The Effect of Corporate Reputation, Perceived CSR and Perceived Quality on Intention to Buy: Implications for Brand Management

Abstract

Corporate reputation is increasingly considered as a valuable asset for business companies and has been shown to have a beneficial impact on cash flow and profits. This effect stems from the positive effect corporate reputation has on stakeholders’ behavioural intention. It has been also claimed that corporate social responsibility initiatives can become competitive advantage by affecting consumer behavioural intentions. This study is underpinned by the theory of planned behaviour and a model of the relationships is presented to test hypotheses. Data is collected from customers of Panettone, a traditional type of Italian Christmas cake. Results are presented, implications are reported, limitations are noted and directions for future research are indicated. The study shows that corporate social responsibility impacts both corporate reputation and perception of product quality which in turn also impacts behavioural intentions.

Keywords

Corporate Reputation, Corporate Social Responsibility, Perceived Product Quality, Purchase Intention, Brand Identity, Brand Management.
Corporate reputation is increasingly becoming a valuable asset for business firms who have started to spend considerable sums of money to develop and maintain a positive corporate reputation. The main reason of this corporate commitment is that the proper management of corporate reputation appears to have a series of positive consequences such as the increase in cash flow and profits (Sheldon, 1992) and the improvement in the customers’ perception of product quality (Weigelt, 1988). Moreover, it has been argued that there is a link between advertising credibility and company reputation (Goldberg, 1990) as well as between reputation and product quantity sold (Shapiro, 1982). A positive corporate reputation has also been reported to effect shareholders’ behavioural intentions (Caruana, et al., 2006).

This paper recognises that corporate reputation is becoming increasingly accepted as a valuable asset for business companies that has various beneficial impacts. Moreover, it has been claimed that corporate social responsibility initiatives can create competitive advantage by also effecting consumer behavioural intentions. In addition corporate social responsibility impacts both corporate reputation and perception of product quality which in turn also impacts behavioural intentions. This study is underpinned by the theory of planned behaviour and a model of the relationships is presented to test hypotheses. Data is collected from customers of Panettone, a traditional type of Italian Christmas cake. Results are presented, implications are reported, limitations are noted and directions for future research are indicated.

Corporate reputation, corporate social responsibility, perceived quality and behavioural intentions

Despite increasing acknowledgement of the potential effects that reputation has on businesses there is not a generally accepted definition of the term. Some definitions are based on perceptual approaches that take into account the views of different stakeholders (e.g. Fombrun 1996, 1997; Sheldon, 1992). Other scholars have considered corporate reputation using a signalling theory perspective (e.g. Spence, 1974; Jing, 2007). According to this theory, company reputation can provide signals that reveal intrinsic and non-observable product characteristics. In this sense a long-term positive reputation could work as a signal of high quality in circumstances where there are no opportunities of verifying the actual quality of an offering before actual purchase is made. Other authors (e.g. Caruana, et al., 2006) have considered corporate reputation within the theory of planned behaviour – TpB, (Ajzen, 1991) allowing the adoption of an attitudinal perspective. In this conceptualization, corporate reputation is seen as an attitude having a direct impact on intention to perform a certain behaviour that in turn accounts for variance in actual behaviour. As stated by Caruana, et al. (2006), considering corporate reputation as an attitude leads to a more full-bodied view, including not only a more comprehensive theoretical understanding, but also a useful diagnostic tool for a managerial response. This study adopts this attitudinal conceptualization and operationalization as underlined by the TpB model. The expected relationship between attitude-based measures of corporate reputation and consumers’ intention to buy is positive,
where purchase intention depends on corporate reputation as perceived by customers. We therefore seek to investigate the relationship between corporate reputation and consumers’ behavioural intention and hypothesise that:

**H1:** The stronger the corporate reputation of a firm the higher the purchase intentions.

Even though there is no universally accepted definition of corporate social responsibility (CSR), the term is usually used to refer to transparent business practices, compliance with the law, and respect for people, communities and environment (Chandler, 2001). An interesting and widely shared definition of the term is provided by the World Business Council for Sustainable Development (WBCSD) that considers CSR as ‘the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large’ (cited in Castka, 2004). Thus the term not only takes into account the perspective of customers and investors, but also considers the needs and expectations of employees, suppliers, communities, regulators, special interest groups and society as a whole.

