ECONOMIC ANNALS, Volume LXI, No. 208 / January – March 2016
UDC: 3.33 ISSN: 0013-3264

DOI:10.2298/EKA1608137V

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IMPROVING BUSINESS PERFORMANCE THROUGH BRAND MANAGEMENT PRACTICE

ABSTRACT: *The aims of this study are to determine which variables are common as brand management practices, how these variables affect a company's business performance, and whether there are statistically significant differences between companies in the sample in terms of individual elements of the Brand Management Practice (BMP) model. The research took place in Serbia, and comprised 118 managers and specialists involved in marketing and brand management. After validating the proposed BMP model, we found a link between certain variables of the model and companies' business performance. There are statistically significant differences between companies in terms of individual elements of brand management practice, and we identify three clusters: brand-guided companies, emerging brand companies, and brand-agnostic companies. They differ from each other in terms of: brand-oriented approach, innovativeness, brand support activities, unique marketing offers, marketing channel relationships, brand performance measurement, brand barriers, company size, and specific business area of a key-brand. They also differ according to estimated and actual business and financial performance. The results are valuable for explaining the main drivers of good brand management practice and their effects on business performance in different industry sectors. The implications for managers of domestic companies are also discussed.*

KEY WORDS: *brand, brand barriers, brand management, business performance, financial performance, Serbia*

JEL CLASSIFICATION: M31, L25

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1. INTRODUCTION

Business performance improvement is a very difficult task managers with fiduciary obligation to maximize the wealth of their principles – equity owners - face on a daily basis. That task is more complex than ever before because of the dynamic and mainly hostile environment. The value creation process implies mobilization of all tangible and intangible resources. One of the most important intangible resources relates to brands. Nowadays brands belong to a pool of resources that generate much of the company market value, but the influence is not direct. It is lead by value creation for customers. Only customer-based brand equity can be 'leveraged' to raise the value of owners' equity and financial and business performance.

The aim of the paper is to investigate how and what kind of brand management practice affects business performance. We assume that business performance improvement can be seen as changes in market share and financial results. Brand management practice is understood as a group of variables that are expressed and accepted through execution of the brand management process, consisting of the following phases: brand analysis and planning, implementation and brand measuring, and control. Different levels of sophistication in BMP allow us to divide companies into three clusters.

Although there has been similar research (Wong and Merrilees 2008; Kalicanin et al. 2015), this paper aims to widen the perspective of BMP, presenting a comprehensive brand management practice model that includes a broader view of company performance by surveying a wider base of managers and specialists connected with brand issues in the investigated companies. The paper first presents the theoretical background and literature review, continues by describing the research methodology, and, finally, presents the results of the research with appropriate discussion. The last part of the paper is reserved for drawing conclusions, discussing the implications for domestic managers, and considering the research's limitations and the direction of future research.

2. THEORETICAL BACKGROUND AND LITERATURE REVIEW

Brands and their added value are among the most important sources of competitive advantage for business in a competitive marketplace (Djuricin, Janosevic, & Kalicanin 2013, p.89). According to Keller and Lehmann, brands manifest their impact at three primary levels: customer market, product market, and financial market. Hence, the importance of brands is multifaceted (Keller & Lehmann 2006).

Brands are considered an asset that generates revenue and increased value for a company (Narayan 2012). Srinivasan and Hanssens (2009) concluded that improvements in customer equity and brand equity are significantly related to firm value. A number of authors have investigated the relationship between brand management and a company's financial performance. In most studies this connection is proven. The financial contribution of brands stems from two major groups of factors: factors associated with growth (attracting new consumers, barriers to competition, extension in the same or in new product categories, easier access to new markets) and factors that are associated with profitability (brand loyalty, premium prices, lower price elasticity, promotional efficiency, better negotiating position in marketing channels) (Veljkovic 2010, pp. 24-25). Some authors measure brand value in the traditional way: based on the monitoring of revenue premium, these authors conclude that the brand significantly contributes to firm performance (Ailawadi, Lehmann & Neslin 2003; Huang & Sarigollu 2014). Yeung and Ramasamy (2008) established the nexus between brand value and multiple profitability ratios and stock market performance measures.

Other authors also focus on the financial contribution of brands and brand management. Strong brands can increase business value by accelerating and increasing the continuing value of cash flow and reducing the cost of capital (Doyle 2000, pp. 229-232). This can be accomplished through: higher (premium) prices, higher volume growth, lower costs, and higher asset utilisation.

Conchar, Crask, & Zinkhan (2005) found that there was a connection between spending on advertising and promotion and the market value of an enterprise. In this way they demonstrated a link between the brand-building activities and financial performance of a company. Verbeteeten and Vijn (2010) found association between some brand-equity measures and business-unit financial performance.

Being brand-guided is very important for businesses across almost every industry sector. The empirical results obtained by surveying 1,000 Korean managers showed that, in Business-to-Consumer (B-to-C) and Business-to-Business (B-to-B) environments, the brand management system, influenced by market orientation, has a crucial impact on brand performance. Customer performance was a mediator between brand management system and financial performance (Lee et al., 2008).

Companies that make the brand central to their company's strategy perform better financially. Booz Allen Hamilton and Wolff Olin's European survey of Marketing and Sales Officers proved this claim. Research has shown that a brand-guided bank has a return on equity (ROE) of 19% as compared to the sector average of 8%, and that brand-guided companies in the industrial goods sector show an EBITDA margin of 17% compared to the average of 10% (Harter et al. 2005). Gromark and Melin (2011) showed in their study that 15% of the operating margin (EBITA) can be explained by the level of the brand orientation index. Research in Serbia has also shown linkages between brand orientation and financial performance. The results indicate that brand orientation is significantly positively correlated with the EBITDA margin (Kalicanin et al. 2015).

