Manufacturing Brands Retreat!
Assessing and Countering the Reverse Trojan-Horse Strategy of Retailers

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Abstract

The emergence of the large box retailers over the last two decades reflects the paradigmatic power shift that has occurred in retailing distribution channels. While these retailers have seemingly altered customer habits through broad portfolios of low priced goods, it is the implementation of superior strategies by these retailers that has led to sustainable competitive advantages. Manufacturer strategies designed to penetrate the high traffic zones of retailers like Staples, Walmart, and Home Depot with national brands have been effectively countered by retailers using, what is herein called, a *reverse Trojan-horse* strategy. This subtle, albeit sophisticated, strategy effectively commits manufacturer resources, expertise, and personnel to the frontlines of its retail partner at the cost of lower manufacturer product margins and brand reputation degradation. Herein, a contingency commitment-loyalty model is introduced as a diagnostic tool for assessing a retailer's loyalty to, and strategic intentions toward, a manufacturer. The paradoxical strategic implication of this model is that as a manufacturer's relative product volume with a retailer increases its brand profitability and reputation erode.

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