
Original Article

The underlying dimensions of brand orientation and its impact on financial performance

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ABSTRACT This research responds to the need for an increased understanding of brand orientation and its impact on financial performance. Since brand orientation is often perceived as a somewhat elusive concept we here present a theoretical framework for the purpose of identifying the underlying dimensions of brand orientation from a holistic perspective. Based on this framework we have performed a study on Sweden's 500 largest companies, aimed at analysing how brand oriented these companies are and how that degree of brand orientation influences their financial performance. In our analysis we have identified eight dimensions that can be seen as the anatomy of brand orientation. The analysis also provides empirical evidence of a significant positive relationship between brand orientation and profitability, showing that the most brand-oriented companies in this study have almost double the profitability of the least brand-oriented companies.

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WHAT IS BRAND ORIENTATION?

Strong brands aren't given, they must be earned over and over again. Therefore most companies nowadays seem to agree that

brand building is not a project but a process.

In recent years brand orientation has been highlighted as a possible method for

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governing this process. The term brand orientation was coined in the early 1990s.¹ The purpose of this concept was originally to try to capture how an organisation should work internally to build and sustain strong brands. Over the years a number of alternative definitions of brand orientation have been suggested as shown in Table 1.

Although these definitions are interesting and each one of them in its own way sheds some light on brand orientation none of them, in our opinion, capture all the important aspects of this concept. By synthesising the previous definitions and using a holistic perspective we have developed a comprehensive definition of brand orientation:

Brand orientation is a deliberate approach to brand building where brand equity is created through interaction between internal and external stakeholders. This approach is characterised by brands being the hub around which the organisation's processes revolve, an approach in which brand management is perceived as a core competence and where brand building

is intimately associated with business development and financial performance.

As is evident from this definition we agree with Urde (1999) that an organisation's approach to brands is crucial for brand orientation. However, we want to emphasise that brand orientation requires a *deliberate* approach, since many organisations have an *ad hoc* approach to brand building (Gromark and Melin, 2005; Baumgarth, 2009). Like Urde (1999) we too maintain that interaction is critical to brand orientation in relation to customers. However we also believe it is essential in relation to all other *external stakeholders and all internal stakeholders*. In concurrence with the other researchers that have been defining brand orientation we want to emphasise the importance of making the brand the basis of the organisation's *processes*. In addition, we believe as did Urde (1999) that a brand is a competitive advantage. In this context, however, we wish to point out that although *brand equity* is a crucial resource, the organisation's capability to develop brand equity is just as important (Melin,

Table 1: Definitions of brand orientation

Author	Definition
Urde (1999)	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 advantages in the form of brands.
Hankinson (2001)	The extent to which an organisation regards itself as brands and an indication of how much (or little) the organisation accepts the theory and practice of branding.
Bridson and Evans (2004)	The degree to which the organisation values brands and its practices are oriented towards building brand capabilities.
Ewing and Napoli (2005)	The organisational wide process of generating and sustaining a shared sense of brand meaning that provides superior value to stakeholders and superior performance to the organisation.
Baumgarth (2009)	A specific type of marketing orientation, which is distinguished by the high relevance accorded to branding by top management. It also implies a strongly systematic approach to brand management characterised by an offer that is relatively constant, consistent and relevant to the buyer and clearly differentiated from the competition.

1997; Bridson and Evans, 2004). It is therefore natural for a brand-oriented organisation to consider brand management a *core competence*. We also agree with the view of Ewing and Napoli (2005) that brand orientation contributes to creating superior performance, or more specifically *financial performance*.

OPERATIONALISATION OF BRAND ORIENTATION

In recent years several attempts to conceptualise brand orientation have been put forward (Urde, 1999, 2009; Louro and

Cunha, 2001). In addition to these conceptualisations there have also been a number of attempts to operationalise and categorise brand orientation on a scale from a low to a high degree of brand orientation (Hankinson, 2002; Bridson and Evans, 2004; Ewing and Napoli, 2005; Reid *et al*, 2005; Napoli, 2006; Wong and Merrilees, 2007; Baumgarth, 2009). The main characteristics of these operationalisations are presented in Table 2.

