

# Branding Paradigms in the Fast Moving Consumer Goods Industry

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## Abstract

The goal of this study is to investigate branding models and whether they distinguish companies on the basis of revenue in Romania. Analysis of covariance is used to explore differences across three clearly identified branding paradigms used by major companies. It was found that, contrary to the commonly held understanding, a traditional branding paradigm that is based on familiarity and local values does not differentiate a firm in terms of revenue. A variety of branding models can be effective if the brand is clearly positioned in the consumers' minds. Whilst sensitivity to national culture and local preferences remains a priority, companies should not rely on prescriptive models of branding that are steeped in overall market tendencies or emotional heritage. The paper brings evidence on branding in Romania that did not exist previously to enrich the executive and research agendas on sensitivity to local culture and the relationship between branding and firm performance.

JEL classification codes: M10

Keywords: branding paradigm, brands, performance, Romania.

## 1. Introduction

The relevance of branding is underlined by the fact that brands represent one of the most valuable assets of an organization and the underpinning that explains, facilitates and develops market-leader capabilities (Abimbola, 2010). The literature and practice have acknowledged the significance of brands. Clear positioning and genuinely-held company values have been identified as key elements of effective branding strategies (Chernatony and Segal-Horn, 2003). In line with this increased recognition, the research has grown to address in depth the ability of brands to facilitate competitive advantage.

The interest in branding is evident in initiatives that companies are pursuing to increase the perceptual sophistication of their brands; that is, the ability to connect emotionally with customers. The role of branding in generating competitiveness and market advantages has gained momentum in transition, emerging and growing markets, such as those in Central and Eastern Europe. Whilst the companies' disposition to perceive and use branding as a tool for competitive gains is present, the research on branding is somewhat dispersed and the practical evidence is incomplete. The present study aims to fill gaps in evidence for one such market, and to address the effectiveness of branding models that consider specifically how brands create memorable and emotional connections with consumers. The investigation refers to branding models (paradigms) of manufacturing firms in the fast moving consumer goods industry in Romania. Existing literature has reported the success of branding paradigms that enable the buyer to be either different and authentic in a personal style, or popular and fashionable, or proud of heritage and loyal to local tradition. The latter branding paradigm emphasizes tradition as local values and is responsive to a "buy-national" consumer tendency. Previous works seemed to apportion greater efficacy on this branding model and point to evidence of high consumer regard for traditional brands and a preference for products that are familiar and persistent. The present paper proposes that a traditional branding paradigm does not distinguish a firm in terms of revenues and that any branding model can be effective as long as it positions the products with clarity, represents genuinely understood values and connects emotionally with the consumer.

The ensuing section provides a review of literature on branding in the region and in the country and presents a foundation for the study's agenda. The subsequent sections address hypothesis development, specify the data and the methodology and describe the results. The last section discusses the findings and their implications for researchers and practitioners. Promising opportunities for future research are proposed.

## 2. Branding Paradigms and the Relationship between Branding and Firm Performance

The present paper addresses the connection between branding paradigms and company performance. The practice and the literature (as acknowledged by Geuens et al., 2009) conceded that strong and differentiated brands significantly enhance firm performance. In their review, Dumitrescu and Vinerean (2010) observed that even "global" brands (such as Coca Cola) have more recently been striving to be more locally responsive. They concluded that in order to connect with the customers brands have to be sensitive to the local culture and respect local preferences.

The location of the current study is Romania and the focus is on the fast-moving consumer goods industry. This application may hold valuable insights. Research on the fast-moving consumer goods industry (Schuh, 2007) has noted that, in comparison to Western European markets, Central and Eastern European markets have lower purchasing power and lagging product market development. This literature has also contended that the buyers' behaviors differ and that the companies face a unique competitive situation. Buyers have relatively low brand loyalty and are price and value conscious. Consumers are less likely to pay more for innovativeness, convenience, brand image, design and top-quality. As reviewed and described by Schuh (2007), consumers have developed loyalty to cheaper local brands and there is a strong "buy-national" tendency. Strong local tastes and intense "affection" for traditional brands give local brands an advantage over their international counterparts.

