Employee-Based Brand Equity: Antecedents and Consequences

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Abstract

The focus of brand equity research has been to advance the knowledge and understanding of the relationship between the brand and the customer. However, brand equity can also affect the company’s employees. In this study it is hypothesized that where employees perceived their employer brand to have high equity they are more able to deliver the company’s brand promise to customers and more likely to stay longer with the company. This paper incorporates theoretical CBBE (customer-based brand equity) approaches of information economics and cognitive psychology to develop an EBBE (employee-based brand equity) framework. The objective of this study is to advance the knowledge of branding in employee context and to develop a theoretical model of EBBE that captures the deep understanding of the employee’s perceptions and behaviours toward the company brand.

Introduction

For a decade, brand equity has been considered a major indicator of the value of the brand (e.g. Aaker 1996a; Christodoulides and de Chernatony 2004; Cobb-Walgren et al. 1995; Dyson et al. 1996; Herremans et al. 2000; Kim 2005; Kim and Kim 2004; Simon and Sullivan 1993). Within the marketing literature, CBBE is considered an important measure of the value of the brand in the customer perspective (see i.e., Erdem and Swait 1998; Hartman and Spiro 2005; Keller 1993; Kim and Kim 2004; Krishnan 1996; Lassar et al. 1995; Punj and Hillyer 2004; Washburn and Plank 2002; Yoo and Donthu 2001).

However, brand equity research has exclusively focuses measuring the value of the brand in customer perspective rather than other stakeholder group such as company’s employee. Recently the concept of brand equity has been expanded into the employee context (Ambler 2003; Ambler and Barrow 1996; Han 2005), where employees are stakeholder groups influenced by company image (Abratt 1989) and have an impact on company identity (Ind 1997; Stuart 2002). In fact, employees are an important resource for company brand success (de Chernatony 1999; de Chernatony et al. 2003). When a company has defined the company brand, employees’ behaviours need to be aligned with it to reinforce the brand message (Harris and de Chernatony 2001) and to deliver the appropriate service to the customer (King and Grace 2005).

Within the internal marketing literature, the concept of treating employees as customers emerges (Bowers et al. 1990; Gilly and Wolfinbarger 1998; Lings 2004; Mudie 2003; Stengel et al. 2003). Employees are viewed as internal customers and their job as internal product (Berry 1981; Schneider and Bowen 1993). Furthermore, the application of company brand marketing has been expanded to HR research. The employer branding concept not only has been used to transfer the message of the personality of a company as an “employer of choice” (Martin et al. 2005), but it also has been used to adapt the tools and techniques usually used to motivate and engage customers, to employees (Barrow and Mosley 2005).
Consistent with the above perspectives, research focusing on the impact of brand marketing on employees’ perceptions and their behaviours is needed in order to extend knowledge and understanding of brand equity in the employee-base. Given the importance of EBBE, more understanding of EBBE can contribute to enhancing the company's competitive advantage. In particular, if a company understands what its employees believe to be responsible for their employer brand, then company marketing activities could be able to direct a situation in a more efficient way to create favourable brand images and to strengthen the positive brand associations.

The focus of the current study is to apply the concept of brand equity in customer context to the context of employee. Therefore, a review of CBBE and the application of CBBE to EBBE are necessary to provide a sound basis to discuss EBBE in this paper. The paper reviews two distinct conceptualizations of CBBE: cognitive psychology (Keller 1993) and signaling theory in information economics (Erdem and Šwait 1998). The application of CBBE to EBBE and proposed conceptual framework is discussed. Finally, propositions and conclusion are provided.

**CBBE and Human Associative Memory Theory**

In psychology, human associative memory theory has received wide support from experimental studies and has been the framework for the associative network memory model (Franzen and Bouwman 2001). Franzen and Bouwman (2001) assert that the brain is a collection of neurons that pass information between themselves in the form of neurotransmitters, “information units are collections of neurons and are also known as nodes” (p. 129). An associative network memory hypothesizes that information is stored as nodes and are connected to other nodes by links (Keller 1993).

Information about the brand is stored in memory like other information (Franzen and Bouwman 2001). Memory is composed of brand knowledge that is organized as a network of connections in which the links between any two nodes suggest brand associations in the consumer’s mind (Krishnan 1996). Keller’s (1993) CBBE approach associated to associative network memory model, therefore, the attention is given to the set of associations that are activated in response to the brand name.

