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DO PARTNER RELATIONS IN MARKETING CHANNELS MAKE A DIFFERENCE IN BRAND MANAGEMENT IMPLEMENTATION? EVIDENCE FROM SERBIA AND MONTENEGRO

Da li partnerski odnosi u kanalima marketinga značajno utiču na implementaciju brend menadžmenta? Iskustva iz Srbije i Crne Gore

Abstract

This paper discusses the preconditions for successful business operations of suppliers in Serbia and Montenegro, taking into account their weakening position in marketing channels and relatively weak consumer purchasing power. This research aims to determine the interdependence of brand management and partner relationship development in marketing channels and their influence on brand performance. Therefore, BCR model was constructed. Research into the influence of marketing channel relationships on the business success of supplier operations was especially emphasised. An empirical research was conducted using a sample of 121 managers from Serbia and Montenegro. The results of quantitative analysis confirmed that three independent variables of the BCR model (brand management commitment, marketing channel relationships, and brand myopia) had a statistically significant impact on brand performance. It was also proved that companies, which adopted and implemented marketing channel relationships at a higher level than their competitors, achieved better financial results from their operations. The implications for managers of supplying and retail companies were especially emphasised and discussed.

Key words: *marketing channels, suppliers, brand management, Serbia, Montenegro*

Sažetak

U radu se diskutuju pretpostavke uspešnog poslovanja dobavljačkih organizacija u Srbiji i Crnoj Gori, u uslovima slabljenja njihove pozicije u kanalima marketinga i relativno slabe kupovne moći potrošača. Osnovni ciljevi istraživanja su utvrđivanje međuzavisnosti brend menadžmenta i razvoja partnerskih odnosa u kanalima marketinga i njihov uticaj na performanse brenda. U tu svrhu je konstruisan BCR model. Posebno je istražen uticaj odnosa u kanalima marketinga na uspešnost poslovanja dobavljačkih organizacija. Istraživanje, koje je bilo osnova za analize prezentovane u ovom radu, sprovedeno je na uzorku od 121 menadžera u Srbiji i Crnoj Gori. U radu je potvrđeno da tri nezavisne varijable BCR modela (posvećenost brend menadžmentu, odnosi u kanalima marketinga i brend miopija) imaju statistički značajan uticaj na performanse brenda. Takođe je dokazano da preduzeća koja su usvojila i implementirala partnerske odnose u kanalima marketinga na višem nivou od konkurencije, imaju bolje finansijske rezultate poslovanja. Implikacije za menadžere dobavljačkih i trgovinskih kompanija su posebno istaknute i diskutovane.

Ključne reči: *kanali marketinga, dobavljači, brend menadžment, Srbija, Crna Gora*
JEL Classification: M31, L25, L81

Introduction

Significant changes have occurred in the Western Balkans marketing channels in the past decade. Retailers have gained significant power due to processes of concentration and integration. In addition, foreign retailers have been leaders in the most the Western Balkans countries (WBC). They have brought new practices and more developed retail formats. The retail sector in WBC is much less fragmented than a decade ago, although it is still less concentrated than those in developed economies. However, manufacturers have grown as well, and international presence has also become more significant, but the market power has gone to the retailers in most industries. Wholesalers have lost a significant part of their influence, but the most successful of them have focused on efficient logistics or entered upstream or downstream integrations. Suppliers have lost a significant portion of their bargaining power and had to accept new practices in order to adapt to the changing environment. Technological innovations have influenced all segments of marketing channels. Customers have accepted multichannel environment and its advantages. Modern customers in WBC have more information, more choices and are less loyal. On the other hand, the standard of living and purchasing power are stagnating. In this situation suppliers need to carefully build their brand position, especially when competition in their industry is fierce. They communicate with customers (both business and final) through different types of marketing channels which coexist in the Western Balkans.

Serbia and Montenegro are important part of the Western Balkans where most of the above mentioned changes have occurred in marketing channels but with certain specific characteristics. Therefore, the authors have decided to conduct the research concerning the roles and importance of cooperation in marketing channels in modern brand management, aimed at creating a strong market position of the brands and improving financial results and company performances in these two countries. In addition, similar researches have not been conducted in Serbia and Montenegro.

The main objective of this paper is to research into the role of cooperation in marketing channels in the light of modern brand management implementation. Furthermore, we will examine whether and to what extent can the development of good partnership relations contribute to the improvement of brand performance and, consequentially, influence the financial results of the company. Based on a comprehensive literature review, the authors have defined research methodology and established an initial model. The research has been conducted among marketers in Serbia and Montenegro in mid-2014, with marketing, sales, brand, and general managers expressing their views on several related topics. Their responses were used in further analysis. A Brand Channel Relationships (BCR) model was constructed with the purpose of exploring the influence of variables on Brand Performance. Results of quantitative analyses and its discussion have been presented in this paper as well as the main findings and managerial implications. In addition, the research limitations and future research directions have been discussed.

From transaction to partnership: Conditions, concepts, results

Modern times and conditions of doing business require new strategic and organizational responses [4]. Business innovations are essential for survival and development in the conditions of rapid changes in the environment, market redefining, demanding upgrades of business processes, and globalization [43]. Consumer power and purchasing logics are also changing. Therefore, cooperation has become crucial for surviving in the market [53]. Forces that shape market strategies lead to new competition logics of integrated business systems [54]. The traditional transactional approach to business relationships does not offer a strategic response to business environment changes [51].

The development of modern information technologies for collecting and exchanging information stimulates cooperation initiatives. Therefore, all marketing channels members have to respect the information power of retailers [54].

The increased business risk is an important motive for closer cooperation among suppliers and retailers. The objective is to decrease business risks and increase loyalty in marketing channels. Close relationships with customers considerably stabilize supplier operations [44]. In addition, the level of industry maturity also influences suppliers to cooperate with retailers. When main determinants of success are price and availability of goods, the suppliers are in danger of brand commoditization; hence the importance of implementing adequate business strategies in different stages of product life cycle [16].

Customer loyalty decreases business risk. Adequately organized sales and well-treated customers make loyalty more certain [38]. However, suppliers do not reach loyalty by implementing the same strategies and tactics.

