collected from Italian and Swedish companies that manage enriched-food brands at their respective markets. We collected the questionnaire responses through an online survey, using Quicksearch software. The advantages of an online survey are (i) easy to use in the statistical software, such as SPSS, STATA, LISREL, etc.; Rundquist (2009) advocates that (ii) respondents fill out a form faster than with interviews or in return mail envelopes, (iii) the results are directly stored in a database, (iv) it is immediately registered when respondent answer the survey, and (v) it allows respondents to answer in their spare time or at home in a less stressful situation. Each respondent could choose to answer in English, Italian or Swedish language.

We identified 125 brands from this industry group; 45 in Italy and 80 in Sweden. We obtained 58 answers; 21 from Italy and 37 from Sweden (response rate 46.4% of total sample; 47% in Italy and 46% in Sweden). This response rate is satisfactory if we have in mind that acceptable rates for cross-sectional samples have ranges between 12% and 20% (Churchill & Iacobucci, 2009; O’Sullivan & Abela, 2007).

We collected survey responses over a period of six weeks in March 2009. After initial email request with a link to a questionnaire on the Internet, we sent two additional email reminders on a two-week basis, with a possibility for a respondent to be removed from the list and the survey on request. The Quicksearch software allowed us to “force” respondents to answer on all questions from the questionnaire, in a manner that they could not pass to the next question if they do not answer on previous, which provide us with no missing values in our data set. In order to avoid the creation of common method variance that may defile construct relationships, respondents were not informed about specific goal of the research (Sousa & Bradley, 2009).
2.3.2. Instrument development

The measures employed in this study are based on literature, adapted and/or adopted when it was necessary, and industry. Preliminary versions of the survey were tested with three senior academics in marketing/management field. Their feedbacks were included in the final pre-test version of the survey that was tested by four marketing executives in food industry. The pre-test respondents were precluded from participation in the final survey. Results of the pre-test showed necessary adaptation of the constructs and clarification of the questions and items included. The factor constructs and items were revised accordingly. All items in the survey are statement style and measured on the Likert scale from 1 (strongly disagree) to 7 (strongly agree).

We employ a perceptual approach in this study, as opposed to objective financial data, due to the impossibility in obtaining objective data from companies. An objective research approach cannot be applied due to the proprietary data and confidentiality issues. The subjective approach is well known in the literature (e.g. Jaworski & Kohli, 1993; Singh & Ranchhod, 2004) and significant correlation between the two approaches has been reported. For instance, Venkatraman and Ramanujam (1987: 118) have drawn the conclusion that “perceptual data from senior managers … can be employed as acceptable operationalizations of business economic performance”. Their conclusion is based on the results from asking senior executives to rate their firm’s performance relative to that of major competitors using a number of criteria, including sales growth, net income growth and ROI, and comparing their answers with objective performance statistics. In this study, marketing managers
were questioned from each organization in order to obtain senior executive information.

2.3.3. Measures

**Brand Success.** We measured brand success with items adopted from various resources (e.g. O’Sullivan & Abela, 2007; Singh & Ranchhod, 2004; de Chernatony & Cottam, 2006). We developed item constructs within a branding framework using the success performance outcomes (e.g. profitability, market share, ROI) by de Chernatony & Cottam, 2006 and O’Sullivan & Abela (2007) and higher brand loyalty as surrogate for the customer satisfaction idea by Singh & Ranchhod (2004). The *Brand differentiation* item constructs are inspired by Porter (1996; 1998) and Sandvik & Sandvik (2003), but adapted according to the suggestions from the industry managers. The *Brand knowledge* items construct have been inspired by Frishammar (2002) and McDonald *et al.* (2007), and have been improved with suggestions from the industry. The *Consumer orientation* items construct are adapted from Deng & Dart (1994) and Singh & Ranchhod (2004). The idea for the *New brand development* items construct came from Kotler’s (1999) discussion on brand challenges and advantages, and was refined with suggestions from industry managers. The *values* items were inspired by Holbrook (1999) and adapted to the study with suggestions from the industry. The *organization* items
construct was inspired by seminal works of Mintzberg (1980), Lawrence & Lorsch (1967), Cyert & March (1963) and Weick et al. (2005) with necessary item adaptation for this study. We measure the creation of the competitive strategy with items adopted from Singh & Ranchhod (2004) and Jaworski & Kohli (2003). We could not find appropriate items construct for the consumer perception in available literature and we have developed it for this study in cooperation with the industry.

Control variables. In our study, we included two control variables – annual turnover and number of employees. In marketing and strategy literature, these two variables are recognized and commonly accepted as variables for firm size, which are used as a proxy that determines company performance. Several authors (e.g. Harrison & Torres, 1988; O’Sullivan & Abela, 2007) have suggested that indicators, such as sales, assets and number of employees, are equally acceptable measures of a firm size.

2.4. Modelling procedure and results

In assessing our model, we applied an approach suggested by Hair et al. (1998) and Anderson & Gerbing (1988), estimating a measurement model before the assessment of the multivariate model construction. The justification of this approach needs an accurate assessment of the reliability of the indicators. Hair et al. (1998) advocate that the best approach is a single-step analysis with simultaneous analysis of measurement models.

In order to assess the fit of the model and its estimates we used SPSS 15 to analyse the data, and controlled with STATA 10.
Anderson and Gerbing (1988) have recommended examination of the item scales for unidimensionality and reliability as a first step in survey data analysis. The corrected item-item and item-total correlations were examined for each factor in order to reach unidimensionality. This process used one scale at a time within each multi-item construct. If the coefficient alpha was lower than 0.7 within multi-item scale the item(s) with the lowest item-total correlation were eliminated from the scale until reaching the preferred 0.7 level for the multi-item scale. Evidences on unidimensionality and composite reliability are presented in table 2.1.

In the column “Initial number of items” has been presented the initial number of items in factor’s construct. The remained numbers of items are the items that survived improvement of the reliability procedure in order to raise the value of Cronbach’s Alpha. Lowest item-item (LIIC) and item-total correlation (LITC) represent the lowest level of correlation among the used constructs. LITC range between .156 and .529; LIIC range from .137 to .321.

Evidences of internal model consistency provided by composite reliability measured by Cronbach’s Alpha (1951) are presented in table 2.1. This measure of reliability is the most commonly used for a set of multi-construct indicators (Hair et al., 1998) and widely used in the multivariate data research. From the table 2.1. it is showed that all constructs, except new brand development and consumer perception, satisfy reliability minimum level (> .700). The consumer perception failed to satisfy minimum reliability level (.614) as well as the new brand development that has the value of .641, and these factors will be excluded from further analysis.

After the composite reliability analysis, we examined our results for offending estimates. No offending estimates were found in our construct – e.g.,
negative variances, non-significant error variances, and not positive defined covariance / correlation matrices as well as correlations larger than 1.

Because data was collected in the same period of time and all measures were based on similar construction procedure there is a risk of common method bias. We used Harman's test (Harman, 1967; Podsakoff and Organ, 1986) to test it and an un-rotated solution in the exploratory factor analysis gave eleven components with an eigenvalue above 1.000. The first factor accounted for 25.03% of the variance and eleven factors together accounted for 76.64% of the variance. Therefore, we conclude that common method bias is not likely to have a significant impact on this study.

Table 2.1: Unidimensionality and composite reliability

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Initial No. of items</th>
<th>Remained items</th>
<th>Lowest item-total correlation</th>
<th>Lowest item-item correlation</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Success</td>
<td>6</td>
<td>6</td>
<td>.156</td>
<td>.256</td>
<td>.761</td>
</tr>
<tr>
<td>Consumer orientation</td>
<td>5</td>
<td>5</td>
<td>.255</td>
<td>.137</td>
<td>.702</td>
</tr>
<tr>
<td>Brand knowledge</td>
<td>6</td>
<td>6</td>
<td>.443</td>
<td>.237</td>
<td>.744</td>
</tr>
<tr>
<td>New brand development</td>
<td>5</td>
<td>5</td>
<td>.271</td>
<td>.138</td>
<td>.641</td>
</tr>
<tr>
<td>Values</td>
<td>5</td>
<td>5</td>
<td>.404</td>
<td>.321</td>
<td>.736</td>
</tr>
<tr>
<td>Brand differentiation</td>
<td>5</td>
<td>4</td>
<td>.408</td>
<td>.188</td>
<td>.768</td>
</tr>
<tr>
<td>Organization</td>
<td>5</td>
<td>4</td>
<td>.384</td>
<td>.148</td>
<td>.700</td>
</tr>
<tr>
<td>Consumer perception</td>
<td>5</td>
<td>4</td>
<td>.344</td>
<td>.137</td>
<td>.614</td>
</tr>
<tr>
<td>Strategy</td>
<td>5</td>
<td>5</td>
<td>.529</td>
<td>.312</td>
<td>.809</td>
</tr>
</tbody>
</table>
Descriptive statistics has been presented in table 2.2. Mean values range between 3.63 and 5.82, standard deviation has range from 0.7687 to 0.9889. The strength of the multi-item intercorrelations may affect the stability of the indicator coefficients (Diamantopoulos & Winklhofer, 2001; Buil et al., 2009).

The Variance inflation factors (VIF) show no multicollinearity amongst the 7 constructs. The brand success construct does not contain redundant information because the variance inflation factors range from 1.297 to 2.371, which is far below the accepted boundary level of 5 (Hair et al., 1998; Buil et al., 2009).

The scale values correspond to the Likert scale values from 1 to 7. The factor number 1 is brand success that has mean value 4.845; the factor 2 is brand knowledge (3.626); number 3 is consumer orientation (5.497); the factor 4 is values (5.293); number 5 is brand differentiation (5.819); organization (4.651) and strategy (5.593) are factors 6 and 7, respectively.

Table 2.2: Descriptive and measurement statistics (N=58)

<table>
<thead>
<tr>
<th>No</th>
<th>Constructs</th>
<th>Mean</th>
<th>SD</th>
<th>AVE</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brand success</td>
<td>4.8448</td>
<td>.9229</td>
<td>67,891</td>
<td>---</td>
</tr>
<tr>
<td>2</td>
<td>Consumer orientation</td>
<td>5.4966</td>
<td>.8577</td>
<td>69,144</td>
<td>2.371</td>
</tr>
<tr>
<td>3</td>
<td>Brand differentiation</td>
<td>5.819</td>
<td>.8242</td>
<td>59,571</td>
<td>2.016</td>
</tr>
<tr>
<td>4</td>
<td>Brand knowledge</td>
<td>3.6264</td>
<td>.7687</td>
<td>59,718</td>
<td>1.485</td>
</tr>
<tr>
<td>5</td>
<td>Values</td>
<td>5.2931</td>
<td>.9575</td>
<td>72,821</td>
<td>2.032</td>
</tr>
<tr>
<td>6</td>
<td>Organization</td>
<td>4.6509</td>
<td>.9889</td>
<td>53,134</td>
<td>1.297</td>
</tr>
<tr>
<td>7</td>
<td>Strategy</td>
<td>5.5931</td>
<td>.8633</td>
<td>57,334</td>
<td>2.274</td>
</tr>
</tbody>
</table>
In figure 2-1 have been represented the underlying brand success factors mean values, using histogram representation.

Figure 2-2: Premium price frequencies
Figure 2-3: Higher profit frequencies

Figure 2-4: Brand loyalty frequencies

Figure 2-5: Brand value frequencies

Figure 2-6: Market share frequencies

Figure 2-7: ROI frequencies
Mean value constructs reveal how underlying factors were evaluated by managers in Italy and Sweden. High average grades were taken by brand differentiation, strategy, consumer orientation and values. Factors, such as brand success, organization and brand knowledge, have the medium importance for managers in food industry.
In focus of this research is brand success. The structure of the brand success relative importance for the respondent can be assessed from the respondents’ frequencies by each item in the brand success construct. This structure is represented with figures from figure 2-2 to figure 2-7.

The discriminant validity test has been reported in table 2.2. Average variance extracted (AVE) exceed recommended 0.5 level (Hair et al., 1998). In addition, the shared variance among constructs in the model, measured by the square of their intercorrelations, is smaller than the AVE for each construct (Fornell & Larcker, 1981; Podsakoff & Organ, 1986), which means that discriminant validity is not a concern.