Apart from the above criteria, company performance as a dependent variable of brand strength can be measured by sales, EBITDA, or market share (Herrmann, Henneberg, & Landwehr 2010). Munoz and Kumar (2004) classified as financial measures everything that shows the results of converting consumer behavior into a tangible economic value: market share, revenue, operating cash flow, market capitalization, analyst ratings, and brand valuation. Some authors have distinguished between business-based measures of success (profitability, shareholders' equity, market share) and consumer-based measures (brand association and perceived differential advantage, added value). For the overall success of a company or brand, both criteria (business- and customer-related) are necessary and they are interrelated (de Chernatony et al. 1998). A more detailed analysis of customer-based brand equity is given at the end of this part of the paper.

Despite many confirmations of brand influence on financial performance, it should be emphasized that a brand's impact is not the same everywhere. For instance, Knowles (2003) discovered that brands played a more important role in the success of food and beverage companies than they did in B-to-B technology companies. Mizik (2014) showed that the impact of brand asset on profitability differed in the restaurant sector, the high-tech sector, and the distribution/retail sector.

This evidence shows that, generally speaking, there is a link between strong brands and brand management practice and a company's financial performance.

The next question is what makes good brand management practice. Which factors have a crucial impact on this process? What primarily affects the success of a brand? Some authors have emphasized the importance of consumer-based brand value as a mediator between brand management and financial performance, and this also needs to be investigated.

De Chernatony (2001) identifies five key forces that affect the success of a brand: corporation (culture, internal communication, staff commitment, etc.), distributors (alignment of goals, balance of power), customers (and their decision-making process), competitors (strategic analysis of competing brands), and macro-environment (future political, economic, social, and technological change).

Lennartz and associates (2015) used multi-item scales to measure brand strength, brand associations, and performance perceptions of the four marketing-mix instruments (price, product, distribution, and communication). The research concluded that the brand associations (with two main factors: 1) sustainability & corporate governance, and 2) innovation & expertise) and the perceptions of product and distribution proved to be very relevant to the success of a B-to-B brand.

Gisip and Harun (2010) created a conceptual framework of antecedents and outcomes of brand management. They started from the following brand management dimensions: brand-related organization and culture, brand knowledge and education, marketing capabilities, and innovation and brand orientation. The independent variables in the conceptual model were: top management emphasis on brand, corporate supportive resources, and market orientation. Brand management, as a mediating factor, connected independent variables and brand performance.

Wong and Merrilees (2007) confirmed that marketing strategy and innovation level influence brand performance significantly. Empirical evidence was collected in Australia from a sample of 403 firms. They also found that brand orientation moderates the path from marketing strategy to brand performance.

In another study by the same authors the influence of several brand-orientation factors was analysed as follows: brand orientation and innovativeness are considered as a positive determinant of a firm's brand performance; and brand performance is considered as a positive determinant of a firm's financial performance (Wong & Merrilees, 2008). They also analysed brand barriers as a negative determinant of brand orientation.

Another study found the existence of barriers to the successful implementation of brand strategy. These barriers were related to functional silos. A typical example is the different focus of a sales director (monthly sales figures of Brand A) in relation to that of a marketing manager (broader brand equity measure) (Gyrd-Jones et al. 2013).

Burmann, Zeplin, and Riley (2009) highlighted brand commitment and brand citizenship behaviour as key determinants of the strength of a brand. According to these authors, brand commitment leads to brand citizenship behaviour, which leads to brand strength.

M'zungu, Merrilees, and Miller (2010) developed a three-stage model of brand management to build and protect brand equity. The phases of this model are: adopting a brand-oriented mindset, internal branding, and consistent brand delivery.

Some authors focus on brand accounting because much of the information required for brand management is quantitative. Brand valuation can be an essential element of brand management strategy, although this evaluation process includes a certain degree of subjectivity and estimation. Effective brand management requires monitoring of the operating profits of individual brands, and coordination among many areas in the organization (marketing, accounting, finance, sales, R&D). The accounting framework and common practice can be limiting factors in the evaluation of a brand and monitoring its performance, especially in developing countries (Otonkue et al. 2010).

For the purpose of the overall measuring of brand strength and its contribution to firm value, special attention is paid to the brand performance measurement system (Keller 2012, Rajagopal 2008). Brand performance measurement tools link brand management and the business performance of a firm. Brand performance measurement consists of brand metrics that allow measuring the effectiveness of brand-building activities in reference to brand investment and brand impact. A brand scorecard (a tool derived from the balanced scorecard) is proposed as a comprehensive way of looking at brand performance measures and their role in brand-led investment and marketing strategy (Rajagopal 2008).

The end of this literature review focuses on the perception of the brand and its value from the perspective of the consumer. In addition to highlighting firm-based brand equity (FBBE), several authors have emphasized customer-based brand equity (CBBE). The conceptualization of CBBE is mainly based in cognitive psychology and information economics. Aacker started from the following four dimensions of CBBE: brand awareness, brand associations, perceived quality, and brand loyalty. De Chernatony and associates measured only three CBBE dimensions: brand loyalty, satisfaction, and reputation. Regardless of dimensions, the methods of measuring CBBE can be classified as follows: direct methods (methods that seek to quantify brand equity directly) and indirect methods (methods that measure brand equity either through its demonstrable dimension or through price premium) (Christodoulides & de Chernatony 2010). As a result of analyzed responses received from practitioners and academics, Veloutsou, Christodoulides, and de Chernatony (2013) offered the following classification of measures of CBBE: consumers' understanding of brand characteristics, consumers' evaluation of the brand, consumers' affective response towards the brand, and consumers' behaviour towards the brand.

3. OVERVIEW OF RESEARCH METHODOLOGY

The main objectives of this paper are as follows:

- to determine which factors are an integral part of brand management practice;
- to determine how these factors affect the market and financial results of a company;
- to determine whether there are statistically significant differences between the brand-driven company and other companies in terms of individual elements of brand management practice;
- if we can identify clusters, to then analyse how they are different from each other in terms of company characteristics, the characteristics of the brand, the characteristics of the respondents, as well as how they differ according to estimated and actual business performance.

Based on the overall objective of the study, described above, we have defined our main research questions as follows:

- RQ1: Which variables best explain the company's brand management practice?
- RQ2: Which clusters in terms of brand management practice can be extracted?

