ELSEVIER

Contents lists available at ScienceDirect

### **Industrial Marketing Management**



# The impact of the brand management system on brand performance in B–B and B–C environments

Jinyong Lee a,\*, Seong Yong Park a,1, Ingee Baek b,2, Chun-Seon Lee b,3

- a Department of Business Administration, Seoul National University of Technology, 172, Kongreung 2 Dong, Nowon Gu, Seoul, Republic of Korea
- <sup>b</sup> Brand Management Center, Korea Productivity Center, KPC Building, 122-1, JeokSeon Dong, JongRo Gu, Seoul, Republic of Korea

### ARTICLE INFO

Article history:
Received 1 September 2006
Received in revised form 11 March 2008
Accepted 14 April 2008
Available online 3 June 2008

Keywords:
Brand management system
B-B
B-C
Brand performance
Market orientation

### ABSTRACT

Many companies are interested in the issue of how to develop strong brands. Although the brand management system (BMS) within a firm is very likely to have a positive impact on brand performance, there have been no empirical studies on the roles of the BMS. In this paper, we develop a conceptual model using the BMS and empirically examine its effect on brand performance. In particular, we compare how the BMS works as a mediating variable between market orientation and brand performance under B–B and B–C environments. The empirical results based on survey data from 1000 brand managers (from 770 B–C and 230 B–B firms) show that firms possessing a well-organized BMS dramatically enhance brand performance. The links of market orientation–BMS–brand performance are confirmed under both B–B and B–C environments. However, no other effects exist for B–B firms whereas a positive effect of market orientation on brand performance is observed in B–C firms. This study also offers some implications and future research questions based on the current results.

많은 기업들이 강력한 브랜드를 구축하는 방법에 관심을 가지고 있다. 브랜드경영시스템이 브랜드성과에 긍정적인 영향을 미칠 가능성이 높을 것으로 예상되지만, 브랜드경영시스템의 역할을 다룬 실증 연구가 거의 수행되지 못하였다. 본 연구는 브랜드경영시스템의 개념을 사용하여 이론적 모델을 개발하고 브랜드성과에 대한 영향을 실증적으로 검토하고 있다. 특히, 브랜드경영시스템이 B-B 및 B-C 환경에서 시장지향성과 브랜드성과 사이에서 어떻게 매개변수로 작동하는가를 비교하였다. 1000 명의 브랜드 매니저를 대상으로 수행한 서베이 데이터를 이용하여 실증분석을 수행하였다. 분석결과에 의하면 잘 구축된 브랜드경영시스템은 성과를 획기적으로 향상시킨 것으로 나타났다. 시장지향성 — 브랜드경영시스템은 성과를 획기적으로 향상시킨 것으로 나타났다. 시장지향성 — 브랜드경영시스템 — 브랜드성과 간의 연결고리가 B-B 및 B-C 환경에서 모두확인되었다. 이 외에 B-C 기업에서는 추가적으로 시장지향성과 브랜드성과 사이에 긍정적인 관계가 나타났지만, B-B 기업에서는 다른 추가적인 관계가 나타나지 않았다. 본 연구는 실증분석 결과를 바탕으로 시사점과 향후 연구 문제를 제시하고 있다.

© 2008 Elsevier Inc. All rights reserved.

### 1. Introduction

Building a strong brand and enhancing its performance is perceived as one of the most crucial factors in establishing core competence and long-term survival of a firm (Aaker, 1991; Drucker, 2002). It is of utmost importance to construct a brand management system (BMS) within a firm in order to achieve brand management objectives. The interest in the BMS has been increasing both in academic and in practical fields (Aaker & Joachimsthaler, 2000; Keller, 2003). In practice, there have been many ideas on how to enhance the knowledge level in brand management among organization members, how to build brand-oriented organizational culture, and how to relate marketing mix activities to brand-related performance (Davis & Dunn, 2002; Katsanis, 1999; Vanauken, 2002).

<sup>\*</sup> Corresponding author. Tel.: +82 2 970 6484. *E-mail addresses*: baleejy@snut.ac.kr (J. Lee), parksy@snut.ac.kr (S.Y. Park), igbaek@kpc.or.kr (I. Baek), cslee@kpc.or.kr (C.-S. Lee).