Freedman et al. [18] distinguish the supplier's generic roles. In this way, the supplier uses the retailer as a means of market approach, focusing on selling producers' brands (traditional brand management). A supplier can also be pragmatic and play the role of the leading supplier by developing deep relationship with retailers (modern brand management). The opposite extreme is the supplier not thinking of their own brand, and working for the retailers and their private brands.

Customer characteristics [27] and the need for their long-term satisfaction define the tasks and required changes for the supplier. A widely accepted opinion is that differences in character, motives, and behaviour of retailers and market features are sufficient to justify a special approach, i.e., the individualized treatment by the supplier [28]. Furthermore, the customers themselves often seek appropriate respect. The suppliers must meet the set expectations by jointly working on developing the relationships [15], [9].

In supplier–retailer relations, the inter-organizational harmonization, relationship development and adequate resource allocation are very important [64]. However, personal relationships between suppliers and the retailer's employees are significant as well. In this sense, the key account management strategy is the means for providing a stabile cooperation [14]. Strategically important customers must have a special treatment, which includes operational capacities for the development of a long-term and profitable relationships [46]. This implies that the business process should be defined so as to fit the key accounts [5].

Top management should primary handle the most important assets, reflected in the selected customers with their own needs [71]. It should be emphasised that key accounts are demanding and particular. *Levy et al.* [36] observe that modern retailers pay special attention to selection of suppliers. In order to have a harmonious relationship with customers [60], the supplier needs to be focused on their individual needs and interests which implies cooperation. Key account management (KAM) cooperation has strategic and organizational aspects [22], [3].

Trust is a prerequisite for partnership development. Transactional or price focused phase is usual at the beginning of cooperation. Initial phase should be followed by relationship development [17]. The literature distinguishes five phases of supplier-customer relations: probing relationship, basic relationship, cooperative relationship, interdependent relationship, and integrated relationship with the customer [44].

Upon achieving good business results, both the supplier and the retailer develop their cooperation at different organizational levels. This includes organizational harmonisations from a multifunctional relationship level to a strategic alliance level. The basis and the result of the KAM strategic alliance are performing of work with understanding and trust, as well as the sharing of profit and risk between the business partners. This leads to creating mutually competitive business systems [37].

Globalization and rationalization of procurements bring forth the phenomenon of extremely important customers [59]. Customer concentration and focus on fewer sources [72] require suppliers to adjust [57] and apply strategic sales approach [50]. New resource allocation is utilized [29] as well as a network perspective of key account relations [61], which relativize the conventional KAM treatment [58].

Strategic co-creation of value becomes very important [47], [55] and requires qualified managers for its implementation [61]. Synchronization of numerous activities, as a part of partner relations [52] and customer satisfaction [68], demands adequate knowledge, skills, and support [10].

The above summary of supplier–customer relations development has clear chronological outlines. Transactional communication in marketing channels, during the times of suppliers' domination with their brands, has evolved into more profitable ways of cooperation [49]. Capital concentration and retailer technological and information power were both necessary in order to develop relations in marketing channels. Figure 1 illustrates the development of supplier/retailer relations.

Traditional brand management was common practice in the developed countries during the 1960s. For example, up until 1967, almost 84% of large producers of packaged fast-moving consumer goods had the position of brand managers. In addition, retailers were mainly passive members of marketing channels in the 1960s throughout the traditional brand management era. During the 1970s, due to the changing role of retailers in marketing channels, a counter-offensive was launched against the traditional manufacturers' brand practices [40].

The breaking point is achieved due to a technological breakthrough in retailing. Technological innovations such as bar coding have led to revolutionary changes in marketing channels, and enabled the concentration of capital in retail and also a new approach to marketing [39].

Beside the KAM initiative during the 1980s, trade marketing practices were also developed [33], as well as the concept of category management, and strategy and tactics of supply chain management [8]. The positioning approach at category level [19] was completed at the beginning of 1990s with the innovation of Efficient Consumer Response (ECR) strategy, which integrated demand management (category management) and supply management (efficient supply) [56].

Later on, the initial idea of efficient consumer satisfaction would be improved with the idea of good experience at the point of sale. Good shopping experience, as a holistic concept, is implemented on the basis of shopper marketing which involves tracking the customer through the shopping process [62], and focusing on the 'triggers' in the conditions of 'hybrid shopping' [31]. All influences on the customer are carefully tracked, such as communication [12], packaging [32], and store crowding [11]. Therefore the necessity of integrated marketing communications has risen [69].

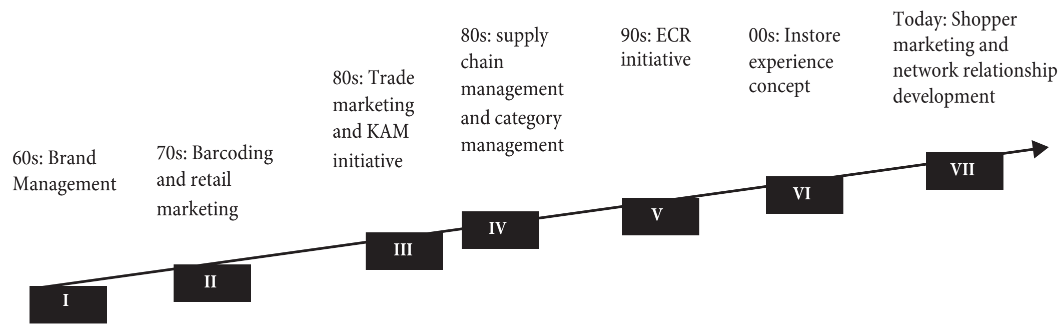
Today, the retail environment is dominantly determined by IT achievements [26], which enable mass customization of even the basic goods and services. This is the essence of the modern retail revolution [1]. A strong, retailing brand is developed, and it is more defined by technological, than physical capacities [54].

On the other hand, the quality of supplier-customer relations defines the quality of retailing business [63]. Hence, there are high expectations from suppliers, including the following: client management, organization and people, category management leadership, supply chain management, financial management, understanding and activation of customers and adequate brand management, marketing, and innovation [7], [63].

