Corporate Reputation as a Strategic Loyalty Tool: A Theoretical Exposition

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Abstract
Establishing a good corporate reputation in the marketplace is important for every firm. In this paper, we examine the relationship between corporate reputation and customer’s loyalty from a theoretical perspective and proposed a practical implication that can assist management in building good corporate identity. We contend further that the variability of performance outcomes in most organizations is a manifestation of their corporate identity which calls for a fundamental change in reputational or identity marketing; thus, we noted that reputation is a marketable resource in constructing an overall corporate strategy. The paper concludes with some specific managerial implications.

Keywords: Corporate Reputation, Customer Loyalty, Corporate Marketing, Identity Management, Corporate Image.

1. Introduction
Corporate reputation has recently received renewed attention in the marketing literature (Allsop, Basset and Hoskins, 2007; Balmer and Greyser, 2002; Dumke 2003; Davies, Chun and Kamins, 2010). Positive reputation in the market has been recognized as particularly valuable in building loyalty for a firm’s brands. Indeed, given its non-commercial value, corporate reputation is viewed with less skepticism (Park and Lee, 2007). Although corporate reputation can be very influential in commanding prestige, previous research suggests it is particularly important, as it is sufficient to convince consumers about a firm’s offerings.

However, even with this renewed interest in corporate reputational issues, its theoretical nexus and practical implications in marketing have received little attention (Richard and Zhang, 2012). Regrettably, the limited discussions in the literature of how firms can build up their reputation in the market have tended to concentrate on the 4.ps or at most satisfying consumers which is assumed to naturally lead to reputation. As such the opportunities for firms to market their identity in order to influence their customer’s behaviour has been ignored. In this paper, we propose that building and marketing a positive reputation in the market can significantly influence positive consumer attitude towards the organization. We contend that as a firm’s reputation in the marketplace increases, positive consumer buying behaviour is also likely to increase. Therefore, in this paper, we argue that loyalty is a consequence of three organizational forces: Its identity, its product and its social responsibility. Thus, we believe that a better understanding of the conditions that can facilitate reputation such as the one proposed above, can provide managers with insight as to how best to stimulate such loyal behaviours.

Therefore, the objectives of this paper are two folds:

(i) To provide a review of previous studies on this subject
(ii) To draw managerial implication based on this insight.

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2. The Concept of Corporate Reputation

Generally, there has been no acceptable definition of what corporate reputation is, (Martins, Buttle and Biggemanrn, 2012). However, scholars such as Wreight and Camerer (1988); Balmer (1998) and even Sharker and Yuchtman, (1997) had all provided some insights by attempting to provide some operational definitions of corporate reputation. For instance, Wreight and Camerer (1988) described by way of definition, that corporate reputation is a set of attributes ascribed to a firm based on a firm’s past actions. Balmer (1998) on his part defined corporate reputation as composing of the latest beliefs about an organization. Whereas, Shenkar and Yuchtman, (1997) defined corporate reputation from a customer perspective by saying that corporate reputation is the identity of firm in the marketplace. Other researchers like Selness, (1993); Fombrum, (1996) defined corporate reputation as the perceptual representation of a firm’s overall appeal as compared to its rivals. Koronis and Ponis (2012) described corporate reputation as the accumulated trust and positive evaluations of the organization by its various stakeholders. These behaviour are built up over time and could be either positive or negative reputation. Thus, Barney, (1996); Black et-al (2000) and Hanson et-al (2008) defined corporate reputation from a marketing perspective by saying that is a market validated intangible asset or liability. Accordingly, Dowling (2004) include the chief executive officer (CEO) as the prime determinant of a firm’s reputation. For Frombrun, (1996); Helm (2007) corporate reputation is the overall evaluation of a firm as being substantially good or bad. Helms (2007) further define reputation as the individual’s perception of the general estimation in which a firm is held good or bad. Thus, a firm’s reputation can be used to estimate the level of service quality, Kirmani and Rao, (2000), and a trustworthy reputation characterized by credibility, reliability, honesty and benevolence can help a firm to service competitive crises while also building customers loyalty (Bloom et-al 2006; Frombrun, 2001). Dowling (2004) concluded that a good corporate reputation does not only help to set the expectations of stakeholders and competitions but also create an emotional and intellectual bond with target customers and employee and enable sustainable profit outcomes over time. This in essence confirms what earlier authors and more recently, Richard and Zhang (2012) had observed that corporate reputation has a significant influence on customer’s commitment and satisfaction.