The usual phases of the management process (planning, implementation, and control: Djuricin et al. 2013 p.274, Kotler & Keller 2009 p.40) were the starting point for defining the latent variables. Also, according to Keller (2012 p.58), strategic brand management "involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity".

According to Edwards and Bagozzi (2000), constructs are attempts to describe real phenomena and "exist apart from the awareness and interpretation of the researcher and the persons under study". When creating a research model it is very important to identify and estimate models that specify relationships between constructs and measures. First of all, we should consider the following: a construct and a measure must be distinct; they must also co-vary; temporal precedence must be determined (how changes in the construct affect change in the measure in the temporal dimension); rival causal explanations should be eliminated (of the presumed causal relationship between a construct and a measure) (Edwards and Bagozzi 2000).

Based on these considerations, we developed the basis of the BMP model.

Common phases of the scale development process are: conceptualization, development of measures, model specification, scale evaluation and refinement, validation, and norm development. One of the more important steps is generating items to represent the construct. These items may come from: previous theoretical and empirical research on the focal construct, reviews of the literature, suggestions from brand management experts, interviews or focus group discussions, and an examination of other measures of the construct that already exist (MacKenzie et al. 2011).

A list of statements was designed to explore companies' brand management practice. Respondents were asked to report their attitudes and opinions towards brand management practice and related topics. An advantage of the selected survey method was that managers were not able to skip questions. Attitudes and opinions were examined using a seven-point Likert scale. Most statements were defined taking into account previously conducted research in this area (Wong and Merrilees 2008; Wong and Merrilees 2007; Tuominen et al. 2009; Kalicanin et al. 2015). The questionnaire was then pre-tested, the main objective of which was to determine how the statements would be understood. The research was carried out after adopting the suggestions of experts who participated in the pre-testing.

The research was conducted by collecting responses to the survey from CEOs, marketing managers, brand managers, other types of manager, and specialists professionally connected with brands. The research was conducted during June and early July 2014 and involved managers and brands that were doing business in the Republic of Serbia. A web-based questionnaire was used, as an efficient method of collecting data. According to a survey of the Statistical Office of the Republic of Serbia, almost 100% of Serbian businesses had an internet connection in 2014 (Statistical Office of the Republic of Serbia, 2014). E-mail and internet are routinely used for business and personal communication, so there were no restrictions regarding the selected research method.

The basis for the research was the partner databases from a not-for-profit, international organization that develops and maintains standards across multiple sectors in Serbia. Surveys were sent to the relevant persons in the companies. Missing contact data were taken from official company websites. We sent 768 requests for participation in the survey and received 130 responses. The response rate was about 17%. The questionnaire contained questions relating to the company name and the name of the brand, and it was made clear to managers that these data would not be publicized.

A specific individual brand could have only one answer in the database, so multiple answers for the same brand were eliminated. After the elimination of multiple responses a total of 118 valid responses were included in further processing and analysis. Respondents were requested to indicate the extent to which they agreed or disagreed with the statement regarding practices of the company in which they were employed and to express their personal beliefs about the branding and brand management.

General socio-demographic characteristics of the respondents were collected at the end of the interview, referring to gender, age, education level, education profile, and respondents' position in the company. Company size was observed according to Serbian Business Registers Agency classification. The questions used to describe the company concerned share of exports in total sales, general activity, origin of company ownership, and length of business operations in Serbia. Finally, we asked questions regarding the business area of a key brand and origin of a key brand in order to be able to form a better description of specific brands.

Data analysis was conducted using SPSS software version 20.

A pool of 60 items was generated based on the established research objectives, previous theoretical and empirical research on the focal construct, reviews of the literature, and suggestions from brand management experts during pre-testing.

A total of 38 statements related to brand management practices, barriers to brand management implementation, and the effects of the brand on consumers and business results. Other statements related to issues that are not relevant to the present study (statements concerning the treatment and use of assets of the brand, praxis of category management, private labels, etc.).

The proposed research model is based on three components: the latent variables of brand management practice (BMP), barriers to their implementation, and business and financial performance. A total of 27 individual statements were related to brand management practice, an additional 6 related to barriers to implementation, and 5 statements examined indicators of business success.

Factor analysis, using principal component method and varimax rotation, was conducted in order to obtain the latent variables of BMP. Hair et al. (2006) and Gupta & Adil (2014–2015) suggest that factors with Eigen values greater than 1.0 and factor loadings that are equal to or greater than 0.50 should be retained. Factor analysis singled out six factors (with Eigen values greater than 1.0) as an optimal sorting of the 27 presented statements. Those factors explained 63.085% of total variability in the original data set, which can be characterized as a significant level.

By taking the value of 0.50 as the lower limit of factor loadings, two statements were excluded from further analysis (*Uses of financial metrics as the basis for monitoring the effectiveness of brand investment* and *Brand reputation in marketing channels*). The six featured factors and the statements comprising each of the factors with factor loadings are given in Table 1.

The first factor represents personal and organisational commitment and orientation towards brand and brand management. A latent variable containing the same or similar assertions has been named 'brand management commitment' (Burmann et al. 2009), 'brand orientation' (Wong and Merrilees 2007; Wong and Merrilees 2008; Tuominen et al. 2009), or 'brand approach' (Gromark and Melin 2011). In this paper we use the term 'brand-oriented approach'.

Continuous improvement of knowledge and processes and the search for new ideas are prerequisites for the success of the brand. The statements in the second factor describe the latent variable, *Innovativeness* (Wong and Merrilees 2007; Wong and Merrilees 2008).

The third factor represents the *Brand performance measurement* system. It consists of brand metrics and enables linking brand management and business performance (Keller 2012, Rajagopal 2008).