When analysing these operationalisations three factors often presented as being of vital importance for successful brand orientation

Table 2: Operationalisations of brand orientation

Author	Key concepts	Comments
Hankinson (2001)	<ul style="list-style-type: none"> • Understanding the brand • Communicating the brand • Using the brand as a strategic resource • Managing the brand deliberately and actively 	Brand orientation is described as a model consisting of four elements primarily associated with organisational behaviour and capabilities.
Bridson and Evans (2004)	<ul style="list-style-type: none"> • Distinctive capabilities • Functional capabilities • Value adding capabilities • Symbolic capabilities 	Brand orientation is described as the degree to which an organisation values brands and the degree to which its practices are orientated towards developing four specific organisational capabilities.
Reid <i>et al</i> (2005)	<ul style="list-style-type: none"> • Shared brand vision • Shared brand functionality • Shared brand positioning • Brand return on investment • Brand symbolism • Brand value-adding capability 	Brand orientation is described as a model containing six elements associated with organisational attitudes and capabilities.
Ewing and Napoli (2005)	<ul style="list-style-type: none"> • Interaction • Orchestration • Affect 	Brand orientation is characterised by three concepts associated with organisational capabilities.
Wong and Merrilees (2007)	<ul style="list-style-type: none"> • Branding flows through all our marketing activities • Branding is essential to our strategy • Branding is essential in running this company • Long-term brand planning is critical to our future success • The brand is an important asset for us 	Brand orientation is characterised by five items capturing organisational attitudes and behaviour.
Baumgarth (2009)	<ul style="list-style-type: none"> • Values • Norms • Artefacts • Behaviours 	Brand orientation is characterised by four concepts capturing primarily attitudes and behaviour but also artefacts which makes this operationalisation unique in comparison to the others.

can be identified, namely, attitude, behaviour and capabilities. The principal focus of these operationalisations has either been on attitudes, behaviour or capabilities, or a combination of two of them. Only one attempt to operationalise brand orientation has included all the three factors above. However, this particular operationalisation is based on the non-profit sector and is therefore not entirely relevant to the private sector where other conditions apply.

In order to completely capture brand orientation we believe a fourth factor, interaction, must be taken into account. By interaction, in this context, we mean that brand building is a process based on interplay between internal and external stakeholders, a process characterised by reciprocal influence and interdependence. Subsequently this factor highlights the need for a holistic and cross-functional approach to brand orientation. Interaction is pivotal in order for brands to become the hub of the organisation, something which we consider to be a characteristic trait of a truly brand-oriented company. If interaction is discussed together with operationalisations of brand orientation it is primarily mentioned in connection to external stakeholders (Ewing and Napoli, 2005) and in relation to capabilities (Reid *et al*, 2005). Linking interaction primarily together with external stakeholders is somewhat misleading since interaction is equally important, if not more important, in relation to internal stakeholders. It is even more unfortunate to mainly link interaction to capabilities since interaction in a brand orientation context has a considerably broader meaning and should therefore be seen as an independent factor. Interaction has the same importance to understanding brand orientation as attitudes, behaviour and capabilities.

Even though the operationalisations described in Table 2 are interesting, most of them are relatively abstract and cannot capture the multidimensional character of

brand orientation. None of these operationalisations has managed to convincingly describe the underlying dimensions of brand orientation. Therefore there is a lack of a systematic and holistic framework describing what brand orientation comprises.

THE IMPACT OF BRAND ORIENTATION

An important reason for focusing on brand orientation often been put forward is that an increased degree of brand orientation will supposedly result in stronger brands with higher brand equity (Urde, 1994; Hankinson, 2001; Reid *et al*, 2005; Wong and Merrilees, 2005). Only a few empirical studies have been conducted on the impact of brand orientation. Only one of the studies uses brand equity as a dependent variable in the investigation of the impact of a high degree of brand orientation (Wong and Merrilees, 2008). Instead voluntary income generation by fundraisers (Hankinson, 2002), the strength of a fashion retailer advantage (Bridson and Evans, 2004) and the ability to serve stakeholders' needs and achieving long- and short-term goals (Napoli, 2006) have been used as dependent variables.

Although it is of interest to study the relationship between brand orientation and brand equity it may be even more interesting to analyse the connection between brand orientation and financial performance. In order for a company to strive for a higher degree of brand orientation the investments in brand orientation must naturally pay off. It is worth noting that there is only one study that has explicitly investigated and substantiated the value of brand orientation in financial terms (Wong and Merrilees, 2008). Even though this study makes a very valuable contribution, it is based on a subjective assessment of financial performance. There is no study to date that has investigated brand orientation based on objective measurements of financial performance.

RESEARCH QUESTIONS

In light of the research gaps presented above, the main purpose of this study is to investigate the underlying dimensions of brand orientation and its impact on financial performance. In order to achieve this we have formulated three research questions that will be addressed in this article:

1. What are the underlying dimensions of brand orientation?
2. How do these dimensions influence the degree of brand orientation?
3. How does the degree of brand orientation influence financial performance?

In order to answer these questions we will start with a literature review aimed at identifying and systemising relevant aspects of brand orientation. This will result in a theoretical framework describing six dimensions of brand orientation. Finally we will conduct a quantitative study based on 500 companies in order to validate and operationalise the framework.