Consistent with associative memory model, Keller (1993) views the brand as an important node. Once this node is activated, it spreads to other nodes linked to that brand name such as product categories, product substances, advertising campaigns, and past product experiences, etc. Keller (1993) relates brand equity to the brand knowledge created by the company’s marketing strategies which focus on consumer’s cognitive memory. He argues that the relevant dimensions that distinguish brand knowledge and affect consumer response are brand awareness and the favourability, strength, and uniqueness of the brand associations in consumer memory, in which are considered as antecedents of CBBE. As a result, brand equity occurs when “customer is familiar with the brand and holds some favourable, strong and unique brand associations in memory” (Keller 1993). This approach of CBBE provides an explanation for customer preference and behaviour during purchasing process.
CBBE and Signaling Theory

Signaling theory (see e.g. Akerlof 1970; Rothschild and Stiglitz 1976; Spence 1973; Tirole 1988) in CBBE context is the assumption that the companies know more about their product than the customers (Erdem and Swait 1998). Because the product information is important for a purchase decision, customers try to obtain more product information through their information search (Erdem and Swait 1998). In this case, the presence of imperfect and asymmetric information can create customer uncertainty. The theory of imperfect and asymmetric information (Stiglitz 1989), in economics, used to explain, in this case, the situation that companies know more about their product than customers regarding the quality of the product (see Erdem and Swait 1998). It is impossible for customers to tell whether the product is good or bad, only the companies have this knowledge. This creates customer uncertainty where customers feel unsure about company’s product. In order to gain customer trust toward the company, to reduce customer uncertainty, therefore, brand is used as a signal to inform customers about company’s product quality and its credibility (see Erdem and Swait 1998). This approach provides a testable model of brand equity (Sweeney and Swait 1999). Edem and Swait (1998) propose that credible brand signal can create customer value by reducing perceived risk and information search cost and inducing perceived quality. In their study, brand signal is a summary of the past and the present marketing strategies. Here, CBBE is defined as “the value of a brand as a signal to consumers” (Erdem and Swait 1998).

The Application of CBBE to EBBE (Integrated approach)

Based on the above discussion we believe that CBBE can be adapted and applied to the employee context. The theory underlying Keller’s (1993) work on CBBE applies to EBBE. The key assumption in the current study is that employees possess information about the company from company’s communications and their experiences working with the company. There is the potential for employees to use this information to develop individual perception, attitude and behaviour toward the company brand. In other words, high EBBE may impact the potential to reduce employee turnover rate. When an employee decides on whether to leave the company, they may require such information to make that choice. They may use their memory to retrieve the desired information. Customer oriented employees may exhibit higher company brand equity.

Studies have shown that company’s brand activity such as advertising has impact on the company’s employees as well as its customers (Acito and Ford 1980; Bird 1989; Bowers et al. 1990; Gilly and Wolfinbarger 1998). In addition, organizational scholars emphasize the importance of using internal communications to inform and create understanding of company brand, and building ownership among employees (Gilly and Wolfinbarger 1998).

Consistent with Keller’s (1993) cognitive approach of CBBE, which is based on the basic psychological knowledge of cognitive psychology that a human learns, understands, remembers, makes decisions, and actions based on the information he/she has received. It is apparent that employees are like customers as far as their perception of the brand. The employee—as a human being—learns, understands, remembers, makes decisions, and actions based on the brand information he or she has received. It is apparent that the associative network memory model can also be applied to brand associations in the employee context.
We also believe that signaling theory can be applied to the employee context. In the new economy, employees readily leave the company for the better offers (Cappelli 1998). In any company, it is difficult for the employer to communicate all information regarding the quality of the company to its employees. Companies always know better than their employees about the company attributes and quality. In practice, companies have multi-channels to communicate this information to employees. However, there is no guarantee that this information will be a valid and reliable representative of the whole. In addition, employees are human and varied. One employee may interpret similar information differently to others. Therefore, the problem of asymmetric and imperfect information exists in this context.

The presence of asymmetric and imperfect information can create employee uncertainty, which can lead to particular problems; one result being that many good employees will leave the company. In this case, company brand can be used as a signal of company’s quality and credibility. The company brand can define the personality of a company as a preferred employer (Martin et al. 2005) and contributes to its employees’ willingness to stay with the company (Backhaus and Tikoo 2004; Davies et al. 2003). Therefore, Erdem and Swait’s (1998) CBBE approach relying on signaling theory and imperfect and asymmetric information, can be applied in establishing an EBBE framework. Consistent with these perspectives, we argue that the key constructs of CBBE integrating the two different approaches of Keller’s (1993) and Erdem and Swait’s (1998) can be applied to explain EBBE and its outcomes.