The estimated correlation matrix used to test the brand success model construction is shown in table 2.3. As we expected, brand success in enriched-food industry has been correlated with all factors, even though we have found that the three factors organization (.122) and brand strategy (.151) have the small level of correlation (Ezekiel, 1941).

Notably, very high correlations exist between the factors brand differentiation and consumer orientation as well as with strategy. The only factor with a major correlation to the performance variable (brand success) is brand knowledge (.372). This correlation indicates that an active search for new knowledge about the industry (i.e., supply chain, consumers, competitors) (Frishammar and Hörte, 2005) as well as actively use of consultants and academia for new knowledge (Czellar, 2003) is important for the firm. That is not enough. The firm must also integrate acquired knowledge with in-house
capacities to be able to use it, or to be able to load the brand with the right values to reach success (Guenzi and Troilo, 2006).

The correlation results of values factors suggest that this factor is highly correlated with all factors, which is in line with available literature (Holbrook, 1999). The importance of this finding is that managers in the enriched-food industry recognize the importance and inter-connectability of brand values with other factors in a successful brand development. In our sample of food industry, competitive strategy is not highly correlated with brand success (.151), but it is highly correlated with consumer orientation (.674), brand differentiation (.600) and values (.570). These three factors are all in the range of a differentiation strategy. Consumer orientation as well as brand differentiation supports a strategy for differentiation. Organizational values are also an important source for differentiation. Brand success can, however, be achieved without a focus on differentiation, and therefore it could be explained why strategy does not affect brand success.

We also examined the correlation relationships of organizational factor to another factors in our model. This factor is highly correlated with the factors values and strategy, which constitutes strategic dimension of an organization rather than factors that are more oriented on specifics of a brand.

The Wald test, for the Italian and Swedish factors, is presented in table 2.4. (Appendix A). The important differences between the national samples exist within the four factors: success, brand knowledge, organization and values. There is no significant difference between the national samples regarding the three factors consumer orientation, differentiation and strategy.
In this test, we also included control variables. One would expect that company size has no significant influence between two countries, as it is usual expectation in marketing literature.

Table 2.3: Correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUCCESS</td>
<td>1</td>
<td>.761</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONSUMER ORIENTATION</td>
<td>2</td>
<td>.242</td>
<td>.702</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRAND DIFFERENTIATION</td>
<td>3</td>
<td>.228</td>
<td>.658</td>
<td>.768</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRAND KNOWLEDGE</td>
<td>4</td>
<td>.372</td>
<td>.469</td>
<td>.429</td>
<td>.744</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VALUES</td>
<td>5</td>
<td>.280</td>
<td>.479</td>
<td>.489</td>
<td>.499</td>
<td>.736</td>
<td></td>
</tr>
<tr>
<td>ORGANIZATION</td>
<td>6</td>
<td>.122</td>
<td>.215</td>
<td>.268</td>
<td>.273</td>
<td>.462</td>
<td>.700</td>
</tr>
<tr>
<td>COMPETITIVE STRATEGY</td>
<td>7</td>
<td>.151</td>
<td>.674</td>
<td>.600</td>
<td>.371</td>
<td>.570</td>
<td>.204</td>
</tr>
</tbody>
</table>

♣ Diagonal elements in bold contain Cronbach’s Alpha values; off-diagonal elements are correlations among constructs.

We found that number of employees (t = 4.1562, meanI = 3.47, meanS = 2.46) has significant difference between the two groups but, in contrary, brand annual turnover (t = 0.6309, meanI = 3.47, meanS = 3.33) has no significant difference between two countries.

The strategic dimension of our study reveals that there is no difference between Italian and Swedish companies. In other words, as it is presented in table 2.4, 85.56 % of Italian and Swedish companies have same consumer orientation and 38.08 % of the companies in both countries apply the same branding strategy. Brand differentiation is similar to 51.51 % of the analysed companies. These results are somewhat intuitive because they reveal that managers in these
two countries apply the same marketing logic that leads to very similar strategy and consumer orientation in the two countries.

The results of our control variables attract some attention. There is a significant difference between the two countries regarding size (number of employees) as Italian companies are mostly medium sized or large players in the enriched-food market. In contrary, Swedish companies are dominantly small or medium sized enterprises in this industry that are specialized in a “healthy” business. Because of this finding, it is not surprising that brand annual turnover, as a control variable, has no statistical difference. This is the case due to the lack of specialization and focus on a healthy market segment within Italian companies.

Factors’ descriptions with items scales and their significances are presented in table 2.5. (Appendix A). It is straightforward that all analyzed factors have important statistical significance. Evidences on very high significance we have found in brand success ($\chi^2 = 33.161$, $p = .000$), consumer orientation ($\chi^2 = 23.880$, $p = .000$), differentiation ($\chi^2 = 24.598$, $p = .000$), brand knowledge ($\chi^2 = 116.788$, $p = .000$), organization ($\chi^2 = 17.141$, $p = .001$) and values ($\chi^2 = 42.881$, $p = .000$). The strategy factor ($\chi^2 = 10.170$, $p = .038$) has some limited significance.

2.5. Conclusions, future research & limitations

We have made a first attempt to determine the underlying factors of brand success as well as to make the connection between them. The study makes a conceptual contribution, based on empirical analysis, in further refinement of the nine constructs that have not been well
specified and investigated in marketing literature. In order to achieve such a comprehensive goal several aims and results have arisen.

The first aim of this study was to develop a concise industry-specific brand success scale. This scale was developed in an interactive process combining theory and empirical frameworks from other industries with opinions and Delphi-studies among marketing managers. The scale developed contributes as a benchmark for future studies on brand success in food industry.

A second aim was to investigate basic factors that may constitute successful brand development. Our findings suggest that there are six underlying factors that are significantly related to the brand success. These factors were labelled as consumer orientation, differentiation, brand knowledge, values, organization and competitive strategy. Brand knowledge was strongest correlated with brand success, indicating the importance of intelligence and knowledge assessment in a globalized and turbulent environment.

The Wald test has been employed to analyse the difference and significance between Italian and Swedish companies. The test findings are consistent with our expectation that there is significant difference among factors in two countries, namely with brand success, importance in a brand knowledge sources, company values as well as a brand influence on organization. However, we also have found that the factors consumer orientation, brand differentiation and strategy priorities have no statistical significance across the groups. At first glance, this result can be rather strange and confusing, as it could be expected that there are significant differences across markets and business practices. We believe that these results indicate an important message. These three factors are related to the strategic side of the brand management process, rather than tactical and operational, and can represent the strategic orientation of the companies.
This finding indicates similar marketing logic, applied marketing strategies and consumer orientation between Italian and Swedish companies.

Finally, this study has contributed with a multifaceted scale to measure factors with effect on brand success. In contrast to other measuring scales our measures take a wider grip and are therefore more applicable in practical situation as well as useful in research. The influence of the scales from our Delphi group of managers has also contributed to the usefulness of the scales.

The results of our control variables attract some attention. There is significant difference between two countries in a number of employees because Italian companies are mostly medium and large players in the enriched-food market. In contrary, Swedish companies are mostly SME’s that are focused or strictly specialized in a “healthy” business, which implied with finding that brand annual turnover has no significant statistical effect. Such a drastic difference is the case due to the lack of specialization and focus on a “healthy” market within Italian companies.

2.5.1. Recommendations for future research

The results from this study have therefore opened a few new doors for future research. First, the finding that brand knowledge is of the highest importance for brand success brings new theoretical challenges. Knowledge needed to develop the brand value is resident in many sources as suppliers, institutes or just general trend or demographic knowledge. Alternatively, as Hunt and Derozier (2004) emphasize; the capability of anticipating and envisioning future trend in the customer needs and wants is crucial for successful brand management. It is well known where such
knowledge can be found, but previous studies have pointed out the problem of bringing acquired knowledge to use in development processes. These issues have been addressed in the context of product development, but the transformation of models to a brand development context and the testing in industry specific context would contribute to theoretical understanding as well as in offering important practices for managers.

Second, the enriched-food industry as a context is only one of many contingencies discussed in the literature (Lawrence and Lorsch, 1967). It is known that firm internal contingencies as size and degree of decentralization, as well as external factors as market turbulence or technological turbulence in an industry has a major impact on factors of importance. A future study with a model including moderating factors as environmental turbulence or organization properties will contribute with an enhanced understanding for the correlation between underlying factors and brand success.

Third, enriched-food industry is characterized by contingencies as, for example, high industry growth, premium price target segment, and high R&D intensity. The factors identified as important in our rather homogeneous sample, might not be of importance with other contingencies.

A forth suggestion for future research is the development of a model(s) using a two-step multivariate model(s) construction approach applying the confirmatory factorial analysis suggested by Hair et al. (1998) and Anderson and Gerbing (1988), in order to determine the causal effects (Singh & Ranchhod, 2004) of these factors on a brand success. This is motivated with a fact that causality effects of the model can be assessed by structural equation modelling, but this complex and demanding quantitative approach can be applied only on a
specific theory (Hair et al., 1998). This study is a first step in achieving that ultimate goal.

2.5.2. Limitations

Unfortunately, there is no academic study without limitations, so that is the case with this one, too. Clear limitation is relatively small respondent sample, even though it satisfy statistical and research standards. This is the case due to relatively narrow industry segment of the enriched-food industry. It will be valuable to expand this research on other food segments, to replicate this study in other countries and to adjust it for other industries with attempt to validate current findings and to create more general conclusions on a brand success and its antecedents. One of the limitations might be the fact that we employ subjective research approach due to impossibility to obtain objective financial data. These responds from managers are subject of personal bias and possible judgmental errors (Singh & Ranchhod, 2004). However, as we argued in section 3.2., there are substantial evidences in marketing literature that subjective approach highly correlates with objective approach (Jaworski & Kohli, 1993; Singh & Ranchhod, 2004).
### Table 2.4: The Wald test – Mean comparison test

<table>
<thead>
<tr>
<th>Factor</th>
<th>Group</th>
<th>t–value (p-value)</th>
<th>mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Italian</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand success</td>
<td></td>
<td>2.2879 (0.026)**</td>
<td>5.2281</td>
<td>.50678</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>4.6581</td>
<td>1.02309</td>
</tr>
<tr>
<td>Consumer orientation</td>
<td>Italian</td>
<td>0.1829 (0.8556)</td>
<td>5.5263</td>
<td>.80058</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>5.4821</td>
<td>.8941</td>
</tr>
<tr>
<td>Brand knowledge</td>
<td>Italian</td>
<td>3.9053 (0.0003)**</td>
<td>4.1316</td>
<td>.8436</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>3.3803</td>
<td>.5997</td>
</tr>
<tr>
<td>Values</td>
<td>Italian</td>
<td>2.5149 (0.0148)**</td>
<td>5.7263</td>
<td>.70304</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>5.0821</td>
<td>1.0008</td>
</tr>
<tr>
<td>Differentiation</td>
<td>Italian</td>
<td>0.06551 (0.5151)</td>
<td>5.9211</td>
<td>.97913</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>5.7692</td>
<td>.7465</td>
</tr>
<tr>
<td>Organization</td>
<td>Italian</td>
<td>1.7673 (0.0836)*</td>
<td>4.9737</td>
<td>.75413</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>4.4936</td>
<td>1.0583</td>
</tr>
<tr>
<td>Competitive strategy</td>
<td>Italian</td>
<td>0.8834 (0.3808)</td>
<td>5.7368</td>
<td>.68655</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>5.5231</td>
<td>.93765</td>
</tr>
<tr>
<td>Number of employees</td>
<td>Italian</td>
<td>4.1562 (0.0001)***</td>
<td>3.47</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>2.46</td>
<td>---</td>
</tr>
<tr>
<td>Annual income</td>
<td>Italian</td>
<td>0.6309 (0.5307)</td>
<td>3.47</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td>3.33</td>
<td>---</td>
</tr>
</tbody>
</table>

*Note: p-values are in parenthesis: *** p≤0.01; ** p≤0.05; * p≤0.1; SD – standard deviation*
### Table 2.5: Item scales