The current work integrates the concept of brand identity. In his seminal work, Aaker (2012) recommended that brand strategists consider the customer's emotional benefits, organizational attributes, brand personality and brand symbols, as well as product-related brand characteristics when developing brand identity. This author identified brand identity, brand management (involving brand positioning and an execution program) and a brand system (creating clarity and synergies in brand extensions and co-branding) as the pillars of strong brands.

Kapferer (2012) emphasized that brands have the power to influence the market and suggested that brand management should build on the organization's values with a focus on consistency and a long-term perspective. Brands generate growth and profitability when a relevant brand platform (core values) is effectively used to mobilize employees towards a common vision and to gain the loyalty of customers. Lindstrom (2005) described a brand as a "project" between the organization and its customers and underscored the importance of a multi-sensory brand platform that intensifies emotional connections between consumers and products.

The present research brings evidence on branding paradigms (i.e., models and patterns of product branding) in Romania. As Keller and Lehmann (2006) recognized, the focus on brand intangibles (brand image aspects that do not involve physical, tangible, or concrete attributes or benefits) is an important and relatively unique research avenue. Brand intangibles comprise brand associations such as user imagery, purchase and consumption imagery, as well as history, heritage, and experiences. The present study expands on brand intangibles and their relationship with company performance. The authors mentioned above noted that there has been "relatively limited effort" in exploring the financial impact of brands, which also argues for the relevance of this study. Madden et al. (2006) described studies that linked branding and firm performance, with evidence that there is a significant positive relationship between a firm's advertising and promotion spending and the market value of the firm, which links a firm's brand-building activities with performance.

Studies on branding are limited in Romania and their goals are not comparable to the current paper's purpose. A study by Stancu and Meghisan (2012) is very loosely related, as it attempted to uncover the main reasons why customers are choosing a particular hypermarket, in the context of other hypermarket brands and typical customer buying behaviors. Dabija and Babut (2014) found that the brand image perceived by customers of supermarkets and hypermarkets is in large part the result of companies' communications (and also the result of corporate social responsibility and personnel practices). The present paper uses companies' communications (advertising, public relations, etc.) as well as their brands' look and feel to assess branding models.

In a report on the top Romanian brands, Secara (2013) brought evidence of the types and branding paradigms that appear to be successful with the Romanian buyers, such as seriousness, familiarity, adaptability, but also bold, modern, fresh, in keeping with the times. This author's analysis showed the power of branding paradigms that are very comparable to the ones used in the present study: ambition and progress; popularity and openness; reliability, persistence and tradition. Secara (2013) reported these branding paradigms as portrayed by particular companies in Romania. The author concluded that the Romanian consumers prefer food and personal care products and brands that are steeped in and associated with tradition. This finding was in line with other extant literature that suggested that there is a strong "buy-national" tendency and that consumers in Romania and the region respond most strongly to branding that emphasizes tradition, familiarity, and determination.

According to Ernst & Young's 2012 Major Companies in Romania Report, the consumer market in Romania is driven by buyers with a traditional mindset, who appreciate stability, respect conventions, long for the past and are resistant to new and innovative things. This report also discussed the potential of approaching buyers of fast moving consumer goods with a "Me Branding" paradigm that is about being different, recognized by others but also faithful to the personal style, concluding that this type of branding would be more successful rather than emphasizing trendiness and fitting in. The same report noted that demand is growing for products and experiences that are deemed to be authentic and offerings that feel "really real" and different. The 2013 Major Companies in Romania Report underlined the sizeable effect of the "Made in Romania" concept that strongly differentiates brands in the consumers' minds based on emotional heritage and Romanian values.

It is clear from these reports and existent literature that the branding approaches centered on tradition, popularity or personal style each hold potential value in Romania and the region. The conceptual frameworks in these reports are robust; however, the analyses are inconclusive and more evidence is needed to ascertain potential benefits of the branding paradigms presented. The current study fills the gaps that exist in branding research, specifically in regard to: the relationship between branding and firm performance; the identification and investigation of branding models and their efficacy; and the branding strategy application in the Central and Eastern European region and Romania, in particular.