The fourth factor points to the need to build good relations in marketing channels, as an essential element of the implementation phase. Several authors indicate that cooperation in marketing channels is a precondition for the successful implementation of brand management (Webster 2000; Gisip and Harun 2013; Martens and Hilbert 2011). Based on the above, a latent variable is named *Marketing channel relationships.*

Some authors emphasize the importance of the legal aspects of branding (Gromark and Mellin, 2011). The importance of monitoring the performance of the company has already been pointed out. The importance of innovation is also emphasized, especially technological innovation. It is necessary that an appropriate support system exists in the company in order to carry out all of these activities. The fifth latent variable of the diverse support activities is named *Brand support activities.*

The last factor contains statements concerning marketing offers as opposed to competitive offers. Attitudes regarding premium price, building brand image through promotions, and differentiation of products, services, technological development, and innovation, constitute *Unique marketing offers.*

Table 1: Latent variables and factor loadings of explicit variables (items)

Latent variable	Explicit variable (item)	Factor loadings of items
Brand-oriented approach	*Branding is essential for our company's growth strategy.*	*.818*
	Brand management is a powerful instrument for improving competitive position in the market.	*.782*
	Valuation of the brand should be a compulsory element of enterprise evaluation in the process of mergers and acquisitions or divestment.	*.768*
	Long-term brand planning is critical to our future success.	*.699*
	Branding flows through all our business activities.	*.613*
	Branding flows through all our marketing activities.	*.613*
	We carefully think through how new ideas need to be adapted for our business.	*.521*
Innovativeness	*Continuing employees' education in the field of brand management in our company is seen as an important factor of competitiveness.*	*.693*
	We are actively engaged in a wide search for new ideas.	*.667*
	We are closely following and applying the developments in information technology.	*.622*
Brand performance measurement	*In our company we clearly distinguish the cost of product branding from other marketing costs.*	*.854*
	In our company we clearly record the cost of product branding in relation to other marketing costs.	*.820*
	Monitoring the effectiveness of investing in the brand in our company is conducted through market performance measures (for example, market share, degree of customer satisfaction, retention rate).	*.655*
	Monitoring the effectiveness of investing in the brand in our company is conducted through brand perception criteria (for example, brand recognition, credibility, and perceived quality).	*.510*

Marketing channel relationships	*There is a great flow of information from retailers/distributors to our company about the brand and the category in which we operate.* *There is a great flow of information from our company to the retailers/distributors about the brand and the category in which we operate.* *The perceived quality (assigned to the brand) increases customer loyalty, which in turn increases sales revenue.*	*.803* *.701* *.532*
Brand support activities	*Company performance is regularly monitored.* *We have a good system to identify, select, and implement technological innovations.* *All key brands owned by the company have legal protection (they are registered with the Intellectual Property Office).*	*.768* *.585* *.551*
Unique marketing offers	*Brand value depends on the premium price that a product under the said brand can provide.* *Compared with competitors, we have a high rate of product/service innovation.* *Our advertising/promotions create the desired brand image in the market.* *Our products/services are different from those of competitors.* *In comparison to competitors, we are technologically advanced.*	*.690* *.553* *.553* *.552* *.528*

Source: The authors' calculation

Brand analysis and planning, implementation, and brand performance measuring and control are reflected in the BMP model in the following variables: *brand-oriented approach, innovativeness, brand support activities, unique marketing offers, marketing channel relationships* and *brand performance measurement*. A variable that was singled out as having a negative effect on all the other variables in the model, and consequently on business performance, was *brand barriers*. This variable is defined in accordance with the findings of several authors (Wong & Merrilees 2008; Gyrd-Jones et al. 2013). It is not an integral part of the BMP model, but affects the model's variables. The respondents expressed their views on these variables through the following statements: *In our company, brand building is predominantly seen as a cost rather than an investment*; *In our company, we do not invest enough in the brand*; *In the future, brand management will lose its* *importance in our company*; *Employees in our company do not understand the importance of branding strategies*; *We do not have graphic standards books for all the brands owned by the company*; *In general, brand management will lose its importance in business*.

The assumption is that all the variables of the BMP model have an impact on business performance.

A large number of authors have pointed out the benefits of a strong brand and good implementation of brand management, and their influence on financial results. EBIT, EBITA, EBITDA, and EBITDA margin are used as criteria for financial performance (Gromark and Melin 2011; Ailawadi et al. 2001; Verbeten and Vijn 2010; Harter et al. 2005; Kalicanin et al. 2015; Herrmann, Henneberg, & Landwehr 2010). In certain cases, authors have used respondents' answers to survey statements as a measure of financial results (Wong and Merrilees 2008).

Some authors have differentiated between business- and customer-related measures of success (de Chernatony et al. 1998). Other authors mainly show the impact of brand management on brand performance or customer-based brand equity (CBBE) (Lee et al. 2008, Gisip and Harun 2010; Wong and Merrilees 2007; Christodoulides and de Chernatony 2010; Veloutsou et al. 2013). Wong and Merrilees (2008) found that brand performance mediates between brand orientation and financial results. CBBE has been used in several studies as the manifestation of market brand position in the minds of final consumers (Washburn & Plank 2002; de Chernatony et al. 2004; Pappu et al. 2005).

To investigate businesses' financial performance and their brand management practice we used EBITDA margin data from the business portal of CUBE Risk Management Solutions, a company that provides business information and credit risk services (http://cube.rs). In addition to the objective criteria of the EBITDA margin (calculated from official financial statements), respondents evaluated their company's business performance on the basis of changes in market share and financial results in 2014 compared to 2013. Since these assessments of business performance were based on internal and/or unofficial reports, this variable is called *Changes in business performance*. Finally, as the moderating factor and the basis for achieving good business results in the future, we specially highlight *Customer-based brand equity*.

The criteria for financial and business performance used in the present study are shown in Table 2.

