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„Customer-Based Corporate Reputation of Franchise Systems- an empirical comparison of McDonald's and Burger King in Austria"

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1. Introduction

In the course of globalization, firms have to position themselves strategically to be able to deliver value to the company's customers and to achieve financial success. An attractive way to become an entrepreneur is franchising. The business model is supplied by the franchisor but the enterprise is still a separate economic unit. Nowadays, with similar products and services, the competition is hard, so reputation may be an important means to differentiate the company from others. As an intangible asset, corporate reputation may be a source of competitive advantage.

The concept of franchising is widely known and used. In 2010, 420 different franchise systems were operated in Austria. About 46% of these franchise systems are originally from Austria. Out of the 420 franchise systems, only 45 systems were in the gastronomy sector, although the system gastronomy made the concept of franchising popular.
In 2010, the 420 franchise systems in Austria made a net annual turnover of 7.9 billion €. About 10% of this turnover was generated by the gastronomy sector. 5% of all sales in the gastronomy sector are generated by franchise systems. (Internet: http://www.franchise.at/files/seiteninhalt/presse/statistiken-pdfs/analyse-der-franchise-systeme-2010.pdf, accessed on Dec. 14th, 2011)

Therefore it makes sense to take a closer look at franchise systems in the fast food sector. Because they deliver (almost) the same products and services, reputation is very important and a key driver to corporate and individual franchise success.

To measure corporate success, corporate reputation is an important factor. It is a strategic and valuable asset and many businesspeople and academics are of the same opinion that reputation is a core objective that organizations want to achieve. Reputation affects non-financial and financial results. (Shamma and Hassan, 2009, p.326)

1.1. Problem

In this thesis I will follow the issue of how corporate reputation can be measured and how it can be used to create a competitive advantage. I will question in detail the factors that make up the concept of reputation and explain different models of reputation from the customer perspective.

In the empirical part I will carry out a survey to examine the views of costumers on the selected franchise systems. The research in the area of reputation is a relatively new field and only recently more detailed studies about this interesting topic were carried out. Reputation can be viewed from several perspectives. In some of the literature, reputation is explained as something "indispensable": without reputation, no contracts in the market would be closed, some authors argue. So it is a requirement that "people are willing to do business with a company" (Ettenson and Knowles, 2008, cited in: Helm, 2011, p.3)

I will follow the issue of how companies can manage their reputation and examine several questions such as: How does the consumer think about the franchise system? What are his or her views and opinions? These questions need to be analyzed in detail to make a comparison of the two franchise systems, McDonald's and Burger King in Austria, possible.
When comparing the two franchise systems, two further questions arise: How does the consumer see the franchise system's position on the market? How is the franchise system positioned compared to other systems? Are there any differences? I will examine these questions later in detail.

In the literature, several models of customer based corporate reputation are presented and according to them I will formulate my hypotheses and test them to show a clear picture of the components of the concept of reputation.

1.2. Composition of the thesis

This thesis is divided in four main parts: The introduction, the theoretical part, the empirical part and the conclusion. These parts can be further divided into subparts.

In the introduction I shortly explain the topic and the problem that I will examine in this thesis. In the next part, I will define the concepts of reputation and franchising. For both concepts, the literature offers a magnitude of different definitions, so I will describe those I find suitable for the study in this paper. Then I will focus on the differentiation of corporate reputation to the related concepts identity, image and brand. I will then show how corporate reputation can be measured and will introduce five methods in detail. I will also describe the strengths and weaknesses of these methods. Furthermore, I will introduce a model of reputation management and explain the topic of corporate social responsibility. I will then briefly introduce the resource-based view by Barney and explain the concept of competitive advantage. I will also discuss corporate reputation as a source of competitive advantage and especially as a source of sustained superior financial performance.

The next and most important section of the theoretical part of this thesis focuses on the consumer as the main actor of interest of this study. I will describe three models on the view of reputation from a customer perspective. Following this, I will briefly introduce the two franchise systems that are of interest, namely McDonald's Österreich and Burger King in Austria. Finally, I will develop the research hypotheses that I will test in the empirical part.

The second big part of the thesis is the empirical part. I will first describe the basic principles of the study, discuss the objectives, show how I selected the participants and explain the data collection tool, the questionnaire. After the descriptive analysis I will perform a factor analysis to extract the five major variables. With these variables, I will then test the concept of reputation with a two-step regression analysis.

In the conclusion, I will sum up the research results and the main findings from the theoretical part.

2. Definitions

2.1. Reputation

Helm (2011) makes a distinct remark when she claims that reputation is the most relevant corporate asset. It is indeed an intangible asset of corporations that we need to draw attention to. In the literature, numerous definitions of reputation can be found and academics and managers have not agreed on a conjoint definition yet (Helm, 2011, p.4). In fact, reputation is a "complex construct" (Helm, 2011, p.5) that needs to be researched further in detail to find a definition that is both valid for academics as well as for managers. The Online Cambridge British English Dictionary defines reputation as *"the opinion that people in general have about someone or something"*, or *"how much respect or admiration someone or something receives, based on past behavior or character*".
(Internet: http://dictionary.cambridge.org/dictionary/british/reputation?q=reputation; accessed on Oct. 18th, 2011)

Reputation is a known and valid concept in many disciplines, but these disciplines often use very different terms to explain reputation. When economists talk about it, it is reputation, whereas when sociologists talk about it, it is prestige. In marketing, it is called image and in accounting goodwill. (Shenkar and Yuchtmann-Yaar; cited in: Helm, 2011, p.5)

One of the most cited definitions of reputation is given by Fombrun (1996): *"We define corporate reputation as the overall estimation in which a company is held by its constituents"* (p.37) and *"A corporate reputation is a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals"* (p.72). These two definitions point out that reputation is the sum of the perceptions of the firm's stakeholders and that it refers to the firm's past and future actions. In the second definition, Fombrun points out that reputation is an asset that sets the firm apart from its competitors and that it may be a source of competitive advantage. Reputation is the

answer to the question of what stakeholders actually think of the organization. (Highhouse et al., 2009, p.783)

Because reputation is the sum of perceptions of very different stakeholders, reputation is subjective. Putting it together, it can be described as "a collective or social phenomenon" (Helm, 2011, p.7). *"Corporate reputation is the way key external groups actually conceptualize the organization."*(Highhouse et al., 2009, p.783) The companies can use their reputation as a benchmark to find out what their stakeholders expect and want from the firm and use this knowledge *"to perform to stakeholder needs"* (Helm, 2011, p.7).

