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An Investigation into the Advantages of Brand-Orientation over Corporate's Brand Differentiation, Brand Performance and Financial Performance (A Case Study: Companies of Arak County's Industrial Parks)

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ABSTRACT

Today, the principal capital of most businesses is their brands. For decades, a company's value has been measured in terms of its properties and then tangible assets, factories and equipment. However, it is recently revealed that the real value of a company is somewhere outside the company's building, i.e. in the minds of its potential customers. For a potential customer, a brand works as an important guide. Like cash, brand facilitates a transaction. Therefore, brands are crucial to business transactions. Given the importance of the research subject, this paper is trying to identify the advantages of brand-orientation of the companies.

To do so, five hypotheses were formulated. Accordingly, providing an outline of this descriptive research, first the data was collected using field and desk study research methods. For a field data collection, a 25-item questionnaire was prepared and distributed among the research's statistical population including a collection of companies located in the Industrial Parks of Arak County. The completed questionnaires were then analyzed using T-Student statistical technique by LISREL software. The second hypothesis was not supported and analyzing the results, further suggestions were offered based on the research's findings.

KEYWORDS: Brand-orientation; Brand Performance; Corporate Financial Performance; Brand Differentiation

INTRODUCTION

Taking notice of marketing activities as a means of getting into customers' minds and creating an intellectual property called *brand* is a new perspective in the field of marketing. The different studies revealed that the real value is not in the goods or services, but it rests in the mind of real and potential customers; it is the *brand* that creates such a real value in the mind of customers (Davandari et al., 2009). Strong brands will enhance the company's competitiveness and profitability. A quick glance at the statistics of top brands in 2011 would prove this assertion. In 2011, the Coca Cola brand was ranked first among the world's 100 top brands.

Any company which treats brands simply like a trademark is certainly unaware of the nature of its applications (Cutler, 2010). Brand is not simply a trademark, but it is considered for most companies as the total corporate asset (Chattopadhyay et al., 2009). Due to the high importance of brand and its management, companies are gradually moving one step beyond considering the brands and are entering to "brand-orientation" discussion (Wong and Merrilees, 2008). Averd (1999) defined brand-orientation as "an attitude in which corporate processes are focused on creating, developing and maintaining a *brand identity* in constant interactions with target customers, hoping to obtain a competitive advantage out of that brand." Therefore, choosing a brand-oriented strategy, the company would be more competitive and would lead to an increased performance (Wong and Merrilees, 2005).

Thus, a brand is an important guide to a potential customer. Like cash, brand will facilitate interactions. Therefore, that is why the brands are crucial to business interactions. Moreover, given the importance of the research subject, this paper is trying to identify the advantages of brand-oriented companies.

Brand

Brand-orientation is a thought or belief which determines a company's course of action. It is introduced as the footstone for gaining competitive advantage in the target markets. In fact, the first step in gaining competitive advantage is brand-orientation. The companies seeking brand-orientation should continually care about their brand and its management and are trying to create a much better and more distinctive brand than their rivals in the minds of customers (brand differentiation) (Wong and Merrilees, 2008). *Brand differentiation* is a company's success in developing a brand based on producing much more distinctive products than what are delivered by their rivals. It greatly helps companies looking for success in the long-run (Doyle, 1990). Hence, the brand-orientation is likely to influence *brand differentiation* directly and positively (**First Hypothesis**).

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The brand-orientation may elevate the marketing performance via different tools. It may enhance the company's reputation and brand awareness. It can even influence brand loyalty as a kind of competitive advantage leading to reduce marketing costs, attract new customers, and increase economic profit. Therefore, the brand-orientation may create brand loyalty and brand awareness which, ultimately, may reduce marketing expenses (Calderon et al, 1997). Brand awareness and brand's perceived quality could attract more customers (Herbigand and Milewicz, 1997). The positive relationship between brand loyalty, market share, and brand performance is previously supported (Chaudhuri and Holbrook, 2001). Therefore, it is supposed that brand-oriented companies could deliver better performance (**Second Hypothesis**).