Table 2: Criteria for financial and business performance used in the present study

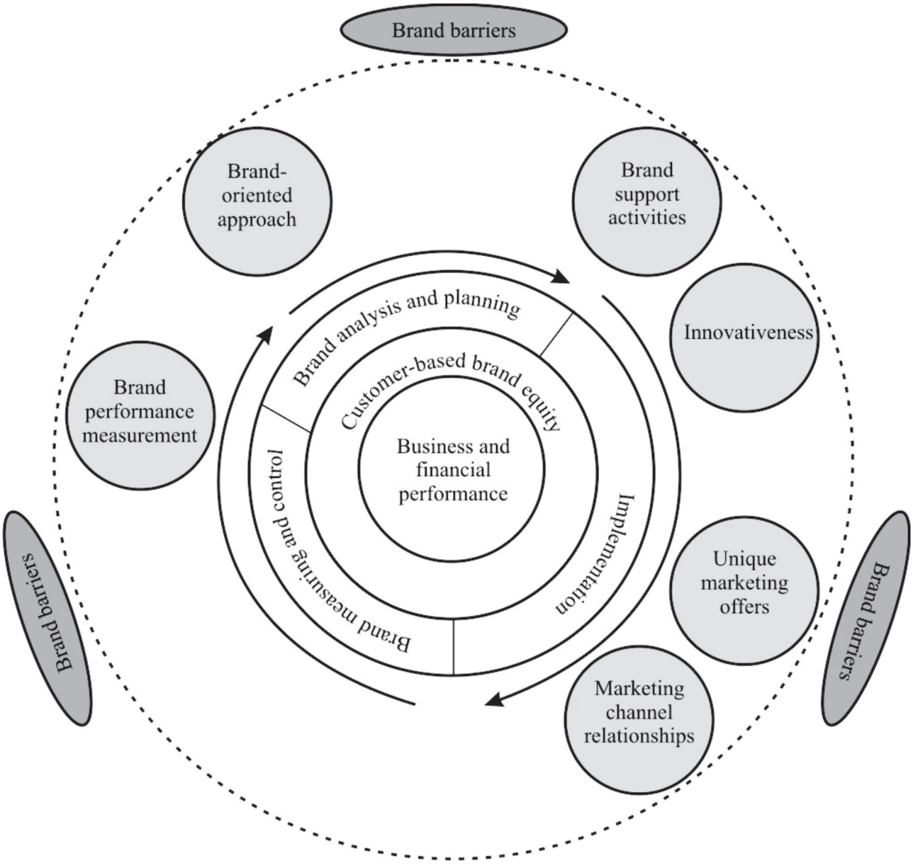
Customer-based brand equity – CBBE (based on the responses of managers on a seven-point Likert scale)
• Our firm has built a strong brand awareness in the target market. • Our company has built a good brand reputation among consumers. • Our firm has built a strong customer brand loyalty.
Changes in business performance (based on the responses of managers on a seven-point Likert scale)
• The market share of our company during the past 12 months has increased. • The overall financial results of our company during the past 12 months have improved.
Financial performance (calculated from official financial statements)
• EBITDA margin

Cronbach's alpha coefficient method is the indicator most commonly used to measure internal consistency and therefore reliability of a questionnaire, and is a suitable method for Likert scale items. Some authors claim that the sample size should be more than 50 in reliability analysis applications, while others say that sample size is not important for Cronbach's alpha (Ercan et al. 2007). In our study the values for Cronbach's alpha were above the recommended limit of 0.7 for most of the variables. The coefficient values for the respective variables were as follows: *Brand-oriented approach* (0.86); *Innovativeness* (0.74); *Brand performance measurement* (0.82); *Marketing channel relationships* (0.72); *Brand-support activities* (0.58); *Unique marketing offers* (0.67); *Brand barriers* (0.77); *CBBE* (0.90); *Changes in business performance* (0.74).

These coefficient values are in line with recommendations in the literature (Peterson 1994), taking into account the two variables with a slightly lower level.

Based on the above, the model was designed as follows (Figure 1).

Figure 1: Proposed research model



Source: Authors' model based on the literature review and previous research.

Aware of the fact that in addition to these variables there are other variables that can affect the good practice of brand management, we allowed for the possibility of extending the presented BMP model.

4. RESEARCH RESULTS AND DISCUSSIONS

Sample characteristics

The analysis was based on a total of 118 responses representing 118 brands and activities related to brand management practice in companies operating in the

Republic of Serbia. The sample is not statistically representative, but the variety of brands, companies, and industries provides a good basis for drawing conclusions. Table 3 presents the complete sample characteristics. 25.4% of responses were from small businesses, 37.3% from medium-sized businesses, and 37.3% from large companies. Export companies accounted for 77% of the sample. Most brands belonged to the Fast-moving consumer goods (FMCG) sector (packaged and fresh food, non-alcoholic and alcoholic drinks). Manufacturing accounted for almost two-thirds of the sample. 63.6% of the companies were Serbian-owned or majority Serbian-owned. 56% of brands in the sample were of domestic origin. The company positions of the respondents were diverse, although most of them were involved in marketing activities (Marketing Director, Marketing Manager, Brand Manager, and Product Manager). 47.5% of the respondents were female, 82.1% were aged between 30 and 49, 21.1% had completed a Masters degree or PhD, and 72.0% had a BSc degree. Respondents' qualification profiles were predominantly in the area of economics and business studies (71.2%).

Table 3: Sample characteristics

Characteristics	Sample (n=118)	Percentage	Characteristics	Sample (n=118)	Percentage
Company size (according to the Serbian Business Registers Agency)	Small	25.4	Specific business area of a key brand	Fresh and frozen food	17.8
	Medium	37.3		Packaged food	22.0
	Large	37.3		Non-alcoholic beverages	4.2
Share of exports in total sales	0%	22.9		Alcoholic drinks	8.5
	1% - 24%	51.7		Non-food FMCG	9.3
	25%-49%	18.6		Pharmaceutical and related products	7.6
	50% and over	6.8		Durable goods and small appliances	5.9
General activity	Production	64.4		Ingredients, materials, semi-finished products, etc.	11.0
	Distribution / Representation	32.2		Machines, tools, equipment, etc.	1.7
	Other	3.3		Other	11.9

Characteristics	Sample (n=118)	Percentage	Characteristics	Sample (n=118)	Percentage
Origin of company ownership	Foreign	31.4	Origin of a key brand	Foreign	43.2
	Mainly foreign (over 50%)	5.1		Domestic	56.8
	Mainly domestic (over 50%)	6.8	Respondent's position	Financial Director	4.2
	Domestic	56.8		Commercial Director	11.0
Years the company has been operating in Serbia	Less than 10 years	22.0		Director General	10.2
	10-20 years	33.1		Marketing Director	19.5
	20-29 years	12.7		Marketing Manager	18.6
	30-39 years	3.4		Brand Manager	11.9
	40 years and over	28.8		Product manager	3.4
Respondents' age group	Less then 30 years	12.8		Category manager	4.2
	30-39 years	46.2		Others	16.9
	40-49 years	35.9	Respondent's level of education	Secondary school qualifications	1.7
	50-59 years	3.4		Two-year post-secondary school qualifications or BA	5.1
	60 years and over	1.7		Bachelor's degree (BSc)	72.0
Respondent's qualification profile	Economics and Business	71.2		Master, PhD	21.1
	Technical - Engineer or similar	16.1	Respondent's gender	Male	52.5
	Other	12.7		Female	47.5

Source: Authors' calculation

The presence of different categories of respondents and companies allowed us to implement appropriate statistical and logical analysis, highlighting the results and elaboration of findings related to brand management practice in Serbia.