### 3. Hypothesis

The paper investigates whether companies with brands associated with tradition and familiarity record better performance or whether branding models grounded on popularity or personal style are just as effective. The study distinguishes three branding paradigms that companies use for their main products (or product lines). "Me" branding positions the company's main products by responding to the customer's need to be different and recognized by others, to show off, to stand out whilst remaining faithful to one's personal style. This branding paradigm involves products that are described as unique, special, crafted or unconventional with a promise to please the buyer's complex taste and distinguish the buyer within the social group. These brands are about personal image, authenticity in style and striving for a better position in society. "Trendy" branding emphasizes fitting in, being part of the group, being accepted and fashionable, but also trying new things and being innovative. Products are described as high quality, most popular, highly appreciated

or using ingredients or materials that are talked about by opinion leaders, assuring the buyer of success in socializing and gaining the appreciation of others. These brands are about gaining respect and finding one's place in society. Lastly, "traditional" branding is about seeking stability in life, respecting rules and conventions, grounding one's decisions in strong national values and a consideration for the past. Products are described as reliable, simple, classy, tried-and-tested choices and presented with a focus on history and longevity. These brands promise lasting youth, strong values and dependability.

The purpose of this study is to identify whether the branding paradigms make a difference, and specifically whether the branding paradigms distinguish companies in terms of revenue. The scope is exploratory, in terms of answering the main research question, namely whether companies with brands associated with tradition and familiarity record better performance or whether "trendy" or "me" branding paradigms are effective to the same extent. Therefore, the hypothesis is stated as the null hypothesis:  $H_0$ : *Companies using a "traditional" branding paradigm do not have larger revenues compared to companies that use a "me" or "trendy" branding paradigm.*

Uncovering the branding paradigms that are inherently meaningful to customers is a pertinent issue for researchers and practitioners. As Schultz and Schultz (2004) recognized, the challenge in building a brand is discovering the "basic value" that customers would embrace and delivering the "right brand experience" consistently. Relevant branding builds on a "sound business proposition" and a meaningful value proposition that differentiates products from the competition. Brands must deliver something that is truly relevant and compelling to the customer. The hypothesis in this study presents an opportunity to discover what is most relevant to the Romanian consumer. In support of this endeavor, Cayla and Arnould (2008) professed that branding research needs to be contextually sensitive, historically grounded and attuned to the symbolic significance that the customers place on brands. Eisingerich and Rubera (2010) also distinguished the importance of optimal branding that creates culturally-based customer commitment.

The hypothesis is based on research that identified the functional and symbolic meanings of brands. In particular, scholars have found dominant brand meanings that are in line with the branding paradigms considered in this study: brands as reflections of individualism and personality (Aaker, 1999), as signals of social status (Coulter et al., 2003), as mechanisms for group identity and association (Bagozzi and Dholakia, 2006), as grounded in family traditions, and national or ethnic heritage (Kaynak and Kara, 1998).

The hypothesis draws on concepts of brand value such as the symbolic and affective value associated with brands (Tsai, 2005). The local studies reviewed above (particularly Schuh, 2007, Secara, 2013 and the Ernst & Young reports) indicate that individuality, popularity and tradition represent the main brand values appreciated by Romanian consumers, with the traditional values showing some dominance.

Empirical evidence supports the validity of the hypothesis. Strizhakova et al. (2008) used data from the US and three emerging markets (including Romania) to find that identity related and tradition related brand meanings are important in both the US and emerging markets, but more so in the US. Conversely, the importance of tradition in creating brands that add to a company's performance has been confirmed by Askegaard et al. (2005) and Deshpande et al. (1986). Research in the US and in developing economies showed that consumers use country-of-origin when assessing brands (Coulter et al., 2003) and that Central European consumers may use brands to break away from tradition (Weiss, 2003).

