Do Retailers Know How Customers Value Brands?
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Retailers are becoming very powerful in the supply chain of most products. As many consumer product manufacturers do not have direct contact with customers, they rely on retailers’ reports for market feedback, which are often incorrect or biased. In this paper, we investigate the difference between customer-based brand equity and retailers’ perceptions of it, when sales promotions are offered in the market. We found that customer brand equity and retailer’s perceptions of it were not similar, and that while retailers’ perceptions were differing with the nature and frequency of promotions, customer brand equity was unaffected.

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Retailers are becoming powerful in the supply chain of most products and they have gained a decisive role in the design of their promotional programs (Buzzell, Quelch and Salmon, 1990; Bloom and Perry, 2001; Belch and Belch, 2004). They often persuade manufacturers to offer more of promotions than advertising. Researchers have noted that promotional schemes like discounts and allowances are offered at the expense of ad-spend, which weakens the leverage of the manufacturer (Farris and Ailawadi, 1992). While the bargaining power of retailers makes it imperative for promotion managers to follow them, retailers often justify their actions claiming that promotions are required to increase sales. In consumer markets, as companies do not generally have a direct contact with their end customers, they often rely on the retailer’s reports for customer feedback about the product and promotions, which could often be incomplete or misleading.

Not many researchers have attempted to find the differences in the perception of retailers and consumers about product offerings. McClure and Ryans (1968) investigated into the factors that retailers think customers would hold important while purchasing products and the factors customers actually value and found that they differ considerably. Abratt, Bendixen and Plessis (1995) looked into the manufacturer and retailer perceptions on in-store promotions in South Africa, but they did not consider customer perceptions. Recently, Moreau, Krishna and Harlam (2001) looked into the differing perceptions regarding price promotions from the manufacturer, retailer and consumer view points and found that manufacturers and retailers were equally inaccurate in their views of customer perceptions. However, none of these researchers attempted to look into the difference in the perception of retailers and customers regarding brand equity. In this paper, we investigate the difference between the retailer perception of brand equity and the actual customer-based brand equity when different promotional schemes are offered in the market.

We did two surveys, one on retailers and the other on customers of a select set of products including six durables and six FMCG (Fast Moving Consumer Goods) items. From the retailers, we collected information like the frequency of consumer and trade promotions offered by each of these brands, and whether the brands had offered any such schemes in the recent past. We also asked the retailers about their perception of customers’ brand equity. In the second survey, we asked customers to indicate their brand equity for these products. We used the scale developed by Yoo and Donthu (2001) to measure brand equity.

We found that there is no correlation between the customer’s brand equity and the retailers perception of customer-based brand equity \( r = 0.070, p = 0.121 \) and that customer-based brand equity was significantly lower than retailers perception of it \( F(1,985) = 10.590, p = 0.001 \). We then checked to see whether the customer brand equity and retailers’ perception of the same were different at high and low levels of promotion frequencies. Our results show that customer brand equity was unaffected by frequent promotions, while the retailers’ perception of customer brand equity was high when the products were promoted frequently. We saw this pattern for both consumer oriented promotions (customer brand equity \( F(1,491) = 0.302 \) and \( p = 0.302 \) and retailers perception of customer brand equity \( F(1,491) = 55.703 \) and \( p = 0.000 \)) and for trade promotions (customer brand equity \( F(1,491) = 0.651 \) and \( p = 0.420 \) and retailers perception of customer brand equity \( F(1,491) = 32.871 \) and \( p = 0.000 \)).

We found an interaction effect of the level (low vs. high frequencies) of consumer and trade promotions on retailer perceptions of brand equity \( F(1,1,491) = 4.632, p = 0.032 \). This indicated that retailers tend to perceive that brand equity is very high when companies regularly offer both trade and consumer promotions.

We also looked into the recency effects of promotions on brand equity. Retailers were found to perceive that customer brand equity was high \( F(1,492) = 16.695, p = 0.000 \) when consumer promotions were offered in the market in the recent past (within last 3 months) than when it was not offered. However, customer brand equity did not vary due to the recency of customer promotions \( F(1,492) = 0.693, p = 0.406 \). This pattern was observed for trade promotions as well. Retailers perceived that customer brand equity was high when trade promotions were offered in the recent past than when it was not offered \( F(1,492) = 12.812, p = 0.000 \). In the case of customer brand equity, no such difference was observed \( F(1,492) = 1.525, p = 0.217 \).

This study points out the disconnect between customer-based brand equity and the retailers’ perception of the same. The study results could be an eye opener to marketing managers, as they generally tend to depend on retailer reports of customer feedback. Retailer reports of customer perceptions could be biased, which could affect the optimum budgetary allocations for brand development efforts of the company.

REFERENCES