



Perceived corporate reputation and consumer satisfaction – An experimental exploration of causal relationships

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ABSTRACT

Corporate reputation is increasingly recognised as an important intangible asset of the firm. Therefore, investigating its causes and consequences is of interest to practice and research alike. While some authors argue that consumer satisfaction is a cause of reputation, others hold the contrary view and claim that reputation determines satisfaction. This controversy in the literature is the starting point for the present paper in which the causality of the relationship between corporate reputation and consumer satisfaction is investigated. By conducting two experiments, we show a significant effect of consumer satisfaction onto corporate reputation as perceived by consumers. However, no significant impact of reputation onto satisfaction could be detected. These findings lead to implications for the marketing of new products and firms' reputation management.

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1. Introduction

Reputation has been interpreted as a competitive advantage (Balmer and Greyser, 2003; Fombrun, 1996), and represents an important intangible asset of the firm (Hall, 1993; Wernerfelt, 1984). From a corporate perspective, building a favourable reputation is deemed an effective way to gain market access and acceptance because reputation has been shown to be a determinant in consumers' purchase decision making (Carmeli and Tishler, 2005). For consumers, reputation serves as a quality signal that reduces the uncertainty that might exist prior to a purchase (Shapiro, 1983; Fombrun, 1996) and, hence, facilitates a first purchase transaction.

After instigating a transaction with a new customer, achieving high rates of customer satisfaction becomes an important goal for firms as satisfaction is viewed as one of the major determinants of customer repurchase and word-of-mouth (Anderson and Sullivan, 1993). Consumer satisfaction and loyalty are among the most prominent areas of current marketing research; thus, an investigation into the determinants and outcomes of satisfaction is of widespread interest to research and practice alike.

Regarding the relationship and direction of causality between reputation and satisfaction, authors express controversial viewpoints. Anderson and Sullivan (1993) for instance claim that reputation "determines customers' sensitivity to short run deviations in product quality and satisfaction" (p. 132), while Carmeli and Tishler (2005) argue that a good reputation is caused by satisfaction. Taking into account prior research in this field, it remains unclear whether corporate reputation is a determinant or a consequence of consumer satisfaction. However, verifying causality is an important task of empirical research in order to provide insights into the levers of marketing effectiveness: If reputation "caused" consumer satisfaction, this would have different implications compared to the finding that consumer satisfaction "causes" perceptions of corporate reputation.

Therefore, we take the extant controversy as a starting point and raise the research question whether perceived corporate reputation positively affects consumer satisfaction or whether the degree of consumer satisfaction has a positive impact on perceived corporate reputation. In order to address this research question, the paper is structured as follows: In the next section, the relevant literature on reputation, satisfaction, and prior empirical investigations on their interplay are presented. In section three, theoretical foundations for the possible causal structures between the two constructs are developed. We present the empirical research design of two experiments we conducted in order to investigate the directionality of the relationship between the constructs in section four. Main findings are discussed in section five, the limitations of the present study and suggestions for future research are presented in the final section.

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2. Literature review

2.1. Corporate reputation

The growing body of literature has led to an abundance of definitions of corporate reputation. In a rather general understanding, [Shapiro \(1983, p. 659\)](#) claims reputation to exist if consumers believe a firm's products to be of high quality: "By reputation...we mean expected quality (from the point of view of the customer)". [Fombrun and Shanley \(1990, p. 253\)](#) understand reputation to reflect "the accumulated impression that stakeholders form of the firm resulting from their interactions with and communications received about the firm". [Fombrun \(1996, p. 72\)](#) defines the construct as "a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals". [Yoon et al. \(1993\)](#) believe reputation to reflect the buyer's expectations with respect to the quality of a firm's offerings. [Helm \(2005, p. 100\)](#) defines corporate reputation as a stakeholder's perception of the estimation in which a firm is held by its stakeholders in general which again is based on perceptions concerning the firm's capability and willingness to fulfil stakeholders' needs.

