

Studying the Impact of Perceived Corporate Reputation on Commitment and Loyalty Headed for Customer Citizenship Behaviours in Telecom Companies

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Abstract

The purpose of this study is to investigate the impact of perceived corporate reputation on two dimensions of customer citizenship behaviours including helping the company and helping other customers. The sample (n=380) was telecom customers in India. Structural equation model was used to test six hypotheses. The findings show that telecom provider's reputation through customer commitment and loyalty has significant impact on customer discretionary behaviours. Investigating other aspects of commitment and loyalty as mediator variables and doing this research in other industry (B2B or B2C) can be considered in future studies. Telecom managers should do all possible actions in his power to build positive perception about telecom corporate in the eyes of customers and society. Loyalty building programs should also be conducted regularly.

Key Words: Commitment, Perceived corporate reputation, Loyalty, Telecom Service Provider, Customer Citizenship Behaviours.

I. Introduction

While product oriented businesses can rely on physical reality of the product, service oriented businesses cannot and need to focus on other strategic issues to attract and retain customers for lifelong. In this respect corporate reputation can be visualised as one of the chief strategic issues that can be relevant. Corporate reputation is an introduction of corporation's activities and achievements which forms corporation's ability to provide valuable results to its stakeholders (Walsh et al., 2009). Although every business keeps customers at centre to achieve its prime goal of profits but they become more valuable for service businesses due to their integration in service production and delivery. Hence service customer's behaviours are more vital for service firm's development and growth and the way they look at corporate reputation shape their attitude and behaviours (Davies et al., 2003; Shamma & Hassan, 2009). Sound corporate reputation stimulate customer to support and/or demonstrate their connection with it via voluntary behaviours (Bartikowski and Walsh, 2011; Gruen, 1995) that are conducive to effective functioning of service organization (Bove et al., 2009; Gouthier and Schmid, 2003; Groth, 2005; Singh, 2000). Many past studies supported that positive perceptions of a firm's reputation relate positively to customer satisfaction, trust, loyalty, commitment, identification and word of mouth behaviour (Caruana and Ewing, 2009; Keh and Xie, 2008; Oliver and Desarbo, 1988; Roberts and Dowling, 2002; Shamma and Hassan, 2009;

Walsh et al., 2009a, 2009b) but very few studies have been conducted to uncover how corporate reputation of service provider affects downstream variables, in terms of customers' voluntary behaviours, especially in Indian context. Thus, the aim of this paper is to answer the following questions:

Does a perceived corporate reputation of the firm directly improve customer voluntary behaviours?

How perceived corporate reputation and customer citizenship behaviours are causally related to other behaviourally pertinent variables, in terms of commitment and loyalty?

Does relationship between customer orientation and customer citizenship behaviours experience mediation by customer commitment?

Does relationship between customer orientation of firm and customer citizenship behaviours experience mediation by customer loyalty?

This conceptual paper is structured in the following way: section 2 presents an overview of research framework; section 3 presents a conceptual background and testable hypotheses, section 4 deals with a description of data, its analysis and discussion of results. Finally section 5 summarizes the discussion and concludes with limitations of this study and suggestions for future research.

II. Overview of research framework

The research framework is depicted in Fig.1. Drawing on signalling theory, cognitive consistency theories, and previous literature perceived corporate reputation (PCR) is proposed to be directly related to commitment, loyalty and customer citizenship behaviours directed to other customers as well as firm. Motivated reasoning theory explains the mediator effects of commitment and loyalty in PCR-CCB relationships.

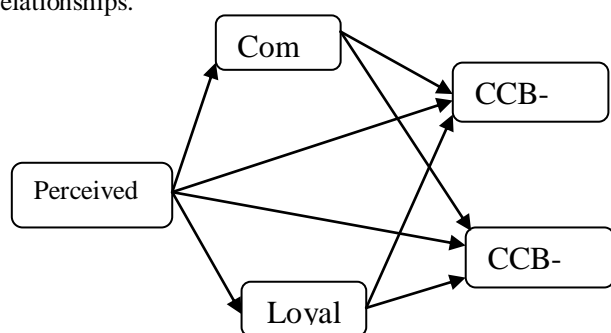


Fig 1- Conceptual Framework

III. Conceptual background and development of hypotheses-

3.1 Direct effects-

Commitment is defined as “an implicit or explicit pledge of relational continuity between exchange partners” (Dwyer, Schurr and Oh, 1987). Although commitment has been conceptualised as a multidimensional construct this study focuses on its affective dimension which is the strong predictor of consumer behaviour (Cater and Cater, 2010; Jones et al., 2010). According to cognitive consistency theory people try to preserve their beliefs by engaging themselves in belief consistent behaviours. When reputation of the service firm is being marked positive by the customers, they probably own consistent feeling of commitment, positive intentions of association with the firm or engagement in other positive actions directed towards the firm (Bettencourt, 1997; Zeithaml et al, 1996). Good corporate reputation positively affects customer commitment (Bartikowski and Walsh, 2011). Customers have positive thoughts and feelings for the firm with which they highly identify which in turn leads to commitment (Einwiller et al., 2006). On the basis of above lines following hypothesis can be proposed:-

H1: Perceived corporate reputation has positive impact on

customer commitment.

