Exploring Reputational Challenges as a Basis for a Successful Planning of Service Marketing – Conceptual Reflections and Empirical Evidence concerning the Development of a

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Abstract

Managing corporate reputation on the basis of a valide measure belongs to the key challenges of companies, especially in service industries. Since 1999, considerable research is devoted to evaluating the cross-cultural applicability of the Reputation Quotient (RQ), an instrument to measure corporate reputation that was developed by Charles Fombrun and its colleagues from the Reputation Institute to improve the former existing measurement concepts along scientific standards. In order to figure out, if and to what extend the Reputation Quotient (RQ) might be an appropriate instrument to measure the reputation of service companies we accomplished an empirical study in three service industries (banking institutions, energy suppliers, and insurance companies). The results give reasons to assume that sector-specific measures of corporate reputations will lead to a better basis of planning a successful reputation management. Furthermore, we can demonstrate by the example of banking institutions that it even makes a lot of sense to take the differences between diverse strategic groups within the same industry into account. Differences also exist concerning the earnings efficiencies of positively perceived corporate reputations in the different service sectors.

1.　　　Introduction and Research Questions

The advent of global markets has resulted in a plethora of product choice, retail channels, and promotional activity. In such a market situation, companies with a good reputation are likely to attract more customers. Corporate reputation, as experienced by various stakeholders, is becoming ever more important because it exerts an influence on both commercial (e.g., sales, profits) and non-commercial (e.g., consumer trust, loyalty) outcomes. The understanding of corporate reputation is important for companies' strategic marketing activities; effective communication with different stakeholder groups is helped by understanding what people view as important components of a good reputation. Multinational corporations in particular need to examine the global consistency of their stakeholder perceptions.

In order to manage their reputation, firms need to measure it. The topic of conceptualizing and measuring corporate reputation both nationally and cross-nationally has attracted considerable attention in the marketing and management literature (e.g., Fombrun and Shanley 1990; Fryxell and Wang 1994; Gardberg and Fombrun 2002; Groenland 2002; van Riel and Fombrun 2002; Davies et al., 2002; Fombrun and van Riel, 2004)). Existing approaches to measuring corporate reputation tend to be practitioner ratings such as the US-based *Fortune America's Most Admired Companies* (since 1984) or Germany's *Manager Magazin* rating (every other year since 1987). These ratings rely primarily on the perceptions of senior managers, directors and financial analysts (Fombrun et al. 2000) who are typically asked to rate a company on a limited number of criteria. Despite their intuitive appeal, these practitioner ratings may have shortcomings because the approach inherently assesses the company's reputation in a one-dimensional way that not does reflect the company's reputation across all relevant stakeholder groups. Existing measures are limited with respect to their conceptual foundation, sampling frames, and scope (Fryxell and Wang 1994; Fombrun and van Riel 1997; Fombrun et al. 2000). Consequently, uncertainty exists with regard to the validity, reliability and range of these measures. Stakeholders rarely focus on a single aspect when rating a company, but rather tend to make judgments that combine specific buying experiences and information on a company. Therefore, for most stakeholders, several reputation dimensions prevail.

A more recent approach attempts to address and avoid these weaknesses by postulating a multi-dimensional understanding of corporate reputation. In this context, the work by Fombrun, Gardberg, Sever (2000) who developed the *Reputation Quotient* (RQ) in cooperation with experts from many countries which are members of an international network called "*Reputation Institute*" (RI) is of particular interest (Fombrun and van Riel). In their integrative approach, the authors define corporate reputation as a "collective assessment of a com-

pany's ability to provide valued outcomes to a representative group of stakeholders" (p. 243). They assume that corporate reputation can be explained by *six central reputation dimensions* that influence stakeholders' behavior and a company's profits. These dimensions are: 1) Emotional Appeal; 2) Product and Services; 3) Vision and Leadership; 4) Workplace Environment; 5) Social and Environmental Responsibility; 6) Financial Performance. An important assumption of the approach is that these six individual reputation dimensions are perceived differently by different stakeholders; a sample, therefore, should comprise of multiple stakeholder groups.

