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Analysis of the Relationship between Corporate Branding and Sales Revenue during COVID 19 Pandemic

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ABSTRACT

Firm internal resources have been found to influence business survival and profitability during times of crisis. This study aims to examine the relationship between corporate branding and sales revenue of multinational companies during COVID-19 pandemic. This study is based on a quantitative approach and draws on a sample of 74 global companies from various industries that the financial times ranked as prospering during the COVID-19 pandemic. The secondary data were collected from the annual financial statements of sampled companies from 2019 to 2021 and analysed using multiple regression analysis. The findings indicate that the relationship between corporate branding and sales revenue is positive, albeit statistically insignificant. These findings indicate that while corporate branding may not have a significant effect on sales revenue during economic downturn, it is vital for firms to embrace corporate branding as a resource to enhance sales revenue sustainability and thus improve profitability during crisis times such as the COVID-19 pandemic. The findings have important implication for branding managers and strategic managers in understanding the role of corporate branding in sustaining competitive advantage. Also, firms that were not prospering during COVID-19 crisis may include the investment in corporate branding in their crisis management plan and maximising firm success in the face of different environmental conditions. The results may offer an agenda for further research.

Keywords: Competitive Advantage, Corporate Branding, Pandemic, Sales Revenue
JEL Classifications: M4, M41, M3, M31, M37

1. INTRODUCTION

The research topic of this study was coined from the need to understand which factors provide sustainable competitive advantage that propel profitability and performance differences in firms, especially during a downturn economic time. The COVID-19 pandemic has severely disrupted the world economy and transformed global businesses. Some firms experienced pandemic profits, while others saw massive losses and business failures (Statista Research Department 2020; CustomerThink, 2020). Extent literature has documented the vital role of corporate branding in improving business performance. Branding has become a major force in the marketing strategy of many businesses, resulting in few goods and firms that are not branded. According to Reyneke et al. (2014), corporate branding entails the management of symbolism, communication and behaviour to attract a positive and favourable corporate reputation from its stakeholders and enhance firm and product recognition. This assertion can be assumed to be true as corporate brands such as Amazon, and Apple increased sales revenue independent from their marketing activities and consumer lockdowns, during the COVID-19 pandemic. Accordingly, corporate branding is a resource that builds and bolster credibility to customer's relationship with business and provide businesses with long-term customer loyalty for firm profits (Iglesias et al., 2020).

Majority of research focus on how marketing and product branding impact sales revenue during the normal economic periods and other country economic crises (Karimi et al., 2022; Oliveira et al., 2023; Ajagbe et al., 2014). Additionally, many previous studies conducted regarding the effect of corporate branding on sales revenue have provided mixed and conflicting results (Thottoli and Al Harthi, 2022; Skalický, 2016; Silva et al., 2017). However, this paper analyses the effect of corporate branding on sales revenue in the context of the global COVID-19 pandemic. This research paper is motivated by the authors aim to contribute to discourse regarding the use of internal firm resource as tools for recovering from the effects of business failures induced by COVID-19 (Landini et al.,2020). Hence this paper contributes to theory and practice of efficient utilisation of corporate branding resources to achieve sustained sales revenue. Moreover, this research contributes to expanding previous studies on the determinants of sales revenue of multinational companies, especially since the world has experienced a great economic transformation. Therefore, based on the foregoing discussion, the objective of this paper is to examine the relationship between corporate branding and sales revenue during COVID-19 pandemic. with firm size, marketing expense, firm age and leverage as the control variables.

2. LITERATURE REVIEW

Most of the literature has investigated the impacts of corporate branding on sales revenue in strategic management. The results have been contradictory. The mixed results maybe attributable to the fact that previous studies have used longitudinal data, different proxies for corporate branding and in differing business environment. However, the majority of empirical studies are dominated by those that have found a positive relationship. For example, a study by Thottoli and Al Harthi (2022) found that corporate branding is significantly associated with sales revenue of Oman hotels, listed on the Muscat Stock Exchange. Muthoni and Kinyua (2020) argued that corporate reputation has a positive direct impact on the sales revenue of motor vehicle assemblers in Kenya. The findings of Castaldi and Giarratana (2018) showed that corporate branding has a significant and positive impact on the sales revenue of profitability of U.S. management consulting firms. Martins et al. (2021) employed a sample of 570 branded and non-branded companies in Portugal in 2017 and documented that branding improves the sales revenue of branded companies.