A literature review indicates that cooperation in marketing channels is a precondition for successful brand management [21]. By summarizing the above presented views of numerous authors, we have reached conclusions about strict requirements of sustainable brand management. Brand oriented suppliers have no choice but to get closer to retailers and their resources [45]. The closer and the deeper the connection with retailers is the more secure is the survival and progress in marketing channels [42].

In the conditions of traditional brand management crisis, the application of customer relationship management

Figure 1: From traditional brand management to collaboration in marketing channels



Source: Developed by Bogetić [6], Harris [25]

(CRM) business strategies and tactics represent the basis of successful brand development and sustainability. The positioning of products in heavily technologically defined business environment, coupled with intensive increasing strengthening of retail brands, implies a multifunctional, holistic cooperation. Increasingly demanding final customers, above all, call for cooperation in marketing channels. A modern final customer rewards customized and localized offers. Market survival nowadays requires supplier and retailer teamwork and respect of mutual interests in marketing channels [66].

Traditional suppliers' brand management is in crisis, and modern approach to brand management has emerged [69]. Multiple authors point out the benefits of a strong brand and successful application of brand management. According to *Madden et al.* [41], brand is a powerful tool in reducing the volatility and vulnerability of cash flows and business risks because a strong brand carries a lower risk of market failure. *Aivaldi et al.* [2] emphasize the role of brand as a source of competitive advantage which significantly contributes to financial results.

Lee et al. [34] assert that modern brand management system has a significant impact on brand performance. At the same time, brand performance consists of two variables – customer performance (discussing the relations between customer and brand, such as satisfaction, reputation, loyalty, and so on) and financial performances of a certain brand (sales growth, market share, return of brand investments, etc.).

Lennartz et al. [35] have measured brand strength, brand associations, and performance perceptions of the four marketing-mix instruments including distribution. *Burman et al.* [13] have analysed the influence of brand commitment on brand strength, emphasizing internal brand management as the key determinant of brand success.

Wong and Merrilees [70] have established the link between brand performance and financial performance of a company. Brand performance is a mediator among company brand orientation, innovation, and financial performances. In measuring brand performances, they have started from the position of the brand defined by the awareness, image, loyalty and reputation the brand had with customers. In addition, there are brand barriers which have a negative impact on brand orientation and brand performance. *Gyrd-Jones et al.* [20] have found the existence of brand strategy barriers in organizations, such as different focus of sales and marketing department.

Suppliers' position in marketing channels and other factors require applying a more flexible approach to brand management, i.e., a modern brand management. This increases the possibility of successful coexistence in marketing channels, including constant monitoring and revision of the brand management concept [65].

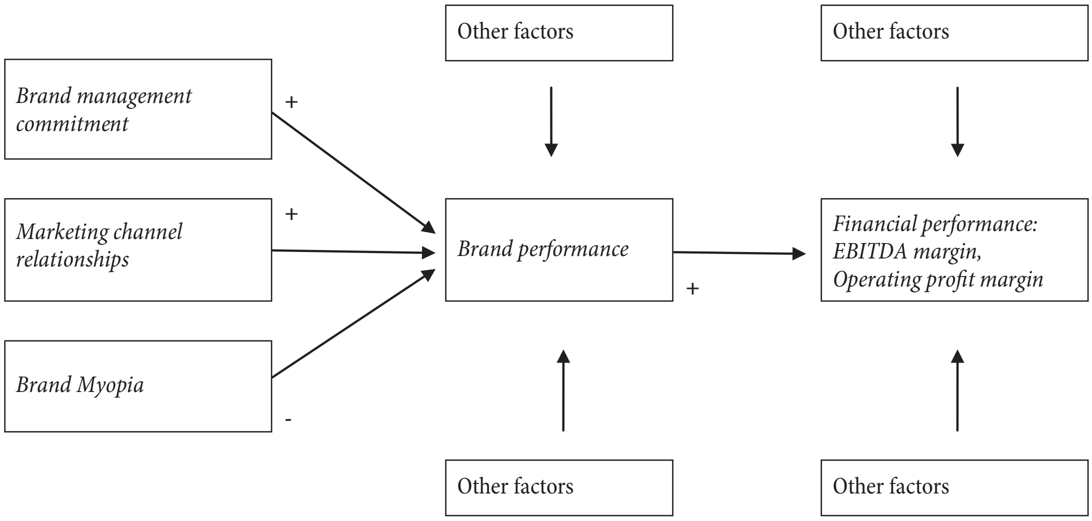
Brand management strategy has to be adjusted to local conditions because there are differences in general economic development, culture, market structure, etc. There are no significant research studies which cover the field of brand management and marketing channels relationships in Serbia and Montenegro. Therefore, the authors have conducted a pioneer field research in these two countries in order to get valid inputs for further analysis.

Overview of research methodology

Based on the above presented theoretical background, as well as on overall objectives of the study exposed in the introduction, we have defined our research model shown in Figure 2.

Brand management commitment refers to the respondents' opinions regarding the necessity of brand management for business success. A special emphasis in the research was put on barriers, both organizational and personal, which were viewed through a latent variable Brand Myopia. Variable *Marketing channel relationships* required more responses that shed the light on marketing channel cooperation, as seen through the eyes of suppliers. All the listed latent variables had an indirect impact on company financial performance, through the established brand position on the market (*Brand performance*) which they impacted directly. Responses on brand and company position were given by the respondents, based on their own estimates. Finally, market position of a certain brand (*Brand performance*) influenced the financial performance of a company, which were presented by *EBITDA margin* and *Operating profit margin*.

Figure 2: The proposed research model – BCR model



Source: The authors' model based on the literature review and previous research

According to the model, we have defined our main research questions as follows:

- RQ1: Which individual variables constitute latent variables of Brand Channel Relationships (BCR) model?
- RQ2: Is there a relationship between the variables and what is their impact on market position (Brand Performance) and financial performance of the company?
- RQ3: Which clusters in terms of the Marketing Channel Relationships practice can be extracted?

The basic hypotheses emerge from the above stated research questions.

