Brand Equity and Human Resource Image: Do Customer Really Care About HRM Image and Employer Brand?

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Abstract:

Previously, the literature of Human resource image and Brand equity is well established but there is not a study which explained the relationship between Human resource image and Brand equity. This study aims to fill this gap by the moderating role of trust in this relationship. To test this relationship, data was collected from the students who are recently enrolled in different degree programs offered by different universities of Lahore, Pakistan. Researcher distributed 400 questionnaires, out of them 320 were received back and from those 320, only 240 were usable so the response rate for this study is 60%. Results show that Human resource image is positively related to brand equity and willingness to pay the price premium and trust also moderate these relationships. This study also includes managerial implication and direction for future research

Keywords: Brand Equity, Human Resource Image, Employer Brand

Introduction:

In recent years Human Resource Management has grasp sufficient academic and managerial attention (LePla, 2013). According to Joo and McLean (2006), before 1990 HRM is considered against the profitability of any firm. After that there are researchers who find the phenomena that there exists a positive relationship between HRM and profitability or success (Becker, Huselid, and Urich 2001). Wright, Gardner, and Moynihan (2003) argued that within HRM, the profit of the organization effects and explained by the decrease of cost for recruitment, maintaining the employees.

Strong brands mostly attain the financial success in the form of a market share, profit and shareholder’s wealth (Anselmsson and Bondesson 2015). Customer based brand equity is the important phenomena that capture the attention of the customers which result in higher sales and profitability of the organizations (Anselmsson, Vestman Bondesson, and Johansson 2014). This relationship is present in the retailer context but this study tests this relationship in the service industry where the interaction between employees and customer is quite necessary. So the company’s investment in the employees might establish a soft image of the company in the customer’s mind which result to strengthen the brand and attract the customers. In contrast, negative image of the company damages the company’s worth in public and target customer.

HRM addresses in the internal branding research as this will focus on recruiting, training and giving incentives to the present employees (Punjaisri and Wilson, 2011; Foster, Punjaisri and Cheng 2010; Matanda and Ndubisi, 2013). In internal marketing HRM influences the employees to engage the customers that increase the quality of interaction which effects the strength of brand (Matanda and Ndubisi 2013; Light and Kiddon 2009). In internal marketing literature, the role of employees in the formation of consumer perception through their daily interaction is recognized (Berry, 2000; McGoldrick 2002). According to Heskett, Jones, Loveman, Sasser, and Schlesinger (2008), if the company take care of the employees the customer will also take good care of the customer of that organization. This study focuses on the relationship between HRM and the brand equity through the lens that if a company take care of the employees then this perception of the customer influences the behavior of the customer. HRM is considered to be the starting point in the domains of employer branding, and the focus of employees as for how we can attract them (Elving, Westhoff, Meeusen, and Schoonderbeek 2013; Krygger Aggerholm, Esmann Andersen, and Thomsen 2011). Davies (2008) studies that strong brands satisfy and keep their employees loyal. But there is not a single study which addresses that how the customer perceives the HRM and then these will lead to buying the product or service from the company in the service industry.
The marketing department of any organization is solely responsible for creating the brand equity, brand association and behavior of customer towards their brands (Keller and Lehmann, 2003). But now a day in corporate branding it’s the responsibility of all the departments of the organization to align the behavior, perception and association of the customer towards their brand (Urde, 2013). This corporate branding applies specially to the development of service brands (Gromark and Melin, 2011).

In empirical studies of brand equity related to the service, the behavior and attitude of the employees are considered its important dimension (Beristain and Zorrilla, 2011; Jara and Cliquet, 2012; White et al., 2013). Organizations consider HRM and brand equity as two separate functions and treat these separately and they only see HRM as a support function. But this study demonstrates that HRM is very much important for the brand equity of the organization. This part overlooked by the academic and managerial researchers and this study attempts to fill the gap due to the strategic importance of the combination of HRM and brand equity specially in the service industry.