Skalický (2016) investigated whether brand value translates into the higher profit margin, higher company revenue based on the five banks, five Insurance companies and six fuel distributor companies in the Czech Republic for the years 2010-2014. The findings revealed that the higher brand level tends to increase revenue of the insurance companies. While in the case of the fuel distribution sector, the authors indicated that the tendency was not shown, may be due to the use of a different indicator for branding. However, Silva et al. (2017) disputes the positive relationship between corporate branding and sales revenue. Employing a sample of Spanish hotel, Silva et al. (2017) found a negative effect of the corporate brand as a rare resource on the performance of the hotels. Moreover, it is observed from the empirical studies that brand rankings are widely adopted as corporate branding proxy for testing nexus of corporate brand and sales revenue. Nonetheless, given the conflicting findings of prior studies this research proposes the following hypothesis:

H1: Corporate branding has a significantly positive relationship with sales revenue during COVID-19 pandemic.

3. METHODS

The research aims to analyse the relationship between corporate branding and sales revenue. This research is inclined on the ontological base that there is a single objective reality. Hence this research leans more towards an epistemology stance that the interaction between corporate branding and sales revenue can be measured (Al-Ababneh, 2020). Therefore, this study adopted the positivism paradigm as both variables of interest are numerical. Positivism paradigm is inclined to utilise quantitative methods to assess how the two quantitative variables (namely corporate branding and sales revenue) relate and it allows researchers to quantify and observe reality with minimal subjectivity (Nyein, 2020:90). In this research, we use cross-sectional regression analysis in understanding how an independent variable affects a dependent variable. A cross-sectional regression analysis is appropriate for analysing data collected from multiple units over the same time period. A positive coefficient indicates that as the value of the independent variable increases, the mean of the dependent variable also tends to increase while a negative coefficient proposes that as the independent variable increases, the dependent variable inclines to decrease.

The population for this research is all the companies in the world prospering during the COVID-19 pandemic listed on the Financial Times's 2020 list of the top 100 companies prospering in the pandemic, ranked based on the equity value added in 2020. The sampling technique used in this research was purposive sampling with the criteria that the company had all the data needed in the study during the study period. Purpose sampling allows researchers to select a particular sampling unit based on the researcher's judgement rather than random selection to answer the research questions fittingly (Cash et al., 2022). Hence, using the total sample size of 100 worldwide listed companies likely reduces the sampling error (Saunders et al., 2016) and enabled generalising of results (Leedy and Ormrod, 2015). However, 26 of these companies had missing data for some variables and were thus removed, leaving a sample of 74 companies from various sectors. The data used in this research is secondary data in the form of annual financial reports published on the sampled company's websites. Also, the data related to corporate branding scores were were retrieved from the annual global rankings of the Brand Finance, Interbrand, Kantar BrandZ databases. Using an established ranking methodology as the source for this study reduced potential bias. The operational definition of the variables in this study can be seen in Table 1.

In relation to the objective of this study, the cross-sectional regression model is stated below following the works of Alam et al. (2020).

Table 1: Summary of variables description and data sources

Variables	Description	Data Source
Sales revenue	Sales revenue value reported in the annual financial statements	Financial statements
Size	Total asset value	Financial statements
Marketing	Marketing variable is defined as the marketing, selling and distribution expenditures of a firm	Financial statements
Age	Current year minus firm's established year	Financial statements
Leverage	Firms' long-term debt divided by total assets	Financial statements
Corporate branding	Corporate branding is an indicator variable that takes a value of 1 when a firm belongs to the "100 Best Global Brands" of Interbrand or the "global brand list" of Brand Finance and 0 otherwise	Interbrand

$$y_i=\alpha+\beta_1 CB_i+\beta' x'_i+\varepsilon_i \quad (1)$$

where y depicts the sales revenue for company i. The subscript CB is a proxy for corporate branding which is the variable of interest in this research. The subscripts x', α and ε respectively denote a matrix of control variables, constant term and the error term. In addition, control variables were included to control for relevant firm characteristics and economic variables. Modelling sales revenue is generally difficult and any study that omits control variables, could results in wrong conclusion. Therefore, firm size, marketing expense, firm age and leverage as the control variables. Studies such Leung and Sharma (2021); Jung and Shegai (2023) and Hung et al. (2021) have reported a positive relationship between firm size, marketing expense, firm age, leverage and sales revenue.

4. RESULTS AND DISCUSSION

Columns (1) and (2) of Table 2 displays the estimated results of each model before and after correcting for heteroscedasticity with the squared term of firm age (Age^2). The interpretation is based on heteroscedasticity corrected estimates in Column (2). The data analysis was conducted with the cross-sectional regression analysis using the statistical computing and graphics system in R. Table 2 shows that during COVID-19 crisis, corporate branding had a positive but insignificant impact on sales revenue. This implies that corporate branding was effective as a resilience resource for determining firm sales revenue during the COVID-19 pandemic. This result supports previous studies of Thottoli and Al Harthi (2022) and Silva et al. (2017) who discovered that corporate branding does impact sales revenue during times of crisis. However, Chowdhury et al. (2020) opine that the insignificant results may be due to differences in individual personality among consumers across countries in terms of brand preferences, which may have encouraged consumers who are unconcerned about brands to continue not purchasing brands even more during the COVID-19 crisis. Marketing expenses and firm size as control variables show a positive and significant effect on sales revenue. As a result, the findings on the relationship between corporate branding and sales revenue achieve the objective of this research.

