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The Effects of Corporate Reputation on the Competitiveness of Malaysian Telecommunication Service Providers

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Abstract

The competition for customers among telecommunication firms in Malaysia is fierce. The competition among them is not only limited to new customers but also to the respective customer base. In this fiercely competitive environment, existing customers are frequently exposed to offers and counter offers from the competing firms. At the same time various persuasive messages being made to encourage customers to switch their service provider. Perhaps the corporate reputation of a firm could provide certain competitive edge which could ensure the growth and survival of a firm into the future amid the highly competitive environment. This study attempts to assess the influence of corporate reputation of the firms on their competitive advantage in the market from the customers' perspective. The study sampled 600 individual customers who have been using the mobile service at a minimum of three years. The selected respondents have been experiencing the service provided by more than one telecommunication operators. The data were collected using self-administered questionnaires and analyzed using Structural Equation Modeling (SEM) in AMOS 6.0. The study found that the direct impact of firms' corporate reputation on their competitive advantage in the market is not significant at $\alpha = 0.05$. Instead, the corporate reputation has an indirect impact on competitive advantage through perceived value and perceived quality of the service. In other words, the firms should communicate their favorable corporate reputation effectively to the market so that the customers' perception level towards their products and service would arise. In other words, the firm's corporate reputation could only help the marketability of its products or services if it could trigger the positive perception of quality and value of products or services in the mind of their potential customers. The findings provide important implications to the telecommunication operators in their effort to increase their customer base and, more importantly, to ensure the interest the customers towards the firm is preserved!

Keywords: Corporate reputation, Perceived quality, Competitive advantage, Telecommunication industry

1. Introduction

The competition for customers among telecommunication services providers in Malaysia is very stiff. In this highly competitive marketing environment, the existing customers as well as potential customers are heavily exposed to various advertising messages from the competing firms through all sorts of media communication. The existing customers of a service provider are encouraged to switch their service to the competing firm by offering certain incentives. Among the incentives offered to the switchers are switching benefits, price reduction, flexible service, and attractive package. Certainly, there are service providers which would feel threatened that their customer base could be affected by the persuasive offer. These firms, in turn, would design their own loyalty programs in order to retain their customer base at bay, and at the same time would launch their own switching incentives to attract customers of other service providers into their service. In the end, customers are being exposed to various offers and counter offers from these competing service providers.

Today, the telecommunication customers in the country are facing difficulty in selecting the most reliable service provider for their needs since the range of products and services offered by the competing firms are almost similar in nature. The existing customers who qualify to enjoy price reduction through loyalty programs would probably stay put with their current firm. However, those who do not enjoy loyalty incentives offered due to certain reasons as well as potential customers would always be looking for the best service provider for them.

1.1 Review of Literature

The corporate reputation literatures revealed that competing firms offering similar range of products and services could differentiate themselves from their competitors and could enjoy certain competitive advantage by deploying their valuable resources and capabilities that are superior, scarce, and inimitable (Roberts and Dowling, 2002). Business literatures define corporate reputation as the stakeholders' overall impression of an organization over time (Bailey, 2005), and it reflects the organization's relative standing, internally with its employees, and externally with its other stakeholders (Fombrum et al., 2000). The literatures also suggested the corporate reputation as the outcome of managers' efforts to prove their success and excellence in managing the organization. The firms could achieve favorable levels of corporate reputation through acting reliable, credible, trustworthy and responsible in the market in the eyes of their stakeholders. The role of corporate reputation in marketplace is similar to brand equity, particularly when the company's name is a part of brand identification (Yoon et al., 1993).

Some sectors in the service industry, especially banks, hotels, hospitals, consulting firms, and educational institutions rely heavily on their corporate reputation to attract and retain their customers (Nguyen and Leblanc, 2001). In fact, this study believes that almost all retailers in the market today regardless of what products they are selling are interested to develop and preserve their respective corporate reputation. The study done by Nguyen and Leblanc (2001) found that the customers are more inclined to purchase the products or services from companies whom they perceived as having favorable reputation among their competitors. Fombrum (1996) stressed that a good corporate reputation would enhance profitability because good reputation would attract customers to products, attract investors to securities, and attract employees to do their jobs properly.

Thus, corporate reputation of a firm should be considered as an asset and wealth that gives that firm a competitive advantage because the firm will be regarded as reliable, credible, trustworthy and responsible for employees, customers, shareholders and financial markets. Meanwhile, Gupta (2002) found the empirical evidence between corporate reputation and competitive advantage for the firms by successfully differentiating it from competitors. Among the components of competitive advantage are willingness to purchase, willingness to pay premium price, customer satisfaction and customer loyalty. Meanwhile, the components of company's reputation found by Gupta (2002) are corporate ability and corporate social responsibility. This finding supports the popular view in business literature that when customers are faced with parity in price and quality of a product, they would prefer to choose products from the company that contributes to corporate social responsibility when making the consumption related decision.