Brand differentiation is a company's success in developing a brand based on production and provision of distinctive products. Brand differentiation has turned into a potential marketing power for companies' success in the long-run (Doyle, 1990). In order to maintain a distinctive brand, brand differentiation motivates companies to look for innovative production practices for producing innovative products. In fact, it is considered as a strategic starting point towards innovation (Weerawardena et al., 2006). Today, distinctive brands, such as Apple in computer industry, are continually developing more innovative products and are delivering new products to markets. Thus, it is supposed that a distinctive brand would affect a company's innovation directly and positively (**Third Hypothesis**).

The results of the previous studies show that innovation may generally increase a company's performance. For the brand, the results also indicate that innovation positively affect the brand performance in small and medium enterprises. Even, some researchers believe that innovation can facilitate brand competitiveness (Weerawardena et al., 2006). Brands need to deliver innovative products and services to overtake their rivals. In this regard, companies should have systems to identify, select and apply innovative ideas. Innovative ideas may draw the attention of target customers; this is called *brand awareness*. When the innovation system of a company outperforms others', the brand of that company may increase its reputation and render the customers to be more loyal to the brand (Wong and Merrilees, 2008). Thus, it is supposed that innovation influences brand performance directly and positively (**Fourth Hypothesis**).

The positive relationship between brand loyalty and market share is indicated in previous studies (Chaudhuri and Holbrook, 2001). Chaudhuri (2002) found a relationship between brand reputation, brand sales and market share. Depicting a positive image for brand and creating a stable and strong reputation for brand may convince target customers that the brand in question is capable to meet their needs and expectations, better than their rivals (Chaudhuri, 2002). Customers' loyalty to a brand may reduce customer acquisition costs. Moreover, a good brand performance may be profitable for companies. As already mentioned, the value of the Coca Cola brand is 71.861 billion Dollars, which is also an advantage of good brand performance. Thus, it is supposed that brand performance affect financial performance directly and positively (**Fifth Hypothesis**).

Brand equity

Brand is important for every company and as a result, creating and maintaining a proper position for it in the minds of customers is one of the most significant tasks of marketers. Customers buy a brand rather than a product; in fact, it is what the people buy and the goods are what manufactured in the plants. Products could be more or less easily reproduced by rivals, but the brand is unique. Initially, Farkuhar defines brand equity as the value added to a product by its brand. High values of brands are considered as competitive advantage, for the companies may determine higher prices for their products based on brand equity, provide a better leverage, increase sales and profit margin and decrease it vulnerability to competition (Husseini et al., 2009).

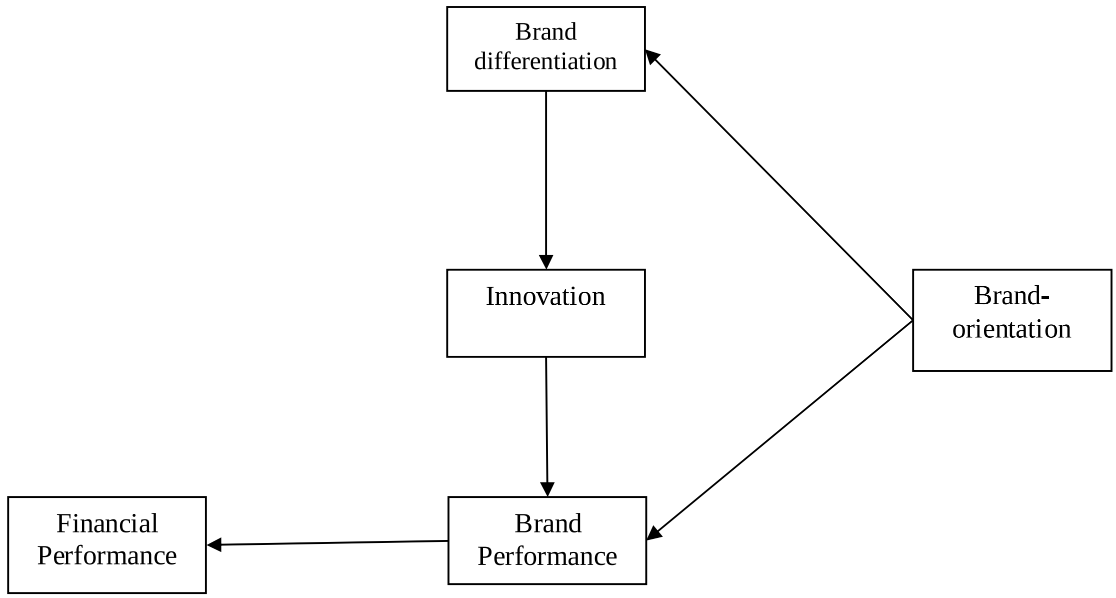
Chen and Chang (2008) defined brand equity as the value-added or marginal profit added by a brand to a product. Brand equity is key and essential concept in brand management and is studied from different perspectives. Three approaches have been suggested to assess brand equity; the first is the monetary and financial value of brand in the market; the second is a multidimensional concept including the value added to a product or service by consumers' feelings and perceptions of a brand. The latter is usually conceptualized as consumer-based brand equity. Finally, the third approach is a combination of financial and consumer-based approaches (Mo'tameni et al., 2008).

