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Brand Orientation: Conceptualisation, Operationalisation and Explanatory Power

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Abstract

This study contributes to the brand management literature by providing a conceptualisation of brand orientation from a resource based theory perspective. Moreover, the study advances seminal brand conceptualisations through operationalising the construct and empirically testing its psychometric properties and explanatory power. The construct was explored within a services context focusing on Australian retail organisations, thereby extending brand management research beyond the manufacturing domain. Building on the work of leading brand authors four reflective dimensions of brand orientation are operationalised including distinctive, functional, value adding and symbolic capabilities. The results of this study suggest that brand orientation is a robust construct with strong explanatory power in regards to dependent constructs; positional advantage and organisational performance.

Introduction

The retail marketplace has become increasingly competitive and the balance of power has shifted from manufacturers to retailers. Retailers have evolved from simply being resellers of manufacturer brands to becoming brands in their own right whereby the store name, its fascia and, in essence, the total store experience constitutes the brand (Mathews 1995). Consequently, it is proposed that a retailers’ brand orientation; namely, its capabilities regarding branding, may assist in explaining variations in a retailer’s positional advantage over their competitors and subsequent organisational performance. We develop a measure of brand orientation from a resource based theory perspective

Conceptualisation of Brand Orientation

Existing research into branding has been predominantly conceptual in nature. For instance Goodyear (1996) provides a descriptive typology of the role brands play in consumer purchase decisions. While branding has been examined empirically, this has been primarily from the consumer perspective (Bhat and Reddy 1998). On the alternative side of what has been termed the brand vortex (de Chernatony and Dall'Olmo Riley 1997) is the organisational perspective of branding with its roots in the resource based theory. Again research in this area has been mainly conceptual in nature (Park, Jaworski et al. 1986), qualitative (de Chernatony and Dall'Olmo Riley 1998) or investigated brand image as an organisational resource (Schneider 2000). Advancing researchers have examined the area of brand identity management (Gregory and Wiechmann 1997; de Chernatony 1999; Harris and de Chernatony 2001). However, only recently has the organisational perspective of brand identity management been termed brand orientation and then investigated through qualitative means (Urde 1994; Urde 1999). In line with this organisational perspective and building on the seminal brand orientation definition of Urde (1999) we propose that brand orientation can be defined as the degree to which organisational practices are oriented towards building brand capabilities through interaction with their target consumers in order to insulate the organisation from competitors and achieve superior organisational performance.
On the basis of a review of existing empirical studies and conceptual discussions of branding it is evident that, while the authors may differ in the number of dimensions that constitute a brand, they support the multidimensionality of the construct (de Chernatony 1993; Feldwick 1996; Goodyear 1996; de Chernatony and Dall'Olmo Riley 1997; Gregory and Wiechmann 1997; Bhat and Reddy 1998; de Chernatony and Dall'Olmo Riley 1998; Harris and de Chernatony 2001). A deductive research approach was used to identify the brand capability dimensions, which reflect an organisation's brand orientation. Four key dimensions of brand orientation were eventually identified and are referred to as distinctive capabilities, functional capabilities, added value capabilities and symbolic capabilities.

Through a synthesis of literature it was apparent that brands have the ability to be distinctive, such as providing a symbol of ownership for legal purposes (de Chernatony 1993) (de Chernatony and Dall'Olmo Riley 1997). This was identified by Goodyear’s (1996) early typology work including the brand as a means of identification and over time as a guarantee of consistency for consumers. Brands can also be distinctive enough to be extended to merchandise, new selling mediums and trading formats. Such activities can be referred to as an organisation’s distinctive brand capabilities. Brand researchers (Goodyear 1996; de Chernatony and Dall'Olmo Riley 1997; Bhat and Reddy 1998) consistently refer to the distinctiveness of brands, which suggests that organisations need to manage their distinguishing capabilities in order to achieve their identity objectives.