## 4. Methodology and Data

The present research uses revenue as the primary driver of firm value and as a measure that is directly linked to branding. While revenue is an imperfect measure of company performance (Mauboussin, 2012), it serves the purpose of this study, where the emphasis is on branding. Since the analysis uses an absolute measure of performance, it is appropriate to include company size as a relevant variable. This factor permits comparisons across companies and is a relevant control variable, as indicated by previous literature (Douma et al., 2006; Hansen and Wernerfelt, 1989). Company size is measured by the number of full time employees – a common measure of scale in similar studies (such as Fey et al., 2000; Mahsud et al., 2011).

The selection of companies in the fast moving consumer goods industry is provided by the 2012 and 2013 Major Companies in Romania reports (Ernst & Young and doingbusiness.ro, 2012 and 2013). The reports present information on and rankings of the top companies operating in Romania, by industry, based on a scoring of quantitative and qualitative indicators. Data on revenue and number of employees are obtained from these reports. The assessment of each company's branding paradigm involves an evaluation of the main products' brand names, brand look and feel as well as product packaging, slogans and descriptions of brands on the company's website, communications in various media and the packaging. Only companies with a predominant and identifiable branding paradigm are included in the analysis. The samples include only manufacturers.

Two samples are used for analysis: a sample containing data for 79 companies in 2012 and a sample containing data for 77 companies in 2013. Statistical analysis is performed and results are reported separately for the 2012 sample and the 2013 sample. Using two consecutive years for analysis makes checks on the stability of findings possible. The data includes 48% international or global brands in 2012 and 45% international or global brands in 2013. As indicated by the data description presented in Appendix 1, the largest representation is for producers of dairy products, followed by home and personal care manufacturers. The least companies are in the manufacture of sugar and the distilling, rectifying and blending of spirits sectors. The overall predominant branding paradigm is "traditional". The distribution across branding paradigms is somewhat balanced (approximately 30% of companies have "me" and "trendy" branding, respectively; approximately 40% of companies have a "traditional" paradigm). This description is consistent for both years.

Analysis of covariance (ANCOVA) is used to determine if the branding paradigm distinguishes firms in terms of revenue and which branding paradigm may add more to a company's revenue. The methodology also controls for the moderating influences of company size.

## 5. Analysis and Results

The analysis of covariance model includes revenue as the dependent variable. The independent variables are branding paradigm as a factor and company size as a covariate. The results are presented in Table 1. Levene's test shows that the underlying assumption of homogeneity is met at low significance levels (Tabachnick, and Fidell, 2007).

Firm size is significantly related to revenue. This affirms the appropriateness of the covariate, which explains a large portion of the model variance (i.e., partial eta squared values

are relatively high for firm size). According to the estimated marginal means values, average revenues decrease for the “me” and “trendy” branding paradigms when adjusting for the effect of firm size. Average revenues increase for the “traditional” branding paradigm after adjusting for firm size. These results are the same for the two samples. This suggests that the branding paradigm’s effect on revenue is mitigated by the company’s scale.

The branding paradigm’s effect on revenue after controlling for size is statistically significant only at the 0.10 significance level in 2012 and not significant in 2013. Since the type II error is high for the F-test based on the 2012 data and the results find no effect of branding paradigm on revenue for the 2013 data, we cannot conclude that branding paradigm makes a difference to revenue. Contrast results find that companies with a “trendy” branding paradigm have significantly different revenues than companies with a “me” branding paradigm at the 0.05 significance level for 2012 only. Companies with a “traditional” branding paradigm do not have significantly different revenues than companies with a “me” branding paradigm (for both 2012 and 2013 samples). Pairwise comparisons show no significant revenue differences between branding paradigms, besides a difference between “me” and “traditional” branding significant at the 0.10 significance level only in 2012.

Table 1. ANCOVA Results

I. Selected Tests of Between-Subjects Tests

| Source                                       | F        |          | Partial Eta Squared |       |
|----------------------------------------------|----------|----------|---------------------|-------|
|                                              | 2012     | 2013     | 2012                | 2013  |
| Size                                         | 60.578*  | 55.476*  | 0.447               | 0.432 |
| Branding paradigm                            | 2.914*** | 2.129    | 0.072               | 0.055 |
| Levene’s Test of Equality of Error Variances | 3.341**  | 2.885*** |                     |       |

Note: \*Significant at the 0.001 level, \*\* Significant at the 0.050 level, \*\*\*Significant at the 0.100 level