<sup>&</sup>lt;sup>1</sup> Tel.: +82 2 970 6422.

<sup>&</sup>lt;sup>2</sup> Tel.: +82 2 724 1236.

<sup>&</sup>lt;sup>3</sup> Tel.: +82 2 724 1007.

In spite of its importance, the theoretical and empirical research on this topic is scarce. There were no empirical studies on the effect of the BMS on brand performance. Furthermore, most of the existing studies focus on the investigation of brand equity and the impact of brand equity on brand performance from a consumers' perspective. This approach has some limitations in the systematic understanding of brand management. It cannot reveal the processes of how brand knowledge and organizational or cultural factors related with brand management within a firm may affect brand performance. Previous research has, to some degree, ignored the brand building activities from a firms' perspective.

In order to overcome these limitations, we develop a model including the brand management system (BMS) from a firms' perspective and examine its roles. In particular, we compare how the BMS affects brand performance under B-B and B-C environments while including market orientation as an input variable. As in previous studies, it is proposed that market orientation has a direct impact on the BMS and on brand performance. However, since our main focus in this paper is on the role of the BMS and its relationship with brand performance in B-B and B-C firms, a mediating role of the BMS between market orientation and brand performance is mainly emphasized. In order to evaluate the role of the BMS in improving brand performance, we divide brand performance into two parts, customer performance and financial performance. Then, we use the data from brand managers for empirical analysis. In the following section, we review related studies and develop hypotheses. Then, empirical results are discussed. Strategic implications and future research issues follow.

### 2. Literature review and hypothesis development

We develop hypotheses regarding the interrelationship among BMS, market orientation, and brand performance for B–B and B–C environments. We propose a role of the BMS as a mediator of the relationship between market orientation and brand performance (market orientation  $\rightarrow$  BMS  $\rightarrow$  brand performance). In addition, we posit a direct contribution of market orientation to brand performance. Brand performance is divided into two components, 1) *customer performance* and 2) *financial performance*, similar to Homburg and Pflesser (2000) and Matear, Osborne, Garrett, and Gray (2002).

## 2.1. Brand management system (BMS) and its influence on brand performance

Although previous studies emphasized the importance of the BMS, the definitions of the BMS are diverse. Whereas some authors broadly define the BMS as anything related to brand identity system, or brand management (e.g., Alsop and Alsop, 2004), others narrowly view the BMS as the brand manager system adopted by Procter & Gamble in the 1930s (e.g., Roberts, 2004).

Unfortunately, the roles of the BMS in brand performance are not so clearly defined. Vanauken (2002) suggested some brand management tools and a checklist to execute brand management efficiently and to build power brands effectively. Aaker and Joachimsthaler (2000) and Davis and Dunn (2002) emphasized the importance of building the brand management system and acknowledged the value of implementing the evaluation system for brand performance. However, the relationship between BMS and brand performance is rarely investigated, especially in the studies on market orientation-performance relationship.

A study of Noble, Sinha, and Kumar (2002) is an important exception. Noble et al. adopted a dimension of brand focus and added it to Narver and Slater's (1990) market orientation framework. However, Noble et al. include only a national brand or a private label focus but do not incorporate other aspects of a brand focus such as brand education, and the CEO's interest in brand building.

We develop a conceptual model including the BMS in a framework of market orientation–performance relationship. The BMS is broadly defined as *a set of any systems, organizational structure, or culture of a firm supporting brand building activities.* This broad definition allows us to investigate various aspects of the BMS. However, the BMS is different from brand building activities or from more general concepts such as innovation and organizational culture. The BMS consist of infrastructure building activities but not direct brand building activities. In addition, the BMS is closely related to innovation or organizational culture but does not include a more general type of innovation or organizational culture not related to brand management.

Companies such as Procter & Gamble, Nike, and Sony have brought out an organizational culture in which all areas are dedicated to the branding processes (Noble et al., 2002). Besides, well-established brand knowledge systems or brand evaluation/implementation systems will help to enhance the brand performance substantially (Aaker, 2004; Davis & Dunn, 2002). The positive relationship between BMS and brand performance is easily predictable from the observation of companies with a successful brand performance.

