RELATIONSHIP OF CUSTOMER-BASED CORPORATE REPUTATION AND CUSTOMER PERCEIVED VALUE- A CASE OF AUTOMOBILE SECTOR

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ABSTRACT

The paper is an empirical study which attempts to highlight the impact of Customer-based Corporate Reputation on Customer Perceived Value. The study has been undertaken in high involvement product category (automobiles) as the cost involved and the perceived risk in this category is high, therefore, the customers rely immensely on the reputation of the company. The study aims to identify the impact of Customer-based Corporate Reputation (CBR) on different types of customer perceived value (CPV) i.e. emotional value, functional value(performance/quality), social value and functional value (Price/value for money).

KEYWORDS- Corporate Reputation, Customer-based Corporate Reputation, Customer Perceived Value, Automobile sector

INTRODUCTION

Radical changes caused by the internet, globalization, diminishing returns on traditional media and a more demanding general public have created a new dynamism, where the company behind a brand is becoming as or more important than an individual brand itself. As consumers around the world have greater online access to a brand's lineage, the influence of the parent brand or

company behind the brand matters even more. Customers perceive and identify companies, by the value they create from their products and services and also from the reputation they enjoy in the minds of their customers. This customer's reputational perception of a company is often referred to as "Customer-based Corporate Reputation". According to Walsh and Beatty (2007), Customer-based corporate reputation is the customer's overall evaluation of a firm based on his or her reactions to the firm's goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities.

A highly-regarded customer-based corporate reputation engenders good feelings about a company's products and more importantly, provides assurance that the brands are of superior quality, are ethically sourced and made responsibly. This suggests that a company's reputation is increasingly serving as a virtual stamp of approval on brands bought. As customer-based corporate reputation becomes a credential for quality, it also makes easier for the customers to choose among an ever-exploding number of choices. The customer-based corporate reputation of a company enhances the marketability of its products or services since it adds to the positive perception of quality and value of products or services in the mind of their potential customers.

A higher value perception about the company builds expectations about its products and services, and the value offerings of a company that caters to these expectations helps in developing a stronger bond with the customers.

REVIEW OF LITERATURE

The literature review suggests that the concept of customer-based corporate reputation (CBR) explicitly considers customers' personal experiences with and perceptions about a company. CBR is an attitude that results from a customer's interaction with a given firm and these interactions are more likely to take place when customers deal with firms. Dowling (2001) argues that an important determinant of reputation a person holds of a company is the

relationship that the person has with the organization, and customers are more likely to have a 'relationship' with a company than other stakeholders. Roberts and Dowling (2002) therefore have recommended that future research should focus on customers as probably the most important stakeholder group. Customers are a company's most important stakeholder as they are the primary generators of revenue for business. This alone indicates a reason to study them separately, relative to the corporate reputation. Customer-based corporate reputation has been defined as a multidimensional construct (Davies et al., 2003; Walsh & Wiedmann, 2004). Following Walsh and Beatty's (2007) recent study, the concept of customer-based corporate reputation includes five dimensions, which are customer orientation, good employer, reliable and financially strong, product and service quality and the social and environmental responsibility. As customer-based corporate reputation becomes a credential for quality, it also makes easier for the customers to choose among an ever-exploding number of choices. A good reputation not only increases customers' confidence in products, services and advertising claims but also lowers cognitive dissonance acting as a surrogate for information (Fombrun & van Riel, 1997; Lafferty & Goldsmith, 1999). The customer-based corporate reputation of a company enhances the marketability of its products or services since it adds to the positive perception of quality and value of products or services in the mind of their potential customers.

CBR is the perception held by customers or potential customers of a company and acts as source of information about a company's trustworthiness. These perceptions stand closely associated with the credibility of a firm therefore influencing these perceptions in a positive manner is critical. Almost all companies in the market today regardless of what products they sell, are interested to develop and preserve their respective corporate reputations. Nguyen and Leblanc (2001) have found that the customers are more inclined to purchase the products or services from companies whom they perceive as having favourable reputation among their competitors. Several studies have accepted the crucial role of corporate reputation and corporate image in the customer's buying behaviour. Corporate reputation and image are therefore considered as important factors in establishing and maintaining loyalty among customers (Raj, 1985).