A question that may be discussed is if a plural form of reputation exists. It can be argued that for example industrial firms have several reputations depending on the stakeholder groups that are involved. Different stakeholders have different views and different relations with the corporation and therefore may have different perceptions (Helm, 2011, p.7). Consumers see only one side of the coin, whereas suppliers or employees see another side, for example how the company realizes its values. It is the same with researchers: they may not necessarily be interested in a specific firm's reputation, but in the research topic of reputation itself. In the literature, most authors include all the stakeholders in the concept of corporate reputation, so they see it as one construct.

Reputation can be viewed from two different angles. Reputation may be an asset, a competitive advantage, a resource, a value - therefore a key to a good financial performance, a driver of competitive advantage that should be measurable. This is the standpoint of managers. Reputation is part of their everyday life. It is important when attracting new employees and for all their ethical decisions. In turn, for academics, reputation is a term that should be clarified, its factors identified and analyzed and the whole construct needs to be evaluated. (Helm, 2011, p.4)

When we put reputation and profit together, we can research the topic from the utilitarian standpoint. Reputation may be a key to financial success, but the specific value of reputation on the financial performance is hard to measure (Fombrun, 1996). This does not mean, though, that reputation cannot be measured. When looking at the

moral factors that seem to be the firm's principles, reputation is viewed from another angle, the deontological standpoint. This means that reputation is based on the moral ethic and its following behavior of the firm. Reputation evolves from the actions by corporate leaders and its consequences. At this standpoint, the value of reputation emerges through the moral backgrounds and principles. (Helm, 2011, p.4) This thesis will only briefly explain the financial advantages of a good corporate reputation.

2.2. Franchising

According to the Online Cambridge British English dictionary, a franchise is *"a right to sell a company's products in a particular area using the company's name"*. (Internet: http://dictionary.cambridge.org/dictionary/british/franchise_1?q=franchise; accessed on Oct 18th, 2011)

The European Franchise Federation defines Franchising this way:
"Franchising is a system of marketing goods and/or services and/or technology, which is based upon a close and ongoing collaboration between legally and financially separate and independent undertakings, the Franchisor and its individual Franchisees, whereby the Franchisor grants its individual Franchisee the right, and imposes the obligation, to conduct a business in accordance with the Franchisor's concept.
The right entitles and compels the individual Franchisee, in exchange for a direct or indirect financial consideration, to use the Franchisor's trade name, and/or trade mark and/or service mark, know-how, business and technical methods, procedural system, and other industrial and /or intellectual property rights, supported by continuing provision of commercial and technical assistance, within the framework and for the term of a written franchise agreement, concluded between parties for this purpose." (Internet: http://www.eff-franchise.com/spip.php?rubrique13, accessed on Oct. 18th, 2011)

The International Franchising Association defines Franchising as follows:
"A franchise is the agreement or license between two legally independent parties which gives a person or group of people (franchisee) the right to market a product or service using the trademark or trade name of another business (franchisor), the

franchisee the right to market a product or service using the operating methods of the franchisor, the franchisee the obligation to pay the franchisor fees for these rights and the franchisor the obligation to provide rights and support to franchisees." (Internet: http:// franchise.org/franchiseesecondary.aspx?id=52625, accessed on Oct. 18th, 2011)

They also define the roles of the franchisor and the franchisee:

"The franchisor owns trademark or trade name and provides support: (sometimes) financing, advertising and marketing and training. The franchisor receives the fees. The franchisee uses the trademark or trade name, expands the business with franchisors support and pays fees."

(Internet: http://franchise.org/franchiseesecondary.aspx?id=52625, accessed on Oct. 18th, 2011)

In this paper I focus on franchises in the fast food restaurant sector.

3. Corporate Reputation

3.1. Factors of the concept reputation

In the literature, four sources of reputation are mentioned: the media, individual experiences, communicated experiences of others and the firm itself (Helm, 2011, p.10).

The perceived reputation is composed of several factors. Reputation encompasses the firm's credibility/authenticity, reliability/sustainability, responsibility/accountability, trustworthiness and competence. (Helm, 2011, p.11; Fombrun, 1996, p.71) These components can also be attributed to different stakeholders, for example reliability is most important to customers, responsibility for the general public, etc. (Helm, 2011, p.11)

The factor credibility is important to investors and credibility must not always go along with reputation. A firm may have *"a bad reputation, but be totally credible"* (Herbig and Milewicz, 1995; cited in: Helm, 2011, p.11)

Some authors (e.g. Herbig and Milewicz) limit the factors of reputation to two: competence and trustworthiness. Competence can be seen as an ability to reach goals, and trustworthiness as the willingness of a firm to maintain and hold to its principles.

3.1.1. Advantages of having a high reputational status

The advantages that a high reputational status brings with it are somewhat clear. With a good reputation, it is easier for a company to keep its customers and to gain new ones. It is also easier to access capital markets and to attract the best workforce. All together, this leads to a good financial performance and success of the organization. (Helm, 2011; Fombrun and Shanley, 1990)

3.1.2. Hard to build up, easy to destroy

When a company has a good reputation it can not let it rest, but has to work continuously to improve it, as Warren Buffett's call to his employees makes clear: *"It takes 20 years to build a reputation and 5 min to ruin it. If you think about that, you'll*

do things differently." Once a reputation is lost, it takes 7 to 10 times the effort to restore it. And often, if a good reputation is lost, the financial performance goes down as well. (Herbig and Milewicz, 1993, p.21)

Reputation is indeed a very fragile asset that needs to be nurtured and cared about (Helm, 2011, p.12). In practice, it was often shown that a reputation may act as a cushion in crises, in helping the company to deal with crises better, therefore *"stability of the firm depends on the stability of corporate reputation."* (Helm, 2011, p.13)

3.2. Identity, Image and Brand

Oftentimes, the construct reputation interferes with other similar concepts, such as image, identity and brand. In this part, I will try to set a distinct line to separate these concepts from each other.

Argenti and Druckenmiller (2004) give definitions to all four concepts. They define corporate **reputation** as *"the collective representation of multiple constituencies' images of a company, built up over time and based on a company's identity programs, its performance and how constituencies have perceived its behavior"* (p. 369). In this definition, the central points are again the perceptions of the key stakeholders and that these perceptions are based on the actions the company took over the years. This definition links to the concept of **identity**.

"Identity consists of a company's defining attributes, such as its people, products and services" (Argenti and Druckenmiller, 2004, p.369). The concept of identity captures who the company is (Highhouse et al., 2009, p.783).

What the company says about what or who it is and what it wants to be, that is the **corporate brand**: *"A brand that spans the entire company (which can also have disparate underlying product brands). It conveys expectations of what the company will deliver in terms of products, services, and customer experience. It can be aspirational"* (Argenti and Druckenmiller, 2004, p.369). The American Marketing Association defines brand as *"a name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition"* (Argenti and Druckenmiller,

2004, p.368). When the corporation itself is a brand, we talk about corporate branding. To enforce a corporate brand, companies use logos and names, but also corporate advertising. Oftentimes, reputation means the management of the relations with the stakeholders through the fitting media, whereas in brand management, there is a focus on marketing, with advertising being the lead to manage it. A characteristic that distinguishes brand from reputation is that brands are firm-made and they belong to the firm. The corporate brand tries to convey information about products and services to the consumer and to other stakeholders. In comparison, reputation is "stakeholder-driven". It does not really belong to the firm, but it is created by the opinions and beliefs of its constituencies.

