

**DEALERS' MARKET ORIENTATION AND BRAND
EQUITY: THE MEDIATING EFFECT OF
RELATIONSHIP MARKETING**

BY

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**ORIENTASI PASARAN PENGEDAR JUALAN DAN EKUITI JENAMA:
KESAN PENCELAHAN PEMASARAN PERHUBUNGAN**

ABSTRAK

Kebergantungan pengeluar kereta terhadap pengedar jualan di dalam menyempurnakan aktiviti pemasaran bagi pihak pengeluar tidak dapat dinafikan. Kajian terhadap ekuiti jenama dari perspektif pengedar jualan penting memandangkan wujudnya tekanan jualan di dalam pasaran yang kompetitif. Pada umumnya, jenama-jenama Malaysia termasuk jenama kereta masih dianggap sebagai memiliki ekuiti jenama yang rendah. Berdasarkan ulasan karya, amalan orientasi pasaran dan pemasaran perhubungan penting dalam usaha pembangunan ekuiti jenama. Justeru, tujuan utama kajian ini adalah untuk mengkaji peranan orientasi pasaran dan pemasaran perhubungan di dalam pembentukan ekuiti jenama. Secara khususnya, fokus utama kajian adalah untuk menilai kesan pencelahan pemasaran perhubungan terhadap hubungkait di antara orientasi pasaran dan ekuiti jenama dari sudut pengedar jualan. Kajian ini menggunakan kaedah survei. Soal selidik di hantar kepada pengedar jualan bebas yang diiktiraf iaitu Proton, Perodua, Toyota, dan Honda. Seramai 132 pengedar jualan di Semenanjung Malaysia yang diwakili oleh pengurus jualan telah di pilih secara rawak. Namun, hanya 129 (97.7%) maklumbalas sahaja yang boleh di terima pakai untuk tujuan analisis. Analisis regresi dilakukan untuk menguji hipotesis-hipotesis kajian di dalam menganggar kesan pencelahan. Hasil kajian menunjukkan bahawa di antara enam daripada variabel-variabel pemasaran perhubungan, kepercayaan, intensiti, kepuasan dan komitmen merupakan variabel-variabel penting pemasaran perhubungan yang mampu membentuk aset-aset ekuiti jenama (yang mana diwakili sebagai dimensi pelbagai ekuiti jenama), yang terdiri

daripada kualiti tanggapan, kepimpinan jenama, imej jenama dan prestasi jenama. Di antara semua variabel-variabel pemasaran perhubungan ini, kepercayaan adalah kesan pencelahan yang paling kuat dan penting kerana impak orientasi pasaran terhadap ekuiti jenama difungsikan sepenuhnya oleh kepercayaan. Lain-lain variabel iaitu konflik dan timbalbalas juga penting kerana kedua-dua variabel ini mampu untuk mempengaruhi prestasi jenama. Malah, kesan pencelahan pemasaran perhubungan juga mampu untuk membezakan pembentukan ekuiti jenama yang tinggi atau rendah secara bandingan di antara jenama. Pembentukan yang baik terhadap pemasaran perhubungan mampu mencapai ekuiti jenama yang tinggi. Manakala, pembentukan yang lemah terhadap pemasaran perhubungan membawa kepada ekuiti jenama yang rendah. Oleh itu, pembentukan ekuiti jenama adalah bergantung kepada pembentukan pemasaran perhubungan.

DEALERS' MARKET ORIENTATION AND BRAND EQUITY: THE MEDIATING EFFECT OF RELATIONSHIP MARKETING

ABSTRACT

The reliance of car manufacturers on their sales dealers in a very competitive market, which have created selling pressures justified the importance of investigating brand equity from the latter's perspective. Generally, the Malaysian brands including the car brands have been perceived to have low brand equity. From literature, the importance of market orientation and relationship marketing cannot be ignored. Hence, the study attempts to investigate the role of market orientation and relationship marketing in forming the brand equity. Mainly, the study is focus on the mediator effect of relationship marketing towards the relationship between market orientation and brand equity among Malaysian car dealers. This study was conducted using survey method. The questionnaires were distributed to authorized independent dealers of Proton, Perodua, Toyota and Honda. A total of 132 dealers in Peninsular Malaysia, which represented by the sales managers were randomly selected. From 132 responses, only 129 valid responses were received giving a response rate of 97.7% percent. The regression analyses were conducted to test the research hypotheses in estimating the mediating effect. Out of six variables of relationship marketing, the findings show that the variable of trust, intensity, satisfaction, and commitment are critical variables of relationship marketing that able to form the brand equity assets (that represent as a brand equity multidimensional), which refer to perceived quality, brand leadership, brand image, and brand performance. However, among all the variables, trust is the strongest and important mediator because the impact of market orientation on brand equity has been fully absorbed by the trust variable. Other variables that refer to conflict and reciprocity is important as well because these variables were able to built

