Chapter 3

Model Development

This chapter outlines the conceptual model, the relationships between the constructs, and the respective hypotheses, which have been derived from the literature review and research gaps existing in literature. The literature review identified customer-based corporate reputation (CBR), commitment and customer loyalty as antecedents of customer citizenship behaviour. The hypothesized model contains paths indicating direct and indirect relationships between antecedents, two dimensions of loyalty and customer citizenship behaviour (CCB). Moderating role of perceived risk (social and temporal) and customer participation in service delivery between the relationships of customer-based corporate reputation is also considered in the proposed model. The construct of customer loyalty is composed of two dimensions: affective and intentional loyalty. The chapter also proposes a competing model that contains paths indicating a direct effect between several of the antecedents of customer citizenship behaviour.

3.1 Rationale for the constructs and Relationships within Model

3.1.1 Dimensional Structure of Customer-based Corporate Reputation

Conceptual definition and measurement of corporate reputation has received many different definitions and interpretations in the literature. A emerging filed of research demonstrates that its identity and reputation, a firm’s soft assets, represent a competitive advantage that is hard to replicate and can add to superior profits (Walsh, Beatty and Shiu 2009; Shamma 2012). There is one group of studies that focus on taking corporate reputation from a particular stakeholder group perception, for example, employees (e.g. Albinger and Freeman 2000), consumers (Brown and Dacin 1997; Davies et al. 2001), investors (Helm, 2007) and society, (e.g Handelman and Arnold 1999). According to Chun (2005) “corporate reputation is a synthesis of the opinions, perceptions and attitude of organizational stakeholders (i.e. employees, customers, suppliers, investors, community members, activists, media and other stakeholders)”. It is an intangible asset (Fombrun and Shanley 1990; Schwaiger 2004; Iwu-Egwuonwu 2011) and an essential mean
through which companies can endure a long term relationship with multiple stakeholder groups and maintain a sustainable competitive advantage (Boyd, Bergh and Ketchen 2010). There are various studies emphasized this view for example, Post and Griffin (1997), Schwaiger (2004), Shamma and Hassan (2009), Puncheva-Michelotti and Michelotti’s (2010) and various other studies that emphasized on gauging corporate reputation from a specific stakeholder perspective, for example, employees (Lievens, Hoye and Anseel 2007), consumers (Brown and Dacin 1997; Davies et al. 2001; Walsh and Beatty 2007), investors (Fryxell and Wang 1994; Helm, 2007) media (e.g. Wartick 1992; Deephouse 2000), society, (e.g Handelman and Arnold 1999). Dimensions such as products and services, advertising claims and corporate social responsibility are significant when we measure corporate reputation from a customer perception, (Caruana and Chircop 2000), customer orientation, reliable and financially sound company (Walsh and Beatty 2007) would be measured. Dimensions such as employee relations, community relations, treatment of women and minorities would be appropriate measures, if measured from employees’ viewpoint (Turban and Greening, 1997). Dimensions of corporate social responsibility would be significant from a general public standpoint (Handelman and Arnold 1999). These authors advocate that stakeholder-specific measure should be taken into consideration for better results.

The majority of existing empirical studies consider corporate reputation as a uni-dimensional measure (Ganesan 1994; Doney and Cannon 1997; Walsh, Dinnie and Wiedmann, 2006), whereas most recent approach recognizes it as multi-dimensional construct (Fombrun, Gardberg and Server 2000; Davies et al. 2003; Walsh, Dinnie and Wiedmann 2006; Walsh and Beatty 2007; Walsh et al. 2009). Schwaiger (2004) considered “reputation as two-dimensional construct and conceptualize it as attitudinal construct where attitude denotes subjective, emotional and cognitive mindset”. Walsh and Beatty (2007) advance the concept of customer-based corporate reputation, which they define as “the customer’s overall evaluation of a firm based on his or her reactions to the firm’s goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities”.

Walsh and Beatty (2007) recognized dimensions of customer-based corporate reputation and framed a scale to measure these dimensions. The hypothesized model was tested by taking seven
dimensions: fairness and social responsibility, customer orientation, transparency, financial performance, sympathy, product and service quality and communication and appearance across banking, retailing and fast-food restaurants. The logic behind selecting these services were factors like low-to-medium amounts of interaction opportunities, customer-service provider employee contact. Following a comprehensive validation procedures across three firm types, authors found support for a five-dimensional scale: customer orientation, reliable and financially strong company, good employer, social and environmental responsibility and product and service quality. The relationship with important customer-outcome variables—customer satisfaction, loyalty, word of mouth and trust was investigation and validated.