The **image** of a company is *"a reflection of an organization's identity and its corporate brand. The organization as seen from the viewpoint of one constituency and depending on which constituency is involved (customers, investors, employees, etc.). An organization can have many different images."* So in this definition, Argenti and Druckenmiller (2004, p.369) use the concept image for the individual perception of a stakeholder group. Image is about what the constituencies think of who you are as an organization and what others tell the stakeholders about what the company is like. So the distinction between reputation and image is located on the "level of specificity" where the perceptions are analyzed. There may exist several images of the same firm, each viewed from a different standpoint (e.g. investor view, employee view, etc.), and in comparison, reputation sees the organization as a whole (Highhouse et al., 2009, p. 783). Another definition claims image as *"an immediate mental picture that individuals conceive of an organization"* (Balmer and Gray, 1999; cited in: Helm, 2011, p.9). It is a firm-directed concept, in contrast to reputation being a stakeholder influenced construct. Helm (2011) makes a distinction between image and reputation by its "stability in behavior" (p.9). That means that a reputation is built up with business activities over a period of time, whereas image can be modified more easily and quicker. The image also differs by its "origin". It is created by corporate communications, and reputation arises from the unofficial communication between the constituencies of the firm. (Helm, 2011, p.9)

Brand	Reputation	Image
self image	public image	=
controllable	Influenceable	=
=	Stable	volatile
=	long-term	short-term
=	collective	individual

Table 1: The interplay between brand, image and reputation (Liehr-Gobbers and Storck, 2011B)

An organization can define and manifest its identity and its brand. On the other side, the image and the reputation are harder to control by the company as they are the outcome of the interaction and perception of the stakeholders.

Companies may enhance their reputation by keeping the corporation's brand promise. When the customer receives the same service or product every time in the same quality, reputation is strengthened (Argenti and Druckenmiller, 2004, p.372). When a company loses the faith of its costumers in a crisis, it needs to restore it by effective crisis communication and by *"keeping the brand promise"* (Argenti and Druckenmiller, 2004, p.372).

Summing up, identity and brand encompass the view of the company itself, and image and reputation describe the outsiders' view of the firm, although they are different in their stability and specificity (Highhouse et al., 2009, p.783).

3.3. Measuring Corporate Reputation

There are different approaches to measure corporate reputation. In the literature one cannot find much about how to directly measure reputation and in research, reputation was seldom measured directly (Highhouse et al., 2009, p.783).

According to Fuchs (2009, p.28), there are about 183 different rankings of companies according to their reputations in 38 countries worldwide, most of them in the USA (61 rankings). But many of these rankings are hardly traceable, because oftentimes the methodology behind it is not described in detail. Examples of the rankings are the

following: Maximizing Corporate Reputation, Britains Most Admired Companies (Management Today), Worlds Most Respected Companies (Financial Times), in Germany rankings by the Manager Magazin, America's Most Admired Companies (AMAC) and Global Most Admired Companies (GMAC) by the Fortune Magazine since 1983, and the Harris-Fombrun Reputation Quotient by Harris Interactive. The last three are described later in detail (Fuchs, 2009; Fombrun, Gardberg and Sever, 2000).

Because reputation is a concept of stakeholder perceptions, media evaluation may be a source of measuring reputation. Media consumption can change people's opinion; mass media may even have a very strong influence on the general public and on how they see a company. But when the view of the media is not supported by other parties or not repeatedly mentioned, then it will only be the "image" of the firm (Liehr-Gobbers and Storck, 2011C, p.93).

The implications of the media relations and other taken measurements have to be evaluated through stakeholder research. There are several ways to do that. There are reputation indices that show the relative reputation compared to others (Benchmarking) or company-specific reputation surveys that can explain how the stakeholders perceive the organization. This type of survey shows the strengths and weaknesses of the organization and can be a starting point to find out about the stakeholders' demands. The last instrument can be a multivariate structural equation model that indicates what factors drive the stakeholders to certain behavioral intentions (such as becoming a customer or not) (Liehr-Gobbers and Storck, 2011C, p.94).

In the paper by Highhouse et al. (2009), reputation was examined on the basis of the generalizability theory. It means that not separate factors of the concept reputation but general impressions about companies were the core of the research. They find that the construct of reputation is a practicable concept that is able to be assessed, and that only a small number of experts and analyst judgments can be used to draw conclusions about a firm's reputation.

When measuring a reputation, all stakeholders of the firm need to be taken into account. But reputation, as it is a hypothetical construct, cannot be measured directly and is not directly observable. It is perceptual. When looking for a fitting measurement of reputation, there is a higher degree of freedom choosing a tool than for more concrete constructs, such as identity (Helm and Klode, 2011, p.100).

As reputation is a judgment and perception, it leads to an either positive or negative evaluation. Therefore, corporate reputation will lie between the counterparts of good and bad reputation (Helm and Klode, 2011, p.101).

I will now focus on five methods of evaluating corporate reputation.

3.3.1. The Fortune Survey

The most famous and commonly used measurements to analyze corporate reputation are the eight rankings already mentioned before. The best-known of these is the Fortune Most Admired Companies survey that was first launched in 1982 (Van Riel and Fombrun, 2007). It is a standardized quantitative approach. In this survey, experts, analysts, senior executives and outside directors are asked to rate 10 companies within their industry on a scale of eight different factors on an 11-point scale (Highhouse et al., 2009, p.783).

The criteria for the Fortune Survey are:

1. Quality of management
2. Financial soundness
3. Quality of products and services
4. Ability to attract, develop and keep talented people
5. Innovativeness
6. Responsibility for the community and the environment
7. Long-term investment value and
8. Wise use of corporate assets.

Out of these criteria, a score is built up; the outcome is an overall ranking of companies. The most admired companies of the year 2007 were General Electric, followed by Toyota Motors and Procter & Gamble. (Helm and Klode, 2011, p.105)

3.3.1.1. Criticism of the Fortune Survey

The concept of corporate reputation is nowadays widely researched, but it seems to miss an agreed theoretical background. This lack limits practical applications (Bromley, 2002, p.35). Here, a single model is used for all stakeholder groups. MacMillan et al. (2005, p216) and Bromley (2002, p.38) see this problematic, as the values and beliefs of the different stakeholder groups are different and the overall reputation is judged by them according to their levels of importance of certain values. The overall reputation measured according to the scores does not show us how in fact a specific stakeholder group sees the company, and therefore certain improvements cannot be made. The scores often are a sum of different sub-scales, but often some aspects of a company are more important to a stakeholder group than another (MacMillan et al., 2005, p.216).

