The Role of Brand Orientation, Market Orientation on Strengthening Internal Brand Equity: Evidences from Banking Sector of Pakistan

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Abstract

Internal branding has been emerging recently as an important issue in marketing field. The purpose of this study is to investigate whether brand orientation and internal marketing practices produce any effect on shaping internal brand equity. A structured questionnaire was prepared for collection of data in banking sector of south Punjab, Pakistan. Based on the findings of this research it is observed that brand orientation and internal marketing practices produce a positive impact on internal brand equity. Partial least square (PLS) regression technique was used to test the model fitness. PLS path model was consisting of two models. One model was describing the relationship among variables while other model was used to test the hypothesis. The findings of this research contribute in existing literature by examining the impact of internal marketing and brand orientation on internal brand equity. Furthermore managers of banking institutions specifically and managers of non banking institution in general, can utilize the findings of this research study to enhance their financial growth through internal brand equity.

Keywords: Internal brand equity; Brand orientation; Internal marketing; bank,

1. Introduction

Consumers give prime importance to a brand because it leaves a distinctive positioning in the mind of customers; this distinctive position in the minds of customer is associated with specific benefits and perceived emotions (Raj and jyothi, 2011). So the importance of brand is obvious in this perspective. During last two decades, brand management has been central for all marketing activities (Rajiv, Kumar and noble, 2002), which is in realization to brand effectiveness and perception of consumers (Keller, 1998) and plays an important role in enhancing financial performance of firms (Kerin and sethuraman, 1998). Corporations are trying to utilize the advantages of brand in aligning the personnel so that they can achieve a competitive advantage (Pringle and Thomsan, 2011). It is recognized fact that corporations should be internally coherent in order to achieve external success because workers should get to know how they can be customer conscious (Mudie, 2003). Customer relationship with marketing personnel is very crucial because marketing agents manage brand for customers (Alexander et al., 2002). There has been a debate on defining brand equity and many theorists agree that it is implicitly a strategic issue. In the past brand equity is mainly discussed with external aspects but very few researchers have discussed internal aspect of branding (Lynch and de Chernatony, 2004). Author is of the opinion that researchers have not yet investigated influential factors of internal brand equity such as brand orientation and internal marketing. This study attempts to explore impact of influential factors like internal marketing and bran orientation on internal brand equity with the help of proposed model.

2. Literature Review

According to Baumgarth and Schmidt (2009) internal brand equity is an approach that measures the positive effects of branding on employees attitude and it attempts to prepare the employees to behave in a specific manner in order to support brand building activities. Researchers are also of the opinion that an important predecessor of loyalty is brand equity (e.g. Vogel et al., 2008; Taylor et al., 2004). In addition, to achieve loyal employees it is important that internal brand equity practices should be given top most priority (Backhouse, 2004). So managers/owners of organizations should give central importance to influential factors of internal brand equity like internal marketing and brand orientation.

According to Urde (1999) brand orientation is a process in which firms attempts toward creation, protection, development of brand and healthy interaction with customer to achieve competitive advantage. Elements of brand orientation have a positive impact on corporate culture (Trice and Beyer, 1993). Employees of a firms also acknowledge that corporate culture guides their behaviour towards job (Williams and Attaway, 1996) so corporate culture needs to be in line with brand values. (Piercy and Peattie, 1988; Hatch and Schultz, 2001). In their study Baumgrth and Schmidt (2009) explored that internal brand equity is highly affected with brand oriented corporate culture. They developed a model for this purpose. The basis for their model was drawn from the influential model by Schein (1992). Based on above discussion it can be observed brand orientation is positively associated with internal brand equity. So it is suggested that

H1: internal brand equity is positively affected by brand orientation.

Internal marketing can be regarded as an approach in which employees of the organization are motivated by satisfying their work related needs Dennis (1995). Majority of researchers is of the opinion that internal marketing practices encourage workers to display positive behaviour when they are interacting with customers (Gronroos, 1981; Gummesson, 1991). Internal marketing is a tool that may bring a change in attitudes of workers and lays the foundation of corporate culture Gronroos (1990). Lee and Chen (2005) accepted that there is considerable impact of internal marketing practices on corporate culture. Internal marketing is all about treating employees as internal customers (Berry and Parasuraman, 1991). There are seven components of internal marketing: external communication, support from management, internal communication, training, human resource management, market research and market dividers (Gronroos, 1990). In existing literature of internal marketing the major emphasis is given to employee motivation and satisfaction. According to Frook (2001), internal marketing practices transfer brand promise to the employees and it is also important for brand orientation because it attempts to develop a motivated workforce to achieve organizational objectives. Wilson (2001) recognized that internal marketing and organizational culture produce positive effect about brand perception in customer mind. Based on above discussion it is suggested that

H2: internal-brand-equity is positively affected by internal marketing practices

H3: Internal marketing practices influence brand orientation positively.

