

Wholesale & Retail

LEADERSHIP CHAIR

Collaboration opens the window to a world of opportunities



Brand orientation in the retail sector: impact on market performance A SUMMARY

INTRODUCTION

Brand orientation (BO) has been described by researchers as a strategic approach which focuses on an organisation's brand as a resource and a strategic hub. It is considered to be a major factor in the success of organisations across a range of industries.

It seems, however, that very little research has been done on how BO relates to the retail industry, and whether it has an effect on the market performance of retailers; a significant research gap which this report hopes to close.

This research programme sets out to cast some light on the following questions:

- How prevalent is BO amongst South African retailers?
- Which factors limit the ability of retailers to develop strong brands?
- Is the market performance of SA retailers impacted by BO practices?
- How can BO in the SA retail industry be strengthened?

LITERATURE

Brand Management

Brands have long been considered major success factors in many industries. The brand management aims of retailing, as with most other industries, are to create competitive advantage through a positive corporate image that will hopefully lead to brand loyalty. Additionally, given the highly competitive nature of the retail industry, retail organisations use their corporate brand to distinguish themselves from the competition, to attract talent and to engage employees.

To tap the full potential of a corporate brand, its identity needs to be reflected throughout all retail outlets. Therefore, high importance must be attributed to the 'servicescape' projected by the organisation. This servicescape incorporates store atmosphere and layout, product quality, customer service and convenience. Competitive advantage is gained by the creation of a positive, customer-centric but also brand-oriented servicescape, which will result in lasting loyalty. Hence, perception of the retail brand by its target market is key, and focused branding should be at the forefront of any retailer's strategic planning.

METHODOLOGY

Two validated scales from the business-to-business and social sectors were used as a starting point to develop a measurement tool for BO in South Africa. However, retailing differs greatly from other industries, so to cater for these differences, qualitative interviews were carried out with retail experts: one manager of retail chains, two store managers, one industry representative and two retail lecturers. These interviews were used to adapt the BO and performance measurement model to suit the South African retail environment and to develop a corresponding questionnaire.

Data for the research was collected via an online survey distributed between May and June 2016 to two databases: a commercial database of around 2 000 retail managers and a database of 51 attendees at retail management courses. A final sample of 191 was suitable for analysis, which was done using SPSS vs 23 and ADANCO 2.0 (Partial Least Squares Method). The various assessment tests showed the model to be valid and reliable.

Brand Orientation

BO is an approach in which the processes of the organisation revolve around the creation, development, and protection of brand identity, in an ongoing interaction with target customers, with the aim of achieving lasting competitive advantage for the brand.

Brand orientation is one of many strategic orientations which are applied by organisations, and it can be viewed from three different perspectives:



CULTURAL

The culture of a brand-oriented organisation puts emphasis on the formation of a strong brand.



BEHAVIOURAL

The impact of BO is witnessed in the idea of 'living the brand', integrated marketing communication practices, the use of corporate design guidelines and focus on an 'instore experience'.



PERFORMANCE

Research into the relationship between BO and market performance, using scales developed to measure different aspects of BO, has shown a positive relationship between BO and performance.

Given the importance of corporate brand management within the retail industry, the application of retail brand orientation should be highly beneficial to retailers.

Market Performance and Brand Orientation

A variety of approaches to the measurement of an organisation's performance exist. Here are two examples generally seen as common standards:



Objective key performance indicators:

Focusing firstly on market performance – measured by items pertaining to increased awareness, such as creation of a positive image, winning of new customers, customer satisfaction and loyalty and achieving desired market share.

BO can affect market performance, but its effect on economic performance is largely indirect.



Subjective performance measures:

Such as asking respondents to rate their organisation's performance compared to competitors, or asking for a subjective evaluation on the importance of certain goals, and how successful their organisation is in achieving them.

CONCEPTUAL MODEL AND HYPOTHESES

This research has chosen a conceptual model and empirical test which makes three basic assumptions:

1. Separation of the BO construct into cultural and behavioural layers.
2. Schein's corporate culture framework of Values, Norms and Symbols is used to explain the internal structure of the cultural layer.