H1: There is a statistically significant effect of BCR model variables on Brand Performance.

H1a: Brand Management Commitment positively influences Brand Performance.

H1b: Marketing Channel Relationships positively influences Brand Performance.

H1c: Brand Myopia negatively influences Brand Performance.

H2: Companies that have understood and implemented Marketing Channel Relationships at higher levels, achieve better financial results.

The research was conducted by collecting responses from CEOs, marketing managers, sales managers, brand managers, and other types of managers or specialists professionally connected with brands and CRM. The research was conducted during June and July 2014, and involved managers and companies that were doing business in Serbia and Montenegro at the time of the survey. For the purpose of this research we used a web-based questionnaire, which allowed the respondents to reply and express their opinions to the asked questions at the time most convenient for them. Around 850 survey requests were sent, and a total of 145 responses were received. Upon eliminating the incomplete and invalid responses, further analysis was based on 139 responses (respondents). Specific brands could only have one answer in the database, and after the elimination of double entries, a total of 121 valid responses were included in further analysis.

The research of marketing channel relations was a part of a wider research, with the goal of collecting managers' opinions on different issues of modern brand management and business in general. For the collection of responses relevant for the analysis of the topic of this article, a seven-point Likert scale was used. The questionnaire statements stemmed from both the wider explanation given in the literature review and previously conducted research in this field [70], [30]. By using the standard Likert scale, the respondents were requested to indicate the extent to which they agreed or disagreed with the statement. Their responses regarding the implementation of brand management practice, as well as marketing channel cooperation, were especially relevant to the research. All respondents were suppliers. They were either managers in production companies or managers of dealers/distributors of certain domestic and foreign brands on the domestic market (Serbia or Montenegro).

The data relating to financial results were received and calculated: 1) For Serbia, based on the official data from the Serbian Business Registers Agency (www.apr.gov.rs) and the data from the business portal of CUBE Risk Management Solutions, a specialized consulting company (www.cube.com); 2) For Montenegro, based on the data from the official financial reports from Central Bank of Montenegro (www.cb-mn.org).

Sample characteristics, research results and discussion

The sample characteristics

As previously indicated, the research was conducted in two countries, Serbia and Montenegro, and the respondents came from companies of different sizes, industries, and ownership. A detailed overview of the sample is given in Table 1. Since suppliers were the focus of the analysis, most companies from the sample were producers (over 60%); while with respect to ownership, the companies with majority domestic capital (64.5%) were dominant, and brand ownership had a similar structure (domestic brands 52.9%, foreign brands 47.1%). Most companies exported goods in the given period (75.2%), but only 7.4% companies were dominantly export-oriented (export comprised 50% or more of total sales). Furthermore, dominant companies and brands were the ones who targeted final customers (81% of total respondents), and among them FMCG brands. Companies and brands which targeted corporate customers (B2B) were represented by 19% in the sample. The respondents were mostly from the field of marketing and sales (31.4% and 12.4%), and 20% of the responses came directly from company brand managers.

Given the fact that a large number of companies did not have brand manager positions, and that their marketing

Table 1: Sample characteristics (n=121)

Characteristics		%	Characteristics		%
Company size	Small	24.8	Job description	Marketing department	31.4
	Medium	38.0		Sales department	12.4
	Large	37.2		General and Executive Directors (out of sales and marketing)	16.5
General activity	Production	60.3		Brand managers	20.7
	Distribution / Representation	36.4		Others	19.0
	Other	3.4	Respondents' position	Financial Director	3.3
Country	Serbia	92.6		Commercial Director	9.9
	Montenegro	7.4		Director General	9.1
Origin of company ownership	Foreign	30.6		Marketing Director	18.2
	Mainly foreign (over 50%)	5.0		Marketing Manager	16.5
	Mainly domestic (over 50%)	8.3		Brand Manager	14.9
	Domestic	56.2		Product manager	3.3
Origin of a Key-brand	Foreign	47.1		Category manager	5.0
	Domestic	52.9		Others	19.8
Share of exports in total sales	0%	24.8	Respondents' level of education	Secondary school qualifications	5.0
	1% - 24%	52.9		Two-year post-secondary school qualifications or BA	5.0
	25%-49%	14.9		Bachelor's degree (BSc)	67.8
	50% and over	7.4		Master, PhD	22.3
Specific business area of a Key-brand	Fresh and frozen food	16.5	Respondent's age structure	under 30 years	10.7
	Packaged food	24.0		30-39 years	49.6
	Non-alcoholic beverages	5.0		40-49 years	35.5
	Alcoholic drinks	10.7		50-59 years	2.5
	Non-food FMCG	9.9		60 years and older	.8
	Pharmaceutical and related products	7.4		n.a.	.8
	Durable goods and small appliances	5.0	Respondents' profile of qualification	Economics and Business	69.4
	Other consumer oriented business	2.5		Technical - Engineer or similar	16.5
	B-to-B products	19.0		Others	14.0

Source: The authors' calculation

and sales departments were relatively underdeveloped (primarily in small and medium enterprises – SMEs), in many cases the responses were given by general managers or other executives. However, their specific positions, formal education, qualifications, and other respondent characteristics reveal that they were informed about the questions that were in the questionnaire.

Factor analysis

After a thorough literature review and based on the previously established research questions and hypotheses, a pool of 35 items was generated. The questionnaire included items measuring various dimensions of brand management practice, brand equity understandings, relationships in marketing channels, etc. After screening of items independently, a total of 15 items were retained for further research. In order to get latent variables, factor analysis was conducted on 15 items (inputs of presented BCR model) using principal component method and varimax rotation. In their research and analyses, *Hair et al.* [24] and *Gupta & Adil* [23] suggest that factors with eigenvalues greater than 1.0 and factor loadings that are equal to or greater than 0.50 should be kept.

The results are shown in Table 2. Factor analysis singled out three factors (with eigenvalues greater than 1.0) as an optimal sorting of the 15 presented statements. By taking the value of 0.50 as the lower limit of factor loadings, two statements were excluded from further analysis. The three featured factors correspond to the set assumptions, and the statements comprising each of the factors are given in Table 3.