Figure 1: conceptual model
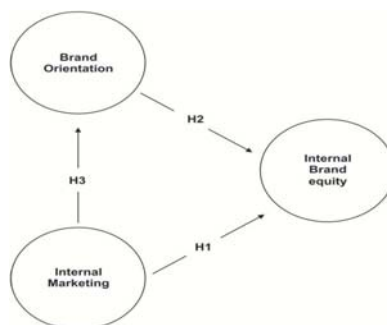
3. Methodology and Data Collection

A questionnaire was developed for exploring the effects of internal marketing and brand orientation on internal brand equity. First part of the questionnaire was adopted from Caruana and Tasi (2008). Similarly the items to measure internal brand equity and brand orientation were derived from, Baumgrth and Schmidt (2009). After developing the questionnaire it was submitted to experts to examine the face validity and content validity and then the final version of questionnaire was prepared. Likert scale was followed to collect the response of questions from respondents. All questions were close ended. One part of questions was about the respondent information like gender, age, education etc. The second part was to investigate the aim of this research study. Author has selected banking industry of south Punjab Pakistan the reason for this selection is that in Pakistan the banking industry is flourished excellently in Pakistan. For sampling purpose respondents were selected from top level of management and mid level so that proper response can be collected because the idea of internal brand equity is not easily understandable for non managers so for this reason top level management and mid level management was selected. 80 bank branches from the region of south Punjab were selected from private and public sector. Questionnaires were sent out through emails. From each bank one manager from top level (branch manager) and two mid level managers were selected. A total of 240 questionnaires were distributed and 120 fully completed questions were returned so the response rate being 50%.

4. Analysis

Table 1 displays the results of standard deviation and mean. It is observed that internal marketing receives highest mean value (4.36) while internal brand equity is second in mean value (4.18) similarly brand orientation is lowest in terms of mean (4.12). Standard deviation of internal marketing is 0.655 and for internal brand equity it is 0.551 and for brand orientation the value of S.D is 0.582

Table 1: Mean and standard deviation.

| Variables (V)	Standard deviation (SD)	Mean (M)
Internal marketing	0.655	4.36
Internal brand equity	0.551	4.18
Brand orientation	0.582	4.12

Table 2: results of correlation

	Brand orientation	Internal brand equity	Internal marketing
Brand orientation	1	------------	-------------
Internal brand equity	0.719	1	------------
Internal marketing	0.788	0.767	1

P<0.05 level of significance

Table 2 shows the results of correlation analysis. It is clear from results of table 2 that a high correlation exist between brand orientation and internal brand equity (r=0.719, p<0.05). Furthermore internal marketing practices have high correlation with brand orientation and internal brand equity (r=0.788 and r= 0.767 at p<0.05). so it is verified that these variables are correlated with each others.

To investigate the suggested hypothesis, author applied partial least square regression analysis (PLS). The reason for choosing PLS model was the number of questionnaires which were fully completed by respondents and returned to author. The results of PLS model are shown in figure 2.

Figure 2: PLS Model with standard estimates and t values
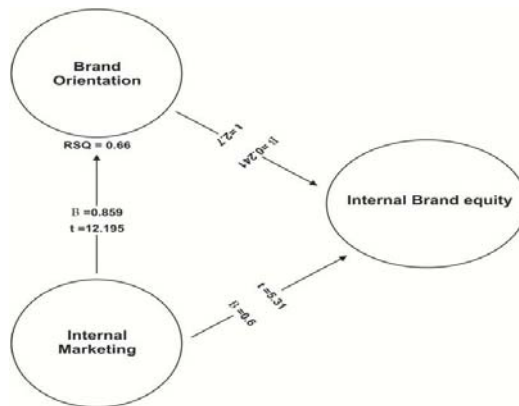
PLS analysis suggested that brand orientation has a positive effect on internal brand equity (β =0.241, t=2.7) where (β) is standardized path coefficients So H1 is accepted. Based on the findings of PLS it is suggested that brand orientation is essential for enhancing internal brand equity. Likewise it is also suggested that internal marketing practices create influential effects on internal brand equity because standard estimates are (β=0.6, t=5.31) H2 is also accepted on the basis of findings of PLS modelling. The relationship between internal marketing and brand orientation is also positive (β = 0.789, t= 11.15) H3 is also accepted hypothesis. So all H1, H2 and H3 are accepted hypothesis.

5. Conclusions and Implications for Managers

Baumgarh and Schmidt (2009) investigated the effects of brand orientation on internal brand equity and accepted that brand orientation positively effects internal brand equity so the fact of brand orientation on internal brand equity is already recognized. This research contributes in existing literature by introducing internal marketing practices as an influential factor on internal brand equity. Empirical significance of proposed model is also verified and it is observed that if managers/owners emphasize on internal marketing practices and brand orientation then this can increase employee's level of motivation and commitment toward brand. This study provides an insight about the influential factors of internal marketing but further investigations on this study area is necessary. Author is of the opinion that further researches should be conducted with some new variable like employee retention, employee motivation and market orientation and the impact of these variables on internal brand equity. Future research should be conducted in different industries for supplementary authentication.

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