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The influence of brand image and company reputation where manufacturers market to small firms: A customer value perspective

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Abstract

Branding research has largely focused on consumer goods markets and only recently has attention been given to business markets. In many business markets the company's reputation has a strong influence on buying decisions which may differ from the more specific product related influence of the brand's image. In this paper we investigate these differences by testing the hypotheses about the influences of brand image and company reputation on customers' perceptions of product and service quality, customer value, and customer loyalty in a business market where there are three manufacturers marketing their brands directly to a large number of small firms. The results indicate that the brand's image has a more specific influence on the customers' perceptions of product and service quality while the company's reputation has a broader influence on perceptions of customer value and customer loyalty.

Keywords: Brand image; Reputation; Product quality; Service quality; Customer value; Loyalty; Business markets

1. Introduction

The initial focus of branding research has been about consumers' associations and their beliefs about the attributes of the brand (e.g. Keller, 1993). However, when Berry (2000) examined branding in consumer service settings, what was found to be more important was the brand's "meaning" that the customers derived from the service experiences they have. In these situations the reputation of the company can have a major influence on the buyer process and consumption experience. Hence, Berry (2000, p. 128) suggests that "the company" becomes the primary brand rather than the product. In many business markets the company's service also plays a major role because there is a need for technical advice about the products. Hence, like consumer service markets, the company's reputation is likely to have an important influence on the buying processes that is different to the product specific influence of the brand's image. Given that there are substantial marketing investments in building brand image and building company reputation, this is an area requiring investigation.

While there has been considerable research about branding and company (corporate)[2] reputation, these two streams of research have been largely independent. Only recently there has been an attempt to understand the different influences of company reputation and brand image on buying processes (Balmer, 2001). In business markets it is common for the company's name to also be the brand name across a range of product groups. In these situations the reputation associated with the company's name acts as the umbrella brand for the range of product categories, while the brand images will be specific to the particular product category. Thus, it is necessary to distinguish between the influences of the brand's image that are associated with a specific product category, and the broader influence of the company's reputation.

One way to distinguish between brand image and company reputation is to examine the different influences they have on the processes that create perceptions of customer value and

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[2] While the term "company reputation" is used more in practice the literature has tended to use the term "corporate reputation". In this paper we have chosen to use "company reputation".

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customer loyalty for the company's products. Understanding the nature of these processes has recently received attention in marketing by both academics and consultants in service markets (e.g. Gale, 1994; Kordupleski, Rust & Zahorik, 1993; Rust, Lemon & Zeithaml, 2004) and also in business markets (Eggert & Ulga, 2002). However, research in this area has given little explicit attention to distinguishing between the influences of brand image and company reputation.

The purpose of this paper is to develop an integrated model that explicitly accounts for influences of brand image and company reputation on business customers' perceptions of quality, value and loyalty. The study had three international companies that marketed beauty care products where the companies' names were also used as the brand names for a range of product categories. Each company had a strong reputation associated with their company name for the range of products that were marketed across the categories. The particular business market chosen was for shampoo products that were sold directly to hair salons. In this established market each company had a shampoo brand with a distinctive image that emphasized benefits that were specific to the hair care market.

This research provides a general application to business markets where few manufacturers sell to a large number of small (micro) firms. The research extends Mudambi's (2002) exploratory study which examined the influences of branding and company reputation in a business market. While the Mudambi study focused on customer choice, our study focuses on the value loyalty process. In this process, the trade-off between perceived quality and costs determines perceived customer value, which in turn determines customer loyalty. Thus we can examine whether brand image has a more specific influence on the perception of product quality and whether company reputation has a broader influence on perceived customer value and customer loyalty. In addition, by focusing on value creation, the study responds to the Institute of the Study for Business Markets (2003) priority area of research of "how to better create, measure, and deliver customer value in business markets".

The paper proceeds as follows: in the literature review section we examine branding in business markets, the process of delivering customer value, and research about the constructs of brand image and company reputation. The next section develops the conceptual model and the hypotheses and the following sections describe the methodology, the results, and the implications.

2. Background literature

2.1. Branding in business markets

With the increasing emphasis on services in all markets, the differences in marketing practices in consumer and business markets are diminishing (Vargo & Lusch, 2004). However, some differences may exist when it comes to branding (Mudambi, 2002, p. 527). This is because the buying processes for business markets involve more direct interactions with the selling organisation. Products may be more technical and personal selling can also play an important role in building relationships between the buyer and seller. In addition, there may be more emphasis on the rational or technical aspects and less emphasis on the self-expressive and emotional benefits of brands (Wilson, 2000). Thus for business markets it is necessary to have a broader based conceptual framework than has traditionally been used to investigate brands in consumer markets. This framework will need to distinguish between the more specific product related influences associated with the brand image and the broader experiences the customer has with the company including the relationships the customer may develop with the sales representative. While research that focuses on understanding the influence of the brand image will still be important, it will also be necessary to integrate the more recent research that has examined the influences of company and corporate reputation.

Our review of branding research in business markets indicates that it has largely been exploratory and there has been little systematic development and testing of comprehensive models. Table 1 provides a summary of the more important published studies. The first two studies examine the importance of the brand name in business markets, while the other studies start to develop more comprehensive frameworks. The most recent of these studies by Bendixen, Bukasa and Abratt (2004) used customer choice experiments to examine the relative importance of "the brand" versus "delivery", "price", "technology" and "availability of spare parts". However, with the exception of the study by Mudambi (2002), little explicit attention has been given to distinguishing between influence brand image and company reputation.

Mudambi's (2002) model includes product attributes (physical product properties, the price), service attributes (the technical support services, the ordering and delivery services, the quality of the working relationship) and branding attributes (how well known the supplier is, the general reputation of the supplier). This exploratory study, which was based on a sample of 116 UK firms, revealed that a third of the firms were "branding receptive", and that these firms were more loyal to a particular supplier. While the Mudambi (2002) study provides a good starting point by distinguishing between the influences of brand name and company reputation, further refinement is needed. We suggest this can come from focusing on the influences of brand image and company reputation on the customer value and customer loyalty process.

2.2. The customer value and customer loyalty process

Understanding the processes that create customers' perception of value which in turn leads to customer loyalty is a fundamental issue in contemporary marketing because it provides the link between marketing and financial performance (Reichheld, Markey & Hopton, 2000). Hence, the area has received considerable attention by both consultants and researchers in the last two decades. As with the development of any new area, there has been discussion and debate about the alternative ways perceived customer value can be defined (e.g. Zeithaml, 1988 p. 13) and this has led to different methodologies to measure it (Payne & Holt, 2001; Woodruff, 1997;). However there is a general consensus that perceived customer value determines customer loyalty.