The Fortune surveys are criticized by Fombrun et al. (2000, p.245) because of their limited respondent pool. In the survey, only senior managers, directors and financial analysts are questioned and experts are only taken from a subset of relevant experts. It is also criticized that the components of focus are only part of the relevant factors (Highhouse et al., 2009, p.783). To conclude, they lack content validity by looking only on one stakeholder group and do not encompass the perceptions of other constituencies.

The Fortune survey is also criticized because of its “financial bias”: managers are questioned, who have a better understanding of a company’s financial statement. The ratings of the Fortune survey are highly correlated and therefore it seems like the respondents answered accordingly to a single underlying concept “reputation”(Fombrun and Shanley, 1990; Van Riel and Fombrun, 2007). The Fortune survey is also thought to be incomplete in terms of its items, and the validity and reliability of the attributes have not been tested internationally (Van Riel and Fombrun, 2007).

3.3.2. The Reputation Quotient

The Reputation Quotient is another tool to categorize corporate reputations. It was developed by the Reputation Institute (see Gardberg and Fombrun, 2002; Fombrun,

Gardberg, Sever, 2000) and is used by the Wall Street Journal. This quotient concentrates on the opinions of the general public, on 20 characteristics that were categorized under certain labels that cover emotional appeal, products and services, financial performance, social responsibility, vision and leadership and workplace environment (Highhouse et al., 2009, p.783).

The Global Reputation Quotient (RQ) Project was designed to measure and compare firms' reputations with the same instrument worldwide and to make the data accessible for research and practice (Gardberg and Fombrun, 2002, p.303). For the development of this Reputation Quotient, several steps had to be taken. First, the construct of reputation had to be assessed on its "construct equivalence", which basically means that it was needed to research whether the term *"reputation"* has the same meaning cross-nationally. The authors have decided to use the following definition for the concept of reputation: *"A corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's relative standing both internally with employees and externally with its other stakeholders, in both the competitive and institutional environments."* (Fombrun and Rindova, 1996; cited in: Gardberg and Fombrun, 2002, pp.304)

There have been several operational measures of reputation, published by newspapers such as the Fortune's Most Admired American companies, as described above, or the measure by investment funds such as the most prominent Kinder, Lydenberg and Domini (KLD). But in research, these ratings were criticized because of the lack of a theoretical framework and the non representative sampling of the respondents. Therefore, the new Reputation Quotient should resolve these deficiencies and be a valid and reliable measure (Gardberg and Fombrun, 2002, p.305).

The items included in the list for the RQ consists of 27 items that were collected in the top eight reputation measures. Items that were proposed by the literature as well as ideas of the Reputation Institute's partnering company, Harris Interactive, were added. After clearing for double named items, a list of 32 items was on hand, grouped into eight categories: familiarity, operational capability, strategic positioning, industry

leadership, distinctiveness, credibility, influence and caring. These 32 items can be seen in the following table:

I am very familiar with the products and services of the company. *I haven't seen or heard anything about this company lately.* I know a lot about this company's financial performance. I know many people who work for this company.
This company is well-managed. This company has highly skilled employees. *This company is inefficient and non-productive.* This company is led by an intelligent and competent CEO.
This company sells high quality products and services. This is an innovative company. *The products and services of this company are unfairly priced.* This company provides excellent value to the customer.
This company has extensive resources to draw on. This company is very powerful. This company is a leader in the (name of the industry) industry. *This company seems to be very weak to me.*
This company does not have anything unique to offer. This company is very distinctive in the way it does things. I really identify with this company. I have a good feeling about this company.
I usually believe what the company says. *From what I know, this company never lives up to it s promises.* This is a company I can trust. This company is honest and straightforward in it s communications with the public.
This is a company that really cares about it s employees. This company contributes a lot to the communities in which it operates. This is an environmentally responsible company. *This company cares very little about the safety of its customers and employees.*

Table 2: List of 32 items (Gardberg and Fombrun, 2002)

The scale was refined with focus groups and this procedure emphasized the importance of the concept of corporate reputation for executives and consumers. From these items, a “valid, reliable and robust tool for measuring corporate reputation” (Gardberg and Fombrun, 2002, p.306) was created. The final RQ consists of 20 indicators assigned to six dimensions (Helm, 2005, p.98).

The RQ procedure is divided in two steps: at first, the general public nominates the best and worst companies. These companies are a listing of the most visible firms. Then, in the second step these firms are rated on the attributes of the RQ scale. This was done first in the USA (Van Riel and Fombrun, 2002, p.297).

The Reputation Quotient
Emotional Appeal
I have a good feeling about the company.
I admire and respect the company.
I trust this company.
Products and Services
Stands behind its product and services.
Develops innovative products and services.
Offers high quality products and services.
Offers products and services that are good value for the money.
Vision and Leadership
Has excellent leadership.
Has a clear vision for its future.
Recognizes and takes advantage of market opportunities.
Workplace Environment
Is well-managed.
Looks like a good company to work for.
Looks like a company that would have good employees.
Social and Environmental Responsibility
Supports good causes.
Is an environmentally responsible company.
Maintains high standards in the way it treats people.
Financial Performance
Has a strong record of profitability.
Looks like a low risk investment.
Tends to outperform competitors.
Looks like a company with strong prospects for future growth.

Table 3: The final RQ (Fombrun, Gardberg and Sever, 2000)

The next step that had to be taken was to research the RQ's cross-cultural generalizability outside the US (Gardberg and Fombrun, 2002, p.297). This step was taken in fall of 2000 by the Reputation Institute and the Global RQ-Project was started in 12 European countries. The most visible companies in these countries were nominated by more than 12,000 people for the ToMAC score ('top of mind awareness of corporate brands'). This was done because research has claimed that *"a high degree of familiarity (brand awareness) has a positive impact on reputation (...) and, as a consequence, in the end, on product preferences"* (Van Riel and Fombrun, 2002, p.297).

