

## DOES CUSTOMER-BASED REPUTATION ADD TO SOCIAL AND MASS MEDIA REPUTATION IN JUDGING SOCIAL RESPONSIBILITY OF BANKS?

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### Abstract

**Purpose:** Reputation is a critical asset for finance and banking organizations where the mere suspicion of a problem suffices to trigger media turmoil with high risk of market share losses. Investing in media to build reputation has been therefore a priority for banks. However, another source of reputation may stem from direct front-office contact and it is yet unknown to which extent it plays a role when confronted with the widespread social and mass media reach. This study aims at testing the extent of the importance of customer-based reputation, as against media-based reputation, in explaining customer outcomes.

**Methodology:** A sample of 135 bank customers that use multiple communication channels with their banks answered an online questionnaire comprehending measures of media-based reputation, customer-based reputation, customer outcomes, and sociodemographic variables. Customer outcomes pertain customer orientation, good employer, reliable and financially strong bank, product / service quality, and social and environmental responsibility. After testing for the validity and reliability of the measures, a hierarchical multiple linear regression analysis was conducted to test the incremental validity of customer-based reputation after controlling for sociodemographic and media-based reputation.

**Originality:** The proposed model is original in the sense that it extends Walsh & Beatty (2007) model on bank reputation by introducing social and mass media-based reputation as a competitive variable to customer-based reputation in explaining customer outcomes.

**Findings:** Hypotheses were supported with the hierarchical multiple linear regression showing the model explained 68% of customer outcomes of which 49% was accounted by media-based reputation, after controlling for sociodemographic variables. The variance accounted by customer-based reputation (19%) is unique and attributable to the perception clients gather from directly contacting with their bank front offices.

**Practical implications:** Banks tend to invest in mass media as a basis to build corporate reputation but the investment in customer-based reputation, namely in training the front office, will exert positive effects on corporate reputation in a way that is not accountable by mass and social media investment.

**Research limitations:** The self-report nature of the measures and the sample modest size may advise caution in extrapolating findings although no sign of common method bias was found.

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