

CHALMERS



Exploring Distribution Strategies from a Brand Perspective

An Investigation of Volvo Group Trucks' Future Distribution Strategies

*Master of Science Thesis
in the Management and Economics of Innovation Programme*

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Kristina Thorén & Maria Karlsson

Abstract

This Master's thesis was conducted during the spring of 2013 for the Volvo Group's Brand Management and Corporate Strategy department. During the previous year, Volvo Group Trucks had organized their brands into a portfolio. The new portfolio thinking enabled the organization to work with the brands in a different way and this further opened up for opportunities of sharing assets between the brands. Moreover, the Group highlighted distribution to be a source of untapped potential that needed to be further explored. However, few scholars have researched the area of distribution from a brand perspective. In addition, different scholars give different meanings to the term distribution and there exists diverging views of what role it should play for a firm and a brand. Given the scarce body of research of the interplay between branding and distribution, the purpose of this study is to provide a more comprehensive picture of what aspects one should consider when deciding and evaluating the choice of distribution structure. This insight could further guide the authors in identifying critical aspects of what the Volvo Group Trucks needs to consider when making their future distribution strategy decisions of how to distribute their Trucks brand portfolio.

In order to fulfill the purpose of the report a case study was initiated and semi-structured interviews were conducted with selected persons within the Volvo Group and Volvo Group Trucks. Moreover a literature review was performed which revealed that the interplay between branding and distribution was under researched, especially in a B2B environment. Therefore, in order to create a framework that could be used as guidance for fulfilling the purpose, the two different literature streams of branding and distribution were synthesized and merged.

With the new brand portfolio approach both possibilities and potential barriers concerning distribution arises that Volvo Group Trucks needs to address. The empirical findings revealed that decisions regarding distribution structure, market coverage and brand execution in the distribution channel is a complex decision where different stakeholders' perspectives diverge. On the one hand, there is a need to strive for brand distinction and loyalty. On the other hand, there is a question about cost, effectiveness, creating synergies and providing customer support. As these are often contradicting forces there is a need to find the balance of what can be compromised. Therefore, this study recommends Volvo Group Truck's to set up guidelines for when a multi brand structure should be used. Further, when using a multi brand structure, it is believed that the wanted and unwanted emotional and symbolic associations that could take place between the brands needs to be further discussed. In addition, it is believed that the Group Trucks should coordinate which brands in their portfolio that should be distributed through the same channel. Lastly, it is recommended for the Group Trucks to focus on which customer touch points at a dealership that contributes the most to strengthening the brand equity. Finally, the theoretical framework constructed in this thesis could be seen as applicable for other firms facing similar distribution challenges.

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1.0 Introduction

This chapter will outline the background, research questions, scope and disposition of this Master's thesis. The first section will provide a background of the case company Volvo Group Trucks as well as a brief overview of this thesis research topic; distribution from a brand perspective. This brief background will lead up to the purpose of the report as well as to the following research question and sub questions that aim at providing guidance throughout the report. Lastly, the scope of the study and the disposition of the thesis will be presented.

1.1 Background and Problem Formulation

Today's interconnected world and the increased accessibility of information have empowered buyers. Kotler and Pfoertsch, (2006) refers to it as "the new age of consumerism" where the consumers have the power and industrial players have to struggle to keep up. The increased globalization and improved information technologies has enabled a greater accessibility and transparency between countries which has resulted in that all brands today could be seen as global. In this new interconnected world, there is no room for the "average" brands and Bedbury (2002) believes that simplicity, humanity, and relevance, rather than technology, will be the main ways for companies to differentiate their brands in the future.

Historically it was believed that B2B customers were unaffected by emotional values. This in turn resulted in that research concerning brand relations has been more focused on the B2C environment and only scarce research have existed within B2B branding. Today, however, research knows better and several scholars highlight the importance of branding in B2B. Therefore, several researchers recommend firms, regardless of B2B or B2C, to take a more holistic approach to branding and some even goes further and argue that it will become the only significant way to establish competitive advantage in the future (Kotler & Pfoertsch, 2006).

One organization that has acknowledged the importance of branding is the Volvo Group. During the year of 2012 Volvo Group Trucks, a part of Volvo Group, went through a large organizational change. Moreover, Volvo Group Trucks organized their brands into a portfolio. This was all part of a project that was initiated at the beginning of 2012 and aimed at formulating a new brand positioning strategy for their truck brand portfolio. The portfolio now offers five brands, spanning from basic to premium, where each brand has a clear market space and the opportunity to grow in its own segment.

The positioning project and the new portfolio thinking enable the organization to work with the brands in a different way. In particular, it opens up for opportunities to share assets and the Group has highlighted distribution to be a source of untapped potential that needs to be further explored. However, with the new brand positioning strategy and their new brand portfolio approach both possibilities and potential barriers concerning distribution needs to be addressed. Few scholars have researched the area of distribution from a brand perspective. Moreover, different scholars give different meanings to the term distribution and there exists diverging views of what role it should play for the firm and the brand. Given the scarce body of research of the interplay between branding and distribution, the purpose of this study is to provide a more comprehensive picture of what aspects one needs to consider when deciding and evaluating the choice of distribution structure. This insight could further guide the authors in identifying critical

aspects Volvo Group Trucks needs to consider when making future distribution strategy decisions of how to distribute their Trucks brand portfolio.

2.2 Research Questions

In order to fulfill the purpose of this thesis the authors need to identify the components critical to distribution performance. In addition, potential distribution structures have to be considered within the context of Volvo Group Trucks. This means aligning the distribution structure with regards to both internal and external aspects. Therefore, in order to guide the authors through the process to fulfill the purpose of this thesis the following research question will be answered.

Given the external and internal environment of Volvo Group Trucks in the European region, what are the key focus areas that need to be considered when making future distribution strategy decisions of how to distribute their Trucks brand portfolio?

To be able to answer the research question the following five sub-questions will be answered:

1. What does academia tell us about distribution, and what are the factors that drive a firm's distribution structure decision? Is branding seen as one of the factors, and if so, how is distribution and branding related? What are the factors identified in the literature that should further be considered for the focus of this Volvo Group Trucks study?
2. What does the current distribution and branding structure look like today for Volvo Group Trucks and what are the factors that drive this chosen structure? What are the organization's thoughts about the relation between branding and distribution? Moreover, what is Volvo Group Trucks' view regarding different distributions structures and what do they believe are the opportunities and constraints associated with each structure?
3. Given the current situation of Volvo Group Trucks in the European region when could each distribution structure be of interest? Is there an optimal structure for the region or are multiple structures needed?
4. If multiple structures are needed, are there any critical areas that Volvo Group Trucks needs to consider before going forward with any future distribution strategy decisions?
5. How will this report contribute to existing knowledge within the field of distribution and branding in a B2B setting?

1.3 Scope

This Master's thesis is carried out on behalf of Volvo Group's Brand Management and Corporate Strategy department in Gothenburg Sweden. The purpose of this thesis is primarily to identify critical aspects Group Trucks needs to consider when making future distribution strategy decisions on how to distribute their Trucks brand portfolio. Therefore the focus of this thesis will mainly concern Volvo Group Trucks business and the environment in which it acts in. In particular, the main focus will be on the European region where the brands present from the portfolio are Volvo Trucks and Renault Trucks. However, in order to contrast differences and similarities between the

regions, a global perspective of the Groups' Truck business will at times also be given. Distribution will in this thesis regard the final part of the distribution process: from the retailer to the customer. Moreover, distribution is not only seen as the activity of moving goods from point A to B, but also as where a company can realize their brand strategy. The empirical perspective that will be given will come internally from the Volvo Group Trucks organization and its dealership network. This means that no competitor or customer studies will be performed. Even though the focus of the thesis is on Volvo Group Trucks' business the thesis also hope to contribute with further knowledge to the B2B branding and distribution area. Furthermore, the authors hope that this knowledge can guide corporations similar to Volvo Group Trucks that are considering future distribution strategies for their brands.

1.4 Disposition

The following thesis will be structured into 8 chapters. Chapter 2 will address sub-research question 1 by providing a literature review of what research have established so far concerning the interplay between distribution and branding. Chapter 3 aims at describing and explaining the chosen research strategy and methodologies that were pursued in this study. Further it will also outline the different methods and procedures, which were used for collecting data. Chapter 4 will introduce the constructed theoretical framework that aims to guide the authors in the data collection as well as serve as a base for the analysis of the empirical data. Chapter 5 will address sub-research question 2 by providing the reader with a description of the internal and external environment in which Volvo Group Trucks acts. Secondly, it will also describe the current distribution structure of Volvo Group Trucks as well as present what the interviewees of this study believe being the strengths and weaknesses with the different distributions structures. Chapter 6 will consist of two parts and where section 6.1 will address sub-research question 3 and section 6.2 will address sub-research question 4. In particular, 6.1 will investigate whether there exist an optimal distribution structure for the region or if multiple structures are needed. Moreover, the distribution structures single brand or multi brand will be discussed with regards to ownership. In addition, section 6.2 in the analysis will focus on identifying areas that needs to be considered by Volvo Group Trucks before they make their future distribution strategy decisions. Chapter 7 will provide the reader with a condensed version of the conclusions that have been reached as well as a summary of the recommendations that have been given to Volvo Group Trucks. Finally, chapter 8 will provide some final remarks regarding this thesis contribution to theory as well as provide a future outlook on what the authors believe needs to be further researched.

2.0 Literature Review

In the following chapter a literature review will be given describing the previous research that has been performed within the area of brand management and distribution. In more detail, the chapter will present how research view the role of distribution and what they believe are the drivers behind the distribution decision. It will also present how research view the role of branding in related to the distribution decision.

2.1 The Distribution Decision - from a Distribution Research Perspective

In 1960 McCarthy introduced his marketing mix model and the 4Ps (product, place, promotion, price) and it has left its mark in succeeding marketing literature. The second P, place, corresponds to decisions on where to locate in order to make it convenient for the customers to access the product. It can be seen as synonymous to what is today called distribution. The majority of modern marketing literature mentions distribution as an aspect that needs to be taken into consideration when deciding on the strategy for a brand. However, there are multiple definitions on what distribution actually includes. Keller (2003) defines distribution as “the process of making products and services available for use or consumption”. He means that focus normally lies on optimizing market coverage while minimizing costs. A similar definition is given by Jobber and Fahy (2006 p.297) who mean that distribution is “the supply chain in which products are moved from the producer to the ultimate customer” and that it is important to choose the most efficient one. Moreover, according to Skjøtt-Larsen et al. (2007), distribution is the final stage in the supply chain and it is the point where the final products and services are made available to the ultimate customer. What all these authors have in common is their view on distribution decisions as strategies for moving goods from one point to another in the most cost efficient way. However, there are others who believe there is more to the concept of distribution. Parment and Ottosson (2013) distinguish between the concepts of logistics and distribution. They mean that logistics is about optimization and cost efficiency while distribution rather concerns making the right priorities in order to create an alignment between the product, its brand, and how it is communicated. In addition, several authors agree that distribution channels can play a vital role when it comes to customer satisfaction (e.g. Meenal, 2010; Schmitt, 2010) and that distribution helps to bridge the time, place, and possession gaps between the producer and the user (Kotler et al., 2008). In conclusion, one can say that different researchers define the concept of distribution in various ways.

Traditional distribution research, concerning channel design, usually regards two different types of decisions: whether one should have direct or privately owned channels, and what degree of distribution intensity that is desired. There is a lot of different research investigating when to choose direct or private distribution channels, as well as how to decide what degree of intensity that is needed. Reviewing the literature there are several authors who have identified certain factors that need to be considered when selecting and designing a distribution channel.

The older generations of authors have focused more on investigating what factors affect the choice of direct or private channels of distribution. Anderson and Schmittlein (1984) derive a model from transaction cost theory (TCT) concerning when to integrate the personal selling function. They reach the conclusion that the nature of the company, the

product, and the customer, as well as the amount of confidential information, the importance of key accounts, and the degree of customer loyalty is what affects a company's choice of distribution channel. Klein et al. (1990) also draw their model from TCT. When testing the model they reach the conclusion that the most important factor for the distribution decision is "the ability of the market to limit the opportunistic tendencies of outside intermediaries". The factors "low trust in contractual agreements", "high degree of environmental diversity", "high degree of wanted flexibility", and "high channel volumes" were found to be favoring an integration decision. Lilien (1979) and Miracle (1965) also examine which factors affect whether to choose direct or private distribution channels, but not from a TCT perspective. Lilien conducted a cross-sectional study and identified six factors: firm size, average order size, the stage in the product's lifecycle, the complexity of the product, the fraction of the product's sales made-to-order, and the purchase frequency of the product. Miracle (1965) on the other hand, builds his model on a revision and expansion of Aspinwall's work "The characteristics of Goods Theory" from 1962. Miracle argues that all factors that forego a distribution structure decision can be derived from analyzing the characteristics of the product. The factors he identified are: product unit value, significance of purchase, purchasing effort, rate of technological change, technical complexity, need for service, frequency of purchase, rapidity of consumption.

When reviewing modern distribution literature a wider perspective concerning the distribution decision is used. Rolnicki (1998) explains which factors management needs to consider when deciding upon desired distribution intensity and which intermediaries to choose when using private channels of distribution. He divides the factors into macro market condition factors, internal company factors, competitive channel opponent factors, and distributor capability factors. Meenal (2010) views distribution as the physical movement of making goods available to customers but also as a mean for achieving customer satisfaction and reducing costs for the company. He believes it is important to establish which function the channel should fulfill before deciding if the channels should be directly or privately managed. The factors he lists as important for the channel decision are: nature of product, nature of consumer, competitors' channels, company considerations, market considerations, and middle man considerations. Kotler et al. (2008) take more of a marketing perspective and they believe it is essential to analyze customer needs and to identify what the customers want in order to design an appropriate distribution channel. Further, they mean that it is important to review the company's skills and the possibility to acquire new skills if needed. Lastly, they recommend evaluating the channel member skills to see what is possible to do in terms of designing the distribution channel system. Jobber and Fahy (2006) also have a marketing perspective but they view the distribution decision from a more strategic perspective. They list the factors which are important to analyze when selecting the most efficient channel, the channel intensity, and how integrated one should be. The factors they believe are of importance are: market factors, producer factors, product factors, and competition factors.

So far one can conclude that a lot of research has been conducted in the field of distribution, especially in the field of what factors drives the decision of when to have directly or privately owned channels. The older generations of authors have had a more narrow focus, and their view on distribution has been that it is a function for moving goods from the producer to the end customer. This has led to that their factors are more concentrated on the product and its characteristics. However, the research has evolved and later literature views distribution in a wider sense. Modern research agrees on that

the distribution channel can contribute with more than just moving goods from point A to B. Nevertheless, both traditional and modern research has not systematically researched what drives the degree of distribution intensity. Instead, it is usually covered as an aspect one needs to consider when making the decision whether to have direct or private channels. In conclusion, even though different researcher and authors stress different factors and call them by different names, there still exists a somewhat joint perception of what factors that drive the choice of distribution channel.

2.2 The Distribution Decision - from a Branding Research Perspective

If one searches outside of the distribution genre and looks into marketing literature, specifically into branding literature, there are authors who have a different view on the function of distribution. Hence, they identify other factors that are important to analyze when choosing distribution channel.