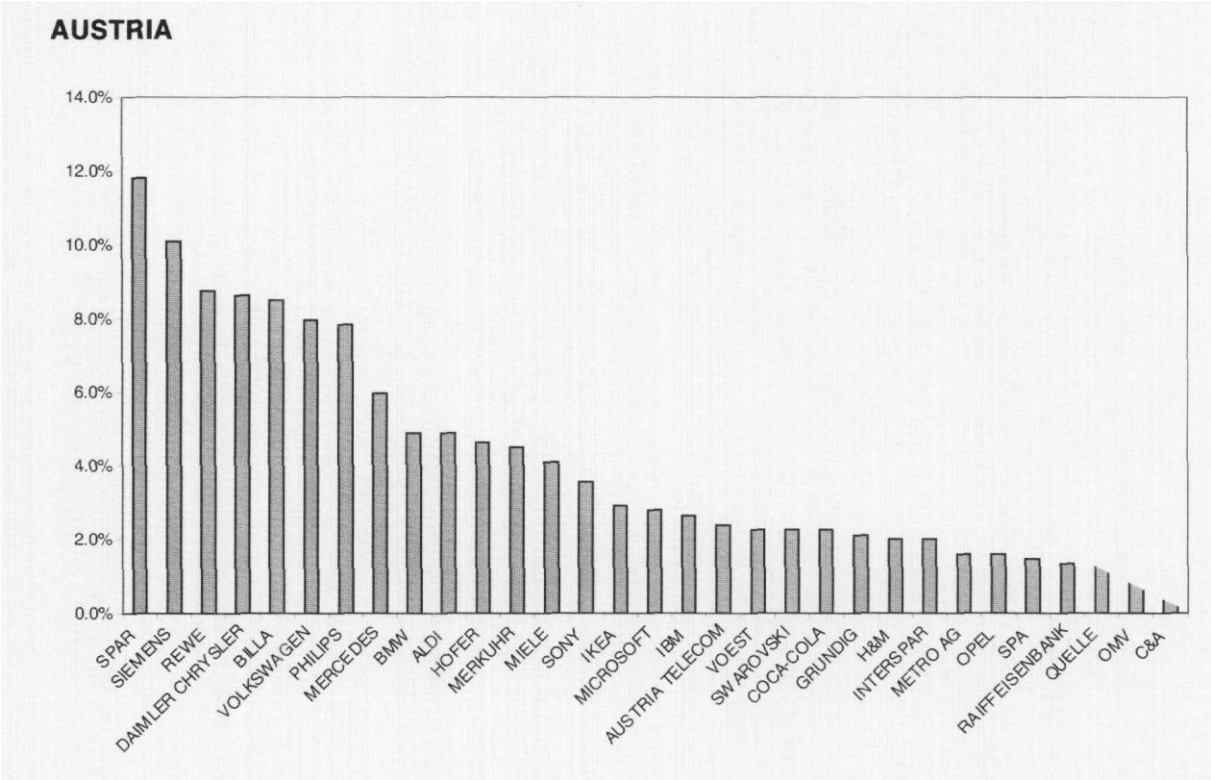


Figure1: Austrian's ToMAC, Source: Van Riel and Fombrun, 2002, p.299

As mentioned above, the final RQ embodies six dimensions that identify constituencies' perceptions about the reputation of a company. These six dimensions are:

1. Emotional appeal
2. Products and services
3. Vision and leadership
4. Social and environmental responsibility
5. Workplace environment and
6. Financial performance (Fombrun et al., 2000, p.253).

The RQ is one of the most common measures of corporate reputation, it is accepted and used by academics and was tested for validity and reliability (See Table 3 for a detailed list of the attributes).

The RQ was primarily developed to overcome the weaknesses of the Fortune survey and to include as well the viewpoint of the consumer on corporate reputations in the rankings. Therefore, the attribute financial performance is not overrepresented as in the Fortune survey because the public (the consumers) care much more for quality of

products and services, social responsibility and workplace environment (Van Riel and Fombrun, 2007).

3.3.2.1. Criticism of the Reputation Quotient

The single model for all stakeholder groups is again criticized. All stakeholders are questioned with the same framework, although they all have different opinions and every factor has a different level of importance to them. Bromley (2002, p.37) also criticizes that Fombrun's Reputation Quotient is in fact no quotient because he does not calculate an arithmetical quotient, which is in fact a ratio between two numbers.

3.3.3. The Reputation Institute's "RepTrak System"

Based on the RQ, the so-called RepTrak was developed by the Reputation Institute to improve the measurement of reputation. For this tool, 23 indicators were combined to form seven dimensions that are the main components of the RepTrak Score Card. These seven dimensions encompass: products and services, innovation, workplace, governance, citizenship, leadership and performance (Helm and Klode, 2011, p.105). The RepTrak was developed to overcome the weaknesses of the Harris-Fombrun RQ. In focus groups, the attributes of the RQ were tested and many of them confirmed, and additional ones were added such as attributes concerning "ethics" and "governance". The Reputation Institute is proud to have developed the world's first standardized and integrated tool for analyzing corporate reputations across countries and across different stakeholder groups. The RepTrak can be used to monitor reputations of firms and to see the impact of the reputation management program such as PR strategies. The firm can monitor whether the actions taken resulted in the intended objectives.

The strength of the RepTrak is that the seven factors are statistically independent from each other (Van Riel and Fombrun, 2007).