<table>
<thead>
<tr>
<th>Scale</th>
<th>Scale items</th>
<th>Cronbach’s Alpha; Friedman’s Chi-square; significance (p value in parenthesis)</th>
</tr>
</thead>
</table>
| **Brand success** (Relative to competitors…) | 1. Our brand has achieved a premium price position in the market.  
2. In relation to our competitors, our brand has contributed to a higher profit margin  
3. Our brand performance makes satisfactory market share  
4. Our brand has built higher brand loyalty than our competitors  
5. Returns on investments are better than for our competitors  
6. Our brand value is higher than our direct competitors | .761  
33,161  
.000** |
| **Consumer orientation** (We serve consumers’ best interests delivering the brand that…) | 1. Is created according to highest technological standards in industry  
2. Obtain best organoleptic characteristics of our product without any artificial ingredients  
3. In our communication efforts with consumers (advertisement, internet, product package, etc.) we always deliver accurate and consumer-friendly information  
4. Is beyond consumers expectations  
5. Is seen by consumers as creative and value driven | .702  
23.885  
.000** |
| **Brand differentiation** (The most important variables for successful brand differentiation are…) | 1. Consumer's perception of our brand  
2. Unique product with strong brand personality  
3. Consumer's experience with a brand (satisfaction/dissatisfaction, loyalty, etc.)  
4. Communication with consumers (advertising, packaging, free phone line, web, etc.) | .768  
24.598  
.000** |
5. Close identification with famous person or public movement / event --- EXC.

| Brand knowledge | 1. Consumers (market research, consumers’ feedback, etc.) | .744 |
|                 | 2. Supply-chain (suppliers, partners, distribution channels) | 116.788 |
|                 | 3. In-house (knowledge and experience of employees) | .000*** |
|                 | 4. Academia (university, journals, etc.) | |
|                 | 5. Competition (analysis of competitors’ brand performances, benchmarking, etc.) | |
|                 | 6. Consulting agency (consulting firm, standards and certification agencies, marketing agency) | |

New brand development --- EXC.

| New brand development --- EXC. | 1. To keep the current customers | .641 |
|                               | 2. To create new markets | |
|                               | 3. To compete with competition | 48.923 |
|                               | 4. To expand our brand extension and brand visibility | .000*** |
|                               | 5. It is expected by our stakeholders. | |

Values

| Values | 1. Environmental standards and regulations | .736 |
|        | 2. Consumer’s long-term benefits | |
|        | 3. Growth of the company | 42.881 |
|        | 4. Stakeholders satisfaction with company’s performance | .000*** |
|        | 5. Operational efficiency | |

Organization

| Organization | 1. New brand gives new sense for organization (new knowledge, new business practice, etc.) | .700 |
|             | 2. New brand requires new organizational form | |
|             | 3. New brand requires new marketing solutions and investments (programmes in marketing mix, new event management, etc.) | 19.465 |
|             | 4. With new brand it is necessary for firm to invest in education of employees and consumers | .000*** |
5. It is best to fit new brand within existing organizational forms and business strategies --- EXC.

<table>
<thead>
<tr>
<th>Consumer perception --- EXC.</th>
<th>1. Packaging and brand colours</th>
<th>2. Technical quality of product --- EXC.</th>
<th>3. Ethical and environmentally friendly values</th>
<th>4. Name of brand / producer (e.g., consumer’s identification with brand name)</th>
<th>5. Advertisement (Promotional campaign, created message, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>.614</td>
<td>23.270</td>
<td>.000**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>.809</td>
<td>10.170</td>
<td>.038*</td>
</tr>
</tbody>
</table>

Note: p-values are in parenthesis, ** significant at 0.01 level, * significant at 0.05 level; EXC – excluded during the composite reliability refinement.
CHAPTER 3

MARKETING MODELLING:
DIMENSIONS OF BRAND VALUE
3.1. Introduction

A brand equity (BEq) paradigm is recognized as a key business strategic asset of the company in a modern marketing theory and practice. Many researchers offered different standings on the variables and dimensions that influence this paradigm. It has been discussed to a great extent in marketing literature and many definitions for the brand equity concept have appeared in last two decades (Farquhar, 1989; Aaker, 1991, Sriram et al., 2007; Ambler, 2008).

Ambler (2008: 414) has stated that the BEq measuring is the biggest obstacle in the assessment of marketing performance, because a quest “for a single performance indicator (the silver metrics) is misguided”; and there is no agreement in academic community on a general BEq constructs. In this academic area exist a limited number of quantitative researches that examine brand equity constructs which are based on solid empirical data (Atilgan et al., 2005), despite numerous conceptual definitions and models of BEq. In order to investigate in more details this paradigm, it is necessary to research dimensions and its sources in a specific industry context. In other words, it is necessary to conduct a study that will test relationships, among existing branded products, which may have implications for theory and marketing practice.

This article has the purpose to propose and validate dimensions that influence the brand equity performance in the enriched-food industry. We
describe variables and compute it for various enriched-food brands in the Italian market.

The following section provides a literature review on existing theoretical models in marketing literature from which we extract the dimensions for our brand equity model. Subsequently, we present conceptual framework that relates proposed dimensions and BEq concept. Then we present research proposition and a model in which we want to establish the brand equity dimensions. The next section describes the collected data and provides a description of our data. We then describe and interpret the results of the study and we conclude with implications for practitioners as well as with some directions for further research in the field.

3.2. Literature review

Heterogeneity of approaches makes this field rather confusing and vague. In order to shed light onto the problem of the brand value paradigm we conduct quantitative analyses in order to estimate relative and quantitative influence of the brand equity dimensions. These conceptual frontiers should be understood as relative, and not as absolute categories, i.e. the borders of these dimensions are porous for different entrants and incumbents. This section should help us to determine major, but not all, elements that create and/or influence a brand value based on previous academic findings.

In this section, the major models that are employing the brand equity dimensions approach in academic literature will be presented. The major intersection of dimensions and its elements are presented in table 3.1.

Temporal (2002) has suggested key aspects of brand performance that includes: price, satisfaction, perceived quality, brand personality, brand
awareness, market share and distribution coverage. This mix of different attitudinal, behavioural and market measures of brand equity should be the focus of the brand management. According to Temporal this mixture represents drivers of brand value and brand equity. Unfortunately, Temporal’s approach is not methodologically precise, it is very widely defined and the influences of the BEq drivers are not depicted.

Ailawadi et al. (2003) have suggested, in their study on the revenue premium brand equity model, in the theoretical basis, that equity is influenced by sales, created by the marketing mix company and competitors brand. They state some strategic implications (2003: 3) “equity is created (...) by the firm’s previously existing strength from its corporate image, product line, R&D, and other capabilities”. Unfortunately, authors have not paid more attention on dimensions that constitutes brand equity, and therefore we have limited knowledge on their view on different marketing and strategic issues, rather they focused in discussing the measurements of BEq. The measurements that are based on price/revenue premia are intuitively appealing but they can result in biased estimates of BEq, because premia approach captures only one dimension of brand equity and neglects the brand equities ability to reduce the marketing costs of existing and/or future brands (Simon and Sullivan, 1993). Raggio and Leone (2007) have disagreed with revenue premium concept and suggested that there might be a potential outcome for pioneering brands that establish a new brand category. Revenue premium approach cannot be widely accepted as theoretical framework, because of vague identification of the benchmark brand, i.e., identification of the brand without equity. The limitation of this approach lies in fact that it expresses only financial sides of the brand equity paradigm without any depiction of marketing strategy.
Keller (1993) has a different goal and approach in analysing BEq. He defined and proposed ways how to develop and measure customer-based BEq which is based on the individual consumer preferences. He suggested a conceptual model of brand equity, defined as (Keller, 1993: 2) “the differential effect of brand knowledge on consumer response to the marketing of the brand”. Brand knowledge is consisted of brand awareness (brand recall and recognition performance) and brand image (associations that consumer has towards brand). He argued that customer-based BEq approach can be enhanced if a company creates (Keller, 1993: 9) “favourable response to pricing, distribution, advertising, and promotion activity for the brand” as well as with licensing, because it can influence positive brand image. Customer-based equity occurs when a consumer is already familiar with the brand and already has some favourability and/or strong and unique brand associations (Keller, 1993).

Aaker (1991) has defined five categories of assets that are basis of brand equity: brand loyalty, name awareness, perceived quality, brand associations, other proprietary brand assets such as patents, distributional channels and trademarks. The Aaker’s BEq model implies that brand equity creates values for both the company and the consumer (Aaker, 1991; Aaker et al., 2004). The brand loyalty of the consumers reduce the vulnerability to competition action, raise greater trade leverage, keep existing and attract new consumers, etc. Brand awareness sustains familiarity with the brand, it is a signal of company business commitment, etc. Often customers have no prior knowledge on product quality, and perceived quality may directly influence purchase decision, especially when a buyer has no possibility to conduct detailed analysis (Aaker, 1991).
Table 3.1: Comparing the dimensions of brand equity with existing models

<table>
<thead>
<tr>
<th>Type of the model</th>
<th>Exemplars</th>
<th>Marketing investment (service expenses for advertising, licenses, etc.)</th>
<th>revenue</th>
<th>price</th>
<th>perceived quality</th>
<th>brand ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporal’s dimensions of BEq</td>
<td>Temporal (2002)</td>
<td>Yes (brand attitude, is a product of brand communications)</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Revenue premium model</td>
<td>Ailawadi, Lehmann and Neslin (2003)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Aaker’s BEq model</td>
<td>Aaker (1991)</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes (proxy for the brand awareness)</td>
</tr>
<tr>
<td>Keller’s BEq model</td>
<td>Keller (1993)</td>
<td>Yes (indirectly in the favourable consumption response context)</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Marketing mix elements and BEq</td>
<td>Yoo, Donthu, Lee (2000)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (as a signal of quality, proxy for the brand awareness)</td>
</tr>
<tr>
<td>Dimensions of BEq</td>
<td>current study</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
The brand name is often based on specific and distinct associations linked to it or its values. The fifth category represents proprietary brands assets such as trademarks, patents, distribution channels, etc. (Aaker, 1991).

Yoo et al. (2000) have investigated the relationships between selected marketing mix elements and the creation of brand equity. They proposed the model, which is an extension of the Aaker’s (1991) model, extended applying assumption that there are significant effects on the dimensions of brand equity (Yoo et al., 2000). In their study, they focus on a few key elements, particularly on price, storage image, distribution, advertising expenditures and price promotions or deals from the elements of marketing mix.

### 3.3. Conceptual framework

When consumer – brand encounter occurs a consumer has the knowledge of a brand name, logo, packaging of the consumed product or use of the product. As it is advocated by Raggio and Leone (2007) these situations provide consumers moments of truth that automatically generate perceptions and associations about the brand. Therefore, it is not possible for a brand to have no brand equity (Raggio and Leone, 2007).

The lack of consensus and generally accepted framework that supports brand equity construct has been presented in the numerous measures and theoretical approaches, despite years of debate and research. The academic debate is still intensive over the pales, essence and measures of brand equity.

For instance, a consensus has not appeared on whether brand equity refers to the value of a brand name or the value of a brand that is marked with a brand name (Park et al., 2008). The same problem appears with creation of the appropriate theoretical and measurement approach due to numerous researches.
that defined different, sometimes even opposite approaches: customer-based, product market-based, financial marketplace-based, etc⁴.

The brand equity construct is dependent on various dimensions of the brand equity, which directly influence a market performance of the brand. Yoo et al. (2000) have proposed the conceptual framework, which is an extension of the Aaker's (1991) model, which partially has some elements that are applied in this model. They extended the Aaker model in two ways. First, they placed the brand equity construct between the dimensions of brand equity and the value for the customer and company. Second, they added antecedents of brand equity – marketing activities – with assumption of significant effects on the dimensions of brand equity (Yoo et al., 2000).

This study is based on a view that states that brand concept is meaningless if the brand has no meaning to a consumer (Keller, 1993; Erdem et al., 1999). It starts employing the fact that we observe the results of the brand at the market. We do not, and our intention is not to observe and study purely the qualitative side of this problem, but to try enhancing academic discussions from the manufacturer’s side and to make solid framework for future studies in this area. Even though we employ manufacturer’s side, we also observe consumer side in indirect way analysing consumer consumption using the AC Nielsen data (AC Nielsen, 2008). Our approach is based on conducting a quantitative study and adding a qualitative meaning to our research.