Since 1999 the RQ has been successfully used, and insofar validated, in yearly studies measuring the reputation of the most visible companies in the US, Australia, and different European countries (e.g. Denmark, France, Germany, Holland, Italy, Norway, Sweden, UK). Such an increasing research and practical experience with the RQ in different countries fosters growing confidence in the usefulness of this measurement scale (Fombrun and van Riel, 2004). And the benefit of such a standardized instrument would be its ability to enable cross-cultural comparisons.

However, some studies replicating and testing the RQ in different countries foster the suspicion that the six dimensions are affected by cultural differences, and/or that original dimensions are absent, or additional dimensions are to be included (Groenland 2002; Wiedmann, Walsh and Hinck, 2003; Walsh and Wiedmann, 2004). Additionally, managers of companies in different industries, and especially of such companies who were not among the "Top 15" of the most visible firms in the different countries, always argued that the reputational drivers and challenges differ a lot between branches. At least, the request for industry-specific measures should be taken serious and should lead to a thoroughly investigation.

Against this background, this contribution presents some of the results of our effort to work out a suitable measuring concept for individual sectors and review the possibilities of its application. At the end of 2004, we carried out reputation studies for the three sectors banks and savings banks, energy suppliers, and insurance companies. The studies, which provide interesting insight both for corporate practice as well as for further academic research, essentially pursued three objectives:

1. Construction of a suitable instrument for measuring reputation in the three sectors. In this connection, we primarily looked into the question of whether a uniform reputation measurement for all sectors, for instance as the RQ, or whether differentiated measurement approaches lead to more valid results.

2. Determination of the reputation positions of the companies and the sectors. In this connection, it was of particular interest whether there are noticeable differences in reputation in companies within one sector and how reputation ranks in a comparison of the sectors.

3. Measurement of earnings efficiency that is answering the question of whether reputation affects earnings-oriented target parameters and which differences or similarities exist between the individual sectors.

Before the central results of our study are introduced, some general terms and categories need to be clarified.

2. Foundations

2.1 On the Significance and Realization of the Target Parameter Reputation in Corporate Practice in Germany

Indeed, German companies appear to assign a high degree of relevance to the issue of reputation management. In a representative study two-thirds of the managers questioned indicated, for example, that in their companies, reputation management had a very high or at least a high degree of importance (cf. Wiedmann/Buxel, 2004, pp. 52 ff.). A group consisting of more than two-thirds of the respondents even emphasized that reputation objectives were an explicit part of the overall strategic concept of their companies. At the same time, reputation management is clearly regarded as a task for which top management is accountable. In 77% of all of the responding companies, the executive board or executive management is responsible for the achievement of reputation objectives. Customers and the public are the primary addressees for reputation management measures. About 98% of all of the companies questioned indicated that in their opinion, reputation is very important or important for customer relations, while 88% stated that it was very important or important for public relations. Nonetheless, the aspirant groups of investors, suppliers, cooperation partners, and employees also play a central—if not the most important—role as target groups for reputation management measures. More than 75% of the companies questioned stated that in their opinion, reputation is very important or important for relations to these aspirant groups.

With respect to concrete reputation objectives themselves, the non-direct financial objectives (e.g. development of a positive image) dominate over the direct financial objectives (e.g. increasing profit). Seventy-six percent of the managers questioned consider the development of a positive corporate image to be a very important objective that should also be supported by

numerous measures. Earnings-oriented objectives are also purposely pursued along with the development of a high degree of corporate reputation. Increasing customer satisfaction and loyalty, simplifying the acquisition of new customers, or increasing corporate profit are amongst the most important of these objectives.

The list of measures and instruments for promoting reputation is comprehensive and includes, amongst other things, the performance of audits and the issue of certificates of quality; the issue of press releases; the publication of company brochures and customer magazines; public relations; image campaigns; and sponsoring. Amongst the most strongly favored measures aimed towards a company's own employees are the use of intranet concepts, encouraging suggestions for improvement, training and advanced training, and the publication of an employee magazine.