The first factor represents *Brand Management Commitment*; the statements in the second factor describe *Marketing Channel Relationships*; and the third factor represents *Brand Myopia*.

The *Cronbach's Alpha coefficient method* is most often used to measure internal consistency and therefore reliability of a questionnaire. It is a suitable method that can be used for Likert scale items, which was used in this specific study. As shown in Table 3, the values for

Table 2: Factor analysis – factor extraction with the goal of constructing latent variables

Rotated Component Matrix[a]

	Component		
	1	2	3
Brand management is a powerful instrument for improving the competitive position on the market.	.834		
Branding is essential for our company's development strategy.	.813		
Long-term planning of a brand is the key for our future success.	.716		
Branding spread through all of our marketing activities.	.707		
Brand management contributes to reducing the risks of doing business.	.697		
There is a great flow of information from our company to the retailers/distributors about a brand and the category in which we operate.		.830	
There is a great flow of information from retailers/distributors to our company about the brand and the category in which we operate.		.829	
Retailers/distributors are generally well skilled in the ways of making the best offer for their customers.		.668	
Our brand has built a good reputation among retailers/distributors.		.643	
Managers who are responsible for purchasing at major retailers/distributor have a high level of expertise.			
In our company, brand building is dominantly seen as a cost, rather than an investment.			.774
In our company, there is no clear separation between the costs of product branding in comparison to other marketing costs.			.725
In our company, we do not invest enough in brand.			.724
In the future, brand management will lose its importance in our company.			.572
Brand value is as much the consequence of careful planning and design, as it is of the current market situation, luck and coincidence.			

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Table 3: Latent variables, description of constructs and Cronbach's Alpha coefficient

Brand Management Commitment – No. of Items: 5	Alpha
• Brand management is a powerful instrument for improving competitive position on the market. • Branding is essential for our company's development strategy. • Long-term planning of the brand is the key for our future success. • Branding spread through all of our marketing activities. • Brand management contributes to reducing the risks of doing business.	.816
Marketing Channel Relationships – No. of Items: 4	
• There is a great flow of information from our company to the retailers/distributors about the brand and the category in which we operate. • There is a great flow of information from retailers/distributors to our company about the brand and the category in which we operate. • Retailers/distributors are generally well skilled in the ways of making the best offer for their customers. • Our brand has built a good reputation among retailers/distributors.	.783
Brand Myopia – No. of Items: 4	
• In our company, brand building is dominantly seen as a cost, rather than an investment. • In our company, there is no clear separation between the costs of product branding in comparison to other marketing costs. • In our company, we do not invest enough in brand. • In the future, brand management will lose its importance in our company.	.761
Brand Performance – No. of Items: 4	
• Our company has built a strong consumer loyalty towards the brand. • Our company has built a good brand reputation among consumers. • Our company has built strong brand awareness among consumers in the target market. • The market share of our company during the past 12 months has increased.	.763
Financial Performance	
• EBITDA margin. • Operating profit margin.	

Source: The authors' calculation

Cronbach's Alpha were all above the acceptable limit of 0.7. These values of the coefficient are suitable, and can be, according to the recommendations in the relevant literature, used in further analysis [48].

Exploratory analysis

The presence of different categories of brands and companies allowed us to implement the appropriate statistical and logical analysis, highlighting the first results and elaboration of the findings related to interdependence of latent variables and brand performances.

Correlation analysis showed a statistically significant correlation ($p < 0.01$) between the Brand Performance and all three presented latent variables (see Table 4).

According to the strength of the correlation, measured by Pearson's coefficient, the strongest (positive) correlation is between Brand Performance and Marketing Channel Relationships. In addition, correlation is significant at the 0.01 level among Brand Performance and two other factors of the BCR model (positive between Brand Performance and Brand Management Commitment, and negative between Brand Performance and Brand Myopia).

Taking into account the characteristics of brands, companies and respondents presented in Table 1, we have analysed whether there was a statistically significant difference of BCR model elements based on individual characteristics of the sample. Sample size did not allow the confirmation of some connections (e.g. between more narrowly defined fields of the key brand and BCR model variables), since each of the examined strata contained less than 30 subjects/responses. Therefore, the focus of this analysis was directed at wider characteristics, which

Table 4: The correlation between the Brand Performance and latent variables

		Brand Management Commitment	Marketing Channel Relationships	Brand Myopia
Brand Performance	Pearson Correlation	.347**	.685**	-.408**
	Sig. (2-tailed)	.000	.000	.000
	N	121	121	121

**. Correlation is significant at the 0.01 level (2-tailed).

Source: The authors' research

divided the sample into two or, at most, three parts (e.g. company ownership, brand origin, wider business sector, exporters or not, etc.).

Statistically significant differences were determined for certain variables in relation to the origin of company ownership and brand. With respect to the origin of the brand, it was found that there was a statistically significant difference (p <0.05) for the variable Marketing Channel Relationships. In addition, there was a statistically significant difference (p <0.1) in terms of Brand Myopia. Figure 3 gives a detailed overview of the differences between the brands with domestic and foreign origin in all the variables examined in this specific study.

Figure 4 shows all differences in values of certain variables in regards to the origin of company ownership. Due to this, companies were classified into two categories (with majority foreign or domestic ownership). The only statistically significant difference (p<0.01) was determined in regard to the Brand Myopia variable where, as we can see, the domestic companies had a limited knowledge and understanding of branding and brand management in modern market conditions.

With increasing the size of the sample and taking into account other characteristic, there is a possibility that other differences in the observed variables might appear. At this level of analysis and with 121 responses, arranged as in Table 1, it was impossible to determine other statistically significant differences in terms of independent and dependent variables of the BCR model.