Moreover, experts in a wide variety of academic disciplines including general management (e.g., Drucker, 2002), and marketing (e.g., Aaker, 2004; Keller, 2003), and also in practical fields (Low & Fullerton, 1994) show the widespread attention to branding activities. In addition, organizational culture theorists also support the position of a positive relationship between BMS and performance. Schein (1985) suggests that, although organizational culture is very difficult to change, it can enhance goal-oriented activities. Firms with a well-organized BMS including education, organizational structure or culture, and an implementation/evaluation system will perform much better than counterparts with a poor BMS or without a BMS. Thus, the BMS is likely to have a positive effect on brand performance in general.

In this study, we break down brand performance into two parts, i.e., 1) financial performance and 2) customer performance (a similar approach can be observed in Homburg and Pflesser, 2000). Since the BMS may affect brand performance in general, we may assume that the BMS is positively related both to customer performance and to financial performance of a brand. It is also proposed that customer performance is positively related to financial performance, consistent with previous studies (Homburg & Pflesser, 2000; Matear et al., 2002). This framework allows us to investigate a direct contribution of the BMS to financial performance (BMS  $\rightarrow$  financial performance) and a contribution of the BMS to financial performance mediated by customer performance (BMS  $\rightarrow$  customer performance  $\rightarrow$  financial performance). From the discussion, we suggest that (Fig. 1)

**H1a.** The BMS has a positive impact on customer performance.

**H1b.** The BMS has a positive impact on financial performance.

**H1c.** Customer performance has a positive impact on financial performance.

### 2.2. Market orientation's influence on brand management system

The brand management system (BMS) is an outcome of innovation or organizational learning. Innovative companies are likely to develop BMSs more rapidly than less innovative ones. Organizational learning may also prompt the processes of brand education, interest, and motivation. When we view the BMS as a part of innovation or learning processes, we may draw a proposition that market orientation has a positive effect on the BMS. It is difficult to reach a conviction that the BMS is identical to innovation or organizational learning. However, it is more evident that the BMS is one of the most important consequences in innovative or learning companies. In addition, many empirical findings from the studies of

# Brand H1a Customer Performance Performance Performance

Fig. 1. The effect of the BMS on brand performance.

the relationship between market orientation and innovation/organizational learning have generated support for the positive relationship (Han, Kim, & Srivastava, 1998; Matear et al., 2002; Noble et al., 2002; Slater & Narver, 1995). In extending previous research, we expect that (Fig. 2)

**H2.** Market orientation has a positive impact on the BMS.

### 2.3. Market orientation's influence on brand performance

Narver and Slater (1990) and Kohli and Jaworski (1990, Jaworski & Kohli, 1993) conceptualize the market orientation construct and show that market orientation influences customer performance and financial performance. The market orientation represents the firm's effort to enhance customers' needs, response to competitors' actions, and inter-functional coordination. These dimensions of market orientation are closely related to brand-related efforts.

However, some cautionary issues have arisen in this stream regarding a direct contribution of market orientation to firm performance in the presence of a mediator such as innovation and organizational learning. Empirical support for market orientation making a direct contribution to performance is mixed (Han et al., 1998; Matear et al., 2002). Han et al. (1998) do not support the direct relationship between marketing orientation and performance but do find evidence of a mediated contribution of innovation (market orientation  $\rightarrow$  innovation  $\rightarrow$  performance). In contrast, Matear et al. support the dual mechanism allowing a direct contribution of market orientation to performance in addition to the contribution to innovation having a positive influence on performance. We add a direct link between market orientation and customer performance in order to test a more general model (i.e., a dual mechanism model, Matear et al., 2002) instead of a model excluding a direct influence of market orientation on customer performance (Han et al., 1998). However, we exclude a direct link between market orientation and financial performance. This is consistent with Homburg and Pflesser

(2000), and Matear et al. (2002) proposing that market orientation influences financial performance only through customer performance. Thus, the following hypothesis is developed to test a direct contribution of the dual mechanism.

**H3.** Market orientation has a positive impact on customer performance.

### 2.4. Research framework

We construct a research framework shown in Fig. 1 by summarizing the proposed hypotheses H1a, H1b, H1c, H2 and H3. The specific details are as follows. First, the relationships among constructs are sequentially presented by order of market orientation  $\rightarrow$  BMS  $\rightarrow$  customer performance  $\rightarrow$  financial performance.