Brand equity is a multidimensional construct (Aaker, 1991) and each measure on it can have different dimensions (Ailawadi et al., 2003). Our first stepping-stone is based on the approach that the brand equity measurement is

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⁴ For further reading on this issue: Keller 1993, Ailawadi et al. 2003, Yoo et al. 2000
taken upon the customer evaluation of the brand name (Aaker, 1991) which is measured by customer preferences, attitudes or intent to purchase. We partially modify this approach studying and proposing quantitative brand equity framework rather than solely qualitative approach. We observe purchases that had been made by the consumer, e.g., consumer consumption among existing brands at the market with well-known brand name and product characteristics to a consumer (AC Nielsen, 2008). In our analysis we will apply a deductive approach with assumption that consumers have certain attitudes, level of loyalty, brand awareness, preferences, because they have the prior knowledge on the brand and are able to make consumer choices among different varieties of well-known (existing) brands. Broniarczyk & Gershoff (2003) underlined that brand knowledge represents set of associations in the consumers mind regarding the brand features, benefits, uses, overall attitude – similarly as Aaker (1991) and Keller (1993) – and stated that this knowledge on brand is (2003: 163) “a result of prior brand marketing activities and investments in advertising and promotion”.

Our second stepping-stone is based on the study of Simon and Sullivan (1993) and their view of financial measurements significance as well as on importance of promotional efforts, such as advertising expenditures, patents, sales force and marketing research expenditures. They apply methodology on the brand equity estimation that has the three important features (p. 29): (i) brand equity is treated as an asset of the company, (ii) brand equity is measured in a forward-looking way, nevertheless, we do not study only public companies and this feature is a limitation for non-public and SME companies, (iii) the value of a company’s brand changes as new information becomes available in the market. This information might be new brand investments, promotional activities, new advertising campaign, etc. This methodology uses objective market-based
measures (Simon & Sullivan, 1993), which allows comparison during the time as well as across companies and industries. They also suggested that this technique implicitly incorporates the effect of market size and growth as well as the revenue-enhancing and the cost-reducing capabilities of the brand equity (Simon and Sullivan, 1993: 30). They have justified their approach presenting examples of the public companies and investigated the market value of the firm’s securities. In their study, they researched BEq problem on the Coca-Cola and Pepsi brands. Unfortunately, this approach is not applicable to the non-public companies or the small and medium enterprises. Using their methodological approach as a valuable starting point, we modify it in extent that the BEq is not influenced only by financial or limited marketing actions (such as advertising campaigns) but with a comprehensive list of financial, strategic and marketing activities.

Study of the brand equity dimensions linkage is the focus of this research. As a rare study of this kind, this article provides a solid starting point for further research on the linkage between various dimensions with the brand equity concept.

Further discussion on the brand equity dimensions will be conducted in the following section.

3.4. Research problem

The main objective of this study is to investigate the relationships between the brand equity dimensions and brand value, measured by brand equity (BEq). It is possible to generate brand value, by strengthening the dimensions of brand equity (Yoo et al., 2000). Numerous researchers (Ailawadi et al., 2003; Aaker, 1991; Temporal, 2002; Keller, 1993; Yoo et al., 2000) created
different brand equity constructs. Despite decades of academic debate, there is no consensus over the boundaries and measures of brand equity (Park et al., 2008). Strategic implication of brand equity is underestimated in academic literature. There are very few researches that directly or indirectly tackles this issue. For instance, Keller (1993: 18) has suggested that “effective strategies for integrating marketing communications in terms of advertising, promotion, publicity, direct marketing, and package design are especially needed.”

With every purchase, the buyer has the moment of truth with its own expectations and observations within the brand. Marketing investments (MI) in the brand, measured by service expenditures related to the advertising, promotional activities, patents, licenses, etc., might have a long-term affect on sales and value of the product. As suggested by Simon and Sullivan (1993) lagged advertising expenditures will generate returns in subsequent periods as well as it may enhance brand value. Surri et al. (2002) have shown that boundary condition for consumer assessment of higher brand value is case when the brand promotion is based on a high price.

Price (PR) represents the amount of money that consumers have to pay to obtain the product. More broad definitions depict price as “the sum of all the values that consumers exchange for the benefits of having or using the product or service” (Kotler & Armstrong, 1999: 302). Surri et al. (2002) have shown that a higher brand value is associated with higher prices if those prices are associated with higher quality.

Revenues (REV) represent the unit volume sold at certain price. In our model we use the gross revenue variable, instead of the adjusted revenue variable (Ailawadi et al., 2003), because we do not have reliable data for the variable costs at the firm’s level due to the proprietary characteristics of the data. Ailawadi et al. (2003) have suggested that gross revenue might be a more
appropriate measure because it depicts in a more comprehensive way, general consumer demand rather than the company’s production costs.

Modern food industry is based on sophisticated technological applications that allow consumers to consume high quality products in long periods of time and under different consuming conditions. Technological aspect of the consumption in the juice industry is especially important because producers can create different brand groups as well as to apply a wide variety of technological applications, such as: juice drinks, nectars, 100% juices; or production technologies, such as: conventional, organic and functional juices. A great array of brands in dairy industry is based on added value, such as beneficial bacteria, organic based production, etc. Perceived quality (mop) can be understood as a consumer’s subjective judgment about a product’s excellence (Zeithaml, 1988). Subjective judgment of quality is based on personal product experience, unique needs and consumption situations (Yoo et al., 2000). Farquhar (1989: 27) has advocated that “quality is the cornerstone of a strong brand” which leads to higher brand equity. In order to achieve a positive evaluation by consumer, a company must create a brand that delivers “superior performance to the consumer” (Farquhar, 1989: 27).

We have used brand ownership (bo) as a control variable. We control for the difference between the Italian and foreign food producers.

We have included all brand value performance variables in creating a model of estimation (e.g., Shepherd, 1972):

\[
(3.1.) \quad \text{BEq} = f (\text{MI}, \text{PR}, \text{REV}, \text{mop}, \text{bo})
\]
This thought leads us to the following proposition:

P1: The brand equity paradigm is driven by a variety of dimensions, of which service expenses in the brand, prices, revenues, perceived quality and brand ownership are most prominent.

### 3.5. The model

As it is clearly noted from previous discussions, the BEq paradigm is defined in different ways, usually depending on the researchers approach to the problem and research goals. The aim of this article is to establish which dimensions influence BEq performance in the researched industry and in which way, in order to help the development of more effective business strategies.

The primary advantage of this approach is to allow decision makers in the organizations to improve the value and competitive advantage of their brands. Though the major goal of any branding programme is to enhance the value of the brand, the second advantage might be a possible better understanding of the role of specific brand value dimensions, which depend on different brand strategies created by organizations.

In table 3.2. (Appendix B), we have presented dependent, independent and quality independent variables. Our dependent variable is brand equity that represents an asset that is constituted by research costs, patents, advertising efforts, licenses, etc. We derive this variable from accounting position B. I., intangible assets, in the companies’ balance sheets (AIDA, 2008). In order to set down this phenomenon on a brand level, we have calculated the single brand share in a company brand portfolio. In this way, we allocated brand equity, from company level, to a specific (single) brand. Independent variable marketing
investments represent service expenses that are intended to increase the quality and the reputation of the product. Due to the fact that we observe this variable from the position of the brand paradigm, we can understand that the firm makes this investment to improve the characteristics of the specific brand. We observe the value of this variable from accounting position b7- services, in the company’s income statement (AIDA, 2008). Similarly to the brand equity share, we used that procedure to allocate marketing investments on single brand. Price represents the average brand price per kilogram, which is obtained in observed period. Due to the possible presence of endogeneity issues between revenues and prices, we have calculated variable revenue as the brand revenue share in the company brand portfolio.

Brand ownership is a quality independent variable that represents brand owners according to the qualitative values: 1 for Italian food producers and 0 for other offerer in the Italian market. Perceived quality represents a type of the brand according to the mode of production, e.g., applied technology in the production of the brand. Value 1 represents conventional brands with added value, value 2 represents organic brands, and functional brands are marked with 3. In order to extract an information about the applied technology behaviour, we will use dummy variables that will estimate relationships of the organic and functional brands in comparison with conventional brands. Using the AC Nielsen data (AC Nielsen, 2008), we can assume that consumers are well informed about existing brands in the market and have certain attachment to brands.

The research instrument has been created in order to provide estimation of the brand equity dimensions, using the above presented theoretical framework. This approach is presented in the formal econometric fashion with the model 1.

These estimations have been obtained by the Stata™ 10 SE statistical software.
3.5.1. Brand equity estimations

We estimate the relationship of the brand dimensions with the brand value, as measured by brand equity. Our model, namely BM1, is estimated through standard ordinary least squares (OLS). We report $R^2$ and adjusted $R^2$ values to provide goodness-of-fit indicators of the regression. In order to face for some eventual heteroskedasticity problems we compute robust standard errors.

Our basic model at the aggregate level (BM1) is

(3.2.) $Y_{brand\ equity_b} = c + \delta_1 dummy\ brand\ ownership_b + \delta_2 dummy\ perceived\ quality – organic_b + \delta_3 dummy\ perceived\ quality – functional_b + \beta_1 marketing\ investment_b + \beta_2 price_b + \beta_3 revenues_b + u_b$

where $b=1,\ldots,B$ (brands). In the BM1, the $\beta$ and $\delta$ are the parameters that will be estimated and we assume that the variance of the error term $u$, conditional on regressors, is constant. The $\beta$ coefficients measure the marginal effects of the presented independent variables on brand equity. Similarly, the $\delta$ coefficients measure the marginal effects of the presented quality independent variables on brand equity.

3.6. Data collection

We have used several data sources in this study. As our primary source, we use a market-based data from AC Nielsen research on food buying patterns of 10,282 Italian households, which were collected in the period June 2005 – June 2007. The data is obtained from ACNielsen Italy using the Consumer Panel Solutions (CPS) as well as Homescan® panel tool (ACNielsen, 2008).
We supplement this data with information and variable constructs (see for details table 3.2) using the data from the Bureau Van Dijk Electronic Publishing AIDA financial statements database (AIDA, 2008) on 940,000 Italian companies. We have expanded our framework with quality independent variables that have been defined and created as a combination of existing empirical data and observed quality characteristics.

We use brands, rather than individuals, as units of observations in this study, which is in line with approach that aggregates consumer behaviour to produce results for the branding paradigm (Chaudhuri & Holbrook, 2001). Chaudhuri and Holbrook (2001) suggested that this approach avoid the pitfalls in experimental manipulations, examining a very few cases across consumers, and gives greater managerial significance to practitioners, because of the decision effects on individual brands.

This study is based on “enriched-food” brands. We have, from mode of production point of view, conventional food with added value, such as vitamins for instance, functional as well as organic food brands in our sample. This approach might be embedded into a broader category of healthy products, such as dietary, organic, functional, integrative, etc., in which each of these specific sub-groups have been characterized by a specific functional ingredient or trait (Boesso et al., 2009a).

The data provided from AC Nielsen database were created as a panel data set. In our empirical application, we consider the marginal mean across time, in order to take into account time variability.

\[ \sum_{t=1}^{T} a_{ct} \]
Aggregating in this way, we have obtained a sample of 91 brands in the enriched-juice industry, 361 brands in yogurt brand sample, 312 in milk brand sample, which in total represents 764 brands of the enriched-food brand sample.

Descriptive statistics of the independent variables used with enriched-food brand sample is presented in table 3.3. All independent variables are presented with their names, mean value, standard deviation as well as with minimum / maximum values. Correlation analysis, presented in table 3.4., reveals no major correlation among estimated variables.

3.7. Results and interpretation

In order to assess information on brand value, we regress brand equity on marketing investments (service expenses) in brand, price, revenues, perceived quality and brand ownership. Our benchmark model M1, in formal econometric model is described in equation (3.2.), in section 3.5. The results of these estimations are reported in table 3.5.