Quality is the most important factor underlying the long-term success not only for products and services, but also the survival of the organization itself. Everybody in the management is talking about improving quality as the main weapon to help the company to survive in difficult times. However, it is now well established that it is not quality per se but customers' perception of quality that drive preferences and consequently satisfaction, loyalty, sales, and profitability (Zeithaml, 1988). Perceived quality is the overall subjective judgment of quality relative to the expectation of quality. These expectations are based on one's own and others' experiences, plus various other sources including brand reputation, price, and advertising (Boulding et al. 1993; Johnson et al., 1995). Thus, it is not necessary to use or examine a product to form the perception of its quality.

According to Nguyen and LeBlanc (1998), perceived value is a more comprehensive form of customer evaluation of service compared to perceived quality. Rust and Oliver (1994) conceptualized perceived value as the overall evaluation of service consumption experience. Just like perceived quality and customer satisfaction, perceived value can be encounter specific and can also be global evaluation of consumption experience. Specifically speaking, perceived value represents the trade off between costs and benefits and arises from both quality and price. Zeithaml (1988) stressed that perceived value is more situational and personal than perceived quality and it can take on different meaning at various phases of service consumption process. Nguyen and LeBlanc (1998) hypothesized that customer choice is influenced by functional, social, emotional, epistemic, and conditional values. Functional value refers to economic utility derived from choice, while social value is associated with the value gained from the notice of others. Emotional value is derived from acquiring goods that are liked, and epistemic value is the capacity of the choice object to provide novelty. Meanwhile, conditional value refers to situational conditions that influence the choice itself (Sheth et al., 1991).

1.2 Objective of the study

The general objective of this study is therefore to determine the influence of corporate reputation of the competing telecommunication service providers in term of customers' intention to subscribe for their services. The specific objectives are three-folds, namely (i) to assess the direct influence of corporate reputation of a firm on its competitive advantage in term of customers' intention to subscribe its services., (ii) to assess the indirect influence of corporate reputation of a firm on its competitive advantage through customers' perceived value towards its services, and (iii) to assess the indirect influence of corporate reputation of a firm on its competitive advantage through customers' perceived quality towards its services.

2. Methods and materials

2.1 Hypothesis development

This study has put forward three research hypotheses to be examined empirically.

H_1: The favorable corporate reputation of a firm has a positive and direct effect on the customers' perceived quality towards its services.

H_2: The favorable corporate reputation of the firms has a positive and direct effect on the customers' perceived value towards the firm

H_3: The customers' perceived quality towards the services has a positive and direct effect on their intention to subscribe the services from the firm.

H_4: The customers' perceived value towards the firm has a positive and direct effect on their intention to subscribe the services from the firm

H_5: The favorable corporate reputation of the firms has a positive and direct effect on the customers' intention to subscribe the services from the firm.

2.2 Population and sample

This study was conducted in Malaysia. The Population for this study consists of the existing subscribers of three mobile telecommunication companies in the Malaysia namely Maxis, Celcom, and DIGI. These people have been using the service from their respective firm for more than three years. During the time, they have experienced the service provided by their firm, they have heard about the service provided by the competing firms through friends, families, and media. They also have been exposed by various advertisements offers either from their own firm or from the competing firms. The study obtains a sample of 600 bank customers using the self-administered questionnaire. The respondents selected falls in the bracket of middle to higher socio-economic status in term of qualification, occupation and income. Their monthly income ranges from RM3, 000-RM 15,000. The self-administered questionnaires were sent directly to the respondents at their workplace. The respondents were given the opportunity to respond the questionnaires at their own convenient time. They returned their response through the self-addressed envelope. A total of 450 completed responses received within the specified time period. The response rate is 75% and considered quite satisfactory.

2.3 Dependent, Independent and mediating variables

The dependent variable is competitive advantage of a firm, which is the variable of primary interest in the study. From the search in the literatures, the competitive advantage items consist of intention to subscribe the service, willingness to pay more for service, intention to provide positive words of mouth & recommendation, and market retention (intention to remain loyal). However, the independent variable is corporate reputation of a service provider. The study adopts three corporate reputation items namely the emotional appeal towards a firm, the corporate social responsibility of a firm, and the appeal towards its services.

The first mediating variable in the study is customers' perceived quality towards the services provided by the firms. The study adopted two perceived quality items namely the perceived quality of the contact personnel in the firm, and the perceived quality of the technology employed by the firm. Meanwhile, the second mediating variable in the study is perceived value towards the firms. Zeithaml (1988) defined the customer's definition of perceived value items as "what I get for what I give", and "quality I get for the price I pay". According to Rust and Oliver (1994), perceived value is the overall evaluation of service consumption experience. And like perceived quality and satisfaction, perceived value can be encounter specific or a more enduring global evaluation by the customers.

2.4 Data measurement for each variable

The respondents were asked to rate how strongly they agree or disagree with the items under each variable. They are free to indicate their response anywhere from 1 to 10, where the score of "1" indicates "strongly disagree" and "10" indicate "strongly agree" with the statement presented. Since there is no "fixed and forced choice" to the respondents, the data obtained is considered interval and would theoretically be normally distributed. Somehow, the study still has to prove that the data is actually normally distributed before proceeding with further analysis. The "normally distributed" data would certainly meet the requirement for using the Parametric Statistical Methods for data analysis.