THEORETICAL FRAMEWORK

Research in brand orientation is still in its infancy. There is therefore a great need to further conceptualise and operationalise brand orientation. The study of brand management literature enables the identification of some potentially interesting aspects of brand orientation. We have summarised these aspects in a theoretical framework consisting of six dimensions presented below. When developing this framework we presuppose that brand orientation is embodied in the entire organisation and its activities. This approach implies that brand orientation is the strategic and operative foundation of brand management. As a result brands in general, and corporate brands in particular, constitute an interactive hub for all strategies and processes in the organisation.

Protection and policies

One of the cornerstones of brand management is the fact that the trademark is the heart of the brand; hence it is generally accepted that trademark management must be an integral part of brand management (Melin and Urde, 1990; Bridson and Evans, 2004). Brand management literature emphasises that trademark protection is the primary objective of trademark management. Trademark protection is defined as the ability to identify and divert threats that can be directed at the trademark (Diamond, 1982; Urde, 1997). In recent years the need to identify and avoid threats to a brand and its reputation has received growing attention. The importance of developing clear policies for crisis management is often emphasised because the manner in which an organisation handles a crisis is of vital importance in order to sustaining a strong brand, which is why making crisis management an integral part of brand management is increasingly encouraged (Fombrun, 2000; Argenti and Druckenmiller, 2004).

Strategy, identity and positioning

A strong brand (Grant, 1991; Melin, 1997; Urde, 1997) and the capability of developing a consistent brand strategy (Melin, 1997) are frequently described as valuable resources. A well-defined brand strategy is often presented as the key to successful brand building in brand management literature (Aaker, 1996; Keller, 1998; Bridson and Evans, 2004; Kapferer, 2004). When developing a brand strategy the importance of brand portfolio management, which aims at building a stable brand architecture with well-defined roles and relationships among the brands included in the portfolio, is often emphasised (Aaker and Joachimsthaler, 2000; Aaker, 2004). A brand strategy is usually presented as a brand platform. It is often stressed that when developing such a platform it is necessary to chisel out a distinctive brand identity, both in form and

content characterised by a set of key symbolic artefacts (Baumgarth, 2009), as well as crystallising core values which preferably should be valuable, unique and difficult to imitate (de Chernatony and McDonald, 1993; Melin, 1997; Urde, 1999; Reid *et al*, 2005). In recent years the key role of core values as an efficient catalyst in product development and market communication as well as a strategic positioning tool has been emphasised in brand management literature (Urde, 1999, 2003; Harris and de Chernatony, 2001).

Organisation and implementation

Somewhat simplified one could claim that brand strategy can be discussed from two principally different perspectives, formulation and implementation. For a long period of time brand management literature primarily focused on the first perspective but lately the latter perspective has gained in importance. The predominant reason is that the implementation of a brand strategy characterised by a high degree of brand alignment has proven to be a great challenge for several organisations (de Chernatony, 1999; Ind, 2003, 2007). Brand management literature therefore often puts forward the importance of developing efficient processes for continuous implementation (Davis and Dunn, 2002; Hatch and Schultz, 2003). The idea is that all employees should be good brand ambassadors and that the organisation should live the brand (Ind, 2003, 2007). This is a prerequisite for developing strong and long-term stable relationships with an organisation's different stakeholders (Hankinson, 2002; Balmer and Gray, 2003; Tuominen, 2007; Gummesson, 2008).

Responsibility and roles

Since strategy and structure are closely associated, some discussions in brand management literature are devoted to how an organisation can develop an appropriate brand management system (Low and

Fullerton, 1994; Hankinson, 1999; Berthon *et al*, 2008). Brand management literature often underlines how important it is that the CEO of an organisation has overall responsibility for the brand, and that some crucial business decisions concerning brands should be taken by the board (Davis and Dunn, 2002; de Chernatony and Cottam, 2006). Even if the overall responsibility for the brand is with the CEO in most organisations, operative responsibility is usually delegated to an information manager, marketing manager, or one or several brand managers. Lately human resource managers have become more and more involved and given increased responsibility for the brand management process as more and more companies have started prioritising employer branding (Ind and Bjerke, 2007a, b) while the connection between corporate culture and corporate brand has been made visible (Hatch and Schultz, 1997; Balmer and Gray, 2003).

Goals and follow-up

Companies have different kinds of goal hierarchies and this is also true for the brand building process. Brand management literature often points out how the brand building process is based on an organisation's brand mission and brand vision (Hatch and Schultz, 2001; Aperia and Back, 2004; Reid *et al*, 2005). These strategic goals must be translated into operative goals. Setting up quantitative and qualitative goals to measure the effect of different brand building activities is often considered a vital part of this work (Keller, 1998, 2000; Ewing and Napoli, 2005). Recently the importance of evaluating and rewarding employees for how they contribute to strengthening an organisation's brand has also been highlighted (Ind and Bjerke, 2007b; Hatch and Schultz, 2008).