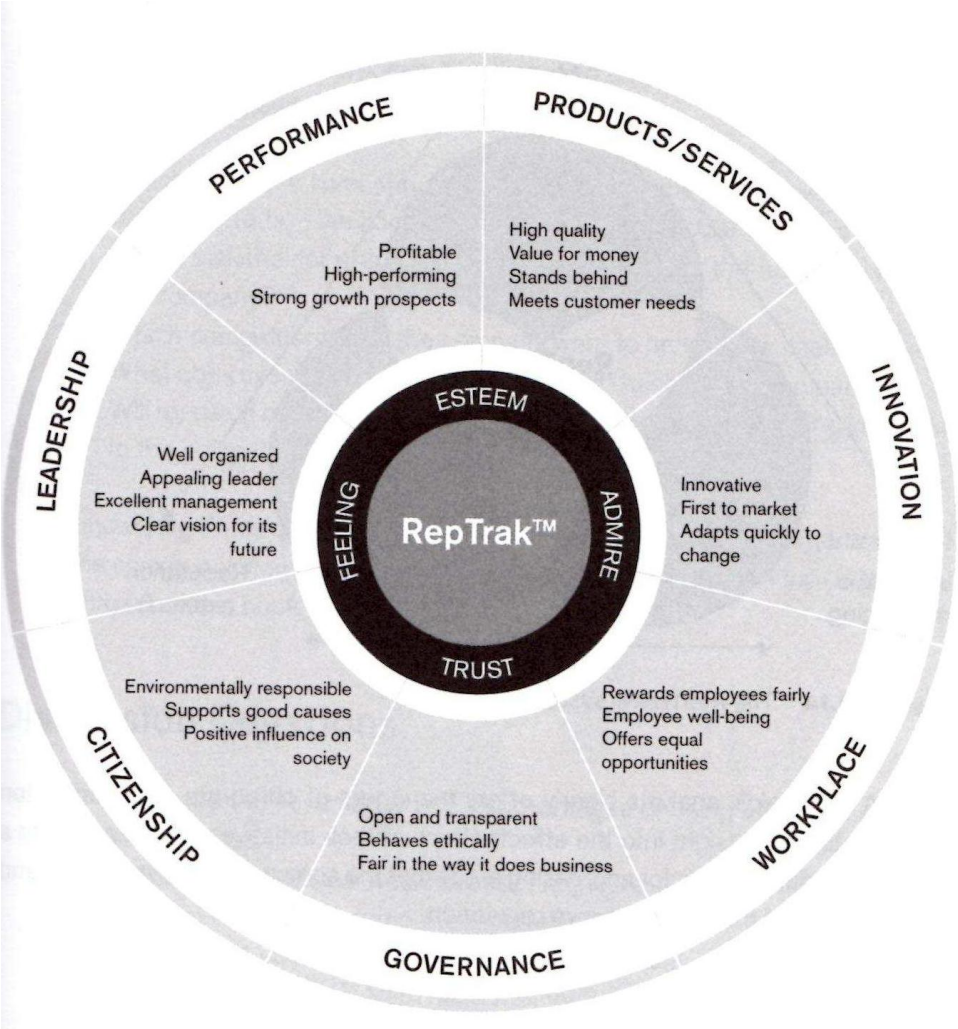


Figure 2: RepTrak scorecard, Source: (Van Riel and Fombrun, 2007) p. 255

With the RepTrak Pulse Score, companies are compared worldwide and in 2007 the company with the highest score was LEGO, followed by IKEA and Barilla (Helm and Klode, 2011, p.106).

3.3.4. A formative tool of measurement of reputation by Helm (2005)

The formative measure for corporate reputation was proposed by Helm (2005). In this paper she claims that in the multitude of surveys on corporate reputation, it was not made clear how the rankings of reputation are conceptualized and whether reputation is a formative or reflective construct. Helm developed a new formative measurement by taking the reputation indicators that were proposed in the literature, focus group interviews and personal interviews.

Her final tool of measurement is composed of ten elements (p.103):

1. Quality of products
2. Commitment to protecting the environment
3. Corporate success
4. Treatment of employees
5. Customer orientation
6. Commitment to charitable and social issues
7. Value for money of products
8. Financial performance
9. Qualification of management and
10. Credibility of advertising claims.

3.3.5. Structural equation models (SEM)

Next to benchmarking rankings, which are often used by practitioners, academic research developed structural equation models (SEM) to measure the construct of reputation. An example of a SEM model can be seen in the Figure 2. Here, influencers of corporate reputation are illustrated as the antecedents of reputation and the consequences are the outcomes of reputation.

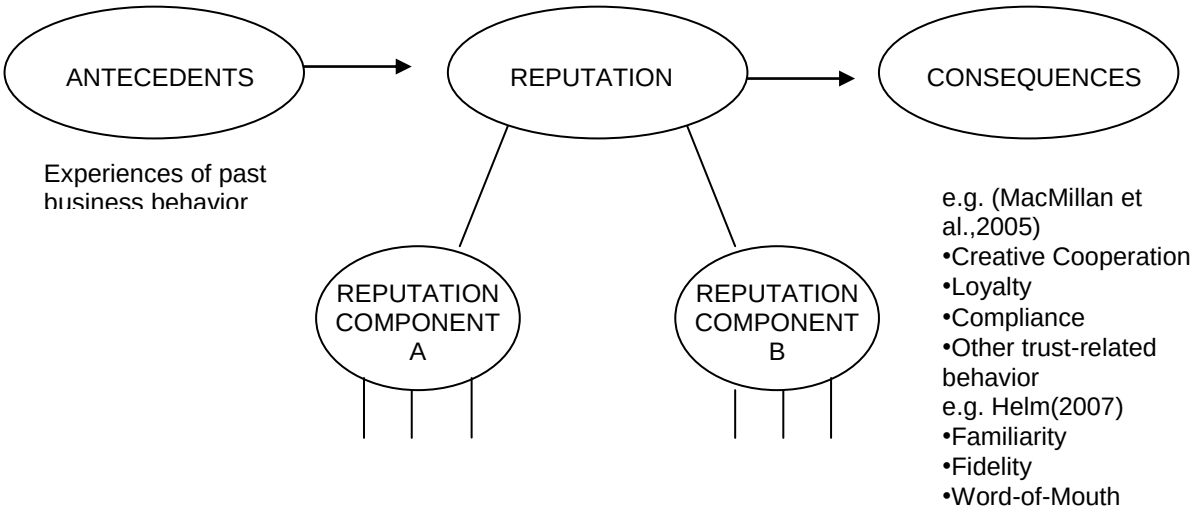


Figure 3: Corporate reputation embedded as a multidimensional construct in between antecedents and consequences. (Helm and Klode, 2011, p.106)

To conclude, in practice, comparisons with rankings are more used like the Fortune Survey or the RQ, and academics often want to build up generalizations concerning the relationships between different concepts. To compare different companies, rankings and benchmarks are most commonly used (Helm and Klode, 2011, p.106).

Later I will present a SEM model that will be relevant for the analysis of reputation from a customer viewpoint.

3.4. Managing Corporate Reputation

Many different activities are put together under the term 'reputation management': it encompasses corporate communications, public relations and media relations in general. The management of reputation complies with the traditional management cycle plan-act-control and thus has corporate strategy as its basis. Several questions need to be answered: who will need to set what actions in accordance to reach which goal? Different stakeholders are often not only influenced by one measurement or action, but from a number of different factors that result in their behavior. The management of an organization needs to find a measurement to evaluate the measures and actions taken by the company (Liehr-Gobbers and Storck, 2011D, p.183).

An important task of reputation management will be to put corporate strategy and communications closer together, because putting these two together is a business need and a future value driver (Liehr-Gobbers and Storck, 2011D, p.188).
"Communications that make a firm transparent enable shareholders to appreciate the firm's cooperations better, and so facilitate ascribing it a better reputation" (Bickerton, 2000, p.2).
Corporate communications aim at influencing stakeholders opinions so that the stakeholders feel that their interests are the same as the company's. So communications try to impact the consumers' minds in a way to reach the strategic goals of the firm (Liehr-Gobbers and Storck, 2011A, p.18).

3.4.1. A model of Reputation Management

Now I will present a model of reputation management developed by Pauline van der Meer Mohr and Peter Robinson in collaboration with the Royal Dutch Shell group of companies in a project and explained in the paper by Fombrun and Rindova (1998). This model consists of five factors. At the core there is the factor 'being', and four other factors that are necessary for reputation management are built around it: doing, communicating, listening and seeing.

