A Study On The Relationship Between Corporate Reputation And Customer Loyalty In Hotels

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ABSTRACT: In recent years, the concept of reputation has proven to be one of the major innovative trends in corporate management. Both scholars and the popular press have become increasingly interested in the management of corporate reputation. Corporate reputation is the result of a signaling activity based on available information about a firm’s actions. Reputation is also a yardstick of the firm’s relative standing routinely used by both internal and external stakeholders when making firm-related decisions (Dentchev and Heene, 2004: 56). Several empirical studies also confirm the positive relationship between good reputation and competitive advantage. The purpose of this study is to determine the relationship between the corporate reputation and customer loyalty to the company in tourism industry. In this context, this study conducted in an active tourism firm’s customers in Turkey, finds that there are significant relations between the five dimensions of the corporate reputation and the loyalty of the customers.

Keywords: Reputation management, customer loyalty, hotels

I. INTRODUCTION

Following the 1990s a number of studies conducted by academicians as well as practitioners focused on corporate reputation showed a fast development in some fields such as communication, strategic management and brand (Martin and Hetrick, 2006: 21). There is consensus among academicians that in order for organizations to outwit their rivals, it is a wise strategy to create a better reputation. A list of researchers dealing with the field of marketing have recognized that corporate image and corporate reputation play substantial role in driving customers to make purchase decision (Nguyen and Leblanc, 2001: 227).

A number of theoreticians claim that reputation is a strategic and abstract concept which is remarkably hard to copy (Crețu and Brodie, 2009: 263; Dowling and Moran 2012: 25; Cingöz and Akdoğan, 2012: 73). Irrespective of its abstract nature however reputation, once formed successfully, bears a potential to create concrete values which points to its significance in warranting sustainable success for the companies. Despite the popularity and attraction of reputation among audiences, it is detected that in relevant literature related to the researches on tourism sector in Turkey (Efil and Eryılmaz, 2006; Usta, 2006; Gümüş and Öksüz, 2009; Akgöz, 2009a; Akgöz, 2009; Akgöz and Solmaz, 2010; Öztürk, Çöp and Yılmaz, 2010; Bozkurt, 2011) there is indeed a lack of adequate numbers of studies.

Furthermore no study that directly investigates the link between corporate reputation and customer loyalty in Turkish tourism sector has yet been identified. In that sense present study is supposed to fill the current gap in relevant field and carry this topic to a larger platform for further discussion. In present study the first step has been to conduct a literature review and in practice stage it has been attempted to discover the connection between corporate reputation and customer loyalty via implementing questionnaire technique.

Corporate Reputation

In relevant literature it is feasible to spot various definitions on corporate reputation. These definitions can be listed respectively as; a sum of hypotheses and opinions of the operational circle on the business itself, definite emotional reactions such as good or bad, weak or strong that are formed about the reputation of the business by the employees of a company concerning their customers, investors and society in general (Fombrun, 1996: 37), a collective concept encompassing the views of all shareholders about corporate reputation, internal identity and external image which entails the opinions of external shareholders, customers in particular, as regards the company (Davies et al. 2003: 162), when compared with its rivals a company’s position in the eyes of its key shareholders based on the company’s previous behaviors, the potential behaviors that a company is likely to perform in the future (Fombrun, 1996: 72), the sum of positive judgments and opinions that a company evokes among all the groups that are interconnected (Gürgen, 2007: 36), long-term combination of the ideas of shareholders on the general state of the company, the way the company fulfills its responsibilities, the way the company meets the demands of shareholders and the full performance of the company in fitting into the social and political environment (Anca and Roderick, 2007: 234), the qualities of a company that reflect the emotional bonds created among its shareholders (Gray and Balmer, 1998: 696).
A closer look to abovementioned definitions indicates that shareholders are the focal point in explaining the nature of reputation. A company manages to create a strong reputation as a consequence of the positive views, impressions and evaluations that shareholders have concerning the company. A company’s reputation is created via the impressions formed as a result of the activities with shareholders as well as data collected from the company itself and media organs (Deephouse, 2000: 1093).