Several researchers have applied an instrumental approach to the study of CSR. This approach measures the importance of ethical behaviour from a corporate point of view, rather than from a societal perspective. From a corporate perspective CSR is seen as a factor contributing to the profit-making of the firm (Aupperle, 1989; Vogel, 2005) where firms show a concern for stakeholders and society because their perceived engagement in CSR leads to improved financial performance. In this sense, the socially responsible initiatives undertaken by firms need to be treated as business investments. As stated by Castka (2004) “the core return on investment in CSR is finding the optimum level that balances the need for maximizing profit from CSR while satisfying the demand for CSR from multiple stakeholders”. Indeed, Porter & Kramer (2006) argue that “CSR can be much more than a cost, or a charitable deed. It can be a source of opportunity, innovation, and competitive advantage”.

It has been claimed that CSR initiatives can create competitive advantage by affecting consumer behavioural intentions that in turn affect actual behaviour (Beckmann, 2006; Creyer, 1997). This claim is supported by several studies that have demonstrated the positive impact of a firm CSR engagement on consumers’ purchase intention (Murray & Vogel, 1997). Obviously the consumers’ response to corporate social activities depends on the consumers’ perceptions of those initiatives and these perceptions do not always correspond to the actual corporate social engagement (Becker-Olsen & Hill, 2006). For this reason the effects of CSR on consumer behaviour are difficult to measure In a real context it is complicated to measure the correlation between perception of CSR and consumer behaviour, usually because CSR practices are not well-known and the communication of companies is not comprehensive (Singh, et al., 2008). For this reason most studies related to consumers’ response to CSR are based on measuring CSR effects in simulated scenarios with fictitious companies. Although these studies are useful at a theoretical level, such studies cannot provide practical insights to firms committed to social causes. At the managerial level what really matters is the customer’s perception and evaluation of corporate social initiatives, rather than the actual corporate behaviour (Becker-Olsen & Hill, 2006). The purpose of this study is therefore to estimate consumers’ perception of actual CSR and its impact on purchase intention in a real scenario. In this respect we hypothesise that:

**H2:** The stronger the perceived CSR of the firm by customers the higher the purchase intentions.
However CSR also influences both corporate reputation and perceived product quality. It has been pointed out that one of the factors that enable CSR activities to enhance business competitiveness is its impact on intangible assets such as brand equity, human resources motivation, and corporate reputation (Dawkins & Lewis, 2003). Potential customers assign increased value to companies with a good reputation that is obtained through an engagement in social development and environmental protection (Creyer & Ross, 1996). Different marketing studies have demonstrated the impact of CSR initiatives on corporate reputation (Brammer & Pavelin, 2006; Fombrun, 2005). In this sense CSR is seen as an antecedent factor able to drive corporate reputation. We therefore hypothesise that:

**H2a:** The stronger the perceived CSR of the firm by customers the higher the corporate reputation.

In addition, different authors have suggested that corporate social initiatives positively affect consumer’s perception of product quality (Folkes & Kamins, 1999; Creyer & Ross, 1996). As stated by Creyer & Ross (1996), “ethical and unethical behaviour affects the perceived value of a firm’s product”, operationalized as the quality perceived by consumers. There is support for a link between corporate social initiatives and consumer’s perception of product quality (Folkes & Kamins, 1999; Creyer & Ross, 1996). The ethical behaviour of a firm appears to impact the product quality as perceived by consumers. Therefore:

**H2b:** The stronger the perceived CSR of the firm by customers the higher the perceived product quality.

In considering the concept of product quality an important distinction has to be made between objective quality and perceived quality (Tsiotsou, 2005). Objective product quality corresponds to the actual technical excellence of the product, estimated through the support of technical and scientific instruments (Jacoby & Olson, 1985). On the contrary, perceived product quality refers to the customer’s assessment of the excellence or superiority of the product considered (Zeithaml, 1988). Perceived quality is what actually affects consumers’ purchase intention. As demonstrated by several studies, there is a positive direct effect of perceived quality on consumers’ purchase intention (Carman, 1990; Parasuraman, et al., 1996). Customers who perceive a high product quality offering are characterized by a higher intention to buy the product than consumers that perceive the offering as being of low quality. Therefore:

**H3:** The stronger the perceived product quality the higher the purchase intentions.

**Research Focus**

This empirical study seeks to increase our understanding of factors influencing consumer purchase intention and of the underlying attitudes towards brands. To do this it sets out to test the expected relationships discussed above which are shown in the model in Figure 1.
Methodology