3.1.2 Dimensional Structure of Customer Citizenship Behaviour

Conceptual definition and measurement of customer citizenship behaviour has received many different definitions and interpretations in the literature. Customer citizenship behaviour has been described as customer discretionary behaviour (Ford 1995), customer voluntary behaviour (Bettencourt 1997), customer extra-role behaviour (Keh and Teo 2001; Ahearne, Bhattacharya and Gruen 2005), customer organizational citizenship behaviour (Bove et al. 2009). Dimensions for CCB retains controversial as well. Various researchers have mentioned theoretically different dimensions of CCB from the marketing literature and organizational behaviour (Groth 2005; Groth Mertens and Murphy 2005; Keh and Teo 2001; Bove et al. 2009). Bettencourt (1997) originally considers it as consisting of loyalty, cooperation and participation, responding to customers’ different roles of promoters of the organizations and consultants to the organizations respectively. Groth (2005) considers recommendations, providing feedback and helping other customers as dimensions of CCB. These dimensions which are directed towards other customers, service workers and firm are benevolent acts of service facilitation, display of relationships affiliation, positive word-of-mouth, participation in firm’s activities, flexibility, suggestion for service improvements, policing of other customers and voice (Bove et al. 2009).
Johnson and Rapp (2010) by validating a multidimensional scale base on the OCB, developed a comprehensive scale to measure customer helping behaviour. The hypothesized model was tested on the sample of 224 profit organizations and 143 non–profit organizations. The authors identified manifold dimensions of customer helping behaviour that were: expanding behaviour, competitive information, responding to research, display brands, forgiving behaviour, providing feedback, supportive behaviour, increasing quantity and increasing price. The findings revealed that there were diverse although interrelated dimensions of customer helping behaviour. These dimensions hold opposing views for profit and non-profit organizations.

Helping the company, helping customers, and providing feedback are three main dimensions of the CCB construct. The first dimension of CCB is helping the company. When customers’ are courteous and work along with employees it makes the employee stress free. Customer’s tolerant behaviour towards employees and expressing gratitude, sympathy, remaining calm at the time of occasional service failure and providing ideas for improving the service in future come under the first dimension of helping the company.

The second dimension of CCB is helping customers. It includes the activities and helping behaviours of customers towards other customers like assisting others customers in regard to some problem during service delivery or product service. Therefore, the current study approaches this dimension on the partial employee concept derived from OCB literature and social psychology in organizational behaviour. In the citizenship behaviours, helping behaviour has been termed as “helping others with or preventing the occurrence of, a work related problem” (Podsakoff et al. 2000). This dimension of helping customers might influence companies’ market share and future returns through superior service quality.

Providing feedback is the last dimension of CCB. According to Groth (2005) “It refers to providing or suggesting information to the service provider, introducing feedback as the reversal of the flow, an opportunity for communicators to react quickly to signs resulting from the signs they have put out”. In the words of Bettencourt (1997) “the customer is in a special position to provide guidance to the service firm. Because they have valuable experiences with
the service, customers are a very important source and are experts on customer perspectives. This is one of the key points for success in the field of sport marketing. There are two ways to provide feedback to the service provider: complaining and complimenting behaviours. The former is likely to exist with customer dissatisfaction, while the latter is more likely to occur with customer satisfaction”.

3.1.3 Dimensional Structure of Customer Loyalty

Conceptual definitions and measurement of loyalty has received many different definitions and interpretations in the literature (Rundle-Thiele 2005). The view of loyalty have oscillated between uni-dimensionality and bi-dimensionality. (Bennett and Bove 2002). Jones and Taylor (2007) explored loyalty construct as the multi-dimensional structure. The findings supported a two-dimensional conceptualization of loyalty. The findings of Li and Petrick (2008) also supported the bi-dimensional approach of loyalty. Chaudhuri and Holbrook (2001) argued that a better understanding of real behaviour is possible by investigating multiple dimensions of loyalty such as affective and intentional loyalty. Yuksel, Yuksel and Bilim (2010) argued that “affective loyalty is based on consumers’ affect based attitudes to a product and attitudes to a product are based upon a relationship between the consumer and the product”. Bartikwoski, Walsh and Beatty (2011) and Shahsavari and Faryabi (2013) investigated the relationship between CBR and loyalty (affective and intentional).
Figure 3.1: The Proposed Conceptual Model