The principle of branding is to give a coherent impression. Distribution therefore becomes a central issue in brand management (Parment, 2006a). In the past, branding and brand management has been more connected to the business-to-consumer (B2C) industry. The primary reason for this was the belief that industrial buyers were unaffected by the emotional values that are associated with the brand (Leek & Christodoulides, 2011). Today, however, more practitioners are realizing the potential and importance of branding in the business-to-business (B2B) industry (Kotler & Pfoertsch, 2006; Kalafatis et al., 2012). In line with this reasoning Kotler and Pfoertsch, (2006) claim that, “Brand management for industrial goods and services represents a unique and effective opportunity for establishing enduring, competitive advantages” (Kotler & Pfoertsch, 2006 p.IX). They further argue that the most vital and sustainable asset any firm can have is a strong brand and thus the brand strategy should be the source from where one makes its decisions. According to Parment and Ottosson (2013) product, brand, and distribution have become more and more interdependent and a misalignment between either one of them can easily decrease the market share and create a competitive disadvantage. The customer point-of-contact, where the customers meet the brand, appears at the end of the distribution channel, at the retailer. Hence, they believe that the retailer has great power in affecting how customers perceive and experience a brand.

Another author who emphasizes the relationship between distribution and brands is Kapferer (2001; 2012). He claims that the very source of a brand is created at the point where the customer meets the brand, which is in the final part of the distribution channel. In his new book *The New Strategic Brand Management* from 2012 he says that, in the end, it will be the sales force, the service personnel, the front office, etc. who represent the brand and interact with the customers. He means that it is essential to remember that the choice of distribution channel sends a message to the customers and the aspect of sales needs to be included in the brand strategy. His thoughts are built upon the work of Bernd Schmitt (2010) and his concept of experiential marketing. Schmitt (2010) argues for that distribution decisions regarding the exchange of information and services, which occur between customers and a company, can either enhance or degrade the brand experience. It is therefore essential that the end of the distribution channel is aligned with the brand strategy to ensure that the brand is exposed in a correct manner in each communication channel and customer interface.

Parment (2006a) investigates the drivers behind the distribution decision from a brand perspective. In contrast to traditional distribution literature he includes not only the degree of distribution intensity and whether to have direct or private channel, but also what number of brands that should be sold in each channel. He means that a company needs to start with identifying what type of brand it is that they would like to distribute and also in terms of its brand values and profile. Another factor to identify is the product type in terms of its emotional or rational attributes. Moreover, one needs to consider what type of retailer that could be appropriate by reviewing their profiles and product range. Additionally, one must also consider the customers' wants and needs. Lastly, Parment (2006a) states that a firm needs to decide on the ambition for the brand, which in turn will decide if the firm should be more brand or cost, focused. This decision will have implications on whether the firm chooses to go with single or multi branded distribution channels.

The decision for when to go single brand or multi brand has scarcely been researched. However, Parment (2006a) and a later study by Parment and Ottosson (2013) discuss the advantages and disadvantages of single and multi branded distribution channels. This is done from a producer, retailer and a customer perspective and their studies mainly concerns capital goods. From a producer point of view, choosing single or multi branded distribution channels depends on the importance of retailer loyalty and how specialized the retailer needs to be in the producer's brand. If the producer's brand is sold in a multi branded environment there is a risk that the retailer just wants to sell a brand and not the producer's particular brand. In the end it comes down to that the producer have to consider all potential benefits of having single branded sales channels in relation to the higher costs the structure incurs. From the perspective of a retailer, the decision to sell one or many brands depends on the attractiveness of the brand in question. If the brand is attractive enough and generates enough sales, then there is not as much incentives to sell more than one brand. Selling many brands can be seen as a way for a retailer to reduce its risk, as the retailer is less dependent on each brand to perform. Moreover, the choice to sell one or many brands also depends on if the customers prefer a wider product assortment or not. As of today, few studies exist concerning customer preferences regarding single branded or multi branded sales environments (Parment, 2006a). So far, what has been established as factors determining what the customers prefer are: the brand's profile, the customer structure as well as if the brand is a basic, volume or premium brand.

What can be concluded so far is that branding research stresses the importance of aligning the choice and design of the distribution channel with the brand strategy in order to give a consistent and coherent impression. Moreover, seen from a branding perspective one can say that some research have been done regarding what factors that could drive the choice of distribution channel. However, there exists very little research on the topic of how many brands that should be considered appropriate to be sold in the same distribution channel.

2.2.1 Different Brand Partnerships and its Implications

Multi branded representation raises questions concerning which brands one should be represented with and under what circumstances. Ugglå's research from 2001 describes the increasing trend of forming different branding alliances. Moreover, he states that today, instead of only discussing brand identity, one refers to brand identity distribution. This means that instead of just looking at a single brand's ability to build associations

one should look at all points of contact where a brand meets another brand. Moreover, Uggla (2004) explains that the increased use of co-branding can be connected to a greater marketing trend that has emerged in recent years, namely strategic alliances between brands. The driving forces behind the trend are to increase the effectiveness of marketing spend as well as putting emphasis on the brand to accelerate and generate cash flows and create shareholder value.

Research within the field of different partnership constellations such as strategic alliances, brand alliance and co-branding can create confusion as many researchers give different meanings and definitions to the same term. Rich (2003) defines strategic alliances as, “cooperative relationships between two or more independent organizations, designed to achieve mutually beneficial business goals for as long as the alliance is economically viable” (Rich, 2003 p.447). He discusses what it takes to create successful strategic marketing alliances. In his research he argues that an effective partnership often involve partners that have similar goals and cultures as well as compatible products or service lines. Furthermore, the purpose of the partner is to fill a strategic gap in terms of market offerings or capabilities. An alliance should not be a short term solution to a problem, instead Rich (2003) argues that it should be strategic approach. Lastly, he highlights the importance of having well defined processes for the implementation and operation of the alliance and to set goals and measure its performance. James et al. (2006) follow the definition from Aaker and describe brand alliances as when two or more brands partner up to combine brands in different marketing activities. In their research they investigate the consumers’ perceptions of brands’ personalities in brand alliances. They conclude that the fit between brands in an alliance should both be on a functional level, such as technology, and on an abstract level, such as brand personality. Moreover, it was concluded that when the partnering brands did fit together, the likelihood of consumers buying the product increased.

Today, co-branding activities are becoming more common also in B2B settings (Kalafatis et al., 2012). However, limited research has been done concerning the effects of B2B co-branding. Existing research agree on that the decision of using co-brand is often more influenced by non-branding factors and by cost and distribution factors compared to in B2C firms. In one of the existing studies, Kalafatis et al. (2012) look further into B2B co-branding and the researchers investigate the benefits of co-branding activities when the two brands have different equity positions. Kalafatis et al. (2012) choose to use the terms co-branding and brand alliances interchangeably and describe it broadly as some form of partnership with long term or short term character. Their research concluded that business partners with similar equity positions will benefit equally from the partnership. However, if there exists an asymmetry in the partner brands’ equity positions, the weaker brand will benefit more than the stronger brand. Their last hypothesis discussed benefits in terms of functional, financial and psychological values from an asymmetrical partnership. They concluded that the stronger brand would benefit more in terms of functional benefits, while the weaker brand would benefit more financially and through psychological benefits.

In summation one can conclude that the definitions for the discussed brand constellations diverge in terms of intentions behind the relationship, the degree of collaboration and how the brands are combined e.g. in terms of sharing resources. Rich (2003) states that every few years a new term within marketing emerges that resemble all the previous ones. Therefore, regardless of the specifics surrounded by these terms they will more often concern two or more brands that establish a relationship in some

manner, which will have implications for the brands involved. Having said that, there exist much research concerning both the benefits and potential barriers and challenges of different alliances and co-branding activities. However, research regarding partnership constellations and its effects in a B2B environment are still relatively scarce.

Uggla (2004) means that the research concerning transfer effects in co-branding activities has been too narrow minded just focusing on one aspect at a time. Moreover he claims that holistic research concerning strategic links and transfer of meaning between brands has to a large extent been ignored. In his study he defines co-branding as when, "...key dimensions of a partner brand are incorporated into a leader brand strategy..." (Uggla, 2004 p.105) He introduces a framework for managing the transfer of meaning to and from brands. Uggla describes the framework as a structured and holistic approach that should be used in order better view the opportunities that can occur from brand leveraging. Moreover, he states that reaching a greater understanding of the meaning transfers to and from brands will be a necessity for strategic brand management in the future.

Similarly, Keller (2003) states that little research has been conducted where one takes a broader perspective to consider the possible entities of which a brand can become linked to and where one investigates all the possible transfer effects simultaneously. Like Uggla (2004), Keller (2003) says that there is a tendency for consumer research, within the branding area, to take a too narrow perspective. He explains that the brand leveraging process, which is the effects linking a brand to another person, place, thing or brand have on consumers, is becoming increasingly relevant and important. In order for a firm to attempt to increase their brand equity they must understand how the different entities should best be combined from a consumer brand-knowledge perspective and as a result reach the optimal positioning in the minds of consumers. Keller (2003) further states "that the basic questions with leveraging secondary knowledge of any type of other entity would seem to be. (1) What do consumers know about the other entity? (2) Does any of this knowledge affect what they think about a brand when it becomes linked to or associated in some fashion with this other entity?" (Keller, 2003 p.596)

2.3 What Research have Established so far

Traditional distribution research mainly concerns the moving of goods from producer to customer. The purpose of distribution back then was more seen as a driver of costs and the aim was to optimize market coverage and minimizing cost. Today, however, distribution has increased in importance and can be used as a competitive advantage. Even though traditional distribution literature do not include the brand as a considering factor when making distribution decisions, brand management research discusses the customer touch points as being crucial for building the brand. Moreover, a few studies have recently been conducted with the aim to bridge distribution and branding literature but the area is still considered under researched, in particular in a B2B environment.

The B2B research concerning multi and single branded distribution is also under researched. The general agreement is that the choice is linked to what type of brand (budget, volume, premium) one has as they follow different cost structures. There exist studies, though mainly from a B2C perspective, of what effects different partnership constellations and associating brands with each other can have. Research are somewhat unified on the need for alignment and fit between the brands involved. However,

criticism has been raised about these studies being too narrow minded and not taking a broader perspective to view all potential effects that can arise when a brand is linked to another entity.

A general observation is that more research within branding and distribution has been conducted within the B2C environment rather than the B2B. An explanation for this fact can be that historically, the importance of brand in B2B was questioned. Today, substantial amounts of research exist claiming its importance. However, the research is not unified around how important it is and on what grounds it is different from a B2C environment. Given the scarce body of research between the interplay between branding and distribution, this study aims to provide a more comprehensive picture of what aspects one should consider when deciding and evaluating the choice of distribution structure and what implications each structure will have on the brand.

Chapter Summary

Although distribution, historically, was seen as a cost driver it has today increased in importance and can be used as a source of competitive advantage.

As of today distribution literature does not include brand as a considering factor when making distribution decisions, however, brand management research acknowledges distribution, and in particular, customer touch points to be crucial for the brand.

Few studies have been conducted with the aim to bridge distribution and branding literature and the area is still considered under researched, in particular in a B2B environment.

The choice of single or multi branded distribution channels, in connection to B2B, is also under researched. The general agreement is that the choice is linked to what type of brand a company possesses.

There exist studies, although mainly taking a B2C perspective, of what effects different partnerships constellations can have and research somewhat agrees that the strategic fit between the brands is important to establish.

Criticism have been raised concerning studies on transfer effects being too narrow minded and not taking a broader perspective and viewing all potential effects that can occur when a brand is being linked to another entity.

3.0 Methodology

The following section aims at describing and explaining the chosen research strategy and methodologies that were pursued and used in this study. Further, it will also outline the different methods and procedures, which were used for data collection and analysis. The authors chose a cross-sectional case study as guidance to answer the research question. The chapter will therefore include arguments for the authors' choices as well as a discussion about the strengths and weaknesses associated with these choices.

3.1 Research Strategy

The purpose of this study is to provide a more comprehensive picture of what aspects one needs to consider when deciding and evaluating the choice of distribution structure. Moreover, the purpose is to identify critical aspects that Volvo Group Trucks needs to consider when making future distribution strategy decisions of how to distribute their Trucks' brand portfolio.

More specifically, as presented in the *Introduction* chapter the study seeks to answer the following question:

Given the external and internal environment of Volvo Group Trucks in the European region, what are the key focus areas that need to be considered when deciding on how to distribute their Trucks brand portfolio

To answer this question, a qualitative approach is used. According to Bryman and Bell (2003), a qualitative strategy stresses the words rather than the quantification in the collection and analysis of data. In order to answer the research question properly and make it relevant for Volvo Group Trucks (hereafter referred to as VGT), the aspects of value, risk and strategic fit needs to be included and these factors are best analyzed with a qualitative approach. The *Literature Review* revealed that little had been done in the attempt of analyzing distribution strategy choices from a brand perspective. An inductive approach was therefore believed to be the most appropriate since it puts emphasis on generation of hypothesis or new theory. A qualitative study enables an inductive approach to the relationship between theory and research (Bryman & Bell, 2003), which is why it is seen as the most desirable research strategy. Further, the tight time frame for this study also argued for that a qualitative approach could bring more value to the study since it would not be possible to gather enough data within the time given to make a correct quantitative analysis. However, it is known to the authors that a quantitative research strategy could have made the study more significant.

3.2 Research Design

The research design for this thesis, which serves as a framework and logic for collection and analysis of data (Bryman & Bell, 2003) is set to be a case study with elements from a cross-sectional study. The research design was chosen as it allows a detailed study of a case in its real life context (Bryman & Bell). The case studied in this thesis is the one of Volvo Group Trucks. A case study design is also suitable when one explores something unknown, which is the situation in this thesis since limited research exists within the area of focus. Moreover, to answer the research question and fulfill the purpose of this thesis, in-depth questions of the type "How?" and "Why?" need to be examined in order for the authors to fully understand the complexity of choosing how to distribute VGT's brand portfolio. Also, these types of questions are needed in order for the authors to

provide the readers with thick descriptions. Unfortunately, a disadvantage with using a case study design is that it focuses all attention towards one case, without much comparison to others. Therefore, the authors of this thesis cannot claim to have high external validity. However, the case can be seen as representative for a typical type of organization, e.g. multinational producer companies in the B2B industry.

Furthermore, as the authors are seeking to detect critical decision-making areas that can be associated with the choice of distribution structure, elements from a cross-sectional study have been incorporated into the case study design. A cross-sectional design entails the collection of data on more than one case at a single point in time (Bryman & Bell, 2003). The design also makes it possible to assess many variables at the same time and it is recommended as a design when one is trying to detect patterns of associations (Bryman & Bell, 2003). Even though it is usually associated with quantitative methods it will be used in a qualitative manner in this thesis. The cross-sectional elements are incorporated in to the case study design in order to enable the authors to compare and contrast information and opinions from different business divisions within VGT. The different business divisions are seen as the data collection “on more than one case” since they are acting as independent organizations within VGT. Moreover, incorporating elements from a cross-sectional design enable the authors to discover if there are any common areas, which need to be considered before VGT makes their future distribution strategy decisions.

