THE MODERATING EFFECT OF BRAND EQUITY ON B2B RELATIONSHIPS

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ABSTRACT

The convergence of forces such as the globalization of markets, the escalating pace of technological change, and growing pressure from investors provides a catalyst for the emergence of brand management with supply chain partners as an important factor for determining a firm's competitive advantage. Many companies are rationalizing their supplier bases, significantly reducing the number of potential trading partners in favor of building stronger relationships to assure supply of critical resources in an increasingly turbulent business environment. The failure to successfully manage the firm's brand with supply chain partners is now seen as a potentially fatal obstacle to success of the brand (Shocker, Srivistava and Ruekert 1994). However, a systematic review of the marketing literature reveals that our understanding of brands has been built through studies of consumer relationships with brands, and there is very little research devoted to understanding brands in the business-to-business (B2B) context.

Building brand equity with supply chain partners poses challenges to brand managers and raises several intriguing questions for brand scholars. What is the effect of brand equity on B2B relationships? What do firms stand to gain by investing in building brand equity with supply chain partners? To what extent does our considerable knowledge of the effect of brand equity in consumer markets translate to the B2B context? How does a firm's brand equity in consumer markets affect B2B relationships? Can brands that are not visible to end consumers build brand equity with trading partners?

This paper explores these questions by proposing a theoretical framework of the effect of brand equity on B2B relationships based on the perceived risk model of buyer behavior. The organizational buying situation is conceptualized as problem-solving behavior with the goal of securing necessary resources for the firm. An important component of managing perceived risk is the nature and structure of relationships designed to manage perceived risk. Brand equity is proposed as a moderating variable to this behavior. The theoretical framework is supported by relevant literature drawn from organizational buying behavior, brand equity, and buyer-seller relationships. In addition, preliminary insights gained from interviews with executives are presented.

Traditional ways of thinking about branding from a consumer perspective have produced "both an incomplete analysis of branding from an academic perspective and incomplete management of the brand from a company perspective" (Webster 2000, p. 22). This paper addresses this gap in the literature and proposes directions for future research that have the potential to make a significant contribution to both marketing practice and academic research.

Shocker, Allan D., Rajendra K. Srivastava, and Robert W. Ruekert (1994). "Challenges and Opportunities Facing Brand Management: An Introduction to the Special Issue," *Journal of Marketing Research*, (May): 149-158.

Webster, Jr., Frederick E. (2000). "Understanding the Relationships among Brands, Consumers, and Retailers," *Journal of the Academy of Marketing Science*, (Winter): 17-23.