

Impact of Customer-based Corporate Reputation on Customer Citizenship Behaviours- a study of mediation role of commitment and loyalty.

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ABSTRACT

This study examine the impact of customer based corporate reputation (CBR) on two dimensions of customer citizenship behaviours (CCBs) and to investigate whether two dimensions of customer commitment and loyalty mediate CBR-CCB relationship. A survey among Indian customers of grocery retailers was conducted as a method for data collection. Results suggest that affective commitment and attitudinal loyalty mediate the relationship between CBR and both the dimensions of CCBs and calculative commitment mediate the relationship between CBR and company directed dimension of CCB but behavioural loyalty does not mediate the effect of CBR on CCBs. The most relevant implication is the return on reputation in terms of relationship building and supportive behaviours. Grocery retailers are advised to develop and maintain its reputation for reaping benefits of long term relationships and discretionary behaviours.

Keywords: *Customer Based Corporate Reputation (CBR), Customer Citizenship Behaviours (CCBs), Grocery Retailer.*

“He who steals my purse steals trash..... but he that filches from me my good name..... makes me poor indeed”.

– Othello

Introduction –

Many of past business scandals demonstrated the importance of building, maintaining and defending reputation. It has been proved that firms must put extra efforts on developing its reputation capital which help them not only in building relationships with stakeholders via differentiation from competitors but also sustaining through tough times. In India, service industry has witnessed a supernormal growth and expansion during last one and a half decades which results into intense competition in this sector. This forces service firms to find out more strategic ways of delighting, satisfying and retaining customers. In this context corporate reputation can be one of the most significant strategic issues as its imitation by competitors is not at all easy in the long run. In addition, corporate reputation is one of the most important antecedents of a customers’ attitude and behaviour (Shamma and Hassan,2009). Sound corporate reputation motivate customers to support and/or exhibit their affiliation with it via citizenship behaviours (Bartikowski and Walsh,2011; Gruen,1995) that are conducive to effective functioning of service corporate (Groth,2005). Existing literary work witnessed that positive perceptions of customers’ with respect to firm’s reputation relate positively to customer satisfaction, trust, loyalty, commitment, identification and word of mouth behaviour but very few studies have conducted to unleash how corporate reputation affects downstream variables, in terms of customers’ voluntary behaviours. Given this gap, this study examines whether or not the sound corporate reputation prompts customer citizenship behaviours. While the level of commitment and loyalty is found to be high for the customers patronizing highly reputed firms (Walsh et al.,2009), only few studies examine the impact of customer based corporate reputation on commitment as well as loyalty constructs. Keeping it into consideration this study also examines the effects of customer based corporate reputation on different dimensions of commitment and loyalty. Finally, the causal connection of loyalty and commitment with corporate reputation –customer citizenship behaviour linkage has also been a neglected issue amongst researchers. Although, mediator effects of commitment and loyalty on the relationship between firm reputation and customer citizenship behaviours are explored in very few studies (eg. Bartikowski and Walsh, 2011; Shahsavari and Faryabi, 2013), no study examines the mediating effects of different dimensions of commitment and loyalty on the relationship between reputation of firm and customer citizenship behaviours (CCBs). The present study attempts to address this lacuna in the literature.

2. Overview of research framework-

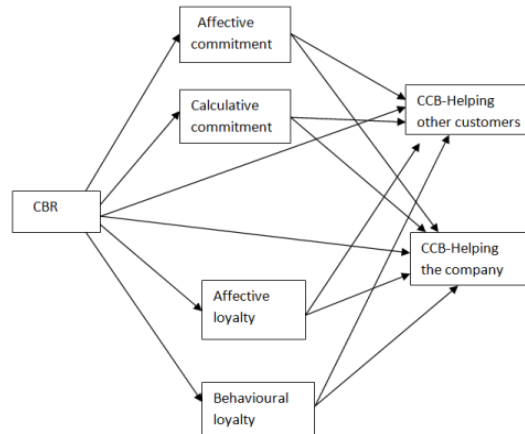


Fig.1. Conceptual model

3. Conceptual background and development of hypotheses-

People have certain beliefs, values, attitudes and behaviours. As per cognitive consistency theories they try harder to maintain the equilibrium among their ideas, beliefs, values, attitudes and behaviours. Any inconsistency brings distress which is undesirable for them. In order to avoid it they engage themselves in behaviours that are congruent with their beliefs. 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). Good corporate reputation positively affects customer commitment (Bartikowski and Walsh, 2011). Sound corporate reputation is a source of supportive customers and produces affective commitment (Bennett and Gabriel, 2001). Customers have positive thoughts and feelings for the firm with which they highly identify which in turn leads to commitment (Einwiller et al., 2006). Firm's perceived reputation is directly and positively related with the continuance commitment (Laksamana and Wong, 2009). On the basis of above lines following hypotheses can be proposed:-

H1: As customer based corporate reputation increases, customers' affective commitment to the firm will increase.

H2: As customer based corporate reputation increases, customers' calculative commitment to the firm will increase.

