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## Development of sustainable brand equity in small and medium enterprises (SME) through supply chain relationship - Ensuring end to end connectivity

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### Abstract

Supply chain management is important in development of brands by small and medium enterprises. Focusing exclusively on managing the brand in consumer markets ignores the needs of important downstream market intermediaries such as distributors and retailers and towards final customer, fails to capitalize on the potential for leveraging brand equity to create added value with upstream suppliers. Delivering on the brand promise becomes a moment of truth in any customer relationship. In an era of ever-increasing customer demands and impatience, it is your supply chain that often represents a critical opportunity for you to build or destroy your brand equity. One promise that is expected of every brand is delivering the right product, to the right place, at the right time. The failure to successfully manage relationships with supply chain partners is now seen as a potentially serious obstacle to the success of a brand (Shocker, Srivistava and Ruekert 1994). However, Dankwa (2012), noted that most Small and Medium sized Enterprises (SMEs) are lagging behind in branding strategies due to limited capitals, infrastructure and management. To alleviate this, there is need to create strong brands to gain competitive advantage through adoption and institutionalization of effective supply chain management (Arawati, 2011). The purpose of this research paper was to recognize and elicit role of supply chain in creation of brand equity. A systematic review of the literature on brands reveals very few studies carried out and devoted to understand brands in inter-organizational trade.

This study being a descriptive research adopted both qualitative and quantitative research approaches. Questionnaire was used as data collection instruments. A qualitative study employed to explore the meaning of brand equity in the supply chain, the value of brand equity on perceived risk in inter-organizational exchange, and the effect of brand equity on relationship commitment. Subsequently theoretical model generated the perspective of viable relationship between supplier and customer.

**Keywords:** supply chain, traders, customer, brand equity, intermediaries etc.

### 1. Introduction

Firms around the world are entering a new era of business competition. The union of forces such as the globalization of markets, the escalating pace of technological change, and increasing economic disorder provides a medium for the emergence of a network paradigm which recognizes that competition occurs increasingly between global networks of firms rather than traditional firm-to-firm basis (Achrol 1997; Achrol and Kotler 1999). In the global networked business environment, effective supply chain management is essential to the survival and success of the enterprise; however, acquiring and maintaining profitable supply chain relationships is becoming increasingly difficult. Focusing exclusively on managing the brand in consumer markets ignores the needs of critical downstream customers such as distributors and retailers fails to capitalize on the potential for using brand influence to create added value with upstream suppliers. They are forced not only to think about short-term tactics necessary to attract and maintain market share with consumers while fending off competitors, but also to consider the strategic function and nature of brand management itself in delivering customer value under these new competitive conditions (Shocker, Srivistava and Ruekert 1994).

A brand is a name, term, sign, symbol, or design or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition. Aaker (1991) conceptualizes brand equity as the set of 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, and proposes a set

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of measures for each of five dimensions of brand equity: 1) brand loyalty, 2) brand awareness, 3) perceived quality, 4)

brand associations, and 5) other proprietary assets.

