Customer satisfaction through corporate reputation: The mediating role of perceived value

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Abstract
Reputation is extremely difficult to imitate because it cannot be bought like patents or copyrights. It takes a long time to build up a good reputation. The objective of the study was to investigate the effect of service features on customer satisfaction and word of mouth communication. A good reputation can serve as a signal of the superior quality and reliability of products or services and improve the efficiency of marketing efforts. Model was developed and tested with structural equation model (SEM) using data collected from the 275 BMI (Bank Melli Iran) customers. The results show that corporate reputation has a positive effect on customer satisfaction and perceived value, likewise perceived value has a positive effect on customer satisfaction.

Keywords: customer, customer satisfaction, corporate reputation, perceived value, bank.
Introduction

Firms compete for reputation because of its strong signaling effect, which influences the attitudes, decisions and behaviors of stakeholders (Frooman, 1999; Shapiro, 1983). A good reputation can serve as a signal of the superior quality and reliability of products or services and improve the efficiency of marketing efforts (Raithel et al. 2010). Reputation is extremely difficult to imitate because it cannot be bought like patents or copyrights (Caruana, 1997; Hunt and Morgan, 1995). It takes a long time to build up a good reputation, but such a reputation is very fragile because it can be damaged very easily overnight (Hall, 1993).

However, the antecedents of customer loyalty do not apply only to perceived quality, satisfaction, and even delight. Recent studies include image as a critical factor, as well. Gronroos (1990) conceptualizes corporate image as the result of how customer perceives the firm or, in other words, their vision of the company. Other studies define corporate image as the impressions, beliefs, and feelings that individuals have about a company (Barich and Kotler, 1991; Barich and Srinivasan, 1993).

The importance of corporate reputation as one of intangible assets has grown rapidly within the last two decades. A favorable corporate reputation can lead to numerous strategic benefits to a company, such as creating market entry barriers (Deephouse, 2000; Fombrun, 1996; Milgrom & Roberts, 1982), fostering customer retention (Fombrun, 1996; Fombrun & Pan, 2006), future financial performance (Eberl & Schwaiger, 2005) and strengthening competitive advantages (Barney, 1991; Roberts & Dowling, 1997). Creating and exploiting corporate reputation allows companies to drive markets, rather than to be market driven (Schwaiger, 2004).

Vesna Babic-Hodovic et al. (2011) indicted that banks’ corporate reputation on organizational buyers’ perceived value is positive and significant and banks should necessary keep in mind customer perceived value phenomenon. And, Loureiro & Kastenholz (2011) suggested that the lodging unit’s reputation is a more significant determinant of loyalty than satisfaction or even delight. Kuo-Chien (2013) suggested that corporate reputation creates loyalty through trust and value.

So, understanding the relationships between corporate reputation and perceived value and its impact on customer satisfaction is the main concern of this study in Iran and we want to indicate that how we can have more satisfied customers. We used structural equation model to test proposed model among 275 customers of largest bank in Islamic world (BMI) in Iran. This research endeavor has practical implications for bank management concerned with bank services in Iran to pay more attention to their banks reputation due to the high competition which had rise in its level when private banks entered to the bank market of Iran. Reputation is a way which is important to customers to have their banks activity with a bank. The remainder of this article is organized as follows: First, we review the theoretical background and conceptual framework. We then develop several hypotheses to be tested and describe the empirical approach and the data collection. The last section presents the findings, result and discussion.
2. Theoretical backgrounds and hypothesis development

In this section, we discuss the roles of the two main predictors of customer satisfaction from the literature. This is followed by a description of how corporate reputation, and perceived value affect customer satisfaction.

2.1 Corporate reputation

In the introductory article of the first issue of professional periodical Corporate Reputation Review, Fombrun and Van Riel (1997) point out that there are six different approaches to corporate reputation in literature. They include the economic, strategic, marketing, organizational, sociological, and accounting approach. They emphasize that each of these disciplines views reputation in a different way and depending on the discipline, reputation may represent: a signal, image, a brand, identity and an intangible asset. This is also confirmed by Barnett, Jermier and Laffert (2006), who based their analysis on over 46 different sources, and defined three different clusters of the meaning of reputation: awareness, estimate and resource. Besides, reputation is often presented as corporate identity (a set of symbols), corporate image (impressions on the company), corporate reputation (observers' judgment), and corporate reputation capital (economic resource). Gotsi and Wilson (2001), in their cross-disciplinary literature review of past and present definitions, concluded with a definition of corporate reputation as “a stakeholder’s overall evaluation of a company over time. This evaluation is based on the stakeholder’s direct experiences with the company, any other form of communication and symbolism that provides information about the firm’s actions and/or a comparison with the actions of other leading rivals”.

Because reputation shapes customers’ expectations before they patronize a business (Loureiro and Kastenholz, 2011), a good reputation suggests that the customer will expect the firm’s products/services to be of high quality (Herbig and Milewicz, 1995), which is a direct antecedent to customer satisfaction (Loureiro and Kastenholz, 2011).