The weakness with a cross-sectional design is that it only shows correlations and not causes (Bryman & Bell, 2003). However, this thesis is only trying to detect what focus areas that are associated with decisions regarding distribution strategy and therefore, not being able to establish the cause is therefore not seen as a concern. A cross-sectional design can, according to Bryman and Bell (2003), have high external validity. However, this is most likely not the case for this thesis as the different information sources (cases) are part of the same organization.

3.3 Research Methods

Interviews are a research method, which is commonly associated with both a case study design and a cross-sectional design (Bryman & Bell, 2003). Therefore, open as well as semi-structured interviews will be used as data collection methods for this thesis. Moreover, interviews are the most widely employed method in qualitative research, which make open and semi-structured interviews a suitable method for this thesis. Qualitative interviews are chosen as the authors are striving for to understand the interviewees’ point of view, how they perceive the problem, and what they believe are important within the scope of the research area. Furthermore, as the authors initial research idea need to become more specific, it is important to investigate how the interviewees view these problems in order to capture the most interesting aspects. Even though there are many advantages with using qualitative methods there also exist some drawbacks. There is always the risk of personal bias and anchoring depending on how the questions are asked. The authors have tried to decrease this risk by letting the interviewees know beforehand what the interview will be about so they can form their own opinion before meeting with the interviewers.

3.4 Data Collection

The data collection was conducted in three different phases. The authors started the study by conducting a literature review to better understand what previous research

already had covered as well as to see what they believed being important to further investigate. Parallel to the literature review, secondary data concerning the current distribution strategy and the brands' different positions and values, were collected from the internal database as well as from the Internet. Secondly, a pre-study was carried out. Partly for the authors to better understand VGT's current situation and to get a better understanding of the truck industry, and partly to be able to narrow down the research area and specify the research question. Lastly, a case study was conducted where data was collected through casual conversations and informal meetings as well as from semi-structured interviews with selected persons within VGT.

3.4.1 Literature Review and Secondary Data

The study was initiated by conducting a literature review. Furthermore, to ensure that the authors had covered as much of the existing literature as possible, experts within relevant research areas were contacted and consulted. The authors consider this to be a reasonable way as the experts are familiar with what literature that exists within their field of research. This approach was chosen due to the time constraints that restricted the authors from conducting a more thorough literature review on their own. The fact that the authors chose to start their research by performing a literature review can be seen as both an advantage and a disadvantage. An advantage in the sense that it provided the authors with accurate and up to date research and it gave them an opportunity to see what had already been researched within the area. A disadvantage in the sense that it might have biased the authors' opinions concerning which areas that are necessary to discuss during the interviews. Nevertheless, semi-structured interviews were applied in a later stage of the study and this allowed the authors to view the problem from the interviewees' point of view and hence help to overcome this drawback.

Secondary data was gathered from the internal database throughout the whole project but most intensely during the startup phase. The trustworthiness of the information found in the internal database can be discussed as there is a risk that it is biased and that the internal database is used as a forum to influence and inspire the employees at VGT. However, the information concerning the brands' different positions and values that was gathered from the internal database is considered to be credible as VGT needs their employees to understand what the brands stands for. The information that was gathered concerning the current distribution strategy could have been slightly biased on the intranet. As VGT are currently implementing their new distribution strategy, they want to engage the employees in the process and hence the strategy presented mostly highlighted the positive aspects. However, the authors of this thesis have critically assessed the information that they have found as well as cross checked it with their supervisor at VGT in order to ensure that the information they found was correct.

3.4.2 Pre-study

A pre-study was conducted once the authors were more familiar with the research area, the industry, and the organization. It consisted of three open interviews and a couple of informal meetings with the authors' supervisor at VGT. The pre-study allowed the authors to get a better understanding of the current situation and narrow down the scope of the study. The authors got a chance to investigate what areas that could be interesting to investigate further, and which organizational perspectives that needed to be included in the case study. Due to the exploratory nature of the pre-study, the interviewees were selected through a non-probability sample. The samples were chosen on the base of

quota sampling. Quota sampling seeks to produce a sample that reflects a population in terms of the relative proportions of people in different categories (Bryman & Bell, 2003). One interviewee was selected from each of the business' divisions, brand management and retail development, and one represented the directly owned dealerships. One usual critique towards using quota sampling is that it is not representative since it is the interviewer who chooses the interview subjects. Hence, the sample can be biased and is not seen as representative (Bryman & Bell, 2003). However, our supervisor at VGT objectively selected the interviewees and the interviewees were selected based on their knowledge about the topic. The risk of biased sample still exists but since the pre-study only had the purpose to explore areas for further investigation it was believed to be sufficient enough.

3.4.3 Case Study

Once the research scope was narrowed down and the research question was formulated a case study was initiated. During the case study the authors were placed at the headquarters (HQ) for VG, more specifically at the Brand Management and Corporate Strategy department. The authors had the opportunity of sharing office with one of the employees and therefore got access to continuous updates on what happened within the organization. This placement also gave the authors the opportunity to get the answer to any questions that came up during the work process. Moreover, throughout this time the authors also gathered information from daily conversations with people at the department and informal meetings with the authors' supervisor at VGT. This have given the authors access to a lot of information that have been needed in order to fully understand the industry and what is going on within the organization. The authors consider this information to be valuable as it is information that the authors would not get out from an interview and it is information that reflects how the employees understand the situation.

Furthermore, eight semi-structured interviews were performed with employees from within VGT. The interviews that were conducted can be considered to be of semi-structured character where the same interview guide was used as a base for all interviewees. However, some questions were added depending on which business division the interviewee was from. The questions that were added were specifically designed to either attempt to capture the interviewees' personal knowledge and experience or to capture the particular business divisions' expertise within an area. Moreover, the interviewers were flexible in terms of order of the questions asked as well as used follow up questions if it was needed. For the purpose of this study semi-structured interviews were believed to be the most suitable method, as an unstructured interview would have increased the difficulty of identifying themes and areas of importance with regards to the different distribution decisions. Moreover, a structured interview would not have been considered suitable, as it would have created too narrow results and the interviewers needed to investigate the interviewees' point of views. In addition, if structured interviews had been used, there would have been a great risk for the authors to miss the bigger picture and the real challenges related to VGT's distribution decisions.

Sample Selection

A non-probability sample was used for the data collection in the case study as it was believed to be most beneficial and relevant method for this study. With help from the tutor at VGT, the authors selected people within the organization that were to be

interviewed. For the selection of these interviewees a quota sampling method was used and people from the different organizational divisions Brand Management, Retail Development, and Strategy were selected. Moreover, a representative from the dealership network was also selected. Within each division, employees were selected for the interviews based on their insights and expertise within the area of distribution and branding. The interviewees all have long experience from the truck industry and the majority of them have been within the organization for over ten years. Furthermore, some of them have experience from working at different divisions within VGT and a few have also experience from working in many different geographical regions. The interviewees' positions, experiences and knowledge are believed to make them suitable for contributing to the study. Moreover, the fact that the interviewees were selected from different business divisions is believed to generate different perspectives and views on the subject of distribution and branding and hopefully give a valid representation of the thoughts of the VGT population.

Representatives for both brands that are present in the European region, Volvo Trucks and Renault Trucks were included in the sample as well as a representative for the whole portfolio of brands. For the retail and strategy organization the interviewees represents both brands. Being situated in Gothenburg gave some limitations to whom the authors could contact and therefore a convenience sample was decided to be used. This also set the scope for the study where focus was on the European market. Given the purpose of this thesis the authors believe that the selected interviewees have been of great value for the research. The sample covered employees with different backgrounds and also with experience from the other regions than EMEA. This provided a wider and contrasting perspective, which gave further depth to the study. A weakness with the sample could be that it only consists of internal sources, even though the dealership representative could be seen as either internal or external depending on how one views the dealership network. Nevertheless, as mentioned above, all interviewees have long experience of the truck industry and a few of them also have experience from working in different geographical regions. Therefore, they are believed to be a valid source when it comes to questions that concerns external factors such as the industry, the market or the middle men.

3.6 Data Analysis

The strategy that was selected to guide the authors through the analysis of the data is grounded theory. Bryman and Bell (2003) describes two central features of the strategy, one feature is that it involves creation of theory from collected data. The second feature is that it is an iterative approach where data collection and analysis proceed together. A part of the purpose in this thesis is to identifying critical aspects that Volvo Group Trucks needs to consider when making future distribution strategy decisions of how to distribute their Trucks brand portfolio. Therefore, during the interviews, the authors attempted to find themes of what areas one needed to look deeper into. This was done by using coding. Coding is described by Bryman and Bell (2003) as the key process in grounded theory, and once initial data is gathered the researcher can start interpreting the data, which can emerge to codes. In terms of this study, all interview material was recorded and transcribed and after each interview a discussion and a short analysis was held between the authors. More specifically, after the second interview the data and the interviewees' thoughts concerning certain areas was organized and categorized.

A risk when analyzing data continuously is that the authors can become biased and start asking leading questions in order to searching for patterns found in the initial

interviews. However, in this particular case, all interview guides were based on the same questions with only a few additional questions added for each interview. Therefore, the authors believe this particular risk can be considered quite small. Instead, continuously analyzing data is believed to have aided the authors in asking more relevant follow up questions which in turn have helped to gather enough data in all researched areas. Moreover, as the interview guides were constructed based on the theoretical framework and its factors, this framework also supported and guided the authors in the categorization and analysis of the data. Hence, the risk of getting biased by performing continuous data analysis would decrease even more. Further, given the time frame and the characteristics of this study the authors feel that there was a need to analyze the data continuously throughout the study. Therefore, the authors believe that this data analysis strategy was the most suitable option. However, since the interpretation of data is fairly subjective it can be considered difficult to replicate.

3.7 Reliability and Validity

Reliability refers to the consistency of the measure and according to Bryman and Bell (2003) there are different factors that determine this consistency. The first one concerns the stability of the measure, meaning that if the researchers had interviewed the same sample at a later point in time the results would have been similar. As this case study focuses on VGT's internal and external environment which is constantly changing and developing it is believed that the results would differ if the same persons were interviewed at a later point in time. Especially, since the organization is currently going through a great organizational change and are implementing their new strategy. Therefore, there is still a lot of uncertainty regarding the interviewees' responses. Hence, if this study would be conducted two years from now it is likely that the employees have, with two years of experience, developed and perhaps changed their view concerning distribution and branding. Another factor that needs to be discussed is the inter observer consistency of the different activities which is believed to be relatively high for this research. The reason for this is that during all interviews both authors were present and every interview was recorded. Moreover, all interviews were transcribed and then interpreted by both authors. Even though the authors started out by analyzing different sections, the different sections were then switched between the authors to make sure that no one had misinterpreted any data.

The focus for this study was on the European region where only two of VGT's brands are present, Volvo Trucks and Renault Trucks. This could decrease the credibility of the study as it is aiming at bridging the gap between distribution and branding for companies with a brand portfolio. However, all the interviewees belong to the EMEA region where the majority of all five brands are present at least in some country. Therefore, the interviewees possess knowledge about how it is to handle more than two brands and the authors believe this is reflected in their answers. Hence, this fact should not affect the credibility of the study.

The theoretical framework for this case study was created by bridging distribution theory with branding theory and hence providing a broader perspective for firms to consider when making decisions regarding their distribution strategy. This framework was created with a large multinational corporation in mind that is acting in a B2B environment. However, the literature streams from branding and distribution include B2C literature along with B2B. Therefore the authors believe that this framework could be used for any corporation that is considering making a strategic distribution decisions. Important to highlight is also that the authors contacted experienced researchers within

the area of distribution and branding both from Chalmers University of Technology as well as from the Royal Technical Institute in Stockholm which gave the authors further advice of what literature streams to look into. Therefore, it is believed that the constructed theoretical framework can be considered credible.

Regarding the different focus areas that were stressed to be important for VGT to decide about, it is difficult to say if they can be generalized and applied to other organizations. This is because the recommendations are based on VGT specific issues. Moreover, data was collected from internal sources only and there was too little time to get a representative perspective from e.g. customers. This could contribute to that the recommendations are difficult to generalize. Nevertheless the authors still believe that the discussed considerations concerning the role of branding and distribution in B2B is an important matter. Therefore, it is believed that this discussion can inspire other decision makers to reflect upon these aspects. Furthermore, if external sources also had been interviewed the authors believe that it would only have led to that more areas would have been discovered and not that the existing recommendations would have become discarded.

Chapter Summary

The following study will take a qualitative approach and the chosen research design is a case study with elements from a cross-sectional design. A case study design is chosen as it allows in-depth questions of the type “How?” and “Why?” The authors feel the need to examine these questions in order to fully understand the complexity of choosing how to distribute VGT’s brand portfolio.

The research methods that will be used for the data collection in this thesis are open and semi-structured interviews. Qualitative interviews are chosen as the authors are striving for to understand the interviewees’ point of view, how they perceive the problem, and what they believe are important within the scope of the research area.

Data will be gathered in three phases. Firstly, the authors will conduct a literature review and in parallel gather secondary data concerning VGT’s current distribution strategy and their brands’ different positions and values from the internal database. Secondly, a pre-study will be conducted and thirdly, a case study will be performed on VGT.

The results from the study are believed to have lower measurement stability but a quite high inter observer consistency. Moreover, the authors believe that the framework that is constructed in chapter 4 could be considered credible and that it could be used for any corporation that is considering to make a strategic distribution decisions.

4.0 Theoretical Framework

The following chapter will present the theoretical framework that has been constructed by the authors and which is based on the findings from the Literature Review. In order to fulfill the purpose of this thesis, and answer the research question, the authors need to collect data about the factors which drives VGT's distribution structure decision. Therefore the framework will first serve as a structure and guideline for the empirical data collection. Secondly, it will serve as a base for the analysis of the empirical data. Particularly, the empirical data will be put in context of the reasoning and arguments made by research in the theoretical framework. This will in turn aid the authors in the investigation concerning under what circumstances each distribution structure could be considered suitable for VGT. Moreover, the framework will guide the authors towards identifying the key focus areas that VGT needs to consider when making future distribution strategy decisions.

The literature review disclosed that there are several different factors which can drive the distribution decision and that what these factors are, depend on which literature stream one searches in. However, the authors of this thesis believe there exists a strong connection between branding and distribution. The importance of branding in a B2B environment has increased over the years and Kotler and Pfoertsch, (2006) argue that the general purpose of brands is the same in B2B as in B2C markets, namely “They facilitate the identification of products, services and businesses as well as differentiate them from the competition. They are effective and compelling means to communicate the benefits and value a product or service can provide. They are a guarantee of quality, origin, and performance, thereby increasing the perceived value to the customer and reducing the risk and complexity involved in the buying decision.” (Kotler & Pfoertsch, 2006 p.6) This, together with indications in organizational buying behavior research (Mudambi, 2002), shows that intangible attributes such as brands are also important in business purchase decisions. However, when it comes to B2B brands there are certain functions that researchers find to be of extra importance. Kapferer (2012) claims that, “in B2B one does not buy products, but trust” (Kapferer, 2012 p. 81). This notion on industrial brands establishing trust and as a result working as a risk reduction function is highlighted by many researchers within the field (e.g. Herbst & Merz, 2011; Kapferer, 2012; Kotler & Pfoertsch, 2006; Parment, 2006b).