Exploratory analysis

Our research was exploratory in nature. From the theoretical point of view, it aimed to elaborate the main factors influencing brand management practice and the correlation of BMP with the business and financial performance of companies operating in Serbia. Table 4 shows the correlation between selected performance measures (financial performance, changes in business performance, and customer-based brand equity) and individual variables of the BMP model. Our BMP model was based on the following latent variables: *Brand-oriented approach, Innovativeness; Brand performance measurement, Marketing channel relationships, Brand-support activities,* and *Unique marketing offers*. As an additional variable we also studied *Brand barriers*. Correlation is measured by Pearson's coefficient.

Table 4: Correlation between selected performance measures and individual variables of the BMP model

Correlations								
Correlations		Brand-oriented approach	Brand support activities	Innovativeness	Marketing channel relationships	Unique marketing offers	Brand performance measurement	Brand barriers
Customer-based brand equity (CBBE)	Pearson Correlation	.286**	.540**	.485**	.537**	.471**	.276**	-.482**
	Sig. (2-tailed)	.002	.000	.000	.000	.000	.002	.000
	N	118	118	118	118	118	118	118
Changes in business performance	Pearson Correlation	.336**	.375**	.451**	.253**	.300**	.322**	-.366**
	Sig. (2-tailed)	.000	.000	.000	.006	.001	.000	.000
	N	118	118	118	118	118	118	118
Financial performance (EBITDA margin)	Pearson Correlation	.063	.159	.167	.070	.273**	.222*	-.152
	Sig. (2-tailed)	.513	.096	.079	.468	.004	.019	.111
	N	111	111	111	111	111	111	111

**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

Remark: In seven cases, data about EBITDA margin were not available.

Source: Authors' calculation

The correlation was statistically significant at the 0.01 level in the following cases:

- *Unique marketing offers* with all three performance measures, and
- *Brand-oriented approach, Brand support activities, Innovativeness, Marketing channel relationships, Brand performance measurement,* and *Brand barriers* with two performance measures (*Changes in business performance and CBBE*).

The possibility of using the latent variable of BMP models was initially tested by T-test statistics. For most of the latent variables the T-test showed statistically significant differences at 0.01 levels. In all other cases but one, statistical significance was also established, but this time at the 0.05 or 0.1 level. Detailed results of the T-test statistics are given in Table 5.

Table 5: Determining the possibility of using the latent variable of BMP models by T-test statistics

T-Test	**Customer-based brand equity**				**Changes in business performance**				**Financial performance (EBITDA margin)**			
Latent variable	Cut point	N	Mean		Cut point	N	Mean		Cut point	N	Mean	
Innovativeness	>= 5.52	72	5.5697	***	>= 5.38	65	5.7234	***	>= .079	55	5.4607	*
	< 5.52	46	4.7898	***	< 5.38	53	4.7043	***	< .079	56	5.0538	*
Marketing channel relationships	>= 5.52	72	5.4864	***	>= 5.38	65	5.2974	*	>= .079	55	5.2056	-
	< 5.52	46	4.5937	***	< 5.38	53	4.9434	*	< .079	56	5.0241	-
Unique marketing offers	>= 5.52	72	5.0333	***	>= 5.38	65	4.9815	***	>= .079	55	5.0982	***
	< 5.52	46	4.3087	***	< 5.38	53	4.4679	***	< .079	56	4.4357	***
Brand performance measurement	>= 5.52	72	4.5243	*	>= 5.38	65	4.6731	***	>= .079	55	4.8591	***
	< 5.52	46	4.0109	*	< 5.38	53	3.8962	***	< .079	56	3.7946	***
Brand-oriented approach	>= 5.52	72	6.0275	**	>= 5.38	65	6.1248	***	>= .079	55	6.0464	**
	< 5.52	46	5.5746	**	< 5.38	53	5.5151	***	< .079	56	5.6991	**
Brand support activities	>= 5.52	72	5.9579	***	>= 5.38	65	5.8560	***	>= .079	55	5.6542	*
	< 5.52	46	4.6887	***	< 5.38	53	4.9813	***	< .079	56	5.2739	*

*** Significant at the 0.01 level (2-tailed) ** Significant at the 0.05 level (2-tailed) * Significant at the 0.1 level (2-tailed)

Remark: In seven cases, data about EBITDA margin were not available.

Source: Authors' calculation

The results show that the latent variables appropriately describe the BMP model and are connected to the performance of the company. In order to isolate the variables that have the greatest impact on CBBE, regression analysis was performed.

Regression analysis

A multiple regression analysis was performed to explore if the independent variables of the BMP model affected the dependant variable (CBBE). The objective was to determine whether *Brand-oriented approach, Brand support activities, Innovativeness, Unique marketing offers, Marketing channel relationships* and *Brand performance measurement* could explain a significant part of the variability of CBBE as a dependant variable.

In the structural element of the model the regression parameters explaining CBBE indicated that 4 out of 6 independent variables had a significant influence on the dependent variable ($p<0.1$). Multiple regression accounted for 45.3% of the variability as indexed by the R squared statistic and 43.4% indexed by the adjusted R squared statistic. The Model Summary is shown in Table 6.