Loyalty is a mix of attitude and behaviour often characterised as repeat patronage and favourable behaviours. This study separately scrutinizes behavioural and attitudinal loyalty. Readiness of customer to re-buy the product/service and to sustain the relationship regardless of any internally held preferences is called behavioural loyalty while attitudinal loyalty reflects the level of psychological attachment and advocacy by the customer. A strong corporate reputation brings greater loyalty intentions (Bartikowski & Walsh, 2011). Sound reputation can lessen the risk perceived by the customer and stimulate them to go for business transactions with the firm (Fombrun and Shanley, 1990). Corporate reputation has significant impact on customer behavioural intentions (Haery, Ghorbani & Zamani, 2014). Good reputation help firms building strong relationships with customer. Bontis, Booker and Serenko in 2007 disclosed that good corporate reputation enhances the customer loyalty and their desire to recommend the service organisation to others. Therefore following hypotheses can be proposed:-

H3: As customer based corporate reputation increases, customers' attitudinal loyalty to the firm will increase.

H4: As customer based corporate reputation increases, customers' behavioural loyalty to the firm will increase.

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). Reputed organisations possess certain qualities which customer may desire others to link with their own selves. So they try to acquire greater congruity with their ideal social selves by supporting reputed firm via insightful behaviours. Therefore following hypotheses can be formulated-

H5: As customer based corporate reputation increases, CCBs focussed on the other fellow customers will increase.

H6: As customer based corporate reputation increases, CCBs focussed on the other fellow customers will increase.

According to “motivated reasoning theory”, behaviour of a person is the ultimate result of his/her efforts which are directed to achieve accuracy and/or directionality. A strong wish of forming or holding well founded, precise predisposition towards a certain object, situation, person or idea reflects accuracy goal but defence motive give rise directional goal. Purchase or ego involvement may lead to both commitment and loyalty (Schramm-Klein et al., 2008). Highly and deeply involved persons perform a systematic series of actions to process information available to them for enhancing the precision of conclusion derived. This prompts them to reject alternative opinions due to the existence of highly anchored attitudes. Therefore, customers having high commitment and loyalty preserve and defend their viewpoints about the reputation of the firm by maintaining related accuracy and directional goals. Thus, the mediatory act might be performed by loyalty and commitment variables on the linkage between interpretations of customers’ in relation to reputation of corporate and their citizenship behaviours. On this ground following hypotheses are proposed-

H7: Customer’s affective commitment mediates the effect of customer based corporate reputation on the- (a) CCBs focussed on the other fellow customers and (b) CCBs focussed on the firm.

H8: Customer’s calculative commitment mediates the effect of customer based corporate reputation on the- (a) CCBs focussed on the other fellow customers and (b) CCBs focussed on the firm.

H9: Customer’s attitudinal loyalty mediates the effect of customer based corporate reputation on the- (a) CCBs focussed on the other fellow customers and (b) CCBs focussed on the firm.

H10: Customer’s behavioural loyalty mediates the effect of customer based corporate reputation on the- (a) CCBs focussed on the other fellow customers and (b) CCBs focussed on the firm.

4.Method-

4.1. Data collection and measures-

Survey data gathered from a sample of 380 grocery retailing customers of India help to test the hypotheses. On the basis of extant literature a questionnaire was designed. The details of all measures are included in Appendix 1. Five-point Likert scale was used for all items (1=strongly disagree, 5=strongly agree).To ensure the content and face validity, the questionnaire was discussed with two subject matter experts. Finally, in order to test the dimensional structure as well as reliability and validity of included items the field survey was conducted in which respondents were being asked to complete a questionnaire considering their current service provider in grocery retailing category.

4.2.Measurement model evaluation-

The confirmatory factor analysis using AMOS software showed acceptable psychometric properties for the measures. All factor loadings were found to be significant at p<.05 and were above or close to 0.70. The value of CR was greater than 0.80 for all constructs thereby evidencing reliability. Convergent validity was evidenced as AVE was greater than the cut-off 0.50. Since the square root of AVE was found to be greater than any interfactor correlations on the matrix so discriminant validity is also evidenced (see Table 1).The CFA also indicated good model fit with (χ^2 (642)=1.834; root mean squared error approximation[RMSEA]=.047; Confirmatory fit index [CFI]=.951; Tucker-Lewis index [TLI]=.946), and Incremental fit index [IFI]=.948).

Table1. Convergent and discriminant validity and correlations for constructs

	CR	AVE	CCB(help company)	CB R	Affective commitment	Attitudinal loyalty	Calculative commitment	CCB(help other customer)	Behavioural loyalty
CCB(help company)	0.89	0.69	0.83						
CBR	0.91	0.63	0.26	0.79					
Affective commitment	0.94	0.69	0.55	0.35	0.83				
Attitudinal loyalty	0.93	0.68	0.39	0.53	0.50	0.82			
Calculative commitment	0.93	0.73	0.23	0.38	0.24	0.23	0.85		
CCB(help other customer)	0.84	0.58	0.71	0.41	0.59	0.53	0.24	0.76	
Behavioural loyalty	0.81	0.52	0.18	0.38	0.37	0.31	0.42	0.29	0.72

Notes: CR= Composite Reliability, AVE= Average Variances Extracted & bold figures are square root of AVE.