brand performance. Indeed, the mediator effect of relationship marketing is able to differentiate the lower and higher brand equity in comparison between other brands. Well developed of relationship marketing is able to achieve higher brand equity. Whereas, poor developed of relationship marketing led to lower brand equity. Hence, brand equity formation is dependent on building relationship marketing.

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

This chapter provides an overview of the study background, Malaysia brand scenario, and marketing channel perspective that consists of discussions on the important role of the marketing channel and the scenario of the Malaysian automobile sales network. The problem statement, research objectives, research questions, and contribution of this study are covered as well. Finally, this chapter ends with an explanation of the scope of the study and definitions of key terms.

1.2 BACKGROUND OF THE STUDY

According to the American Marketing Association (AMA), a brand is a “name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition”. The definition reflects that a brand not only gives the meaning of the product, but also describes the product identity, which differentiates it from other products (Aaker, 1991; Capron & Hulland, 1999; Day & Wensley, 1988; Keller, 2003). Therefore, a strong brand has a significant impact on the success of the product.

Aaker (1991) emphasized the importance of branding not only to the firm but also to the customer. The term ‘customer’ refers not just to consumers but also to business customers such as retailers. Retailers such as automobile dealers are the automobile firm’s main business customers. The reliance of the firms on the dealers to successfully market their brands is crucially important. Obviously, the fact that consumers nowadays are much more powerful, knowledgeable, discriminating, and

brand conscious has created more challenges for automobile dealers in marketing their firms' brands. Only the brands with high equity will retain the most power (Norjaya, 2004).

Concerning between the firm and dealers, a brand with higher equity is a powerful weapon for firms as it reflects a firm's differentiation strategy, customer loyalty development, and achievement of economies of scale and provides the best guarantee of corporate survival (Aaker, 1996a; Temporal, 2001; Williamson, 2004; Dewan, 2005; Mohd Sani, 2005). Meanwhile, for dealers, higher brand equity will be beneficial in terms of greater margins, retail image contribution, and consistent sales volume (Cobb-Walgren, Ruble & Donthu, 1995; Farquhar, 1989; Mehta et al., 1996; Wood, 2000). Their branding benefits were also able to attract consumers, providing a guarantee of sales, easily influencing the sales of a product, and allowing it to be sold at higher prices (Norjaya, 2004). These benefits represent the added values that are brought by a brand. The brand concept with value enhancement led to the introduction of the brand equity concept (Blackston, 2000). Hence, low brand equity will cause a problem for dealers as it creates difficulties for them in selling the firm's product. This will affect their roles in selling activities. Low brand equity indicates that the brand is not strong enough as it has still not achieved competitiveness.

Consequently, the development of a strong brand is vital not only for the firm but also for the firm's dealers. Therefore, obtaining branding information from dealers' perspectives to identify the factors or sources that contribute to brand equity building becomes critically important. Indeed, a dealer is the main firm's business customer; it is the entity that is responsible for marketing the firm's brand; acts at the interface between final customers and firm; possesses knowledge regarding the perceptions and preferences of its customers; and is aware of the market performance

and relative profitability of the firm's brand that it distributes. These characteristics possessed by dealers have made the assessment of brands from their perspective more meaningful (Baldauf et al., 2003).

Importantly, the uniqueness of a brand is where the point of differentiation should be valued from the perspective of customers including consumers and business customers such as dealers (Aaker, 1991; Biel, 1992; Blackston, 2000; Kapferer, 2004). The 'differentiation' could be tangible, which are related to the product performance of the brand or intangible aspects that are related to what the brand represents. The 'differentiation' gives equity and represents the added values that make the brands become stronger or competitive (Aaker, 1996a; Blackston, 2000; Hankinson, 2004; Keller, 2008). So, similarly to the consumer's perception, the point of differentiation that is valued from the perspective of dealers is absolutely critical as well.