Table 6: Relationship of latent variables to CBBE – Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.540[a]	.292	.286	1.08363
2	.631[b]	.398	.387	1.00350
3	.661[c]	.437	.422	.97480
4	.673[d]	.453	.434	.96490

a. Predictors: (Constant), Brand support activities
b. Predictors: (Constant), Brand support activities, Marketing channel relationships
c. Predictors: (Constant), Brand support activities, Marketing channel relationships, Innovativeness
d. Predictors: (Constant), Brand support activities, Marketing channel relationships, Innovativeness, Unique marketing offers
Source: The authors' calculation

The regression equation for predicting the Customer-based brand equity is:

$$\hat{y}= 0.466 + 0.292x_1 + 0.313x_2 + 0.187x_3 + 0.181x_4$$

x_1 – *Brand support activities*
x_2 – *Marketing channel relationships*
x_3 – *Innovativeness*
x_4 – *Unique marketing offers*

The conducted multiple regression analysis confirmed that four independent variables affected CBBE as the dependent variable. Therefore those variables were used as the basis for segmentation of companies from the sample.

Cluster analysis

Consistent with the established research goals, the next challenge was to determine whether brand-oriented companies and non-brand-oriented companies differed in performance.

The sample was segmented in order to verify the existence of a homogeneous group of respondents in terms of brand management practice and indicated business performance. For this purpose, cluster analysis was applied, as a technique commonly used in similar studies, and Hierarchical Cluster Analysis (Ward's Method) was performed to obtain segments/clusters (Zednik & Strebinger 2008; Wallace et al. 2013; Kao & Hung 2005). The BMP model variables were used to divide the sample into clusters. A division into three clusters was optimal, given the sample size, homogeneity within clusters (segments), and heterogeneity between clusters (segments).

Using terminology similar to that used in the Booz Allen Hamilton and Wolff Olins study (Harter et al. 2005), the clusters were defined as follows:

- *Brand-guided companies* (companies with brands that had the highest scores in the sample concerning all of the individual latent variable models);
- *Emerging brand companies* (companies with brands that had average scores in the sample concerning all of the individual latent variable models);
- *Brand-agnostic companies* (companies with brands that had the lowest scores in the sample concerning all of the individual latent variable models).

The EBITDA margin of the *Brand-guided companies* segment is 2.5 times higher than of the *Brand-agnostic companies* segment (10.80% vs. 4.27%). Statistically significant differences between the segments are shown with respect to the two other performance measures (CBBE and Changes in business performance) (Table 7). ANOVA was used to determine the statistical significance of differences in performance between the segments.

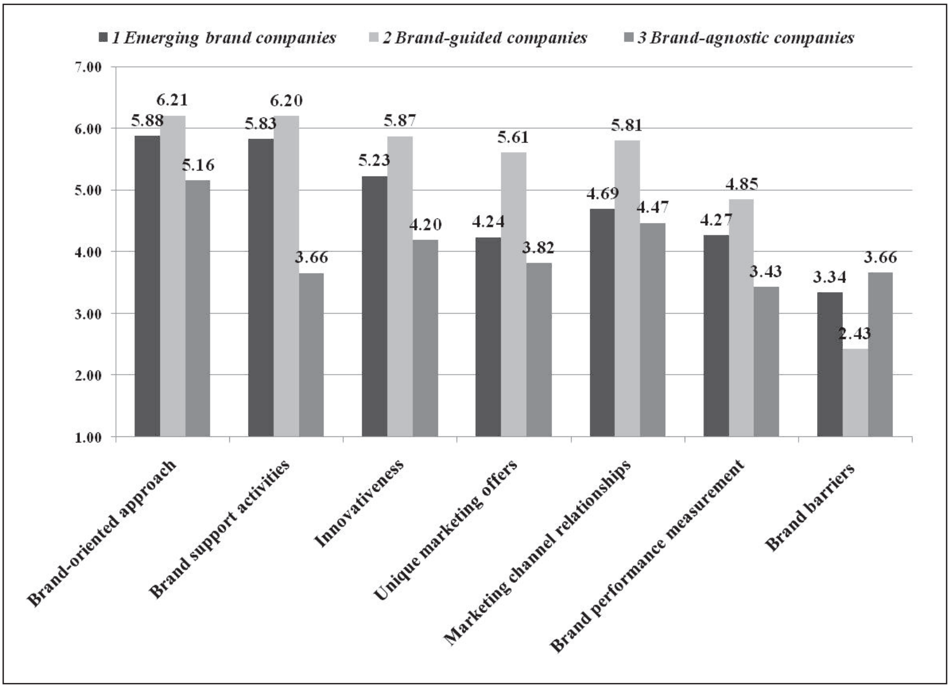
Table 7: Three categories of organizations concerning the implementation of brand management / business performance measures results of selected clusters

Ward Method		Customer-based brand equity**	Changes in business performance**	Financial performance (EBITDA margin)*
1 *Emerging brand companies*	Mean	**5.56**	**5.38**	**6.75%**
	N	36	36	35
	Std. Deviation	1.17382	1.27825	.101579
2 *Brand-guided companies*	Mean	**6.09**	**5.95**	**10.80%**
	N	53	53	49
	Std. Deviation	.82822	1.11917	.115177
3 *Brand-agnostic companies*	Mean	**4.41**	**4.34**	**4.27%**
	N	29	29	27
	Std. Deviation	1.40715	1.57607	.125446
Total	Mean	**5.52**	**5.38**	**7.94%**
	N	118	118	111
	Std. Deviation	1.28216	1.43324	.115920

Significant at the 0.01 level** Significant at the 0.05 level*
Source: Authors' calculation

The differences in the values of individual variables of the BMP models for each segment can be seen in Figure 2. Statistically significant differences between the segments for all presented variables are shown at the $p<0.01$ level.

Figure 2: The differences between the segments reported in the value of the latent variables of BMP models



Source: Authors' calculation

We also examined the differences between segments in other characteristics. The focus was on a key set of three characteristics: companies' characteristics, key-brand characteristics, and socio-demographic characteristics of the respondents. More detailed description of each of the segments is presented below.