Approach

For a long period of time brand management literature, academic as well as normative, was



mainly focused on product branding (Aaker, 1996; McDonald *et al*, 2001). Research in brand management was relatively fragmented and instrumental in character. However, during the 1990s interest for corporate branding grew. As a result brand management research became more holistic and process oriented and brands were increasingly considered a strategic resource. This research tradition gave birth to the concept of brand orientation. A brand-oriented approach is a mindset and passion for brands (Urde, 1999) but it is also the capability to create sustainable competitive advantages in the form of brands (Melin, 1997; Urde, 1999). With this kind of approach brands cease to be tactical tools that are owned by marketing departments and instead become strategic resources that permeate an entire organisation.

The six dimensions described above represent areas that are well covered in brand management literature. However, there is no research that has managed to comprehensively investigate if, and in that case how, these dimensions are interconnected and how important they are in developing a brand-oriented organisation. In order for brand orientation to develop into a more meaningful concept, empirical data are needed to show what brand orientation consists of, how these dimensions are interconnected and how they are related to financial performance.

RESEARCH DESIGN

Based on this theoretical framework we initiated a research project in 2004 aimed at analysing how well established brand orientation is, what this approach comprises and the impact on the company's profitability (Gromark and Melin, 2005). The results from our study have then been used to determine whether there is a relationship between brand orientation and objective measurements of financial performance, in this case defined as operating margin

(EBITA). The population for the study has been VA 500 (the Swedish equivalent to Fortune 500), presented in the business magazine 'Veckans Affärer' on 11 October 2004. The VA 500 lists the Swedish companies with the largest turnover in 2003. We chose to conduct a complete investigation, meaning that all 500 companies have been given the opportunity to participate in the research project.

We chose to use a web-based questionnaire, which we considered to be an efficient and safe method for collecting data. When developing the questions we used the theoretical framework presented above. Before the study itself a pilot study was made in which method, content and wording was tested with the help of 30 companies in the population. Five of these also participated in qualitative interviews. Our study has been directed mainly towards top management, primarily the CCO and secondly the CEO, and thirdly the CMO. However, only one person from each company has participated in the study.

RESULTS

Descriptive statistics

A total of 263 companies, representing a response rate of 53 per cent, have answered the questionnaire. Compared to other studies on brand orientation this is a high level of response.²

The underlying dimensions of brand orientation

Before analysing the organisations' degree of brand orientation, the relationship between the different questionnaire items needs to be investigated. Also, multivariate analyses such as regression analysis are sensitive to multi-collinearity among different questionnaire items. Principal component analysis helps to avoid multi-collinearity and to identify the underlying non-correlated dimensions of the 35 questions that the

respondents answered. At the outset 50 items covering six dimensions were proposed. Through a number of factor analyses and deletion of items based on recommended threshold values for KMO and communalities (Hair *et al.*, 1992) a logical structure, 35 items and eight factors were finally evolved. The eight factors accounted for 69 per cent of the variance in the 35 variables, which means that the diversity in the information could be reduced from 35 variables to only eight and that 31 per cent of the information is lost due to the simplification. Table 3 presents the factor loadings after Varimax rotation (factor loadings below 0.25 are suppressed). Reliability checks were conducted by the use of Cronbach's alpha test and the results show that all factors have the normally recommended threshold values (Malhotra and Birks, 2003).

Below we will present a short description of each dimension. We present them in decreasing order according to what degree they influence the level of brand orientation, with the Cronbach's alpha value within brackets.

Approach (F1, $\alpha=0.89$)

This factor is associated with a company's overall approach to brands. It captures to what extent strong brands are associated with good profitability, to what extent brand management is perceived as a core competence, to what extent brand building is an integral part of the company's business model and to what extent brand advertising is seen as an investment rather than a cost.

Implementation (F2, $\alpha=0.90$)

This factor concerns whether companies use brands as a beacon in the development of a value-driven organisation and whether they use it in order to inspire the employees.

In other words, does the company work actively to create the preconditions for allowing every employee to be an efficient brand ambassador and does the company have an ongoing implementation process with the aim of always fulfilling the promises that the company makes to the market.

Goals and follow-up (F6, $\alpha=0.89$)

This factor is associated with the company's ability to set clear goals for brand development and to measure the degree of goal achievement. This factor is also related to whether or not target groups' familiarity with, and their attitudes to, the company's core values are studied.

Relationships (F4, $\alpha=0.86$)

This factor indicates how the brand is used to create and maintain relationships with the company's external stakeholders. Is the brand used only as a means of forging relationships with customers? Or is it also used in a broader sense such as in relations with the media, the general public and potential employees?

Identity development and protection (F5, $\alpha=0.73$)

This factor deals with the basic measures taken during a brand process: registering a trademark, creating a visual identity and positioning the brand, and then after that protecting the brand from infringement on its established reputation.