This study focuses on the point that, either the customers care about that how the companies treat their employees and are they go for that company’s product which treats their employees well. This is the basic question of that research for the managerial prospect to build brand equity based on the HRM image. The purpose of this study is to investigate the relationship between HRM image and Customer based brand equity (Brand equity and willing to pay price premium) and the moderating role of trust in this relationship.

**Literature Review**

**Customer-based brand equity:**

From the brand equity following concepts are emerged, brand investments vs brand image and strength and value of the brands. As shown in the below figure brand equity is made up of these important elements and same is described by the researches of these authors (Keller and Lehmann, 2003; Kotler and Keller, 2012; Wood, 2000; Anselmsson and Bondesson, 2013). Recently, components of brand equity chain are empirically examined, they include areas such as investment in the sales promotion and advertising (Buil et al., 2013), facts of the brand image (Huang and Sarigöllü, 2014), strength (Anselmsson and Bondesson, 2015) and value (Stahl et al., 2012).

**Figure 1. The brand equity chain**

Brand equity is being affected by investment or marketing program on that brand either this is intentionally or unintentionally. Investment on any brand can be in form if product research, product development, design development, trader support, advertising, public relation, and employee support, training and support (Keller and Lehmann, 2003). The brand image on the other hand are the feelings, or attitudes of consumers about specified product and other components that are attached to the memory of the customer (Keller, 1993).

In this study we focus on both tangible and intangible attachment of the customers with the image of the brand. Keller (2001) differentiate between image and performance of the brand. Brand performance is the way by...
which the product or service meet the buyers demand it also includes reliability and serviceability of a brand. On the other hand, the image of the product is emotional and physical need of the buyer it also includes the repute of the brand in the consumer’s mind. In this literature we introduce the HRM image of the organization which focuses image of the organization rather than performance. On the other side of the mirror, how the employees deal with the customers is a performance related task.

Brand equity is the customers wish to purchase a specified brand under different circumstances Yoo and Donthu (2001). But there are also some global measures to access brand strength like purchase intension, the response of the customers and willing to pay a higher price for the brand (Netemeyer et al., 2004). In the retailer context, they also have to bear some HR investment to attain price premium and now we have to see how this factor influence in the service industry.

This is also an important fact to understand that how the brands are capable of capturing financial values of their brands, this is done by selling a large volume and also by charging higher prices (Doyle, 2000; Srivastava et al., 1998). When we discuss customer based brand equity, it is the combination of image and strength of a brand in the market. According to brand equity theory, brand image and brand strength make the financial worth of any organization. This financial worth is considerable for the shareholders who make its brand equity (Pahud de Mortanges and Van Riel, 2003).

HRM and branding:

Basic purpose of HR is to maximize the employee’s performance in order to achieve the goals of the organization (Johnason, 2009). HR department is basically responsible for the recruitment, performance, training and development of the employees (Pauwe and Boon, 2009). All of these mentioned tasks effects the brand value development. According to Herrbach and Mignonac (2004) there is a link between organizational image and HRM, because due to positive human resource image companies are capable to attract and maintains talented workers. Some other studies also provide support to this argument (Cable and Graham 2000; Greening and Turban 2000). Cascio (2014) also provide support to the argument that there is a strong relationship between employer’s image and employee retention abilities. As the employer’s perspective, organizational attractiveness is one of the major brand building components of HRM.

HRM image and overall brand equity:

Staff is very much important in the service industry, as they are helpful for the organization to build strong customer based brand equity, so this makes HRM very much important to motivate the staff. Some direct link of the HRM is also felt with the perceived customer image that also contributes to the customer based brand equity. Brand image association through which corporate brands establish their brand equity is the peoples working in the organization (Keller 2000). This mentioned study shows the importance of the employees with respect to the customers. But there is not a single study which investigates this relationship in the service industry. There are also many methods through which we can access the equity and strength of any brand. According to Aaker (1996), awareness, association, loyalty and quality are important for the brand equity while Yoo and Donthu (2001) introduce purchase oriented construct in this study. Yoo and Donthu (2001) introduce the construct that brand strength and equity is measured by the consumers willing to buy the product.