II. Means and Comparisons

| Branding paradigm | Means       |             | Estimated Marginal Means |             | Pairwise Comparisons <sup>a</sup> – Mean Differences Significance |       | Contrast Results Significance <sup>a</sup> |       |
|-------------------|-------------|-------------|--------------------------|-------------|-------------------------------------------------------------------|-------|--------------------------------------------|-------|
|                   | 2012        | 2013        | 2012                     | 2013        | 2012                                                              | 2013  | 2012                                       | 2013  |
| “Me”              | 150,364,338 | 154,691,458 | 142,304,775              | 147,144,436 | –                                                                 | –     | –                                          | –     |
| “Trendy”          | 27,315,612  | 285,520,647 | 259,297,008              | 268,885,486 | 0.128                                                             | 0.190 | 0.045                                      | 0.068 |
| “Traditional”     | 125,332,815 | 139,825,101 | 141,335,483              | 158,616,342 | 0.091                                                             | 0.997 | 0.985                                      | 0.853 |

Note: A “Me” branding as reference  
Source: Author’s calculations

The statistical evidence supports the hypothesis and shows that there are no differences in revenues based on branding paradigm. This finding opposes previous research that purported the relative efficacy of each of the branding paradigms included in this study.



Particularly, a number of reports reviewed in the previous section alleged the effectiveness of a branding paradigm that emphasizes tradition, familiarity, longevity, and national values. The present study finds evidence to the contrary.

## 6. Conclusions, Implications and Avenues for Further Research

This paper demonstrates that well-defined branding paradigms are powerful tactics that give a company an opportunity to be successful in a national market. The analysis is grounded on clearly identified and communicated branding models of major companies in the Romanian fast moving consumer goods industry. The current study contends that relying on a distinct and consistent branding paradigm is more important than placing faith in a branding model that responds to the perceived emotional heritage of the consumer.

The results should be encouraging to marketing managers who must attempt to find optimal branding for the market and the location of their companies. Effective branding is more about connecting with the buyer in a meaningful and authentic way rather than choosing a paradigm that is believed to be generally popular in the particular country market. The present research provides insights for executives who look to match the social environment and adapt their products and brands to local values and beliefs. The work presented in this paper provides a deeper understanding of brand management in relation to value, sales and revenue within the framework of a comprehensive assessment of branding. The empirical results clearly show the need to avoid a prescriptive approach to branding based exclusively on perceived customer sensibilities rooted in national culture.

A limitation of the current study may be the use of revenue as the only measure of overall performance. Nevertheless, the paper includes sufficient arguments for the revenue's direct link to branding practices. Addressing paradigm shifts and including a time lag between the implementation of the branding model and revenue would enrich the findings. The present research is mainly exploratory and aims to generalize across approaches in the industry. Case studies would identify potentially decisive branding elements not included in this investigation. A larger data set may increase the reliability of the results.

The findings of this paper demonstrate that well-defined branding paradigms are tactics that give a company the opportunity to be successful in the Romanian market. A branding model that relies on tradition does not distinguish a company in terms of revenue, which suggests that assumptions of an overall consumer preference for brands that emphasize tradition, heritage and familiarity are incorrect. However, such assumptions may hold true in other markets, either in segments of industries included in this analysis or in various geographical markets (emerging and others). Verifying the model and the results in other markets would be a worthwhile effort. Future research could pursue comparative studies that evaluate the performance implications of branding paradigms or of tradition branding in specific emerging, developed and developing markets, and evaluate whether varied or indistinguishable branding tactics across markets are justified.

Additional work comparing the importance of branding paradigms for global and local brands, in relation to specific product categories, or as predictors of brand equity or market share would be interesting. Future research in this vein could focus specifically on the traditional brand paradigm or on all three models included in this paper. A more complete assessment of branding paradigms will allow marketers to anticipate the extent to which



particular brand meanings or values lead to distinct outcomes in terms of branding and organizational performance.