Operational development (F3, $\alpha=0.80$)

This factor highlights companies' ability to use core values as the basis for all their processes, such as business development, product development, internal communication, market communication and financial communication.



Table 3: Factor analysis questionnaire items Q1 to Q35

	Factors							
	F1	F2	F3	F4	F5	F6	F7	F8
Q1. The ability to build a brand is regarded as a core competence.	0.79	—	—	—	—	—	—	—
Q2. An ongoing training and learning process within brand management is seen as an important aspect that reinforces our competitive edge.	0.79	—	—	—	—	—	—	—
Q3. We believe that the development of strong brands is closely tied to increased profitability.	0.76	—	—	—	—	—	—	—
Q4. Brand advertising is regarded as an investment rather than as a cost.	0.72	—	—	—	—	—	—	—
Q5. We believe that the development of strong brands is an integrated part of our business model.	0.68	—	—	—	—	—	—	—
Q6. We place a higher priority than our competitors on branding as a means of improving our competitive advantage.	0.47	—	—	—	—	—	—	—
Q7. We actively use brands to create relationships with our employees	—	0.73	—	—	—	—	—	—
Q8. We actively use brands to create a value-driven organisation	—	0.73	—	—	—	—	—	—
Q9. We actively use brands to create committed employees	—	0.72	—	—	—	—	—	—
Q10. We have an ongoing implementation process for internal branding activities that accommodates both new and existing employees.	—	0.68	—	—	—	—	—	—
Q11. We actively pursue the best opportunities to make our employees good brand ambassadors.	—	0.66	—	—	—	—	—	—
Q12. We actively use brands to create relationships with potential employees	—	0.59	—	0.52	—	—	—	—
Q13. We apply brand values as a guiding principle for other external communication	—	—	0.69	—	—	—	—	—
Q14. We apply brand values as a guiding principle for market communication	—	—	0.69	—	—	—	—	—
Q15. We apply brand values as a guiding principle for business development	—	—	0.67	—	—	—	—	—
Q16. We apply brand values as a guiding principle for internal communication	—	0.40	0.64	—	—	—	—	—
Q17. We apply brand values as a guiding principle for financial communication	—	—	0.56	—	—	—	—	—
Q18. We apply brand values as a guiding principle for product development	—	—	0.54	—	—	—	—	—
Q19. We actively use brands to create integrated communication	—	—	0.40	—	—	—	—	—
Q20. We actively use brands to create relationships with the media	—	—	—	0.78	—	—	—	—
Q21. We actively use brands to create relationships with the general public	—	—	—	0.74	—	—	—	—
Q22. We actively use brands to create a positive media image	—	—	—	0.62	—	—	—	—
Q23. We actively use brands to create relationships with customers	—	—	—	0.58	—	—	—	—
Q24. We have registered our trademarks	—	—	—	—	0.77	—	—	—
Q25. We actively monitor our brands in order to prevent trademark infringements, 'freeloading' or dilution.	—	—	—	—	0.68	—	—	—
Q26. All our brands have a clear-cut visual identity programme	—	—	—	—	0.58	—	—	—
Q27. We have developed a strategic foundation for the positioning of each individual brand.	—	—	—	—	0.49	—	—	—
Q28. We regularly conduct surveys of our target groups to assess their familiarity with our brands and their attitudes towards them.	—	—	—	—	—	0.77	—	—

Table 3 continued

	Factors							
	F1	F2	F3	F4	F5	F6	F7	F8
Q29. We actively establish clear-cut objectives in order to assess the effect of brand-building activities.	—	—	—	—	—	0.69	—	—
Q30. The management team evaluates our branding strategy on a regular basis in order to ensure optimal implementation.	—	—	—	—	—	0.65	—	—
Q31. Strategic decisions relating to branding issues are made by the management team	—	—	—	—	—	—	0.83	—
Q32. Strategic decisions relating to branding issues are made by the CEO	—	—	—	—	—	—	0.72	—
Q33. The members of the management team are our primary brand ambassadors.	—	—	—	—	—	—	0.42	—
Q34. There is a designated official owner for internal branding processes with the responsibility of establishing core values among our employees.	—	—	—	—	—	—	—	0.73
Q35. We have clearly assigned the scope of accountability and authority with regard to branding development	—	—	—	—	—	—	—	0.56
Eigen value	4.5	4.3	3.7	3.2	2.5	2.4	1.8	1.8
Variance explained	12.8	12.3	10.4	9.1	7.1	7.0	5.2	5.2
Cumulative %	12.8	25.1	35.5	44.6	51.7	58.7	63.9	69.1

Top management participation (F8, $\alpha=0.62$)

This factor relates to the top management's participation in brand development. Participation relates both to taking strategic decisions and to serving as an ambassador for the brand.