CULTURE	EXAMPLE OF RETAIL BRAND ORIENTATION ITEM	
VALUES	In our company, brand decisions are discussed and decided at the top management level.	
NORMS	In our retail business, there are explicit and comprehensive rules and guidelines to ensure compliance with brand positioning and corporate designs.	
SYMBOLS	Our employees display visible branding elements during all customer contact (e.g. name tags with logos, uniforms).	

3. Division of the behavioural layer into activities of analysis, and activities within the scope of the marketing mix.

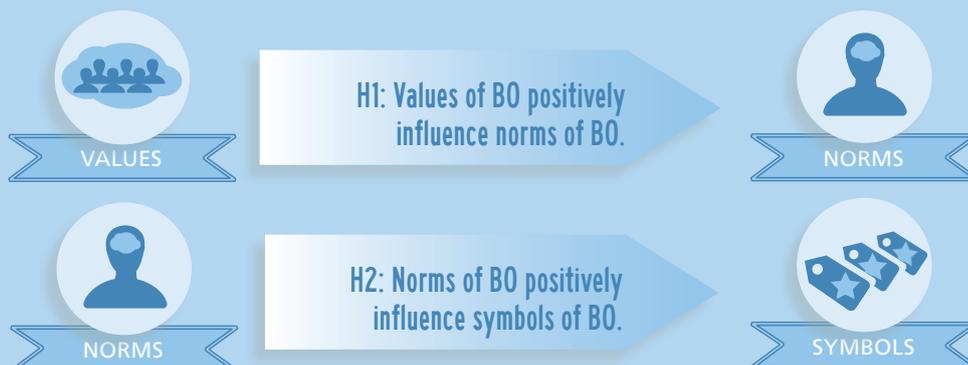
Our first two hypotheses are to do with the dynamics of the cultural layer of an organisation:

Values – in a BO company, the brand is deeply embedded in unspoken, taken for granted values, which form the basis of culture. These values influence norms.

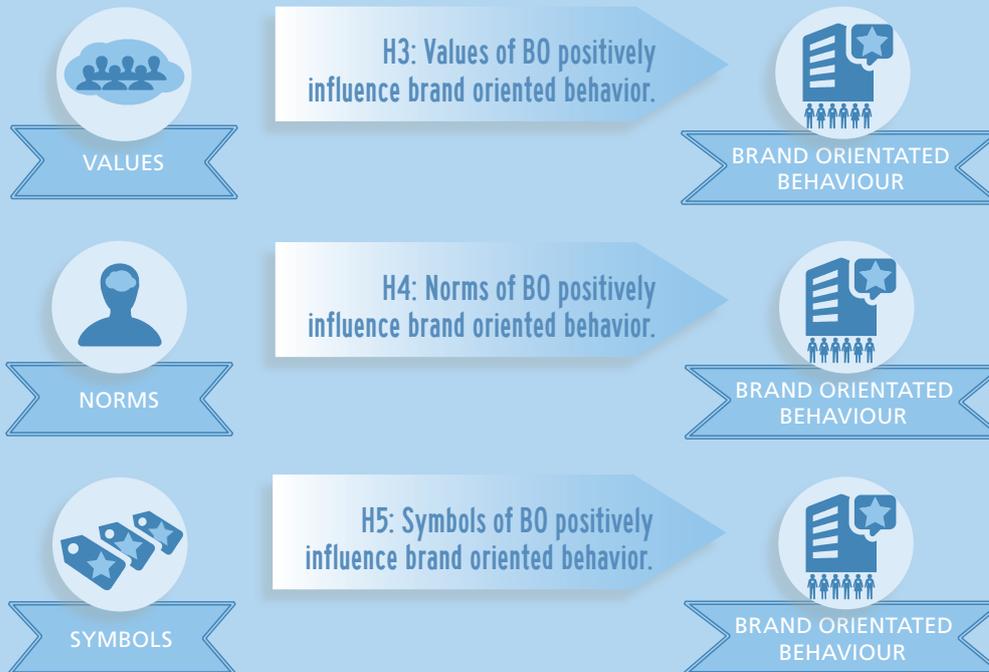
Norms – conscious strategies, goals and philosophies; the guiding rules for behaviour within an organisation. Norms in turn influence symbols.