A quantitative research design is adopted in this study that involves the collection of data using a questionnaire and a survey. The questionnaire used consisted of five sections. The first section sought to collect data regarding consumers’ attitude toward the company, in order to measure the attitude-based measure of corporate reputation. In this case, a semantic differential scale was used to obtain a direct measure of corporate reputation. The instrument developed by Brown (1995) that consisting of six different items measured by a semantic differential was used. The second section sought to measure CSR as perceived by customers. This section consists of the instrument developed by Singh, et al. (2008) that consisted of eight questions each measured on a 10-point scale. The instrument adopted considers three different dimensions of CSR: the commercial dimension, which measures customer perception about the fairness of the firm’s commercialization that consisted of two items; the ethical dimension that deals with the extent the firm complies with the law and is honest in its business relationships which consisted of another two items; and the social dimension, including an assessment about the company engagement in environmental protection and social causes which was captured by the remaining four items.

It is consumers’ subjective perception of the quality of a product rather than objective quality estimated through the support of technical instruments and expert opinion that really affects consumers’ purchase intentions. Section 3 of the questionnaire therefore consisted of a measure of customer’s perceived quality that was made up of four items each measured on a 7-point scale (Tsiotsou, 2005). The first three items captured the perceived quality level of the product in terms of its characteristics (in the case of panettone, these related to odour, softness, and the quantity and distribution of raisins and fruit pieces in the panettone) while the forth item asked respondents their overall opinion about the quality of the product. Section 4 sought to capture behavioural intentions by asking respondents to judge their purchase intention on a 7-point scale (Teng, 2009). The last section of the questionnaire collected some demographic characteristics of respondents in terms of gender, age, educational level, marital status, occupation, and whether they have or do not have children. The questions for the constructs used in this study with means and standard deviations appear in Table 1, Table 2, and Table 3.

In this study the target population consisted of all purchasers of panettone in the city of Padua. Padua is an Italian city where the tradition of panettone, the typical Italian Christmas cake, is well established. However, what makes it an interesting setting for the study of the phenomenon is the recent emergence of a new business by the name of Giotto that has become famous for both its high quality products and its CSR initiatives.

This research adopted a non-probability sampling method to select respondents. This is primary because the objective of this study is to test theoretical hypotheses in a particular setting, not to make generalizations and inferences regarding the whole population of purchasers of panettone. In addition non-probability methods allow the selection of a sample without having any sampling frame in hand (Hague, 2006), thereby reducing costs and difficulties associated with the development of a sampling frame. There are a number of techniques available in selecting respondents in such samples. Hague (2006) mention four different non-probability sampling methods: judgemental, quota, snowball, and convenience sampling. It is the latter method that has been applied in this study. Convenience sampling is a type of non-probability sampling where the selection of respondents is left primarily to the researcher. As stated by Saunders, et al. (2003), the sample size in a non-probability sample is of secondary importance. They argue that the validity of results is more linked to the data
collection and data analysis skills of the researcher. However, they also assert that a sample should always be as large as possible. For this reason a total number of 130 valid responses have been collected.

The quality of the data collected can be affected by several data collection issues that include the method of contacting respondents and the administration of questionnaires. In order to include different consumer segments, the questionnaire was administered in four supermarkets, characterized by different market positionings. In particular these supermarkets differed in terms of price and quality of products sold as well as the level of service offered. In this way the survey tries to capture consumers belonging to different socio-economic segments.

Two brands were selected for this study, namely: Bauli and Giotto. Bauli is a market leader in this product category and it was selected because consumer awareness of corporate activities for well-known brands is generally higher. Indeed, several behavioural studies have suggested that consumers show stronger attitudes toward famous brands (Barnard & Ehrenberg, 1990; Barwise & Ehrenberg, 1985). Therefore, when dealing with well-known brands the capture of corporate reputation and perceived CSR results are easier. On the other hand the Giotto brand was also included because it could provide useful insights as a result of the particular nature of this business. The Giotto brand has become famous for its high quality products and received the best Italian panettone award for 2007 and 2008. In addition the company is engaged in social activities. In particular it collaborates in a programme of social reintegration of prison inmates back into the working world. This makes Giotto an interesting brand for the study of the impact of corporate reputation, perceived CSR and perceived quality on the intention to buy panettone.

Data analysis

Of the 130 valid replies that were collected, half of the respondents were asked about their perception of the Giotto brand while the other half were asked about the Bauli panettone. 68 (52.3%) of the respondents were males and 62 (47.7%) were female. The majority of respondents were between 20 and 40 years old, with a mean of 33.5, a mode of 26, and a median of 27. The discrepancy among mean, mode and median shows positive asymmetry with a skewness value of 0.8. In terms of education, 46.9% of respondents hold a master degree; 25.4% have completed a Bachelor’s degree; while 23.1% have a post secondary level of education. Results for marital status of the respondents showed that 60 respondents were single, 55 were married, while the other 15 did not wish to specify. Finally, the majority (63.1%) of respondents did not have children.