Perceived Risk

- Social Risk (Individual Risk)
- Temporal Risk (Non-Individual Risk)

Customer-based Corporate Reputation

Degree of Customer Participation in Service Delivery

Commitment

Loyalty

- Affective
- Intentional

Customer Citizenship Behaviour
3.1.4 Customer-based Corporate Reputation (CBR) Influences Customer Citizenship Behaviour (CCB)

According to (Bartikowski and Walsh 2011), “A strong corporate reputation provides a quality signal and promise, encourages reduced costs, as well as other outcomes that benefit the company and customers of well reputed organizations engage in supportive behaviours”. When service organizations have good reputation and care about the value for customers, it is likely that it is reciprocated by extra-role behaviour which helps organization to succeed in many ways. Customers patronizing vastly reputed firms tend to be satisfied (Walsh Dinnie and Widemann 2006; Babin-Hodovic, Arslanagic and Mehic 2013), more loyal (Zhang 2009; Bartikowski, Walsh and Beatty 2011) and committed (Sung and Yang 2008; Bartikowski and Walsh 2011) and engage in voluntary extra-role behaviour (Groth 2005; Groth, Mertens and Murphy 2005; Sung and Yang 2008; Bartikowski and Walsh 2011), such as providing feedback to the company, or helping other customers and improve the service delivery (Shamma and Hassan 2009; Walsh et al. 2009).

Gruen (1995) also argues “A customer who holds a firm in high esteem may support firm through discretionary engagement, or belief consistent behaviour”. According to Walsh and Beatty (2007) “customer’s care about reputation as a differentiator since many firms are otherwise very similar”. Further, CCBs may result from a customer’s aspiration to display an affiliation with a well reputed firm. Thus the relationship between customer-based corporate reputation (CBR) and customer citizenship behaviour (CCB) is hypothesized as being:

**H1: Customer-based corporate reputation relates positively to customer citizenship behaviour.**

3.1.5 Commitment Influences Customer Citizenship Behaviour

Commitment is one of the main concepts in social-exchanges theory and relations’ marketing (Dwyer, Schurr and Oh 1987; Hennig-Thurau, Gwinner and Gremler 2002). In the words of
Commitment is a long-term exchange of parties for maintaining valuable permanent relations”. It is associated with significant customer responses such as willingness to pay more, repurchase intentions, relative attitude, helping the service firm or other customers and willingness to recommend (Jones, Taylor and Bansal 2008). Gwinner, Gremler and Bitner 1998 are of view that “This tendency may be a result of lateral advantages of long-term relations with service organizations such as increase in confidence and mutual social relations”. Committed customers are likely to execute voluntary and discretionary behaviours such as CCB because they are interested in the welfare of the organization and identify with the firm’s goals and values (Bartikowski and Walsh 2011). Commitment influences behaviours such as promoting or recommending brands (Verhoef 2003; Casalo, Flavian and Guinaliu 2008), spreading word of mouth (Harrison-Walker 2001; Brown et al. 2005), participating in marketing research or providing feedback (Aggarwal 2004) and forgiving negative experiences (Fournier 1998).

Commitment is considered as one of antecedent of customer voluntary performance (Bettencourt 1997; Hur, Park and Kim 2010). In the words of Chonko 1986; Zeithemal and Bitner 2003, “It leads to functional behaviour patterns characterized by personnel sacrifice made for the purpose of organisation, persistence in behaviour which is not dependent on reward and punishment and a devotion of personnel time to organisational activities”. Anaza and Zhoa (2013) argued that “committed shoppers are often more competent and aware of their roles in services outcomes and they show greater disposition to sacrifice their time to participate in future successful delivery of firm services”. High levels of perceived credibility and benevolence and commitment is associated with loyalty (Bove and Johnson 2006). Yi and Gong (2006) empirically examined the relationship and proved commitment is one of the main antecedent of customer citizenship behaviour.