**Conceptual Framework**

Consistent with Keller (1993) and Erdem and Swait (1998), we present an EBBE framework in which the favourability and uniqueness of company brand associations affect employees’ perception and behaviour and the company brand can create the signal of company’s quality and credibility. The logical basis for the idea of integrating these two different approaches of CBBE is supported by Sweeney and Swait (1999). The conceptual framework for the current study suggests the link between the favourability and uniqueness of company brand associations, consistency, perceived clarity, and credibility of the brand information. We propose perceived value (Han 2005; Han and Collins 2002; Netemeyer et al. 2004), person organization fit (Cable and DeRue 2002; Yaniv and Farkas 2005), identification with organization (Bhattacharya et al. 1995), customer orientation, and intention to stay as consequences of EBBE.

**Propositions**

The company brand provides information about the company (Aaker and Biel 1993) as well as the company’s possibilities and promises (Lassar et al. 1995). Brand associations, consisting of favourability and uniqueness, influence the credibility of a brand signal (Sweeney and Swait 1999). In addition, Erdem and Swait’s (1998) empirical research illustrates that the credibility of a brand signal is increased by the marketing of the brand (brand investment), the level of consistency and the clarity of the brand signal. Our expectation is the following: $P_1$: The credibility of a brand signal is increased by (a) favourability and uniqueness of brand associations (b) the level of consistency and (c) the clarity of the brand signal. $P_2$: The clarity of a brand signal is increased by (a) favourability and uniqueness of brand associations and (b) the level of consistency.
Erdem and Swait (1998) and Sweeney and Swait (1999) suggest that the clarity and credibility of the brand as a signal, increase perceived quality. However, Aaker (1996b) argues that the same results may occur whether perceived quality or perceived value is used to predict brand-related response because perceived quality can explain 80 percent of the variance in perceived value. We expect that company brand influences employee’s perceived value of the tangible benefits that he or she will receive in return for performing the task in relation to the company brand. Therefore, we proposed that: P3: Perceived value is increased by (a) credibility and (b) the clarity of the brand.

Employees have emotional connections to the company due to membership (Bergami and Bagozzi 2000). Identification with organization and person organization fit, in this study, are determined as psychological and sociological benefits of company brand equity. Identification with organization is defined as the “perception of oneness with or belongingness to” (Ashforth and Mael 1989) the company which an employee identifies him or herself as membership and emotionally attached with the company brand that represent his or her self identity and social identity (Ashforth and Mael 1989). Person organization fit is defined as the degree of perceived fit between employee’s self image (Bromley 2001) and organization image (Illia and Lurati 2006). There is evidence showing that the credibility and clarity of company’s marketing communications may impact the self image, commitment, and identification of the employees due to organizational members (Burmann and Zeplin 2005; Dutton et al. 1994). Therefore, we proposed the following: P4: Identification with organization is increased by (a) credibility and (b) the clarity of the brand. P5: Person Organization Fit is increased by (a) credibility and (b) the clarity of the brand.

Employees estimate the ratio of their inputs to reward outcomes for a given job [in relation to the company brand] (Carmeli and Weisberg; Price and Kiekbusch 2007) that will increase employee absenteeism or turnover (Griffeth et al. 2000) as employees perceive fairness and procedures for the rewards (Folger and Konovsky 1989; Reardon and Enis 1990). Scholars suggest that there is a positive relationship between employee rewards and employee’s customer orientation (Boshoff and Allen 2000; Yaniv and Farkas 2005). Yaniv and Farkas (2005) point out that a high degree of person-organization fit may create an internal culture and values where the organization’s employees are more likely to behave in the way that organization expects and are more likely to be concerned about customers. Studies have found that high person-organization fit leads to high commitment, willingness to do extra work for the company (McCulloch and Turban 2007) and increased employee retention (Bernstein 2003; Chatman 1991; O’Reilly et al. 1991; Vandenbergehe 1999). Scholars point out that strong identification with the organization will induce an employee to stay with the organization (Allen and Meyer 1990; Boshoff and Allen 2000; Meyer and Allen 1991) and will have positive impact on employee’s customer orientation. Therefore, our expectation is the following: P6: Customer orientation is increased by (a) perceived brand value, (b) person organization fit, and (c) identification with organization. P7: Willingness to stay is increased by (a) perceived brand value, (b) person organization fit, and (c) identification with organization.

Conclusion and Further Research

This paper presents an EBBE framework which examines the perception of the individual employee toward their employer brand and their responses. The model combines the two
different approaches of CBBE into a single measure and is adapted to the context of the employee. As a result, this study develops a multidimensional measurement that examines EBBE phenomenon. We propose the antecedents of EBBE to be favourability and uniqueness of company brand associations, brand consistency, brand credibility and brand clarity. We consider perceived value, person-organization fit, identification with organization, customer orientation and willing to stay as consequences of EBBE. As this framework focuses exclusively on individual employee-based brand equity, further research should acknowledge the impact of EBBE on customer satisfaction, customer loyalty and company brand success to complete the successful brand picture.
Reference