Functional capabilities as defined by de Chernatony and Dall’Olmo Riley (1997) relate to the brands’ tangible, rationally assessed, product performance. Park et al (1986) and de Chernatony and McWilliam (1990) also identify this dimension and refer to it as the extent to which brands satisfy consumers’ basic or rational needs. Support for the functional capabilities of brands is also provided by Goodyear (1996) who proposed six stages of brand evolution, and suggested that brand advertising at stage two focuses on rational attributes. In addition, Bhat and Reddy (1998) in an empirical study of brand classifications applied the label of functionality to the opposite end of a spectrum ending in brand symbolism. Thus, it is evident that the literature is in agreement as to the functional role brands satisfy.

Classifications that could not be categorised as purely functional or symbolic were grouped and analysed from the literature resulting in the third summary dimension ‘value adding capabilities’. These were critical practices the organisation employed to add value beyond functional capabilities and differentiate themselves from their competitors. de Chernatony and Dall’Olmo Riley’S (1997) ‘atomic brand model’ refers to this as the addition of services or differentiation. McEnally and de Chernatony (1999) suggest this dimension relates to the satisfaction of consumers’ utilitarian value and the provision of enjoyment. Adding value capabilities are primarily rational abilities and were, therefore, distinguished from symbolic capabilities.

Symbolic capabilities are often referred to in the literature interchangeable as representational characteristics. Similar to value adding capabilities they relate to organisational practices beyond functional capabilities (Bhat and Reddy 1998). de Chernatony and Dall’Olmo Riley (1997) define symbolic features as intangible, emotional values of the brand. McEnally and de Chernatony (1999) further define symbolic capabilities as highly emotional in nature, such as brands as a personality (McEnally and de Chernatony 1999). While Park et al (1986) define them as desires for products that fulfil internally generated needs for self-enhancement, role positions, group membership or ego-identification. Thus, it is evident that brands play many roles. For the organisation to achieve its overall brand identity goals it needs to manage the
brand’s symbolic capabilities, in conjunction with its distinctive, functional and value adding capabilities.

**Operationalisation of Brand Orientation**

There are two approaches to measuring organisational orientations. First, is the philosophical perspective whereby the orientation is embedded in the organisations’ thinking and measurement focuses on organisational values and beliefs (Dreher 1994). The second is the behavioural perspective. This is a more practical measurement approach, which examines an orientation in terms of behaviours and activities at the point of implementation (Diamantopoulos and Hart 1993). However, the two measurement approaches are not necessarily competing perspectives. Avlontis and Gounaris (1997), based on comparative research of the different approaches, downplay the importance of whether an orientation is operationalised using values or behaviours. In operationalising brand orientation a combination of both philosophical and behavioural items assisted in bridging the gap between philosophical theory and managerial practice. The scale for measuring brand orientation was derived from existing orientation scales (Narver and Slater 1990) whereby respondents were asked to indicate the extent to which their business undertakes certain values and practices. The scale ranged from ‘not at all’ (1) to ‘to a great extent’ (7).

All items were derived from existing literature and adapted in line with the resource based perspective and the retail context of the study (Park, Jaworski et al. 1986; de Chernatony and Mcwilliam 1990; de Chernatony 1993; Goodyear 1996; Bhat and Reddy 1998; de Chernatony and Dall'Olmo Riley 1998; McEnally and de Chernatony 1999). Items for distinctive capabilities were based on the identification of critical values and practices about the role the brand plays for the organisation (i.e. our brand name is easily identified by consumers, Our brand name is a guarantee of consistency for our customers, our brand is a valuable asset to our business). Functional capability items deal with how brands satisfy consumer’s basic practical performance needs (i.e. our business differentiates itself from competitors by communicating the functional benefits of the store e.g. easy to get to, wide rang etc). In regard to value adding capabilities, the adjectives and phrases identified from several studies and conceptual discussions were combined and items generated to reflect brand capabilities which added value and differentiated the organisation beyond functional attributes (i.e. we view our customers’ store experience as critical to differentiating our brand from competitors, we have added service attributes to the retail offer to differentiate our brand). The items identified from existing studies were modified to form the basis of the symbolic capability items (i.e. shopping in our store says something about the type of person our customers are, our brand, as a symbol, expresses our customers’ personality).