The main question of our analysis is which, if any, of the brand equity dimensions explain the brand value. The BM1 results in table 3.5. are represented by three models. The model 1 represents enriched-juice sample (N=91); the model 2 represents enriched-yogurt sample (N=361); in the model 3 are represented enriched-milk brands (N=312), the model 4 represents the whole enriched-food brand industry sample (N=764). The M1 results reports that variables – marketing investment in brand and revenues – have significant statistical effect on brand value. Other variables have negligible statistical effects.
Table 3.5: Estimations of variables in the model 1, 2, 3 and 4

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 (juice)</th>
<th>Model 2 (yogurt)</th>
<th>Model 3 (milk)</th>
<th>Model 4 (EFI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>marketing investment</td>
<td>0.34218***</td>
<td>6.6107***</td>
<td>0.2949***</td>
<td>1.377***</td>
</tr>
<tr>
<td></td>
<td>(12.73)</td>
<td>(5.40)</td>
<td>(9.55)</td>
<td>(14.27)</td>
</tr>
<tr>
<td>price</td>
<td>22339</td>
<td>294556</td>
<td>177353**</td>
<td>1095929***</td>
</tr>
<tr>
<td></td>
<td>(0.64)</td>
<td>(0.80)</td>
<td>(1.95)</td>
<td>(3.42)</td>
</tr>
<tr>
<td>revenues</td>
<td>-3283748***</td>
<td>-1950000***</td>
<td>-2534435**</td>
<td>-7830299**</td>
</tr>
<tr>
<td></td>
<td>(2.62)</td>
<td>(4.23)</td>
<td>(2.33)</td>
<td>(2.01)</td>
</tr>
<tr>
<td>dummy brand ownership</td>
<td>-0.5493</td>
<td>0.8801***</td>
<td>-0.1325***</td>
<td>0.2747**</td>
</tr>
<tr>
<td></td>
<td>(0.79)</td>
<td>(8.16)</td>
<td>(2.93)</td>
<td>(2.02)</td>
</tr>
<tr>
<td>dummy perceived quality – organic</td>
<td>-0.2345</td>
<td>0.1915**</td>
<td>-0.891*</td>
<td>-0.2585*</td>
</tr>
<tr>
<td></td>
<td>(0.08)</td>
<td>(2.02)</td>
<td>(1.62)</td>
<td>(1.74)</td>
</tr>
<tr>
<td>dummy perceived quality – functional</td>
<td>0.3686</td>
<td>0.2789</td>
<td>-0.783</td>
<td>-0.4527***</td>
</tr>
<tr>
<td></td>
<td>(0.17)</td>
<td>(1.18)</td>
<td>(1.72)</td>
<td>(2.90)</td>
</tr>
</tbody>
</table>

| R²                            | 0.6695         | 0.1815           | 0.3385        | 0.2377       |
| adjusted R²                   | 0.6501         | 0.1676           | 0.3277        | 0.2317       |
| Prob > F                      | 0.0000         | 0.0000           | 0.0000        | 0.0000       |
| N                             | 91             | 361              | 312           | 764          |

*** significant at 1% (p < .01); ** significant at 5% (p < .05); *significant at 10% (p < .1);
Notes: t-statistics appear in parenthesis

The M2 results reports that variables – marketing investment, revenues, brand ownership and perceived quality (organic) – have significant statistical effect on brand value. Variables price and perceived quality (functional) have no statistical effects. The model M3 reveals that marketing investment, price, revenues, brand ownership and perceived quality (organic) have high significant effect on brand value. The model M4 represents whole enriched-food industry and results reports that all variables are statistically significant, only the perceived quality (organic) dummy variable has limited statistical effect.
The goodness – of – fit test for the M1 shows that adjusted $R^2$ value is 0.6501, and $R^2$ value is 0.6695; for the M2 shows that adjusted $R^2$ value is 0.1676, and $R^2$ value is 0.1815; for the M3 shows that adjusted $R^2$ value is 0.3277, and $R^2$ value is 0.3385; the overall enriched-food industry, presented by M4, has adjusted $R^2$ value of 0.2317, and $R^2$ value is 0.2377.

All analyzed estimations have been presented in synthesized fashion with relation to the research proposition P1, presented in section 3.4., in table 3.5.; applying different food samples.

3.8. Discussion

The extensive literature review, presented in table 3.1., has strongly suggested that marketing investment in brand (or, service expenses for advertising, licenses, etc.), price, revenues, brand ownership (as a signal of quality and brand awareness) and perceived quality have been a key success dimensions in developing the brand value. In general, our brand model (BM1) strongly supports this viewpoint, only the perceived quality (organic) dummy variable has limited statistical effects.

The theory has high level of concord that marketing investment in brand is pivotal dimension of brand value enhancement. Our results strongly support this view. As we have presented with the model BM1, operationalised with M1, M2, M3 and M4, marketing investment has high statistical significance in all three presented models.

Revenue, as the potential variable that creates brand value, was identified by Ailawadi et al. (2003) and by Keller (1993), who suggested it indirectly in the
favourable consumption response context. Our data does support this approach, because there is evidence of statistical significance in all models.

Theory is unison in suggesting that price is an important variable in creation of the brand value. Our models strongly support this view, because this variable is statistically significant in models M3 and M4. Importance and qualitative variability of the price for the management studies is doubtless, but it is beyond our research approach to go into construct details in this study, because we observe and analyze this issue as an aggregate variable across the brand paradigm.

We have found out that perceived quality is statistically significant variable in models. In the literature, this standing point was suggested by Aaker (1991), Temporal (2002) and Yoo et al. (2000). Zeithaml (1988) has identified perceived quality as a component of brand value and concluded that high-perceived quality would lead consumers to buy the brand. If the degree of the brand quality perceived by consumer is higher, it will increase the brand equity (Yoo et al., 2000).

Researchers have not paid a lot of attention on the relevance of the brand ownership and its implications on brand value. In the literature, this variable was used as a proxy for the brand awareness (Aaker, 1991; Yoo et al., 2000), as a certain signal of the brand quality “guaranteed” with the fact that the brand is manufactured by a (well) known producer. We have found that brand ownership has limited relevance in constructed models, because it is not significant in juice segment.
3.9. Conclusion

This study presents the results of empirical analysis to determine the dimensions of brand equity. We have controlled for six predictors (i.e., marketing investments, price, revenues, perceived quality [organic and functional] and brand ownership) while estimating the impact of the brand equity dimensions on brand value. In order to enlighten this approach we have formulated model and have estimated it using standard and robust OLS procedure. From the standard OLS procedure, we have reported adjusted $R^2$ value, while from robust OLS procedure we have reported $R^2$ value. The model has been constructed to determine the dimensions of brand value in brand strategy. In general, our estimated results on the variables that have impact on brand value are in line with what has been reported in the literature.

It is conventional wisdom that the firm has to invest in the brand. We have presented different layers of the brand paradigm and have shown possible outputs for the managers and how their actions in managing the brand might influence business strategy.

It is unlikely, if not impossible, for the single model of brand equity to satisfy all expectations of a general, or widely applicable business model, for managers or researchers. We believe that our model contributes to the theory and practice suggesting which business dimensions create a brand value and what type of brand strategy a firm can apply in order to create a brand value. In practice, there are many different business focuses and applications in the brand management. We have presented what managers can expect in the enriched-food industry if their marketing focus is on brand value. We believe that managers can
use this approach as a guide but not as a general prescription for the creation of brand strategy, due to the objective limitations of the study.

3.9.1. Limitations of the study

A clear limitation is the fact that we have only studied one industry (food), one industry segment (enriched-food) and one country (Italy). Limitation from the point of the strategic decision-making is something that we cannot distinguish among a wide variety of technological issues, such as value-added characteristics, mode of production, possible target market, etc. Our approach and data has allowed us to observe only indirectly the consumer attitudes and choices, excluding cognitive or behavioural aspects of the market.

3.9.2. Suggestions for further research

It would be valuable to expand this model on a wider sector (e.g. conventional food industry) in order to obtain data that are more comprehensive. Otherwise, there might be limited knowledge on brand equity phenomenon and its constructs.

This approach would be more appealing if it would be possible to show that price, as an important construct of BEq, can achieve price premia. There are two possible approaches. The first one is related to the special products, as our sample is, where variability of data, as well as some variables in the model, are low, and studying qualitative differences (price, technology application, etc.) is a demanding task. The second approach might be related to the application of this model with more comprehensive data, which (in case of juice or food industry) would include a wide range of the brands in the market (not only “special” ones,
but also conventional, “ordinary” ones which we can reach, as consumers, more often) as well as a detailed study of distribution channels.

Valuable extension of this approach would be the study of the distribution channels importance and how the B Eq paradigm would fit into the different distribution channels. Due to the fact that we study “special” products, it would be important to study creation and change of B Eq through the distribution channels.

Logical continuation of this approach, certain (necessary) enhancement, must be a deeper study of the researched industry from the consumer point of view. That research should prove theoretical frameworks suggested by Aaker (1991) and Keller (1993) as well as to depict qualitative side of the research problem. There are few open questions, tackled by Aaker (1991), that do not have adequate responses in academic literature, neither in this model, such as switching cost, trade leverage, market share possibilities, etc. In other words, that future research should enlighten the problem of consumer response and market performance in our model.
### 3.10. Appendix B

Table 3.2: Variables of the Brand Equity Dimensions Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Name</th>
<th>Value</th>
<th>Description</th>
<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand equity</td>
<td>BEq</td>
<td>NL</td>
<td>BEq value represents asset that is constituted by research costs, patents,</td>
<td>CFS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>advertising efforts, licenses, etc. (position B. I – intangible assets in</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the company Balance sheets ) allocated on a brand</td>
<td></td>
</tr>
<tr>
<td>Marketing investments in brand</td>
<td>MI</td>
<td>NL</td>
<td>service expenses are intended to increase the quality and the reputation of the</td>
<td>CFS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>brand (position b7- services, in the company income statement) allocated on a</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>brand</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>PR</td>
<td>NL</td>
<td>price represents paid amount of money for a product by consumers</td>
<td>Nielsen</td>
</tr>
<tr>
<td>Revenue share</td>
<td>REV</td>
<td>NL</td>
<td>revenue share represents share of brand revenue in sample</td>
<td>AR</td>
</tr>
<tr>
<td>Perceived quality</td>
<td>mop</td>
<td>1,2,3</td>
<td>perceived quality represents a type of the brand according to the mode of</td>
<td>QIV (Nielsen)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>production, 1 – conventional with added value, 2 – organic and 3 - functional</td>
<td></td>
</tr>
<tr>
<td>Brand ownership</td>
<td>bo</td>
<td>0, 1</td>
<td>brand ownership represent difference among brands owned by Italian food</td>
<td>QIV (Nielsen)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>producers (=1) and brands owned by international producers that have branches</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>in Italy (=0)</td>
<td></td>
</tr>
</tbody>
</table>

**Legend:** AR – Author’s research, CFS – Company financial statements (balance sheet data and/or income statement), Nielsen – data from the AC Nielsen research, QIV – Quality independent variable; NL – not limited
### Table 3.3: Descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>mean</th>
<th>standard deviation</th>
<th>min values</th>
<th>max values</th>
</tr>
</thead>
<tbody>
<tr>
<td>brand equity</td>
<td>2.470.000</td>
<td>18.400.000</td>
<td>488.833</td>
<td>268.000.000</td>
</tr>
<tr>
<td>marketing investment</td>
<td>2.650.000</td>
<td>6.750.000</td>
<td>2575.488</td>
<td>85.600.000</td>
</tr>
<tr>
<td>revenues</td>
<td>0.088</td>
<td>0.169</td>
<td>0.001</td>
<td>1</td>
</tr>
<tr>
<td>price</td>
<td>3.952</td>
<td>1.985</td>
<td>0.202</td>
<td>11.91</td>
</tr>
<tr>
<td>dummy perceived quality - conventional</td>
<td>0.394</td>
<td>0.489</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>dummy perceived quality - organic</td>
<td>0.298</td>
<td>0.458</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>dummy perceived quality - functional</td>
<td>0.308</td>
<td>0.462</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>brand ownership</td>
<td>0.724</td>
<td>0.447</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

### Table 3.4 – Correlation values

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand equity</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>marketing investment</td>
<td></td>
<td>0.4433</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>price</td>
<td></td>
<td></td>
<td>-0.1428</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>revenues</td>
<td></td>
<td></td>
<td></td>
<td>0.089</td>
<td>0.4109</td>
<td>-0.2154</td>
<td>1</td>
</tr>
<tr>
<td>dummy2 - organic</td>
<td></td>
<td>-0.0777</td>
<td>-0.1615</td>
<td>0.0272</td>
<td>-0.0442</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>dummy3 – functional</td>
<td></td>
<td>-0.0324</td>
<td>0.2078</td>
<td>-0.342</td>
<td>0.2441</td>
<td>-0.4347</td>
<td>1</td>
</tr>
<tr>
<td>brand ownership</td>
<td></td>
<td>0.0135</td>
<td>-0.0268</td>
<td>-0.1091</td>
<td>0.059</td>
<td>0.1853</td>
<td>0.0945</td>
</tr>
</tbody>
</table>
CHAPTER 4

BRAND DIFFERENTIATION: A DRIVER OF THE BRAND PERFORMANCE OUTPUTS
BRAND DIFFERENTIATION: A DRIVER OF THE BRAND PERFORMANCE OUTPUTS

4.1. Introduction

Each organization has several marketing performance measures that describe success of a firm. Market share and price premium – maybe ROI and ROA – are most often used to depict a firm position in a market as well as indicators of competing competences and future performances.