Moreso, there is a growing body of research to confirm that reputation is a fragile asset which can easily be washed off if not carefully managed. Thus, many scholars have come to the agreement that the reputation of the chief executive Officer is an important driver of corporate reputation (Dumke, 2003). Marstellar (1998) in his study found out that a CEO’s reputation accounts for 40 percent of a company’s standing as viewed by its stakeholders. Furthermore, Dowling (2004) maintains that the CEO, the integrity of the organization’s top team management and the activities of executive managers play a significant role in creating reputation. Thus, reputation can be earned overtime. The activities of the firm, its products and services, price, promotion and place, all communicate some value, which can be translated as positive or negative and build up trust and confidence for the firm or otherwise. That is why many scholars have described a good reputation as an intangible corporate asset (Dumke, 2003; Dowling, 2004).

3. The Concept of Customer Loyalty

Customer’s loyalty or brand loyalty has been described as a deeply held commitment to a firm or its product(s). Thus early views of loyalty focuses on repeat purchase behaviour by customers, but more recently repeat purchase does not suggest loyalty behaviour (Reichheld and Sasser, 1990). Brown (1952) classified loyalty into four categories:

(i) Divided loyalty
(ii) Undivided loyalty
(iii) Unstable loyalty
(iv) No loyalty
However, Lipstein (1959) and Kuehn (1962) measured loyalty by the probability of a product being repurchased. Engel and Blackwell (1982) defined brand loyalty as the preferential, attitudinal and behavioural response towards one or more brands in a product category expressed over a period of time by a consumer. Assel (1992) defined loyalty as a favorable attitude toward a brand resulting in consistent purchase of the brand over time. Accordingly, Jacoby (1971) observed that loyalty is biased behavioural purchase process that results from a psychological process. Keller (1993) on his part attempted to described loyalty and observed that loyalty is present when favourable attitudes for a brand are manifested in repeat buying behaviour; while Grember (1995) suggested that both the attitudinal and behavioural dimensions need to be incorporated in any measurement of loyalty. Thus, brand loyalty is of paramount importance for marketers and researchers (Aaker, 1991; Reichheld, 1996). Anderson et-al (2004) argued that a loyal customer base can help to increase the organizations relative bargaining power regarding its stakeholders. Therefore, customer loyalty should affect shareholders value in a positive manner by reducing instability and associated risk with expected future cash flows.

According to Jacoby and Kyner (1973) loyalty is the biased behavioural response expressed over time, by some decision making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological processes. Loyalty is also determined by the strength of relationship between relative attitude and repeat purchase and that it has both attitudinal and behavioural elements (Dick and Basu, 1994). Oliver (1997) defined loyalty as a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future; despite situational influences and marketing efforts having the potential to cause switching behaviour. Mascarenhas et-al (2006) as cited in Shankar and Chin (2011) provided a third dimension which is value besides the physical and emotional aspects; and contended that the blending of these three aspects: the physical, emotional and value elements towards the target customers and achieving positive and complete customer experience will build lasting customer loyalty.

Rychid (1996) expressed the benefits of loyalty as follows:

(a) That the advantages of customer loyalty are long term and cumulative. Thus, the longer a customer remains loyal to a firm, the more profit a business is likely to get from that single customer.

(b) That because businesses have to invest money looking for new customers such as through advertising or other means, for loyal customers such costs are eliminated or minimized.

