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Relational Capabilities and Brand Strategy
Within Commoditised Industries

Melina Parker, Jody Evans, Melbourne Business School, University of Melbourne
Kerrie Bridson, Bowater School of Management and Marketing, Deakin University

Abstract

In many traditionally commoditised industries, organisations are recognising that their product offering alone does not cultivate a competitive advantage. As commoditised products face greater price competition, many are looking for a more sustainable form of differentiation. Within the fresh fruit and vegetable, dairy and meat industries, organisations are increasingly value-adding and focusing on branded offerings to gain such advantage. Whilst this is witnessed within industry, there is little academic evidence that discusses the relationship between dyad partners and how this impacts their branding strategy. This paper conceptually discusses how relationships between buyer and supplier trade partners can impact the branding strategies that are ultimately pursued by dyad participants. The relationship between trade partners is conceptualised using the resource-based view. Consideration is given to relationship complexities, the external environment and performance measurement.

Research Context

The research seeks to explore the buyer-supplier relationship phenomenon and branding strategies in a context where, historically, neither party has been thus inclined. The Australian fresh produce industry provided such an industry. Previously characterised by a commoditised approach to branding, suppliers sold their product to the retailer, often via a host of intermediaries, with the end product being sold with the most basic of branding tools (e.g. product or variety type). Within this scenario, price is the predominant bargaining tool for trade partners. However, slowly, change has been occurring. Fresh produce is enjoying a more important role in the perceptions of both end consumers and retailers (Grant, 1995) with buyers and suppliers recognising that there is the opportunity to move away from traditional price based competition to the development of a competitive advantage based on differentiation.

Theoretical Framework

Development towards mutually beneficial allegiances has proved popular within academia, with many exploring the relationship phenomenon. More recently, relationships have been viewed not only as outcomes of strategic management but as strategies in themselves (Dyer and Singh, 1998; Molina, 1999). Despite such interest, there remains little within the extant literature to explain how relationships (strategic or otherwise) may impact strategy development, and, more specifically, brand strategy development in traditionally commoditised industries. This research addresses the relationship between buyers and suppliers in terms of the trust, commitment, cooperation, dependence and long-term orientation that exists within a direct trade dyad. Whilst

being commonly cited, well-documented relationship constructs (Lindgreen, 2001; Wilson, 1989), it is hoped that this research will contribute to current buyer-supplier relationship theory development through its explication of these traditional relationship constructs with a resource-based view (RBV). Thus, constructs are conceptualised as 'relational capabilities', developed and maintained by the trade partners operating within a dyad.

Although other research has coined a 'relational view' (Dyer and Singh, 1998), there remains limited research which considers individual relationship constructs with a RBV. Within the context of commoditised industries, we explore how buyer-supplier relationship capabilities impact both trade partners' brand strategy and how they measure their performance. Relationship complexities and the external environment are proposed as mediators of such associations. Thus, the following research question is addressed: *How can the relationships between relational capabilities, brand strategy, relationship complexities, the external environment and performance measurement be explained?* Such relationships are illustrated below. The following section outlines the conceptualisation of the various factors contained in the framework and is followed by a discussion of the proposed relationships.

Figure 1. Conceptual Framework
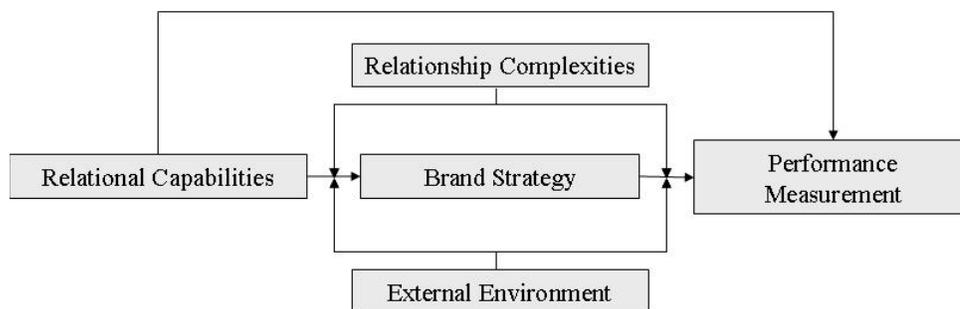
Relational Capabilities