The increased importance of branding in B2B industries has lead researchers to investigate where brand value is created. Several authors argue that the very essence of a brand is created at the point where the customer meets the brand, which is in the final part of the distribution channel. Even though traditional distribution literature do not include the brand as a considering factor when making distribution decisions, brand management research emphasizes the importance of the customer touch points (e.g. the end of the distribution channel) for building the brand. Therefore, to fulfill the purpose of this study, the authors believe it is necessary to merge the two different literature streams (distribution and branding) in order to provide a comprehensive understanding of what factors that drive the distribution decision. The theoretical framework for this thesis is presented in figure 1 below.

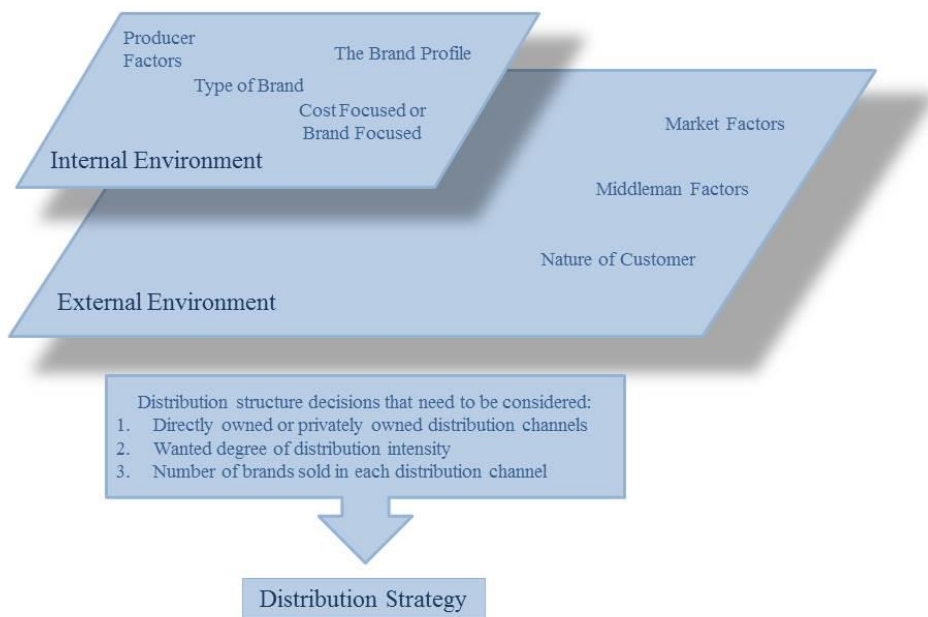


Figure 1. Theoretical Framework

As mentioned in the introduction of this section, the framework will have a two-folded purpose. The factors that are included in the framework will be the areas, which are further investigated in the case study conducted in this thesis. Once the data collection phase is finalized, the framework will also serve as a base for the analysis. In particular, the empirical findings will be analyzed, compared, and contrasted with what is recommended by theory. This is done in order for the authors of this thesis to define which areas that are believed to be critical for VGT to discuss before they make their future distribution strategy decisions.

The framework of factors one needs to consider when choosing distribution structure is divided into two sub-frameworks. The first sub-framework presents the firm's external environment and considers aspects of the market where the firm is present or plan to be present. Furthermore, it includes what the firm needs to think about when choosing intermediaries, as well as the importance of understanding the nature of the customers who are present on the market. The main aspects that are highlighted under the market factor are the unique constraints and opportunities that a firm needs to consider when entering and acting in a market. Under middleman factors it will be discussed how the firm should reach its customers, either by using direct or private channels of distribution. The factor will further explain how firms can assess which channel that would be the most attractive one. Last but not least, the first sub-framework will look into the nature of the customer. The customer factor will investigate why it is important to know your customers as well as what the implications are for a B2B customer.

The second sub-framework includes the firm's internal environment. The internal factors consider aspects of the producer itself, what type of brands the producer have, the profile of the brands, and whether focus should be on the brand or on costs. The producer factor investigates which strategic decisions the producer needs to think about as well as what effects it would give if the producer has several brands to consider. The

second internal factor regards the brand and the factor suggests a structure for how brands can be sorted and what implications it will have for the distribution structure decision. The brand profile factor will give the reader a better understanding of what brand equity, image, and identity are and how it is connected to the choice of distribution structure. The final factor will look into the firm's ambition for a brand and discuss the balance between cost savings and long-term investments. The factor will also discuss the consequence each choice will have on the decision of either having separate distribution channels for all brands or having many brands in the same channel.

The following sections will discuss each factor in the framework more thoroughly, starting with the external factors and finishing with the internal factors.

4.1 The External Environment

To be able to decide which distribution strategy a company should pursue it is essential to understand the prerequisites of the environment in which it is or will be competing. The following text will therefore present the first sub-framework and the external factors this study considers to be of importance when deciding upon a distribution structure.

4.1.1 Market Factors

One of the factors, which the Literature Review revealed would have an impact on the choice of distribution channel, is the market structure. In line with Kotler's et al. (2008) view on macro environmental factors the present study takes market factors to include:

- The market demographics: a company needs to identify the size of the total market as well as the populations' location and density.
- The economic environment: each market varies in their levels and distribution of income and it is of interest to understand national differences.
- The natural environment: the company needs to assess whether there are enough resources, which are needed as input for the company to function.
- The technological environment: which technology is present on the market and how fast does it change. A company needs to be aware of the technological trends that are present on the market.
- The political environment: one needs to understand the local laws and what the impact of governmental agencies does to the company in order to know how what is allowed or not.
- The cultural environment: it is important to understand the basic values, perceptions, preferences and behaviors in each market in order to be able to create the most suitable distribution channel.

Furthermore, it is also important to analyze the company's microenvironment in each market. The analysis should include which competitors that are present, what the existing distribution structures as well as the existing intermediaries are, and where the company's customers are located. Drawing from the work of Jobber and Fahy (2006), it is especially important to identify how the customers are geographically located. If there are few and large customers, who buy large quantities at a time, and they are located in more or less the same area, it is more feasible to use direct channels of distribution. If the customers on the other hand are many, they buy smaller quantities, and they are geographically dispersed it is said that the only feasible distribution strategy is to use private distribution channels.

For the purpose of this study, the main focus of the market factor will be on the microenvironment. The reason is that it is believed to be important to get a comprehensive picture of VGT's current situation before going forward with the analysis. Therefore, emphasize will be on identifying competitors, existing distribution structures, and the location of customers.

4.1.2 Middleman Factors

A company can reach its customers through different channels: by using different types of intermediaries or by performing the retail activity themselves. Once a company has identified which alternatives to consider they need to assess the channels in order to choose the most attractive one. The assessment can be performed on several criteria, however the present study draws from the work of Kotler et al. (2008), Margrath and Hardy (1987), Parment and Ottosson (2013), Parment (2006a) and includes economic efficiency, appropriateness, degree of control, and flexibility of the channel, as assessment criteria.

When assessing the attractiveness of a channel using the economic criteria one needs to compare the expected sales of each channel, its costs, capacity, and profitability as well as the initial investment needed. This will provide a good base for assessing which channel is the most efficient one in financial terms. However, assessing the channel alternatives only on economic criteria is not enough. A producer needs to evaluate the channel members on how appropriate they are for representing the producer's brand. One needs to evaluate the retailers on their competence and consider it in relation to their market coverage reach. The aspect of a retailer's appropriateness to represent the brand is especially important to include since, as was discovered in the literature review, the final intermediary has great importance in creation of a *customer experience* (Schmitt, 2010).

Moreover, it is important to establish the amount of control a producer wants and needs over the retail activity. In line with Parment and Ottosson's (2013) research, a directly owned retailer is believed to offer greater control for the producer compared to a privately owned retailer does. Control is important as there is a risk that private retailers want to create their own brand name and maximize their own sales. A consequence is that they sometimes do not care as much about how single brands and products perform. The more control a producer needs over how the product should be exposed, marketed, and sold, the less attractive the privately owned distribution channel becomes and the more attractive the direct distribution channel becomes. However, it needs not to be forgotten that the benefit of direct and controlled channels have to be considered in relation to the cost of acquiring and running the retail business. This is especially important as directly owned retailers are believed to be less profitable compared to privately owned retailers. The third factor for assessing the suitability of a distribution channel is on its flexibility to adapt to new market conditions. Flexibility is important to consider since channel decisions have shown to be very long-term and difficult to reverse. Therefore, it could be advantageous for the producer to choose a channel that easily can change so it does not get obsolete if the market conditions changes.

Lastly, producers with an international presence face even more complexity in the choice of distribution channel. In addition to the above mentioned aspects, and aligned with Kotler et al. (2008), an international company needs to adapt its channel strategy to each market as each country has its own unique distribution system. In some countries

there might exist complex distribution systems consisting of multiple layers of intermediaries, which decrease the producers' ability to control the channel. In other markets, there might not exist much of a distribution structure at all. If the market is decentralized as well, there might be difficult to find any efficient channel at all. Moreover, the culture in a country has implications for how the intermediaries collaborate with the producer, whether they share customer information or not, to what degree they are loyal to the producer's brand, and if there is a small number of large-scale distributors or a large number of small, private distributors. It is therefore important for international producers to fully understand the existing distribution structure in each new market they plan to enter.

In this study, the middleman factor will be conceptualized as how appropriate the retailer is for representing brands as well as the degree of control the channel offers to the producer. Further, the study will also include the implications of being a producer with international presence and the flexibility of the channel will only include the aspect of long-term compatibility. Due to time constraints and difficulties with estimating financial data, the channels economic efficiency will not be evaluated.

4.1.3 Customer Factors

The nature of the customer has been highlighted as important to consider by many authors, both in distribution literature and in marketing and branding literature. Building on the work of Kotler et al. (2008), it is essential that retailers add value for the customers and it is therefore important to understand what the customers' want and need from the channel. Do customers want fast delivery, a central location, and lots of add-on service? Or do they value other attributes, such as low price and a wide and deep product assortment, and can therefore accept a more distant location? There is always a trade-off between different functions and attributes and it may not be possible or practicable to fulfill each customer's needs and wants. Aligned with Kotler's et al. view the present study believes that a company needs to balance customers' service need and their price preferences against the feasibility and costs of meeting these needs.

Only understanding what the customers' wants and needs is not enough. One also needs to analyze the customer profile in order to design the most appropriate distribution channel. Parment (2006a,b) is one of few who have focused his research on the connection between distribution and branding and the following text is therefore based on his research. It is seen that different customer segments value different product and brand traits. People identify themselves with the brands they buy and therefore, the brand's values need to be reflected in the distribution channel. Moreover, in line with what Webster and Wind (1972) highlights as important, one needs to remember that organizational customers act in a formal organization where cost, profit, and budget are important decision factors. However, drawing from Mudambi's (2002) and Shaw's et al. (1989) research on B2B branding, once hygiene decision factors, like the ones mentioned above, have been met the decision is largely based on intangible factors. The intangible factors can be both of a rational and emotional character. The brand's rational factors usually act as risk reducers while the emotional factors attract the customer's need to profile oneself and confirm the self-perception. It is therefore important to remember to try to accentuate both tangible and intangible factors in a retail setting.

During the empirical data collection in this study, the main focus for the customer factor will be on understanding the customer profiles for the different brands. Later on, in the

analysis for this thesis, the emphasis of the customer factor will be on trying to predict the customers' wants and needs and to analyze if these are aligned with the suggested distribution structure.

4.2 The Internal Environment

Once the external environment has been analyzed one needs to establish the internal prerequisites and conditions to understand which strategy will be most suitable to pursue for a company. The following section will therefore present the second sub-framework: the internal factors.

4.2.1 Producer Factors

The considerations for the producer factor are mainly built upon the work of Meenal (2010), Parment and Ottosson (2013) and Kapferer (2008). The factor will include different internal aspects a company needs to discuss and analyze in order to choose a distribution structure that is aligned with their strategy. To start with, a producer needs to evaluate its own management and financial resources and capabilities to be able to assess if they already have the right resources or if they need to acquire new ones. Moreover, the firm needs to analyze how the potential distribution structures fit with, and could be supported by, the already existing organizational structure. The producer needs to make up its mind on what sales targets they demand from the channel and which degree of market coverage they are aiming for. Furthermore, as discussed under the *Middleman Factor*, different type of distribution structures offers different degree of control and loyalty. Therefore, in alignment with Parment and Ottosson's point of view, a producer needs to decide what degree of retailer loyalty they desire, how specialized in the brand the retailer needs to be, and how important the customer treatment is considered to be. Furthermore, these parameters also affect the decision whether one chooses to have one or many brands in the same sales channel. However, this is also associated with how much cost the producer can allow that the structure incurs compared to the potential benefit and profit a single branded distribution channel can give.

An additional dimension of complexity is added to the channel decision when the producer possesses a portfolio of brands. Drawing on Kapferer's work from 2008, one can argue for that the main danger with having a brand portfolio is a company's continuous strive for economies of scale and scope. If the idea of creating synergies within the portfolio gets too much attention, there is a great risk for the brands to become less distinctive and that they start to cannibalize on each other's customers. Furthermore, it is said that companies often strive for creating synergies within the area of distribution as it, traditionally, has not been seen as an activity that affects how the brand is perceived. In addition, the challenges associated with brand portfolios are usually underestimated in the B2B world since branding and its importance, have not yet been recognized by its full potential. A common way of creating distribution synergies is to distribute more than one brand in the same distribution channel. However, the main risk associated with such a strategy is that it could erode the distinctiveness of each brand if the brands' common areas are too prominent. Hence, companies with a portfolio also need to consider whether to strive for reducing costs by creating distribution synergies, or to use distribution as a tool for creating brand distinction, but for a higher price.

The producer factor can in this study be conceptualized as the identification of the main opportunities and constraints that are associated with the resources and capabilities VGT possesses. Focus will be on understanding the current distribution structures and its implications for future decisions regarding distribution structures. Moreover, the producer factor will, during the data collection phase in this study, consist of a thorough investigation of VGT's view on portfolio synergies compared to the creation of brand distinction.

4.2.2 Type of Brand

For the producer to be able to decide on some of the aspects mentioned above, such as degree of control, wanted market coverage, the number of brands in one channel, and how to optimize the brand portfolio, it is essential to decide upon the ambition for the brand. The ambition for the brand is decided by several things, such as type of brand and what position the brand has on the market. The following section will therefore focus on providing a structure for how brands can be categorized. The structure that is applied in this study, for how one can categorize brands, is inspired by Parment's (2006b) work on how consumer brands can be categorized. Moreover, both Parment (2006a,b) and a later study by Parment and Ottosson (2013) argue that the type of brand has implications for how the producer should choose to distribute the brands. Therefore, general guidelines will be outlined for which type of distribution structure that is most commonly associated with each brand type. The guidelines will be build up on the work of Parment (2006a,b), Parment and Ottosson (2013), and Rolnicki (1998).