It is all the more disturbing that only a small portion of the companies questioned systematically measure and control their own reputation, the expectations of the relevant stakeholders, or the effects of individual measures. Only 15% of the companies can be classified as "oriented towards professional RM controlling." The large majority of the companies questioned basically restrict themselves entirely to measuring customer satisfaction and evaluating corporate ratios and customer complaints (cf. Wiedmann/Buxel 2004, p. 55). More demanding reputation controlling concepts are not used or are frequently even unknown. In view of the increasing significance of the efficient use of resources and an orientation towards profit, this is difficult to understand. A crucial issue in this connection consists in a differentiated reputation measurement concept which is based on an adequate definition of the term reputation, as will be briefly outlined in the following.

2.2   On the Characterization of the Term Corporate Reputation

A review of the relevant literature (cf., e.g., Fombrun/van Riel, 1997) shows that in addition to a non-uniform concretion with regard to content, the term **reputation** is in part also frequently equated with **brand** or **image** (cf. e.g. Gotsi/Wilson 2001a, p. 24). One difficulty may be that there are in fact very close interrelations between these constructs (Markwick/Fill 1997, p. 396), whose closer consideration seems advisable. Corporate reputation can be interpreted as the **sum of the perceptions and assessments of all of the relevant stakeholders** with regard to the performance, products, services, persons, organizations, etc., of a company and the **respect** for the company that arises from each of these factors, in which at the same time there manifests general support potential (cf. Fombrun/Wiedmann 2001, pp. 6f.; Fom-

brun, 1996; Fombrun/van Riel, 2004). The latter may in general manifest in the willingness to concern one's self with and take in information about the respective company, as well as, if necessary—in the case of a well-developed reputation—to interpret it favorably. On the whole, strong corporate reputation reflects a high degree of appeal—for instance it assists companies in attracting good employees, simplifies new customer acquisition, strengthens customer loyalty, helps in convincing bankers, in particular analysts, and in this respect is helpful in the procurement of capital. And finally, it also aids in the development of good relations to the media and thus increases the chances of a positive media resonance as well as, if necessary, a certain degree of media support in times of crisis (for more details cf., e.g., Fombrun/van Riel, 2004).

The emphasized support potential at the same time marks the **difference between** a company's **reputation** and its **image**, which basically manifests in the image one has of a certain object, in our case of a company. We could, for instance, put forward the following highly simplified formula: corporate reputation = sum of the image of a company by all stakeholders + the resulting support potential.

The idea of being geared towards relevant support potential is already characteristic for managerial concepts of measuring brand equity. And if we are dealing with a dominant corporate brand (such as, for example, BASF), there is indeed a very close **connection between brand equity and reputation.** Even in such a case, however, further associations, which are only in part directly associated with the corporate brand, have an influence on the formation of corporate reputation. The reputation of the CEO or other outstanding personalities, for instance, may have a considerable influence on the reputation of the company without this being directly reflected in brand equity. What is more striking is the difference for companies who—such as, for example, Procter & Gamble—withdraw to a higher or lesser degree behind individual product brands. The brand equity of the individual products and services may influence the formation of an overall impression value, at least with those stakeholders who are willing and in a position to make a corresponding assignment of individual brands to the whole company. Above this, however, further company associations and in particular the "equity of the whole brand system" or the equity of the brand portfolio constitute the foundation for the development of corporate reputation. On the whole, we arrive at the formula: corporate reputation = sum of all partial brand equity as well as the equity of the overall brand portfolio + all further support potential resulting from corresponding, non-brand-centered corporate associations with the various stakeholders. On the whole, the appeal that can be radiated by a positive corporate reputation and in our opinion is closely associated with a useful under-

standing of the concept of reputation ultimately leads to a **reservoir of goodwill**, which in the form of sustainable backing as well as specific support potential is beneficial for the company, for example in times of crisis. At first, however, what manifests in the corporate reputation is only a **potential for goodwill**, which must be systematically made use of through sensible reputation management in order to ultimately find expression in actual goodwill and then manifest in business or corporate equity (cf. Baetge/Kirsch/Thiele 2002, pp. 260 f.).

Altogether, corporate reputation is closely linked with other phenomena that have traditionally attracted a lot of attention in management. Instead of relying on a "sharp dividing line," one should make much more of an effort to better understand the interrelations within the context of integral thought. In the end, this can already be considered to be one of the tasks of sensible reputation management.

