

## **Effective Factors on Food Companies Brand Equity: Evidence from Iran Food Industry**

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### **Abstract**

Brand equity is one of the most cited concepts in marketing literature and internal brand equity is one of the newest derived factors of this concept in internal environment of firms. The aim of this study is to provide insights into how job satisfaction, internal marketing and brand orientation shape employees internal brand equity. Empirical data were collected by a questionnaire distributed to food and pharmaceutical firms. The empirical results indicated that while brand orientation and internal marketing were found to have impact on internal brand equity, job satisfaction has no effect on internal brand equity. Additionally, it was observed that job satisfaction and internal marketing has direct and positive impact on brand orientation and therefore indirect and positive impact on internal brand equity through brand orientation. Results of this study can help organizations to improve their financial performance through more awareness of the determinants of internal brand equity.

**Keywords:** Food industry, internal brand equity, Brand orientation, Internal marketing, Job satisfaction

### **1. Introduction**

Brand is the incorporation of all impressions received by consumers which will lead to a distinctive position in their mind based on perceived emotional and functional benefits (Raj and Jyothi, 2011). Therefore, it provides primary points of distinctiveness between competitive offerings, and as such it can be critical to the success of organizations. Brand management has been turned into a field of interest in marketing literature over the past couple of decades (Noble, Rajiv and Kumar, 2002), which is due to recognition of brands affects on consumers' perceptions of an organization (Keller, 1998) and has leading role in improvement of organization's financial performance (Kerin and Sethuraman, 1998).

Branding was in the first place used for distinguishing tangible products, but over the years it has been found to be applicable for differentiating people, places and firms (Peters, 1999), organizations like any other things can also be branded (Levitt, 1980). With consideration of traditional association of differentiating with branding, organizations are trying to make use of this advantage through internalization of brand in their associations and aligning their employees with the brand values, which could make corporate brand achieving a sustainable competitive advantage (Pringle and Thomson, 2001).

For having external successes, organizations must first be internally coherent, because employees need to know exactly how they should behave toward audiences and in this way they become more customer conscious (Mudie, 2003). Organizations that own successful brands have a culture which would lead different areas of the organization toward commitment to the branding. For building a brand driven culture, organizations are required to spend a considerable time and effort for achieving the desired mindset which result in producing intangible outcomes including, lower price sensitivity, more customer satisfaction, fewer customer defections, increased share of the customers' income, and a higher probability for repeating purchases (Knapp, 2000). An important point is that, customers' relationships with their branded possessions and with marketing agents and institutions that own and manage the brand are valuable for them (Alexander et al., 2002).

In the past decade, researchers have devoted a lot of attention on the brand equity construct, which is concerned with incremental utility or value added to a product by its brand name (Yoo, Donthu, 2001). There are many definitions of the concept of brand equity, which underline the importance of having a long-term focus within brand management. Although there is a difference of opinion about the definition and basis of brand equity, most approaches consider brand equity to be a strategic issue, albeit often implicitly. Consequently, there have been significant moves by companies to be strategic in managing their brands (Wood, 2000).

Despite the growing interest in brand equity, literature on internal brand equity is still scarce and very few have focused on the internal aspects of branding in organizations (e.g. Lynch and de Chernatony, 2004). To the best knowledge of the authors, researches has not yet explored the influential factors such as internal marketing and job satisfaction which effects internal brand equity, therefore there is a need for more research. This study focuses on investigating the influential factors of internal brand equity through proposed model. The study starts with a section presenting the literature review. As a result of this review, hypotheses will be discussed and followed by the methodology and results. Findings will be summarized and managerial implications are also presented. Lastly, limitations of the research are identified and future research directions are suggested.

## **1. Theoretical background and conceptual model**

### **1.1. Internal brand equity**

The concept of brand equity has been debated in both marketing and accounting literatures. Thus, it has been defined in multiple ways. One of the simplest classifications of different meanings of brand equity can be found in study of Feldwick (1996) as:

- The total value of a brand as a separable asset on a balance sheet;
- A measure of the strength of consumers' attachment to a brand;
- A description of the associations and beliefs the consumer has about the brand.