This study will apply three different brand categories: budget brands, volume brands, and premium brands. In general, budget brands focuses on a customers' rational values while premium brands stresses the customer's emotional values. A volume brand on the other hand, emphasizes both the rational and the emotional values. A critical success factor for budget brands are simplicity and value for money, which often translates into a low price. A volume brand is often characterized by high accessibility, a high value for money, and good customer service. They are also known for being subjected to high competition, both from other volume brands but also from budget brands that offer a differentiated product. The signature feature of a premium brand is that its profit comes from a price premium enabled by the brand's higher status, class and perceived quality and not from volume sales. A premium brand needs to offer a differentiation advantage towards the mass market and the advantage needs to be clearly communicated to the consumers.

The different brand types can affect a company's choice of distribution structure. Brands that are targeting a wider customer group are usually more commonly seen using an intense distribution structure. Intense distribution is when multiple retailers are used to cover as much of the geographical market as possible. Therefore, intense distribution can be more suitable for budget brands that are trying to transmit a feeling of simplicity and low price. Budget brands are also more often found in a multi branded setting as the structure usually lowers the cost of distribution. Selective distribution, when few retailers are used to cover a specific geographical area, is a structure more commonly applied for volume brands. This is because the customers' value high accessibility but they want to be able to "shop around" and compare products between retailers in order to find the best value for money. Just as for budget brands, it is not unusual to find volume brands in a multi branded setting. Exclusive distribution is believed to enhance the brand's image and the structure is known for allowing a price

premium. It is therefore a common structure for premium brands. Further, that a premium brand needs to offer a differentiating advantage implies that it is more suited for a single branded representation. A single branded setting enables clearer communication towards customers and the brand does not need to compete for attention. Finally, premium brands are often found at directly owned retailers as the producer desires a higher degree of control over how the premium brand is displayed.

The factor outlined above will be used in the data collection phase in order to categorize what type of brands that exist within the VGT brand portfolio. Moreover, it will mainly be used as a guideline for the analysis. Emphasis will be on trying to identify what type of distribution structure that could be suitable for VGT's different brand types. However, being able to offer an extensive service network is seen as a basic requirement for any truck brand and it is essential for being able to compete in the truck industry. The intensity question will therefore not be regarded in the analysis in this thesis.

4.2.3 The Brand Profile

The *Literature Review* established that brand management is a strategic issue and that the 4Ps (product, price, place and promotion) need to be aligned with the profile the producer attempts to achieve for its brand. A brand's profile is affected by its brand equity, identity, and image. Therefore, the brand profile factor in this study takes to include an explanation of what brand equity is and how it is connected to brand image and identity. Substantial amount of research has been done within the area of brand equity but it is fragmented and as a result, there exists several definitions of the term today. However, this thesis will apply Wood's (2000) three perspectives of how the term can be viewed and the brand profile factor will further mainly be built upon her work, but also on the work of Kotler and Pfoertsch, (2006).

Firstly, brand equity can be described as the total value of a brand. It is believed that brand equity should be seen as a distinct asset that will appear on the balance sheet once the brand is sold in the marketplace. This view is often used by financial accountants and can also be referred to as brand value. Secondly, brand equity could be seen as a measure of how strong attachment the consumer has to the brand, which can further be referred to as brand strength or loyalty. The final perspective of brand equity is to view it as the beliefs and associations a consumer has about a brand. This is also known as brand image or brand description. The last two views are what marketers usually associate with brand equity.

The lack of a common view on brand equity between the company's financially oriented departments and the more market-focused departments may hinder efficient communication and instead create confusion. Based on Kotler and Pfoertsch (2006) and Wood (2000) arguments it is believed to be imperative to measure brands in a monetary value and linking it to financial performance. A monetary value could then create some kind of inter organizational, mutual understanding for where value and brand equity is created.

The brand identity, the beliefs and associations the company wants to send, is communicated to the target market by utilization of the 4Ps: product, price, place (distribution), and promotion. How successful the company manages to communicate their brand's identity determines the fit between brand identity and brand image.

Moreover, how successfully the company manages to communicate the brand identity also decides the brand loyalty for the brand. The degree of brand loyalty will in turn determine the brand's value since the loyalty can be seen as an indication of the brand's future cash flows. Therefore, as the firm is involved in the creation of brand image, they can also be seen as involved in the creation of brand loyalty. In addition, it is known that a high degree of brand loyalty creates a stronger competitive advantage for the firm. Hence, it is important for a firm to manage the evolution of the brand and act proactive instead of reactive. Decisions regarding distribution need to be on a strategic level and a tactical decision that is misaligned with the firm's brand identity and image can hurt the brand loyalty, which in turn will weaken the competitive advantage. Therefore, it is essential to consider the brand's profile when making the distribution decision to reassure alignment and consistency.

The brand profile factor can in the present study be conceptualized as something that needs to be handled with care and consideration since a misalignment between the ambition one has for the brand and the choice of distribution structure can have disastrous consequences for the company's competitive advantage. Moreover, in this report, the factor will be used for the analysis of the empirical findings. The empirical findings will be contrasted, compared and reflected upon from the perspective given by theory.

4.2.4 Cost Focused or Brand Focused

Earlier sections have highlighted that the ambition for the brand is a crucial factor when making the distribution decision. The ambition for the brand will in turn decide if the firm's main priority is to focus on the brand or minimize the distribution costs. However, one should bear in mind that being brand focused does not mean being unconscious and unconcerned about costs. What the following text is trying to capture is the balance between short termed cost savings and long term investments in the brand. The content will be based on studies made by Parment and Ottosson (2013), and Uggla (2001; 2004) as well as on the work of Keller (2003).

Drawing on Parment's study, a firm can enjoy increased sales, a higher price premium, and a more distinct brand profile if they invest in the brand with the intention of creating a clearer distinction and brand profile. Making such investments might, in line with Wood's opinion, affect the short term profit in a negative manner as the short termed costs increases. However, investments that support brand building activities can, in the long run, secure future revenue streams. What managers prioritizes depend on which ambition they have for the brand. That decision will in turn have an effect on the choice of having separate distribution channels for all brands or having many brands in the same channel. There are several advantages as well as disadvantages with both structures. However, what is seen as an advantage or a disadvantage depends on whose perspective one takes. The following section will therefore discuss single and multi branded distribution structures from the perspective of the brand, the retailer, the producer, and the consumer. The section will primarily be based on the work of Parment and Ottosson (2013).

From a brand perspective, a single representation will enable a more clear communication of the brand as there will not be any competition from other brands. It is more difficult to create a coherent impression of the brand in a multi branded environment since one might have to compromise with the other brands on how each

brand should be displayed. A single branded representation tends to create greater customer and retailer loyalty towards the brand, than if it is sold with many brands. Furthermore, a single branded representation makes it easier for the producer and the retailer to collaborate as there is only one brand to focus on.

If one instead views the question of single or multi branded representations from a retailer's perspective it is argued that a multi branded environment is connected with less risk. If one brand decreases in sales it will not hurt the retailer as much as when the retailer is dependent on one brand only. Representing several brands can sometimes be the only option for a retailer, especially the ones in the outskirts and on the countryside, as the customer base for one brand might not be enough to cover the retailers operating costs. Moreover, if a retailer represents multiple brands it is possible to share the overhead costs amongst all brands compared to a single branded retailer where the one brand have to carry all overhead costs on its own. However, offering many brands will mean having to deal with each organization's rules and requirements for their particular brand. It could lead to that the retailer has to invest in parallel administrative systems and handle contradictory demands from the producers.

Viewing it from a producer's perspective one can say that a multi branded representation will mean less attention to their particular brand, as the retailer has to work with several brands in parallel. Moreover, since the retailers have to acquire knowledge about all brands they are representing, there is a risk that they will not master all aspects of each brand. Moreover, a multi branded representation can create concerns for a producer regarding the retailer's loyalty. There is a risk that a retailer who represents several brands prioritizes to close "a deal" instead of "the deal". Retailers selling one brand will put effort into selling that particular brand, while multi branded retailers might follow the logic that selling any brand is good as long as something gets sold.

A customer's preference regarding single or multi branded representation differ depending on what type of brand it aspires to buy. Premium customers, for example, will expect that the sales personnel and the interior will contribute to the experience of the brand. The retailer needs to offer something more than just providing the actual product and exclusivity is therefore of high importance for the customer. At the same time, an premium retail setting can make budget or volume customers uncomfortable as they value other parameters. The volume and budget customers might not want to pay for the exclusive service and interior but rather for just the actual product. They typically emphasize simplicity, accessibility, and a feeling of value for money. Moreover, a multi branded environment provides a greater assortment for the customers to choose from which could make it a more suitable structure for targeting volume and basic customer types. Since customers' preferences differ so much it is critical for the producer to have a distribution structure that is aligned with the brand's values so that what differentiates the brands will not get lost when reaching the customers.

One can conclude that choosing to have single or multi branded distribution channels have implications for all stakeholders and the decision have to be made while taking many different aspects into consideration. If one choses a multi branded distribution structure, a central decision is what brands one chooses to be exposed with. In line with Keller (2003), when one links one brand to another, it is crucial to understand the effects it will have on the consumers' behavior. Keller (2003) believes the following

three aspects are important to consider when one is trying to predict the extent of leveraging effects between brands that are being linked to each other.

1. Knowledge of the entity—what knowledge exists about the entity and does it have the potential to transfer to the brand?
2. Meaningfulness of the knowledge of the entity—given that the other entity has some potentially relevant knowledge, to what extent might this knowledge be deemed meaningful for a brand?
3. Transferability of the knowledge of the entity— assuming that some potentially meaningful knowledge exists for the other entity and could possibly be transferred to a brand, to what extent will this knowledge actually become linked to the brand or affect existing knowledge?

Therefore, when choosing a multi branded distribution structure it is important to consider with what brands the firm wants to be associated with. Moreover, one has to think through what the wanted and unwanted transfer effects could be and which secondary associations that could arise. The following section will therefore discuss these considerations more thoroughly.

Multi Branded Sales Channels and its Implications

The above section attempted to describe the advantages and disadvantages of the single brand and multi brand distribution structures. It was also emphasized that what other brands one chooses to get associated with will also decide how successful the outcome of the linkage will be. Therefore, one has to carefully review what brands one wants to get associated with. Building on these arguments the following section will discuss the potential benefits and risks with different brand collaborations as well as how to manage the transfer of meaning between brands. The section will solely be built on research made by Uggla (2004).

There are several benefits to be gained with brand collaboration. For example, collaborations where partners are sharing an association base can help lower costs by leveraging the existing brand equity and increasing revenues by getting access to new markets. Apart from the potential financial benefits, the firms can also improve their value proposition through the collaboration. The objectives behind a collaboration can be to gain functional, emotional or symbolic benefits. In line with Uggla's definition, functional benefits can be described as leveraging on channel equity and capitalize on a core competence. Symbolic benefits can be of the kind when one brand helps the other to revitalize the other brand's identity through transferring its own unique associations to the other brand. Emotional benefits can be in terms of image transfer of functional and symbolic benefits from one brand to the other, creating a deeper brand personality or extending a brand's value proposition through new associations.

Despite these potential benefits there are also potential risks associated with a brand collaboration. The main risks can be summarized as follows: loss of control, confused positioning and lost focus in target groups, image dilution through overexposure, and less leverage points and potential in the future. The risk of losing control over the brand identity, core values, and associations is described as the main risk with brand leveraging. There is also a risk concerning the selection of the appropriate partner brand

as two incompatible brands, in terms of values and image, can erode the personalities of the brands and the result would be that the wanted positioning no longer fit the brand. There is also a risk in that one brand is partnering with too many brands at different occasions. This could result in that the uniqueness of the partnerships and associations gets lost. With the potential benefits and risks that exist, Uggla (2004) offers some managerial guidelines for when and how to leverage brand equity structures from a partner brand. Below some of the guidelines that seemed appropriate for the analysis of our study is presented.

- The brand vision, values and strategic direction for the leader brand have to be carefully analyzed and assessed in order to see how brand leveraging would fit the future ambition for the brand.
- Institutional associations should be used to expand cultural and scientific brand meanings. However, these institutional associations should be carefully used and positioned as an endorser for the leader brand.
- To limit the threat of negative spillover effects one should analyze both brands' attitudes before, during and after the brand alliance. It is important to recognize that an attitude towards a brand will follow the brand into the alliance and affect the outcome of the alliance as well as the future post-alliance attitude for each brand involved.
- If the purpose for the alliance is to move the leader brand in a certain direction, then the partner brand has to reflect that direction in terms of brand values and personality. The same goes for if the purpose of the alliance is to reinforce the brand identity, then partnering brands should be similar in terms of core values and positioning.
- Evaluate all the risks that the co-branding activity can lead to, such as losing control over the leader brand in decentralized partner arrangements. Moreover, consider what the future implications would be for the brand if the brand equity is borrowed.

From the above discussion one can conclude that brand collaboration and brand leveraging activities can provide functional, emotional and symbolic benefits. However, there also exists risks, and the main takeaway from this section is that each firm has to thoroughly think through the purpose of the collaboration and the wanted and unwanted effects before linking a brand to another.

The cost focused or brand focused factor can in this study be conceptualized as that there are both benefits and disadvantages with single and multi branded distribution structures. To get a successful outcome of a multi branded channel, it is essential to carefully choose which brands to get associated with. The factor will be used as an area that will be investigated during the data collection phase. However, it will mainly be used as input for the analysis in this thesis, where the theoretical arguments will be compared and contrasted with the empirical findings.

Chapter Summary

In this chapter it has been argued for that branding should be a considering factor when making distribution decisions. The two literature streams (branding and distribution) have therefore been merged into one framework and it includes all factors that are believed being the drivers behind the distribution decision.

The framework has been divided into two sub-frameworks where the first sub-framework includes the factors of a firm's external environment, and the second sub-framework regards the factors of a firm's internal environment.

The external factors includes the market where the firm is present or plan to enter, it includes considerations for when choosing middleman. Lastly, it regards the nature of customers who are present in the particular market.

The internal factors include the firm's resources and capabilities, what type of brands the distribution decision regards, the brands' profiles, and whether focus should be on the brand or the costs.

5.0 Empirical Findings

The following chapter is primarily built on the material gathered during the conducted interviews, if other sources have been used these sources will be cited. The chapter is divided into two parts. The first part attempts to provide the reader with a picture of the environment in which VGT acts. In particular, it aims at providing a wider perspective and to give an understanding of the drivers behind the choice of distribution structure. The external environment will include a presentation of the truck industry, the European market and its existing dealership structures. In addition, the first part will present an internal perspective of how VGT is organized as well as the characteristics of their brands and their customers. The second part will attempt to map out the current distribution structure of VGT as well as present what the interviewees in this study believe being the strengths and weaknesses associated with the different distributions structures.

5.1 The Truck Industry Characteristics

In order to better understand the specific conditions that are associated to the distribution decision, one needs to first get a better insight of the specific characteristics associated with the truck industry. The truck industry is said to be a very traditional and complex industry, this in turn will give implications on future distribution strategy decisions.