Finally, **reputation management** can be understood as the goal-oriented and systematic planning and control of all corporate activities which are suited for sustainably conveying overall corporate identity to all of the relevant stakeholders in such a way that a relationship of trust—and along with this very concrete support potential—can be built up and lastingly secured.

2.3   Study Design

The Reputation Quotient (RQ) may already provide an efficient concept for measuring corporate reputation. To address this situation, two distinct approaches are generally appropriate: (1) replicating the original RQ study and (2) restructuring the RQ. Without a doubt, replications are widely considered an integral part of scientific work; however, given the results from different qualitative RQ studies conducted in cooperation with several companies, this paper opt against an ad hoc replication. Instead, this paper examines this problem by developing a multidimensional conceptualization of corporate reputation for the sectors banks and savings banks, energy suppliers, and insurance companies

With the aid of a multistage, iterative method a measuring model was developed for each of the three sectors which reflects the characteristic customer perception and evaluation structures for these sectors. Qualitatively structured interviews with corporate representatives as well as with selected customer groups from these sectors constituted the starting point. Within the framework of these interviews, light was again systematically thrown on the existing understanding of reputation as well as in particular the perceived significance of various reputation dimensions. For this process, besides the RQ, numerous other measuring concepts were

incorporated (cf. e.g. Fombrun et al., 2000), and creative techniques were implemented in order to—if necessary—also be able to bring out new aspects in the workshops with the participants.

Following the qualitative pre-studies, a questionnaire concept was then developed for each of the various branches, which constituted the basis of a telephone survey. Each of the questionnaires contained forty questions regarding reputation assessment as well as additional questions concerning target parameters relevant to earnings and socio-demographic information. For determining the sample, six regions in Germany were randomly chosen which could be assigned to individual municipalities. All together, two regions were in former East, and three regions in former West Germany. In each of these areas, three random samples of private persons were drawn from the public telephone book. Over the telephone,

- 350 persons were questioned about the reputation of banks and savings banks,

- 230 persons were questioned about the reputation of insurance companies, and

- 210 persons were questioned about the reputation of energy suppliers.

In all three sectors, we also carried out a survey of business and commercial customers within a smaller scope. Furthermore, additional stakeholder groups were questioned. However, the following explanations initially only refer to the area of private persons who can be assigned either to the sector of private customers or that of the public, or from the point of view of marketing strategy to the area of non-customers.

The focus of the data evaluation was then confirmatory factor analyses or so-called covariance structure analyses, with whose help the subjective psychologic of those questioned, can be transferred to a measurement model. Furthermore, on the basis of the measurement models the following values were ascertained for each of the respondents:

- The value of overall reputation,

- the value of main reputation factors, and

- the value of the sub-factors of the regional significance for banks and energy suppliers.

On the person level, the reputation values were standardized in the range between zero and one.

Within the context of our reputation measurement, important target parameters relevant to earnings were also established, which serve as an important yardstick for measuring the significance of overall reputation and individual reputation factors.

3.   Results of the Reputation Measurements

3.1   Reputation Measurements in a Comparison by Sector

As already briefly mentioned, for each study there was a questionnaire containing forty individual questions about various aspects of reputation. These individual questions were based on a hypothetical reputation model which included nine reputation factors. A tenth reputation factor, local importance, was added for the sectors banks and savings banks and energy suppliers. This factor does not appear in any of the prior studies on reputation and takes into account the essentially regional business model of the savings banks and energy suppliers in Germany.

The following procedure was applied for the development of an optimum reputation model for each sector:

1. Each one of the hypothetically determined reputation factors was validated with the aid of a main axis analysis and a rehabilitation test on the basis of Cronbach's alpha. In the course of this first step, the measuring models for the individual factors could be optimized through the elimination of individual questions that proved unsuitable for measurement of the factor.

2. With the aid of a confirmatory factor analysis, the remaining factors and their items were transferred into a combined model and checked empirically. During this step, the hypothetically assumed factor structures were checked for their empirical tenability. This resulted in part in the elimination of certain factors or in the combining of individual factors, if this was justified by significant improvements in the model's quality criteria.