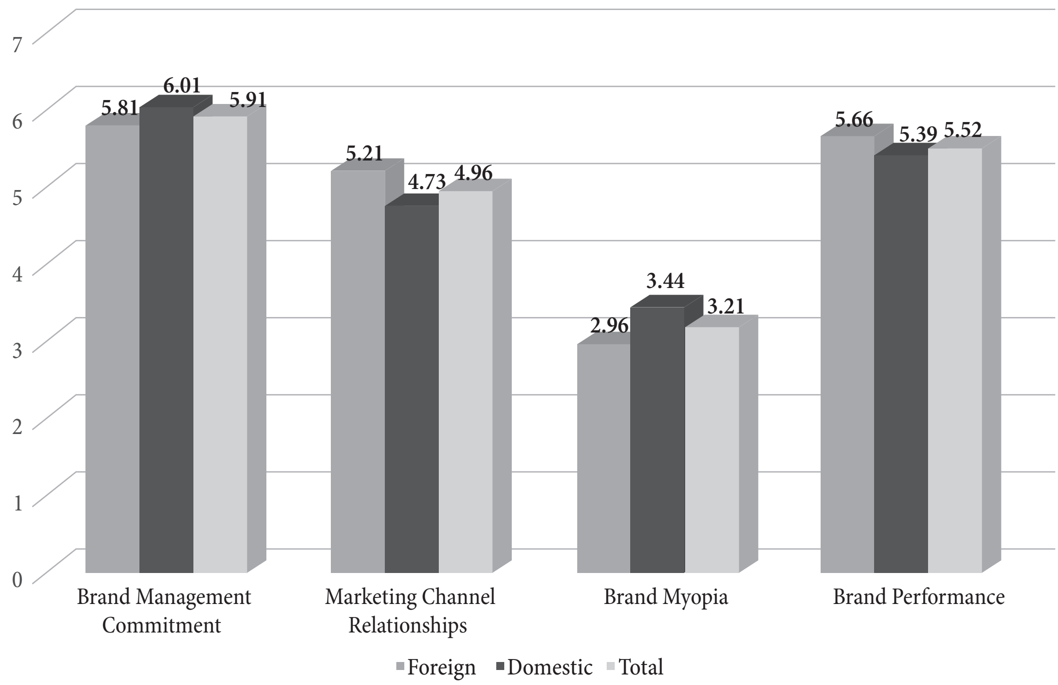
Multiple regression analysis

A multiple regression analysis was performed with the following aims:

- To explore if the independent variables from the starting model (Brand Management Commitment, Brand Myopia, and Marketing Channel Relationships) affect the dependant variable, i.e., whether they explain the significant part of the variability of the dependant variable (Brand Performance); and
- To determine which part of the variability of the dependant variable could be explained with independent variables, i.e., to determine the strength of their bond.

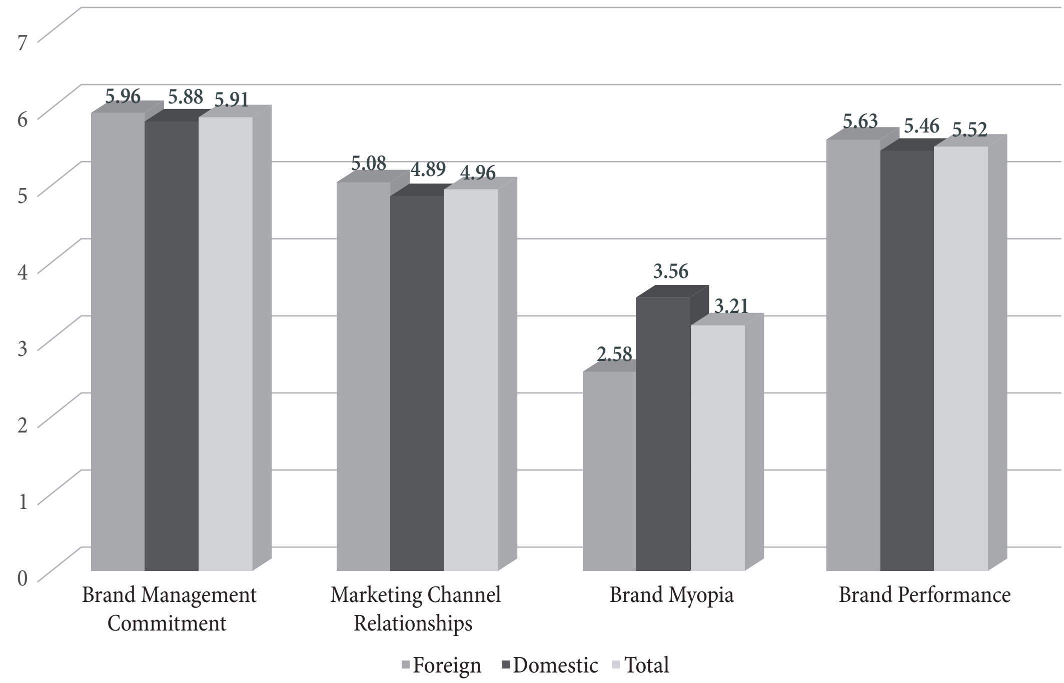
In the structural element of the model, the regression parameters explaining Brand Performance indicated that all three independent variables (Brand Management Commitment, Marketing Channel Relationships and Brand Myopia) had a significant influence on the dependent variable

Figure 3: The differences between the brands of foreign and domestic origin in the value of the latent variables and brand performance



Source: The authors' research

Figure 4: The differences between the companies with mostly foreign and the companies with mostly domestic ownership in the value of the latent variables and brand performance



Source: The authors' research

(p<0.1). Two independent variables (Brand Management Commitment and Marketing Channel Relationships) had a positive relationship, and the third independent variable (Brand Myopia) had a negative relationship with Brand Performance.

This multiple regression accounted for 51.3% of the variability, as indexed by the adjusted R^2 statistic (52.5% indexed by the R^2 statistic). Model Summary is shown in Table 5.

The regression equation for predicting the Brand Performance is:

$$\hat{y} = 1.607 + 0.599x_1 + 0.211x_2 - 0.094x_3$$

x_1 – *Marketing Channel Relationships*

x_2 – *Brand Management Commitment*

x_3 – *Brand Myopia*

The variable *Marketing Channel Relationships*, as indexed by its β value of 0.599, showed the strongest relationship to *Brand Performance*. Brand Management Commitment and Brand Myopia were also important factors of influence in determining of the Brand Performance. In this way it was confirmed that all independent BCR model variables affected the dependent variable. In accordance with the findings that Marketing Channel Relationships variable had the most important influence, it was used for segmentation of brands and companies from the sample.