4.3.Structural model evaluation-

Fitness indices of structural model represents an acceptable level of model fit with ($\chi^2(648)=1.960$; root mean squared error approximation[RMSEA]=.050; confirmatory fit index [CFI]=.943; Tucker-Lewis index [TLI]=.938). The results of path analysis (see Table 2) represents that corporate reputation relied on customers’ viewpoint has significant impact on customer’s affective ($\beta=.387, t=6.60$) and calculative commitment ($\beta=.480, t=7.25$) as well as customer’s attitudinal ($\beta=.552, t=9.39$) and behavioural loyalty ($\beta=.408, t=6.48$). Therefore, the first, second, third and fourth hypotheses are accepted. Corporate reputation based on customers’ outlook doesn’t have any significant influence on CCBs focussed on other fellow customers ($\beta=.107, t=1.47$) and on CCBs focussed on the firm ($\beta=.004, t=.051$). Thus the fifth and sixth hypotheses are rejected. Bootstrapping with 2000 samples at 95% confidence interval is conducted to assess indirect effects. The results of bootstrapping (see Table 3) represent that affective commitment and attitudinal loyalty mediates the effect of CBR on both the dimensions of CCBs thereby supporting hypotheses 7a, 7b, 9a & 9b but calculative commitment is found to mediate the effect of CBR on company dimension of CCB thus supporting hypothesis 8b. However, customer’s behavioural loyalty does not found to mediate the effect of CBR on any dimension of CCB so both the hypotheses 10a and 10b are rejected.

Table2. Hypothesis testing summary result

Hypothesized path	Path coefficient	t- value	supported
CBR-->Affective commitment	0.387	6.609	Yes
CBR-->Calculative commitment	0.410	7.253	Yes
CBR-->Attitudinal loyalty	0.552	9.397	Yes
CBR-->Behavioural loyalty	0.408	6.481	Yes
CBR-->Helping other customer	0.107	1.472	No
CBR-->Helping the company	0.004	0.051	No

Table3. Bootstrapping results for mediation

Relationship	Direct without mediator	Direct with mediator	Indirect
CBR Affective commitment Help the company	0.273 (***)	0.003 (.950)	(.000)(Mediation)
CBR Affective commitment Help other customer	0.415 (***)	0.123 (.026)	(.000)(Mediation)
CBR Calculative commitment Help the company	0.273 (***)	0.012 (.827)	(.050)(Mediation)
CBR Calculative commitment Help other customer	0.415 (***)	0.135 (.018)	(.653)(No Mediation)
CBR Attitudinal loyalty Help the company	0.273 (***)	0.007 (.904)	(.017)(Mediation)
CBR Attitudinal loyalty Help other customer	0.415 (***)	0.123 (.047)	(.001)(Mediation)
CBR Behavioural loyalty Help the company	0.273 (***)	0.019 (.723)	(.323)(No Mediation)
CBR Behavioural loyalty Help other customer	0.415 (***)	0.133 (.022)	(.502)(No Mediation)

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

5.Discussion-

5.1.Research Implications-

The findings provide some useful insights for service managers.

First, managers should carry out everything in their supremacy to make the corporate reputable in the eyes of their customers. Service corporate should scrutinize and, when required, develop their corporate reputation. All the dimensions of customer based corporate reputation are not uniformly functional in influencing different dimensions of loyalty and commitment so exploring the impact of each dimension of customer based corporate reputation on these constructs would help manager in devising mix of reputation signals that most successfully sway desired dimension of loyalty and commitment.

Second, managers should conduct loyalty building programs on an ongoing basis in order to improve customer collaboration in terms of extra-role behaviours.

Third, since customer citizenship behaviours are readily performed by the customers that are psychologically attached with the firm, managers should always look after the emotional side of the relationship.

Finally, managers should not forget that calculative commitment as rational predictor for customer citizenship behaviours towards the firm is also relevant. So, by providing special treatments, improved quality product and hassle free services firms can somehow handcuff such customers to them and enjoy their vital inputs for its growth and development.

5.2.Limitations –

This study has some limitations. Convenience sampling technique was used to collect data so representativeness of data collected is unknown. The study has industry limitation too. The cross-sectional data offers chances of biasness. The conceptual model of this study is derived from the previous literature without conducting a qualitative fieldwork is again a limitation. The exclusive use of self reported data on part of customer might cause concern.

5.3.Suggestions for future research-

There are many directions for future research that can be helpful in our understanding of these relationships, predominantly the role of customer based corporate reputation. 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 relationships. 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. As corporate reputation has been assessed at second order level further studies can explore the effect of each dimension of reputation on customer citizenship behaviours. For e.g. the effect of environmental or social responsibility dimension of corporate reputation on customer extra-role behaviours may lead to different results. More extensive models in which non-monetary behavioural outcomes lead to monetary outcomes should be developed in further studies.

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