The second meaning of mentioned meanings for brand equity is related to the consumers' dependence on the brand which can lead to brand loyalty. With respect to the Aaker's view that brand loyalty is a basic element of brand equity, this meaning of brand equity could be the most appropriate available one with regard to the aim of this study.

Baumgarth and Schmidt (2009) with analogy of externally focused customer-based brand equity, suggest that: "internal brand equity measures the incremental effect of branding on employees behavior and it describes the driving force resulting from esteem of the brand among the brand-owner's own staff, which is significant precursor of their readiness to behave in a way that supports the brand, not only in their organizational role but more generally, at present and in future."

Previous studies have demonstrated that brand equity is an important antecedent of loyalty (e.g. Vogel et al., 2008; Taylor, Celuch and Goodwin, 2004). Consequently, building the internal brand equity in companies could be found to be important to achieve loyal employees. In other words, employer brand equity could contribute to the staying of existing employees (Backhouse, 2004). Hence, business owners and managers need to know the elements which are influential on internal brand equity for designing and delivering appropriate offers that are in line with market demand.

### **1.2. Brand orientation**

Urde (1999) has defined brand orientation "as an approach in which the processes of the organization revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands." Thus, it could be classified as a specific type of marketing orientation, characterized by a branding strategy in relation to the buyer (Urde 1999; Hankinson 2001; Baumgarth 2009). Trice and Beyer (1993) found support for the effect of elements of brand orientation on corporate culture. According to Williams and Attaway (1996), corporate culture is one of the most important motivators of employee behavior and attitude. Hence, it has to be aligned with brand values. (Piercy and Peattie, 1988; Hatch and Schultz, 2001).

Additionally, Baumgrth and Schmidt (2009) found the very powerful impact of a brand oriented corporate culture on internal brand equity in their proposed model, in which brand orientation was regarded as a special type of corporate culture in accordance with the three cultural level of management from the influential model developed by Schein (1992). Based on these findings and with regard to assumption of brand orientation as a special type of corporate culture, it could be assumed that brand orientation can have major role in determining the strength of the internal brand equity. Thus, it is proposed that:

H<sub>1</sub> Brand orientation has a positive effect on Internal Brand Equity

### **1.3. Internal marketing**

Dennis (1995) claims that internal marketing is a strategic management approach which attracts, develops, motivates, and maintains employees by providing work products satisfying employees' needs. A common view among researchers supports the role of internal marketing as encouraging employees to adopt and display market orientated behavior (Gronroos, 1981; Gummesson, 1991). Gronroos (1990) suggests that internal marketing can change employee's attitude and behaviors, and establish the corporate culture. Accordingly, Lee and Chen (2005) examined the relationship between internal marketing and organizational culture and found a significant impact of internal marketing on organizational culture.

In the study of Berry and Parasuraman (1991) internal marketing is the approach of treating employees as customers and considering and shaping job products for fitting human needs. This definition is in accordance with definition of internal marketing as a mean of motivating personnel towards customer-consciousness and marketing orientation by a marketing-like internal approach (Gronroos, 1985). With consideration of the relationship between internal marketing and corporate culture, Gronroos (1990), proposed seven components for internal marketing including: training, large quantities of external communication, management support and international communication, human resource management, market dividers and market research. Additionally, in the model of Tansuhaj et al. (1998), internal marketing was composed of five aspects including: training, communication, keeping employees, incentives and recruitment. As a result, internal marketing is composed of elements that are influential on promotion of corporate culture.

After a review of relevant literature it has been found that the majority of the literature on internal marketing focused upon the issue of employee motivation and satisfaction. Additionally, with taking into account the importance of internal marketing for transferring brand promise made to recruits into the organization and

incorporate it as part of the organizational culture (Frook, 2001), internal marketing would be influential on brand orientation, in that it helps developing a workforce committed to the organization's established goals and values. Wilson (2001) argues that both corporate culture and associated marketing communications have influential effects on brand perception in customers' mind. Thus, with considering employees as internal customers of the corporation, it could be assumed that internal marketing could have influence on brand orientation of the employees. Therefore, it is proposed that:

H<sub>2</sub>. Internal marketing has a positive effect on internal brand equity

H<sub>3</sub>. Internal marketing has a positive effect on brand orientation

#### 1.4. Job satisfaction

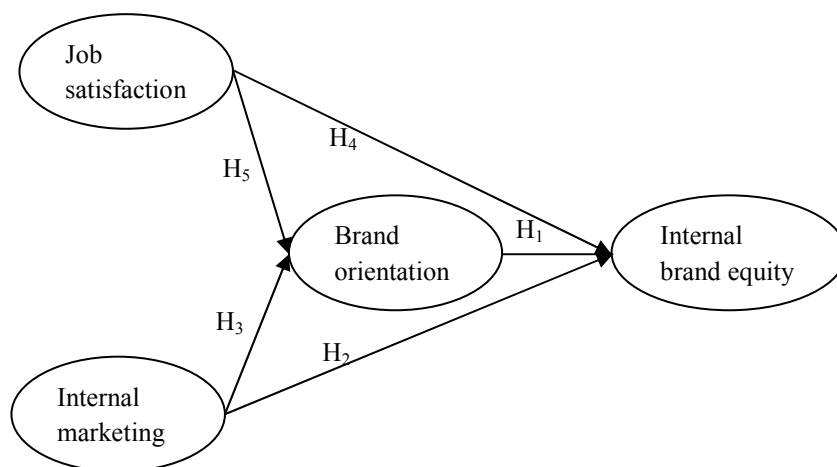
There has been a long debate regarding the relationship between culture of organizations and job satisfaction of their employees. Besides, supporting evidence has been found by many studies (e.g. Kerego & Mthupha, 1997; Field & Abelson, 1982). In literature, job satisfaction has been viewed as the evaluation of the organizational context, whereas, organizational culture has been regarded as a description of the work context (Kerego & Mthupha, 1997). Kline and Boyd (1994) performed an investigation for determining the relationship between organizational context and job satisfaction. Their results showed that different aspects of the work environment could be influential on job satisfaction. Thus, based on the overview of the relative literature and different studies (e.g. Hellreigel and Slocum, 1974) existence of relationship between organization's culture and job satisfaction would be a reasonable assumption. With regard to the relationship between job satisfaction and organization's culture, the relationship between job satisfaction and internal brand equity as a culture related construct could also be investigated.

It has been argued that one major role of a brand is creation and increasing the satisfaction which could predict future behaviors regarding the brand (Mittal and Kamakura, 2001). Zhou, Li and Su argue that marketing orientation can have influential effects on firm's performance through employees' job satisfaction. Besides, with considering the basic idea that every employee in organization can contribute something valuable to end customer, marketing orientation can collect and promote employees' individual efforts in organization (Jaworski and Kholi, 1993). Consequently, these collective efforts can help employees to reach and maintain more satisfaction. Therefore, it is proposed that:

H<sub>4</sub>. Job satisfaction has a positive effect on internal brand equity

H<sub>5</sub>. Job satisfaction has a positive effect on brand orientation

Figure 1. Conceptual model



## 2. Methodology

### 2.1. Measures

To test these hypotheses, a structured questionnaire was designed focusing on job satisfaction, internal marketing and brand orientation affecting employees internal brand equity. The first set of items for job satisfaction was derived from the existing measurement scales developed by Hackman and Oldham's (1974). The scale items relating to internal marketing were derived from Caruana and Calleya (1998) and Tsai (2008). The scale items for both brand orientation and internal brand equity were adopted from, Baumgrth and Schmidt (2009). To assess the content and face validity, the questionnaire was submitted to three marketing professionals who assessed each item for representativeness, specificity, and clarity. The final questionnaire was divided into two parts. The first part contained questions regarding respondents' demographics, and the second part focused on measurement scales. All variables in the second part of the questionnaire were closed-ended five-point scales, with 1 indicating "strongly disagree" and 5 indicating "strongly agree".