With the above explanation, Malaysia is not exempt from efforts to build brand equity. To demonstrate the seriousness of branding focused in Malaysia, there are varieties of branding efforts that have been introduced by the Malaysian government including the establishment of a grant called the Brand Promotion Grant (BPG) to assist local companies to develop their brands for the international market; the publishing of the *Malaysia Brands Directory 2007–2008* for the purpose of promoting and showcasing the success stories of Malaysian brands to the world; the organization of brand seminars such as Branding Seminar Malaysia (2008), Seminar Masterclass Place Branding (2008), and APEC seminar on Branding for the World (2003); and brand award recognition such as the 2008 Reader's Digest Trusted Brand Awards, BrandLaureate Award (2007), and SME Brand Award (2007).

Undeniably, the Eighth Malaysia Plan (2001–2005) and the Ninth Malaysia Plan (2006–2010) also highlighted that in sustaining demand during these days of intense global competition the effort to advance Malaysian brands will be intensified and continued. This effort will cover heavy machinery such as the automotive industry as well. The automotive industry in Malaysia is among the important industries that need to be focused on. For example, the Perusahaan Otomobil Nasional (Proton), which manufactures national car brands such as Proton Saga, Proton Satria, Proton Perdana, and Proton Pesona, is the most important national automobile company in Malaysia. Competitive brands are important for Proton to survive locally and globally. Yet, for the global community to accept and appreciate the Proton brand, strong support from the local community toward the brand is needed as it has become the benchmark for global community recognition. Unfortunately, as highlighted by Tengku Tan Sri Mahaleel Tengku Ariff, the ex-CEO (Chief Executive Officer) of Proton, it is not only the global community that does not realize that Malaysia produces its own car brand. Proton itself is still trying to increase local customers' acceptance of its brand (Mohd Sani, 2005). For this reason, identification of the sources of brand equity has become more crucial for Proton. High equity brands lead to the achievement of customer loyalty and economies of scale. These two elements are among the factors that are important for firms to remain competitive and develop (Aaker, 1991; Dewan, 2005; Mohd Sani, 2005).

Therefore, Malaysian firms including the firm Proton need to strengthen their efforts in promoting their brands (Rafidah, 1997). Assessing the brands from the viewpoint of customers such as dealers is vital because customer-based brand information is able to assist firms such as in properly developing appropriate brand

propositions that fit the needs of target customers; developing the point of differentiation of the brand from customers' perspectives; contributing to the factors that affect customers' repeat purchases and loyalty toward the brands; and justifying the ability of the brand to bring security and protection, quality, image, future brand potential, and customers' attraction and satisfaction toward it. All of these aspects are crucial in order for the brand to remain competitive. Strong brand equity is the perfect tool for competition (Norjaya, 2004).

1.3 MALAYSIAN BRAND SCENARIO

As mentioned earlier, a competitive brand is critical as it is able to bring advantages such as the achievement of economies of scale and development of customer loyalty. Competitive brands are also vital to Malaysia to change the negative perception of foreign investors towards share market competitiveness and the ability of Malaysian products to compete internationally. Unfortunately, Malaysian brands are still not competitive either locally or internationally (Dewan, 2005; Mohd Sani, 2005; Rafidah, 1997). For example, Table 1.2 (p. 6) lists the top 30 brands in Malaysia. The survey shows the value of Malaysia brands; unfortunately, none of the top 30 brands in Malaysia appear among the first 20 of Asia's top 1,000 brands [see Table 1.1].