Cluster 1: *Emerging brand companies*

Cluster 1 (30% of the sample) was brand management oriented in general. This can be seen in all of the individual latent variable of the BMP model. In all of the observed variables of the BMP model, Cluster 1 lagged behind Cluster 2 and had a leading position compared to Cluster 3. What makes the members of this segment specific is that over half of the companies in Cluster 1 (55.6%) were large companies. Also, 56% of the brands of companies from Cluster 1 belong to the product groups Fresh and frozen food and Packaged food. Furthermore, 64% of the brands are of domestic origin, as well as 69.4% of companies in this cluster.

Members of Cluster 1 had average or below average values for all other observed characteristics.

Cluster 2: *Brand-guided companies.*

Cluster 2 (45% of the sample) was truly interested in brand management. Members of this cluster had the most positive attitude toward all claims and variables related to the BMP model. This segment had the largest number of foreign-owned companies (45.3%). Over half (52.8%) of the key brands of companies in Cluster 2 are of foreign origin. Respondents from companies that belonged to Cluster 2 were the youngest (70% of respondents were less than 40 years-old) and most educated in the sample. Most of the brands belonged to the groups *Pharmaceutical and related products* and FMCG, especially *Packaged food*. In terms of size, Cluster 2 has the most medium-sized enterprises (41.5%). As already mentioned, companies in Cluster 2 had significantly better average performance than companies from other segments. This applies particularly to the EBITDA margin.

Cluster 3: *Brand-agnostic companies.*

Members of Cluster 3 (25% of the sample) were antagonistic toward brand management or did not know how to appropriately apply brand management in their business operations. The groups of older respondents were overrepresented in this cluster (57.1% over 40 years-old). Respondents in Cluster 3 had the lowest level of formal education. Members of this segment were predominantly domestic-owned companies (72.4%) and had the weakest business performance in the sample. Almost 80% of companies in this segment are small. In most cases these companies manage domestic brands.

Of all the characteristics presented above, we found statistically significant differences between clusters ($p < 0.05$) in the following: specific business area of a brand, EBITDA margin, and company size. Differences were found in the following variables at a significance level of $p<0.01$: *brand-oriented approach, brand support activities, innovativeness, unique marketing offers, marketing channel relationships, brand performance measurement, brand barriers, customer-based brand equity,* and *changes in business performance*. Statistically significant differences were tested using the Chi-square Test and ANOVA.

5. PRACTICAL IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH

The conclusions are derived from the results obtained by primary research conducted in Serbia in 2014. The results presented in this study are relevant to a wide group of companies and stakeholders in Serbia: producers, distributors, retailers, and policymakers. Despite some limitations, the sample size allows us to make recommendations based on the managers' answers concerning brand management practice.

Brand management practice can be analysed considering the following dimensions: *brand-oriented approach, brand support activities, innovativeness, unique marketing offers, marketing channel relationships, brand performance measurement*. These dimensions (variables) were expressed through three stages in the brand management process: brand analysis and planning, brand implementation, and brand measuring and control. Brand barriers were identified as a variable with a negative effect on all other variables in the model, and consequently as a variable with a negative effect on business performance.

There was a clear nexus between brand management practice, consumer-based brand equity, changes in business performance, and the financial performance (EBITDA margin) of the surveyed brands and companies. All the variables in the presented BMP model (except brand barriers) were positively correlated with all of the analysed business performance. In analysing the impact on CBBE, regression analysis singled out four factors (variables): *brand support activities, innovativeness, unique marketing offers,* and *marketing channel relationships*. The findings are logical, because all four variables belong to the implementation phase of the brand management process, which has the greatest impact on business results and in particular on customer-based brand equity.

There were statistically significant differences between the brand-driven companies and other companies in terms of individual elements of brand management practice, and we identified three clusters: *brand-guided companies, emerging brand companies,* and *brand-agnostic companies*. Other characteristics differed in terms of the specific business area of a key-brand and company size. They also differed according to estimated and actual business and financial performance.

Foreign companies developed more efficient brand management practice, which in the final instance led to better business performance. These conclusions enable us to make some recommendations to managers of domestic companies, primarily related to the particular improvement of each individual variable of good brand management practice.

The pillars of excellent brand management practice leading to performance improvement are:

- organizational and personal commitment and orientation to the brand and brand management;
- providing appropriate supporting activities for the implementation of the brand management process;
- a strong focus on innovation and improving the innovation process;
- effective planning and efficient implementation of the individual instruments of marketing programmes;
- uniqueness of marketing offerings;
- building good relationships in marketing channels;
- permanent control of all business processes, and creation of a comprehensive brand-performance measurement system;
- the elimination/reduction of organizational and personal brand barriers.

To achieve this, it is necessary that the company has adequate financial, human, and material resources, and also the necessary expertise, commitment, and employee skills. Partnership in marketing channels and cooperation with all other stakeholders are also indispensable prerequisites for success.

The research faced some limitations. First of all, the sample was not representative nationwide. Secondly, we are aware that the respondents could be giving 'socially desirable' answers that do not reflect their real attitude or real conditions in their companies. Also, we used short-term performance criteria, such as the EBITDA margin. The reason for this is Serbia's underdeveloped financial market and the inaccessibility of financial records about the surveyed companies and brands. Additionally, the survey was conducted in a period of economic crisis, generally characterized by a decline in investments, when margins are at a low level, and when companies from different industries are not all affected to the same extent. However, despite these limitations, our study provides evidence of the possibilities and effects of good brand management practice and recommendations for managers responsible for the further development of brands and companies.

In future, research in this field and the development of the presented BMP model might include the following:

- exploring the influence of other variables that can affect good brand management practice, which could lead to extending the presented BMP model;
- further verification and validation of the scale for each of the latent variables in BMP models;
- examination of the impact of BMP model variables on other performance measures (Return on assets - ROA, Economic Value Added – EVA, brand profitability, brand capitalization, etc);
- analysis of changes in the relationship between variables and business performance in a longer time frame;
- exploring opinions of managers in leading Serbian retailers about BMPs in their companies and their impact on business performance.

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Received: June 26, 2015
Accepted: September 28, 2015