Responsibility and roles (F7, $\alpha=0.63$)

This factor deals with the company's ability to allocate responsibility and accountability in the area of brand management. This factor refers to whether the company has formalised brand responsibility in an organised, deliberate way, in regards to both strategic and tactical issues.

Brand orientation index

Traditionally scales are evaluated and validated using some kind of comprehensive or global measurement like a service quality index (Parasuraman *et al.*, 1988), or customer satisfaction index (Mägi, 2003). In keeping with this we have developed an index for measuring overall brand orientation, the brand orientation index (BOI). In developing BOI we have let ourselves be inspired by previous research in the area (Urde, 1994, 1997, 1999; Simoes and Dibb, 2001; Hankinson, 2002). BOI was measured through three items (q36, q37, q38) described in Table 4. Factor analysis (KMO 0.73, sign 0.00, per cent of variance explained 82 per cent) and Cronbach's alpha (Std. Alpha 0.89) have proven that the three items can be defined and used as one single measurement.

Multiple linear regression analysis was used in order to assess the general fitness of the model as well as the relative impact of the eight dimensions on BOI. Table 5 presents the results from the regression analysis and shows that all eight dimensions except F7 have significant impact on a 95 or 99 per cent level (that is, significance of 0.05 or less) in total. An adjusted R^2 value



of 0.75 means that the eight dimensions together can explain 75 per cent of the variation in total. The dimension which has the highest impact on BOI is F1 (Bcoefficient 0.59), followed by F2, F4 and F6.

Brand orientation and the impact on profitability

The relationship between BOI and profitability was investigated through several

alternative equation models and curve estimations. The most valid description of the relationship was generated through a non-linear, power-based equation model that confirms a significantly positive relationship. Table 6 presents the results. The R^2 value of 0.15 suggests that 15 per cent of the operating margin can be explained by level of BOI. This non-linear relationship suggests that the marginal value of improving brand orientation escalates somewhat at the highest levels.

Table 4: Brand orientation index items

Extraction method: Principal component analysis, Rotation method: Varimax with Kaiser normalisation, rotated component matrix

	FI
Q36. Our brands are regarded as being one of our most vital assets.	0.88
Q37. Our brands serve as the strategic starting point for practically all our business operations.	0.91
Q38. We are very brand-oriented. We feel inspired to use our brands to create sustainable competitive advantages.	0.92
% of variance	0.82
KMO	0.73

Categorisation of the companies

Hierarchical cluster analysis through Ward's method was used to categorise the Swedish VA 500 companies on the basis of their performance in the eight dimensions. Based on the cluster analysis and aggregation coefficient (together a one-way analysis of variance (ANOVA) test), four distinct clusters were found. The four clusters are described in Figure 1 and the within-group belonging and between-group distinctiveness were tested through a one-way ANOVA analysis in all eight factors and described in Table 7. The results from the ANOVA table suggest that all segments

Table 5: Multiple regression analysis of the eight factors as independent variables against brand orientation index as dependent variable

Dependent variable: I	Standardised coefficients		
	Beta	t-value	Sig.
F1	0.59	14.34	0.00
F2	0.34	8.20	0.00
F3	0.15	3.73	0.00
F4	0.28	6.79	0.00
F5	0.24	5.80	0.00
F6	0.28	6.72	0.00
F7	0.07	1.81	0.07
F8	0.08	1.98	0.05
R	0.87	—	—
R square	0.75	—	—
Adjusted R square	0.74	—	—
Std. error of the estimate	0.54	—	—
F-value	56.87	—	—
Sign	0.00	—	—

significantly differ in all eight factors. However, the four segments are most similar in Factor 4.

Figure 1 shows that Cluster 1 performs well on Factor 5 which means that they mostly use brands as a visual cue and positioning tool. They also focus their

efforts on trademark protection. They are last on F2 and F8. Cluster 2 does not lead in any category; instead it performs the worst on F1 and F6. Cluster 3 gives priority to implementation (F2) but the top management in these companies are the least committed (F7) of the four groups. Cluster 4, which is the largest cluster (34 per cent), performs best on all factors.