Pricing strategies and tactics form an important role in the firm’s marketing strategy (Kotler & Armstrong, 1999). However, brand managers have no guidelines how to choose the appropriate pricing strategy to target specific consumer characteristics as well as different organizational goals. Pricing has received some attention in academic community but application of this type of research to practice has not been developed as some other marketing phenomena (Duke, 1994; Christopher, 2000). Sousa and Bradley (2009) have pointed out that pricing decisions are very often based on intuition and working experience of managers (Samiee, 1987; Cavusgil, 1996), because scholars have not researched deeper the pricing problem (Myers et al., 1996). In other words, as it has been pointed out by Christopher (2000), there is considerable controversy in the literature how the pricing decision should be made by organization. Another
valuable brand performance output is brand (market) share. There are evidences that market share may enhance the firm profitability (Shepherd, 1972; Gale, 1972) and, from marketing point of view, signals higher value for a consumer (O’Regan, 2002) that improves brand portfolio status.

There is no clear answer on the problem how brand paradigm influence the company’s competitive strategy in brand performance context. The aim of this research is to highlight how brand management paradigm interacts with marketing phenomena, such as price and market share, in order to develop more effective business strategies.

This study has the two purposes. The first is to study the elements of the brand paradigm in price and market share differentiation framework. Second, to analyze the influence of innovation on proposed brand performance framework. We describe variables and estimate them for various food brands in the Italian market.

The contribution of this paper to the existing literature is threefold. First, we investigate the drivers of the brand performance outputs, price premium and market share, in the enriched-food industry. Second, we present a model that empirically tests the influence of brand value, brand volume, marketing investment in brand, price and different innovation applications on price and brand share. The literature urge for overall and empirically based solutions on relationships among brand price, brand value and applied innovation (Duke, 1994; Christopher, 2000; Sousa & Bradley, 2009). Third, we analyze the consequences of brand differentiation, based on applied innovation, on price concept and market share. To the best of our knowledge, a framework that investigates the link between brand performance outputs and brand
differentiation that is based on applied innovation in enriched-food industry has not yet been reported in the literature.

The following section provides a literature review on marketing performance outputs, section three review existing theoretical framework in marketing literature from which we extract the background for our brand share and pricing model. Subsequently, we present research hypotheses and a two-stage model in which we want to establish (i) brand share and pricing estimations and (ii) differences in business strategy based on technology and company types using cluster analysis. The next section describes the collected data. We then describe and interpret the results of the study and we conclude with implications for practitioners.

4.2. Marketing performance outputs – price premium and brand (market) share

Ambler et al. (2002: pp. 16) have argued that price premium and market share are outcomes of the brand performance in the market because they represent “the aggregate of individual customer actions regarding their amount of purchase and the price that they pay”.

Price represents the amount of money that consumers have to pay to obtain the product. A broader definition depicts price as the total of all the values that consumers exchange for the benefits of possessing or using a product (Kotler and Armstrong, 1999). In the study on appropriate pricing strategy, Duke (1994) has suggested that sales may influence price strategy, because firms tend to enhance profitability and success by raising sales of volume products. Alpert et
al. (1993) have suggested that a premium pricing strategy might be successful if higher price, as signal of quality, is accompanied with some other premium-quality signals, such as advertising, packaging, etc. In other words, advertising as a main component of the brand equity, may influence the pricing strategy. There are evidences in the literature (Suri et al., 2002) that boundary condition in obtaining price premium is the role of promotion in the process of the consumer overall assessment of higher brand quality, because higher prices suggest higher quality.

The pricing controversy is based on the importance of the role that costs play in setting the price (Christopher, 2000). The price is determinate according to different inputs such as the costs associated with marketing efforts, added mark-up that represents wished profitability and production process. The cost-based approach has many flows (Christopher, 2000): (i) it is difficult to identify true cost of a single product or a brand in practice, (ii) this approach ignores demand side. In its essence, a consumer wants to acquire certain benefits from a brand and it is ready to pay a certain price for it. In other words, the price decision should be made upon the values that brand bears for a consumer. The costs become irrelevant for the pricing decision because they can influence only profitability. Christopher (2000: 151) has concluded: “costs determine profits, not price”.

The pricing decision is crucial issue in the business decision process. The impact of the pricing will be reflected in the quantity of the product sold, the contribution to profits (Christopher, 2000) as well as on the strategic position of the single product and/or brand in the market. Pricing always has multi-decision consequences. The price decision taken on one brand will have implications on another brand (Christopher, 2000) within same strategic domain in a multi-brand
organization. The same happens in the marketplace where competing brands are interconnected like water tanks. The change in one tank immediately influences another one – if one organization low/raise prices, introduces new enhancements or advertising campaign – it will affect also confronting brands.

Market share is considered in management literature as one of the most important indicators of a firm success (O’Regan, 2002). It has been argued in the literature that many firms see market share as an important organizational and strategic goal (O’Regan, 2002), because it influences the organizational goals and strategic decision-making. The importance of higher market share, by the neoclassical theory, lies in fact that yields the firm higher profitability (Shepherd, 1972; Gale, 1972). In general terms, larger market share is a reward for providing a better value for consumers (O’Regan, 2002), and this relation has been recognized by literature and practitioners, too. Kay (1993) has argued that market share causes profitability and brand success, instead of being result of them.

4.3. Literature review

Modern approach to branding includes a comprehensive list of elements that overlap traditional understanding of brand as feature differentiated by name, colour, or any other visible characteristics but also include intangibles such as brand value or consumer subjectivism. Modern brand paradigm is based on consumer attitudes, loyalty, perception, etc., as well as on organization’s marketing investments in a brand. Key elements of a larger brand paradigm, from strategic point of view, are differentiation and pricing.

Brand equity is defined as the value of the brand that is based on the high brand loyalty, perceived quality, name awareness, strong brand associations as
well as the assets such as trademarks, patents, advertising, distribution channels (Kotler, 1999; Kotler & Armstrong, 1999; Aaker, 1991) and innovation type.

The literature suggests (e.g. Ambler et al., 2002) that a firm’s brand success is associated with a strong brand, i.e. to its ability to achieve a premium price. “Strong – success” correlation arise because of a customer perception that a brand reduce the risk associated with consumption (Ambler et al., 2002) as well as the loyalty switching cost, which appears because of higher level of relationships and networking between a firm and consumer. In order to gain the lucrative benefits of branding and premium pricing (Knox, 2000), an organization has to manage its brand portfolio so that a consumer easily identify unique brand values that are differentiated and sustained in longer period of time.

Differentiation involves creating product that is perceived as unique (Porter, 1996; Porter, 1998a; Kotler & Armstrong, 1999). Differentiation can be defined as the act of creating a set of meaningful differences to make distinction between firm’s offers from competitors’ offerings (Kotler, 1999). Kotler (1999) has suggested that value proposition from a company, such as quality, reliability, time, etc., can create image of brands (and claims, as in examples of Volvo, Perdue and Domino’s pizza) that can earn 10-20% price premium. Research findings (Knox, 2000) show that brands can reach higher prices if differentiation is successfully applied. Successful brands are characterized with high brand value differentiation versus less distinctive brands (Knox, 2000). In same matrix relation, brands with high level of differentiation obtain high price differentiation, which is opposite to brands with lower brand value that gain lower prices. As a dominant positioning instrument of marketing strategy price has been used to differentiate a brand (Yoo et al., 2000). In other words, brand value may increase if consumers relate price to brand quality and use price as a proxy for the signal of quality (Yoo et al., 2000).
It is widely discussed a concept of clustering in management literature (Porter, 1998a/b; Aaker et al., 2004). Clusters are usually discussed from their geographical traits, because it is common practice to treat and to name this topic only as geographical clusters in a currently available management literature (Porter, 1998a). According to Porter’s theory of competitiveness, cluster also include organizations in downstream industries, complementary products, government, standard-setting agencies as well as specialized organizations that provide training, education, information, research and technical support (Porter, 1998a; Porter, 1998b). Boesso et al. (2009b) have empirically studied new product development initiatives on pricing and sales, using the clustering procedure that is centered over innovation and company type differences.

4.4. Hypotheses

The goal of this research is to determine which elements are influencing certain marketing phenomenon, such as prices, brand market share, etc., and to study how those elements behave with each other driven by the brand management paradigm. In other words, we want to study how different aspects of marketing management paradigm are ruling the food market in the context of competitive strategies.

Misra and Trivedi (1997) have suggested that popular technique for estimating such relationships are ordinary least square (OLS) or regression approach. They have also underlined the importance of studying the relationship between demand and marketing phenomena such as price, advertising and promotions. Kotler (1999) has suggested that technology and quality are among most important factors in obtaining competitive advantage for a firm (mop, bo).
He has put these factors in the context of the value propositions demand states and marketing tasks that establish relationship between brand value proposition and price premium. In same context, Duke (1994) and Ailawadi et al. (2003) have advocated that brand value (BEq) enhance pricing strategy (PR). Literature recognizes price premium, as well as market share and capacity utilization (Sandvik & Sandvik, 2003), as the value delivered to consumer that represents effectiveness-oriented concept of firm performance. Alpert et al. (1993) have found that premium-pricing strategy cannot be applied successfully if price is the only variable used. They have found that premium price can be obtained if the higher price is accompanied with other premium-quality signals, such as advertising, packaging, technology, etc. (mop, bo). In general, a firm tends to enhance profitability by raising the sales (BV), which, consequently, influence a firm’s price strategy (Duke, 1994). There are evidences that consumers are willing to pay 30-50% price premia for the functional foods in comparison to conventional foods (Menrad, 2003; Boesso et al., 2009b); this range is reported in food segments like functional dairy products and ACE drinks. Furthermore, brand differentiation does influence the brand’s higher relative price (Chaudhuri & Holbrook, 2001, Knox, 2000).

In order to estimate the price model, we synthesize the price model as a function of variables:

\[ PR = f(BV, BEq, mop, bo) \]

Accordingly, business dominant status might be explained by brand price strategy, measured by price premium.

**H1:** Business dominant status, as measured by price premium, is driven by distinctive differentiation.
It is reported in the literature (e.g., O’Regan, 2002) that market share (MS) can be increased by enhancing the perceived value of the brands or by reducing the price. Enhancements of the perceived value can be achieved with higher brand equity (BEq) and marketing investments in brand value (MI); for instance, as argued by O’Regan (2002), with investments in new or improved brands. Shepherd (1972) has found that advertising-intensity in products highly intercorrelate with market share and, consequently, with firm’s profitability. According to him, advertising-intensity represents marketing oriented investment by a firm in the higher brand and organizational values. This inter-correlation is result of higher product differentiation due to lagged marketing investments in brands, which, consequently, creates entry barrier against competition. Marketing investment in brand value will protect a firm’s brand against losses of brand share (Shepherd, 1972).

Price (PR) reductions might be only a short-term measure that will increase market share, because it is very likely to be followed by competitors (O’Regan, 2002). Lower price strategy can be effective in longer term only with a private labeled (store brands), because increased price “act as incentive for the consumer to acquire store brands” (Rubio & Yague, 2009).

It has been suggested in the literature (Shepherd, 1972; Jacobson & Aaker, 1985; Laverty, 2001; Rubio & Yague, 2009) that a product quality (e.g., applied technology and innovation) and company efforts (such as company culture, strategy, size, etc.) are important variables that influence both market share and profitability (mop, bo).