Secondly, in addition to sequential impacts, we assume that preceding constructs affect all following constructs with an exception of a direct contribution of market orientation to financial performance. Specifically, financial performance is affected by BMS (BMS  $\rightarrow$  financial performance). Likewise, customer performance is affected by market orientation (market orientation  $\rightarrow$  customer performance).

Thirdly, we separate environments into B–B and B–C environments in data analysis. That is, the environment which indicates the type of brands (i.e., B–B and B–C brands) is treated like a moderating variable. We do not use environment as a moderator in the model, but do compare the results of two data sets from B–B and from B–C environments (Fig. 3).

Finally, we do not have hypotheses for direct comparisons between B–B and B–C companies. We do not directly compare the effects of the BMS on performance under B–B and B–C environments since this topic is relatively new and almost no empirical analysis has been attempted up to now. Moreover, the relative influence of the BMS under B–B environments to that under B–C environments may depend on the developmental stage of the BMS among B–B firms. If BMSs of B–B companies are at a very early stage, the standard deviation of the variable is low since most of BMSs have low values

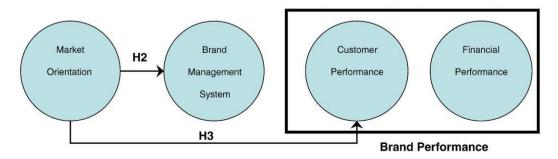


Fig. 2. The effect of market orientation on the BMS and brand performance.

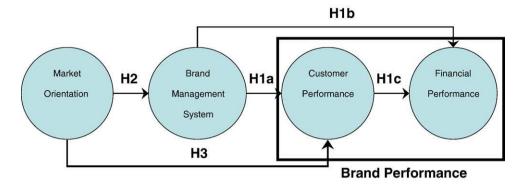


Fig. 3. Research framework and hypotheses.

due to a floor effect. On the contrary, as time goes by, some B–B companies start to develop well-organized BMSs while the others do not adopt BMSs. In this later stage, the disparity among BMSs of B–B companies may become enlarged and may result in more transparent influence on brand performance. However, it is extremely difficult to, a priori, judge the exact stage of the BMSs under B–B environments at a certain point of time.

### 3. Sampling and operationalization

### 3.1. Sampling objects and data collection

The data for this research were collected from January 2, 2004 to February 7, 2004. The respondents include brand managers or marketing managers in manufacturing or service firms based on the Korean Standard Industrial Code (KSIC). Most of the data were collected by visiting the firms and collecting directly, in addition to telephone, fax, and mail survey. We received 1171 responses out of 5177 contacted for the study and excluded 171 incomplete responses. The total number of responses used for analysis is 1000, i.e., 230 from B-B environments and 770 from B-C environments, respectively. The unit of analysis is brand and we analyze data at the brand level. The sample consists of 697 physical product brands and 303 service brands. If there are several brands within a firm, we select one brand from one business unit. In addition, the number of brands from one company is limited to a maximum of three. The selection of brands is based on market performance (e.g., top three brands in sales amount). We want to prevent sampling biases due to the method of data collection. The companies in the industries of food, cosmetics, soft drink, and personal care goods typically retain more brands, compared with average companies in other industries. If a corporate brand is used, the corporate brand is adopted.

### 3.2. The operationalization and measurement of constructs

### 3.2.1. Market orientation

There are two different measurement methods of market orientation, one by Kohli and Jaworski (1990; Jaworski & Kohli, 1993) and the other by Narver and Slater (1990; Slater & Narver, 1994, 1995), although both approaches share some common characteristics. In this research, we adopt Narver and Slater's method. Narver and Slater's method is more appropriate for our data source, since Narver and Slater (1990; Slater & Narver, 1994, 1995) define a concept of market orientation from a perspective of organization culture implying that market orientation should incorporate inter-functional coordination within a firm. We modify Narver and Slater's scales and use nine 10-point-Likert-scale items for three major components: customer orientation, competitor orientation, and inter-functional coordination. Each component has three items.