Table 1.1

List of the First 20 of Asia's Top 1,000 Brands for 2007

Rank	Brand
1	Nokia
2	Sony
3	Colgate
4	Coca-Cola
5	Panasonic

Table 1-1. Continued

6	Honda
7	7-Eleven
8	Samsung
9	Nestle
10	Adidas
11	Yahoo!
12	Nike
13	Nescafe
14	Canon
15	Starbucks
16	Sony Ericsson
17	Pampers
18	Google
19	Darlie
20	Pepsi

Sources: Synovate Ltd, www.synovate.com

Table 1.2

The 30 Most Valuable Malaysian Company Brands 2007

Position	Name of Malaysian Brand	Brand Value	
		RM (Malaysia) (billions)	US dollars (billions)
1	Mayban	9.6	2.8
2	Public Bank	6.9	2.0
3	Maxis	5.3	1.5
4	Genting	4.6	1.3
5	Celcom	4.1	1.2
6	CIMB	3.4	981 (million)
7	Astro	3.3	946 (million)
8	Hong Leong	3.1	888 (million)
9	Perodua	2.5	700 (million)
10	Digi	2.1	600 (million)
11	Giant	2.1	592 (million)
12	Malaysia Airlines	1.7	493 (million)
13	Sime Darby	1.5	437 (million)
14	TV3	1.1	315 (million)
15	Petronas	920 (million)	264 (million)
16	YTL	731 (million)	210 (million)
17	RHB	653 (million)	187 (million)
18	Ambank	651 (million)	187 (million)
19	Air Asia	333 (million)	95 (million)
20	The Star	318 (million)	91 (million)
21	Dutch Lady	300 (million)	86 (million)
22	Kurnia	291 (million)	83 (million)
23	Proton	239 (million)	68 (million)
24	MAA	232 (million)	83 (million)
25	Affin Bank	228 (million)	65 (million)
26	Padini	212 (million)	61 (million)
27	Parkson	125 (million)	36 (million)

Table 1-2. Continued

28	Sunway	89 (million)	25 (million)
29	Mamee-Double	87 (million)	25 (million)
30	Decker Bonia	75 (million)	22 (million)

Sources: Association of Accredited Advertising Agents (4As)

Table 1.3

Asia's Top 1,000 Brands for 2007: The Top Three Brands in the Malaysian Market

Rank	Brand
1	Nokia
2	Colgate
3	Sony

Sources: Synovate Ltd, www.synovate.com

Even in Malaysia itself the top three brand positions are still occupied by non-Malaysian brands: Nokia (Finland), which is ranked no. 1, followed by Colgate (US) and Sony (Japan) (see Table 1.3). Indeed, among the top 100 global brands (see Appendix H), the majority of the competitive brands are from Western countries, especially the US. Only 10 competitive brands represent Asia. Of these, three originate from South Korea: Samsung, Hyundai, and LG. The others represent Japan. No Malaysian brands are listed, which signifies that Malaysian brands still lack brand equity.

In addition, the non-Malaysian brands representing the top three brands in Malaysia (i.e. Nokia, Colgate, and Sony), as shown in Table 1.3, demonstrate recognition of these brands by the Malaysian community. This means that the perception of local customers towards these non-Malaysian brands is relatively high in comparison to Malaysian brands. Indeed, the example of Proton, which ranked no. 23 (Table 1.2) shows that the acceptance of this brand by customers is still low. Disappointingly, Proton has been on the market for 20 years and unfortunately it is still viewed as unsuccessful in branding its name either locally or internationally.

Table 1.4

Moreover, as presented in Table 1.4 (p. 8), Proton car sales figures were lower, in comparison to Perodua, from 2006 until 2008. For Perodua, although the firm's sales volume demonstrated the highest sales in the Malaysian car industry, the unit of sales fluctuated and the market share is still low (ranging between 29.8% and 39.1%). Thus, the scenario reflects that both of these Malaysian automobile brands are not fully appreciated by the local market. Hence, the right strategies for building brand equity or strong brands are obviously needed especially in order to remain competitive in the current competitive market.

1.4 THE MARKETING CHANNEL PERSPECTIVE

1.4.1 The Importance of the Role of Retailer

The marketing channel refers to the external contactual organization that management operates to achieve its distribution objectives. The term 'contactual organization' refers to those firms or parties who are involved in negotiatory functions as a product or service moves from the producer to its ultimate user (Rosenbloom, 2004).

Rosenbloom (2004) further discussed the fact that retailers such as car dealers are important types of marketing channels that are engaged primarily in selling merchandise for personal or household consumption and rendering services incidental to the sale of goods. A dealer is someone who aids, supports, and serves the manufacturer (or firm) (Omar and Blankson, 2000). Or, by considering Rosenbloom (2004) and Omar and Blankson (2000), a dealer can be referred to as a "retail trade organization that engaged primarily in selling merchandise for personal or household consumption and rendering services incidental to the sale of goods".

