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A stage to engage: Social media use and corporate reputation

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HIGHLIGHTS

- Consumers' social media use is positively related to online company engagement.
- This relation goes for all consumers, but especially for customers.
- Consumers' online company engagement is positively related to corporate reputation.
- This relation applies to all consumers, but in particular to non-customers.
- The implications for social media policies in the tourism industry are discussed.

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ABSTRACT

Corporate reputation is a valuable intangible asset for companies, yet is increasingly difficult to manage in an era with hard-to-control online conversations. In this paper, we investigate whether and when a company's online activities to acquire engaged consumers are beneficial for corporate reputation. In a survey among 3531 customers and non-customers of an international airline, we measured consumers' engagement in the airline's social media activities and perception of corporate reputation. Results show that consumers' intensity of social media use is positively related to their engagement in the airline's social media activities, especially among customers. Engagement in the social media activities in turn is positively related to corporate reputation, especially among non-customers. We discuss the implications of the results for social media policies in the travel and tourism industry.

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1. Introduction

Social media have changed the way people interact with each other and with companies (Hanna, Rohm, & Crittenden, 2011; Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). The rise of Web 2.0 has enabled consumers to actively act and react on what companies are doing, without being dependent on third parties for media-access – anyone with a smartphone can potentially reach a worldwide audience (Cormode & Krishnamurthy, 2008; O'Reilly, 2007). Moreover, consumers have shifted their information seeking behavior with regard to products and services from offline sources to electronic word-of-mouth sources (eWOM), like social networking and review sites (Gruen, Osmonbekov, & Czaplewski, 2006). While traditional commercial information, like advertisements and promotion, is becoming decreasingly effective (Sethuraman, Tellis, & Briesch, 2011), consumers tend to increasingly rely on peer consumer opinions available online (Gligorijevic & Luck, 2012, pp. 25–40; Park, Lee, & Han, 2007). A global survey among 28,000 internet respondents showed that only about 46% of participants reported trusting traditional advertising, whereas 92% reported trusting word-of-mouth from friends and family and 70% reported trusting online consumer reviews (Nielsen, 2012). Notably, social media platforms, like Facebook and Twitter, provide a substantive part of the available online word-of-mouth. Furthermore, social media sites are an important factor in search results. In a study of Xiang and Gretzel (2010) travel related search results in Google consisted of 11% referrals to social media sites. In a similar study 27% hotel related search results referred to social media sites (Walden, Carlsson, & Papageorgiou, 2011).

As a result of these developments, companies have changed their communication approach. Companies increasingly try to get consumers engaged in online discussions by including social networking sites like Facebook and Twitter in their communication

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strategy: 87% of the Fortune Global 100's companies are active on at least one social media platform, mainly Twitter (82%) and Facebook (74%) (Burson-Marsteller, 2012).

The most prevalent motives for companies to use social media are enhancing trustworthiness, brand attitude, and customer commitment (Van Noort & Willemsen, 2011; Weinberg & Pehlivan, 2011). Together, the activities aiming at achieving these goals are often referred to as online reputation management, which can be defined as “the process of positioning, monitoring, measuring, talking, and listening as the organization engages in a transparent and ethical dialogue with its various on-line stakeholders” (Jones, Temperley, & Lima, 2009, p. 934). Online reputation management involves interacting with people online, creating shareable content, monitoring what stakeholders are saying, keeping track of their dialogue, addressing negative content found online, and following up on ideas that are shared through social media.

A crucial question, however, that has hitherto not been studied extensively, is whether such social media activities are in fact beneficial for a company's corporate reputation. In the present study, we investigate whether and when consumers' engagement in a company's social media activities is positively related to perceived corporate reputation.

2. Theoretical background

2.1. Corporate reputation

One of the main reasons for companies to carry out the kind of online activities described above is the assumption that they are beneficial for their (corporate) reputation. Corporate reputation has been defined as “a collective representation of a firm's past behaviour and outcomes that depicts the firm's ability to render valued results to multiple stakeholders” (Fombrun, Gardberg, & Sever, 2000, p. 243). According to Fombrun, et al. (2000), reputation is an attitudinal construct that consists of two components: an emotional (affective) component and a rational (cognitive) component.