### 3.2.2. Brand management system

The brand management system (BMS) is conceptualized as the degree of infrastructure building activities with respect to brandrelated 1) organization and culture, 2) knowledge and education, and 3) implementation and performance evaluation systems. In order to measure BMS, we use related concepts of brand management system in previous studies (Davis & Dunn, 2002; Low & Fullerton, 1994; Vanauken, 2002). Eleven 10-point-Likert-scale items are developed. Five items are related to brand-related organization and culture; CEO's brand interest, brand manager system, brand manager's power, brand information sharing, and employee's branding motivation. Four items are related to brand knowledge and education; brand education for employees, brand education for managers, workshop/training, and employee's effort to understand branding. The other 2 items are related to brand implementation and performance evaluation systems. These 2 items are collection/analysis/implementation system of brand-related information, and brand performance evaluation system.

### 3.2.3. Customer performance

Customer performance is conceptualized as the performance that can be enhanced by the continuous relationship between a customer and a brand. Specifically, customer performance includes customer acquisition, customer maintenance, customer satisfaction, brand awareness, brand image, brand relationship related performance, and so on. In order to measure customer performance, we develop 9 items using Homburg and Pflesser (2000), Garbarino and Johnson (1999), Jaworski and Kohli (1993) and Yoo, Donthu, and Lee (2000).

### 3.2.4. Financial performance

Financial performance is conceptualized as the evaluation of financial ratios related to a brand by a marketing manger or a brand manager. We develop four items using Jaworski and Kohli (1993), Slater and Narver (1994), and Moorman and Rust (1999). The four items include sales growth, margin, market share, and return on investment of a corresponding brand. The operationalization of major constructs is summarized in the Appendix.

### 4. Empirical analysis

### 4.1. Model fitness

We use PLS for data analysis. PLS is similar to LISREL but more flexible in that PLS does not require normally distributed data or well-established theory-based hypotheses (Fornell & Larcker, 1981). Tables 1 and 2 represent the model fitness test. First, we adopt a bootstrapping method to test statistical significance levels and cross-validity for manifest variables of latent constructs in order to investigate the relationship among constructs. For measurement

**Table 1**Measurement model and structural model fitness (B–B firms)

Parameter and fitness construct	Minimum of T-statistic (parametric)	Measurement model fitness		Structural model fitness
		Communality average	Cronbach $\alpha$	$R^2$
Market orientation	14.012	0.530	0.887	-
Brand management system	8.548	0.605	0.934	0.221
Customer performance	7.319	0.450	0.916	0.194
Financial performance	22.130	0.688	0.849	0.566

model fitness we use communality average and Cronbach  $\alpha$ , and for structural model fitness we use  $\mathbb{R}^2$ .

T-statistics of measurement variables of constructs are statistically significant and cross-validity is high too. Communality statistics which represent the model fitness of measurement model are higher than 0.5 criterion except customer performance. The reason for the low communality statistic for customer performance is due to the low values of items of customer performance. However, we cannot ignore the items since they reflect also characteristics of customer performance in the study. The values of Cronbach  $\alpha$  are also above 0.8, and thus we can conclude that the reliability of measurement variables is high. The values of  $R^2$  of BMS and financial performance (which represents the structural model fitness) are relatively high for B–B and B–C firms. However, the values of  $R^2$  of customer performance for B–B and B–C firms are lower than 0.3.

### 4.2. Hypothesis test results

### 4.2.1. Results under B-B environments

The test results are shown in Fig. 4. In terms of statistical significance, sequential impacts are clearly revealed. For financial performance, customer performance is the major factor; for customer performance, BMS is the major factor. Similarly, for BMS, market orientation plays the important role. The paths of "market orientation  $\rightarrow$  BMS  $\rightarrow$  customer performance  $\rightarrow$  financial performance" are major ones in the model. Therefore, H1a, H1c, and H2 are supported. Other proposed hypotheses, H1b and H3 are not supported.

A direct contribution of market orientation to customer performance (H3) is not supported for brands under B–B environments. Market orientation has an impact on customer performance only through the BMS. This result is consistent with Han et al. (1998) but not with Matear et al. (2002) in the position of supporting a dual mechanism between market orientation and customer performance (a direct contribution and an indirect contribution mediated by other constructs such as innovation). Additional analysis shows that a path between market orientation and financial performance (this does not reach the significant level) does not produce results distinct from the current model.