From the above explanation, it is clear that the role of a retailer such as a dealer is crucially important from these two perspectives – those of the customer and the firm.

According to Webster Jr (2000) and Baldauf et al. (2003), customers rely on the firm's retailers for buying and getting a product or brand. For them, retailers such as dealers are not only the firm's representatives but also its proxies. This has caused customers to be much closer to dealers in comparison to firms. Therefore, the success of the retailer in implementing its functions is critical for customer purchase decision-making.

Obviously, in the context of the firm, the consumer or final customer is not its direct customer. For the firm, its direct customers are business customers including all types of business entities, especially marketing channels such as retailers and wholesalers (Webster Jr, 2000). The firm's retailer is the firm's representative for smoothing the flow of products as needed by customers (particularly the final customer) and the best way for a firm to reach its final customer. Or, in other words, the retailers (e.g. car dealers) basically have to perform the important function on behalf of their firms of providing added values to the customer, for example, buying, selling, assorting, financing, storage, grading, transportation, market information, and risk taking (Saint-Onge, 1998; Webster Jr, 1991). Due to this important relationship, many firms and their retailers recognize that their future success depends on each other. A good firm brand is seen to represent profit opportunities for both the retailer and the firm (Bigne & Blesa, 2003; De Chernatony & McDonald, 1998; Saint-Onge, 1998; Tung-Zong, Polska, & Su-Jane, 2003).

Moreover, retailers also work as the firm's partners. As the firm's partners, they are actually responsible for providing any response to the market's needs and wants. For this reason, the requirement for market information generation,

dissemination, and responsiveness is necessary from their perspective. Undeniably, the cooperation between firm and retailer with regard to these market information processing activities which reflect the market orientation strategy is crucially important (Baldauf et al., 2003; Langerak, 2001; Soehadi, Hart, & Tagg, 2001; Tung-Zong et al., 2003; Webster Jr, 2000).

In addition, the application of a market orientation strategy is able to achieve a superior performance by the firm. However, to successfully achieve it, retailers need support from their firms (Soehadi et al., 2001). As the achievement of brand equity also represents a firm's superior performance (Aaker, 1991), the implementation of market orientation is expected to be an important strategy in brand equity building.

Furthermore, the success of market orientation in developing the relationship marketing components such as trust, commitment, and satisfaction is undeniable (Armario, Ruiz, & Armario, 2008; Jaworski & Kohli, 1993; Siguaw, Simpson, & Baker, 1998). Greater knowledge and understanding of all of these relationship marketing components is useful for the establishment of relationship quality. Relationship quality is a key goal of relationship marketing as with a limited number of strong indicators (or components) it reflects the degree of appropriateness of a relationship. This will lead to a better understanding of long-term relationship success between customers and firms (Fynes & Voss, 2002; Hennig-Thurau et al., 2002). Further clarification of the linkages between relationship marketing and relationship quality is shown in Appendix F.

1.4.2 The Malaysian Automobile Sales Network Scenario

The automotive industry is among many important industries in Malaysia. The automobile brands sold include Proton, Perodua, Toyota, and Honda, as well as other brands such as Nissan, Mercedes, Hyundai, and Kia. In a personal interview, the general manager of one of the automobile firms in Malaysia explained that in the Malaysian automobile context the firms rely extensively on the sales network for carrying and selling their brands to consumers. He further explained that sales networks (or retailers) comprise two main groups: sales branches and authorized independent sales dealers. Between these two, 70% of total sales volume is contributed by the authorized independent sales dealers; in comparison, 30% is contributed by sales branches.

His information further revealed that the authorized independent sales dealers mainly consist of individual independent dealers. However, some automobile firms also deal with superdealers for carrying and selling their brands. In general, some of the elements concerned [see Table 1.5, p. 13], which consist in the dealership agreement or sales dealer's agreement (the firm's confidential agreement with its dealers), were shared and explained to clarify the differences between sales branches, individual independent dealers, and superdealers. Based on the explanation, the following definitions of each of the sales network groups are agreed and proposed:

(1) *Sales branch* is defined as “a firm (or manufacturer)-owned branch that is set up by a firm to deal with all activities involved in carrying and selling exclusively the firm's product/brand to the final customer”.

