Journal of Retailing and Consumer Services 26 (2015) 83–96

Contents lists available at ScienceDirect

Journal of Retailing and Consumer Services

journal homepage: www.elsevier.com/locate/jretconser

Does the value manufacturers (brands) create translate into enhanced reputation? A multi-sector examination of the value–satisfaction–loyalty–reputation chain

Laurent Tournois

Department for Postgraduate Studies, 261 Kumodraska, 1100 Belgrade, Serbia

ARTICLE INFO

Article history:
Received 23 November 2014
Received in revised form
24 May 2015
Accepted 25 May 2015
Available online 16 June 2015

Keywords:
Value creation
Manufacturer corporate brands
Subjective measures of performance
Customer value
Satisfaction
Loyalty behaviours
Reputation

ABSTRACT

Literature has widely acknowledged that the main purpose of company–customer relationships is to create value for both sides. Satisfaction, loyalty behaviours, and reputation are considered customer-related performance measures. However, research has not fully uncovered the complicated interrelationships among these constructs, particularly with regard to multiple mediations and in the case of manufacturer corporate brands. To examine the hypothesised relationships between and among our constructs, we go beyond the commonly studied single mediator and test a four-path model (three mediators in a series). The results indicate that satisfaction and loyalty behaviours mediate the relationship between customer value and reputation. In theoretical terms, we contribute to the literature by showing that customer value creation is a reputation-building strategy that bridges the gap among product, brand, and corporate performance levels.

1. Introduction

Research has long debated the concept of value creation in articulating the needs of customers and shareholders. On the one hand, a large number of consulting firms, such as Boston Consulting Group (e.g. Hansell et al., 2014) and Ernst & Young (e.g. Bunder and Taylor, 2014), have developed frameworks or "road maps" for helping companies manage their internal processes more efficiently. On the other hand, for companies such as Dell, L'Oreal, and Lacoste, their mission statements clearly indicate that the customer remains at the core of their value creation processes. In addition, researchers have widely acknowledged that competing for advantage in markets through superior customer value is crucial for firm survival (Woodruff, 1997).

However, in criticising companies' behaviours, Porter and Kramer (2011, p. 4) state that "*they continue to view value creation narrowly, optimising short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their longer-term success.*" Moreover, in noting the inclusion of customers in corporate mission statements, several researchers have concluded that most firms, though recognising the significance of focusing on the customer for their long-term success (see Wright (2002)), do not use customer-related measures reflecting such a claim at the operational level (Shamma and Hassan, 2013). Rather, financial measures seem to dominate, a perspective that ignores the wealth of information available from intermediate (subjective) indicators about why a brand might have a particular financial value (Feldwick, 1996). Indeed, regarding the managers–customers–shareholders sequence, subjective benchmarks, also called non-financial indicators of investment in intangible assets such as brands, may be better explanatory factors of future financial performance (e.g. stock price) than historical accounting measures (Ittner and Larcker, 1998). Therefore, the argument is that they should complement financial measures in internal accounting systems (e.g., Kaplan and Norton, 1996). This proposition highlights the role of non-financial information among the factors in explaining company performance (e.g. Edvinsson, 1997; Wallman, 1995; Zeghal and Maaloul, 2010). This view is supported by Gupta et al. (2004) who demonstrate the value of customer-focused metrics for shareholder value.

Marketing scholars have contributed to the discussion by examining performance measures, such as customer satisfaction (Ittner and Larcker, 1998; Srivastava et al., 1998; Szymanski and Henard, 2001; Yeung and Ennew, 2000), customer loyalty (Dick and Basu, 1994; Uncles et al., 2003), word-of-mouth/WOM (Petersen et al., 2009), and brand equity (Berry, 2000; Keller, 1998). Literature on branding offers valuable insights into the customer–value–brand relationship in identifying additional variables. The

E-mail address: ltournois@singidunum.ac.rs

http://dx.doi.org/10.1016/j.jretconser.2015.05.010

underlying assumption is that the success of a company lies significantly in the performance of the brand (Doyle, 2000).

Studies on the conceptualization and measurement of brand equity have identified several other customer-related variables that can result in higher sales volumes of the brand, including reputation (De Chernatony et al., 2004). Reputation plays a crucial role in bridging the gap between consumer and company identities because it goes beyond consumer–brand relationships to consider consumer–company relationships (Bhattacharya and Sen, 2003). Academia (e.g. Balmer, 1995, 2001a; Bickerton, 2000; De Chernatony, 1999; Grey and Balmer, 2001; Harris, De Chernatony 2001; Keller and Aaker, 1998; Knox et al., 2000) and managerial practise (e.g. Ind, 1998; Macrae, 1996; Mitchell, 1997; Olins, 2000) have responded to these concerns with increased attention to the development of brands at the corporate level (i.e. corporate brands; see King, 1991). Nevertheless, the product and the company are still linked in terms of the extent to which the corporate brand adds economic value to the range of products and services offered (Fombrun, 1996; Ind, 1997; Keller, 2000; Knox and Maklan, 1998; Olins, 1989).