Anselmsson et al. (2014) used the scale developed by the Yoo and Donthu (2001), which is called global assessment of brand equity. HRM image is strong employer’s brands which shows that HRM activities boost the employee’s abilities and therefore these activities are then able to capture the customers and they are willing to buy that product. That’s a chain activity which initiated by the employer and that is most fruitful for the employer prospect.

Trust is considered to be a most important factor in the branding literature. Trust is a binding force in any relation. Studies of relationship marketing show that trust in integral part of which relationship is based
When a customer buys a product from some brand and this product meets the demand of that customer so that’s the proof of reliability and trust of that company on the consumer (Sirdeshmukh et al., 2002). So when the level of trust is high that will strengthen the relationship of customer perceived HRM image and brand equity and when the level of trust is low then this will cause weaken the relationship of customer perceived HRM image and brand equity. So we argued

**H1: Customer perceived HRM image is positively associated with brand equity.**

**H2: Trust moderates the relationship between Customer perceived HRM image and brand equity.**

**HRM image and price premium**

HRM is considered to be the expensive practice that counters the profitability of an organization (Joo and McLean, 2006). But this is also a proved fact that HRM and profitability are positively associated with each other (Becker et al., 2001). Apparently the cost is associated with the good HRM practice, on recruitment, training and leadership development organization has to spend handsome amount. To attain price premium, the organization has to bear the cost of the HRM and treating their employees in a well-mannered way. According to Netemeyer et al., (2004), the price premium is considered to be the most important predecessor of brand equity. The price premium is the price which the consumer is willing to pay for a brand while comparing it with all the other brands of similar nature (Aaker 1996). There are some other features of the brand image like quality, uniqueness (Netemeyer et al., 2004), country of origin, social image (Anselmsson et al., 2014), and sense of community (Persson, 2010) which are considered to be more influence on the consumer to pay a price premium. HRM image is the building block of customer equity which enables a consumer to pay a price premium for a brand while comparing it with all other brands of similar nature.

Whenever the customer has trust in the brand then customer feels reliability and security while purchasing that specified brand (Delgado-Ballester and Munuera-Aleman, 2001). Trust is required in building a strong consumer-brand relationship (Urban, Sultan, and Qualls, 2000). According to Bhattacherjee (2002), brand image is a most important predictor of trust and for consumer willingness to pay a price premium. So whenever the trust level is higher than this will strengthen the relationship of customer perceived HRM image and consumer willing to pay a price premium, whenever its low this will weaken the relationship of customer perceived HRM image and consumer willing to pay a price premium. So we hypothesized that

**H3: Customer perceived HRM image is positively associated with consumer willing to pay a price premium.**

**H4: Trust moderates the relationship between customer perceived HRM image and consumer willing to pay price premium**
Research Model

Methodology:

This part of the paper briefly explains the methodology used for obtaining empirical data from the desired respondents. This section also explains the population, sample, sampling technique and questionnaire used by the researcher in this study.

Population/Sample/Data collection:
Population means the maximum number of probable entities which are included in this research study. For this study population embraced the students who are studying in the universities of Pakistan. So these students are the population of this study. These students best represent our population because these students are considered to be best because we need data from service sector of Pakistan and we consider these students as the customer of that educational institute. So these students should best represent our population.

Major universities and their campuses located in Lahore, Pakistan are included in this research study. The sampling frame of the study should be comprised of the definite numbers of the respondents which include in population (Nesbary, 2000). In this study sample size consist of 600 students of different universities in Lahore, Pakistan. Due to the quality of specific data we only collected data from the respondents who are willing to participate and their participation is voluntary. They also assured that their data is not given to any other person and this data is also used for a research project. For sampling we used simple random sampling to collect data from the students of universities in Lahore, Pakistan because these are easily accessible and easy to locate. For this study we used self-administered questionnaire. We distribute 400 questionnaires for the collection of data and from those 312 were received back to the researcher. From these received questionnaires 240 were usable. So our response rate is 60%.