3. Finally, in a third step a factor analysis of the second order was carried out for each sector model. With the aid of the factor models of the second order, whose schematic structure is depicted in Figure 1, it was checked to what extent the available factor structure is suited for measuring the hypothetical or latent construct reputation.

Three sector-specific measuring models emerged which in part exhibit significant differences. The reputation model for **energy suppliers,** for example, contains five main reputation factors which include twenty-two individual questions. Thus eighteen of the original individual ques-

tions were eliminated from this special measuring model because they were either unsuitable or unnecessary for the reputation measurement of energy suppliers.

What is characteristic for this measuring model, for example, is that a model in which the factors "emotional appeal" and "trustworthiness" are combined into one factor exhibits better quality criteria than a model in which the factors are measured separately. In other words, this means that in the perception of energy supplier customers, the two aspects are more likely to be related.

Figure 1

The measuring instrument for **banks and savings banks** contains seven main reputation factors which also include twenty-two individual questions. In contrast to the energy suppliers, the separate measurement of the factors "emotional appeal" and "trustworthiness" leads to better quality criteria.

The reputation factor "local importance" was further subdivided into three subfactors of local involvement:

1. Social involvement
2. Economic involvement
3. Involvement with young people

An optimized reputation measurement for **insurance companies** reveals eight main reputation factors based on twenty-one individual questions. An exemplary characteristic of the reputation structure in the insurance company sector consists in the fact that insurance company customers are more likely to perceive and evaluate the reputation factors "products & prices" and "service quality" together than separately. One reason for this could be that there is a close link between individual consultation and actual insurance benefits, which is typical for the insurance sector. In contrast to this, in the other two sectors a valid reputation measurement should record and identify the factors "products & prices" and "service quality" separately. Figure 2 presents a schematic structure of the reputation model structures for all three sectors.

Figure 2: schematic structure of the reputation model structures

Furthermore, the confirmatory factor analyses showed that in the evaluation of companies in the individual sectors, relevance can be ascribed to very different individual aspects. The only branch, for example, in which a relationship between the overall reputation and future intangible assets of a company can be demonstrated, is the insurance sector. This seems plausible if one considers the long-term commitment and duration of the individual types of insurance, e.g. life insurance, whose settlement risk is more strongly linked with the future prosperity of the company than is frequently the case for energy suppliers or banks.

Figure 3 shows the central, global quality criteria for the three models.

Figure 3: Global quality criteria for the reputation models

Because the consideration of only one criterion can easily lead to evaluation errors, a factor model should always be assessed on the basis of an overall evaluation of several quality criteria. Looking at the global quality criteria as a whole, all three models exhibit an acceptable general picture. Though several parameters go beyond the recommended limits, e.g. the criterion RMSEA in all of the models, none of the models exhibit "outliers" or poor values over all criteria. As none of the models showed detail criteria (e.g. factor reliability, t-values of factor loading, etc.) that would have suggested rejecting the models, the measuring models were adopted in the form presented here.

In summary we can state that a uniformly standardized measurement of corporate reputation over all sectors leads to sub-optimum results. The empirically confirmed differences in the perception and evaluation of the companies in the individual sectors show that special reputation models or measuring instruments are required in order to be able to generate realistic results and thus recommendations for successful action.

3.2   Reputation Profiles in a Comparison by Sector

A frequently cited reason for an intercorporate or intersectoral standardization of reputation measurements states that comparability of the individual measurement results must be guaranteed. Comparability is therefore created through a uniform measuring approach. In our opinion, however, the demand for the validity and reliability of the results stands in the way of the demand for comparability of the reputation measurement results. As demonstrated in the pre-

vious section, an intersectoral, standardized measurement would neglect the actual processes of processing information about the structures by the customer. This would mean the loss of important information. Proceeding in this way would not provide any insight into the available perception structures of the assessments of companies in one sector.