**H2: Commitment relates positively to customer citizenship behaviour.**

**3.1.6 Loyalty Influences Customer Citizenship Behaviour**
Academics and practitioners have extensively investigated the value of loyal customers to service organisations over the past decade (Bennett and Bove 2002; Agustin and Singh 2005). They have mainly focussed their research on the direct impact of loyal customers on the firm. In particular, the key centre of attention of studies is in the direct revenue stream resulting from keeping customers satisfied and retaining them (Anderson, Fornell and Lehmann 1994; Gremler and Brown 1999). By participation in service delivery process customer can contribute to their own satisfaction (Youngdahl et al. 2003). According to Gremler and Brown 1999, “The contribution loyal customer make to a service business can go well beyond creating value for themselves and beyond their direct financial impact on the firm’s revenues”. According to Bontis, Booker and Serenko (2007) loyal customer is more likely to involve in positive recommendation and this can be enhanced by increasing reputation of organization.

Rosenbaum and Massiah (2007) in their work empirically tested relationship between loyalty and citizenship behaviour. The findings indicate that customer loyalty positively influences willingness to exhibit CVP through customer empathy and customer responsibility. Loyalty has positive and significant effect on one type of citizenship behaviour (Abassi et al. 2011; Ahmadi and Tavreh 2011). Batikowski and Walsh (2011) examined relationship between loyalty and customer citizenship behaviour. The findings suggest that loyalty as antecedent to customer citizenship behaviour. Thus the relationship between loyalty and customer citizenship behaviour is hypothesised as being:

**H3: Loyalty relates positively to customer citizenship behaviour.**

### 3.1.7 Commitment Influences Customer Loyalty

Commitment is considered as an indispensable ingredient for successful long-term relationships (Morgan and Hunt 1994; Dean 2007). Commitment creates ‘stickiness’ that keeps customer. Loyalty is defined as a “buyer’s deeply held commitment to stick with the product, service brand or organisation consistently in the future, despite new situation or competitive overtures to induce switching” (Oliver 1999). Fullerton (2003) examined “the forces that lead to a customer’s willingness to act as an advocate for service provider in a marketing relationship”. Bettencourt
(1997), Dimitriades (2006) and Dagger, David and Ng (2011) examined the relationship between commitment and loyalty. The results indicated that commitment is significantly and positively related to loyalty. It is believed that committed customers are more likely to remain loyal to the service firm. Similarly research work of Chenet, Dagger and O’Sullivan (2010) indicated that commitment influences word of mouth recommendation in business-to-business relationships. Thus the relationship between commitment and loyalty is hypothesized as being:

**H4:** Commitment relates positively to loyalty.

### 3.1.8 Customer-based Corporate Reputation Influences Commitment

Customer-based corporate reputation in considered as one of the important determinant of commitment (Bartikowski and Walsh 2011). Aydin and Ozer (2005) investigated the relationship between corporate image and commitment and indicated significant relationship between both. Morgan and Hunt 1994; Jeng 2011, “Relationship marketing theory also suggest that because affectively committed customers believe they are connected to the company, they exhibit positive behaviour towards it and are less likely to buy from other companies”. Many marketing studies have shown that customer-based corporate reputation is key antecedent to commitment, loyalty and customer citizenship behaviour (Betttencourt 1997; Yi and Gong 2006; Yi and Gong 2008; Bartikowski and Walsh 2011). Abassi et al. 2011 demonstrated a statistically significant and direct positive effect of customer-based corporate reputation on commitment. The results indicated that corporate reputation is positively and significantly connected with commitment. Ahmadi and Tarveh (2011) in their study found that CBR significantly influences commitment. Thus the relationship between CBR and commitment is hypothesized as:

**H5:** Customer-based corporate reputation relates positively to commitment.

### 3.1.9 Customer-based Corporate Reputation Influences Loyalty
It has been long suggested that customer-based corporate reputation influences loyalty. “Good reputation is an important driver of customer loyalty” (Andreassen and Lindestad 1998; Nguyen and Leblanc 2001; Robert and Dowling 2002; Walsh, Beatty and Shiu 2009). In the words of Kadampully and Suhartanto 2000; Weiwei 2007; Bartikwoski, Walsh and Beatty 2011, “Customers’ loyalty responses to reputation signals involve processes of cognitive learning and recall. The more the firms’ associates with positive traits, the more likely customers are to make future purchases”. In the conditions of uncertainty, customers search for more information before making a decision to minimize or avoid losses (Erdem et al. 2002; Bartikwoski, Walsh and Beatty 2011). Considering the CBR-loyalty relation, earlier studies primarily use unidimensional loyalty measures (Shamma and Hassan 2009; Walsh, Beatty and Shiu 2009). Loyalty has oscillated between unidimensional and multi-dimensional concept. Chaudhuri and Holbrook (2001) argued that “investigating multiple dimensions of loyalty such as affective and intentional loyalty allows for a better understanding of real behaviour”. Bartikwoski, Walsh and Beatty (2011) investigated the relationship between CBR and loyalty. Thus the association between CBR and loyalty is hypothesized as:

H6: Customer-based corporate reputation relates positively to loyalty.

3.1.10 Mediating Role of Loyalty in Commitment and Customer Citizenship Behaviour

Moorman Zaltman and Deshpande 1992; Morgan and Hunt 1994 are of view that “Commitment is a long-term exchange of parties for maintaining valuable permanent relations”. Commitment creates ‘stickiness’ that keeps customer loyal to a brand or a company (Gustafsson, Johnson and Roos 2005). Commitment is crucial component of successful long-term relationships (Gundalch, Achrol and Mentzer 1995). In the words of Gremier and Brown 1999, “The contribution of loyal customers to a service business can go well beyond creating value for themselves and beyond their financial impact on the firm’s revenue”. Committed customers has favorable intentions to continue doing business with the company, or other forms of goodwill to express towards the company (Bettencourt 1997; Zeithaml, Berry and Parasuraman 1996; Wilson et al. 2012).
Rossenbaum and Massiah (2005) indicate that customer loyalty positively influences willingness to exhibit customer voluntary participation. Thus with above lines it is hypothesized as:

**H7:** Loyalty mediates the relationship between commitment and customer citizenship behaviour.

### 3.1.11 Mediating Role of Loyalty in Customer-based Corporate Reputation and Customer Citizenship Behaviour

Customer-based corporate reputation leads to loyalty. “A firm’s good reputation also is a signal of sound company behaviour towards market transactions overall, such that a better reputation engenders greater loyalty intentions” (Bartikowski and Walsh 2011; Shahsavari and Faryabi 2013). According to Bartikowski, Walsh and Beatty (2011) “Consumers store reputation traits in their memories, as positive or negative associations with the firm. The more the firm associates with positive traits, the more likely customers are to make future purchase”. A customer may support firm through discretionary engagement and consistent behaviour when he holds a firm in high esteem or belief. Bartikowski and Walsh 2011 are of view, “firms with a good reputation possess attributes that customers may want others to associate with their own selves so supporting a highly reputed firm through discretionary behaviours that either the firm or other customers recognize may help customers reach greater congruity with their ideal social selves. In turn, a good reputation prompts CCBs in the form of helping other customers and helping the service firm”. Loyalty mediates the relationship between corporate reputation and customer citizenship behaviour (Raj 1982; Bartikowski and Walsh 2011). According to Lengnick-Hall (1996) loyal customers possess more knowledge, skill and experience and thus can contribute to the coproduction of the service and/or provide social benefit to other customers more effectively. Thus we hypothesize that:

**H8:** Loyalty mediates the relationship between customer-based corporate reputation and customer citizenship behaviour.

### 3.1.12 Mediating Role of Commitment in Customer-based Corporate Reputation and Customer Citizenship Behaviour
Commitment influences behaviours such as spreading word of mouth (Harrison-Walker 2001; Brown et al. 2005), forgiving negative experiences (Fournier 1998), promoting or recommending brands (Verhoef 2003; Casalo, Flavian and Guinaliu 2008) and participating in marketing research or providing feedback (Aggarwal 2004). Bartikowski and Walsh (2011) investigated the relationship between corporate reputation from customer’s perspective, commitment, loyalty intentions, helping the company, helping the customer. The empirical tests in banking, retailing and fast-food restaurants revealed that commitment is an essential mediator in cultivating positive behaviour of highly reputed firms. In desire to make relationships work and to achieve mutual goals, customers committed to the business relationship increase their cooperative behaviour. Morgan and Hunt (1994) consider “Commitment as a key mediating variable in the successful business relations that promote efficiency, productivity and effectiveness”. Thus we hypothesize that:

H9: Commitment mediates the relationship between customer-based corporate reputation and customer citizenship behaviour.