Table 6: Logistic regression analysis between brand orientation index and EBITA

<i>Logistic regression independent variable I-dependent (EBITA)</i>	
R square	0.15
F	18.25
df2	105
Sig.	0.00
B1	0.91

Differences in profitability between the companies

In analysing the profitability of the clusters, as illustrated in Figure 2, we see that the most highly brand-oriented companies (Cluster 4) are almost twice as profitable as the least brand-oriented companies (Cluster 1)

Table 7: ANOVA table of comparison in means within and between groups

		Sum of squares	DF	Mean square	F	Sig.
F1. Approach	Between groups	26.31	3.00	8.77	14.60	0.00
	Within groups	93.72	156.00	0.60	—	—
	Total	120.03	159.00	—	—	—
F2. Implementation	Between groups	51.21	3.00	17.07	47.24	0.00
	Within groups	56.37	156.00	0.36	—	—
	Total	107.58	159.00	—	—	—
F3. Operational development	Between groups	23.41	3.00	7.80	18.83	0.00
	Within groups	64.64	156.00	0.41	—	—
	Total	88.06	159.00	—	—	—
F4. Relationships	Between groups	18.14	3.00	6.05	10.74	0.00
	Within groups	87.88	156.00	0.56	—	—
	Total	106.03	159.00	—	—	—
F5. Identity development and protection	Between groups	20.71	3.00	6.90	16.79	0.00
	Within groups	64.14	156.00	0.41	—	—
	Total	84.85	159.00	—	—	—
F6. Goals and follow-up	Between groups	41.67	3.00	13.89	15.49	0.00
	Within groups	139.84	156.00	0.90	—	—
	Total	181.51	159.00	—	—	—
F7. The top management's participation	Between groups	37.73	3.00	12.58	26.82	0.00
	Within groups	73.16	156.00	0.47	—	—
	Total	110.89	159.00	—	—	—
F8. Responsibility and roles	Between groups	26.17	3.00	8.72	9.84	0.00
	Within groups	138.27	156.00	0.89	—	—
	Total	164.44	159.00	—	—	—

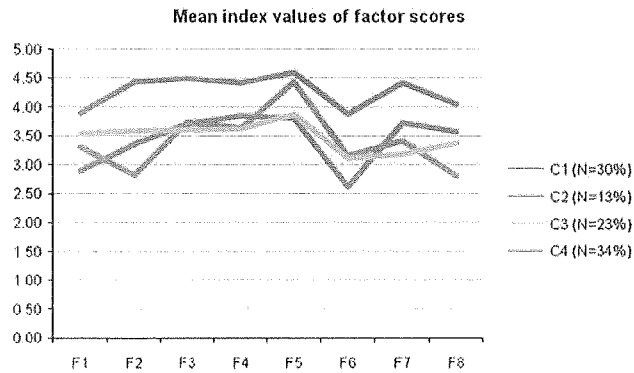


Figure 1: Mean index values of factor scores.

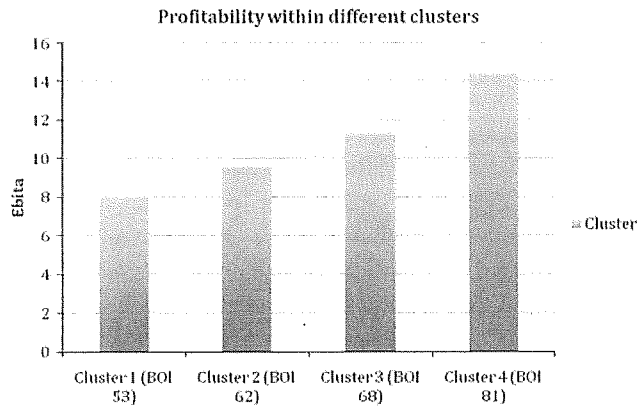


Figure 2: Profitability within different clusters.

in terms of operating margins. The economical consequences of this are illustrated by the following example: The average company in VA 500 has net sales of about EUR 900 million. The difference in annual operating profit between Clusters 4 and 1 in the average company is EUR 60 million.

DISCUSSION

In this section we will discuss the results of the study based on theoretical contributions, managerial implications and suggestions for future research. This discussion will revolve around research questions in the study: what are the underlying dimensions of brand orientation, how do

these dimensions influence the degree of brand orientation and how does the degree of brand orientation influence financial performance?

Theoretical contribution

One of this study's key contributions is that by systematising and synthesising existing research we have been able to develop a theoretical framework which allows us to operationalise brand orientation. This has enabled us to comprehensively identify the anatomy of brand orientation for the first time. As a result of the factor analysis we carried out we have been able to identify eight factors that constitute the underlying dimensions of brand orientation and which

explain 75 per cent of the variation in the degree of brand orientation between the companies participating in the study.

We based our theoretical framework on six dimensions of brand orientation. Through the factor analysis we were able to crystallise another two independent dimensions: operational development and top management participation. These two dimensions are closely connected to interaction, an aspect of brand orientation that has not been given much consideration in previous research. Operational development in this context covers the fact that core values have a central role in the development of a brand-oriented organisation. This has also been pointed out in earlier brand management research (de Chernatony and Segal-Horn, 2003; Urde, 2003, 2009). However, this study has been able to clearly show that in the most brand-oriented companies core values are *de facto* a hub for several key processes, such as product development, internal communication and business development. The factor analysis showed that top management participation is an independent factor. Previous research has stressed top management's role as brand ambassadors when it comes to providing legitimacy to the brand building process (Tilley, 1999; Vallaster and de Chernatony, 2006; Ind and Bjerke, 2007a). Our study has shown that top management also has a key role in assuming responsibility for, and handling, the brand building process in a brand-oriented organisation.