### 1.1. Dimensions of brand equity

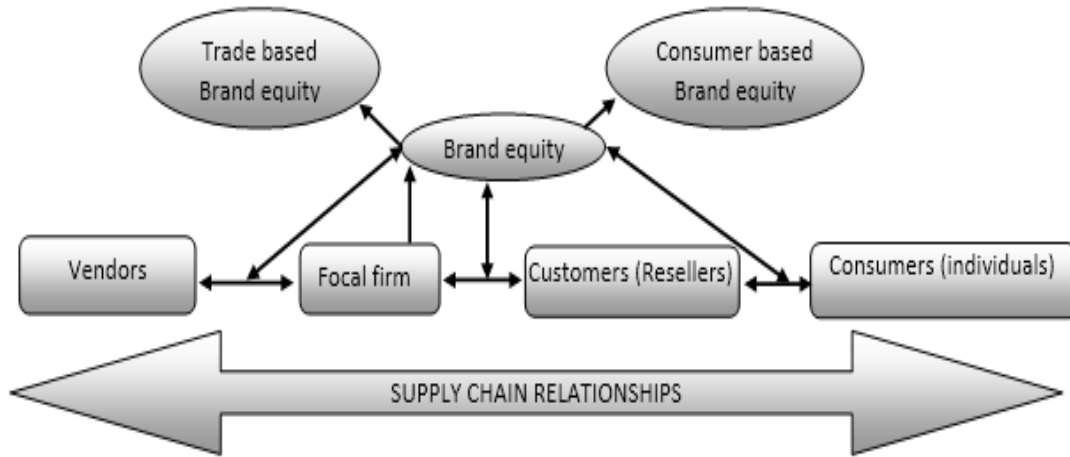


Fig 1: Dimensions of brand equity

### 1.2. Supply Chain is a Foundation for Building Brand Equity

Most marketing executives spend little time thinking about their company's supply chain. However, in an era of ever-increasing customer demands and impatience, it is your supply chain that often represents a critical opportunity for you to build or destroy your brand equity. As Jan Twombly, a principal at The Rhythm of Business, stated: "Supply operations are forever directly related to demand; and managers can't treat them as separate." Consider the different experiences of Kmart and Cisco Systems. Kmart's supply chain became a serious brand and customer-relationship liability, while Cisco has turned its supply chain capabilities into a core element of its brand promise.

### 1.3. Fulfilling the Brand Promises in Buying and Using Experiences -- Moments of Truth

Delivering on the brand promise becomes a moment of truth in any customer relationship. This moment of truth can have a positive or negative impact on the customer's perception of your brand. You may have great marketing communications and a superior product, but the buying experience stands between you and the customer. If the customer has a negative buying experience due to poor fulfillment, you have diluted the equity in your brand. And this happens all too often. While firms that have developed powerful consumer brands have the opportunity to leverage their brands to strengthen relationships with supply chain partners and secure their positions as desirable trade partners in their supply chains.

Brands make promises to their customers- Performance. Style, Confidence, Security, Affiliation, Quality and Service. It is important to remember that the customer tests all of these promises and he experiences a moment of truth. The promise is either fulfilled or it is not.

If a customer purchases a product and it does not work or he cannot figure out how to use it, you are certain to have a brand equity issue on your hands. As a result, marketers have spent a great deal of time and attention on two aspects of the using experience: product quality and user centered design. These efforts have paid great dividends for many brands such as Apple, Nike, and Symbol Technologies.

However, few marketers have spent a comparable amount of time on the other moment of truth –the buying

experience. The buying experience starts during the purchase-education process and continues through purchase commitment (the order) and ends with product or service delivery. For many products, and indeed most services, the buying experience is every bit as critical in the customer-relationship as the using experience. Over the years, many marketers have not thought about the buying experience much beyond the "P" for placement.

One promise that is expected of every brand is delivering the right product, to the right place, at the right time. Your supply chain capabilities can make or break your ability to fulfill that promise. Brands with substantial equity favorably influence purchasing behavior, command a price premium, and have referral generating customers.

Customers want to associate themselves with brands that keep their promises. They believe that the brand understands their needs and they feel good about using it. They also tend to be among the most loyal customers when repurchase decisions come around.

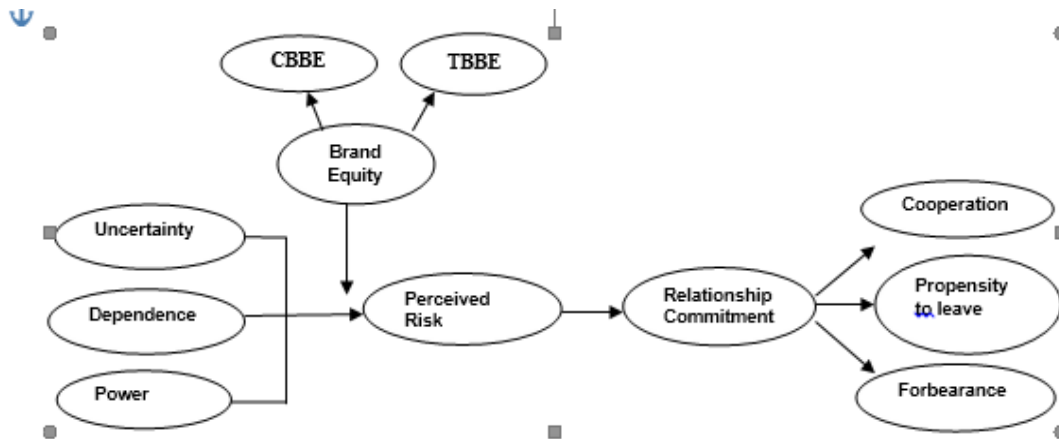
When you think about your brand promise, make sure you spend as much time fulfilling the buying experience promise as you do on the image, marketing communications, and product engineering. This requires both knowledge of your supply chain and the leadership to shape it to meet your brand needs. It's time you begin using your supply chain to support and build your brand. It can reveal hidden assets in building your brand and can ensure that your brand is not destroyed by fulfillment deficiencies.