The resulting model of corporate branding on sales revenue from Table 3 is as follows:

Sales Revenue=0.992 + 0.107 Corporate branding + 0.186 Marketing + 0.764 Size + 0.018 Age^2 + 0.013 Leverage + ε

N=74;

Table 2: Effect of corporate branding on sales revenue

Variables	Column (1)	Column (2)
Intercept	0.786	0.992
	(1.044)	(1.479)
Corporate branding	0.111	0.107
	(0.163)	(0.165)
ln (Marketing)	0.184***	0.186***
	(0.061)	(0.062)
ln (Size)	0.766***	0.764***
	(0.066)	(0.066)
ln (Age)	0.053	−0.070
	(0.096)	(0.627)
In (Age^2)		0.018
		(0.092)
ln (Leverage)	−0.010	−0.013
	(0.092)	(0.093)
Adjusted R-squared	0.879	0.877
F-statistic	106.8	87.72
P-value	<0.001	<0.001
studentized Breusch-Pagan test up to order 5	12.42	12.16
P-value	0.03	0.06
Breusch-Godfrey test for serial correlation of order up to 1	1.36	1.35
P-value	0.24	0.25

*** and ** represent significance levels at 1% and 5%, respectively. In parentheses are standard errors. The null hypothesis of bp and bg tests is that the residuals of the model have constant variance (homoscedasticity) and don't show autocorrelation, respectively. So, a P value>0.005 indicates that the null hypothesis of homoscedasticity and no autocorrelation cannot be rejected

Source: Author's computation

In parentheses are standard errors: (1.479), (0.165), (0.062), (0.066), (0.092), (0.093)

Adjusted R-Squared=0.877

4.1. Robustness Tests

The primary assumptions for maintaining the integrity of linear regression models, especially when dealing with cross-sectional datasets, are that the residuals of the model have constant variance, are uncorrelated, no multicollinearity and are normally distributed. A number of tests and diagnostic plots were conducted on the cross-sectional regression model. These included the Breusch–Pagan Lagrange Multiplier (LM) test; Breusch-Godfrey test; The Residuals versus Fitted plot; The Q-Q plots; The Scale-Location plot; The plot of the Autocorrelation Function (ACF) (Breusch and Pagan 1980). Except for only two outliers scores shown by Cook's distance plots, there is no serious problem of normality. The plots and tests also showed no significant evidence of violation of the primary linear regression assumptions. Thus, the diagnostic tests in Tables 2

Table 3: Descriptive statistics

Variables	Number of observations	Mean	Standard deviation	Median	Min	Max	SE
Sales revenue	74	42169.19	91047.94	10327.00	30.05	535000.00	10584.11
Size	74	80977.36	196398.84	21799.75	49.93	1320000.00	22830.90
Marketing	74	7355.77	17286.24	1245.00	4.98	124000.00	2009.48
Age	74	36.27	35.27	22	5	154	4.10
Leverage	74	0.54	0.26	0.51	0.00	1.31	0.03
Corporate branding	74	0.58	0.50	1	0	1	0.06

Corporate branding is a dummy variable as described in Table 1. Sales revenue, Size and Marketing variables are in million United States (US) dollars

show that these empirical findings are robust to autocorrelation, heteroscedasticity, and normality.

5. CONCLUSION AND RECOMMENDATIONS

The purpose of this study was to examine the relationship between corporate branding and sales revenue of multinational firms during COVID-19 pandemic. Based on data analysis and discussion of 74 sample companies ranked by Financial Times as prospering during COVID-19 pandemic from 2019 to 2021, it can be concluded that strong branding strategies boost consumer awareness and sales revenue during recessions. Marketing expenses and firm size variables acts as control variable on the effect of corporate branding and sales revenue. This research represents the first attempt to examine the role of corporate branding as a driver of sales revenue in the context of COVID-19 crisis, as very little research has investigated branding in a context of the current COVID-ap crisis.

The findings of this paper will influence conversations in academic circles on branding as a firm performance driver and constitutes a vital case study for universities. These results are also valuable to branding managers and strategic managers who are proposing and implementing strategies for sustained business performances. Of note is that this study considered only corporate branding as a driver of sales revenue due to data limitations. Future research should include mediating factors such as social media where data availability allows. It is also suggested that future research could apply the model suggested in this research for panel data in different industries or countries. Additionally, it may be of benefit that future studies employ other research methods to evaluates the relationship such as surveys.

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