Corporate reputation matters for several reasons. First, it is a key parameter in the supplier selection process by potential customers (Walsh, Mitchell, Jackson, & Beatty, 2009). Thus, consumers are more likely to select companies with a positive corporate reputation, and are willing to pay more for their products (Graham & Moore, 2007). Second, a positive corporate reputation can create market entry barriers for competitors, foster customer loyalty and retention (Nguyen & Leblanc, 2001) and enable a company to attract more customers (Gardberg & Fombrun, 2002), which in the end translates into higher market value (Smith, Smith, & Wang, 2010). A favorable corporate reputation can also protect a company in times of crisis (Shamma, 2012). Lastly, a positive reputation increases stakeholders' willingness to invest in a company, since it enables the company to attract higher quality employees and to gain better returns (Chun, 2005; Vergin & Qoronfleh, 1997).

While being active on social media sites may provide benefits for the reputation of companies, there are certainly drawbacks. Social media platforms are no orderly one-way channels for communication, but rather uncontrolled arenas for participation, which may pose a risk of reputation damage for firms (Aula, 2010). Users can freely spread opinions and ideas that conflict with a company's interest, for instance with regard to operational or ethical issues, product quality or customer satisfaction. Even a single unhappy customer can cause reputational damage via social media platforms, which for example United Airlines experienced in the “United Breaks Guitars” case (Tripp & Grégoire, 2011). Service companies – like those in the tourism and travel industry – may be even more vulnerable to such risks than others (Litvin, Goldsmith, & Pan, 2008), because of the product characteristics of services. Service products are intangible, non-standardized, and need to be consumed before they can be fully evaluated (Murray & Schlacter, 1990). This increases the chance of a gap between customer expectation and perception (Berry & Parasuraman, 1991), which, in turn, increases the chance of online complaint behavior on social media sites (Mitra, Reiss, & Capella, 1999).

Given the ambiguities of the effects of company social media activity, and given that many companies in the travel and tourism industry have decided to become active in social media, it is surprising to see that the results of such activities have received scant attention in the academic literature. The goal of the present paper is to provide empirical evidence for a relationship between a consumer's engagement in company social media activities and corporate reputation and to explore determinants of the reach of social media activities. Given the different relation of customers vs. non-customers with a company, and given the different ways customer vs. non-customers respond to brand communications (Zauner, Koller, & Fink, 2012), we will also test hypotheses about the differences between customers and non-customers with regard to the reach and effect of company social media activities.

2.2. Engagement in a company's social media activities

The relationship between consumers' engagement in a company's social media activities and perceived corporate reputation is one of the main focal points of this study. Many different definitions and conceptualizations of the engagement concept have been published in scholarly literature. The understanding of this phenomenon has developed significantly, however a general consensus has not yet been reached. In studies published to date, engagement is defined in terms of a combination of cognitive aspects (e.g., being interested in a company's activities), behavioral aspects (participation in the company's activities), and/or emotional aspects (feeling positive about a company's activities). The lack of consensus on the engagement concept is reflected in a literature review by Brodie, Hollebeek, Juric, and Ilic (2011), where eight customer engagement definitions from academic marketing literature, twenty-two from social science/management literature, and nineteen from business practice literature were categorized on cognitive, emotional and behavioral aspects. Definitions vary greatly, from broad, overarching definitions (e.g., “the level of a customer's cognitive, emotional and behavioral investment in specific brand interactions” (Hollebeek, 2011, p. 565)), to narrow definitions focusing on only one perspective (e.g., “a behavioral manifestation toward the brand or firm that goes beyond transactions” (Verhoef, Reinartz, & Krafft, 2010, p. 247)).

In the present study we will focus on the concept of engagement at its most basic level, and refer to consumer's familiarity with a company's social media activities (i.e., cognition) and the online following of these activities (i.e., behavior). That is, our approach of the concept can be regarded as the principal starting point (i.e., a precondition – one first needs to be familiar with a company's online activities, and start to follow them) from which subsequent expressions of online engagement behavior towards a company may grow (e.g., experiencing or expressing interest/emotions, interacting, contributing, participating, etc.).

Achieving a high level of consumer engagement is viewed as desirable, because it may enhance a company's reputation and brand loyalty (Doorn van et al., 2010; Hollebeek, 2011) and purchase decisions (Patterson, Yu, & de Ruyter, 2006). The relational consequences of consumer engagement may include commitment, trust, consumers' emotional brand attachment and loyalty (Brodie, Ilic, Juric, & Hollebeek, 2013). This is argued to be of added value for companies, especially for those in highly competitive markets that

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