Symbols – the most obvious element of culture; tangible, overt or verbally identifiable elements.

Hence Hypotheses 1 and 2:



Research has also shown that cultural orientations affect behavioural patterns within organisations. Our assumption, therefore, is that elements of a brand-oriented culture will result in brand-oriented behaviour – hence the following:



It is in the nature of bricks-and-mortar retailing that customers come into contact with an array of touch points representing the organisation's culture. If their experience is positive, this is bound to influence their behaviour, hence Hypothesis 6:

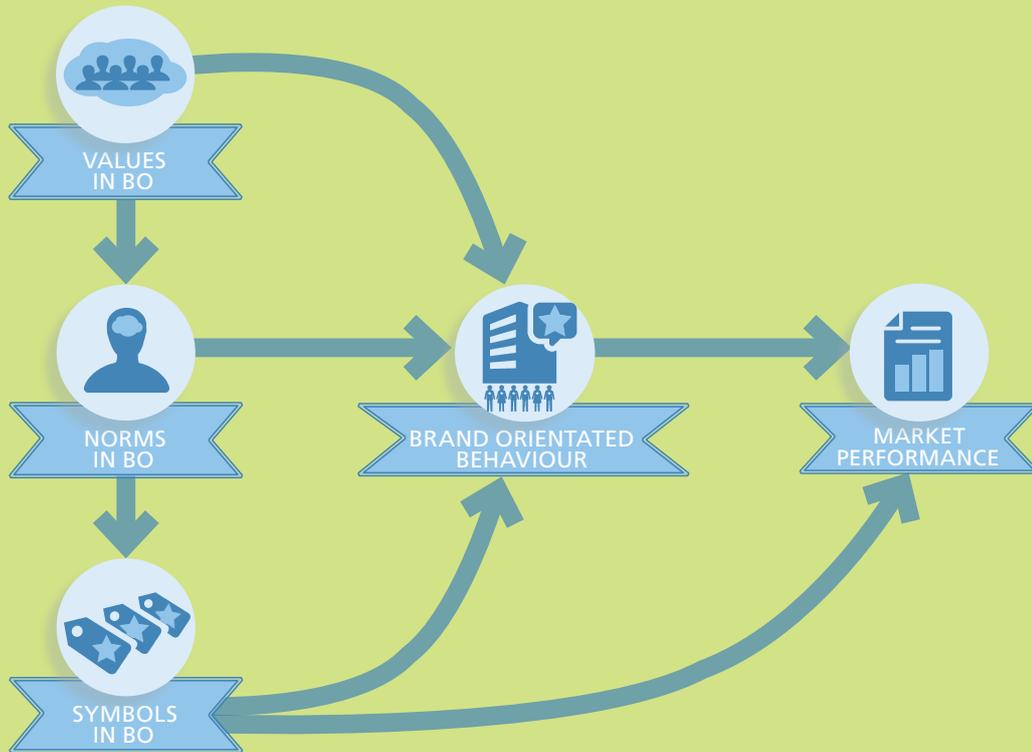


Further, research shows a clear and positive relationship between strategic orientations and performance, and more specifically that the greater the BO, the greater the retail offer advantage. Hence Hypothesis 7:



Brand Orientation Model

The hypotheses detailed above are shown here in the form of a diagram. We can see plainly how the values, norms and symbols of brand orientation combine to create brand oriented behaviour, which in turn influences market performance.



FINDINGS

The results of the study showed support for all stated hypotheses, although this support was, with two exceptions, relatively weak.