Conceptual Model

This study is seeking to determine the effects of brand-orientation on brand performance and financial performance of companies. In fact, the main research question is that, considering the high importance of brand and brand-orientation and also given the fact the ultimate goal of every business is to achieve better financial performance (more profit, more market share), what are the influences of brand-orientation on the company's financial performance and brand performance? What are the impacts of huge expenses spent annually by corporations for brand and its management on their financial performance?

To answer these questions, the authors examined the model proposed by Wong and Merrilees (2008) on the companies located in industrial parks of Arak County. Accordingly, brand-orientation and identification of its impacts on financial performance and brand performance (brand differentiation, high profitability and acquiring more market share through being brand-oriented and having loyal customers) seem crucial for such companies. Because, if they fail to secure higher market shares and profitability, they should expect consequences like decreased market share and lower competitiveness, etc. Therefore, the effects of brand-orientation on brand performance and financial performance of companies located in industrial parks of Arak County are investigated.

Based on the above discussion, the conceptual model of the research is presented in Figure 1.



Source: Wong and Merrilees, 2008

METHODOLOGY

This is an applied and, causal study concerning its research objective and nature, respectively. All the companies, totally 934 ones, located in industrial parks of Arak County constitute statistical population of this investigation. Those companies were divided into small (up to 50 employees), medium (51-200 employees) and large (more than 200 employees) by the size of their workforce. The results are presented in Table 1.

Table 1: Statistical population classification

Company type	Criteria	Size	Number of companies to total population ratio
Small Companies	Up to 50 employees	299	32%
Medium Companies	51-200 employees	439	47%
Large companies	More than 200 employees	196	21%
Total		934	100%

Next, proportionate to the ratio of each group to total population, 260 questionnaires were distributed among CEOs of companies. Finally, 200 questionnaires were collected.

The sample consists of some population members having attributes similar to those of the population and represents the population, and they are also congruent and homogeneous with other population members (Hafeznia, 2005).

At large, in the models which are studied using structural equations modeling, it will be sufficient to select a sample size more than 200 (Bart, 2007; Jourskoug, 2004).

Furthermore, in structural equations modeling, the sample size could be equal to 5 to 15 observations per measured variable; that is., $5q \leq n \leq 15q$, where;

q = number of observed variables (questionnaire queries); and

n = sample size (Ghaffari Ashtiani, 2007).

The research questionnaire included 25 items. Therefore, considering 5 observations, the required samples would be 125 and considering 15 observations per statement, the required samples would be 375.

Accordingly, and using the stratified sampling method, 260 questionnaires were distributed among these companies, 200 of which were returned.

The results are shown in Table 2.