Before testing the theoretical hypotheses shown in the research model, analysis of validity and reliability were undertaken on the individual constructs in the study. An exploratory factor analysis in confirmatory mode was undertaken to confirm the convergent and discriminant validity of the constructs employed. The results of the factor analysis provide support for the validity of the constructs used in the study, namely: corporate reputation, perceived CSR, and perceived product quality. It can therefore be said that the instruments employed are really capturing the construct they are supposed to measure.

To test the reliability of the measures employed Cronbach’s Alpha coefficients were calculated. Results are all significantly higher than 0.8, exceeding the accepted threshold of 0.7 thereby providing support for the reliability of the measures used. This indicates that the
measures employed were sufficiently free from random error, and that repeated applications have resulted in consistent scores.

The test of H1, H2, and H3, that concern the influence of corporate reputation, perceived CSR, and perceived quality on intention to buy panettone, results in a multiple regression equation as follows:

\[ PI = -3.03 + 0.09 \text{ CR} + 0.06 \text{ Perceived CSR} + 0.37 \text{ Perceived Q} \]

Although all the independent variables are found to be significant in predicting purchase intention, the regression coefficients may not be reliable if multicollinearity exists. A tolerance and Variance Inflation Factor (VIF) test have therefore been undertaken to check the extent to which multicollinearity may be affecting the regression coefficients in the model. Because the tolerance level is greater than 0.1 and the VIF is smaller than 10, it is possible to conclude that the regression coefficients of the model are not being effected by multicollinearity.

In order to be considered a good representation of reality, the regression model needs to satisfy the other assumption that residuals are random. If residuals are purely random they would be characterized by a Gaussian distribution. Both the P-P plot and the residual histogram support the normality of residuals and provide additional support for the results reported in the equation above.

The model employed in this research indicates two other hypotheses – H2a and H2b - that suggest a causal relationship between perceived CSR and corporate reputation and another between perceived CSR and perceived quality. Both hypotheses have been confirmed and the linear regressions that result from the analysis can be expressed by the following formulae:

\[
\text{Corporate Reputation} = 3.16 + 0.51 \text{ Perceived CSR}
\]

\[
\text{Perceived Quality} = 9.29 + 0.30 \text{ Perceived CSR}
\]

Tests for multicollinearity indicate that both relationships are also not being effected and the residual diagnostics reveals that these are random.

Conclusions and Discussion

The interaction effects among corporate reputation, perceived CSR, perceived product quality and their effect on purchase intentions investigated in this study have implications for brand management. Our objective was to obtain a better understanding of the factors influencing purchase intention by testing hypotheses in an empirical context. The results of the data analysis provided support for the five hypotheses formulated, showing that corporate reputation, perceived CSR, and perceived quality affecting purchase intention with respect to a brand in a significant way. Both corporate reputation and perceived quality appear to be influenced by perceived CSR which raises the question of the role and impact of Corporate social responsibility in formation of brand identity and on brand management. In regards to this point, Dawkins and Lewis (2003) suggest that for enhancing brand equity and corporate reputation CSR has to be connected to the core values of the business and to its main activities. A broader issue that is raised by these findings is also how the interdependence of the product and corporate brands. On a theoretical level the findings of the study provide
support to the development of theory and the nomological net in which corporate reputation and branding operates.

The research findings have also implications for management highlighting the importance of both CSR and corporate reputation as well as the effect of CSR on corporate reputation. Indeed while the perceived product quality has an important effect on purchase intentions it is clear that perceived CSR and corporate reputation together play an important role in their effect on purchase intention highlighting the need for management to devote resources to improving these two aspects. Hence, managers and practitioners should not only take care of the quality of products sold, but they should also concern about enhancing the reputation of the company, engaging in CSR, and communicating it in the proper way. This would benefit the company in term of consumers’ attitudes and intentions toward the brand and its products.

The main limitation of the study relates to the non-probability sampling technique employed to select respondents. Non probability methods allow researchers to collect a sample without having any sampling frame at hand (Hague, 2006), thereby reducing the difficulties associated with the development of a sampling frame. While steps were taken to achieve reasonable degrees of randomness in the collection of the data, non-probability samples are necessarily not representative of the target population, thus they cannot be used to make generalizations and inferences about the population of purchasers of panettone. Any desire to seek the generalization of findings of the relationship identified among the variables investigated would need to address this through future research.