3.1.13 Moderating Role of Perceived Risk in Customer-based Corporate Reputation and Customer Citizenship Behaviour

“Perceived risk is fundamental concept in consumer behaviour that implies consumer experiences, pre-purchase uncertainty and degree of expected loss resulting from the purchase and use of product” (Chaudhuri 1998; Naiyi 2004; Tam 2012). Bendapudi and Berry (1997) argued that family friends and reference group has influence on purchase behaviour. Positive corporate image is considered as important driver in reducing perceived risk and enhancing choice behaviour (Gurhan-Canli and Batra 2004; Chang and Chen 2008; Kanbir and Nart 2009; Walsh and Beatty 2007; Delgado-Garcia, Quvedo-Puente and Diez-Esteban 2013). Walsh, Dinnie and Wiedmann (2006) argued that “corporate reputation exerts an influence on perceived risk” and Chen and Chang (2005) considered product and service quality as a main attribute in reducing perceived risk of consumers. There are certain factors that influence the type and level of risk on different goods and services (Carmen 2007). Karaosmanoglu, Bas and Zhang (2011) argued that the influence of other customers is likely to be stronger for services than products. Sweeney, Soutar and Johnson (1999) contended that perceived risk has influence on willingness-
to-buy. In this research work we have taken only social and temporal (time and convenience risk). The reason behind taking social and temporal risk is that in exhibiting citizenship behaviour these are main risk that has its influence on consumer behaviour. No empirical work has been done considering perceived risk as a moderator in customer-based corporate reputation and customer citizenship behaviour. It was considered as a potential moderator in CBR-outcomes relationships (Bartikowski and Walsh 2011; Walsh, Bartikowski, Beatty 2012). Thus we hypothesize that:

**H10**: Perceived risk (social and temporal) moderates the relationship between customer-based corporate reputation and customer citizenship behaviour.

### 3.1.14 Moderating Role of Customer Participation in Service Delivery in Customer-based Corporate Reputation and Customer Citizenship Behaviour

Bendapudi and Leone 2003 are of view, “Customer participation in the production of both goods and services has been argued to be growing”. Customers frequently perform as partial employees by participating either in the form of in-role behaviour and/or extra-role behaviour, especially in service industries (Bettencourt, 1997; Garma and Bove 2011). Customer in-role (necessary) behaviour also called customer participation behaviour has been viewed as a potential driver for the proper performance in the service delivery (Groth 2005). Bartikwoski and Walsh 2011 considered customer participation in service delivery as a potential moderator in CBR-outcomes relationships. Thus we hypothesized that:

**H11**: Customer participation in service delivery moderates the relationship between customer-based corporate reputation and customer citizenship behaviour.

### 3.2 Competing Model

According to Hair et al., “The strongest test of a proposed model is to identify and test competing models that represent different truly hypothetical structural relationships”. By using a competing models strategy, the researcher can establish whether the hypothesized model,
regardless of overall fit, is acceptable. It is because model other than proposed model cannot achieve a higher level of fit (Hair et al. 1998). Thus the present thesis examined antecedents of customer citizenship behaviour by testing a competing model.

In the competing model indirect effects of commitment, loyalty, perceived risk and customer participation in service delivery has not been taken into consideration.

**Figure 3.2: Competing Model 2 (Excludes the indirect Effect of Commitment, Affective Loyalty, Intentional Loyalty, Perceived Risk and Customer Participation in Service Delivery)**
3.3 Summary

Despite the existing research, there is little consensus among researchers as to the conceptual domain of customer citizenship behaviour. A theoretical understanding of the determinants that help to develop and maintain customer citizenship behaviour seems to be lacking. A two dimensional loyalty conceptualization consisting of affective and intentional loyalty is proposed. The relationships between the constructs and the respective hypotheses have been discussed. The ten relationships proposed have been derived from the literature review. A competing model has been proposed that excluded indirect effects of commitment, affective loyalty, intentional loyalty, perceived risk and customer participation in service delivery. The next chapter discusses the methodology used in this research.