Practitioners and academics converge in their belief that trade partnerships are of great advantage to both buyers and suppliers (e.g. Wagner and Boutellier, 2002). Grounded in the strategy literature, the RBV as an explanation of competitive advantage has recently been considered in association with relationship theory (e.g. Day, 2000). In their consideration of inter-firm relationships, Dyer and Singh (1998) discuss the ability of organisations who operate within a trade relationship as being more likely to achieve competitive advantage (as opposed to organisations who do not have strategic trade relationships). They propose four determinants of inter-organisational competitive advantage which comprise the 'relational view'. Although their approach is proposed as being complementary to the RBV, they note several key differences including the dyad being the unit of analysis as opposed to the individual firm. In addition, they observe differences in organisational behaviour, with RBV being based on self-interest versus the interest of the partnership.

We build on the work of Dyer and Singh (1998) and adopt the dyad as the unit of analysis and emphasise the interests of the partnership. However, rather than focus on inter-organisational

competitive advantage, we examine defining relationship constructs commonly cited within the literature from a RBV. Trust, commitment, cooperation, interdependence and long-term orientation can be conceptualised as relational capabilities. Barney (2002) defines organisational capabilities as those attributes that enable the firm to coordinate and make use of its resources. Campbell, Stonehouse and Houston (1999) define capabilities as the attributes possessed by all firms participating in an industry without which a firm could not compete. Accordingly, trust, commitment, cooperation, interdependence and long-term orientation capabilities direct the members of a trade partnership to build and deploy resources in certain ways.

Brand Strategy

Although Brester and Schroeder (1995) studied the impact of branded and generic advertising within the meat sector, with their findings indicating that branded advertising had a significant impact on consumption, commodity branding is still perceived as unrealistic to some practitioners. However, the opportunities associated with offering some point of differentiation to the consumer and managing the risk and uncertainty perceived by the consumer (Lurie and Kohli, 2002) can allow development of competitive advantage. Building of brand recognition and image can facilitate such differentiation. Brand strategy has received considerable attention within industry and academia in both industrial (business-to-business), (Wong and Merrilees, 2005) and consumer areas. Despite this, there remains little research which seeks to develop an association between the relationship that exists between trade partners and the brand strategies that they pursue. Research does, however, associate relationships with mutually beneficial strategic outcomes such as customer loyalty (e.g. Jap, 1999).

Within this research, brand strategy is conceptualised using a combination of both Bridson and Evans (2004) and Hankinson (2001). Brand strategy is developed using a RBV, similar to that of Bridson and Evans (2004). However, instead of focusing on the philosophical nature of an organisation's brand orientation, this research hopes to provide a more tactical approach in considering trade partners' brand strategy. The four capabilities defined as comprising brand orientation, including functional, value added, distinctive or symbolic orientations (Bridson and Evans, 2004) are used to explain the brand strategies that are pursued by trade partners. While the four capabilities do not result in four mutually exclusive brand strategies, a brand strategy developed by a trade partnership may incorporate varying degrees of each. For instance, a brand strategy can be both highly functional and distinctive, in the sense that a product possesses an identifiable logo that acts as a decision-making heuristic for consumers and communicates the utilitarian benefits of the product. Such a brand strategy does not, however, seek to develop a brand that enhances consumers' self-identity in a truly symbolic manner.

Relationship Complexities

Within this research, relationship complexities are considered mediating variables, impacting two conceptualised relationships. Whilst there are a multitude of buyer-supplier relationship constructs that could be discussed within this variable, power, conflict and opportunism are considered here. Preliminary research confirmed their importance when considering buyer-supplier relationships within commoditised industries (Parker, Bridson and Evans, 2006).

External Environment

Keep, Hollander and Dickinson (1998) address how relationships evolve over time, citing the importance of the external environment as a major factor in developing an organisation's strategy. They determine that organisations operating within environments characterised by high entry barriers and rapid growth are most reliant upon long-term relationships. Thus, within this research, it is acknowledged that dyad members do not operate in a vacuum but are instead dependent upon and heavily influenced by the environment within which they operate.