In composing a model for estimation, we include all brand performance variables (e.g., Shepherd, 1972):

\[(4.2.) \quad MS = f(BEq, MI, PR, mop, bo)\]
Thus, we hypothesized:

H2: Brand success, as measured by high market share, is driven by distinctive differentiation.

Market rewards for companies that successfully introduce new brand values are capacity utilization (Sandvik & Sandvik, 2003), bigger market share and premium price. Hanna & Dodge (1995) have advocated that if company successfully applies innovativeness, the more the pricing strategy will hold existing price level and / or a monopoly. More innovative brands have more distinctive differentiation in comparison to competitors, which leads to situation in which company can maintain its dominant position longer and requires more resources for competitors to fill the market and / or innovation gap. In contrary, less innovative brands are preferred by consumers that expect lower level of innovativeness for lower price level (Sandvik & Sandvik, 2003). In food industry, a brand differentiation might be pursued by application of the different innovation types as well as with distinctive firm strategy for which we use company types. Importance of the successful innovation lies in fact that creates added value for a consumer, but practice shows that added value cannot be created without distinctive technological innovation (Doyle, 2000). We use innovation and company type for common traits. In this way, we defined technology clusters as a relevant measure of brand difference among food producers.

H3: Differentiation in food industry can be grouped according to innovation types.
4.5. Dataset

Several data sources we have used in this study. We have used the data from AC Nielsen research on the food buying patterns of 20,000 Italian households for different variables. These data were collected in the period June 2005 – June 2007. The Consumer Panel Solutions (CPS) and Homescan® panel tool (ACNielsen, 2009) have been used to obtain the data from ACNielsen Italy. In order to make in-depth analysis of purchase behaviours, demographic profiles, etc., the CPS obtains consumer – centric marketing solutions have been applied.

We have used information from the Bureau Van Dijk Electronic Publishing AIDA financial statements database (AIDA, 2009) on the 940,000 Italian companies as our second data source. The research framework has been expanded with quality independent variables according to observed brand quality characteristics.

Description of the variables used in our brands sample is presented in table 4.1. Our dependent variable is price that represents the amount of money that consumers have to pay to obtain the brand. Brand volume is independent variable that represents consumer purchase in volume. Brand equity represents asset that is constituted by research costs, patents, advertising efforts, licenses, etc. We read this value from the position “B.I.”, intangible assets, in the company balance sheets. This variable has been calculated using the single brand share indicator in order to allocate the brand equity value on specific brand.
Table 4.1.: Variables of the brand performance model (M1)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Name</th>
<th>Description</th>
<th>Value</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>price</td>
<td>PR</td>
<td>represents the amount of money that consumers have to pay to obtain the brand.</td>
<td>NL</td>
<td>Nielsen</td>
</tr>
<tr>
<td>market share</td>
<td>MS</td>
<td>represents allocated brand share in company brand portfolio; i.e. brand sales share in relation to the total company sales</td>
<td>NL</td>
<td>Nielsen</td>
</tr>
<tr>
<td>brand volume</td>
<td>BV</td>
<td>represents consumer purchase in volume (kg)</td>
<td>NL</td>
<td>Nielsen</td>
</tr>
<tr>
<td>brand equity</td>
<td>BEq</td>
<td>represents asset that is constituted by research costs, patents, advertising efforts, licenses, etc. (position B. I – intangible assets in the company balance sheets) allocated to the single brand in company brand portfolio.</td>
<td>NL</td>
<td>AIDA</td>
</tr>
<tr>
<td>company type</td>
<td>bo</td>
<td>represents difference among private labelled brands (=1), brands owned by the Italian SME producers (=2) and brands owned by MNC producers that have branches in Italy (=3)</td>
<td>1, 2, 3</td>
<td>QIV</td>
</tr>
<tr>
<td>innovation type</td>
<td>mop</td>
<td>represents type of a brand according to the applied technology: wellness food (=1), organic food (=2) and functional food (=3)</td>
<td>1, 2, 3</td>
<td>QIV</td>
</tr>
</tbody>
</table>

Legend: **AIDA** – Company financial statements (balance sheet data), **Nielsen** – data from the AC Nielsen research, **QIV** – Quality independent variable; **NL** – Not limited

Quality independent variables are company and innovation type. Company type represents difference among private labelled brands (=1), brands owned by the Italian SME producers (=2) and brands owned by MNC companies that have branches in Italy (=3). Innovation type represents brand type according to the
applied technology: wellness food (=1), organic food (=2) and functional food (=3). We use dummy variables in order to study the behaviour of applied technology. That is possible to achieve with the behaviour estimations of the organic and functional brands in comparison to conventional brands.

We have used single brand, rather than individual consumers as units of observations in this study. This approach is in line with Chaudhuri & Holbrook (2001) who have suggested that aggregated consumer behaviour produce results for the branding paradigm. Chaudhuri and Holbrook (2001) have suggested that this approach avoids the pitfalls in experimental manipulations and gives more important managerial implications, because decision makes effects on individual brands.

This study refers to the “enriched-food” brands. The enriched-food brands have added value or characteristics different from conventional food. From the innovation type point of view our data set is consisted by conventional juices, milk and yogurts with added value, such as vitamins for instance, functional as well as organic foods. Boesso et al. (2009a) have suggested that this approach might be embedded into a broader category of healthy products, such as organic, functional, wellness, etc. According to Bogue & Sorenson (2001) health enhancing food has been defined as food that provides health benefits beyond their primary nutritional functions.

We have expanded our framework with quality independent variables that have been defined and created as combination of existing empirical data and observed brand quality characteristics. Our food industry sample (juices, milks and yogurts) has 764 brands.
4.6. The model

In order to explain possible business dominant status, which is in line with our hypothesis H1, we introduce the brand price as proxy and study effects of different elements on it. We regress brand price on brand equity, consumer purchase in volume, company and innovation types.

Our first brand performance model at the aggregate level (M1) is

\[
Y_{\text{price}} = c + \delta_1 \text{dummy company's type - italian}_b + \delta_2 \text{dummy company's type - foreign}_b + \delta_3 \text{dummy innovation type - organic}_b + \delta_4 \text{dummy innovation type - functional}_b + \beta_1 \text{brand volume}_b + \beta_2 \text{brand equity}_b + u_b
\]

where \( b = 1, \ldots, B \) (brands). In the M1, the \( \beta \) and \( \delta \) are the parameters, which will be estimated, and we assume that the variance of the error term \( u \), conditional on regressors, is constant. The \( \beta \) coefficients measure the marginal effects of the presented independent variables on the brand price. Similarly, the \( \delta \) coefficients measure the marginal effects of the presented quality independent variables on the brand price.

Brand performance output, such as higher market share, is often used in theory and practice to determine brand success (Shepherd, 1972; Gale, 1972; Kay, 1993; O’Regan, 2002). In order to explain high brand share, which is in line with our hypothesis H2, we regress brand share on brand equity, marketing investment in brand, price, company and innovation types.

Our second brand performance model at the aggregate level (M2) is

\[
Y_{\text{market share}} = c + \delta_1 \text{company's type - italian}_b + \delta_2 \text{company's type - foreign}_b + \delta_3 \text{dummy innovation type - organic}_b + \delta_4 \text{dummy innovation type - functional}_b + \beta_1 \text{brand equity}_b + \beta_2 \text{marketing investment}_b + \beta_3 \text{price}_b + u_b
\]

where \( b = 1, \ldots, B \) (brands). Above presented assumptions on the \( \beta \) and \( \delta \) parameters in the M1 apply equally here, too.

The models are estimated with standard ordinary least squares (OLS). We
report R-Squared and adjusted R-Squared values to provide goodness-of-fit indicators of the regression. In order to face for some eventual heteroskedasticity problems we compute robust standard errors.

In order to explain brand differentiation, which is in line with our hypothesis H3, we introduce and study innovation effects as well as influence of company type on brand price with the cluster analysis. We applied the SPSS TwoStep Clustering Component method, which is a scalable analysis method designed to handle large data sets (SPSS TwoStep, 2009) and to produce results on data grouping. Our approach is in line with Boesso et al. (2009b) that have studied possibilities for the success of the innovation activities, measured by price and sales, the size of the firm and geographical scope.

4.7. Results

We regress price on brand volume, brand equity, company and innovation type, in order to assess information on price relevance related to brand paradigm. Our basic model has been described in formal econometric fashion with equation 4.3. and 4.4., in section 4.6. The results of these estimations are reported in table 4.2.

The main questions of our analyses are which, if any, and how brand’s paradigm variables explain the brand price behaviour.

The results in the M1 reports that all variables – brand volume, brand equity, company and innovation type – have significant statistical effect on brand price, except the organic brands. The presented variables are statistically significant at 1%, except the brand equity that is significant at 5% level. The goodness – of – fit tests show that $R – \text{Squared}$ value is 0.4365 and adjusted $R – \text{Squared}$ value is 0.4320.
The model 2 shows acceptable fit between variables. The results indicate that brand equity, price, marketing investment in a brand and innovation type have high statistical effect on market share (p<.01). Smaller importance, but still significant (p<.1), on market share have Italian brands. The goodness – of – fit tests show that $R^2$ value is 0.3610 and adjusted $R^2$ value is 0.3550.

Table 4.2.: Estimations of the variables in the brand performance model

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>price</td>
<td>Dependent</td>
<td></td>
</tr>
<tr>
<td>brand (market) share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>brand volume</td>
<td>-0.6895***</td>
<td>-0.00077***</td>
</tr>
<tr>
<td></td>
<td>(17.65)</td>
<td>(2.29)</td>
</tr>
<tr>
<td>brand equity</td>
<td>0.00726**</td>
<td>-0.00777***</td>
</tr>
<tr>
<td></td>
<td>(2.45)</td>
<td>(2.29)</td>
</tr>
<tr>
<td>marketing investment</td>
<td>0.0116***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(15.77)</td>
<td></td>
</tr>
<tr>
<td>price</td>
<td>-0.0132***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5.47)</td>
<td></td>
</tr>
<tr>
<td>dummy company type – Italian</td>
<td>0.743***</td>
<td>0.0206*</td>
</tr>
<tr>
<td></td>
<td>(4.94)</td>
<td>(1.72)</td>
</tr>
<tr>
<td>dummy company type – foreign</td>
<td>1.6264***</td>
<td>0.0184</td>
</tr>
<tr>
<td></td>
<td>(8.34)</td>
<td>(1.16)</td>
</tr>
<tr>
<td>dummy innovation type – organic</td>
<td>-0.0041</td>
<td>0.0415***</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(3.73)</td>
</tr>
<tr>
<td>dummy innovation type – functional</td>
<td>-0.9387***</td>
<td>0.0464***</td>
</tr>
<tr>
<td></td>
<td>(6.79)</td>
<td>(4.12)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.4365</td>
<td>0.3610</td>
</tr>
<tr>
<td>adjusted $R^2$</td>
<td>0.4320</td>
<td>0.3550</td>
</tr>
<tr>
<td>Prob &gt; F</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>N</td>
<td>764</td>
<td>764</td>
</tr>
</tbody>
</table>

*** significant at 1% (p < .01); ** significant at 5% (p < .05); * significant at 10% (p < .1)

Notes: t-statistics appear in parenthesis
The cluster analysis explains how quality independent variables are related to our dependent variable. The price cluster profiles for the innovation type, presented in the table 4.3b, indicates that exist 3 clusters in the enriched-food market, presented in table 4.3a. The combined price mean is 3,95 €/kg, in cluster 1 it is 2,93 €/kg, in clusters 2 and 3 are 4,04 €/kg and 4,68 €/kg, respectively. These results suggest that cluster 3 obtains the premium price in the market, and cluster 2 is little bit over the average price. The cluster 1 obtains the minimum price in the market.