In our opinion, a standardized measuring approach is not necessary in order to produce comparability of different reputation models. The individual reputation factor values can be statistically calculated and stored. These values can then be standardized by performing simple mathematical transformations into each range of values, for instance between zero and one. Strictly speaking, these values are only a hundred-percent comparable if they demonstrate congruence with regard to both content and structure in the measuring models. In our view, however, this demand is more of a theoretical one. From the action-oriented viewpoint of management, even those measuring models that fall back on different details do not restrict the comparability of factor values. It is much more important for there to be sector or company-related construct validity. This can be illustrated by a simple example: While a central quality of the trustworthiness of bank is its professional, honest handling of the money it has been entrusted with, the trustworthiness of an energy supplier is closely connected with a reliable and uninterrupted supply of power. In both sectors, trustworthiness can now be ascertained using a superordinate, abstract question as to the general trustworthiness of the service provider. The measuring models for both sectors could likewise be specified in such a way that both of the above-mentioned facts, which are decisive for the trustworthiness of the sectors, can be covered with individual questions. The resulting values for the factor "trustworthiness" for both branches could nonetheless be compared.

The case is similar for overall reputation. In the present study, overall reputation was established as a factor of the second order. Standardized values may also be calculated and presented for overall reputation and compared with one another independent of the structures on the level of factors of the first order. In this case, intersectoral comparisons of reputation values only take the circumstance into account that on the customer side, different demands on companies, different perception structures, and different processes of information processing can also be present in different branches; they must, however, be recognized and taken up by reputation management. The following comparisons are carried out conformably.

The following figure shows the range of the reputation values as well as the mean values for the respective companies taken into consideration in each of the three sectors. Of all three of the sectors, banks exhibit the best reputation values; however, the range between the maxi-

mum and minimum values is wide. These values refer to the reputation indices of savings banks and banks taken into consideration in the bank sector. The best bank shows a reputation index of 68. Unlike it is customary to do in other studies, the reputation indices were not calculated as mean values. Rather they reflect the share of those persons questioned who award the respective company a very high reputation. Accordingly, a value of 68 means that 68% of all the respondents awarded this bank a very high overall reputation. In the mid-range, just under 49% of bank customers—that is almost half—give banks a high reputation rating.

Figure 4: Mean Value Comparison in the different Industries

The reputation values for the energy suppliers included in the study were at a slightly lower level. A maximum of 62% of the customers questioned awarded an energy supplier a very high overall reputation. In the mid-range, 40% of the customers of the seven energy suppliers taken into consideration here awarded their supplier a high reputation. The values for the seven insurance companies, however, clearly lag behind. The highest index value for an insurance company, 28.6%, approximately corresponds with the lowest value in the energy supply sector. In the mid-range, 15.5% of the respondents awarded their insurance company a high reputation. However, with certain reservations it must be noted that in contrast to the other two sectors, we did not question only customers of the respective insurance company.

3.3   Reputation Comparisons of Competitors as Exemplified by the Bank Sector

From the point of view of management, there are two central questions in connection with reputation:

1. Are there significant differences between the reputations of individual competitors?

2. Is reputation an effective success variable?

Reputation can only be described as a central success factor if both of these questions can be answered with "yes," i.e. reputation offers opportunities for differentiation on the one hand, but on the other hand it can also be proved to have an effect on central earnings or success variables.

As already briefly shown in the previous section, there are significant differences between the competitors in individual sectors with regard to the reputation awarded them by their customers. Figure 5 shows in detail the reputation positions of the ten banks included in the sector study. The differences are obvious. In the most favorable case, 68% of the customers of one bank awarded it a very high reputation; in the worst case, only 33.3% of the customers did so.

Figure 5: Reputation Scores for Banking Institutions

The comparison of competitors includes competitors whose activities range from local to nationwide. On average, those institutions active locally have higher reputation values than those large banks who operate nationwide. However, there are also significant differences in the reputation positions of locally active institutions. The difference between the best and the worst institution amounts to thirty percent points.

As Figure 6 shows, the individual reputation factors also exhibit significant differences. In the mid-range, banks and savings banks exhibit the highest reputation values with regard to their "profitability" and "emotional appeal." In this connection, "emotional appeal" exhibits only slight scatter between the best and the worst corporate value.

Figure 6: Means and Variations of the Individual Reputation Factors

This means that from the viewpoint of their customers, individual competitors differ only slightly with regard to "emotional appeal." A possible cause for the high "emotional appeal" of banks may be due to the fact that in this sector, brands and advertising concepts are strongly geared towards the conveyance of "emotional messages" and the creation of sympathy and other emotion-related target values. The result is that corporate and brand images may be highly emotionally charged, however, they are hardly capable of posing opportunities for differentiation.