Corporate reputation concept entails all that relate to the four activity fields of any given company. The first activity field is the product or service provided by a company; second field is the circle of production; the third one is the way information activities are communicated or described to the society in general; and the fourth one is the way employees react to the internal members or outsiders. Corporate reputation is related to the intertwining of basic tenets and assets such as credibility, reliability, responsibility and integrity (Carmeli and Tishler, 2005: 15). The reliable behaviors that are demonstrated by the companies bearing such assets in the relations with their shareholders reinforce their positive reputation and make these companies highly credible.

Reputation Institute headquartered in the USA conducted a co-research with Harris Interactive Research Company and developed RQ-Reputation Quotient to measure corporate reputation. Based on six dimensions, this measurement tool makes an evaluation about companies’ reputation. Below are these dimensions (Formbrun, 1996: 178);

- Emotional Attraction; bearing positive emotions for the company and valuing the company.
- Product and Services; providing high-quality, novel, valued and credited product and services.
- Financial Performance; competitiveness, profitability, growth potential and risk status.
- Vision and Leadership; providing a clear and understandable vision, strong leadership, the ability to realize and utilize market opportunities.
- Work Environment; efficient management, the image of the company as a good workplace, employing qualified personnel.
- Social Responsibility; forging top-notch standards in social relationships, awareness activities in environmental and social issues.

Corporate reputation is considered to be the outcome of a competitive process that companies point to the main qualities of their components for the aim of elevating their social status to top echelon. In the course of time, total value created by public reasoning gains a noticeable competitive advantage to the relevant company (Omar et al., 2009: 177). One of the most crucial responsibilities of senior managers is protecting and expanding company’s reputation due to its effect on the views of employees, customers, suppliers, shareholders and the rest of stakeholders (Ruth and York, 2004: 14). In line with this perspective corporate reputation can also be termed as ‘a specific form of feedback that a company receives from its shareholders on the credibility of its company identity (Cretu and Brodie, 2009: 263).

According to resource-based arguments corporate reputation is to be viewed as a valued strategic resource that positively promotes a company’s sustainable competitive advantage (Keh and Xie, 2008: 1). In strategy literature, resource-based argument has been defined as sustainable competitive advantage that is created collectively by abstract skills, tangible innovations, organizational architecture, strategic assets and reputation. These skills serve as the direct resources of competitive advantage. Direct resources are composed of critical assets and cost advantages that are created by a privileged access to patented technology; habit formation and customer attachment; scale economies and government shield or miscellaneous factors such as high-access to information. Reputation, which is another skill that creates competitive advantage, plays central role in the purchase decisions of customers (Omar et al., 2009: 178).

A good reputation can provide endless side benefits for any company. The positive elements of a first-class reputation are signals of shortcut for the customers, partners, suppliers or investors planning to form a relationship with the company. Once a company is well perceived, even the name of the company alone will be a positive signal to ensure that its products, services or purchase procedures can meet its credibility and expectations. Even in the presence of confusion about product offers, the benefits of corporate reputation and image are provided by means of customer choices. At the stage of purchasing a new product customers make an evaluation on the product qualities in addition to considering the company’s profile. Customers who have been satisfied by the other products marketed by a company hold positive views about purchasing the other offers from the same company.

Several researchers listed the remaining benefits that are provided by corporate reputation to companies as below (Uzunoğlu and Öksüz, 2008: 112);

- By gaining a critical competitive advantage to the company it elevates competition to a sustainable level.
- It adds extra value to company product and services; assists in mitigating the risk perceived by customers when purchasing a product and helps the customers to make a choice among the products (television etc.) and services (education, legal services) that are perceived to be functionally identical.
- It creates positive customer attitudes and perceptions and helps to boost the sale figures.
- It forges positive effects on the future values of stocks.
In cases when the products or services offered by different companies are identical or incomparable it plays role in customer choices.