Empirical findings clearly indicate that corporate reputation positively influences a number of customer-outcome variables (Walsh and Beatty, 2007), including Customer Perceived Value (Brodie, Whittome & Brush, 2009; Cretu & Brodie, 2007; Hansen, Samuelsen & Silseth, 2008). Customer perceived value (CPV) is an overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given (Zeithaml, 1988). Zeithaml (1988) has referred to this assessment as a comparison of a benefits and sacrifices perceived by customers. Most common of such views of value is the ratio or trade-off between quality and price (Cravens, Holland, Lamb Jr. & Moncrief, 1988; Monroe, 1990), which is a value-for-money conceptualization. In addition, a broader framework of perceived value includes emotional value, social value and price/value for money and performance/quality value (Sweeney & Soutar, 2001). Customer perceived value results not only from an evaluation of the relative rewards and sacrifices associated with the offering, but also its emotional component. Further, Sweeney & Soutar (2001) have given four-dimensions of perceived value vis-a-vis emotional value (the utility derived from the feelings or affective states that a product generates), social value (enhancement of social self-concept, the utility derived from the product's ability to enhance social self-concept), functional value (price/value for money) and functional value (performance/quality).

A good reputation serves as a subsitute for the product or service quality. As such, corporate reputation leads the customer to trust that the received benefits are comparatively better. Also, favourable perception of a firm's reputation is positively related to customer satisfaction, trust, loyalty and word-of-mouth behaviour (Bartikowski & Walsh, 2009; Oliver & DeSarbo, 1988; Walsh et al., 2009; Walsh & Beatty, 2007), thereby increasing the benefit side of CPV. Also, the perceived risk associated with performance ambiguity and information asymmetry also decreases in comparison to other counterparts, thus reducing monitoring costs. As experienced by various stakeholders, corporate reputation is critical because it helps to reduce transaction costs (Bartikowski & Walsh, 2009; Caruana, Ramasashan, & Krentler, 2004; Einwiller, Fedorikhin, Johnson & Kamins, 2006; Rose & Thomsen, 2004; Shapiro, 1983; Walsh & Beatty, 2007).

Hence, due to the suggested impact on the level of transaction costs and monitoring costs, it is suggested that corporate reputation possibly decreases the cost side of CPV (Abdolvand & Norouzi, 2012; Hansen et al., 2008). Keeping in view the above discussion and linking corporate reputation and customer perceived value, it is plausible that corporate reputation has a positive influence on the perceived benefits and has a negative influence on the perceived sacrifices.

OBJECTIVES

1.   To find the impact of customer-based corporate reputation on emotional value.

2.   To study the impact of customer-based corporate reputation on functional value (performance/quality).

3.   To examine the impact of customer-based corporate reputation on functional value (price/value for money).

4.   To identify the impact of customer-based corporate reputation on social value.

5.   To analyze the relationship of between customer-based corporate reputation and overall customer perceived value.

HYPOTHESIS

H_1:   Customer-based corporate reputation has a significant impact on emotional value.

H_2:   There is a significant impact of Customer-based corporate reputation on functional value (performance/quality).

H_3:   Customer-based corporate reputation has positive impact on functional value (price/value for money).

H_4:   Customer-based corporate reputation has a significant impact on social value.

H_5:   Customer-based corporate reputation affects customer perceived value positively.

RESEARCH METHODOLOGY

The present research is descriptive in nature and quantitative research techniques have been used in the study. Primary data is collected using a structured questionnaire. The questionnaire has

been developed using the CBR scale (Walsh & Beatty, 2007), Perval scale (Sweeney & Soutar, 2001). The data has been collected from 150 car users across Delhi and NCR (comprising of Gurgaon, Noida and Faridabad). The secondary data has been collected from various journals, books, websites, magazines, reports, published papers etc.

DATA ANAYSIS & INTERPRETATION

The primary data collected has been tested for reliability. The reliability of each construct scale has been assessed by computing Cronbach's alpha coefficient. Scale reliabilities range from 0.910 to 0.917, indicating Cronbach's alpha measures of 0.917 (table 1.1) for CBR scale (Walsh & Beatty, 2009) and 0.910 (table 1.2) for Perval scale (Sweeney & Soutar, 2001). All scale reliabilities exhibit an acceptable level of reliability of 0.70 (Nunnally, 1978).