By using the B coefficients in the factor analysis we have for the first time been able to identify which of the underlying dimensions have the largest influence on how brand oriented a company is. Approach has proven to be the factor with the greatest influence. This reinforces the view that brand orientation starts with a strong belief in the value of brands (Urde, 1994, 1997, 1999). Implementation is the second most

important factor for brand orientation. This is in line with the significance given to implementation in brand management literature (de Chernatony, 1999; Hatch and Schultz, 2001, Ind, 2003; Aperia and Back, 2004; Ind and Bjerke, 2007a, b). In this study we are able to show that the most brand-oriented companies place great importance on putting brand strategy into practice, that is, realise their ideas and make the strategy come alive.

There has only been one previous study dedicated to the value of brand orientation in financial terms (Wong and Merrilees, 2008). That study was based on a subjective assessment of financial performance. In this study we have for the first time been able to use objective financial data to prove strong relationships between the degree of brand orientation and financial performance. Probably the most interesting result in this context is that the most brand-oriented companies have almost twice the operating margin compared to the least brand-oriented companies.

Managerial implications

Nowadays most companies are convinced that strong brands can provide sustainable competitive advantages. Most companies understand that brand orientation is crucial to developing strong brands but they have difficulties implementing this insight. This study presents eight dimensions of brand orientation that companies can use in order to become more brand oriented. Since we have clearly shown that approach and implementation are the dimensions with the greatest impact on brand orientation this should not be isolated to a dedicated few in the organisation. Every employee should prioritise the brand. Since we represent a holistic view of brands we do not think that companies can pick and choose from the dimensions. They need to incorporate all of them in some way. This is underlined by the fact that the non-linear

connection with profitability implies that an organisation receives the greatest benefits in terms of profits when it is genuinely brand oriented. However, a company may have developed some dimensions more than others and should therefore choose to prioritise some more than others. Through our research and practical experience we have become convinced that balance and stability are crucial to determining whether an organisation will be properly brand oriented or not. The metaphor we use to describe the eight dimensions of the research project is therefore a wheel. There must be a balance between the spokes in the wheel in order for it to be stable. The brand orientation wheel that we present in Figure 3 can function as a simple diagnostic tool for finding out where the organisation is currently and can be used as a starting point for work with the eight dimensions. This, in turn, can function as a framework for companies that want to develop a more brand-oriented approach in their organisation in order to reach sustainable profitability.

Limitations and remarks on future research

In this study we have defined, conceptualised and operationalised brand orientation, based on a holistic perspective on brand management. We have also analysed the anatomy of brand orientation and identified eight dimensions with crucial importance for companies that want to develop a brand-oriented organisation, as well as identified the importance of these eight dimensions for an organisation's profitability. Because this study is the first of its kind and it is also based on certain inherent limitations we would like to present a number of suggestions for further research. One limitation of this study is that it has only been conducted in one country, Sweden. Although there are many international companies active in the Swedish market it would be interesting to investigate if the profitability relationships we discovered in our study exist outside of the Swedish market, and if the eight factors we identified are also important on these markets. In this context



Figure 3: The brand orientation wheel.

it would be worthwhile to examine other measures of financial performance in addition to EBITA. Another limitation is that this study only includes companies with net sales of over a billion Swedish crowns (slightly more than EUR 100 million). It would therefore be interesting to see if the relationship we noted between brand orientation and financial performance exists in SMEs (small and medium enterprises) and if the same eight factors are also important for SMEs. Yet another limitation is that this study only looks at the connection between brand orientation and financial performance on a single occasion. It would therefore be very interesting to conduct longitudinal studies to verify whether or not brand orientation contributes to sustainable profitability over, for example, a business cycle. In this context it would also be worthwhile to explore the relationship between brand orientation and market context, for example, to analyse differences in brand orientation between B2C companies and B2B companies, between manufacturing companies and service producing companies and between listed and private companies. Finally it is important to further study the antecedents of brand orientation in order to gain insight into why some companies choose to focus on brand orientation in their organisation.

NOTES

- 1 The term brand orientation was coined in 1991 by Frans Melin and Mats Urde, School of Economics and Management, Lund University, Sweden.
- 2 Wong and Merrilees (2008) had a response rate of 18 per cent, Ewing and Napoli (2005) had a response rate of 19 per cent, Bridson and Evans (2004) had a response rate of 28 per cent, Hankinson (2002) had a response rate of 64 per cent.

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