Table 5: Relationship of Brand Management Commitment, Marketing Channel Relationships and Brand Myopia with Brand Performance – Model summary

Model summary[d]										
					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.685[a]	.469	.465	.82424	.469	105.210	1	119	.000	
2	.716[b]	.512	.504	.79341	.043	10.430	1	118	.002	
3	.724[c]	.525	.513	.78651	.012	3.077	1	117	.082	2.266

a. Predictors: (Constant), Marketing Channel Relationships

b. Predictors: (Constant), Marketing Channel Relationships, Brand Management Commitment

c. Predictors: (Constant), Marketing Channel Relationships, Brand Management Commitment, Brand Myopia

d. Dependent Variable: Brand Performance

Cluster analysis

In further analysis, a segmentation of the sample was performed in order to determine whether homogenous groups of respondents existed in relation to the application of the starting assumptions. For that purpose, in order to get segments, a hierarchy cluster analysis was applied (Ward's method) as a technique used in similar studies [73]. The starting point, in accordance with the results of factor, correlation, and regression analyses, but also in accordance with the basic research goals was the Marketing Channel Relationships variable.

In this specific case, a three-cluster division was optimal, given the sample size, homogeneity within the cluster and heterogeneity between them. In order to test the statistical significance between the clusters, the chi-square test and ANOVA were used, depending on the type of data. The basic differences, pertaining to the basic variables and measures of company financial performance, have been summarized in Table 6.

Sixty brands were classified in the first cluster, 44 in the second and 17 in the third. There was a statistically significant difference between clusters ($p<0.01$) for all business success indicators (Brand Performance, EBITDA margin and Operating profit margin). The best results were concentrated in Cluster 2, then Cluster 1 and, finally, in Cluster 3 for all measures of success. The assessment of brand market position (Brand Performance) was performed by the respondents themselves, by answering the questions on the Likert seven-point scale. The result was generated as an average value of the statement responses (which could have been in an interval of 1 to 7). As for the EBITDA margin and Operating profit margin, the data for each company was generated from the official financial reports, and the values have been given in percentages in Table 6.

A statistically significant differences was found among clusters ($p<0.01$) for two latent variables (Marketing Channel Relationships and Brand Myopia). According to these variables, Cluster 2 also had significantly better results, then Cluster 1 and finally Cluster 3 (see Table 6). When it comes to the Brand Management Commitment variable, there were no statistically significant differences between clusters what so ever.

Final discussion of research results

The initial latent variables of the BCR model, which were identified by the factor analysis, are consistent with initial assumptions of the research. Three factors explain the model variability in most part. Based on the responses to five statements, a Brand Management Commitment variable was constructed. The variables Marketing Channel Relationships and Brand Myopia consist of the four statements each. The dependant variable (Brand Performance) shows the current market position of the brand.

By applying the correlation and multiple regression analyses, the following has been determined:

a) Brand Management Commitment positively affects Brand Performance;

Table 6: The differences between the segments reported in the value of the latent variables, Brand Performance, Operating profit margin and EBITDA margin

Ward Method		Brand Management Commitment	Marketing Channel Relationships	Brand Myopia	Brand Performance	Operating Profit Margin*	EBITDA MARGIN*
Cluster 1	Mean	**5.92**	**4.71**	**3.33**	**5.56**	**6.82%**	**10.23%**
	N	60	60	60	60	60	60
	Std. Deviation	.82115	.40081	1.48972	.87013	.0613957	.0841197
Cluster 2	Mean	**6.06**	**6.07**	**2.74**	**6.14**	**8.27%**	**11.30%**
	N	44	44	44	44	39	39
	Std. Deviation	1.02687	.47116	1.23297	.74786	.0795261	.0951552
Cluster 3	Mean	**5.51**	**2.96**	**4.03**	**3.78**	**-4.90%**	**2.93%**
	N	17	17	17	17	17	17
	Std. Deviation	1.31171	.66869	1.70679	.96777	.2045422	.1213328
Total	Mean	**5.91**	**4.96**	**3.21**	**5.52**	**5.59%**	**9.52%**
	N	121	121	121	121	116	116
	Std. Deviation	.98519	1.12609	1.48593	1.12666	.1086002	.0971885

* In five cases, data about EBITDA margin and Operating profit margin were not available.
Source: The authors' research

b) Marketing Channel Relationships positively affects Brand Performance;
c) Brand Myopia negatively affects Brand Performance.

It can be concluded that all three factors that make the initial BCR model affect the dependant variable (Brand Performance).

The regression analysis has shown that all three factors explain, with over 50%, the dependant variable's variability, which means that all individual factors and the model as a whole have a statistically significant influence on the market position (success) of a brand.

Based on the above stated, the research results have confirmed the first hypothesis and all three sub-hypotheses:
H1: There is a statistically significant effect of BCR model variables on Brand Performance.
H1a: Brand Management Commitment positively influences Brand Performance.
H1b: Marketing Channel Relationships positively influences Brand Performance.
H1c: Brand Myopia negatively influences Brand Performance.

In further analysis, the influence of the independent variable Marketing Channel Relationships on business performances of companies was examined because this factor had shown the best results in the correlation and regression analyses out of all independent variables of the BCR model. In accordance with the above mentioned, a hierarchical cluster analysis was applied (Ward's method). Marketing Channel Relationships was chosen as an input variable for dividing sector into clusters. The three clusters, generated as the result of the applied statistical method, had different level of understanding and implementation of partner relations in marketing channels. It is interesting that the clusters were not significantly statistically different from one other with respect to the value of Brand Management Commitment. With all three clusters, these values were very high (from 5.51 to 6.06 on a scale from 1 to 7). These results indicate that there is a general consensus regarding the idea of brand management and its necessity for business operations and market position. Brand Myopia, as the third independent variable model, showed a statistically significant difference among clusters ($p<0.01$), i.e., it moved in opposite direction comparing to the Brand Management Commitment variable results. Finally, the dependant variable (Brand Performance) showed a statistically significant difference among companies from the three observed clusters ($p<0.01$). There was statistically significant difference among clusters by EBITDA margin and Operating profit margin criteria ($p<0.01$). Cluster 2 that had the most prominent awareness and habit of applying a good partnership practice, stood out with respect to financial results (EBITDA margin 11.30% and Operating profit margin 8.20%). On the other hand, companies that did not understand and did not apply this concept (Cluster 3) had the weakest results (EBITDA margin 2.93% and Operating profit margin -4.90%).