This study acknowledges the conceptualization of branding as a powerful revenue management tool. Revisiting the branding approaches that could differentiate firms in terms of revenue may prove insightful. Studies dedicated to branding and firm performance in the entire region are promising. More specific research of branding strategies in Romania and Central and Eastern Europe is warranted.

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# Appendix 1

## Data Description by Year and Industry

| Sub-sector                                                                        | Predominant branding paradigm |          | Average revenues (in local currency: RON in millions) |            | Average no. of employees |            | Number of companies |                |
|-----------------------------------------------------------------------------------|-------------------------------|----------|-------------------------------------------------------|------------|--------------------------|------------|---------------------|----------------|
|                                                                                   | 2012                          | 2013     | 2012                                                  | 2013       | 2012                     | 2013       | 2012                | 2013           |
| Processing of tea and coffee                                                      | 3                             | 3        | 72                                                    | 81         | 66                       | 67         | 3<br>(3.80%)        | 3<br>(3.89%)   |
| Manufacture of condiments and seasonings                                          | 1                             | 1        | 66                                                    | 30         | 167                      | 97         | 5<br>(6.33%)        | 4<br>(5.19%)   |
| Manufacture of cocoa, chocolate and confectionery                                 | 3                             | 3        | 221                                                   | 210        | 460                      | 482        | 7<br>(8.86%)        | 8<br>(10.38%)  |
| Manufacture of dairy products                                                     | 3                             | 3        | 125                                                   | 130        | 254                      | 246        | 15<br>(18.99%)      | 15<br>(19.48%) |
| Manufacture of sugar                                                              | 3                             | 3        | 63                                                    | 117        | 234                      | 223        | 2<br>(2.53%)        | 2<br>(2.59%)   |
| Manufacture of grain mill products and starches                                   | 2                             | 2        | 154                                                   | 140        | 821                      | 763        | 8<br>(10.13%)       | 8<br>(10.38%)  |
| Manufacture of vegetable and animal oils and fats                                 | 3                             | 3        | 240                                                   | 307        | 295                      | 326        | 4<br>(5.06%)        | 3<br>(3.89%)   |
| Manufacture of wine from grape                                                    | 3                             | 3        | 64                                                    | 64         | 181                      | 163        | 10<br>(12.66%)      | 10<br>(12.98%) |
| Manufacture of beer                                                               | 2                             | 2        | 866                                                   | 967        | 1,070                    | 1,078      | 3<br>(3.80%)        | 3<br>(3.89%)   |
| Manufacture of soft drinks; production of mineral waters and other bottled waters | 1                             | 1        | 260                                                   | 289        | 410                      | 402        | 9<br>(11.39%)       | 9<br>(11.68%)  |
| Distilling, rectifying and blending of spirits                                    | 3                             | 3        | 45                                                    | 36         | 130                      | 96         | 2<br>(2.53%)        | 1<br>(1.29%)   |
| Home and personal care                                                            | 1                             | 1        | 176                                                   | 184        | 165                      | 165        | 11<br>(13.92%)      | 11<br>(14.28%) |
| <b>Overall</b>                                                                    | <b>3</b>                      | <b>3</b> | <b>176</b>                                            | <b>188</b> | <b>342</b>               | <b>337</b> |                     |                |

Source: Author's calculations

## Data Description by Branding Paradigm

| Branding paradigm | Average revenues (in local currency: RON in millions) |            | Average no. of employees |            | Number of companies |             |
|-------------------|-------------------------------------------------------|------------|--------------------------|------------|---------------------|-------------|
|                   | 2012                                                  | 2013       | 2012                     | 2013       | 2012                | 2013        |
| "Me"              | 150                                                   | 155        | 362.83                   | 353.58     | 24<br>(30%)         | 24<br>(31%) |
| "Trendy"          | 273                                                   | 286        | 377.13                   | 373.52     | 23<br>(29%)         | 23<br>(30%) |
| "Traditional"     | 125                                                   | 140        | 303.47                   | 294.38     | 32<br>(41%)         | 30<br>(39%) |
| <b>Overall</b>    | <b>176</b>                                            | <b>188</b> | <b>342</b>               | <b>337</b> | <b>79</b>           | <b>77</b>   |

Source: Author's calculations