As was mentioned above the truck industry can be considered a very traditional industry which can be characterized as both very technical and product oriented. Employees working closest to the end customers, e.g. mechanics and sales personnel usually start at a very young age and then stay for more or less their whole professional life. They are, according to the interviewees, very brand loyal and it is not unusual that they only change brand once during their whole career. Brand loyal employees can also be found further up in the supply chain, at the producer level, and people usually continue working for the same truck brand, even though they switch position within the company. Further, the majority of the customers in the truck industry are companies themselves and the industry can therefore be seen as a B2B industry. The implications of this are that the product, the truck, is used as a tool in the customers' own business. If the truck breaks down it could give rise to ripple effects on the customers' business and in a worst case scenario it could lead to that their customers leave. Due to the importance of having a functioning truck, the customers' buying decision is more based on facts and calculations rather than on emotions as compared to the B2C industry. However, the interviewees still believe that brands have an impact on the customers' choice of truck once the hygiene criteria are satisfied. They mean that one needs not to forget that even though truck customers act in behalf of a company, the same person acts as brand perceptive consumers in other situations. In the end, people are always people and we seldom act on rational principles alone.

Buying a truck entails a large investment, from half a million SEK to several million SEK, and therefore only a limited amount of customers exist. Hence, customer retention is very important for the producing companies. The relationship a producer builds with its customers are key and they are very long-termed. Some of the interviewees even argue that what a producer offer is a relationship rather than just a product and some customers will not even consider buying a truck if the service offer and service network is not satisfying enough. The sales process is also something that characterizes the truck industry. The customer will not typically search for a retailer, instead the sales

personnel usually contact a potential buyer and the actual buying situation takes place on the customer's premises. Therefore, there are in general no extravagant display halls with demo trucks where the buyer makes its decision. Furthermore, the truck industry is perceived by the interviewees as quite complex as there exist an aftermarket, which is critical to the producer's profitability. The aftermarket for spare parts, used trucks, and the need for continuous service raise complex questions about where to locate service points, personnel, and what service to offer as well as the network's density.

Moreover, the interviewees say that due to various regulations, consistency in the aftermarket needs to be achieved in different ways depending on continent or country. In some areas it is allowed for the producer to own the retail operation and in other areas it is not allowed and the producer needs to operate through private retailers. The difficulties with operating a retail business, whether it is private or producer owned is to gain enough volume in trucks to serve and the retail business has the reputation of not being very profitable. A private dealer freely choose which truck brands they want to work with and how many.

5.2 Market Factors: The European Market

The above section gave an insight of some key characteristics of the truck industry that influence the distribution decision. In order to move forward in the discussion about the drivers behind the distribution decision, the *Theoretical Framework* showed us that one needs to look into market characteristics. As the scope of this study mainly focuses on the European market, the following section will try to outline the features of this market.

The market structures in Europe are very different from country to country. In general the interviewees believe that Western Europe is a more mature market with well-established presence of both truck brands and retail actors. Eastern Europe on the other hand, does not have the same history of established retail actors and it has given the producers an opportunity to approach this market in a new way and build the distribution network from scratch. Therefore, it is said that due to historical reasons, each country's market structure looks different. Nevertheless, since the formation of the European Union the interviewees believe there has been an increased amount of cross-border transports and trucks today travel across several countries instead of staying within one local market. As a result, it is said that customers want to get a familiar experience when visiting a dealership, regardless of which country they are in, and they demand a minimum level of service from all dealerships. What can be said about the competition in the European market is that the majority of the seven large truck brands (Scania, Volvo Trucks, Renault Trucks, Daff, MAN, Mercedes, and Iveco) are present and well established on the market. The two VGT brands that are present, Renault Trucks and Volvo Trucks, have, according to the interviewees, varying strong positions in different countries.

The *Theoretical Framework* also suggests one should investigate the characteristics of the customers in a market. The interviewees mean that a typical European truck customer can generally be divided into one out of two categories: Large haulage fleet companies who owns a huge amount of trucks, or smaller private haulage contractor companies who usually owns somewhere around 1-6 trucks. Generally speaking, the owner is also one of the drivers in the smaller, private haulage contractor companies. There is a belief that the drivers in smaller, private haulage contractor companies are

more brand conscious compared to the drivers employed by the large haulage fleet companies. The typical truck customer/driver is believed not to differ too much from country to country; their hygiene needs are basically the same. However, cultural differences are perceived to be present and somewhat affect customer behavior, such as how they want to be treated, and how they perceive things.

5.3 Middleman Factors: The Dealership Network in Europe

To finalize the description of the external environment in which VGT acts, the following section will give a brief overview concerning general characteristics of a dealership and the dealership network in Europe.

The majority of the interviewees mentioned that the dealership network needs to be carefully planned as it takes a long time to establish its structure. Further, it is also said to be difficult to grow a network, especially in Western European markets as extensive distribution structures already exist. Building new facilities require large investments and dealerships are highly dependent on having a large enough volume of trucks to serve. Hence, in order to even consider building a new dealership, the volume of trucks to serve in the area need to be large enough to carry the investment, fixed, and operating costs. Therefore, the interviewees mentioned that it can be difficult to motivate building new dealerships in markets where a truck brand has a low customer base. Moreover, it is also said to be difficult to find the right private partner to collaborate with. Further, planning the dealership network carefully is considered to be important since the relationship between a customer and its sales/service person is very long-term and there is a high degree of loyalty. It is said that it is not unusual that the customer is more loyal to the sales/service person, and its dealership, than to the truck brand itself. Hence, if the serviceperson or its dealership changes brand some interviewees even argue that there would be a risk that the customer also would change brand.

5.4 Producer Factor: Volvo Group Trucks

The above three sections have given the reader insight of the external environment in which VGT acts. As the *Theoretical Framework* argued for, it is also important to look into the internal environment of a company when investigating the drivers behind the distribution structure decision. It is therefore now time to move on and provide an internal perspective of VGT. For this reason, the following section will describe the VGT organization and how it is structured.

To start with one needs to be aware of that VGT is a part of the stock exchange listed company Volvo Group (from now on referred to as VG). The VGT business holds in total four brands: Volvo Trucks (from now on referred to as VT), Renault Trucks (from now on referred to as RT), Mack Trucks, and UD Trucks. Moreover, VGT has two additional brands. Eicher Trucks that is a joint venture between VG and Eicher Motors Ltd India and DFVC that is a joint venture between VG and the Chinese company Dongfeng Motor Group Company Limited. VT is the only brand that originates from the VG Corporation. The other truck brands have been acquired over time and the interviewees state that each brand has brought with them their own heritage and dealership network.

In some countries the brands are sold and serviced by the same dealership. However, there are no guidelines for what brands that are allowed to be combined in the same distribution channel. Nowadays, the brands are all part of VGT's brand portfolio where priority lies on optimizing the total profit of the whole portfolio. The new strategy has led to a reorganization of the company and VGT is now divided into the different geographical regions: North and South America (Americas), Europe, Middle East, and Africa (EMEA), and the Asian-Pacific region (APAC). However, the geographical structure applies more to the Sales and Marketing organization while the Brand organizations have one region as their takeoff point but they are still responsible for the brands on a global level.

All interviewees consider the Retail Development function to be of highest importance since the competence and the attitude of the employees at the dealership is what defines the brand. The Retail Development function therefore aims at working closely with the different sales areas, markets, and dealerships to improve customer satisfaction and dealership profitability. The support functions for the dealerships range from providing competence development and performing commercial reviews, to process developments in order to improve dealership efficiency. In addition, they monitor that the right density of dealerships and workshop are attained in their market and that the dealerships maintain the right standards.

5.5 The Nature of the Brands and their Customers

The *Theoretical Framework* included brand type and the profile of the brand as important aspects that need to be considered in order to choose a suitable distribution structure. The following section will therefore present and describe the characteristics of the different brands in the VGT brand portfolio. In particular, focus will be on the brands present in the European market, VT and RT, and their customers. The picture below shows how VGT has segmented the market and how their brands are positioned in relation to this.

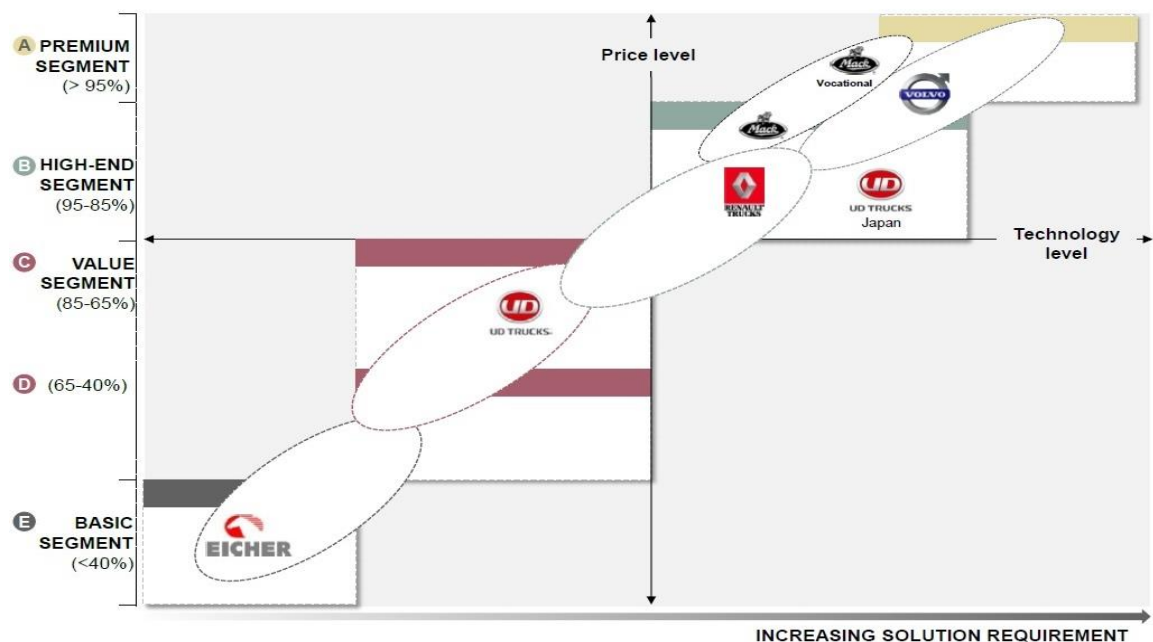


Figure 2. Segments and Market Positions for Volvo Group Trucks Brands (Volvo Group, 2012)

The premium segment includes customers who are image and technology driven and they have a holistic approach. The high-end segment also has customers with a holistic approach but they are more operational cost focused and network oriented. The value segment is composed of customers who are operational driven as well as network oriented. However, the value basic segment includes those who are operational cost and sticker price driven. Finally, the basic segment, targets the ones who are solely sticker price driven. (Volvo Group Trucks Intranet, 2013)

Since only two of the brands are present in Europe the following sections will focus on those two brands, their organizations', brand values and their customers. RT has their strongest market position in the southwest countries of the European region. VT on the other hand, has had a strong brand position in more or less all of Europe and their total market share in the region is larger than RT. However, even though VT is considered to have an overall stronger position, RT still has a larger market share in a few specific markets.

5.5.1 Renault Trucks - the Brand and its Customers

RT started its business in Lyon, France for almost 120 years ago. It became a part of Volvo Group in 2001 and today, they are offering a wide range of vehicles and they have everything from light trucks for urban distribution services, to special and heavy trucks for long-haul operations (Volvo Group, 2013a). Further, it is said that all their trucks have quite an advanced level of technology with focus on optimizing the truck's fuel consumption. This has positioned the brand in the high-end segment and they are supposed to offer a high value-for-money ratio. The core values for the RT are energy efficiency and customer productivity. They have a strong position when it comes to perceived reliability and they are leaders when it comes to fuel consumption. RT wants to communicate their functional features as beneficial for the industry, customer, driver, and the society. Additionally, they want to transmit the feeling of comfort and ability to adapt to different customers' needs. (Volvo Group, 2013a) RT customer highly values the relationship with its service partner and they have high trust for and a close relationship with the personnel at the dealerships. It is also said that emphasize on the relationship can be seen in one of RT's slogans: "committed to customers' success".

5.5.2 Volvo Trucks - the Brand and its Customers

VT descends from the Volvo Group organization, from the time when Volvo Cars and Volvo Trucks were part of the same organization. The truck production started in Sweden in the late 1920s. Today VT is the second largest producer of heavy trucks and they are positioned as a high-end/premium brand.

VT has three brand statements, which should impregnate everything they create and do. The first statement is that they should be "leading in innovations". By that they mean to lead the technology and service development and innovation should be the guiding principle when communicating to and meeting with customers. The second brand statement is "by people for people" and it represents the culture and behaviors that should impregnate everything they do. The third and final statement is "premium through purpose". It means that products and services should give the customer a premium experience as well as add value to its business. (Volvo Group Trucks Intranet, 2013) The brand statements complement the three core values which are: safety, environmental care, and quality. Safety in terms of safer vehicles and safer drivers. The environmental aspect can be translated into VT's goals of lower emissions, efficient

transport solutions, and reduced environmental impact from manufacturing and transportation. Finally, quality should be in terms of reliability, durability, and dependability. (Volvo Group, 2013b)

The customers who usually buy a truck from VT are, by the interviewees, considered to have a stable business with long-term customer contracts which allows them to plan further ahead. The customers are very dependent on that the truck does not break down as their business is of the characteristics that such a breakdown would incur very high costs. Therefore, they often need and want long-term service contracts. They expect, according to the interviewees, an extensive service network and they seek to reduce their operating costs whenever possible. A large part of the customers acts as both owner and driver at the same time. Moreover, there are a lot of single truck owners/drivers and small family owned and ran companies among the customers.

5.6 The Volvo Group Trucks' Dealership Network

In the beginning of the chapter a brief description was given concerning the dealership network in the European region. As the *Theoretical Framework* showed in the previous chapter, the current dealership network sets the scene for the possibilities but also the limitations for future distribution strategies. Therefore, it is believed to be central to discuss this further and the next section will go deeper into the subject and outline the dealership network of VGT. Moreover, since the network can be seen as an extension of VGT's organization the interviewees' perspectives of the different distribution structures will be given.

VGT's dealership network comprises the functions of the sales teams, workshops, and service points. In other words, the dealership network is said to include all activities where the customer get in contact with VGT's different truck brands. The interviewees believe that it is the people at the retailer and the members of the dealership network who meet with the customers, sells trucks, solves their problems, sells spare parts, and assists them when needed. They therefore view the members of the dealership network as brand ambassadors for the different brands they represent. Hence, their behavior is critical as this is where the brand strategies are realized.

There exist several different distribution constellations in VGT's dealership network and which constellation that is used varies from market to market. The variations are said to depend both on differences between countries' legal regulations but also on managerial and business related reasons. For example, a producer is not allowed to directly own its retailers in some countries outside of Europe and the producer is forced to use private retailers in every situation. However, as it became allowed in Europe in the beginning of the 21th century, VGT changed their previous strategy and decided to own parts of the dealership.

According to the interviewees there are a few variables that can be altered when it comes to deciding upon the distribution structures. Firstly, VGT can decide whether to use a private dealership or directly owned dealership. Secondly, they can decide whether the dealership should take care of both the selling and the servicing of the truck or if they should be a service point only and the sales should be handled directly by VGT's sales unit. Thirdly, they can decide whether to use an importer or to create a directly owned marketing enterprise that takes care of it. Today, it is said that almost all different combinations exist, at least in some market within the European Region. The

exception is that VGT does not operate through importers within the European Union, they do however use importers in markets outside of EU, e.g. in the Middle East. VGT controls both the selling and service network in Eastern Europe while they in other countries sometimes control the selling and use private dealerships for service and repair. The most commonly occurring structure in the European Region is believed to be a mix of privately owned and VGT owned dealerships in each country. Both types of dealerships conduct service and repair and a selected few from both categories also acts as selling points. The rest of the selling, usually to customers who buy large quantities, are handled by sales personnel from VGT own sales unit.