Thus, research has recognised all three variables (i.e. satisfaction, loyalty behaviours, and reputation) as key elements of the customer value creation process that drives performance at the product, brand, and corporate levels. In the past 20 years, marketing scholars have sought to integrate these variables into unified frameworks, the American Customer Satisfaction Index (ACSI) (Fornell et al., 1996) being the most significant one. However, questions remain about causality, leading to ambiguous results and a lack of consideration for branding issues, and thus these relationships deserve further empirical investigation. In addition, as part of a customer-oriented perspective, variables such as attachment, which connects consumers' perceptions of value to brands, have not attracted much attention, even though emotional brand attachment is recognised as a critical driver of strong brand relationships (e.g. Fournier, 1998; Malar et al., 2011). In highly competitive consumer product markets, adding value to the complete brand experience (see Davis (2009)) through the development of customer-centric brand emotional appeals, beyond price and quality perceptions, would help firms compete successfully. Moreover, study results have rarely been integrated into a broader framework, especially at an institutional aggregation level, to assess the consequences of companies' actions in terms of customer-focused performance outcomes of the value created (by companies).

The current study contributes to the debate on how consumers respond to companies' offerings in terms of both products, through customer value and satisfaction, and brands, through brand attachment and word of mouth (WOM), by advancing an aggregate overall measure of value creation—that is, reputation. Rarely have studies on customer value creation considered corporate and consumer issues. Therefore, adding reputation to the customer value–satisfaction–loyalty chain in a corporate-branded product context contributes by (1) bridging the gap among the company, the brand, and the product and (2) extending current (satisfaction) measurement models by including a variable that combines the advantages of both the tangible features of the product and the intangible benefits of the brand (see Torres-Moraga et al. (2008)). A clearer understanding of the causality between customer value and the various constituting elements of performance would be beneficial for both researchers and practitioners. In addition, our study contributes to the literature by empirically examining simultaneous relationships between these variables within a corporate-branded product context. To the best of our knowledge, this study is the first attempt in this matter. In competitive product markets, such branding initiatives could create favourable circumstances by attracting new customers and retaining them at an acceptable cost, to increase return on investment (De Chernatony and McDonald, 1994). Furthermore, according to a recent study by *Marketing Week*, consumers are likely to consider large fast-moving consumer goods manufacturers more favourably if they develop a prominent corporate brand (Bacon, 2013).

This article is organised as follows: First, we establish the conceptual foundation with a focus on key measurement issues of the value created and then present the conceptual model developed for this study (see Fig. 1). Second, we specify the relationships among five constructs that are customer value, satisfaction, loyalty behaviours, and reputation and hypothesised paths. Third, we describe the methodology and verify the quality of the measurement instruments. Fourth, we elaborate the results of the study based on two quantitative analyses, namely, structural equation modelling (SEM) and Preacher and Hayes's (2008a) and Taylor et al.'s (2008) suggested procedure. The latter is considered appropriate for examining relationships within a multiple mediation model. Fifth, we discuss the study's findings in light of their theoretical and managerial contributions. Finally, we discuss the limitations of the study, which serve to outline relevant directions for further research.

2. Conceptual background

Research initially explained the value creation process through the exchange mechanism, which is the primary mechanism by which any potential value that resides in an economic system becomes a reality (Alderson, 1957). Since then, it has served as the basis for a contractual view of the firm as a complex structure of bilateral contracts with one or more stakeholders (Williamson, 2002). In line with this perspective, each management discipline tends to approach the subject from the point of view of stakeholders (e.g. shareholders, customers, top management, employees), some of which are more important than others. The

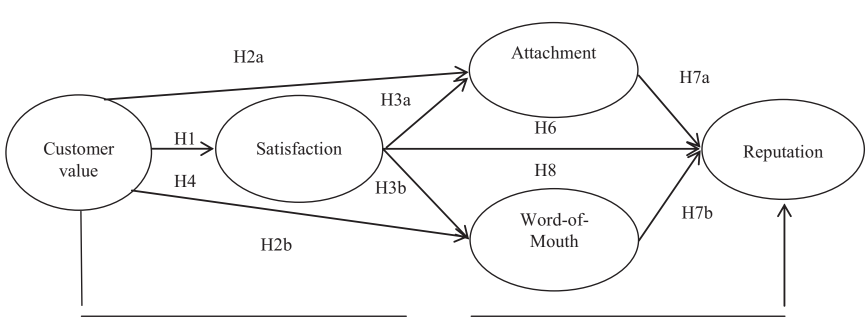

Fig. 1. The theoretical model of the research.