Demographic of the Sample:
75.8% of the respondents were male and 24.2% of the respondents were female. 93.3% of the respondents were married and 6.7% of respondents are unmarried. The average age of the respondents was 21-30 years. Average education the respondents were Masters.

Results and Findings:

In this section we will interpret the results and findings of our study.
### Table 1: One Way Anova

<table>
<thead>
<tr>
<th>Demographics</th>
<th>BE</th>
<th>WPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>3.44</td>
<td>2.575</td>
</tr>
<tr>
<td>Gender</td>
<td>6.193</td>
<td>0.04</td>
</tr>
<tr>
<td>Marital status</td>
<td>0.125</td>
<td>2.826</td>
</tr>
<tr>
<td>Education</td>
<td>0.467</td>
<td>1.356</td>
</tr>
</tbody>
</table>

BE= Brand Equity, WPP= Willing to pay price premium, *shows significance (p≤0.05)

**Control Variables:**
Table 1 shows the control variable for each dependent. In case of Brand Equity (BE), p value of age (P=0.079), gender (p=0.054), Marital Status (p=0.724) and Education (p=0.76), are non-significant because it’s p>0.05 so we don’t have to control age, gender, marital status and education for BE when we run regression analysis. For WPP value of age (P=0.061), gender (P=0.842), Marital Status (p=0.094) and Education (p=0.25), are non-significant because it’s p>0.05 so we don’t have to control age, gender, marital status and education for WPP when we run a regression analysis.

**Correlation**

**Table 2:**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRI</td>
<td>3.95</td>
<td>0.55</td>
<td>(0.712)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T</td>
<td>3.96</td>
<td>0.62</td>
<td>0.495**</td>
<td>(0.791)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BE</td>
<td>3.05</td>
<td>0.69</td>
<td>0.445**</td>
<td>0.469**</td>
<td>(0.691)</td>
<td></td>
</tr>
<tr>
<td>WPP</td>
<td>3.81</td>
<td>0.54</td>
<td>0.489**</td>
<td>0.474**</td>
<td>0.885**</td>
<td>(0.762)</td>
</tr>
</tbody>
</table>

HRI= Human Resource Image, T= Trust, BE= Brand Equity, WPP= Willing to pay Price Premium. **shows p=0.000, *shows p<0.05

Table 2 shows the mean and standard deviation of each variable. All the variable has meant about the 3, which means that average responses of the respondents are in the agree region. The standard deviation of all the variables is below 1 which means that there is a small variation in the responses with respect to mean. Correlation table provides us initial support that either our hypothesis is going to support or not. Table shows that HRI has its degree of association with T because p<0.05, and person correlation value is close to +1, which means that their association is strong, in the same way association of HRI-BE, HRI-WPP, T-BE, T-WPP, and BE-WPP has degree of association due to p<0.05 and its strong association because Pearson correlation value is close to +1.

**Regression analysis:**

**Table 3:**

Following table shows the regression analysis of study variables.

<table>
<thead>
<tr>
<th></th>
<th>BE</th>
<th>WPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>β</td>
<td>R square</td>
</tr>
<tr>
<td>Controls</td>
<td></td>
<td></td>
</tr>
<tr>
<td>step 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRI</td>
<td>0.437**</td>
<td>0.198</td>
</tr>
</tbody>
</table>

HRI= customer perceived value, WPP= customer satisfaction, BE= repurchase intension, **shows significant (P=0.000)
Above given table (table 3) shows the regression analysis of the study variables. The table shows direct relation (simple regression) of the variable which shows that Human resource image has a significant positive impact on Brand Equity which is shown by $\beta=0.437^{**}$, This means that $p= 0.000$, and $\beta$ has a positive sign which means that they are positively correlated with each other. $T$ vale is above 2 and $F$ stats is above 4 which shows the fitness of our model. So H1 of our study is being supported by the data which is Human resource image is significant positive related to Brand equity. This means that by enhancing the Human resource image of the brand the brand equity is also rising up.