(c) That customer’s spending tends to increase overtime, suggesting that a customer who repeatedly stays with a firm becomes more familiar with the firm and such customers are likely to sample other products produced by the firm, thereby helping the company to achieve a larger market share.

(d) That because loyal customers are familiar with the company’s products makes them less dependent on its staff for information and service thus reducing servicing lost.

(e) That satisfied customer recommend the business to friends and others, suggest that referrals are a vital source of new customers and customers who stay upon the strength of a personal recommendation by a friend tends to stay longer.

(f) Loyal customers tend to pay more for a brand because they perceive some unique value in the brand that no other alternative can provide and they are less likely to be lured away by a discount.

(g) That as customers become loyal to a brand, they become less sensitive to a price increase. Thus, the company can maintain a price differentiation over the competitor because of products ability to satisfy their needs.

(h) That loyalty if well protected and nurtured over time can be turned into partnership, thereby bringing unimaginable benefit to the firm in the long run.
4. Corporate Reputation and Customer Loyalty: The Nexus

The marketing literature on drivers of loyalty behaviour indicates that perceived reputation or identity is a key driver of loyalty behaviour (Richard and Zhang, 2012; Reuber and Fischer (2005); and Rogerson, (1983). For instance, Kirmani and Rao (2000) report that perceived corporate reputation has a significant direct effect on consumer loyalty. Walsh, Mitchell, Jackson and Beatty (2009) report positive relationships between perceived corporate reputation and consumer’s willingness to rebuy or recommend intentions. The same result is reported in the Sichtmam (2007) study. He found that; (i) a customer’s decision to buy again or recommended a brand to another person is influenced by the quality of service, confidence and business competence and (ii) the firm’s overall image in terms of product or service quality, satisfaction derived and the quality of business environment built on trust, reliability, comfort and credibility. Although some studies find only an indirect effect of reputation on behavioural outcomes, such as loyalty through satisfaction, other studies report both direct and indirect effects of perceived corporate reputation on customer behavioural intentions.

This paper proposes therefore, that perceived corporate reputation has direct and indirect effects on repeat buying behaviour and loyalty. The role of reputational management or identity marketing is gaining attention in the literature. Selness (1993) stated that knowing the determinants and consequences of consumer’s loyalty behaviours can help managers to manage their reputation better.

Hanson, Samuelsen, and Silseth (2008) argued that reputation can play the role of makers, mediators and moderators of consumer responses and behaviours. Researchers recognized the critical role of corporate or product image in overall evaluation of business experience. Shenkar and Yuchtemen -Yaar (1997) argued that consumer feelings about an organization affect not only their willingness to do business, but also their loyalty. Similarly, Gray and Balmer (1998) concluded in their studies that consumer’s emotional satisfaction to a firm is positively associated with loyalty behaviours.

Accordingly, Dumke (2003) describe corporate reputation as the net result of all experiences, impressions, beliefs, feelings and knowledge people have about a company or its product or services. Previous studies have indicated that in a highly competitive environment, even satisfied customers can defect and switch to a competitor that offers more satisfying alternatives. Therefore, reputation or identity becomes an important tool for managers in reinforcing positions in the market, retaining customers and maximizing profits. Previous studies demonstrate that corporate reputation has an impact on consumer satisfaction via perceived quality. Others consider perceived identity as a determinant of loyalty. For instance; Fombrun (1996) argued that both technical reputation (that is, what the customer sees during an encounter or experience) and functional reputation (that is the manner in which the firm is portrayed) contribute to building its reputation Vis-a Vis its image. This conceptualization was supported by Bluk, Carnes and Richardson (2000) empirical study. Thus, Bloom et-al (2006) considers corporate reputation as a cumulative construct that evolves over time. Thus, we argue that reputation may determine consumer loyalty if the consumer has no previous experience with the company. But we believe that perception determines reputation if consumers have some experiences with the firm, its product or services.