Performance Measurement

Based on the exploratory nature of this research, performance is considered not in terms of how brand strategy drives performance outcomes but, instead, how organisations actually measure their performance, thus 'performance measurement'. The literature coins many and varied ways that organisations actually measure performance with authors such as Chow, Heaver and Henriksson (1994) discussing the futility in trying to determine one best way of defining performance. Here, three measurements are proposed including, how trade partners measure the success of their buyer-supplier relationship, the success of their brand strategy and the overall success of their organisation.

Research Propositions

The association between relational capabilities and brand strategy development has not yet been addressed through extant literature. However, it is logical to propose that the strategy pursued by trade partners will be dependent upon the capabilities developed and maintained within a trade partnership (e.g. Jap, 1999). Thus, where relational capabilities are apparent (e.g. trust), more advanced and mutually beneficial branding strategies are expected to evolve. For example, where buyers and suppliers similarly perceive their relationship as being characterised by high levels of relational capabilities, such as trust and commitment, it is proposed that the brand strategy pursued by trade partners will exhibit more symbolic characteristics. Symbolic brand strategy characteristics are based on the emotive power of the brand and may capture a sense of corporate social responsibility (e.g. Golden Circle). Alternatively, where relationships between trade partners are short term and trust has not developed, it is unlikely that such brand strategies will be pursued. We suggest that it is more likely that trade partners will have a brand strategy that is distinctive (logo development as a bare minimum) or functional in nature. The development of greater levels of value and differentiation requires organisations to work more closely towards brand strategy delivery. This is seen as being facilitated by relationships comprising relational capabilities. Therefore: *Proposition 1: Relational Capabilities are related to Brand Strategy development.*

The association between relationship constructs and performance outcomes is well documented (e.g. Bennett and Gabriel, 2001; Wilson and Moller, 1988). However, performance indicators for each construct differ. For example, whilst O'Keefe (2002) emphasises that collaboration is about improved financial gain and competitive position based on trust, Bennett and Gabriel (2001) found that trust impacts information exchange, outcome satisfaction and joint problem solving.

Similarly, we acknowledge that performance can be measured differently proposing that the relational capabilities developed will impact how trade partners evaluate their performance. Financial, relationship and brand strategy performance measurement are considered. Thus: *Proposition 2: Relational Capabilities are directly related to Performance Measurement.*

It is expected that brand strategy will explain some variation in performance measurement of buyers and suppliers. The literature establishes a clear link between the development of organisational brand practices and improved performance outcomes (Baldauf, Cravens and Binder, 2003; Hankinson, 2002). Here, it is conjectured that different brand strategy types will impact the way in which trade partners measure performance. For example, it is proposed that organisations pursuing a functional brand strategy may be more focussed on financial performance indicators. We therefore propose: *Proposition 3: Brand Strategy is directly related to Performance Measurement.*

Relationship complexities are considered mediating variables, impacting two conceptualised relationships: the relationship between relational capabilities and brand strategy and the relationship between brand strategy and performance measurement. It is proposed that evidence of coercive power, dysfunctional conflict and/or opportunistic behaviour will impact both relationships. Thus: *Proposition 4: Relationship Complexities mediate the relationship between Relational Capabilities and Brand Strategy and the relationship between Brand Strategy and Performance Measurement.*

From existing research, it is evident that relevant environmental factors are heavily reliant upon the context within which they are considered. The relationship between relational capabilities and brand strategy and brand strategy and performance measurement is proposed as being mediated by the external environment, that is, volatility, competitive intensity and market turbulence. Therefore, we propose that: *Proposition 5: The External Environment mediates the relationship between Relational Capabilities and Brand Strategy and the relationship between Brand Strategy and Performance Measurement.*

Conclusion

Industry has provided us with many examples of how the relationship between trade partners can impact branding strategies. Whilst happening in practice, the literature does not offer any explanation of this phenomenon. Using a RBV to explicate relationship constructs, this study aims to contribute to academic theory through its consideration of buyer-supplier relationships and branding strategy within one model. Acknowledging that relationships do not operate within a vacuum, consideration is also give to relationship complexities and the external environment as mediating variables. The research question and subsequent propositions have been explored using an exploratory in-depth interview approach within 25 dyads. Although data collection has been completed, analysis of results is yet to occur with a detailed methodological approach and findings to be presented at the ANZMAC conference.

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