(2) *Authorized independent sales dealer* is defined as “an individual independent dealer or superdealer (if one exists) that is contractually appointed by a firm as an important intermediary that deals with all activities involved in carrying and selling

T1.5

exclusively the firm's product/brand to the final customer; indirectly represents the firm's business 'partnership' that performs the important function of fulfilling customer needs on behalf of the firm; and is a firm's business 'customer' who buys in a certain or large volume of the product (stock) and is tied with the payment arrangement for any stock allocation".

(3) *Individual independent dealer* is defined as "an individual independent company that is contractually appointed by a firm as an important intermediary that deals with all activities involved in carrying and selling exclusively the firm's product/brand to the final customer; indirectly represents the firm's working 'partnership' that performs an important function of fulfilling customer needs on behalf of the firm; and is a firm's business 'customer' who buys a certain volume of the product (stock) and is tied with the payment arrangement for any stock allocation".

(4) *Superdealer* is defined as "an independent retail corporation that is contractually appointed by a firm as an important intermediary that deals with all activities involved in carrying and selling exclusively the firm's product/brand to the final customer; indirectly represents the firm's working 'partnership' that performs the important function of fulfilling customer needs on behalf of the firm; and is the firm's business 'customer' who buys in a large volume of the product (stock) and is tied with the payment arrangement for any stock allocation".

In relation to the above clarification, he also stressed that the main reason for the establishment of sales branches by automobile firms is to generate profit. This is a crucial achievement for every automobile firm, as the firm basically sells its product brands at cost price to its dealers. Therefore, for the purpose of the firm's growth, the need for profit revenue is important for any strategy improvement

F1.1

including product innovation and differentiation. Further, the need for independent dealers is also crucially important for a firm in order to create and expand its network businesses' participation, as well as to 'enjoy' the dealer's knowledge and skills in selling the firm's brand.

The structure of these sales networks is illustrated in Figure 1.1 (p. 17). The detailed breakdown numbers of sales networks among the important car brands in Malaysia is shown in Appendix G. Some other issues regarding the Malaysian automobile sales network scenario, for example brand model categories and dealers' locations, are disclosed as well (see Appendix J, p. 3, for the interview questions and Appendix M for interview results).

1.5 PROBLEM STATEMENT

Strong brands or high brand equity brands are a crucial 'weapon' for firms to remain competitive in the market (Aaker, 1991; Keller, 2008). Also, they reflect the appreciation of customers for the brand (Norjaya, 2004). Brands such as Coca-Cola, Microsoft, Nokia, Walt Disney, and Toyota represent valuable brands that are able to compete well in the market. However, to remain competitive, the search for sources of brand equity has to be intensified and continued. This effort makes it possible to not only increase the understanding of brand equity building but also to keep the brands competitive forever including during stiff market competition.

Looking at the Malaysian industries scenario, Malaysian brands are still not competitive, either locally or internationally (Dewan, 2005; Mohd Sani, 2005; Rafidah, 1997). Even important industries such as the automobile industry (*Eighth Malaysia Plan 2001–2005, 2001*; *Ninth Malaysia Plan 2006–2010, 2006*) are not exempt from facing this critical scenario. There is no doubt that lack of brand equity

causes difficulties for car sales networks, particularly dealers, in their selling activities as they are among of essential entities that bring success to the firm as well as to the Malaysian economy.

In the Malaysian automobile industry, total sales volumes are largely contributed by authorized independent sales dealers compared to sales branches. This explains why the role of dealers is crucial for firms. Unfortunately, due to different treatment of sales behaviour by a firm between the authorized independent dealers and sales branches [see Table 1.5, p.13], critical challenges are faced by automobile firms toward their authorized independent dealers. Some of the challenges are: the dealers have no trust in their firms in terms of fair treatment between them and the firm's sales branches; the need of dealers for a higher retail margin; and the involvement of dealers in unethical issues, particularly 'disorderly marketing'. For example, the 'discount war' executed among the dealers affected the selling activities of the sales branches.