Table 2: Sampling results

Company type	Number of companies to total population ratio	Distributed questionnaires	Returned questionnaires
Small Companies	32%	260*32%=83	77
Medium Companies	47%	260*47%=122	84
Large companies	21%	260*21%=55	39
Total	100%	260	200

The field method was employed for data collection. Questionnaires were used as an instrument to collect data and to obtain required information. The research questions were addressed in the form of 25-item questionnaire which were organized based on the ordinal scale and five-point Likert Scale. Cronbach's Alpha was also 0.966 which supports the questionnaire's reliability. LISREL was used for data analysis.

Questionnaire's Reference:

Wong, H., and Merrilees, B. (2008), "The performance benefits of being brand-orientated", Journal of Product & Brand Management, Vol. 17, No.6, pp . 372–383.

Table 3: **Fitness indicators**

746 /46	Chi-square (χ^2)
0 /094	(RMSEA) Root Mean Square Error of Approximation
0 /70	(NFI)Normal Fit Index
0 /77	(NNFI)Non-Normal Fit Index
0 /79	(CFI)Comparative Fit Index
0 /77	(GFI) Goodness of Fit Index
0 /72	(AGFI)Adjusted Goodness of Fit Index
P<**0/05**	**d.f=270**

Analysis Method

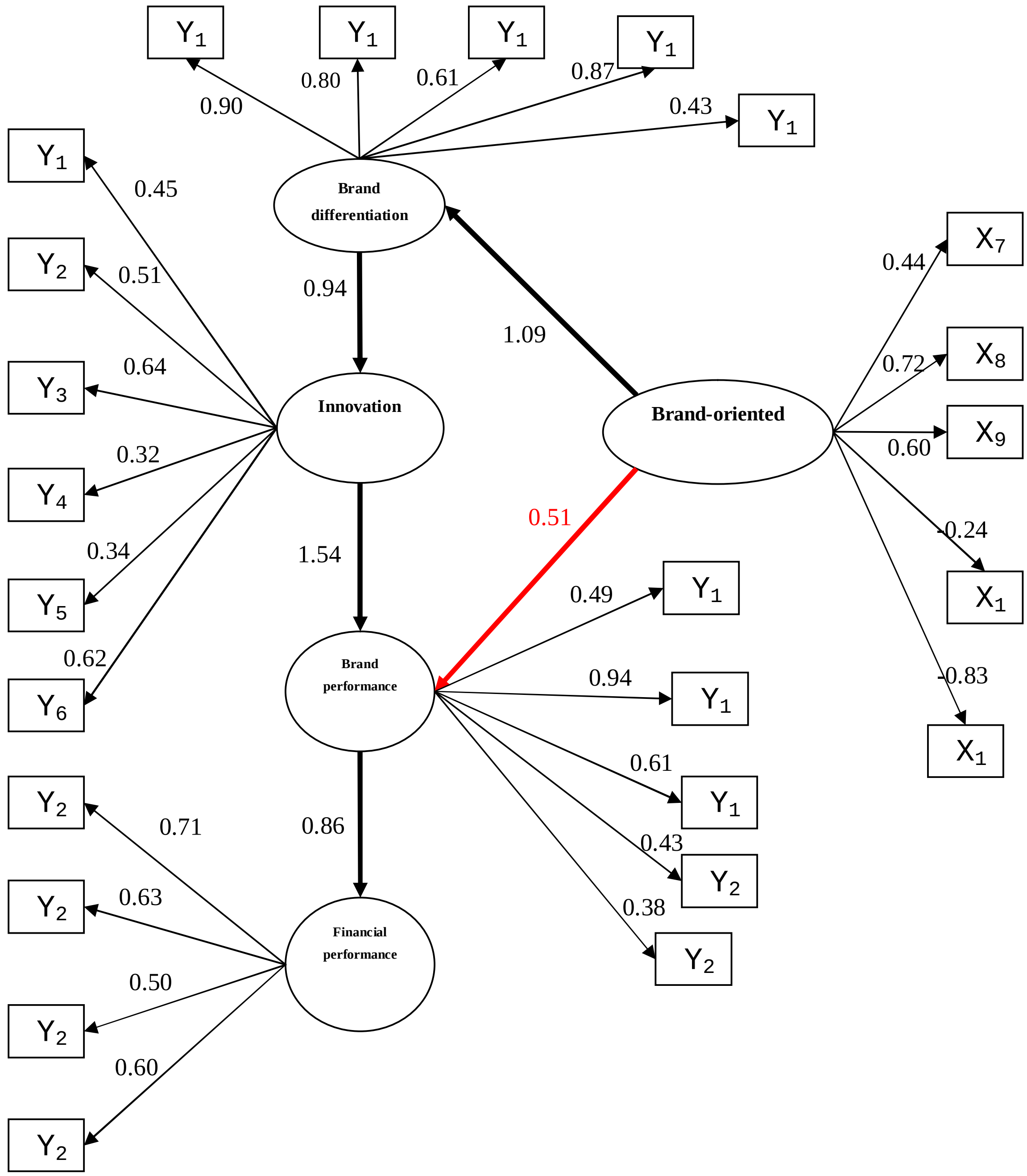


Figure 2: Assessment of structural equations modeling based on path coefficients

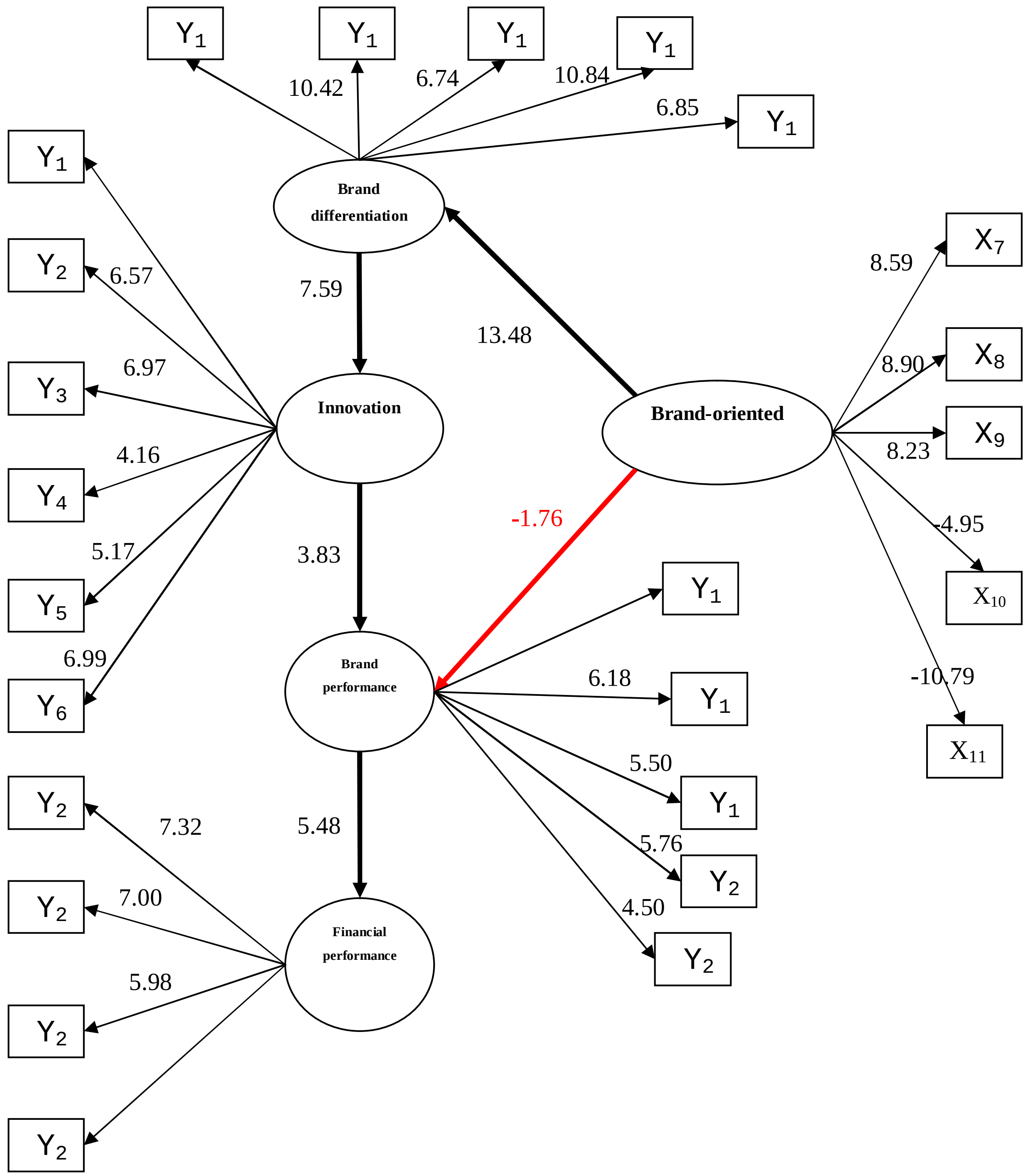


Figure 3: Assessment of structural equations modeling based on t coefficients