- It boosts market share, attracts investors and allows access to fresh, global markets.
- It drives the media organs to share more news from this specific company.
- It attracts qualified employees to the company which in effect motivates the personnel.
- It distinguishes the status of the company within industrial social system.
- It helps the companies to overcome crisis periods with minimum loss.
- It diminishes perceived risk and motivates the individuals to trust in the company.

The Relation between Reputation Management and Customer Loyalty

A large number of researchers (Andreassen, 1994; Andreassen and Lindestad, 1998; Nguyen and Leblanc, 2001; Cravens et al., 2003; Cravens and Oliver, 2006; Keh and Xie, 2008; Sambasivan and Fei, 2008) admitted the critical role of corporate reputation on customers’ purchase behavior and loyalty. Loyalty can be described as the intention or propensity of customers to shop from the very same company in future (Eshgi and Topi, 2007: 93). Customer loyalty is the behavioral result of the choice that any customer makes, after a period of decision-making and evaluation, to favor one particular brand over identical brands (McMullan and Gilmore, 2003: 230). In that sense it encompasses an emotional as well as behavioral dimension. As an emotional state, loyalty refers to the psychological reaction towards a certain product or service. Behavioral dimension indicates detaining the customer; in short it relates to the actualization of this particular emotional state. In a different saying loyalty entails intended behavior and whether intended behavior is actualized or not. Nonetheless defining loyalty as a behavior only means disregarding the customers’ interests due to unavailability or lack of reasonable alternatives only (Martin et al., 2009: 588). The latest studies (Oliver, 1999; McMullan and Gilmore, 2003; Kumar and Shah, 2004; McMullan, 2005; Lin and Wang, 2006; Chang and Chen, 2008; Bodet, 2008; Martin et al., 2009; Vesel and Zabkar, 2009) described loyalty as both a behavioral and attitudinal structure. In an attempt to conceptualize these two dimensions, customer loyalty hereby can be defined as a strong desire to purchase and an attitudinal choice of the retailer (Martin et al., 2009: 589).

Despite the absence of emotional evidences the relationship between corporate reputation and customer behavior is still well known. Nonetheless, the limited number of experimental researches (Ryan et al., 1999; Andreassen and Lindestad, 1998; Zins, 2001; Bontis et al., 2007) signals the effect of corporate reputation on customer loyalty. In the past scholars advocated that corporate image, which is a component of reputation, was the precursor of customer loyalty. However as time passed they agreed that reputation could as well be the driver of loyalty (Bontis et al., 2007: 1426). Corporate reputation is the global and final outcome of the process of creating a corporate image. Nevertheless based on the fact that all concepts have been accepted, an observer can reasonably claim that corporate image and reputation is the way a company is perceived in external world. While the first observation relates to the portrait of the company in the mind of customers the second observation refers to the level of trust (or distrust) about the way a company can, with the service it provides, meet the expectations of customers. Corporate image and reputation are related to the results of the process of integrating various data utilized by the customer to forge some perception on the company (Nguyen and Leblanc, 2001: 228). This process is recognized as the most important factor contributing to the success of any organization (Omar et al., 2009: 179).

Corporate reputation is reasonably recognized as a multi-dimensional structure but our research is limited to only customer-focused corporate reputation. There are indeed quite a few studies that focus on customers, a vital shareholder, in measuring corporate reputation. Walsh and his colleagues (2009) developed and tested a customer-based scale (CBR). Customer-based reputation is defined as “the general evaluation made by the customers on any given company’s or its agency’s or its shareholders’ products, services, communication activities, interaction and/or its reactions towards corporate activities”. This definition draws the basis of present research as well.

A Practice to Identify the Relationship between Corporate Reputation Management and Customer Loyalty in Hotels

Research Method

Customer-based corporate reputation was measured by the twenty-eight items (Cronbach’s Alpha= 0.94) adapted from previous studies (HarisInteractive, RQ). The scale is between the interval of “I totally disagree (1)” and “I totally agree (5)”. Customer loyalty was measured via fifteen items (Cronbach’s Alpha= 0.88). Fifteen statements on Customer Loyalty were retrieved from the scale formerly utilized in McMullan (2005)’s study.