**Explanatory Power of Brand Orientation**

The explanatory power of brand orientation was examined in relation to positional advantage and organisational performance. The inclusion of positional advantage assists in further explaining variations in retailers’ performance. Brand orientation is transferred to the marketplace through a retailer’s offer. We argue that it is the retailer’s superiority over its competitors, relative to its retail offer, which impacts performance. Within the retailing context, positional advantage refers specifically to elements of the retail offer including merchandise (quality, range, fashionability, exclusivity, pricing), trading format (store
locations, layout, atmosphere, quality of displays), customer service (levels of service, in-store facilities, after sales service, personal selling) and customer communication (advertising and promotion) (McGoldrick and Blair 1995; Vida, Reardon et al. 2000). The more brand oriented the firm, the greater its positional advantage is expected to be. The positional advantage construct was operationalised using an interval scale. Respondents were asked to indicate their firm’s competitive position relative to their closest competitor from major disadvantage (1) to major advantage (7) (Vida, Reardon et al. 2000).

In line with existing business orientations, organisational capabilities such as market orientation are expected to enhance organisational performance (Jaworski and Kohli 1993) (Narver and Slater 1990). Similarly an organisation’s brand orientation is expected to enhance organisational performance. Bhat and Reddy (1998) suggest that the strong enduring images of the world’s most popular brands have paid off in long term success. Furthermore, Park et al (1986) contend that managing the brand’s dimensions should significantly enhance its market performance. To date the relationship between brand orientation and organisational performance has not been investigated. In measuring organisational performance, a multidimensional approach was applied. A retailer may be considered successful if the organisation’s objectives are being achieved, despite poor financial results and vice versa. The measurement items and scale for organisational performance were based on existing measures developed by Cavusgil and Zou (1994) and Shoham (1996). Respondents were asked to indicate the extent to which each element had changed in the last 3-year period (or the time period in which they had been operating if it had been less than three years) across three performance dimensions, marketing effectiveness (such as achieving brand image and customer satisfaction objectives), financial performance (such as financial measure ROI, ROA, sales) and strategic performance (such as achievement of overall strategic objectives).

Methodology

The sampling frame for the study was based on a database drawn from the population of retailing firms operating in Australia. The mail survey method was used to collect data from respondents through a formal structured questionnaire. The study adopted the three key principles advocated by Dillman’s (1978; 1991) Total Design Method: minimise the cost for the respondent, maximise the reward for responding and establish trust. Using the key informant method questionnaires were distributed to senior executives responsible for strategic planning and strategic brand management. A useable sample of 336 responses was obtained, yielding a 28% response rate.