Identifying the research question, research methodology, and a proper data collection instrument and their application, it was the time to analyze the data so collected in order to test the research hypotheses, which were probable and uncertain propositions (Hooman, 2005). The data processing stage should be placed between the data collection and data analysis stages. This stage functions to prepare data for analysis. During data processing, the data should be edited first, or in other words, one should not suppose that anything obtained as filled-out questionnaires could be put to use. In the present study, the obtained information was analyzed using inferential statistics, and Structural Equations Modeling (SEM) (Confirmatory Path Analysis) and Confirmatory Factor Analysis were applied by LISREL 8.50.

RESULTS

The brand-orientation is a thought or belief which determines a company's course of action. It is considered as the footstone for gaining competitive advantage in target markets. In fact, the first step in gaining competitive advantage is brand-orientation. Companies seeking the brand-orientation should continually care about their brand and its management and try to create a much better and more distinctive brand than their rivals in the minds of customers (brand differentiation) (Wong and Merrilees, 2008). *Brand differentiation* is a company's success in developing a brand based on delivering more distinctive products compared to its rivals'. This concept greatly helps companies who look for success in the long-run. Hence, it is supposed that the brand-orientation could affect *brand differentiation* directly and positively. Here, given the fact that the path coefficient value between brand-orientation and brand differentiation variables was positive (1.09) and the *t* statistic value was 13.48 compared to 1.96, at 95% level of confidence, the null hypothesis (brand-orientation has no significant effect on brand differentiation) was not supported and, therefore, the research hypothesis was confirmed ($t = 13.48 > 1.96$). Thus, the brand-oriented variable has a positive and direct effect on brand differentiation.

The brand-orientation may elevate the marketing performance via various tools. It may enhance a company's reputation and brand awareness. It can even influence brand loyalty as a kind of competitive advantage leading to reduce marketing costs, acquire new customers and increase economic profit. Therefore, the brand-orientation may create brand loyalty and brand awareness which, ultimately, may reduce marketing expenses (Boddy, 2004). Brand awareness and brand's perceived quality could cause to attract more customers. The positive relationship between brand loyalty, market share and brand performance is previously supported (Chaudhuri and Holbrook, 2001). Therefore, it is supposed that brand-oriented companies could deliver better performance. Here, given the fact that the path coefficient value between brand-orientation and brand performance variables was negative (-0.51) and the *t* statistic value was -1.76 and comparing its absolute value to 1.96, at 95% level of confidence, it is concluded that there is no significant relationship between these two variables. Thus, there is no significant relationship between brand loyalty, market share and brand performance.