- Hypotheses 1 and 2 were the two most strongly supported theories, showing that a strong relationship exists between the values and norms as well as between the norms and symbols of brand orientation. In other words, having strong values influences norms and strong norms ensure the establishment of a strong set of symbols.
- The effect of values and norms on BO behavior, addressed by Hypotheses 3 and 4, could be supported as well, with values of BO showing a slightly stronger influence on BO behavior than norms. This again emphasises the importance to a retail store's performance, of agreed values and implemented norms being part of the everyday culture of all staff.
- Although symbols have a relatively weak effect on behaviour of staff as well as on market performance (Hypotheses 5 and 6), their overall influence was supported. The positive store image created by symbols is thus very important.
- Some influence was recorded in support of Hypothesis 7 – the effect of brand oriented behaviour on market performance – but this was the weakest of the results. Although weak, there is a significant relationship between the two. The weakness of the relationship can be attributed to many other factors that also influence performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The findings generated by the study's evaluation of the structural model show support for the stated hypotheses. However, the postulated effects are, with two exceptions, relatively weak.

Overall, the results support the need for 'living the brand' via top management commitment, investment in branding, talking regularly about the brand and ensuring everyone is committed to what the brand stands for. Clear rules of brand oriented behaviour should be implemented as well. Additionally, managers should ensure correct, accurate and strong use of visible symbols, such as corporate logos and signs, uniforms, colours, etc. in their stores.

Limitations and Recommendations

There are two possible drawbacks in relation to the research group which supplied the data. Firstly, the samples were self-selected, raising some doubt as to how representative they were. Secondly, some sub-sectors, for example cars, motorcycles, tyres and spare parts were over-represented, whilst others were under-represented.

The study has also highlighted possible areas of further research:

- The retail industry is comprised of a wide variety of sub-sectors. It would therefore be advantageous to carry out further specific research in some other retail sectors.
- 75% of the research group for this study were active in business to consumer (B2C) retail operations. And although such retailers account for over 50% of revenue in the sector, it would also be of great value to examine the role played by retail brand orientation in business to business companies, for example wholesalers.



THE W&R SECTOR

W&R is the fourth largest contributor to GDP and the 30 000 tax-registered retail enterprises employ about 20% of the total economically active workforce according to Stats SA.

About 86% of registered enterprises in this sector are small and micro enterprises, 9.5% medium size and 4.5% large companies. Only 66% of operational retail traders are formally registered and contributing to the fiscus, suggesting there are over 100 000 informal (unregistered) traders in the sector accounting for 10% of national retail turnover.

The main employment increase has been in the informal /SMME sub-sector. This project is the twentieth research study conducted by the WRLC.

Wholesale&Retail **LEADERSHIP CHAIR**

Cape Peninsula University of Technology Cape Town

THE WRLC

The Wholesale and Retail Leadership Chair (WRLC) at the Cape Peninsula University of Technology (CPUT) was established in 2013, based on an initiative by the Wholesale & Retail Sector Education and Training Authority (W&RSETA) to contribute towards sector research and professional qualifications development at Higher Education levels.

A national survey report entitled Priority Research Needs of the South African Wholesale and Retail Sector marked the first step taken by the WRLC towards the creation of a basis for relevant research in this dynamic business sector.



Professor Dr Holger
J. Schmidt



Professor Roger
Mason



Dr Pieter
Steenkamp



Dr Virimai Mugobo

The lead researcher is Professor Dr Holger Schmidt, Professor of Management & Marketing, Koblenz University of Applied Sciences, Germany and Contract Researcher to the Wholesale & Retail Leadership Chair. His research team included Professor Roger Mason, Wholesale & Retail Leadership Chair, CPUT; Dr Pieter Steenkamp, Department of Marketing, CPUT; and Dr Virimai Mugobo, Department of Retail Business Management, CPUT.

<http://wrlc.org.za/research-2-2/completed-research/>

APPLIED RESEARCH • LEADERSHIP DEVELOPMENT • SERVICE TO RETAIL COMMUNITY

Retail Business Management Department | Business and Management Sciences Faculty
Room 2.2 Commerce Building, Cape Town Campus

Tel 021 464 7260 | Fax 086 680 9632 | Email info@wrlc.org.za