2.5 Data analysis

Since there are more than one item used to measure each variable in the study (Corporate Reputation = 3 items, Perceived Quality = 2 items, Perceived Value = 2 items, Competitive Advantage = 4 items), the analysis of data using the Ordinary Regression Equation in SPSS is no longer appropriate and valid. Hence, the study employed the Structural Equation Modeling using SPSS-AMOS.

3. Results and discussions

The result of this study is consistent with the findings obtained by Zainudin (2007) and Zainudin et al. (2008). In the study of outgoing undergraduate students, Zainudin (2007) found the significant influence of corporate image of a university on students' loyalty towards their university in term of intention to pursue postgraduate at the same university (market retention), and provide recommendation to their friends, families, and employers to engage with the university (positive words of mouth). In the study done by Zainudin et al. (2008) on customers of household furniture, they found the significant impact of corporate reputation on competitive advantage for firms dealing with household furniture items. In contrast to the above findings, the study done by Ou and Abratt (2006) found the impact of corporate reputation is not significant on competitive advantage for grocery stores since the firms are dealing with perishable products.

From Table 1, all fitness indexes namely the Normed Fit Index (NFI), Relative Fit Index (RFI), Incremental Fit Index (IFI), Tucker Lewis Index (TLI), and the Comparative Fit Index (CFI) are above 0.90 which indicate that the model employed in the study is a good fit to the data (Bentler & Bonet, 1980; and Bollen, 1989).

Insert Table 1 here

The present study contributes to the literature in term of better understanding concerning the impact of corporate reputation of a firm on its competitive advantage in the marketing of mobile telecommunication services. This empirical research showed that the direct impact of corporate reputation of a firm on its competitive advantage is not significant since hypothesis 5 is not supported.

Since hypothesis 1 and hypothesis 3 are supported, the study can conclude empirically that the corporate reputation of a firm has an indirect impact on competitive advantage through the perceived quality towards the services offered. Another conclusion this study can make is concerning the perceived value of a firm. Since hypothesis 2 and hypothesis 4 are also supported, the study can conclude empirically that the corporate reputation of a firm has an indirect impact on competitive advantage through the perceived value of a firm.

These findings indicate that the strength of corporate reputation of the firms alone does not at all help them to survive through the competitive environment of mobile telecommunication industry. The competing players need to instill favorable quality of their services and also favorable value of their firms in the eyes of their customers in order to gain competitive advantage in the market. This is because once the service orientations are uniformed and customer choices are plenty, customers are looking for something else to base their decision. And, in the case of telecommunication industry, the corporate reputation helps.

In this case the firm should project and communicate its corporate reputation effectively to their stakeholders internally and externally. In the long-term, the corporate reputation would trigger stakeholders' perception towards the firms in particular, and towards the services in general positively as having reputable corporate citizen, reliable services, and more importantly good value for money.

In other words, the management's job in achieving favorable corporate reputation for their firm is one issue, but communicating the favorable corporate reputation to stakeholders is another struggle. In this case, the management should not just think to achieve the favorable level of corporate reputation for their firm but they should also think how to communicate their favorable corporate reputation accordingly so that the firm could enjoy the benefits in the form of competitive advantage.

In any behavioral research study, like the current survey, common method bias is one aspect that might occur. Such biases could pose a rival explanation for the strength of relationships between constructs (Podsakoff et al., 2003). A possible obstacle is that the sample for this study was taken among respondents of bank executives. The respondents are said to fall into certain bracket of socio-economic status in term of education, occupation, and income. Further study should consider samples from different socio-economic status in order to verify the consistency of the results. Another obstacle is this study only focused on the telecommunication industry, which is a highly technology-based service. The result might be different if the study is done for short term consumable items or the long-term households items.

4. Conclusion

Corporate reputation is a long-term judgment and evaluation of a firm by its stakeholders where a long-lasting, collective assessment rendered over a long period of time is required. The judgment, evaluation, and assessment by stakeholders include the emotional appeal of a firm, the range of products and services offered the vision of its leadership, the workplace environment in the firm, the social and environmental responsibility of the firm, and its financial performance is critically significant.

This study found all three items of corporate reputation namely emotional appeal towards the services, emotional appeal towards the firm, and corporate social responsibility of the firm provides highly significant contribution to the corporate reputation of the firm itself. Among the three, the corporate social responsibility of the firm provides the highest score. The results indicate that corporate social responsibility is the utmost importance as far as corporate reputation of a firm is concerned, and the firm should not neglect on this if they want to be perceived positively by their stakeholders.

The main challenge for any management is to lead their firm not just to survive competition but also to grow into the future amid the growing number of competitors competing for a stagnant market. In order to achieve this, the firm needs to have its own competitive advantage, and the competitive advantage can only be secured through its corporate social responsibility. In other words, the firm is judged positively by its stakeholders by how much it gives back to the society. Above all, the corporate reputation of a firm is an effective panacea for its growth and survival!

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Table 1. The Fitness Index for the Model

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	**0.922**	**0.911**	**0.929**	**0.900**	**0.929**