If one looks at the service network for VT and RT the interviewees mean that the service network for VT is quite extensive and it holds a high service level in Europe. A lot of the dealerships, both for VT and RT, are said to be quite small. They might have room for servicing 3-5 trucks at the same time and they have a throughput of approximately 10 trucks per day. However, larger dealerships do exist, both for VT and RT, but it is not as common. The interviewees mean that the larger dealerships are usually located in connection to large traffic hubs where the volume of trucks is large enough to cover the cost of having a large scale facility.

In countries outside of EU there is an additional factor which adds another dimension to possible network structures: whether a dealership should represent one or several brands. The constellation of having dealerships that represent several brands seldom occurs in the European region but it have existed some examples in the past. According to the interviewees, VGT do however have experience from multi branded dealerships in the geographical regions Americas and APAC. There are examples of both multi branded dealerships that combine VGT brands, and dealerships that combine VGT brands together with competitors' brands. To let dealerships represent multiple VGT brands are today considered as an alternative in the European Region and how such an implementation should be conducted is today explored within the corporation.

5.7 Distribution Structure Alternatives

Continuing from the above discussion of the different dealership structures, a summary will now follow concerning the interviewees' view of the main distribution structures, presenting their advantages as well as their disadvantages. This will provide the reader with a view of how VGT sees the different distribution structures and the content will, in the analysis, be compared and contrasted with regards to the arguments given by the *Theoretical Framework*.

5.7.1 Directly or Privately Owned Dealerships

The interviewees believe that the directly owned dealerships offer greater insight for VGT into the dealership business. It becomes easier to understand the customers' needs and the challenges which are related to operating a dealership. It is believed by the interviewees that these insights help VGT to create better products and service offers since they have a greater understanding for the customers. Moreover, the interviewees mean that directly owned dealerships also enable greater control for VGT and it makes it easy to influence the dealership's operation if VGT wishes to change something. Further, it was said that since directly owned dealerships are part of VG the dealership organization becomes more complex and a higher level of structure is needed in order to make it work. It is believed that the increased complexity leads to longer decision processes and more administration for the employees in the dealership organization.

Furthermore, some interviewees stressed the fact that managers in directly owned dealerships might view their position as one step in their continued career and they will move on to another position after 6-8 years. It was believed that the lack of continuity among managers could lead to that customer relationships are not as long-term or as close as they could be among private dealers. However, there is no guarantee that managers stay longer among the private dealerships. Moreover, the interviewees said that VGT believe it is of strategic importance to manage the aftermarket of spare parts and it is one of the reasons to why they have integrated downstream in the supply chain. Some of the interviewees think that the ratio of directly and privately owned dealerships that VGT has right now is good while others believe that VGT should increase their ownership in some countries. However, all interviewees agree on that VGT should not own too much of the dealership network as it would immobilize too much capital and management capacity.

Some interviewees believe that some of the most successful dealerships are found among the privately owned ones. The reason for their excellence is said to be that they have a strong personal drive and an entrepreneurial mindset and the private dealerships were the first to offer complete solutions in addition to selling trucks. The private dealerships are often family managed and the business has been inherited through generations. Their customer relations are therefore believed to be extremely long term and the customers are very loyal to both the employees at the dealership and to the dealership's brand. Some interviewees highlighted that another advantage related to being a family business could be that there are seldom any other investors involved so the dealership can have a more long term perspective when deciding on their strategy. Additionally, a private dealership organization is usually smaller, compared to the directly owned dealerships, and the owner is closer to the operations. Hence it is believed that the decision making process is much faster.

The interviewees mentioned that it is also among the private dealership one can find some of the least successful dealerships. Unfortunately, it is believed that there are dealerships who only strive to fulfill their own self-interest and that they do not invest enough in the dealership. Moreover, the interviewees mean that the private dealerships are also associated with less control and VGT cannot decide over how the managers should run the dealership. They have their own wealth and reputation to maintain and administer and they may want to optimize the benefit for their own brand. Therefore, some interviewees are concerned that they offer the best service to all customers regardless of which truck brand they drive.

5.7.2 Single Branded or Multi Branded Dealerships

The majority of the interviewees believe that single branded distribution structures are preferred if possible. Their main argument for this is that it is easier to focus on the brand and it involves less complexity to handle only one brand. The interviewees who emphasized multi brand as a preferred structure stated that it would provide a better product offering towards the customers. Furthermore, from a dealership perspective, it could help the dealership to increase the volume of trucks coming into their dealership. The interviewees that believed that multi brand was a more suitable structure also highlighted the cost of building and maintaining a service network and also the difficulty of finding suitable partners to work with in each market. Therefore it would be much easier to build one dealership serving two brands instead of making an

investment for two dealerships for each brand. In conclusion, they stated that it was a better way of utilizing the already existing distribution assets.

The interviewees that preferred single branded dealerships were in agreement that multi brand could under some instances be an option. For example, some stated that it could be used when entering a market or when a brand had a weak position on the market. However, there was no common view on how often or how seldom the structure could be used as some interviewees were more cautious about using the structure than others. Nevertheless, the main advantages with a multi branded distribution channel was said to be that the dealership can get access to a larger customer base and increase its business by potentially increasing sales. Moreover, the structure is seen as an easier and faster way to expand as one can leverage on an existing network instead of having to build up a new, separate network. Further, multi branded dealerships are believed to be a way of improving the market coverage and being able to raise the quality of the dealerships with less resources needed. This could in turn increase the customer satisfaction for a brand. Apart from the cost savings one can achieve by going multi brand the interviewees were also asked about other potential benefits of linking brands to each other. Several then stated that the stronger brand could help the weaker brand to gain grounds when sharing the distribution assets. However, it was unclear if the interviewees believed that the stronger brand could strengthen the weaker brands through the transferring of associations. Indications were given that an image transfer between the brands would be a positive thing, although it was believed very important to separate the brands at a dealership.

When asked about the risks with going multi brand the primarily concern raised were the practicalities and complexity of combining brands that previously had been separate. Furthermore, a concern was raised regarding the difficulty of developing two brands within the same organization and giving them equal attention. An especial concern was to get everyone on board at the dealership and to make them think in terms of multi brand as well as how to provide them with the ability and knowledge to serve both brands. One interviewee emphasized the risk of not making room for the brand entering an already established distribution network. According to this interviewee it was imperative that the dealerships acknowledge the new brand and its needs. In addition, a few interviewees highlighted the risk of confusing the customer if the organization one day works with one brand and the next day work with two.

The question of differentiation and distinction was also raised during the interviews. How does one separate the brands so that the boundaries between them do not become too blurred? In particular, what brands can be sold and serviced together at a dealership? All interviewees stated that if the implementation is done in the right manner then a multi branded dealerships could be beneficial for both brands involved. However, how this would be done was not clear at the time and the interviewees had different opinions. A few emphasized that it was extremely important that the brands' position on the market was reflected at the dealership. Therefore, separate branded areas, receptionists, sales staff were needed.

Chapter Summary

The chapter has attempted to provide a comprehensive picture of the environment in which VGT acts as well as present how the interviewees of this study view the different distribution structures.

The truck industry is a very traditional, technical and product-oriented industry. Further, the market for trucks is finite and there exists limited number of customers who will ever buy a truck.

Customer retention is very important for the truck producers and the customers can be characterized as both brand and dealership loyal.

Due to historical and legal reasons the European market varies a lot from country to country in terms of market and distribution structures. However, the typical truck customer is believed to be similar in all countries. However, cultural differences exist and can affect customers' behavior.

Building a new or changing an existing dealership network is considered difficult and very costly. Building new facilities require large investments and in order to even consider building a new dealership, the volume of trucks to serve in the area needs to be large enough to carry the investment, fixed, and operating cost.

The VGT's Sales and Marketing organizations are organized in different geographical regions and each region has global responsibility for a set of brands. EMEA, where the European region is included, has global responsibility for the Volvo Truck brand and the Renault brand.

The dealership network includes all activities where the customers get in contact with VGT's different truck brands. VGT uses several different distribution constellations which constellation that is used varies from market to market. The variations mainly depend on differences between countries' legal regulations and on market related reasons.

In countries outside of EU there is an additional factor, which adds another dimension to possible network structures. Whether a dealership or retailer should represent one or several brands is an alternative that is today considered in the European region. Further, VGT explores how such an implementation should be conducted.

The interviewees believe there are both opportunities and risks associated with each type of distribution structure.

6.0 Empirical Analysis

VGT's external and internal environment was presented in the previous chapter. Moreover, the existing distribution structures within the Group, as well as the interviewees' opinions regarding the structures, were explained. In the following chapter VGT's current situation will be analyzed, as the empirical data will be put into the context of the reasoning and arguments made by research. To start with, it will aid the authors in analyzing whether there exist an optimal distribution structure for the region or if multiple structures are needed. In particular, the distribution structures single brand or multi brand will be discussed with regards to ownership and the characteristics of different brands. Moreover, the later part of the analysis will focus on identifying areas that need to be considered by VGT before they make their future distribution strategy decisions.

6.1 Distribution Structure Alternatives and their Suitability

The following section will discuss how the *Theoretical Framework* as well as how the *Empirical Findings* view the distribution structures single brand or multi brand with regards to ownership and the characteristics of different brands. In particular, the following section will try to answer if there exists an optimal structure for VGT to consider in the European region, or if multiple structures are needed.

Section 5.1 in the *Empirical Findings* showed us that a central condition for each brand is that they can offer a service network that is sufficient enough for customers to get service access regardless of where their truck breaks down in a market. Therefore, a central concern for VGT is to cover as much of a market as possible with each brand that is present. How to cover a market depends on what type of customers a brand has and where these are located. The *Theoretical Framework* implied that a direct ownership is advantageous when the customers are geographically concentrated, when they buy large quantities as well as when they are few by numbers. Moreover, it was suggested that one should utilize private dealerships when the customers are small and many, and at the same time geographically dispersed. However, in the *Empirical Findings*, in section 5.2, one can see that both types of customers are present in the European region for VGT. Moreover, since it is getting more common for drivers to travel outside of the local market it is difficult to say where customers are located. The *Market Factor* in chapter 4 showed us that legal regulation in a market can sometime restrict a producer in the question of ownership. Nevertheless, as could be seen in section 5.6 it is allowed for a producer to directly own their retailers in the European region. Therefore, it is possible for VGT to achieve the wanted degree of market coverage by only utilizing directly owned dealership. However, as was stated in the section 5.7.1, they do not possess as much or wish to immobilize as much capital and managerial resources as it would take to cover the whole of Europe on their own. Hence, only by combining the structures of directly and privately owned dealerships, it is possible for VGT to offer the desirable degree of market coverage. Whether directly or privately owned dealerships should be combined with single or multi branded distribution structures is not suggested either by the *Theoretical Framework* or by the *Empirical Findings*.

If one instead views the question of single or multi branded representations from the perspective if the structures are more suitable for any type of brand, it is suggested in

the *Empirical Findings* and in the *Theoretical Framework* that single branded representations are more suitable when one needs to create a distinct brand experience. Moreover, the *Theoretical Framework* also suggests that premium brands have a greater need for differentiation and clear communication. Therefore, it could indicate that premium brands are more suited for a single brand environment. This would imply that, in the European region, single branded representation is suitable for the VT brand. However, the interview material shows us that one cannot view the distribution decision in isolation and with regards to only the brand type. Section 5.1 explains that retailers in the truck industry are extremely dependent on having a customer base that is large enough to cover their operating cost. Moreover, the *Empirical Findings* showed us that many of the dealerships serving the VT brand are quite small. Also, VT's market share varies within the different markets in Europe. Therefore, it could be very difficult to only have single branded dealerships, especially in markets where VT has a smaller customer base and where it is difficult for the dealerships to get enough trucks to serve.

Moving on to investigate what can be said about high-end, volume and basic brands regarding their suitability of single or multi branded representations. It can be said that the *Theoretical Framework* does not imply that a single branded representation is unsuitable for these types of brands. Instead, if it is suitable or not depends on customer expectation and on the brand's image. As can be seen in section 5.5.1, VGT's brand RT is a high-end brand, and positioned in between volume and premium. Therefore, as a single branded representation may incur higher costs, it can be interpreted as a less suitable structure for RT. However, as VGT still wants to create a distinct feeling for the RT brand, a single branded representation cannot be excluded as an alternative. Therefore, one can argue that single branded representation also is suitable for high-end, volume and budget brands as long as their customer base is large enough. Chapter 5 showed us that the size of RT market share varies depending on which country in the European region one is looking at. It is therefore impossible to generalize and say that single branded dealerships are suitable or not for the RT brand, one rather needs to decide on a case-by-case basis.

An alternative to single branded dealerships is to use multi branded dealerships. The above analysis suggests that it could be a suitable structure when a dealership does not have a customer base that is large enough. As been stated above, whether directly or privately owned dealerships should be preferred for multi branded distribution structures is not suggested either by either the *Theoretical Framework* or by the *Empirical Findings*. However, under the factor *Cost Focused or Brand Focused* in chapter 4 it is stated that a multi branded representation has the potential to decrease the retailer's loyalty towards each brand and less attention and focus would be given to each individual brand. Moreover, research suggests that directly owned dealerships entail more control and that more control increases the likelihood of creating a coherent brand impression. Therefore the decision to have directly or privately owned dealerships depends on the wanted degree of control and the emphasis put on the brand experience. Further, the decision needs to be put in relation to the costs one can accept as well as the need for market coverage. From this reasoning it can be suggested that VGT should consider directly owned structures for multi brand where it is possible. The reason for this is that in these environments, it is even more critical to secure that the brands are represented in the wanted way. On the other hand, as stated in section 5.7.1, some of VGT's most successful and passionate dealerships can be found among the private dealerships. Therefore, yet again it is difficult to generalize and recommend a preferred option, as this will depend on the given situation.

Even though there existed different views of when to go multi brand, section 5.7.2 showed that the interviewees were in agreement that multi branded representations could be a suitable structure when a brand wants to expand or enter a new market. Then an established brand could help the new brand entering the market by letting the brand access the already existing distribution structure. As have been established both in the *Theoretical Framework* and in the *Empirical Findings*, multi branded representations are associated with both opportunities and risks. Even though some interviewees were more concerned about the risk with multi brand than others, the primary concern raised in section 5.7.2 concerned how well the employees at the dealership could handle two brands as the customer expectations might differ between the brands. In particular, concerns were raised of how to keep the brands separated at the dealership. These risks and concerns were also mentioned in chapter 4 under section 4.2.4.