Data employed in present research were collected from the customers of a hotel. Customers were selected via convenience sampling method in terms of the days of the week and application hours. “SPSS for Windows 11," program was used to analyze the data obtained from the questionnaires. Factor analysis was conducted for corporate reputation variables and corporate construct validity of the dimensions of reputation.
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was tested. Cronbach’s Alpha value was computed to measure the reliability of the questionnaire. In order to measure corporate reputation’s dimensions and customer loyalty of the employees, correlation and multiple regression analyses were conducted. Of all the distributed 275 questionnaires, 98% were deemed to be valid and were included in the evaluation. The model and hypotheses of the research are as displayed below.

![Research Model](image)

Figure 1. Research Model

Hypotheses below were developed to test the dimensions of the interrelationship between corporate reputation and customer loyalty.

H₁: There is a statistically significant relation between organizational functioning and customer loyalty.

H₂: There is a statistically significant relation between service quality and customer loyalty.

H₃: There is a statistically significant relation between emotional attraction and customer loyalty.

H₄: There is a statistically significant relation between communication and customer loyalty.

H₅: There is a statistically significant relation between financial power and customer loyalty.

H₆: There is a statistically significant relation between social&environmental responsibility and customer loyalty.

II. RESEARCH FINDINGS

Results of Descriptive Statistics

Of all the participants having completed the evaluated questionnaires, 53% are men and 47% are women. 72% of the participants are below age 37. 8% of the participants are elementary school, 47% are high school and 45% are university graduates.

Results of Factor Analysis

Kaiser-Meyer-Olkin (KMO) test applied to analyze the main components of corporate reputation variables indicates that sampling size (KMO value 0.744) is adequate for factor analysis. In order to identify whether data used for corporate reputation are applicable for normal distribution and can provide a significant result, Barlett test was implemented (15602.864; p<0.001). By conducting factor analysis for the variables of corporate reputation and Varimax Factor Loading, 6 factors with values above 1.00 were received. These factors explain 79.029% of the total variance. Four items were excluded from the scale. It can be witnessed that 28 items were grouped under the factors reflecting specific theoretical structures. As seen, applied scale is capable of measuring the theoretical applicability of a structure and its construct validity. These six factors with their names, contained items, factor loadings, explained variance and reliability coefficients are displayed in Table 1.
Table 1. Varimax Factor Loading for Six-Factor Solution