In the same vein, it is logical to say that consumers feelings about the different aspects of a firm’s offerings contribute to the overall impression customers may have about it. For instance, consumer’s emotion developed during an encounter with a business firm such as happiness or joy resalting from prompt attention to service needs or frustration elicited by an impolite sales staff can contribute to an overall impression about the business and therefore affect its loyalty. Hence, we contend that consumer’s emotional satisfaction is positively associated with reputation, which in turn affects loyalty.

Moreover, many researchers and scholars like; Balmer (1998); Balmer and Grayser (2002); Casalo, Flavian and Guinaliu (2007) had maintained that a good reputation in the eyes of the public can help to develop and maintain strong relationships with customers and ultimately increases market share, sales and loyalty. Thus, Davies, Chun and Kamins (2010) observed that corporate reputation, image and identity are important determinants of loyalty. Falkenreck and Wagner (2010) in their submission noted that consumer’s loyalty is significantly and strongly associated with corporate image and reputation. In a study of the banking
industry in Nigeria, Ibok (2009) find that image affect customers loyalty behaviour to the banks. Mbum and Enoch (2012) reported the same result in a study of Islamic banks. Based on this, we propose that corporate image, identity and reputation are positively and significantly associated with consumer loyalty, thus, a positive corporate identity, image and reputation are most likely to predict loyalty behaviours and vice versa.

5. Conclusion

The reviews of various literatures tend to suggest that customer experience plays a significant role in formation of corporate reputation. Reputational marketing has been extensively recognized as an essential ingredient for successful loyalty. Reputation is considered under many other constructs like confidentiality, reliability, credibility, trustworthiness, predictability, experterness, business judgment, empathy, altruism, integrity, consistency, openness, respect, faith, acceptance and security. These constructs smoothens one’s belief about an organization and can create lasting and enduring impression. Although, it is intangible, it can be made real in the eyes of the consumers therefore, it is essential that organizational managers begin to plan out their reputational agenda and to validly represent loyalty on the collective construct of corporate reputation of firms. The most important theoretical contribution of this paper is examining the relationship between corporate reputation and consumer loyalty. This implies that the effect of reputation can extend to product/service image and therefore, the impact of the former on the later should also be investigated.

6. Managerial Implications

This paper has drawn specific managerial implications. First, as consumers perceive corporate reputation it directly or indirectly influences their loyalty, therefore there is need for marketers to design marketing programmes geared towards improving their image and reputation before the consuming public such programmes should be intended to improve credibility, reliability, and trustworthiness among other considerations.

Secondly, as this paper identified image, identity and reputation as important determinant of loyalty behaviour, managers should place more emphasis on heeding both the positive and negative feelings of their customers, by identifying those attributes that trigger favourable and unfavourable impressions and re-engineer by efficiently allocating resources to boost image and identity marketing.

Thirdly, keeping loyal customers set should be seen as a challenging task as this paper provides insights on how reputation can help improve their image and build customer loyalty. Therefore, introducing loyalty programmes such as frequency programmes and club membership programmes can improve marketplace reputation. Frequency programmes should be designed to provide rewards to customers who buy frequently and in substantial amounts. Club membership programmes are also important in tracking loyalty this can be open to everyone who purchase a product or service or limited to an affinity group.

Institutional ties, personality marketing and interactive marketing can improve loyalty. Listening to customer is crucial to customer relationship management, while companies can create strong bonds with customers by individualizing and personalizing relationships. An institutional tie is important as consumers are less inclined to switch when corporate ties are strong with the customers. It is also important that contact employees be properly trained to recognized customers emotions so as to influence the customer’s evaluation of the firm’s performance reputation.

Finally, organizations should clearly communicate their core values to create and maintain respectability and public confidence. The need for organizations to understand their core values and defend it even in the midst of crises or dissatisfaction will help to strengthen customer’s bond and loyalty.
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