The main pressure behind these factors is due to the severity of the market, especially in this current market situation. The authorized independent sales dealers are faced with difficulties in selling the firm's brand. The market is tough due to present conditions where they have to face very stiff competition. Stiff competition has introduced so many selections of brand offerings to consumers that they have become more selective and demanding. The situation has also become harder because consumers are more knowledgeable now. The greater access to information nowadays has made it easier for them to compare the brands on the market.

Additionally, the emergence of stiff competition has also increased the lack of differentiation between features of individual brands. But still, achieving a higher retail margin is critical for them. Therefore, the need to explore marketing activities

that can create success in building and boosting the brand equity becomes critical for dealers. To remain competitive, it is necessary for the consideration of customer orientation in building and boosting the brands during this tight time to become a priority. For this reason, the concern of implementing effective strategies such as market orientation is valuable as the main element on which market orientation focuses is customer orientation (Kohli & Jaworski, 1990; Narver & Slater, 1990; Langerak, 2001).

Furthermore, the advantage of market orientation is its ability to stimulate the establishment of relationship marketing and superior customer value such as brand equity building (Day & Wensley, 1988; Sanzo, Santos, Vazquez, & Alvarez, 2003). Unfortunately, empirical studies on channel market orientation in relation to relationship marketing and other subjective performances such as brand equity are regrettable (Bigne & Blesa, 2003; Cravens & Guilding, 2000; Day & Wensley, 1988). Relationship marketing was argued to be the most important mediating variable by earlier researchers (Morgan & Hunt, 1994). However, based on the literature review section (see Table 2.10, p. 79), exploration of relationship marketing as a key mediating variable in relation to market orientation and brand equity building is still rare. The extent of this approach to brand equity formation still needs to be explored further (Kyung, Kang, Dong, Jong, & Suk, 2008). Further, research into the factors that mediate the implementation of market orientation is still inadequate (Ruekert, 1992).

In addition, the majority of the strategies concerning brand equity formation are widely based on a marketing mix that concerns the 4Ps strategy – pricing, product quality, place, and promotion (Yoo, Donthu, & Lee, 2000), and this is the case in the Malaysian scenario (Appendix E). This is evidently supported by the

arguments of Yoo et al. (2000) and Cobb-Walgren et al. (1995). For this reason, they suggested that other marketing efforts contributing to brand equity building need to be investigated to enhance the explanatory power of the brand equity phenomenon. Indeed, as most of the brand equity research is heavily concerned with the context of firms and consumers, Yoo et al. (2000) and Srivastava and Shocker (1991) also stressed that there is a need to explore brand equity in contexts other than these two perspectives, for example, from the perspective of the firm's retailers such as dealers.

Considering the above gaps in the literature, empirical work is therefore needed to overcome this shortcoming. Also, relatively little empirical research on Malaysian brand equity (Norjaya, 2004), including the automobile dealer's perspective, has been conducted. Hence, empirical work in this area is very valuable. Consequently, the problem that this present study seeks to address is: "To what extent do dealers' market orientation and relationship marketing contribute to brand equity building?".

1.6 RESEARCH OBJECTIVE

Pertaining to the above problem statement, the following objectives of this present study are addressed:

- (1) To examine the relationship between the dealer's market orientation and brand equity
- (2) To examine the relationship between the dealer's market orientation and relationship marketing
- (3) To examine the relationship between relationship marketing and brand equity
- (4) To examine whether relationship marketing mediates the relationship between the dealer's market orientation and brand equity

- (5) To examine whether relationship marketing as a mediator differentiates lower and higher brand equities

1.7 RESEARCH QUESTION

Therefore, the research questions are as follows:

- (1) Does the dealer's market orientation contribute to brand equity?
- (2) Does the dealer's market orientation influence the relationship marketing?
- (3) Does relationship marketing contribute to brand equity?
- (4) To what extent does relationship marketing mediate the relationship between the dealer's market orientation and brand equity?
- (5) Does relationship marketing as a mediator differentiate lower and higher brand equities?