Likelihood of previous customers to continue to buy from a particular organization is known as customer loyalty. A strong corporate reputation brings greater loyalty intentions (Bartikowski & Walsh, 2011; Shahsavari & Faryabi, 2013). Sound reputation can lessen the risk perceived by the customer and motivate them to do business with the firm (Dierickx & Cool, 1989; Fombrun & Shanley, 1990; Rose & Thomsen, 2004; Spence, 1973). In many studies strong positive relationship is found between corporate reputation and customer loyalty (Bartikowski et al., 2011; Salam & Shawky, 2013; Walsh et al., 2009). Based on above lines following hypothesis can be formulated:-

H2: Perceived corporate reputation has positive impact on customer loyalty.

Customer citizenship behaviours (CCB) may be defined as “voluntary and discretionary behaviours of individual customers that are not required for the successful production and/or delivery of service but that, in the aggregate, help the service organisation overall” (Groth, 2005). Customers support the organisation through extra-role engagement or belief congruent actions if they perceive that the firm is valuable, admirable and prized possession (Gruen, 1995). Corporate reputation has a significant impact on two dimensions of customer citizenship behaviours that are directed to other customers and firm (Bartikowski & Walsh, 2011). Customer citizenship behaviours may represent an expression of a customer’s goodwill that result from a good firm reputation (Fombrun, 1996). On the above ground following hypotheses can be formulated-

H3: Perceived corporate reputation has positive impact on helping the other customer dimension of customer citizenship behaviours.

H4: Perceived corporate reputation has positive impact on helping the company dimension of customer citizenship behaviours.

3.2. Mediated effects

Customers perform citizenship behaviours when they are loyal to employees of the service firm and perceive them to be benevolent (Bove et al., 2009; Groth, 2005; Gruen et al., 2000). Committed customers may be willing to perform

voluntary behaviours as they identify with a firm’s goals and values and are interested in its welfare (Bhattacharya et al., 1995; Chonko, 1986). Customer commitment leads to an increased likelihood of customers communicating to the firm service problems and ways to better serve their needs (Bettencourt, 1997). Purchase or ego involvement may lead to both commitment and loyalty (Beatty et al., 1988; Chiung-Ju and Wen-Hung, 2008; Olsen, 2007; Schramm-Klein et al., 2008). High involvement generates the desire to increase conclusion accuracy by in-depth processing of information. Deeply involved persons reject alternative opinions because they have highly anchored attitudes (Greenwald & Leavitt, 1984; Sherif and Hovland, 1961). Therefore, committed and loyal customers preserve and defend their beliefs about the firm’s reputation in order to maintain accuracy and directional goals. Thus, the commitment and loyalty variables may mediate the effects of customer based corporate reputation on customer citizenship behaviours. On this ground following hypotheses are proposed-

H5: Customer commitment mediates the effect of perceived corporate reputation on the- (a) helping the other customer dimension and (b) helping the company dimension of customer citizenship behaviours.

H6: Customer loyalty mediates the effect of perceived corporate reputation on the- (a) helping the other customer dimension and (b) helping the company dimension of customer citizenship behaviours..

IV. Method

4.1. Data collection and measures-

Survey data gathered from a sample of 380 Indian telecom service customers help to test the hypotheses. Respondents completed a questionnaire about a current provider. Five-point Likert scale was used for all items (1=strongly disagree, 5=strongly agree). On the basis of extant literature a structured questionnaire was designed. All the items were adopted from already existed scales. To ensure the content and face validity, the questionnaire was discussed with few subject matter experts. Finally the field survey conducted to test the dimensional and structural validity

the included items. Internal consistency of questionnaire was analyzed by “cronbach-alpha.” The value of cronbach-alpha was found greater than 0.8 which demonstrate high internal consistency of instrument.