Most authors refer to the quality of a firm's products/services or experiences with other corporate performances as consumers' reference point when making reputational judgments ([Shapiro, 1983; Yoon et al., 1993; Helm, 2006](#)). Such experiences might be the consumer's own experiences in his interaction with the firm or experiences made and communicated by third parties ([Fombrun and Shanley, 1990; Mahon, 2002](#)). As [Weigelt and Camerer \(1988\)](#) observe, consumers do not exclusively evaluate economic factors when forming reputational judgments but may also consider social, environmental, and other qualitative aspects. This holistic view of corporate reputation embraces the notion of corporate societal responsibility and accountability which transcend product/production-related aspects of corporate activity and behaviour. The overall reputation of a firm then combines the judgments concerning different facets of corporate behaviour such as activities in the labour market, capital markets, product markets, etc. which may originally be directed at specific stakeholder groups, but are perceived and interpreted by others as well. This view is also supported by [Gardberg \(2001, p. 160\)](#) who explains that individuals do not reduce evaluation of reputational attributes to the ones most relevant to their own stakeholder role but "attend to information beyond the traditional boundaries". Therefore, consumers can evaluate product and service quality even if they have not used the firm's offerings themselves but have heard about others' experiences. They can also come to conclusions about a firm's reputation as an employer or investment option as they may have learned about the firm's activities in these domains via the media or other informational sources and have formed expectations concerning the future actions of the firm within these domains. Summarising, we define perceived corporate reputation as a stakeholder's overall evaluation of a company over time which may be based on own experiences or the experiences of third parties.

2.2. Consumer satisfaction

The satisfaction construct has gained notable attention in marketing research leading to different definitions and conceptualisations of the construct. [Day \(1977, p. 150\)](#) claims satisfaction to be "a post consumption evaluation of a product/service in terms of positive/neutral/negative attitudes toward the product/service" and to result from favourable correspondence between a consumer's expectations and his experiences with a firm or its products and services ([Churchill and Surprenant, 1982](#)). A large

fraction of authors rely on the confirmation-disconfirmation paradigm in order to explain the emergence of satisfaction. In a cognitive process, the consumer compares his expectations with regard to the qualities of a product/service to the actual performance of the product/service. The result of this evaluation process is the degree of satisfaction ([Churchill and Surprenant, 1982; Oliver, 1997; Yi, 1990](#)). Expectations are central to this understanding of the construct as, "in their many variations, they provide a standard for later judgments of product performance" ([Oliver, 1997, p. 91](#)). Contrary to this cognitive interpretation, some authors deem satisfaction to be a (purely) affective construct, namely "an emotional response to the experiences provided by, or associated with, particular products or services purchased" ([Westbrook and Reilly, 1983, p. 256; see also Mano and Oliver, 1993; Oliver and Westbrook, 1993](#)). Current literature suggests that the combination of cognitive ("rational") comparison of target and performance value and the affective response to the outcome of the evaluation procedure results in satisfaction. An example of definitions that follow the cognitive-affective approach to satisfaction is for instance developed by [Oliver \(1997, p. 13\)](#) who claims that "(s)atisfaction is the consumer's fulfilment response. It is a judgment that a product or service feature, or the product itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under- or overfulfilment".

Contrary to the construct of perceived corporate reputation, satisfaction is based on an individual's own experiences made with the firm's offerings ([Anderson and Sullivan, 1993; Oliver, 1997; Helm, 2006](#)). Still, in determining the comparison-standard of the cognitive satisfaction component, information from third parties can be integrated. The formation of expectations might for instance rely on experiences communicated by others ([Anderson and Sullivan, 1993; Oliver, 1997](#)). On the other hand, individuals' experiences (or the interpretation of product features in use) can also be influenced by third parties who comment on the product used by the consumer. Furthermore, one's reputational perceptions of the firm might be integrated into the formation of expectations ([Helm, 2006](#)). These ambiguous interrelations make an investigation of the causality of the two constructs a relevant issue for further research.

2.3. The relationship between reputation and satisfaction

As pointed out above, empirical studies integrating perceived corporate reputation and consumer satisfaction are scarce and different causal structures are presumed (see [Table 1](#)). Some authors claim that corporate reputation influences consumer satisfaction (e.g. [Andreassen, 1994; Andreassen and Lindestad, 1998; Helm, 2006](#)) while others suggest the opposite (e.g. [Carmeli and Tishler, 2005](#)). A third idea is pointed out by [Walsh et al. \(2006\)](#) who conceptualise reputation and satisfaction simply as correlating constructs. The direction of the relationships is not tested in these studies, leaving causality unaccounted for.

3. Theoretical background

To analyse the interdependency between satisfaction and perceived corporate reputation we draw on consistency theories. In particular, we focus on [Heider's \(1958\)](#) balance theory and [Festinger's \(1957\)](#) theory of cognitive dissonance. The main assumption of consistency theories is that individuals strive for consistency within their lives. Beliefs, opinions, attitudes, and values should be internally consistent and conform to one's behaviour. Inconsistencies are uncomfortable and to be avoided. Heider's balance theory states that individuals specifically strive for consistency within their knowledge system, their self-perceptions, and perceptions of

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