Table 4.3a: Price cluster profiles for the innovation type

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Centroids</th>
<th>price</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td>2,9341</td>
<td>1,97828</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>4,0349</td>
<td>1,88594</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>4,6839</td>
<td>1,70895</td>
</tr>
<tr>
<td>Combined</td>
<td></td>
<td></td>
<td>3,9520</td>
<td>1,98474</td>
</tr>
</tbody>
</table>

The price frequencies for innovation type, presented in the table 4.3b, suggests that the premium price, in the Italian enriched food market, has been taken by the functional brands that represents 39,4% of the brands in this market. The above average price has been taken by the organic brands that represents 29,8% of the market.
Table 4.3b: Price frequencies for the innovation type

<table>
<thead>
<tr>
<th>Innovation type</th>
<th>functional</th>
<th>organic</th>
<th>wellness</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
</tr>
<tr>
<td>Cluster 1</td>
<td>0</td>
<td>0,0%</td>
<td>0</td>
<td>0,0%</td>
</tr>
<tr>
<td>2</td>
<td>0</td>
<td>0,0%</td>
<td>228</td>
<td>100,0%</td>
</tr>
<tr>
<td>3</td>
<td>301</td>
<td>100,0%</td>
<td>0</td>
<td>0,0%</td>
</tr>
<tr>
<td>Combined</td>
<td>301</td>
<td>39,4%</td>
<td>228</td>
<td>29,8%</td>
</tr>
</tbody>
</table>

The price cluster profiles for the company type, presented in the table 4.4a, suggests that there are 4 clusters in the enriched-food market. The combined price mean is 3,95 €/kg, in cluster 1 it is 4,99 €/kg, in clusters 2 is 2,96 €/kg, in cluster 3 is 1,84 €/kg and in cluster 4 is 5,14 €/kg. These results strongly suggest that the premium price has been taken by cluster 4, cluster 1 is above average price. The clusters 2 and 3 are below the average price in the enriched-food industry.

The price frequencies for the company type, presented in the table 4.4b, indicates that the premium price, in Italian enriched-food market, has been taken by 62,8% of the Italian SMEs’ that represents 41,1% of the brands in this market. The above average price has been taken by multinational brands that represents 18,2% of the market.
Table 4.4a: Price cluster profiles for the company type

**Centroids**

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4,990</td>
<td>2,16013</td>
</tr>
<tr>
<td>2</td>
<td>2,958</td>
<td>1,38930</td>
</tr>
<tr>
<td>3</td>
<td>1,841</td>
<td>0,61139</td>
</tr>
<tr>
<td>4</td>
<td>5,138</td>
<td>1,27563</td>
</tr>
<tr>
<td>Combined</td>
<td>3,952</td>
<td>1,98474</td>
</tr>
</tbody>
</table>

Table 4.4b: Price frequencies for the company type

**Company type**

<table>
<thead>
<tr>
<th></th>
<th>private label</th>
<th>SME</th>
<th>MNC</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Cluster 1</td>
<td>0</td>
<td>0,0%</td>
<td>0</td>
<td>0,0%</td>
</tr>
<tr>
<td>2</td>
<td>125</td>
<td>100,0%</td>
<td>0</td>
<td>0,0%</td>
</tr>
<tr>
<td>3</td>
<td>0</td>
<td>0,0%</td>
<td>186</td>
<td>37,2%</td>
</tr>
<tr>
<td>4</td>
<td>0</td>
<td>0,0%</td>
<td>314</td>
<td>62,8%</td>
</tr>
<tr>
<td>Combined</td>
<td>125</td>
<td>16.4%</td>
<td>500</td>
<td>65.4%</td>
</tr>
</tbody>
</table>
The private label brands have obtained below average price with 16.4% of the market. The minimum price has been taken by 37.2% of the Italian SMEs’ that represents 24.3% of the brands in this market.

The brand share cluster profiles for the innovation type, presented in table 4.5b, indicates that exist 4 clusters in the enriched-food market, presented in table 4.5a. The brand share sample has 764 brands, in cluster 1 there are 266 brands, in cluster 2 are 44, in clusters 3 and 4 there are 227 brands, in each. These results suggest that cluster 1 has highest brand share, even though we cannot assess information on profitability of these brands due to proprietary data.

Table 4.5a: Brand share cluster profiles for the innovation type

<table>
<thead>
<tr>
<th>Cluster</th>
<th>No. of brands</th>
<th>%</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>266</td>
<td>34.8</td>
<td>0.41</td>
</tr>
<tr>
<td>2</td>
<td>44</td>
<td>5.8</td>
<td>2.60</td>
</tr>
<tr>
<td>3</td>
<td>227</td>
<td>29.7</td>
<td>0.15</td>
</tr>
<tr>
<td>4</td>
<td>227</td>
<td>29.7</td>
<td>0.33</td>
</tr>
<tr>
<td>Combined</td>
<td>764</td>
<td>1</td>
<td>1.22</td>
</tr>
</tbody>
</table>

In table 4.5b, is presented brand share frequencies according to the innovation type. The biggest cluster group represent functional brands with 39.4% brands in the enriched-food sector, in the same time organic and wellness
brands have same brand share of 29.7%, each. These results indicate that functional brands represent biggest brand share group in the Italian market.

Table 4.5b: Brand share frequencies for the innovation type

### Innovation type

<table>
<thead>
<tr>
<th>Innovation type</th>
<th>Frequency</th>
<th>Percent</th>
<th>Frequency</th>
<th>Percent</th>
<th>Frequency</th>
<th>Percent</th>
<th>Frequency</th>
<th>Percent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>functional</td>
<td>266</td>
<td>88,4%</td>
<td>0</td>
<td>0,0%</td>
<td>0</td>
<td>0,0%</td>
<td>266</td>
<td>34,8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organic</td>
<td>35</td>
<td>11,6%</td>
<td>1</td>
<td>0,4%</td>
<td>8</td>
<td>3,4%</td>
<td>44</td>
<td>5,8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>wellness</td>
<td>0</td>
<td>0,0%</td>
<td>227</td>
<td>99,6%</td>
<td>0</td>
<td>0,0%</td>
<td>227</td>
<td>29,7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined</td>
<td>301</td>
<td>39,4%</td>
<td>228</td>
<td>29,8%</td>
<td>235</td>
<td>30,8%</td>
<td>764</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The brand share cluster profiles for the company type, presented in the table 4.6b, indicates that exist 4 clusters in the enriched-food market, presented in table 4.6a. The brand share sample has 764 brands, in cluster 1 there are 490 brands, in clusters 2 are 42, in cluster 3 and 4 there are 123 and 109 brands, respectively.
Table 4.6a: Brand share cluster profiles for the company type

**Cluster distribution**

<table>
<thead>
<tr>
<th>Cluster</th>
<th>No. of brands</th>
<th>Brand share</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 1</td>
<td>490</td>
<td>64.1%</td>
<td>0.30</td>
</tr>
<tr>
<td>Cluster 2</td>
<td>42</td>
<td>5.5%</td>
<td>2.61</td>
</tr>
<tr>
<td>Cluster 3</td>
<td>123</td>
<td>16.1%</td>
<td>0.26</td>
</tr>
<tr>
<td>Cluster 4</td>
<td>109</td>
<td>14.3%</td>
<td>0.52</td>
</tr>
<tr>
<td>Combined</td>
<td>764</td>
<td>100%</td>
<td>1.22</td>
</tr>
</tbody>
</table>

Table 4.6b: Brand share frequencies for the company type

**Company type**

<table>
<thead>
<tr>
<th>Company type</th>
<th>private label</th>
<th>SME</th>
<th>MNC</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Cluster 1</td>
<td>0</td>
<td>0.0%</td>
<td>490</td>
<td>98.0%</td>
</tr>
<tr>
<td>Cluster 2</td>
<td>2</td>
<td>1.6%</td>
<td>10</td>
<td>2.0%</td>
</tr>
<tr>
<td>Cluster 3</td>
<td>123</td>
<td>98.4%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cluster 4</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Combined</td>
<td>125</td>
<td>16.4%</td>
<td>500</td>
<td>65.4%</td>
</tr>
</tbody>
</table>
In table 4.6b, is presented brand share frequencies according to the company type. The biggest cluster group represents the Italian SMEs with 65.4% brands in the enriched-food sector, in the same time private labeled and MNC brands have small brand share of 16.4% and 18.2%, respectively. From above presented tables it is obvious that Italian SME represent biggest brand share group in the Italian market.

4.8. Conclusions

The brand performance outputs, such as higher market share and premium price, are often used to determine brand success and its profitability (Shepherd, 1972; Gale, 1972; Kay, 1993; O’Regan, 2002). We have confirmed theoretical assumptions, based on the extensive literature review, on variables that creates higher market share and premium price. Additionally, we have also confirmed that innovation plays important role in managing the brand performance outputs.

With this study we have shown that the brand framework influences the pricing strategy of the company in the market. The price premium is closely related to the applied brand paradigm. Moreover, with brand differentiation based on the innovation type, it is possible to obtain the price premium in the consumer good market. Similarly, highest market share cluster group is consisted by 98% of the Italian SME, which is consisted with our finding with premium price “winners” in the Italian enriched-food market.

This manuscript presents the results of empirical analysis to determine the variables of the brand performance outputs in food branding context. We have controlled for four predictors – brand volume, brand equity, company and innovation type – while estimating the impact of the variables on the brand
pricing strategy. We have found out that all presented variables are important for explanation of a company pricing strategy. In other words, as we hypothesized in H1, a company can reach business dominant status in the market, as measured by a larger price premium, by distinctive brand differentiation. This approach has been conducted formulating econometric model (M1). The variables estimations, that have impact on the brand pricing strategy, are in line with the literature overview (Aaker, 1991; Alpert et al., 1993; Duke, 1994; Suri et al., 2002; Boesso et al., 2009b).

We have applied the model M2 in order to estimate and determine variables of higher market share in food branding context. We have controlled for five predictors – brand equity, marketing investment, price, company and innovation type – using them to estimate the impact on brand share. As we have hypothesized in H2, a firm can gain higher brand share and potentially enjoy in benefits such as profitability and brand success (Shepherd, 1972; Gale, 1972; Kay, 1993; O’Regan, 2002).

These two models (M1 and M2) have been estimated using standard and robust OLS procedure. Adjusted $R^2$ value have been reported from the standard OLS procedure, while we have reported $R^2$ value from robust OLS procedure.

This study provides better understanding of the brand value role, measured by brand equity, for the brand performance outputs. The relevance and importance of the brand value for the creation of business strategy is very often underestimated in marketing literature and practice. Analyses have shown that this variable is significant and positively related to pricing strategy. We provide evidences that brand value plays important role in setting the brand price, which is our contribution to the discussion on pricing controversy. In contrary, setting the price according to the cost-based approach, which is in centre of the pricing
controversy, has many practical and methodological flows (Christopher, 2000). Our finding confirms theoretical suggestions by Knox (2000), who has argued that brands provides customers with added value beyond its functional performance, because this added value differentiates products and determine consumer preferences. The model 2 empirical findings on brand value may cause some controversy. One would expect that raising the brand value would raise market share of “special” brands. Possible explanation might be that consumers have inverse expectation from special brands – small decrease of brand value may signal less special and less expensive brand; more affordable from financial and consumption point of view. This is in line with finding, and theoretical suggestion, that with price decrease can be boosted the brand share.

Second relevant finding is that a sale, measured by brand volume, is negatively related to the pricing. However, Duke (1994) has suggested that brand volume has positive and significant importance on pricing. Our finding is, howbeit, a logical relationship because we are investigating special and differentiated food brands. Competing on further volume raise leads to the detoriation of the brand price, because a brand is less special and important for a consumer.

Finally, the results of our cluster analysis strongly support the hypothesis H3 that the brand differentiation can be grouped according to innovation type. We found out that higher levels of innovation driven by differentiation, such as functional food brands in our study, may obtain higher market share and premium price in the market; which is in line with theoretical suggestions (Knox, 2000; Boesso et al., 2009b). Moreover, in order to find out which type of the company obtains that premium price, we combine our findings with the company type. This approach lead us to the conclusion that the premium price is taken by Italian SME’s managed brands, in contrary to the MNC or private labeled brands.
The study provides straightforward implication that the organic food brands reached saturated position in the food market and from the point of the price strategy there is small space for further enhancements. The functional food brands are in a conceptual and market expansion, still not bounded by the regulations and market limits. We provide evidences that the private labels compete on low prices and higher volumes, but this strategy does not provide higher price markup.

We believe that our paper contributes to the literature with offering better understanding of forces that shape the branding paradigm in the brand performance context. Academic literature has not offered synthesized and consistent overview in this matter so far. Our study is an attempt in that research direction.
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**Internet links**

International Federation of Organic Agriculture Movements (IFOAM) – [www.ifoam.org](http://www.ifoam.org)

Danone Activia yogurt – [www.activia.com](http://www.activia.com)