Other reputation factors show both low absolute values as well as considerably larger ranges. What should be emphasized here for the most part is the local importance of the institutions. From the viewpoint of reputation management, this factor poses even larger opportunities for differentiation.

What is surprising are the results on trustworthiness of the credit institutions and managerial professionalism. The factor "trustworthiness" exhibits a very large range of individual values; the absolutely level lies considerably below that of the other factors. All of the institutions received relatively low ratings for "managerial professionalism."

If one combines the reputation values for all of the institutions, with the aid of a correspondence analysis one can devise a sector-specific picture, which is represented in the following figure.

Figure 7: Mapping of Strategic Groups via Correspondence Analysis

The figure shows two clearly separate groups of competitors. The group on the left, which consists of five institutions, corresponds strongly with the reputation factor "local importance."

The group on the far right of the mapping space includes two large banks, which correspond above all with a high reputation with respect to "products & prices" as well as "profitability." The three institutions in the middle exhibit no noticeable reputation features and most likely correspond with a high reputation with respect to "managerial professionalism."

The in part extremely high reputation differences between competitors, which are presented here as exemplified by the bank sector, can be found in the other two sectors accordingly. Corporate reputation is therefore not a homogeneously distributed criterion in the area of competition, and it offers considerable opportunity of scope.

3.4   Relevance of Corporate Reputation for Success

Within the context of reputation measurements, in the three sector studies questions were also asked with respect to success factors. The following factors belonged to the area of customers:

1.   Customer loyalty,

2.   customer price tolerance, and

3.   intention to buy or tendency towards additional conclusions of a transaction.

Furthermore, non-customers of banks and insurance companies who had provided an evaluation of the reputation of a company known to them were questioned with respect to

1. their interest in receiving information about the respective company, and

2. their tendency to select this company as a new service provider in the event they should choose to switch providers.

The following figure shows the connections between reputation and customer loyalty for bank customers and customers of energy suppliers. In both sectors, those customers with a high and with a low evaluation of reputation exhibit noticeable differences with respect to their loyalty.

Figure 8: The Impact on Customer Loyalty

Amongst those bank customers, for example, who award their house banks a high reputation, 72% exhibit a strong degree of loyalty towards their house bank. The share of loyal customers in this group is therefore more than twice as high as in the group of customers with a lower assessment of their house bank's reputation. There are also clear—if not as high—differences amongst the customers of energy suppliers. With an 87% share of loyal customers, their share in the customer group with a high reputation assessment of their energy supplier is 1.7 times higher than in the customer group with a low reputation assessment.

The customer buy response or price tolerance presents a considerably harder measure of success. As shown in Figure 9, in the bank sector nearly four times as many customers with a high reputation assessment also exhibit a higher buy response than customers with a low reputation assessment. In the energy sector it is 1.7 times as many customers who show an increased buy response if they also have a high opinion of their energy supplier.

Figure 9: The Impact on the Willingness to Pay

As can be seen in Figure 10, there are also significant differences in product use intensity amongst customer groups with a varying degree of high reputation evaluation. These differences become particularly noticeable in the bank sector. Those products affected by different use intensities are primarily those for which the trustworthiness of the supplier plays a large role. Thus those customers with a high reputation evaluation of their house bank use the prod-

ucts construction finance and insurance significantly more frequently. These customers like-wise also more frequently draw savings products from their house bank. In the insurance sector, amongst customers with a high reputation assessment of their insurance provider there is also a distinctly higher willingness to take out new insurance. In this area, the shares of the customers with a high willingness to take out insurance is 37% versus 15%.

Figure 10: The Impact on the Cross-Selling-Potential

For companies with growth targets, reputation is also a relevant target variable (see Figure 11). If switching banks, 71% of non-customers would take a bank into consideration of which they have a high opinion. This contrasts with 39% of non-customers in the group with a low reputation assessment.

Figure 11: The Impact on the Switching-Potential

This difference is even more distinct in the insurance sector. While in the group of non-customers with a high reputation assessment of an insurer 70% would take the respective insurance company into consideration as a new insurance provider, in the comparison group it is only 15%.