Examining the causality between corporate reputation and customer satisfaction, Helm et al. (2009) have implied that a high-quality offering is one important cornerstone of reputation management because it is a prerequisite for generating customer satisfaction (Kuo-Chien, 2013).

Hansen et al. (2008) concluded that corporate reputation has a strong effect on customer-perceived value. Because service performance is difficult to evaluate, corporate reputation can be used as a proxy for the level of quality of the product/service offerings, which leads the customer to trust that the received utilitarian and hedonic benefits are comparatively good. Thus, customers link the reputation of the store to the quality of the product/service and the monetary value of their purchase.

So, based on the above discussion, the following hypotheses are proposed:

H1: corporate reputation has a positive impact on customer satisfaction.

H2: corporate reputation has a positive impact on perceived value.

2.2 Perceived value and customer satisfaction
Perceived value is the customer’s overall assessment of the benefits they receive relative to the sacrifice they make (Fornell et al., 1996, Zeithaml, 1988). Customer satisfaction is the consumers’ overall evaluation based on their overall experience. Although it can be viewed in two ways – transaction-specific outcome or cumulative evaluation (Wang et al., 2004).

Customer satisfaction, meanwhile, is defined as an overall positive or negative feeling about the net value of services received from a supplier (Woodruff, 1997). Woodruff (1997) argues that perceived value represents customer cognition of the nature of relational exchanges with their suppliers, and satisfaction reflects customers’ overall feeling derived from the perceived value. On the basis of the behavioral model (Fishbein & Ajzen, 1975), affect is significantly influenced by cognition. There is also empirical evidence that customer-perceived value has a positive effect on customer satisfaction with a supplier (Anderson & Mittal, 2000).

As concluded by Ryu et al. (2012), in the restaurant context, customer’s perceived value is indeed a significant determinant of customer satisfaction, and customer satisfaction is a significant predictor of behavioral intentions. These discussions suggest that perceived value influences customer satisfaction and loyalty toward a business. Thus, it is proposed that:

H3: perceived value has a positive impact on customer satisfaction.

3. Methodology

Government-owned banks in Iran have a good corporate reputation among other companies. Bank Melli Iran (BMI) has the highest branches throughout Iran (3300 domestic branches) and it is the largest Islamic bank in Islamic world. Thus, in our study samples include bank customers of BMI Mazandaran province - margin of Caspian Sea in Iran which allows us to
be more confident as we develop our understanding of how it's good corporate reputation influences customer-perceived value and thus affects customer satisfaction toward them.

The survey instrument was comprised of 15 items measured on a seven-point Likert scales ranging from strongly disagree to strongly agree. The items were adapted to the bank context from previous studies including studies on corporate reputation (Schwaiger, 2004), perceived value (Hodovic et al., 2011) and customer satisfaction (Loureiro & Kastenholz, 2011). Lastly, the respondent demographic information was collected some items on gender, age, educational level, monthly income.

4. Data analysis and results

4.1 Descriptive analysis

In this research, the samples include bank customers of Bank Melli Iran (BMI) – Mazandaran province - margin of Caspian Sea in Iran. 275 questionnaires had been distributed. The samples of 275 respondents were 65.2 percent male and 34.8 percent female, and 23.3 percent were less than 30 year of age and 51.6 percent were between 31 to 50 year of age and 25.1 percent were above 51. 65.2 percent of the respondents had bachelor and less degree, 49.2 percent had MA degree and only 16 percent had doctoral degree. The monthly income of 45.5 percent of the respondents was 7 Million Rial and less, 39.6 percent were between 7-1 Million and 200,000 Rial, and only 14.9 percent had above 1 Million and 200,000 Rial monthly income.

4.2 Structural model

To determine reliability of the questionnaire in this research, we used Cronbach's alpha and composite reliability. Cronbach’s alpha for constructs are: corporate reputation: 0.84, customer satisfaction: 0.71 and perceived value: 0.84. Composite reliability for constructs has shown in Table 1 which is acceptable, so the questionnaire reliability is acceptable.

To determine validity, convergent validity was assessed for all constructs and indicators. Convergent validity was assessed by examining the factor loading for statistical significance. Except questions 9, 10, 11 which were under threshold and had been omitted, the FL of the other questions were acceptable and for determining validity of each construct we used discriminant validity (AVE) which has been shown in Table 1.

<table>
<thead>
<tr>
<th>construct</th>
<th>Measurement items</th>
<th>Factor Loading</th>
<th>CR(&gt; .6)</th>
<th>AVE(&gt; .5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I believe that [X] performs at a premium level.</td>
<td>0.791</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. As far as I know, [X] is recognized worldwide.</td>
<td>0.833</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The proposed hypotheses were tested using structural equation modeling (SEM) via PLS software. To determine whether the hypotheses were supported, each structural path coefficient was examined with fit indices of the proposed model. The fit indices of external model are shown in table (1) which was acceptable. The fit index of internal model or structural model is Construct Cross validated Redundancy ($Q^2$) that must be positive and shown in table (2) which was acceptable. So model displayed reasonably good fit to the data.