Objective-1- To find the impact of customer-based corporate reputation on emotional value.

The analysis depicts that the p value has been found out to be statistically significant (p =0.000) thus leading to the conclusion that there exists a linear positive relationship between customer-based corporate reputation and emotional value. Further, the R value of 0.516 clearly indicates that emotional value has a significant and a positive relationship with customer-based corporate reputation. The R square value of 0.267 indicates that the variation in emotional value up to 27% is caused by customer-based corporate reputation.

Therefore, H_1 is accepted.

Objective-2- To study the impact of customer-based corporate reputation on functional value (performance/quality).

From the analysis, it has been found that the p value is statistically significant (p =0.000) thus leading to the conclusion that there exists a linear positive relationship between customer-based corporate reputation and functional value (performance/quality).

Further, the R value of 0.669 clearly indicates that functional value (performance/quality) has a significant and a positive relationship with customer-based corporate reputation. The R square value of 0.447 indicates that the variation in functional value (performance/quality) up to 45% is caused by customer-based corporate reputation.

Therefore, H_2 is accepted.

Objective-3- To examine the impact of customer-based corporate reputation on functional value (price/value for money).

The analysis shows that the p value is statistically significant (p =0.000) thus leading to the conclusion that there exists a linear positive relationship between customer-based corporate reputation and functional value (price/value for money). Also, the R value of 0.475 clearly indicates that functional value (price/value for money) has a significant and a positive relationship with customer-based corporate reputation. The R square value of 0.225 indicates that the variation in functional value (price/value for money) up to 22% is caused by customer-based corporate reputation.

Therefore, H_3 is accepted.

Objective-4- To identify the impact of customer-based corporate reputation on social value.

The analysis indicates that the p value is statistically significant (p =0.000) thus leading to the conclusion that there exists a linear positive relationship between customer-based corporate reputation and social value. Also, the R value of 0.720 clearly indicates that social value has a significant and a positive relationship with customer-based corporate reputation. The R square value of 0.519 indicates that the variation in social value up to 52% is caused by customer-based corporate reputation.

Therefore, H_4 is accepted.

Objective-5- To analyze the relationship of between customer-based corporate reputation and overall customer perceived value.

The correlation of 0.775 between the two constructs shows that both the constructs i.e. customer-based corporate reputation and customer perceived value are highly correlated. The data analysis further indicates that after the regression analysis, the p value have been found out to be statistically significant (p =0.000) thus leading to the conclusion that there exists a linear positive relationship between customer-based corporate reputation and overall customer perceived value. Also, the R value of 0.775 clearly indicates that overall customer perceived value has a significant and a positive relationship with customer-based corporate reputation. The R square value of 0.601 indicates that the variation in overall customer perceived value up to 60% is caused by customer-based corporate reputation.

Therefore, H_5 is accepted.

DISCUSSION

This paper aims to investigate the relationship of customer-based corporate reputation with customer perceived value as well as various dimensions of perceived value. The results reveal that customer-based corporate reputation and customer perceived value have high degree of correlation. From the data analysis, it is clear that customer-based corporate reputation has a significant and positive relationship with customer perceived value i.e. customers associate higher value with higher reputation of the companies. Also, when a company is perceived by the customers to have higher reputation, this leads to a higher customer perceived value. It has been found that customer-based corporate reputation and customer perceived value are highly related. The R square value of 0.601 clearly indicates that the variation in customer perceived value up to 60% is caused by customer-based corporate reputation and therefore, it has a strong relationship with customer-based corporate reputation. Furthermore, customer-based corporate reputation also has a positive impact on all the four dimensions of customer perceived value. Therefore, it can be derived that customer-based corporate reputation has a positive and significant relationship with emotional value, social value, functional value (price/value for money) and functional value (performance/quality). Moreover, it can be said that considering the four dimensions of customer perceived value, customer-based corporate reputation has a major

impact on social value and least impact on functional value related to price. Therefore, companies with good reputation tend to charge higher prices from their customers as they are perceived to deliver higher social, functional (quality) and emotional value.

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