Furthermore, H1b (a path between BMS and financial performance) is not supported. The result is consistent with Homburg and Pflesser (2000) who suggest that financial performance is influenced only by customer performance (in their term, market performance).

We hypothesized that BMS could have an impact on financial performance. Although previous research does not find evidence of a direct contribution of market orientation to financial performance, we reasoned that BMS might be a more specific concept than market orientation, and, thus, BMS might have a direct impact on financial performance in the presence of customer performance. However, the empirical result does not support the reasoning and H1b.

### 4.2.2. Results under B–C environments

The test results for brands under B–C environments are also shown in Fig. 4. In terms of statistical significance, sequential impacts are again clearly revealed. The BMS is the major factor for customer performance; customer performance is the major factor for financial performance. Likewise, market orientation shows the critical influence on the BMS. In sum, the paths of "market orientation  $\rightarrow$  BMS  $\rightarrow$  customer performance  $\rightarrow$  financial performance" are major ones. Therefore, H1a, H1c, and H2 are supported under B–C environments. In contrast with the result for B–B environments, H3 (a direct contribution of market orientation to customer performance) is supported here. However, H1b (BMS  $\rightarrow$  financial performance) is not supported as under B–B environments.

A direct contribution of market orientation to customer performance (H3) is supported for brands under B–C environments. Market orientation has a direct impact on customer performance in addition to the impact on customer performance through the BMS. This result is consistent with a dual mechanism of Matear et al. (2002) but not with Han et al. (1998). Additional analysis is performed. Similar to the data analysis for B–B environments, the addition of a path between market orientation and financial performance (this does not reach the significant level) produces almost an identical result.

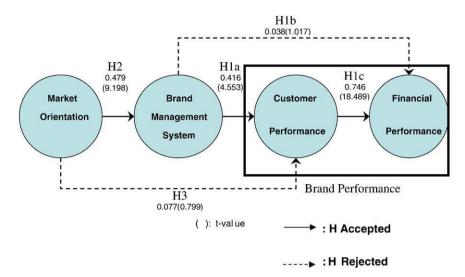
Consistent with Homburg and Pflesser (2000) and Matear et al. (2002), H1b (a path between BMS and financial performance) is not supported. This is also similar to the empirical finding under B–B environments in this study.

### 4.2.3. Comparison between B-C and B-B results

A comparison between Fig. 4A and B demonstrates that there is a difference in only one path which is related to H3 (the market orientation–customer performance path) in terms of significance test at 5% level. Market orientation in the presence of the BMS does not have the impact on customer performance under B–B environments whereas market orientation in the same condition under B–C

**Table 2**Measurement model and structural model fitness (B–C firms)

	,			
Parameter and fitness construct	Minimum of <i>T</i> -statistic (parametric)	Measurement model fitness		Structural model fitness
		Communality average	Cronbach $lpha$	$R^2$
Market orientation	20.214	0.541	0.892	_
Brand management system	19.966	0.565	0.922	0.405
Customer performance	11.867	0.490	0.924	0.222
Financial performance	24.882	0.607	0.785	0.477



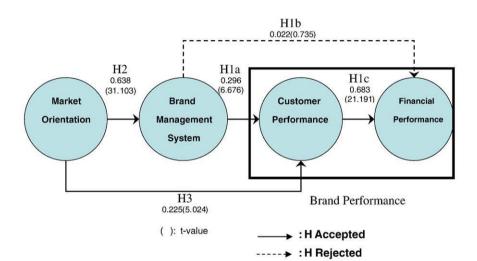


Fig. 4. SEM results under B–B and B–C environments. A. The interrelationships among the variables under B–B environments. B. The interrelationships among the variables under B–C environments.

environments shows a direct contribution on customer performance (see H3 of Fig. 4).

Relying on coefficients, the relationships between BMS and customer performance and between customer performance and financial performance are stronger under B–B environments than under B–C. However, the coefficient for the relationship between market orientation and BMS is smaller under B–B than under B–C.

### 5. Discussions

The key objective of the study was to develop and empirically test a model of BMS-performance relationship in the market orientation-BMS-performance framework. Our study has implications for academic research and managerial practice. We discuss implications and then future directions for research.