### 1.4. Brand Equity in the Supply Chain

It is made clear in this study by distinguishing consumer-based brand equity (CBBE) from trade-based brand equity (TBBE) as dimensions of a centre of firm's brand equity. Following Keller (1993), trade-based brand equity is defined here as the differential effect of the brand on the response of trade partners to marketing activities of the firm. Therefore, the brand equity of the focal firm is proposed to arise not only from perceptions held in the minds of individual consumers, but also from perceptions held by trade partners. The three key areas embedded in supply chain viz., inter-organization exchange, brand equity and relationship management. The theoretical structure that emerged from the qualitative study proposes brand equity as a moderating variable to perceived risk;

that is, brand equity in the supply chain affects supply chain relationships by changing the level of perceived risk

in inter-organizational exchange.



**Fig 2:** The Effect of Brand Equity in the Supply Chain

The literature suggests there are significant differences between consumer purchasing and inter-organizational exchange that may affect transferability of theory from consumer behavior to the supply chain context. Perceived risk in the consumer context is a second-order construct comprised of two dimensions: uncertainty and consequences. The decision to purchase known brands is thought to minimize perceived risk by reducing uncertainty (Bauer 1960; Cox 1967).

Cisco Systems views its supply chain capabilities as core to its brand and customer-experience strategy. A central aspect of Kmart's marketing strategy was to issue circulars promoting sales of hot items. While Amazon, Dell and Wal\*Mart each demonstrate that a supply chain can serve as a foundation for a strong brand, other companies have trouble retaining customers due to poor supply chain performance.

At the heart of brand strategy is the notion of added value achieved through meaningful differentiation and linked to the brand in the minds of potential customers (Alderson 1957). Hence, two foundational assumptions of brand strategy are that customers in a given product market have the ability to perceive differences and that they will have differential responses to differentiated offerings.

Developing brand strategies for the supply chain poses significant challenges for brand managers and raises several intriguing questions for marketing scholars. In the supply chain context, the challenge to brand managers is three-fold: 1.) what aspects of the company's supply chain have the most current or potential influence on the brand promise and our customers' buying experience? 2) How well am I aligning the brand promise with the company's supply chain fulfillment capabilities? 3) How do I ensure that my colleagues who are responsible for supply chain activities know the brand promise and their role in fulfilling it? Examining existing theory in the brand equity literature provides a stepping-off point for exploring these issues.

#### 1.4. Statement of the Problem

In today's competitive world, many SMEs have turned to use of their own brands to capture customers' attention and gain their loyalty while reducing marketing cost and give the firm a competitive advantage. However, (Dankwa, 2012) noted that most Small and Medium sized Enterprises

(SMEs) are lagging behind in branding strategies due to limited capitals, infrastructure and management. To alleviate this, there is need to create strong brands to gain competitive advantage possible through a continuously effective adoption and institutionalization of supply chain management (Arawati, 2011). In India today, biggest challenge for SMEs is how to deliver the promises made to customers (Ullas & Calpiner, 2008) of the right product, at the right time, right place and at a right price. Failure to meet this in turn leads to customer disloyalty and loss of market share. Therefore, the objective of this study was to establish how SCM practices influence branding of SMEs. The study analysis the influence of strategic relationship management practices on branding of SME's and to determine the effect of outsourcing practices within the supply chain to branding of SME's.

## 2. Research Methodology

The research design used was descriptive which sought to provide further insight into the problem, influence of supply chain management practices on branding by SMEs in India. Data collection methods used included use of questionnaires. The study collected primary and secondary data. Primary data collected from selected 100 SME's in Karnataka using questionnaire. The questionnaires were self administered to the respondents who were picked for the purpose of analysis. Empirical and theoretical books, research papers, journals and the internet were sourced for the purpose of collecting the secondary data. Descriptive statistics in the form of percentages and inferential statistics were used for analysis in the study.