### 2.2. Sampling and Data collection

The sample for this study was managers and marketing experts of food and pharmaceutical companies

which have central offices in Tehran. The reason for selecting these kinds of companies is the competitive nature of the food and pharmaceutical industry and abundance of companies in comparison with other industries. A convenience sampling technique was used and a total number of 120 manager and marketing experts were selected from 60 companies. Because the focus of analysis in this study is companies (not individuals), responses were collected and combined so that the analysis was performed in accordance with the number of companies (n=60).

The survey instrument was a self-administrated questionnaire including 43 items. 3 items were used to identify demographic characteristics of respondents. From the respondents' profile, 54.2% were men and 45.8% were women. The age of the respondents ranged from 20 to more than 50 years old, with the most common age groups consisting of 20-30-year olds (52.5% of respondents) and 30-40-year olds (40.8% of respondents). Furthermore, 23.3% of respondents were managers, 49.2% were experts and 25.8% had different occupations.

### 2.3. Analysis and results

Means standard deviation and correlation among research variable is reported in Table1. The brand orientation has the highest mean (4.39) and job satisfaction with the mean of 3.18 has the lowest. As the results shows, internal marketing has strong positive correlation with both internal brand equity ( $r=.78$ ,  $p<.01$ ) and brand orientation ( $r=.77$ ,  $p<.01$ ). Correlation results show that there is positive relation between internal brand equity and brand orientation.

**Table 1.** Means, Standard deviation and correlations

Variable	Mean	JS	BO	IBE	MI	S.D.
IM	4.11	0.31*	0.77**	0.78**		0.658
IBE	4.20	0.302*	0.709**			0.514
BO	4.39	0.200				0.569
JS	3.18					0.561

Notes: IM= Internal Marketing; IBE= Internal Brand Equity; BO= Brand Orientation; JS= Job Satisfaction; \*\* $p<0.01$ ; \* $p<0.05$

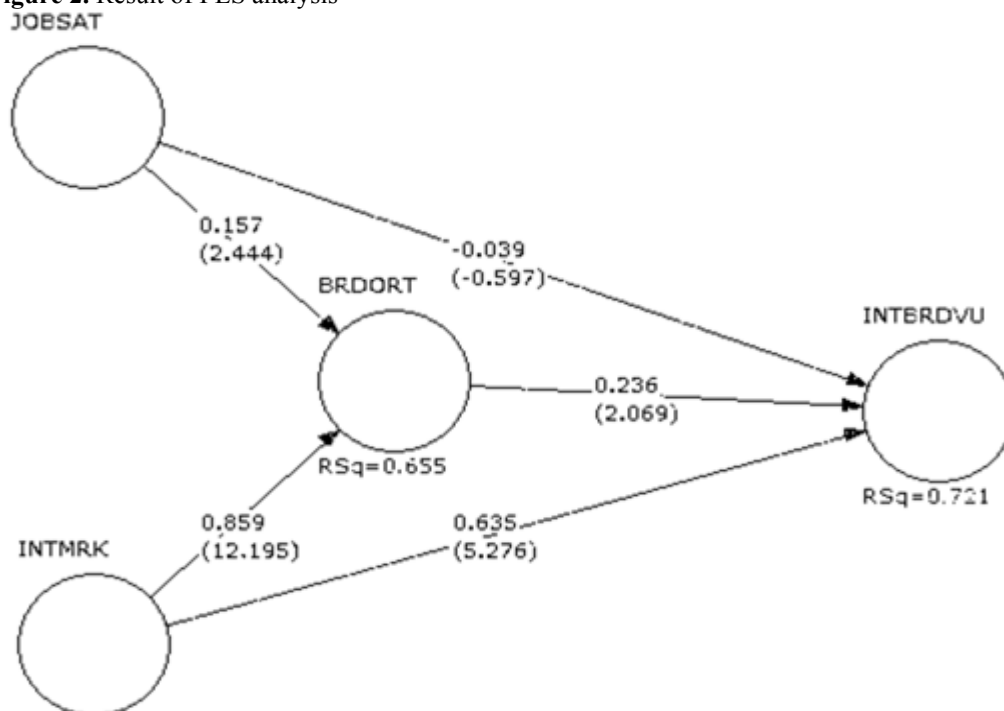
In order to examine the proposed hypotheses, partial-least-squares regression (PLS) was employed. The number of usable questionnaires was the key factor for choosing PLS as the method for testing the model. PLS path models are categorized as inner and outer models. While the inner model specifies the relationship between latent variables, the outer model shows the relationship between a latent variable and its related observed variable. Furthermore, the outer model can be used for testing the hypothesis. As a result, the output of the PLS which is the outer model is provided in figure 1.