Reliability and Validity Analysis of Brand Orientation

The reliability of the measurement scales was found to satisfactorily meeting Nunally’s (1978) recommendation, as the Cronbach α’s were above 0.7 for brand orientation (.7540), marketing effectiveness (.7401), financial performance (.8594) and strategic performance (.8186), with the exception of positional advantage (.6399). Exploratory and confirmatory factor analyses were performed and all items significantly loaded on to the hypothesised constructs. In testing the psychometric properties of brand orientation initial exploratory factor analysis identified six factors. However, after confirmatory factor analysis and discriminant validity tests the six factors were collapsed to four. Through discriminant validity analysis, the average variance accounted for by distinctive capabilities was
(λ₁,λ₂,λ₃,λ₄,λ₅,λ₆,λ₇,λ₈/8 = 0.69) this was greater that the correlation between distinctive capabilities and functional capabilities (φ₁₂0.50) and that between distinctive capabilities and symbolic capabilities (φ₁₄0.41). It was not greater than the correlation between distinctive capabilities and added value capabilities (φ₁₃0.72). The difference between distinctive capabilities and added value capabilities was so close in range it suggests that there is some utility in keeping the constructs distinct. The average variance accounted for by functional capabilities was (λ₁,λ₂,λ₃,λ₄,λ₅,λ₆/6 = 0.64) again this was greater that the correlation between functional capabilities and added value capabilities (φ₂₃0.37) and the correlation between functional capabilities and symbolic capabilities (φ₂₄0.22). The average variance accounted for by added value capabilities was (λ₁,λ₂,λ₃,λ₄,λ₅/5 = 0.69) this was greater than the correlation between added value capabilities and symbolic capabilities (φ₃₄0.37). This indicates that distinctive capabilities, functional capabilities, added value capabilities and symbolic capabilities are distinct dimensions of a brand orientation. The results for the final brand orientation confirmatory factor model indicate that the data did fit the proposed model well with a chi-square of 303.805, df = 107, p = 0.000; Cmin/df = 2.839, GFI = 0.904; AGFI = 0.900; TLI = 0.913; NFI = 0.990; CFI = 0.932. Furthermore, the correlation results found that all the brand orientation factors were significantly correlated at a significance level of p<0.01 and in the hypothesised direction. It is therefore evident that our operationalisation of brand orientation results in a robust set of measures, which extends existing literature and is an important contribution to both the resource based theory and branding domains.

Research Results

The aggregate brand orientation construct was entered into a simple regression analysis as a means of evaluating its predictive ability in terms of positional advantage and organisational performance. The results depicted in Table 1 indicate that brand orientation registered a significant F-ratio at p<0.001 for positional advantage, marketing effectiveness and strategic performance and a significant F-ratio at p<0.01 for financial performance. It is evident that brand orientation explains a significant proportion of all dependent constructs. The R² value suggests that the explanatory power of brand orientation is greatest in relation to positional advantage (33%), followed by marketing effectiveness (22%), strategic performance (10%) and financial performance (3%).

<table>
<thead>
<tr>
<th>[Beta (t-values)]</th>
<th>Positional Advantage</th>
<th>Financial Performance</th>
<th>Marketing Effectiveness</th>
<th>Strategic Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Orientation</td>
<td>.571*** (.12.707)</td>
<td>.173** (3.208)</td>
<td>.468*** (9.690)</td>
<td>.322*** (6.216)</td>
</tr>
<tr>
<td>R²</td>
<td>.326</td>
<td>.030</td>
<td>.219</td>
<td>.104</td>
</tr>
<tr>
<td>Adj R²</td>
<td>.324</td>
<td>.027</td>
<td>.217</td>
<td>.101</td>
</tr>
<tr>
<td>F-Ratio</td>
<td>161.466***</td>
<td>10.290**</td>
<td>93.905***</td>
<td>38.641**</td>
</tr>
</tbody>
</table>

* = p<0.05, ** = p<0.01, *** = p<0.001

Conclusion

This paper sought to address the lack of operationalisation of brand orientation in existing brand management literature and examine its psychometric properties and explanatory power. The results clearly support our conceptualisation and operationalisation of the construct, as it was found to be both valid and reliable. In addition, the most recent branding studies, while
highlighting the importance of brand orientation, have not empirically tested the relationship between an organisation’s brand orientation and dependent variables such as positional advantage and organisational performance. This paper demonstrates that brand orientation explains a significant proportion of both positional advantage and organisational performance. While the context of this paper is the Australian retail sector it is expected that, with some adaptation, the conceptual framework and operationalisation would be applicable to a number of other industry contexts and cultures. If research in the area of brand orientation is to truly advance it is recommended that other researchers test its explanatory power. It is further suggested that the framework would benefit from the inclusion of organisational characteristics such as organisation strategy, organisational resources and other critical organisational capabilities such as market orientation and operational orientation. We seek to do this in an empirical study of the Australian retail industry, which is currently underway.
References