One of the problems concerning investigations of consumers’ response to CSR is that most attempts to measures the effects of CSR employ simulated scenarios for fictitious companies. This is mainly because consumers’ perceptions of CSR are complicated by a number of factors not easily controllable. These include the awareness of the actual social engagement of the particular firm; the presence of cultural and national differences influencing the perception and interpretation of CSR; situational factors and differences arising from focusing on particular product categories. A further caution concerns the point that most research on CSR has been conducted in the USA and the generalization of findings to other western countries is questionable (Beckmann, 2006). For all these reasons the effects of CSR on consumer behaviour are difficult to assess in real contexts. Yet, at a managerial level what are really important are customers’ perceptions and evaluations of the corporate social initiatives, rather than the actual corporate behaviour (Becker-Olsen & Hill, 2006). This approach has been employed in this research and if we are to better improve our understanding of the actual consequences of the CSR commitment of firms it is recommended that this be pursued in future research. Additional research can also be undertaken to improve our understanding of the phenomena investigated in this research among other stakeholders and to investigate in major detail how it relates to formation of brand identities.
Figure 1: Research model

![Research Model Diagram]

Table 1: Measure of corporate reputation

<table>
<thead>
<tr>
<th>Items</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The very worst/the very best</td>
<td>5,2</td>
<td>6,1</td>
</tr>
<tr>
<td>The most reliable/the least reliable</td>
<td>1,7</td>
<td>2,8</td>
</tr>
<tr>
<td>The most reputable/the least reputable</td>
<td>3,1</td>
<td>7,4</td>
</tr>
<tr>
<td>The most believable/the least believable</td>
<td>1,8</td>
<td>2,9</td>
</tr>
<tr>
<td>The best known/not at all known</td>
<td>3,3</td>
<td>7,2</td>
</tr>
<tr>
<td>The most trustworthy/ the least trustworthy</td>
<td>1,8</td>
<td>2,9</td>
</tr>
</tbody>
</table>

Table 2: Measure of perceived CSR

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Its products always maintain good quality</td>
<td>7,3</td>
<td>2,4</td>
</tr>
<tr>
<td>The company informs in a correct and truthful way about the characteristics or properties of its products</td>
<td>7,0</td>
<td>2,6</td>
</tr>
<tr>
<td>The company behaves ethically/honestly with its customers</td>
<td>7,2</td>
<td>2,5</td>
</tr>
<tr>
<td>Respecting ethical principles in its relationships has priority over achieving superior economic performance</td>
<td>6,9</td>
<td>2,7</td>
</tr>
<tr>
<td>The company is concerned about protecting natural environment</td>
<td>6,1</td>
<td>2,8</td>
</tr>
<tr>
<td>The company directs part of its budget to donations and social works favouring the disadvantaged</td>
<td>7,4</td>
<td>2,9</td>
</tr>
<tr>
<td>The company supports the development of the society financing social and/or cultural activities</td>
<td>7,2</td>
<td>2,9</td>
</tr>
<tr>
<td>The company is concerned to improve general well-being of the society</td>
<td>6,6</td>
<td>3,2</td>
</tr>
</tbody>
</table>
Table 3: Measure of perceived product quality

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your opinion about the odour of XX panettone from 1 to 7?</td>
<td>5,6</td>
<td>1,3</td>
</tr>
<tr>
<td>What is your opinion about the softness of XX panettone from 1 to 7?</td>
<td>5,5</td>
<td>1,4</td>
</tr>
<tr>
<td>What is your opinion about the quantity and distribution of raisins and pieces of candied fruits in XX panettone from 1 to 7?</td>
<td>5,2</td>
<td>1,5</td>
</tr>
<tr>
<td>Please express your overall opinion about the quality of XX panettone from 1 to 7.</td>
<td>5,5</td>
<td>1,5</td>
</tr>
</tbody>
</table>

Table 4: Measure of consumer purchase intention

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicate the strength of your intentions if you were to make a selection.</td>
<td>4,9</td>
<td>2,0</td>
</tr>
<tr>
<td>Indicate how strongly you fell about purchasing.</td>
<td>4,9</td>
<td>2,1</td>
</tr>
</tbody>
</table>

References


Chandler G. Defining corporate social responsibility. Ethical Performance Best Practice 2001; Fall