Table 1: Measurement Model Items and Estimate coefficients

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Corporate reputation</strong></td>
</tr>
<tr>
<td>3. [X] is a top competitor in its market.</td>
</tr>
<tr>
<td>4. I regard [X] as a likeable company.</td>
</tr>
<tr>
<td>5. [X] is a company that I can better identify with than with other companies.</td>
</tr>
<tr>
<td>6. [X] is a company I would regret more not having if it no longer existed than I would other companies.</td>
</tr>
<tr>
<td><strong>Customer satisfaction</strong></td>
</tr>
<tr>
<td>7. The stay here has been very satisfactory.</td>
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<tr>
<td>8. The [X] satisfies my necessities.</td>
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<tr>
<td>9. I find [X] personnel pleasant.</td>
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<td>10. [X] delivers an excellent service.</td>
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<tr>
<td>11. In general, my experience here is positive.</td>
</tr>
<tr>
<td><strong>Perceived value</strong></td>
</tr>
<tr>
<td>12. Our relationship with [X] is very beneficial to us.</td>
</tr>
<tr>
<td>13. It is more valuable to us to do business with [X] then with other banks from the banking sector.</td>
</tr>
<tr>
<td>14. We consider it very advantageous to be a customer of [X].</td>
</tr>
<tr>
<td>15. As a customer of the [X] we get more value for money.</td>
</tr>
</tbody>
</table>

Table 2: Fit Indices of Models

<table>
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<tbody>
<tr>
<td>total</td>
</tr>
<tr>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Perceived value</td>
</tr>
</tbody>
</table>
4.3 Hypothesis testing

In Model, the corporate reputation - customer satisfaction path is positive (0.503) and statistically significant (5.834) and support H1.

Corporate reputation positively affects perceived value (H2). The effect of perceived value on customer satisfaction is positive (0.266) and is statistically significant (3.566) (H3). Therefore, all hypotheses were supported in the predicted direction.

<table>
<thead>
<tr>
<th>path</th>
<th>Path</th>
<th>t-value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: corporate reputation – customer satisfaction</td>
<td>0.503</td>
<td>5.834</td>
<td>supported</td>
</tr>
<tr>
<td>H2: corporate reputation – perceived value</td>
<td>0.762</td>
<td>25.127</td>
<td>supported</td>
</tr>
<tr>
<td>H3: perceived value – customer satisfaction</td>
<td>0.266</td>
<td>3.566</td>
<td>supported</td>
</tr>
</tbody>
</table>

4.4 Conclusion

The objective of this study was to examine the effect of corporate reputation on perceived value and customer satisfaction. The proposed hypotheses were tested using SEM. path coefficients of H1, H2 and H3 were statistically significant in the predicted directions. This study concludes that corporate reputation has positive impact on customer satisfaction (H1) that is consistent with findings of Kuo-Chien (2013) and Loureiro & Kastenholz (2011). Because corporate reputation is important in shaping customers’ perceptions of the firm, it is important that the reputation be consistent with the firm's products or service quality. For example, Hilger et al. (2011) proposed that it is particularly important to inform customers about the product or service quality of experience goods (e.g. restaurants), though it should be further noted that customers can fully determine the quality only after purchase. Nevertheless, Helm et al. (2009) suggested that while corporate reputation works as a signal of quality to some extent, reputation is believed to be less important in the case of search goods (e.g. cake) because the direct product experience can outweigh the importance of firm reputation.

Also, this study show that corporate reputation has positive impact on perceived value (H2) which supports previous researches i.e. Vesna Babic’-Hodovic’ et al. (2011) and Kuo-Chien (2013). So, before the purchase, buyers (particularly if they use the service for the first time) often do not have competences to assess the service quality and advantages, and frequently rely on corporate reputation. It can serve to decrease the perceived risk and fear of undesired results. During the purchase, which is often a long-term relation in B2B markets, bank's good corporate reputation implies the development of trust and potential maintaining of established relations, and definitively leads to the creation of positive perceived value (through a decrease in perceived costs and/or increase in perceived benefits) (Vesna Babic’-Hodovic’ et al., 2011).
Finally, previous researches (Anderson & Mittal, 2000; Ryu et al., 2012) show that perceived value positively affects customer satisfaction. The perception of value for money with respect to the firm would probably decrease over time as the number of transactions with the firm increases. Thus, because customers are always seeking better product or service quality and because it is always necessary to increase the customer-perceived value to achieve customer satisfaction and loyalty, restaurant managers should engage in product/service innovations for their market segments.

Results of this study offer several implications for researchers and Iranian bank managers. For researchers, it enriches the research on the relationship service features and customer satisfaction.

Some limitations to this study should be noted, and efforts to resolve them would serve as avenues for future research in this field. First, the findings of the study may have limited generalizability. The sample, which seemed appropriate for this particular study, was customers from Mazandaran province in Caspian Sea margin, Iran. It would be more meaningful if the same findings hold consistent in different types of services from other cities across the country. Also, it was tested in Iran, but since there may be differences between Iran and other countries, researchers should use some caution when citing the results.
References


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