1.8 CONTRIBUTION OF THE STUDY

This study is expected to contribute to theoretical, methodological, and practical use in the context of branding perspectives. Each of these contributions is discussed as follows:

1.8.1 Theoretical Contribution

In terms of the theoretical contribution, this study intends to make a significant contribution to brand equity theory by proposing the importance of market orientation and relationship marketing. These two important marketing efforts, if properly managed, are able to create superior customer value such as brand equity (Aaker, 1991, 1996a; Day & Wensley, 1988; Sanzo, Santos, Vazquez, & Alvarez, 2003). The findings of this research will increase the understanding of

brand equity formation as well as the important role of market orientation and relationship marketing as important sources of brand equity.

Besides, through the introduction of relationship marketing as the key mediating factor in the relationship between market orientation and brand equity, this study will bring some important theoretical contributions. Indeed, this investigation will increase the establishment of generalization across the research stream with regard to relationship marketing as a key mediating factor. Indirectly, the key mediating variable (KMV) of relationship marketing proposed by Morgan and Hunt (1994) will be further enhanced.

In relation to this, the study also intends to make a significant contribution in the context of independent (or antecedent)–brand equity dimensions linkages, particularly in the context of market orientation–brand equity linkages and market orientation–relationship marketing linkages. Therefore, the contribution will expand the knowledge of not only the brand equity theory but also the social exchange literature and resource-based view (RBV) literature as well.

1.8.2 Methodological Contribution

In terms of its methodological contributions, this study intends to make a significant contribution by investigating brand building efforts in the non-Western market. So far no conceptual development or empirical study on brand equity building, particularly involving the marketing efforts of market orientation and relationship marketing in the context of the Malaysian channel, has been conducted.

Moreover, as the measurement of brand equity, market orientation, and relationship marketing provides an adequate means of behaviour measurement (Villarejo-Ramos & Sanchez-Franco, 2005; Kohli, Jaworski, & Kumar, 1993; Mehta

et al., 2003, Morgan & Hunt, 1994), to show the robustness and validity of these measurements, these scales will be tested from the perspective of authorized independent Malaysian dealers. This exercise supports the recommendations of Thomas, Soutar, and Ryan (2001) and Morgan and Hunt (1994) that the measurements be tested in different settings in order to show their robustness and validity.

Besides, the ways in which both brand equity and relationship marketing are operationalized in this study will provide some important insights, thereby increasing understanding of these two perspectives. Indeed, the findings of this study also present some important insights into different cultures such as that of Malaysia. Since the majority of earlier studies were conducted in Western countries, it is believed that questions still need to be answered concerning the transferability of the findings to Eastern countries, including Malaysia (Bhuiyan, 1997; Soehadi et al., 2001).

1.8.3 Practical Contribution

In relation to the practical perspective, the findings of this study will be able to demonstrate some guidelines for durable consumer goods firms. Particularly, the contribution is oriented mainly towards the car manufacturing industry by providing a comprehensive framework of brand equity from the perspective of retailers, which are represented by authorized independent dealers.

Knowledge of the causes of brand equity (that is, in this study, the mediator effects of relationship marketing) will help firms understand the kinds of marketing efforts that are able to build brand equity assets in the context of retailers. These brand equity assets, including perceived quality, brand leadership, brand image, and

brand performance, are among the customers' behavioural responses represented by the dealers, which determine the level of brand equity the brand has. These customers' behavioural responses have important implications for the firm's added value such as in terms of sales and profitability.

Indeed, the investigation of relationship marketing in terms of its relation to market orientation will help enhance the management of market orientation and minimize the barriers to market orientation development. Thus, the questions of how managers can encourage the development and maintenance of market orientation in the businesses they manage and the extent to which being customer-oriented 'pays off' for the firm or for the managers within the firm will be answered. This means that the extent to which market orientation develops and sustains a successful business strategy that leads to sustainable competitive advantage achievement, such as brand equity, will be understood. Indirectly, this will explain the importance of the relationship marketing role in enhancing or strengthening the marketing orientation for a firm's value added achievement.

Moreover, managers will also further enhance their understanding of brand equity formation by expanding their knowledge about it, which is not only driven by concern for advertising and other promotions. This study will also explain that other marketing efforts such as the proper management of market orientation and relationship marketing are able to form brand equity of the firm. Success in understanding the factors that build the brand equity assets will further assist managers in their decision making, especially in the context of their channel members. For example, the requirement for dealers to be market-oriented in order to build a strong brand will be implemented successfully if the dealers receive strong support from their supplier firms.