### 3.1. Results and Discussion

#### 3.1.1. Effect of advertising types on brand equity.

Table 1 depicts the type advertising media used to create brand equity by respondent firms. The study reveals that 89.9% of the respondents used combination of print, advertising and transit media to communicate their products and strategies to customers. Television (42%), News paper (35%) and outdoor media (32%) were next best alternatives. Very few respondents (12%) said that social media is not best choice as many consumers are not aware and don't have access to internet.

**Table1:** Effect of advertising types on brand equity.

Advertising Media	Print media			Electronics media or Broadcast medias			Transit Media		Combination of all
	News paper	magazine	Outdoor media	T.V	e-commerce	Social Media	Bus	Railways	
Percentage of respondents	35	8	32	40	12	12	5	5	89.9

**3.1.2. Effect of supply chain relations on brand equity.**

Effective supply chain integration is essential while delivering value to the customers. Having good relationship with supply chain stake holders ensure fulfilling customer needs. This assists in developing customer loyalty and creates brand. Study shows that having good relationship

with suppliers is important for 39.3% of respondent firms to create brand. On the flip side, 40% of respondent firms had an opinion that the very good relationship with customer is essential. Whereas 82% of the firms responded to have very good relationship with both customers and suppliers.

**Table2:** Level of branding influenced by supply chain relations.

Strategic relations	Very Good	Good	Average	Poor	Very poor
Relation with suppliers (%)	22.20%	39.30%	38.5%	0%	0%
Relation with customers (%)	40%	37%	23%	0%	0%
Relation with suppliers and customers (%)	82%	15%	35	0%	0%

**3.1.3. Influence of product attributes on level of branding**

The study (Table 3) sought to find out the level of branding influenced by product attributes by small and medium enterprises in terms of brand loyalty on brand equity and brand market share. Product quality is major attribute in developing brand loyalty to a very great extent to 89% of respondents in the study. Product availability (53%), price

of the brand (42%) and packaging (33%) were next best attributes that influencing brand development. None of the respondents replied that Price of the brand, Brand quality, Brand availability, Packaging used were not important for creating brand. Respondents replied that after sales service is important to associate the customer with the institution and assist in creating brand.

**Table 3:** influence of product attributes on level of branding

Brand loyalty	very great extent	great extent	moderate extent	least extent	not at all
Price	31%	42%	21%	5%	1%
Quality	89%	7%	2%	0%	0%
Availability	53%	26%	19%	2%	0%
Packaging	28%	33%	10%	28%	1%
After sales Services	28%	42%	20%	5%	5%

**3.1.4. Correlation between branding and supply chain management practices**

All the independent variables of study had a significant positive relationship with branding. However, the level of significance varied as technology innovation had the strongest significant positive relationship (0.71) with quick response. It implies that an increase in technology innovation will lead to quick response. Strategic relations

had a strong significant positive relationship (0.64) meaning that an increase in strategic relations with customers, suppliers and partners will lead to an increase in brand equity. Lastly, outsourcing had a positive relationship (0.4) implying that an increase in outsourcing practice will lead to increased brand equity as show in the following table.

**Table 4:** Extent of correlation between variables.

Variables	Correlation coefficient
Technology innovation and quick response	0.71
Supply chain relations and brand equity	0.60
Outsourcing and brand equity	0.4

**3.1.5. The Effect of Brand Equity in the Supply Chain**

The extent of relation between various variables listed in the figure 2 is tested. These findings suggest there was a differential effect on relationship commitment for the two structures of brand equity -- CBBE-dominant brand equity and TBBE- dominant brand equity. Under conditions of

TBBE-dominant brand equity, relationship commitment explained more variance in cooperation and propensity to leave. Under conditions of CBBE-dominant brand equity, relationship commitment explained more variance in forbearance.