### 5.1. Implications

Previous research within the market orientation framework has not included specific managerial functions such as the BMS. In particular, branding activities and related systems are regarded as one of the most important functions for the success of modern companies. In this study, we investigated the roles of the BMS in brand performance. The empirical results show that under B–C and B–B environments, the BMS, influenced by market orientation, has a crucial impact on brand performance. Market oriented firms tend to establish efficient and effective BMSs and, in turn, the BMSs are likely to help achieve high levels of brand performance.

Our analysis provides some insights about relationships among the constructs in the study. The most interesting result is the significant role of customer performance as a mediator between the BMS and financial performance. However, for both B–B and B–C brands, the BMS did not have a direct contribution to financial performance. Some companies may want to bypass attainment of customer performance and may have a hasty goal to achieve short-term financial performance. The results in this study imply that this type of effort is likely to be in vain. The BMS is more related to customer performance and thus the BMS needs enough time to achieve a crucial impact on financial performance through customer performance. Our result is consistent with the common sense in practice that the BMS needs to

focus more on customer orientation than on financial performance orientation and may take a long time to have a clear impact on financial performance.

In addition, for B–B brands, the influence of the BMS is more evident. A direct contribution of market orientation to customer performance in the presence of the BMS was weak and statistically insignificant for B–B brands. This indicates that for B–B brands the paths from market orientation to BMS and from BMS to customer performance create the only road for improving customer performance. Under B–B environments market orientation may indirectly influence customer performance by relying on the BMS. Moreover, the coefficient for the relationship between BMS and customer performance is greater for B–B brands than for B–C brands. This is not consistent with a general perception that brand-related activities are more important for B–C brands (Aaker, 2004; Kotler & Pfoertsch, 2006).

One possibility for this result is that B–B firms acknowledge the importance of the BMS and have started to adopt the BMS recently. Thus, there may exist disparities among B–B firms in operation of the BMS whereas there may exist only small gaps among most B–C firms which may already have set up the BMS fairly well. Additional analysis supports this claim. The variance of the BMS under B–B environments is greater than that under B–C. Also the mean score under B–C environments is higher than that under B–B.

Another contribution of this study is related to the fact that our study takes a firm's perspective. Previous research in the BMS has mainly focused on the achievement of brand performance from the customers' perspective. The BMS as infrastructure, is a very important concept for brand building activities. Since the BMS is not observable to final consumers, it is necessary to take a firm's perspective. Consumer studies cannot directly measure how well BMSs in some firms are established. By investigating specific branding efforts from the viewpoint of an involved company, we can understand brand equity as a final performance fairly well in a balanced way and, thus, can create more concrete strategic implications.

### 5.2. Limitations and future research

One limitation of our study is the low statistical fits of some measures. In particular, the scale of customer orientation was not satisfactory in terms of communality average. Another limitation of our study is the national character of our sample. Our study needs to be extended to the contexts of other countries. Our sample, collected from a wide variety of industries is extensive in nature but limited to Korean brands.

Future research needs to elaborate the scales for the BMS. In the market orientation and performance relationship, the mediating or moderating variables such as strategic types and corporate competence should be considered in addition to the BMS (Matsuno & Mentzer, 2000; Noble et al., 2002). The research framework using the BMS and these variables is both challenging and interesting.

### Appendix A. The summary of questionnaire items

Market orientation	Brand management system	Customer performance	Financial performance
□Continuous understanding of customer needs	□CEO's interest in brand	□Customer acquisition	□Sales growth
□Customer value objectives	☐Brand manager system	□Customer maintenance	□Margin
□Customer based strategies	☐Brand manager's power	□Brand awareness	☐Market share
□Acquisition of competitor information	☐Brand information sharing within a firm	□Brand image	□Return on investment
□Quick response to competitors' actions	□Employee's branding motivation	☐Brand's self connection with customers	
☐Top manager's interest in competitors' strategies	☐Brand education for managers	□Brand trust	
□Coordination based on customer needs	☐Brand education for employees	□Brand feeling	
□Coordination on customer value creation	□Workshop/training	□Customer's understanding of brand information	
☐Managements' interests in inter-functional activities	□Employee's effort to understand branding	□Customer satisfaction	
	□Information acquisition, analysis, and		
	implementation system		
	☐Performance evaluation system		
9 items	11 items	9 items	4 items

### References

Aaker, D. (1991). Managing brand equity. New York: Free Press.