Brand differentiation is a company's success in developing a brand by producing and delivering distinctive products. Brand differentiation has turned into a potential marketing force for company's success in the long-run. In order to maintain a distinctive brand, brand differentiation motivates companies to look for innovative production practices for producing innovative products. In fact, it is counted as a strategic starting point towards innovation. Today, distinctive brands, such as Apple in computer industry, are continually developing more innovative products and delivering new products to markets (Wong and Merrilees, 2008). Thus, it is supposed that maintaining a different brand would influence a company's innovation directly and positively. Here, given the fact that the path coefficient value between brand differentiation and innovation variables was positive (0.94) and the *t* statistic value was 7.59 compared to 1.96, at 95% level of confidence, the null hypothesis (brand differentiation has no significant effect on innovation) was not supported and, therefore, the research hypothesis was confirmed ($t = 7.59 > 1.96$). Thus, maintaining a different brand variable has a positive and direct effect on company's innovation.

Reviewing literature results shows that innovation may generally increase a company's performance. In the case of brand, results indicate that innovation positively influence brand performance in SMEs. There are even authors who believe that innovation can facilitate brand competitiveness. Brands need to deliver innovative products and services to overtake their rivals. In this regard, companies should have systems to identify, select, and employ innovative ideas (Viot, 2011). Innovative ideas may draw the attention of target customers; this is called *brand awareness*. When the innovation system of a company outperforms others', the brand of that company may increase its reputation and render the customers more loyal to the brand (Wong and Merrilees, 2008). Thus, it is supposed that innovation influences brand performance directly and positively. Here, given the fact that the path coefficient value between innovation and brand performance variables was positive (1.54) and the *t* statistic value was 3.83 compared to 1.96, at 95% confidence level, the null hypothesis (innovation has no significant effect on brand performance) was not supported and, thus, the research hypothesis was confirmed ($t = 3.83 > 1.96$). Thus, innovation has a positive and direct effect on company's brand performance.

The positive relationship between brand loyalty and market share is indicated in previous studies. Chaudhuri (2002) found the relationship between brand reputation, brand sales, and market share. Depicting a positive image for brand and creating a stable and strong reputation for brand may convince target customers that the brand in question is capable of meeting their needs and expectations, better than rivals (Chaudhuri and Holbrook, 2001). Customers' loyalty to a brand may reduce customer acquisition costs. Moreover, a good brand performance may be profitable for companies. Thus, it is supposed that brand performance influence financial performance directly and positively. Here, given the fact that the path coefficient value between brand performance and financial performance variables was positive (0.86) and the *t* statistic value was 5.48 compared to 1.96, at 95% level of confidence, the null hypothesis (brand performance has no significant effect on financial performance) was not supported and, therefore, the research hypothesis was confirmed ($t = 5.48 > 1.96$). Thus, brand performance has a positive and direct effect on financial performance.

The brand-orientation influence brand performance directly and positively. Considering the obtained *t*-statistic, there is no significant relationship between these two variables in the focus population. It could be states that may be the tested companies had not considered brand-orientation to the extent that could have considerable effects on their brand performance in market. This assumption was confirmed in the studies of Wong and Merrilees (2005 and 2008). The same results were reported by Asadollah et al (2009).

Brand distinctiveness influences innovation positively and directly. Brand differentiation motivates companies to look for innovative production practices for producing innovative products. In fact, it is counted as a strategic starting point towards innovation. Today, distinctive brands, such as Apple in computer industry, are continually developing more innovative products and delivering new products to markets. Wong and Merrilees (2008) reported similar results.

Innovation has a direct and positive effect on brand performance. Reviewing literature results shows that innovation may generally increase a company's performance. In the case of brand, results indicate that innovation positively influence brand performance in SMEs. There are even authors who believe that innovation can facilitate brand competitiveness (Boddy, 2004). Brands need to deliver innovative products and services to overtake their rivals. In this regard, companies should have systems to identify, select, and employ innovative ideas. Innovative ideas may draw the attention of target customers; this is called *brand awareness*. When the innovation system of a company outperforms others', the brand of that company may increase its reputation and render the customers more loyal to the brand. This conclusion was also confirmed by Wong and Merrilees (2008).