**Table 5:** Effect of supply chain on brand equity.

Relation between variables		Estimate
Power	Perceived risk	0.112
Dependence	Perceived risk	0.739
Uncertainty	Perceived risk	0.016
Brand Equity	Trade-Based Brand Equity	0.680
Brand Equity	Consumer-Based Brand Equity	0.605
Brand quality	Relationship Commitment	0.506
Relationship Commitment	Cooperation	0.590
Relationship Commitment	Propensity to Leave	0.092
Relationship Commitment	Forbearance	0.415

#### 4. Marketing implications

The challenge to brand managers in the supply chain context is three-fold: 1) understanding how to build brand equity when the customer is an organization rather than an individual, 2) knowing when to invest in the trade brand versus the consumer brand, and 3) identifying critical target markets both within the supply chain as well as in consumer markets. This study provides guidance for addressing these challenges.

First, the findings strongly suggest brands in the supply chain are much more than “the name, term, sign, or symbol” included in the definition proposed by the American Marketing Association (AMA). Building brand equity in the supply chain involves a different kind of effort when compared to activities designed to build brand awareness and brand image in consumer markets. Clearly, brand equity in the supply chain is embodied in experience, specifically in the experience of relationships among trade partners. While traditional tools for brand managers such as advertising and promotions are used in building brand equity in the supply chain, they are not sufficient for the whole task. When the customer is an organization, brands are perceived through the experience with the company as participants in a supply chain; therefore, brand managers must be concerned about delivering value in the relationship as well as the product. This requires a more highly integrated effort across the firm and different tools compared to traditional brand management. In many firms, brand management and sales management are divorced with different organizational structures, strategies, and goals, and thus are not organized in a way that facilitates implementing successful brand strategies in the supply chain. To successfully manage the firm’s brand equity, executives are advised to monitor and manage not only the dimension of consumer-based brand equity, but also the dimension of trade-based brand equity.

When should companies invest in the consumer brand and when should they invest in the trade brand? Results of this study suggest that firms should be aware of the differential effects of consumer-based dominance and trade-based dominance in their relationships with trade partners. On one hand, strong consumer-based brand equity provides a competitive advantage for firms in their dealings with trade partners and can provide a basis for developing stronger trade-based brand equity. However, there may be a point of diminishing returns in investments in the consumer brand’s contribution to the brand equity of the firm. This study indicated that firms with trade-dominant brand equity are in a stronger position relative to firms with consumer-dominant brand equity when it comes to propensity to leave the relationship. At a minimum, executives should be aware

of the structure of their firms’ brand equity, and should consider whether they are appropriately allocating investments between building the consumer brand and the trade brand.

The final challenge for managing brand equity in the supply chain is identifying relevant target markets. The concept of brand equity in the supply chain implies the notion that a firm’s brand equity has potentially far-reaching effects, well beyond the next customer or the end-consumer. As noted by informants in the qualitative study, competent management of brand equity in the supply chain can not only provide access to profitable customers, but also afford competitive advantage by solidifying relationships with desirable suppliers who assure consistency and high quality resources needed to strengthen the brand with end-consumers. Focusing efforts on building brand equity only with end-consumers indeed overlooks critical target audiences for the brand as suggested by Shocker, Srivastava and Reukert (1994) and Webster (2000).

For supply chain managers, this research points to the importance of integrating the supply chain strategy with brand strategy. These strategies should be mutually supportive, with common goals and objectives. The example given by one informant who recognized the importance of building end-to-end strategic relationships in order to support growth of the firm’s brand equity captures the vision of the power to be gained by harnessing supply chain and brand strategy to serve the same goals. This study also provides a framework for assessing the impact of brand equity in supply chain relationships. Evaluating the level and structure of the firm’s brand equity relative to competitors may provide insight into ways to strengthen critical relationships not only with customers, but also with key suppliers.

#### 5. Conclusion

The study provides a different way of looking at brand equity that captures both the effect of brand equity in consumer markets as well as the impact of brand equity in supply chain relationships. This perspective not only holds promise for opening up new avenues of scholarly inquiry in brand management and supply chain management, but also offers guidance to marketing managers who are searching for tools fitted for the task of assuring their firms’ survival and prosperity in the turbulent business environment of the new millennium.

As the supply chain essentially seeks to make available to the customer and end user the product of his need at the time and place where it is required, it is essential to modernize and grow a system that ensures availability of every single resource in this direction. Yet, all the aspects of the supply chain mechanism –transportation – and the various channels involved, which ultimately make brand equity nourishment.

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