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1: Organizational functioning</td>
<td>Variance=0.511%, Cronbach’s Alpha=0.90</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Company employees are responsible</td>
<td>0.910</td>
</tr>
<tr>
<td>2.</td>
<td>Company employees are qualified</td>
<td>0.915</td>
</tr>
<tr>
<td>3.</td>
<td>Suggestions for company services</td>
<td>0.880</td>
</tr>
<tr>
<td>4.</td>
<td>Satisfaction in travelling with this company</td>
<td>0.868</td>
</tr>
<tr>
<td>5.</td>
<td>Company is responsible towards its customers</td>
<td>0.845</td>
</tr>
<tr>
<td>6.</td>
<td>Company is well-managed</td>
<td>0.808</td>
</tr>
<tr>
<td>Factor 2: Service quality</td>
<td>Variance=14.365%, Cronbach’s Alpha=0.92</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>This company’s service quality is better than the others</td>
<td>0.910</td>
</tr>
<tr>
<td>8.</td>
<td>The company stands for the services it offers</td>
<td>0.905</td>
</tr>
<tr>
<td>9.</td>
<td>The company offers high-quality services</td>
<td>0.848</td>
</tr>
<tr>
<td>10.</td>
<td>The company develops innovative services</td>
<td>0.729</td>
</tr>
<tr>
<td>11.</td>
<td>The company holds responsibility for its services</td>
<td>0.665</td>
</tr>
<tr>
<td>Factor 3: Emotional attraction</td>
<td>Variance=13.006%, Cronbach’s Alpha=0.94</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>I am satisfied with this company</td>
<td>0.890</td>
</tr>
<tr>
<td>13.</td>
<td>I value this company</td>
<td>0.901</td>
</tr>
<tr>
<td>14.</td>
<td>I hold positive views about this company</td>
<td>0.895</td>
</tr>
<tr>
<td>15.</td>
<td>I trust in this company</td>
<td>0.896</td>
</tr>
<tr>
<td>Factor 4: Communication</td>
<td>Variance=12.788%, Cronbach’s Alpha=0.89</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>This company does not misinform its customers</td>
<td>0.862</td>
</tr>
<tr>
<td>17.</td>
<td>There is coordination among sale offices of this company</td>
<td>0.863</td>
</tr>
<tr>
<td>18.</td>
<td>There is strong communication between company employees and customers</td>
<td>0.858</td>
</tr>
<tr>
<td>19.</td>
<td>There is strong communication among company employees</td>
<td>0.840</td>
</tr>
<tr>
<td>Factor 5: Financial power</td>
<td>Variance=11.314%, Cronbach’s Alpha=0.91</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Company’s financial resources are strong</td>
<td>0.917</td>
</tr>
<tr>
<td>21.</td>
<td>There is potential for new investments</td>
<td>0.892</td>
</tr>
<tr>
<td>22.</td>
<td>The company has no financial problems</td>
<td>0.868</td>
</tr>
<tr>
<td>23.</td>
<td>The company has clear vision for its future</td>
<td>0.885</td>
</tr>
<tr>
<td>Factor 6: Social and Environmental Responsibility</td>
<td>Variance=11.046%, Cronbach’s Alpha=0.93</td>
<td></td>
</tr>
<tr>
<td>24.</td>
<td>The company is sensitive towards the environment</td>
<td>0.892</td>
</tr>
<tr>
<td>25.</td>
<td>The company cares about public relations</td>
<td>0.878</td>
</tr>
<tr>
<td>26.</td>
<td>The company gives support to social activities</td>
<td>0.765</td>
</tr>
<tr>
<td>27.</td>
<td>The company is honest with the general society</td>
<td>0.750</td>
</tr>
<tr>
<td>28.</td>
<td>The company is sensitive towards the general society</td>
<td>0.648</td>
</tr>
</tbody>
</table>

The Results of Reliability Analysis

Internal consistency coefficients (Cronbach’s Alpha) of the six factors integrating corporate reputation are such: Corporate Functioning 0.90; Service Quality 0.92; Emotional Attraction 0.94; Communication 0.89; Financial Power 0.91 and Social & Environmental Responsibility 0.93. Computed internal consistency coefficient of all the twenty-eight items is 0.915. Computed internal consistency coefficient of the 15 items measuring customer loyalty is 0.89. As evidenced by these results, the scales employed in present research are sufficiently reliable for social sciences.

Correlation and Regression Analyses

In order to evaluate the correlation between applied measurements, index variables of every single structure were computed. To evaluate the relationship between customer loyalty and corporate reputation factors, multiple regression analysis was conducted. Pearson correlation coefficients that indicate the relation between corporate reputation variables and loyalty and Beta values of the variables tested via multiple regression are as exhibited in Table 2.
Table 2. Pearson Correlation and Multiple Regression Results for Customer Loyalty