The section 4.2.4 also discusses the possibilities of spillover effects between brands that are presented in a multi branded environment. This possibility was also discussed during the interviews. Apart from the functional benefits, where one brand could leverage on another brand's distribution channel, other effects were also mentioned. The *Empirical Findings* shows that several of the interviewees highlighted the possibility for one brand to strengthen its image by being associated with a stronger brand. However, as seen in section 5.7 the interviewees did not give specifics on how and what this positive association would mean for the other brand involved and what future implications it would have for the brand's image. In contrast, when asked what the potential risks were, several interviewees raised the issue of the brands' distinctive values becoming too blurred and that there was a risk for image dilution. The *Empirical Findings* also showed that some also raised concerns that there is a risk that the weaker brand, that enters the other brand's distribution system, will be undermined and not get as much room and attention as the stronger, established brand. This argument was based on the fear that the dealerships' business would still be running as it was still single brand. However, others felt that the dominant brand in the market should also be the dominant brand in terms of visibility at the dealerships. They mean that having the weaker brand being associated with the stronger player would only strengthen the weaker brand. Therefore, building on above reasoning one can conclude that there is a great need to be cautious when associating brands with each other in a multi brand environment. Furthermore, one has to thoroughly think through what the wanted positive effects are, as well as what the possible unwanted negative effects are.

We have now seen how VGT views the different distribution structures that are available. As one can conclude, which structure to follow is a complex decision where different stakeholders' perspectives diverge. On the one hand, there is a need to strive for brand distinction and loyalty. On the other hand, there is a question about cost, effectiveness, creating synergies and providing customer support. As these are often contradicting forces one has to find the balance of what can be compromised. Synthesizing research and the empirical data one can conclude that there are no clearly defined right or wrong decisions regarding when multi brand or single brand is considered more suitable. As has been implied in the sections above: it depends. There are indications in research for when one structure is preferable compared to another. However, this will not necessarily mean that going against the recommendation and using some of the other structures will result in an unsuccessful outcome. Instead, research highlights the importance for brands to send out a coherent expression and focus on consistency.

From the above discussion one can see that both the *Empirical Findings* and the *Theoretical Framework* suggests that under certain conditions multi brand can be a suitable solution. However, before making such a decision, several more parameters have to be considered. As the *Literature Review* revealed, no extensive research have been made within the area of multi branded representations, especially in a B2B setting. Focus has rather been on discussing transfer effects and guidelines for what brands that could be suitable to combine. Therefore, the authors of this study believe that the central issue and complexity of the multi brand discussion is how it should be done in practice as that in turn will decide the extent to how successful the outcome will be.

The discussions above also showed that local market characteristics have a large impact on what distribution structure one chooses. Moreover, local market characteristics will determine what is feasible in terms of ownership structure as well as if there are enough customers in the area that will allow for single branded dealerships. Further, the brand's positioning and image should be aligned with the distribution structure one chooses. In addition, if choosing to go multi brand, research highlights the importance of compatibility between the brands. However, regardless of the structure chosen, the success of the different structures will to a large extent depend on how the strategy is implemented. Therefore, one cannot conclude on a general, optimal distribution structure for VGT. Instead, the authors believe that multiple structures are needed.

6.2 Considerations for Future Distribution Strategy Decisions

In the above section different distribution structures were analyzed and it was concluded that no general optimal structure exists for VGT. Building on the arguments made in the section above, the following part will analyze and discuss different focus areas, which are believed to be of importance for VGT to consider when they decide on the future strategic direction for the distribution function. The text will mainly concern the multi branded distribution decision since this still is a somewhat unexplored area for VGT's European division. It will also be argued for whether these focus areas should be reviewed on a global level or if these areas need to be explored locally.

6.2.1 The Purpose of Using a Multi Branded Distribution Strategy

As implied in the *Theoretical Framework*, several researchers have emphasized the importance for all involved stakeholders to have the same purpose and vision prior to associating one brand to another. Further, it was stated that the stakeholders need to have a common view of what functional, emotional, and symbolic effects they are trying to achieve through the brand association. If this is achieved by the involved organizations it increases the probability for a successful collaboration as well as for future brand building activities for the involved brands. The interviewees had a clear vision of what functional effects they desired from a multi brand strategy. Section 5.7.2 showed that sharing of distribution assets, achieving greater market coverage, and increasing dealership quality was the desired effects that were mentioned the most. However, the section also revealed that what emotional and symbolic effects that were wanted, if any, were not as clear. The empirical data indicates that these effects had not been discussed as thoroughly as the functional effects.

The *Literature Review* showed that distributing two brands through the same channel could be viewed as a type of co-branding and this implies that distribution could

function as an endorsement strategy. The possibilities of using distribution as an endorsement strategy also brings with it challenges and potential barriers for a company when choosing to go multi brand. Therefore it is believed by the authors that it is important to not only focus on the possible functional advantages, but also to discuss how the brands will be affected in terms of symbolic and emotional associations if they are distributed through the same channel.

In the *Literature Review* it was explained that the core of brand strategy is to be consistent and think long-term. Further, it has been proven that deciding on a distribution structure is a long lasting decision, which is difficult to change. Moreover, it has been established by research that associations created between brands will have implications on how each brand is viewed in the future. Therefore, since VGT's brands are present across several markets, the authors believe that it could be advantageous for VGT to have global consistency between markets in terms of the symbolic and emotional associations they want to create between their brands. Otherwise there is a risk of losing control over the brand's identity, core values, and associations.

As could be seen in section 5.7.2 in the *Empirical Findings*, the interviewees view on how often or how seldom a multi branded structure should be used diverged. Moreover, as was concluded in the *Literature Review* there are no clear right or wrong answers when discussing this issue. For example, it was highlighted in the *Theoretical Framework* and in the *Empirical Findings* that multi branded distribution could be a beneficial strategy when entering a new market. However, the research could not entail that, if a multi branded distribution structure would be chosen, should it then be the ultimate strategy to pursue in this market or is there a point in time where it is more preferable to transcend to single branded distribution? On the one hand, from a brand perspective shown in section 4.2.4 one can say that single branded representations enables a more clear brand experience for the customers. Therefore, one can argue for that it is reasonable to separate the distribution networks as soon as each brand has a high enough customer volume. On the other hand, from an efficiency perspective, one can argue for that one should stick with the multi branded distribution structures. This is due to that multi branded distribution structures enable sharing of resources and it increases the capacity of resource utilization and hence decreases the costs for a dealership. What the authors try to highlight and capture is that the decision when multi branded distribution should be used needs to be market driven. In particular, given the new opportunities with the portfolio thinking and the ability to share distribution assets it could be useful for VGT to set up guidelines for when multi branded distribution should be used. This is to ensure that the decision to use multi branded distribution is market driven and that it does not become too dominated by cost and synergy focus.

6.2.2 Matching the Right Brands in a Multi Branded Channel

The new organizational structure has allowed VGT to become more coordinated. Further, it was implied in section 5.4 in the *Empirical Findings* that there exist no guidelines on what brands can and cannot be combined in today's more coordinated organization. However, both in the *Literature Review* and the *Theoretical Framework* it has been stressed that the importance of consistency in how the brand is represented. Moreover, it was said that compatibility between brands is considered critical when associating brands with each other. Therefore, the authors of this thesis believe it is important to investigate these critical aspects further.

A general conclusion which can be drawn from the interviews and which can be found in section 5.7.2 of the *Empirical Findings* is that the brands that should be combined cannot be too different but at the same time not too similar. The interview material implies that not being too different concerns the type of brand (basic, value, high-end, premium). This has to do with the brand's cost structure which follows with its position on the market, as well as the brand's image and the customers' expectations of the brand.

As was stated above, research highlights the importance of brands' compatibility. It was said that a misalignment in functional and intangible attributes between the brands can damage the brands' identities and strengths as well as the customers' loyalty towards them. The *Theoretical Framework* suggested that, prior to linking brands to each other, one needs to think in terms of consumers' prior knowledge of each brand, and how this knowledge might affect the customers' view on the brand if it becomes associated with another brand. Customers' prior attitudes towards a brand will affect the outcome and success of the two brands that are being linked to each other. In addition, the changes in attitudes towards the brands during the linkage period, will affect how the brands are perceived if they are separated in the future.

With support from previous research, it is believed that VGT needs to consider how well the multi brand constellation fits with the ambition for each brand and their customers since a decision will have long lasting positive or negative effects for the involved brands. Building on the argument made by previous research, due to the great need for consistency in how and with what brands one is associated with, the authors believe that VGT could benefit from becoming more globally coordinated in terms of what brands in their portfolio that can and should be combined. Moreover, in the *Theoretical Framework* it was argued for that partnering with too many different brands can create confusion for the customers as the uniqueness of the partnership and the wanted association effects have a risk of getting confused. Today, VGT's value and high-end brands can be combined both with brands in the premium segment and with brands in the basic segment. Hence, the risk for confusion among customers and the risk of brand dilution is believed to be greater for these type of brands. Therefore, it is believed that VGT's value and high-end brands are in the most need for common guidelines as they are exposed to greater risks of being combined with multiple types of brands. In addition, the authors believe it could be wise to consider if these brands should be combined only with premium brands or only with basic brands so that they are not being associated both ways.

6.2.3 Implementation of the Multi Brand Strategy

When implementing a multi branded distribution strategy the question still remains of how it should be done in practice. How it should be done also depends on what the purpose is for pursuing a multi brand strategy. If it is solely for functional purposes, the *Theoretical Framework* implies that it is important for brands in a multi branded environment not to share too many visible common areas since it could damage each brand's identity. This further captures the challenge and difficulty with multi branded dealerships, where on the one hand there is a need to share resources, but on the other hand there is a need to create distinction between the brands. The interview material presented in section 5.7 indicates that there are different perspectives on how such a distinction could and should be accomplished at the dealerships. The following section will therefore discuss this issue further.

The different perspectives presented in section 5.7 can be seen as a reflection of how people view the role of distribution as a brand building activity as well as where they believe brand equity is strengthened or degraded. Some believe that brand equity is mainly built at the product level, through the hardware and design, as well as in how the brands are communicated. Others agree that the product and the communication are the most important activities for building the brand. However, they also believe it is crucial that the distribution channel contributes to the brand building activity and to strengthening the brand equity. This in turn, may imply that they believe that the additional investments made to create distinction between the brands in a multi branded dealership are worthwhile and will provide future benefits.

As was seen in section 5.7.2 in the *Empirical Findings* different views exist of what the most important touch points are at the dealership for experiencing the brand and strengthening customer loyalty. The general agreement is that the sales point is very important to keep separated. The interviewees believe it is critical that the customers can trust the sales staff and that this trust would only be gained if the sales staff were designated to one brand only. Some also believed that the mechanics team was very important to keep separated as a customer spends a lot of time together with the mechanics at a dealership and hence it is an essential contributor for creating a unique brand experience.

From the above discussion the authors believe it could be valuable for VGT to conduct a customer study to identify which customer touch points at a dealership that contributes the most to strengthening the brand equity. It is advised to focus only on a few touch points e.g. 5 to 10. Moreover, if possible, it is advised to attempt to translate these customer touch point at a dealership into a monetary value. This would enable VGT to prioritize which activity that is most important to separate if it is not possible to separate all touch points. Moreover, putting a monetary value on the different customer touch points is believed to help VGT in reaching a common view on what role distribution could fill as a brand building activity. If it were to be possible to establish an order of prioritization for what is considered most important to separate, then that could be used as an input for a global guideline.

Chapter Summary

One cannot conclude on a general, optimal distribution structure for VGT. Instead, the authors believe that multiple structures are needed.

Regardless of what structure VGT chooses, the success of the different structures will to a large extent depend on how the strategy is implemented.

When using a multi branded distribution structure it is recommended for VGT to determine what the wanted or unwanted emotional and symbolic effects should be for the brands involved. Further, it is believed useful for VGT to set up guidelines for when the multi branded distributions structure should be used.

It is believed that VGT could benefit from becoming more globally coordinated in terms of what brands in their portfolio that can and should be distributed together at a dealership.

It is recommended for VGT to conduct a customer study to identify which customer touch points in a dealership that contributes the most to strengthening the brand equity.

Moreover, if possible, it is advised to attempt to translate every customer touch point into a monetary value as this is believed to help VGT to reach a common view regarding distribution's role for each brand in their portfolio.

7.0 Conclusions and Recommendations for Volvo Group Trucks

Section 6.1 in chapter 6.0 aimed to answer sub-research question number three: *Given the current situation of Volvo Group Trucks in the European region when could each distribution structure be of interest? Is there an optimal structure for the region or are multiple structures needed?* In the first part of the *Empirical Analysis* it was established that one couldn't conclude on a general, optimal distribution structure for VGT. Instead, the authors believe that multiple structures are needed. Moreover, which structure one chooses is emphasized by research to depend on the ambition one has for the brand, and hence what role and function distribution should fill for the brand. In addition, regardless of structure chosen, the success of the different structures will to a large extent depend on how the strategy is implemented.

In the second part of the *Empirical analysis* in section 6.2, the fourth sub-research question was addressed: *If multiple structures are needed, are there any critical areas that Volvo Group Trucks needs to consider before going forward with any future distribution strategy decision?* When using a multi branded distribution structure it is recommended for VGT to determine what the wanted or unwanted emotional and symbolic effects should be for the brands involved. In addition, it is believed useful for VGT to set up guidelines for when the multi branded distributions structure should be used. Further, it is recommended that VGT becomes more globally coordinated in terms of what brands in their portfolio that can and should be combined. Lastly, the empirical findings indicated that there is a need to investigate which touch point that are believed to be the most important for the brand. Therefore, the authors recommend VGT to conduct a more thorough analysis to identify which customer touch points that contributes to strengthening the brand equity. Additionally, if it were to be possible to put a monetary value on each customer touch point this could aid VGT in their prioritization of the most important activities as well as help them in reaching a common view of the distributions' role for each brand.

8.0 Concluding Remarks and a Future Outlook

The purpose of this thesis has partly been to provide a more comprehensive picture of what aspects one should consider when deciding and evaluating the choice of distribution structure. Building on research from distribution theory and branding theory the authors have synthesized the two literature streams into one framework that the authors believe could guide a firm when evaluating the choice of future distribution decisions. The framework is built on research with a large multinational company acting in a B2B environment in mind. However, since the framework is also built on B2C research the framework could be seen applicable to any multinational firm facing a similar distribution decision for their brands.

The framework has been applied on the case study of VGT and has guided the authors into identifying key focus areas that VGT is recommended to consider before making decisions regarding their future distribution strategy. These key focus areas were presented in the past chapter and they are VGT specific. Although the areas are identified from the empirical data gathered from VGT, the authors still believe that they, to some extent, could be generalized for other corporations to consider as long as the companies are of similar character as VGT. However, the authors feel that it is important to highlight that the empirical data originates from internal sources within Volvo Group Trucks. This means that no customers or competitors are included in the sample. Nevertheless, the identified key areas are still believed to be valid. Moreover, the authors believe that if competitors and/or customers would have been included in the sample, it would most likely only result in that more key area could have been added to the list.

Although the authors believe that they have contributed and added a dimension to the few studies that attempts to bridge distribution and branding, much more research is believed to be needed within this area, especially in a B2B setting. Particularly, the authors believe that more research is needed concerning multi brand and single brand distribution with regards to customer preferences. Even though there exist a lot of research concerning different brand partnering activities and their implications, these are believed to be very specific and generally only regard one aspect at the time. In this interconnected world both wanted and unwanted spillover effects can become a reality and hence the authors believe that it is difficult to draw conclusions from isolated decisions and research. Therefore, it is believed that research have to take a more holistic approach and provide decision makers with more extensive guidelines of what needs to be considered when reviewing how to represent the brand.

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