In the same way Human resource image is significant ($P=0.000$) and positive ($\beta$ has a positive sign) associated with the willing to pay a price premium. $T$ value is above 2 and $F$ stats is above 4 which means that our model is fit. So H3 of our study also got support from our data which is Human resource image is significantly correlated with willing to pay a price premium. This means that by increasing Human resource image of the brand, the customers will be willing to pay a price premium for that brand.

**Moderation:**

In order to prove the moderation firstly, we have to make the interactional term (Human resource image*Trust) and then apply simple regression on the Interactional term (HRI*T) and both dependent variables (Brand equity, willing to pay price premium).

**Table 4:**

<table>
<thead>
<tr>
<th></th>
<th>BE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRI*T</td>
<td>$0.072^{**}$</td>
</tr>
</tbody>
</table>

Table 4 shows that interactional term (HRI*T) is also significant with brand equity which shows that Trust moderates between the relationship of human resource image and brand equity so our H2 of the study also supported by our data which means that Trust moderates between the relationship of human resource image and brand equity.

**Graph 1:**

In moderation analysis when moderation proves then we have to make a graph. Above graph shows that when the trust level is higher than the regression line of HRI and BE is more steep which shows that at High trust this
HRI-BE relationship becomes stronger while the relationship becomes weaker in case of low Trust as the HRI-BE relationship become weaker which is shown by the less steepness of regression line.

**Table 5:**

<table>
<thead>
<tr>
<th></th>
<th>WPP</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>R square</td>
<td>T</td>
</tr>
<tr>
<td>HRI*T</td>
<td>0.088**</td>
<td>0.300</td>
<td>10.09</td>
</tr>
</tbody>
</table>

Table 5 shows that interactional term (HRI*T) is also significant with willing to pay price premium which shows that Trust moderates between the relationship of human resource image and willing to pay price premium so our H4 of the study also supported by our data which means that Trust moderates between the relationship of human resource image and willing to pay price premium.

**Graph 2:**

Above graph shows that when the trust level is higher than the regression line of HRI and WPP is more steep which shows that at High trust this HRI-BE relationship becomes stronger while the relationship becomes weaker in case of low Trust as the HRI-WPP relationship become weaker which is shown by the less steepness of regression line.

**References:**


# Questionnaire:

## Section 1: Willingness to pay a price premium

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The fee of this university is higher as compared to other universities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. I am willing to pay more fees for this university as compared to other universities of likely domain.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. I am willing to pay a price premium for this university as compared to other universities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

## Section 2: Company Equity

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It makes sense to get admission in that university as compared to another university even if the program is same.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. If there was another university as good as this I would still prefer to this university.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. If another university was no different from this anyway, it would still seem smarter to get admission there.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

## Section 3: HRM image

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employees are probably proud to say they work at this university.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. This is a reputable university to work for.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. This university probably has a reputation as an excellent employer.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. There are probably many people who would like to work for this university</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. I would find this university a prestige place to work</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

## Section 4: Trust

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Based on my past experience I do believe that the transaction with this university is always safe.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Based on my past experience I do believe that the transaction with this university is always reliable.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Based on my past experience I do not think that my things go wrong with my transaction through my university</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Based on my past experience I am confident that my university will promptly inform me if at all any problem occur with any of my work</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

## Demographics

1. **Gender**

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
</table>

2. **Marital Status**

<table>
<thead>
<tr>
<th></th>
<th>Married</th>
<th>Unmarried</th>
</tr>
</thead>
</table>

3. **Age**

<table>
<thead>
<tr>
<th></th>
<th>Below 20 years</th>
<th>21-30 years</th>
<th>31-40 years</th>
<th>41-50 years</th>
<th>51 years and above</th>
</tr>
</thead>
</table>

4. **Education**

<table>
<thead>
<tr>
<th></th>
<th>Matric</th>
<th>Intermediate</th>
<th>Bachelors</th>
<th>Masters</th>
<th>MPhil/PhD</th>
</tr>
</thead>
</table>