<table>
<thead>
<tr>
<th>Determinants</th>
<th>Beta (β)</th>
<th>Mean</th>
<th>Pearson (r)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational functioning</td>
<td>3.34</td>
<td>0.522**</td>
<td>0.324</td>
</tr>
<tr>
<td>Service quality</td>
<td>3.73</td>
<td>0.467**</td>
<td>0.311</td>
</tr>
<tr>
<td>Emotional attraction</td>
<td>3.84</td>
<td>0.422**</td>
<td>0.217</td>
</tr>
<tr>
<td>Communication</td>
<td>3.42</td>
<td>0.496**</td>
<td>0.291</td>
</tr>
<tr>
<td>Financial power</td>
<td>3.28</td>
<td>0.364**</td>
<td>0.218</td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td></td>
<td>0.577</td>
</tr>
<tr>
<td>Corrected R²</td>
<td></td>
<td></td>
<td>0.514</td>
</tr>
</tbody>
</table>

**p<0.001

Correlation analysis results indicate that there is a positive and significant relation between customer loyalty and organizational functioning (r= 0.522, p<0.001), service quality (r= 0.467, p<0.001), emotional attraction (r= 0.422, p<0.001), communication (r= 0.496, p<0.001) and financial power (r= 0.387, p<0.001). Obtained results verify the hypotheses (H₁, H₂, H₃, H₄, and H₅ are accepted). According to the results of correlation analysis between customer loyalty and social & environmental responsibility however there exists no significant relation (H₆ is rejected). As demonstrated in Table 2, created variability of customer loyalty was explained with the five factors of corporate reputation. F value points to 0.001 significance level. The correlation between dependent and independent variables is statistically significant.

The results of this study are as summarized hereinafter;

Figure 2. On the basis of Analyses the Summary of Research Model

III. CONCLUSION AND SUGGESTIONS

The aim in present research was to demonstrate the relationship between the way corporate reputation is perceived by the customers and loyalty of customers towards the company. To that end relevant literature was reviewed and thus hypotheses and measurement tool were specified. Via factor analysis conducted before correlation and regression analyses, factor-structural validity of corporate reputation and reliability of the scales were tested. The findings related to the dimensions of corporate reputation in a hotel and customer loyalty are supportive of the presented hypotheses. At the end of conducted analyses H₁, H₂, H₃, H₄, and H₅ were accepted. In a different saying, regression analysis that was conducted to manifest the effect of corporate reputation on customer loyalty showed that “organizational functioning”, “service quality”, “emotional attraction”, “communication” and “financial power” dimensions of corporate reputation had positive effects on customer loyalty. According to correlation analysis that investigated the relation between social & environmental
responsibility dimension of corporate reputation and customer loyalty, there exists no significant relation between both. Hence H₄ was rejected.

Given the modern age in which there are no boundaries of competition, corporate reputation bears a potential to provide listless advantages to rivaling companies. Although there is pessimism due to the fact that corporate reputation takes a long time to form and reputation-creation activities demand long-term sustainability, corporate reputation is still widely recognized as a vital corporate value. Hence in order to reserve seats in the globally competitive arena and gain identity as a global company, it is imperative to save a distinguished place in the eyes of all shareholders and to make future promises on standing out. In order for tourism companies to preserve their competitive powers, they need to have a distinguished place from their rivals in the eyes of relevant shareholders. When it comes to tourism companies, such distinguished place can be warranted via a good corporate reputation.

Conducted study demonstrates the gravity of reputation management in hotels. Reputation is not a naturally-occurring result but rather a value that can be developed through managing. By the same token, in the process of forging corporate reputation in hotels, it is suggested to raise awareness expanding from the top management to the employees in the bottom.

Corporate reputation management, though an abstract concept, now bears a measurable quality. Therefore the preliminary requirement for companies to manage their reputation is to conduct a reputation measurement by regarding all their shareholders too. The reason for this necessity is that without conducting any measurement it simply is not feasible to gain an idea about what shareholders think about the company and if there is no idea, it cannot be possible to manage corporate reputation. On that account companies should integrate the measurement of corporate reputation into their performance measurement systems. The companies can conduct these measurements by themselves or choose to hire a consulting company. As attested, companies that are specialized in Public Relations in particular offer professional assistance to all firms in the measurement of reputation.

The results obtained from present study are limited with this one company that has been the focal point of this study. It is thus probable that dissimilar results can be obtained among different companies and different sectors.

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