Perception of the respective company by potentially new customers represents a further important prevariable for customer acquisition. As Figure 12 shows, in this sector, too, reputation benefits marketing.

Figure 12: The Impact on Attention & Interest for Companies´ Communications

Twenty-nine percent of the non-customers of a bank questioned indicated that they were interested in receiving information about the bank even if they also have a high reputation assessment. This contrasts with interest expressed by only 14% of the non-customers with a low reputation assessment. As can be seen in Figure 12, this difference is even larger for insurance companies.

In summary it can be established that there are significant connections in all sectors between the overall reputation of a company and the target parameters presented here.

4.   Discussion and Outlook

For the sustainable support of the planning and control of successful reputation management, it appears particularly expedient to develop differentiated measuring concepts for the recording and evaluation of existing corporate reputation as a basis for the definition of operational targets for a future-oriented elaboration of reputation strategies and measures. The results of our study again show that in fact a variety of successful effects—especially in the sectors of customer acquisition, loyalty, and development—can come from a positive corporate reputation.

On the one hand, however, the results presented here support the hypothesis that internationally and intersectorally standardized measuring concepts may indeed contain certain risks with respect to recognizing relevant challenges to reputation management. But there is a lot to be said—at least in view of the sectors we examined—for the fact that as a planning and control basis, appropriately differentiated measuring concepts are distinctly more sustainable and meaningful than an intersectorally standardized measuring instrument.

On the other hand, our results were able to show that in the light of reputation measurements, in part somewhat more differentiated analyses of competition are necessary in order to be able to correctly assess existing corporate reputation and to recognize relevant chances and risks. In this connection, along the various reputation dimensions it indeed seems of particular importance to also take into account the scatter for the respective assessment by the stakeholders over the various competitors. Thus there may be reputation dimensions—as in the case presented for banks—that may well be assessed as very important, but for which there is only very little scatter over the competitors in the assessment by each of the relevant stakeholders. This was the case, for instance, for the "emotional appeal" of the banks in our study. As occurred here, when the assessments already move at a very high level, no decisive competitive advantages can be achieved in a positioning field of this kind. At least the corresponding advantages would have to be bought at a relatively high expenditure (e.g. for communications measures) without, however, *ipso facto* being secure or sustainable. Much greater, and above all "faster, better, and cheaper" opportunities for achieving a more clearly defined image and consequently reputation gains can, however, be accomplished along that dimension with a

higher range. In our case for banks, this lead to an appeal for "local importance branding." However, based on a correspondence analysis (refer again to Figure 7), at the same time it could be shown how important the identification and consideration of different strategic groups is in the present context. It is quite evident that thinking in strategic groups should be awarded more attention, particularly in the area of reputation analysis, and that it should be more appropriately flanked through the use of efficient multivariate methods than has been the case up to now.

In order to be able to concretely formulate and validate the starting points for a differentiated measurement and analysis of reputation as presented here, it would admittedly be necessary to conduct more in-depth research and perform much more comprehensive empirical surveys than we have been able to up to now. In order to be able to throw light in particular on relevant causal relations (e.g. for the more precise recording of the relation of corporate reputation to success), these efforts must include more widespread sampling, the consideration of additional stakeholder groups, the inclusion of further sectors and question complexes, and more efficient statistical methods. Particularly in view of a generalization of our statements, the sector aspect also appears to be important. The empirically determined effectiveness of the use of sector-specific concepts for measuring reputation may perhaps only have something to do with the—in the end very special—sectors we selected for our study. In sectors commonly assigned to the brand industry and which also play an outstanding role within the framework of classic RQ studies one might achieve different results. However, it would still be of particular interest to conduct appropriate studies at an international level in order to, for example, also be able to control country-specific influences.

Despite the discernible restrictions of our studies, they may nevertheless be suitable for providing corporate practice as well as future academic research with some impetus for a differentiated measurement and analysis of corporate reputation. If one bears in mind that reputation is one of the most important assets of a company and that it is becoming a more and more relevant bottleneck in a rapidly developing information and communication society, there should be a certain willingness to conduct more in-depth research.

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