The standardized path coefficients ( $\beta$ ) support that brand orientation is an antecedent of internal brand equity and positively affects internal brand equity ( $\beta=.23$ ,  $t=2.06$ ). The results of the analysis indicate that job satisfaction has no significant relationship with internal brand equity ( $\beta=-.039$ ,  $t=-.579$ ). The argument that internal marketing is an antecedent and positively related to internal brand equity is supported by the findings ( $\beta=.63$ ,  $t=5.27$ ). Also, the argument that job satisfaction is an antecedent and that it is positively related to internal branding is supported in the findings ( $\beta=1.57$ ,  $t=2.44$ ). And finally results revealed that the path between internal marketing and brand orientation was indeed positive with strong relationship ( $\beta=.85$ ,  $t=12.19$ ).

**Table 2.** Path coefficient of the research model

Hypothesis	Path	$\beta$	t-value	Result
H1	BRDORT $\rightarrow$ INTERDVU	.236	2.069	Supported
H2	INTMRK $\rightarrow$ INTERDVU	.635	5.276	Supported
H3	INTMRK $\rightarrow$ BRDORT	.859	12.195	Supported
H4	JOBSAT $\rightarrow$ INTERDVU	-0.039	-0.579	Not supported
H5	JOBSAT $\rightarrow$ BRDORT	.157	.2444	Supported

Figure 2. Result of PLS analysis



### 3. Conclusions and managerial implications

Previous research has already proved that brand orientation has influences on internal brand equity (e.g. Baumgarh, Schmidt, 2009). This article aimed at determining further elements which are involved in influencing internal brand equity in organizations. Drawing on published researches and empirical studies, it has proposed a comprehensive conceptual framework, which comprises the components and antecedents of Internal Brand Equity.

The results concluded that the proposed model is highly significant. Further, the model illustrates positive impact of brand orientation on internal brand equity ( $\beta=.236$ ,  $t=2.069$ ), which is in line with previous research of Baumgarh, Schmid (2009). This indicates that with increasing brand orientation of organization, employee's loyalty toward organization's brand will increase. As a result, this will lead to more alignment of employees behavior with organization's brand and this in turn can improve the performance of employees toward fulfilling customers expectations. Although, results show that job satisfaction has no significant relationship with internal brand equity ( $\beta=-.039$ ,  $t=-.579$ ), but, it revealed that the effect of job Satisfaction on internal branding was indeed positive with a modest relationship ( $\beta=.157$ ,  $t=2.44$ ). This result shows that although in previous researches only the effect of internal marketing on job satisfaction has been investigated (e.g. Kameswari, Rajyalakshmi, 2012), the reverse relation can also be effective. The effect of internal marketing as an antecedent of internal brand equity is supported by the findings ( $\beta=.63$ ,  $t=5.27$ ). There is no research investigating such hypothesis, thus, we can conclude that organizations could anchorage their brand in employees mind set through the promotion of internal branding throughout the organization. Finally in this research it was indicated that there is positive strong relationship between internal marketing in organizations and brand orientation ( $\beta=.859$ ,  $t=12.195$ ). This article therefore suggests that organizations could increase the internalization of organization's brand among the employees through encouraging employees to adopt and display market orientated behavior.

This study is considered as the first attempt to investigate the impact of job satisfaction and internal branding on internal brand equity. Therefore, further researches are needed for further confirmation of the results. Besides, the sample size and the possibility of sampling bias occurrence are important constraints on the generalizability of the empirical results. The study was performed in Iran, and analysis of the hypotheses was based on a data set of 60 samples. Therefore, more researches could be conducted in different countries with larger set of samples. Due to the point-in-time nature of this study which could not assess variations in results, further research is needed to be performed in longitudinal investigations.

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