The brand performance may directly and positively influence a company's financial performance. The positive relationship between brand loyalty and market share is indicated in previous studies (Chaudhuri and Holbrook, 2001). Chaudhuri (2002) found the relationship between brand reputation, brand sales, and market share. Depicting a positive image for brand and creating a stable and strong reputation for brand may convince target customers that the brand in question is capable of meeting their needs and expectations, better than rivals (Chaudhuri, 2002). Customers' loyalty to a brand may reduce customer acquisition costs. Moreover, a good brand performance may be profitable for companies. In a study by Wong and Merrilees (2008), this hypothesis was also confirmed.

Suggestions

Suggestions based on the 1st and 2nd Hypotheses

1. Performing periodical studies in fixed timeframes, in order to measure the market position of the brand. To do so, the company's managers may ask the marketing department to perform brand position surveys and measurement of market share, for example, twice a year.
2. Organizing training workshops on brand, brand management principles, and advantages of brand-orientation. Managers and employees should attend these courses. These training courses would be held aiming to identify brand importance and the advantages of maintaining a strong brand. This way, every company member will understand brand performance and will try to align his/her activities with this aim.
3. Adopting the brand-oriented strategy proportionate to the company's position and target group customers. Enhancing brand position should be performed according to the company's target customers. A successful brand-oriented strategy for one company might produce undesirable results for another. Therefore, it is crucial that company managers understand the needs and preferences of their target group and determine their brand position accordingly.
4. Proper and effective use of promotion mix to enhance brand power in the minds of consumers. Promotion mix includes advertisement, personal selling, promotions, public relations, and direct marketing. According to the life stage of the company's products, a sound use of this mix could contribute to promoting the brand's position.

Suggestions based on the 3rd Hypothesis

1. Emphasis on creating a specific attribute for products and organizing advertisements based on that attribute. Each company should achieve a proper position in the minds of their consumers for their products. Positioning could be achieved through creation of and maintaining a competitive advantage. Holding a strong brand necessitates company managers to create a specific attribute in their brands. This attribute should be highlighted in promotions. For example, Mercedes Benz emphasize on perfect engineering and Sony on quality. Furthermore, managers should take note that, once they create a specific attribute in their products, they should invariably stress on that very attribute in their advertisements and should not focus on multiple and different attributes, as this might confuse consumers.
2. Attempting to add new features to products which differentiate them from their rivals'. The company should always consider innovations. A company's CEO should never think that there is no need for further changes anymore, as the only unchangeable phenomenon is the "change" itself. Thus, the manager, who overlook innovation and change in products, will certainly fail. As a good practice, Apple Corporation changes its products from time to time and adds new features to them.
3. Performing market surveys in order to assess future needs of consumers and being prepared to deliver new products accordingly. Today, the company which moves a few steps ahead of time will be successful. Companies should not wait for needs to show up and then start designing and developing products proportionate to them. This was the case with the first series of Sony Walkman. In fact, Sony Corporation recognized this need before other rivals and designed and marketed a product sooner than the others and gained a large market share.

Suggestions based on the 4th Hypothesis

1. Attempting to develop innovation in products by adding or removing a feature;
2. Attempting to develop innovations based on size, by changing product size;
3. Attempting to develop innovation in products by changing products package;
4. Attempting to develop innovation in products by changing design and appearance of products;
5. Attempting to develop innovation in products by adding some new components to the main product in order to create diversity.

Suggestions based on the 5th Hypothesis

1. Increasing brand awareness among consumers using the promotion mix. Allocating enough budgets to promotion mix increase the public advertisement which influences brand awareness throughout the society.
2. Performing market surveys in order to measure such concepts as brand awareness, brand image and brand loyalty. Similar research to this study and using the findings in developing proper marketing strategies.

Suggestions for Future Studies

1. Future researchers may compare the present conceptual model in other organizations to investigate its weak and strong points. This way, this model could be improved or modified to achieve a proper model according to the texture of the local society.
2. Future researchers may include new variables to the model to measure their impact.
3. Performing similar studies using a larger population in other countries in order to enhance its generalizability and providing validity for the findings.

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