Aaker, D. (2004). Brand portfolio strategy. New York: Free Press.

Aaker, D., & Joachimsthaler, E. (2000). *Brand leadership*. New York: Free Press.

Alsop, R. J., & Alsop, R. (2004). The 18 immutable laws of corporate reputation: creating, protecting, and repairing your most valuable asset. New York: Free Press.

Davis, S. M., & Dunn, M. (2002). Building brand-driven business. San Francisco, CA: Jossey-Bass.

Drucker, P. F. (2002). Managing in the next society. New York, NY: St. Martin's Press.
Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement. Journal of Marketing Research, 18(1), 39–50.

Garbarino, E., & Johnson, M. S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. *Journal of Marketing*, 63(2), 70–87.

Han, J. K., Kim, N., & Srivastava, R. K. (1998). Market orientation and organizational performance: Is innovation a missing link? *Journal of Marketing*, 62(4), 30–45.

Homburg, C., & Pflesser, C. (2000). A multiple-layer of market-oriented organizational culture: Measurement issues and performance outcomes. *Journal of Marketing Research*, 37(4), 449–462.

Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: Antecedents and consequences. Journal of Marketing, 57(3), 53-70.

Katsanis, L. P. (1999). Some effects of changes in brand management systems: Issues and implications. *International Marketing Review*, 16(6), 518–532.

Keller, K. L. (2003). Strategic brand management, 2nd edition Englewood Cliff, NJ: Prentice Hall.

Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing*, 54(2), 1–18. Kotler, P., & Pfoertsch, W. (2006). *B–B brand management.* Berlin Heidelberg: Springer.

Low, G. S., & Fullerton, R. A. (1994). Brands, brand management, and the brand manager system: A critical-historical evaluation. *Journal of Marketing Research*, 31(2), 173-190.

Matear, S., Osborne, P., Garrett, T., & Gray, B. J. (2002). How does market orientation contribute to service firm performance? An examination of alternative mechanisms. *European Journal of Marketing*, 36(9/10), 1058–1075.

Matsuno, K., & Mentzer, J. T. (2000). The effects of strategy type on market orientation–performance relationship. *Journal of Marketing*, 64(4), 1–16.

Moorman, C., & Rust, R. T. (1999). The role of marketing. *Journal of Marketing*, 63(Special Issue), 180–197.

Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, 54(4), 20–35.

Noble, C. H., Sinha, R. K., & Kumar, A. (2002). Market orientation and alternative strategic orientations: A longitudinal assessment of performance implications. *Journal of Marketing*, 66(4), 25–39.

Roberts, K. (2004). Lovemarks: The future beyond brands. New York: PowerHouse Books. Schein, E. H. (1985). Organizational culture and leadership, 3rd Edition San Francisco, CA: Jossey-Bass.

Slater, S. F., & Narver, J. C. (1994). Does competitive environment moderate the market orientation-performance relationship? *Journal of Marketing*, 58(1), 46–55.

Slater, S. F., & Narver, J. C. (1995). Market orientation and the learning organization. Journal of Marketing, 59(3), 63-74.

Vanauken, B. (2002). The brand management checklist. London, N1: Kogan Page.

Yoo, B., Donthu, N., & Lee, S. (2000). An examination of selected marketing mix elements and brand equity. *Journal of the Academy of Marketing Science*, 28(2), 195–211. **Jinyong Lee** is Professor of Marketing in the Department of Business Administration at Seoul National University of Technology in Korea. His research interests include brand management and behavioral decision theory. His work has appeared in the *Journal of Marketing Research, Journal of Korean Marketing Association, Korean Journal of Marketing, Journal of the Korean Academy of Marketing Science* and other journals.

**Seong Yong Park** is Professor of Marketing in the Department of Business Administration at Seoul National University of Technology in Korea. He published papers in the *Long Range Planning, Journal of Retailing and Consumer Services*, and the *International Review of Retail, Distribution and Consumer Research*.

**Ingee Baek** is a senior consultant at the Brand Management Center of Korea Productivity Center. His research interest is in the brand management and marketing research methods. He was involved in developing the National Brand Competitive Index.

**Chun-Seon Lee** is a directing manager of the Korea Productivity Center. His research interests include brand management and developing customer satisfaction index.