4.2. Measurement model evaluation

The confirmatory factor analysis was conducted to evaluate construct validity. The CFA indicates good model fit with (χ^2 (313)=2.035; root mean squared error approximation [RMSEA]= .050; confirmatory fit index [CFI]= .957; Tucker-Lewis index [TLI]= .953), and the composite reliability is greater than 0.80 for all constructs (Table 1). All constructs also achieve discriminant validity, because the variance extracted by the factors is greater than the squared correlation between them (Fornell and Larcker,1981).

Table 1

Convergent and discriminant validity.

	CR	AVE	CCB (help company)	CBR	commitment	loyalty	CCB (help other customer)
CCB(help company)	0.898	0.690	0.830				
CBR	0.913	0.603	0.274	0.776			
commitment	0.933	0.737	0.237	0.397	0.859		
Loyalty	0.942	0.699	0.554	0.360	0.246	0.836	
CCB(help other customer)	0.849	0.583	0.716	0.415	0.241	0.591	0.764

Notes: CR= Composite Reliability and AVE= Average Variances Extracted.

4.3. Structural model evaluation-

Fitness indices of structural model represents an acceptable level of model fit with (χ^2 (314)= 2.063; root mean squared error approximation [RMSEA]= .053; confirmatory fit index [CFI]= .957; Tucker-Lewis index [TLI]= .952). The results of path analysis (Table 2) represents that corporate reputation has significant impact on customer’s commitment (β =.363, t =6.244) and loyalty (β =.400, t =7.072) but has no significant influence on citizenship behaviours with regard to helping other customers (β =.107, t =1.472) and helping the company (β =.132, t =1.023). Therefore, the first and second hypotheses are accepted but the third and fourth hypotheses are rejected. Bootstrapping with 2000 samples at 95% confidence interval is conducted to assess indirect effects. The results of bootstrapping (Table 3) represent that commitment and loyalty mediates the effect of PCR on both the dimensions of CCBs thereby supporting hypotheses 5a, 5b, 6a & 6b.

Table 2

Hypothesis testing summary result



Hypothesized path	Path coefficient	t- value	supported
PCR--> commitment	0.363	6.244	Yes
PCR--> loyalty	0.400	7.072	Yes
PCR-->Helping other customer	0.107	1.472	No
PCR-->Helping the company	0.132	1.023	No

Bootstrapping results for mediation

Relationship	Direct without mediator	Direct with mediator	Indirect
PCR commitment Help the company	0.223(***)	0.007(.950)	(.000)(Mediation)
PCR commitment Help other customer	0.451(***)	0.132(.026)	(.000)(Mediation)
PCR loyalty Help the company	0.203(***)	0.003(.904)	(.017)(Mediation)
PCR loyalty Help other customer	0.321(***)	0.113(.047)	(.001)(Mediation)

Notes: values in the bracket are p values at 95% confidence level.

V. Discussion

From a theoretical perspective this study will enrich the existing literature of corporate reputation by generating deeper insights into PCR-CCB causal relation with commitment and loyalty. In this study the effect of telecom service provider's reputation on the two dimensions of customer citizenship behaviours was investigated directly and indirectly through commitment and loyalty. The results underline the return on reputation in the form of customer commitment and loyalty. The findings also showed that telecom service provider's reputation through customer affective commitment and attitudinal loyalty has a significant impact on both the dimensions of customer citizenship behaviours (helping other customers and helping the company) so managers should always pay attention on the emotional side of relationship. Loyalty building programs should be arranged by management on regular basis. In order to enjoy the benefits of customer discretionary behaviours telecom service providers must try to build and maintain their reputation along with loyalty building programs. Managers can take following actions for promoting and improving reputation of telecom service provider-

- Improve the quality of telecom services.
- Encourage employees to speak about positive aspects of telecom service provider when communicating with others.
- Foster customer oriented atmosphere.
- Empower employees with greater autonomy in decision making while dealing with customers.

- Focus on social and environmental responsibility.
- Providing operational information as and when required.

5.2 Limitations

This study has some limitations. Convenience and snowball sampling techniques were used to collect data so representativeness of data collected is unknown. The study has industry limitation too. The cross-sectional data is used which is susceptible to bias. The exclusive use of self reported data on part of customer might cause concern. This study focuses only on affective and attitudinal aspects of commitment and loyalty which limits it.

5.3 Suggestions for future research

Replication in other service industries would be a step towards addressing the problem of generalizability. Collection of longitudinal data would provide clearer causal inferences about the hypothesized paths. Variety of citizenship behaviours are reported by researchers so in future the study can be conducted with other behaviours in order to explore different results. Impact of culture on PCR-CCB relations can also be studied. Other aspects of commitment and loyalty can be studied in further researches.

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