Based on these results, H2 was also accepted: Companies that have understood and implemented Marketing Channel Relationships at a higher level have better financial business results.

We can conclude that all the research hypotheses have been accepted. However, there are some limitations which will be stated in the following text after stating the concrete managerial implications.

Managerial implications

Managerial implications of the research are classified in two sections: implications for suppliers and implication for retailers.

Suppliers in Serbia and Montenegro are on the defensive path due to concentration and redefinition of retailing structure. This forces the successful suppliers in these countries to closely cooperate with their customers. They are accepting CRM practices, such as information exchange and partnership. This is what defines brand success in Serbia and Montenegro because brand management connected with CRM produces better results, both in market position terms and financial effects compared to the traditional brand management practice. This is even more important in times of economic crisis.

We can conclude that CRM applied in supplying companies in Serbia and Montenegro removes business barriers and leads to effective brand management, which is evident in quality EBITDA results. Better market position of these suppliers also implies a more certain sustainability of their business.

This research, based on the findings that most respondents understand the importance of brand management while simultaneously implementing different practices, carries especially important lessons for suppliers. We can implicitly conclude that some of the respondents, due to different business results that they achieve in their respective companies, do not have the same idea about how to reach effective brand positioning. We can further conclude that a large number of employees theoretically support modern brand management. However, in practice, they do not understand the essence of modern brand management strategy. For example they do not understand that results are achieved in the conditions of cooperation, information exchange and quality business communication. Our final conclusion is that the employees who have an insufficient understanding of the essence of success in the 'battle of the brands' conditions, should receive adequate education. The study has shown that brand management respect and simultaneous affirmation of transactional, instead of long-term relations in Serbia and Montenegro do not bring good business results. This brings the basic postulate of brand management, i.e., the strategic orientation, into collision with transactional marketing which is short-term oriented.

Different concepts of channels partnership are beneficial to its users in developed countries. Our research has shown that partnership with customers also gives positive results in developing economies such as Serbia and Montenegro. Taking into account that Serbia and Montenegro are developing countries with EU perspective, we can conclude that currently profitable cooperation practices should bring more benefits in the future.

This research brings forward certain implication for trade as well, especially for retail chains. Suppliers who believe in brand management, but do not support cooperation with retailers are not long-term oriented. Their perspective of the validity of transactional relations is disputable, bearing in mind the achieved market and financial effects. An implicit finding is that formal expression of dedication to brand management does not always lead to long-term business cooperation. Retailers operating in Serbia and Montenegro should carefully chose suppliers for long-term cooperation. We need to remember that a perspective of long-term cooperation is the foundation for the realization of category management strategy, which is the basis of market strategy and organization of numerous retailers in Serbia and Montenegro.

Second lesson of the study for retailers is that they need to evaluate supplier's knowledge of retailers business, i.e., the understanding retail business from store to company level. Suppliers whose employees do not grasp the importance of CRM are not strategic partners, and do not understand the challenges of retailing. Developing business with a supplier who does not understand modern brand management means investing in brands with uncertain future. This can lead to retailer's shoppers' disappointment and into the expensive risk of disloyalty. These research findings promote the cooperation in marketing channels as a means of satisfying shoppers and achieving better partnership result.

The third lesson is that retailers themselves need to be a true partner, regardless of them being 'stronger' than suppliers, because the partnership is mutual. Constant supplier and brand changes in retailer stores, as well as a weak cooperation with respect to information exchange with suppliers, will distort the market position of the retailer and its business results in the long-run.

Conclusion, limitations and future research

This paper has determined the interdependence of brand management and partner relationship development in marketing channels and their influence on brand performance in Serbia and Montenegro. The results of quantitative analysis have confirmed that three independent variables of the BCR model (brand management commitment, marketing channel relationships, and brand myopia) have a statistically significant impact on brand performance. It has also been proven that the companies which have understand and implemented marketing channel relationships at a higher level than their competitors, have achieved better financial results from their operations.

The presented research has some limitations. The sample was not representative for Montenegro because of a small number of respondents. In addition, in the Serbian sample the medium and large enterprises were overrepresented because of the higher response rate from such type of companies.

Likewise, we are aware of the limitation due to the fact that the respondents' answers could in their nature be 'socially desirable' answers, i.e., that there is a possibility that the responses do not represent the respondents' real opinions or the real way they conduct business of their brands/ companies. Additionally, the analysis used the estimated results that indicated the strength of a brand (i.e., brand performance). We used short-term performance criteria, EBITDA margin and Operating profit margin as a means of measuring business success. A significant number of other factors that were not the subject of this research may influence EBITDA and Operating profit margin (previous company debt, connected operations losses, etc.) However, despite these limitations, our study provides certain evidence with regard to the key areas of company cooperation in marketing channels and the role of developing good partnership relationships for the successful implementation of brand management in business.

Future directions of the research in this field may include some of the following areas:

- Exploring the influence of other variables that can affect cooperation in marketing channels and contemporary forms of brand management implementation;
- Considering the impact of model variables on other financial and business performance criteria;
- Focusing on specific industries and a deeper insight into the factors that influence the success of cooperation between partners and the use of brand management in business practice;
- Exploring the opinions of the managers in the leading retail companies in Serbia and Montenegro in order to examine their perception of the value chain;
- Observing the dynamics in the relationships in marketing channels – monitoring the phenomena in the long-run;
- Expanding the research to other Western Balkans countries.

Brand management and marketing channels relationships are wide and current research areas. Therefore, there is a lot of space for important further researches which should bring significant theoretical and practical contributions.

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