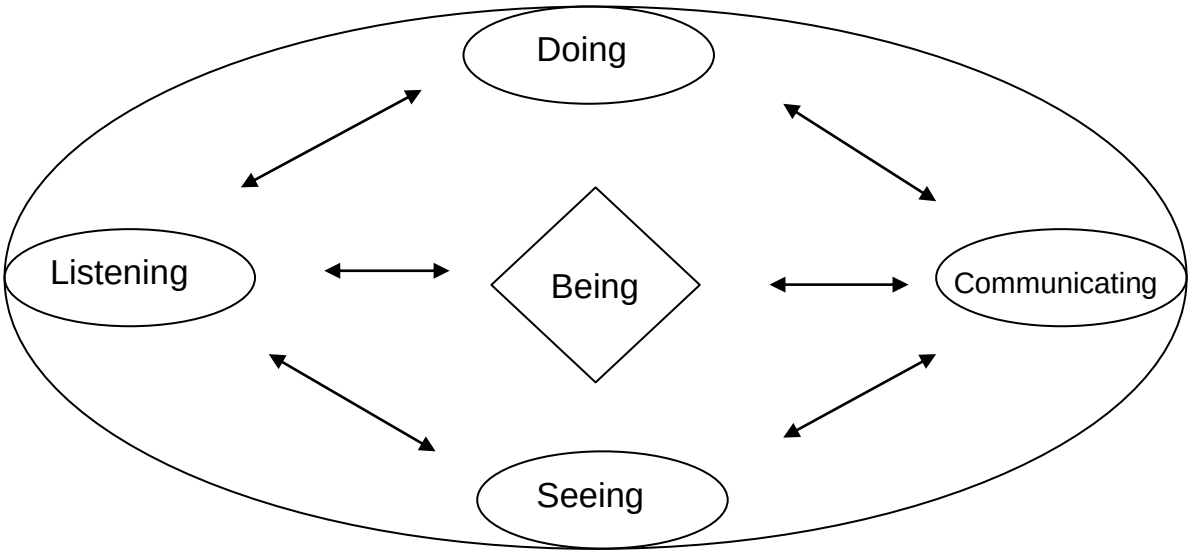


Figure 4: The Reputation Management Model (Fombrun and Rindova, 1998, p.206)

This model is built on the identity of the company and therefore the being is located in the middle. This is what the company is in fact, its identity and how it behaves in the relationships with its stakeholders. The factor **Doing** encompasses all behavior that exceeds normal commitment and is directed to stakeholders. **Communicating** is the way the company informs its stakeholders and how it tries to communicate their identity. With this factor, the company tries to influence the perceptions of the stakeholders. **Listening** is very important, because the firm needs to pay attention to how its messages are perceived by the constituencies and how this differs from the company's identity. It can also be a way to figure out why the stakeholders have a different view of the firm. The last factor **Seeing** means that the company needs to pay attention to the stakeholders' expectations, and needs to supervise them. It also implies that the company has to be aware of unforeseen events and thus has to monitor the market (Fombrun and Rindova, 1998, p.205).

The study by Fombrun and Rindova (1998) compared international companies that claim to have a systematic reputation management strategy with those who have not. They found significant differences in two of the factors mentioned above, namely Communicating and Listening. The study shows that companies with a reputation strategy put many themes in their advertisements and use a broader scope of channels to communicate. They want to inform their stakeholders not only about their products and quality but also about other topics related to their business, history and identity. The study suggests that firms with reputation strategies set a focus on understanding the stakeholders better. When comparing companies with high and low reputations, Fombrun and Rindova (1998) found out that they perform significantly differently in three factors: Being, Communicating and Doing. It is demonstrated that companies with a better reputation convey their identity and core values better to the stakeholders. These firms clearly develop their reputation in a more offensive way.

Reputation can be managed when a strong focus is set on the corporate brand. When companies communicate their corporate brand clearly, it will form expectations in the minds of the customers, wanted by the company, so that in turn it pushes the reputation of the corporation.

3.5. Corporate Social Responsibility (CSR)

In recent years, the number of reports on corporate social responsibility (CSR) increased significantly. For many companies it is an important topic that contributes to the financial success (Argenti and Druckenmiller, 2004, pp.372). If the CSR activities of an organization fits into its profile and complements its corporate brand, then the reputation of the company may be strengthened. The important point is that the CSR efforts have to be credible and the customer needs to believe in the programs of the organization. CSR activities encompass concern for the environment, involvement in local communities and corporate giving to worthy causes (Shamma and Hassan, 2009, p.327). CSR programs can be seen as part of a reputation management strategy.

4. Competitive Advantage

4.1. Resource-based view

The resource-based view of competitive advantage began to be scientifically analyzed in 1984. This view is concentrating on two components. First, the resource capabilities are heterogeneously distributed among the organizations and therefore the firms perform at different levels. Second, the ownership of these greater resources enables the firm to gain and sustain a competitive advantage. Some resources have more value than other capabilities, for example intangible assets such as know-how, reputation and culture. These intangible assets are called intellectual capital (Martin-de-Castro, 2006, p.324).

Resources are basic units and factors of production that can be controlled by the company, whereas capabilities are routines that come up through the coordination of different resources. The main source of capabilities is organizational learning. Resources are independent, whereas capabilities are a complex set. In the resource-based theory, a classification of resources and capabilities can be very convenient. We can differentiate between tangible and intangible assets, the physical appearance of resources and the incorporeal constitution of a resource or capability. But resources and capabilities can as well be classified in different ways, for example in functional areas (Martin-de-Castro, 2006, pp.325).

The characteristics that a resource or capability must fulfil to be considered as strategically can be found in the literature, but not all authors agree to them (Martin-de-Castro, 2006; p.326). The set of characteristics by Barney, who states that resources need to be rare and valuable to dissipate a competitive advantage, is widely known and accepted. But for an organization that wants to generate sustained competitive advantage, the resources have to be difficult to imitate (Barney, 2007; p.81).

4.2. Definition of Competitive Advantage

Firms want to achieve a sustainable competitive advantage by developing a business strategy. Competitive advantage can be divided in two basic types: Cost advantage and differentiation advantage (Porter, 1989).

The dependent variable 'sustained competitive advantage' can be described more clearly: *"A firm has competitive advantage when it is creating more economic value than the marginal firm in its industry; it has sustained competitive advantage when efforts to duplicate the bases of that advantage have ended."* This sustained competitive advantage tends to last longer than other competitive advantages (Barney, 2007; p.81).

When a firm is able to create the same benefits as competitors but with lower costs (cost advantage), or create benefits that exceed those of competing products (differentiation advantage), a competitive advantage persists. Therefore, this competitive advantage can be a source to generate superior value for the organizations' stakeholders and as well profits for the firm itself (Porter, 1989).

The resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

4.3. Reputation as a source of competitive advantage

The intangible asset reputation is seen as a source of competitive advantage by strategic management (Shamma and Hassan, 2009, p.327). There are several reasons why corporate reputation is an increasingly important factor to create and retain a competitive advantage, because there are several movements in the business environment (Gardberg and Fombrun, 2002, p.303). Under these, Gardberg and Fombrun mention four especially:

- *"The global interpenetration of the markets"*
- *"media congestion and fragmentation"*
- *"the appearance of ever more vocal constituencies"* and
- *"the commoditization of industries and their products"*.

Because of these trends, the firms have to position themselves in a way to be different from others. As products and services become similar in the process of globalization,

corporate reputation becomes important as a means for differentiation (Liehr-Gobbers and Storck, 2011B, p.28). The reputation has to be managed as a strategic tool of public presence in all markets and to make sure that the company's policies are followed. It is just as Fombrun and Shanley (1990, p.235) formulated: *"Well-reputed firms have a competitive advantage within their industries, but poorly reputed firms are disadvantaged."*

The value of the company is defined by three basic resources of the firm, namely tangible, intangible and personnel resources. Under the construct of tangible resources we understand all financial assets and other assets, whereas intangible resources encompass the corporate and product reputation. The know-how and the abilities of the employees are part of the personnel resource. The combination of these three basic resources generates the capabilities and core competences that distinguish the company from its competitors. The capabilities designate the strategic possibilities and via the chosen strategy the competitive position, the stability of the competitive advantage and finally the company value can be strengthened. Reputation is a main factor and plays a big role in determining the process of improvement and defense of the competitive position and the enhancement of the company value (Schwalbach, 2001, p.4).

4.4. Corporate Reputation and sustained superior financial performance

A firm with a good corporate reputation that has a strategic value may be a competitive advantage according to the resource-based view. This advantage may generate superior returns and when the assets (e.g. the corporate reputation) are hard to copy, it is possible to achieve a sustained superior financial performance (Roberts and Dowling, 2002, p.1077). Several studies have already confirmed a positive relationship between a good reputation and superior financial performance. But to analyze whether this is a sustained performance, it has to be analyzed whether the good financial performance persists over time. Oftentimes, a firms' past performance influences its current reputation. But not only financial performance of the firm affects its reputation, also reputation-building activities such as donations to social causes may influence it.

There are many reasons why a good corporate reputation may enhance the financial performance of the company. Consumers who value the good reputation of a company are often willing to pay a higher price. Firms also experience a cost advantage, because employees of a high reputed firm may prefer to work there and therefore work harder or for a lower salary. Contracting and monitoring costs may also be lower because suppliers are less concerned about contractual jeopardy and therefore charge less. The study by Roberts and Dowling (2002) showed that the actions a firm takes to gain good financial performance, support the reputation of the firm, and this enhancement in turn supports the firm to sustain a superior financial performance over time.

Empirical research has confirmed an impact of corporate reputation on firm value, but there is no evidence of influence on stock returns. Corporate reputation is often persistent over time and this may be a reason why firms with a good reputation have no high stock returns, but are valued highly on the market (De Quevedo Puente et al., 2011, p.175).

5. Models of Corporate Reputation from a Customer Perspective

5.1. The model by Shamma and Hassan (2009)

Corporate reputation can be examined by looking at the perceptions of customers, who are the primary stakeholders. Customers are one of the most important stakeholders, as they are the "revenue drivers" of a company (Shamma and Hassan, 2009, p.329). The way the customers see the organization is how they see the company's reputation. And to a great part, the customers' experiences form this reputation. Customers have personal experiences with the company in their direct interaction and they use reputation as a medium to conclude the quality of the products of the company (Herbig and Milewicz, 1993, p.19). In the course of globalization, customers expect more from a firm than solely a good product or service. They ask for improved customer service, product innovations, empathy, different payment options, warranties and guarantees. The companies need to provide a competitive product and other advantages to maintain a good relationship with the customer to enhance the reputation of the corporation (Shamma and Hassan, 2009, p.329).

In contrast to the customers, the general public is a secondary stakeholder group. The general public wants the organization to make a contribution to the improvement of the standard of living, in education, health care, employment and the environment. The general public consists of people that can be potential customers, future employees or future shareholders. *"While customer groups mainly receive economic and utilitarian values from corporations, the general public receives social and psychological values, which are important determinants of corporate reputation."* (Shamma and Hassan, 2009, p.329)

In the study by Shamma and Hassan (2009), the different sources of information for stakeholders to form their perceptions of the company are experience, information from others and information from the media. From certain attitudes of the stakeholders towards objects, certain behavioral intentions can be derived. Behavioral intentions are measured in terms of the intention to invest, the intention to seek employment, the intention to purchase company products and the intention to communicate positive word-of-mouth. In the paper by Shamma and Hassan (2009), behavioral intentions are

measured in terms of intentions to communicate positive word-of-mouth and intentions to purchase or re-purchase organizational products or services. The framework is illustrated in Figure 5.

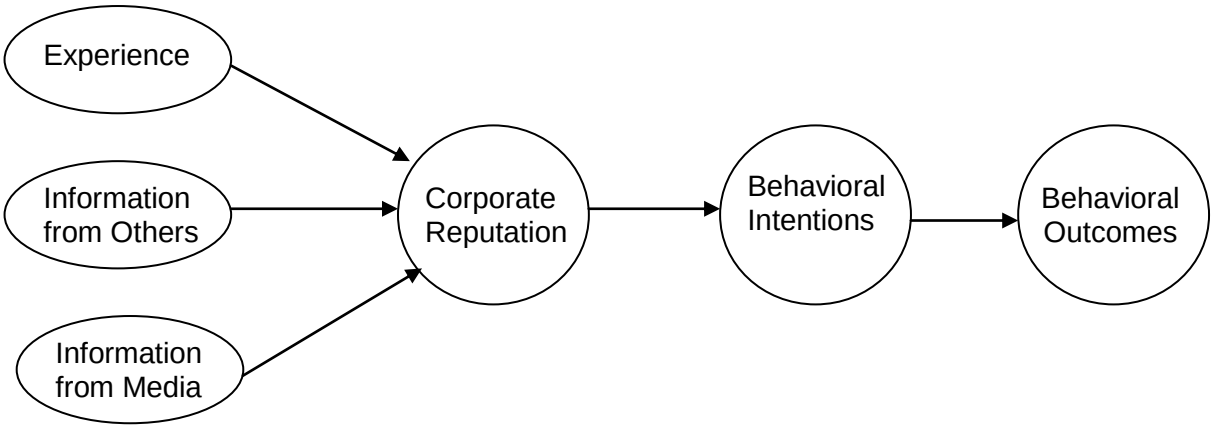


Figure 5: Conceptual Framework for customers (Shamma and Hassan, 2009, p.333)

The study shows that the customers have significantly more personal experience with a company, more information from others and they have more information from the media than the general public. The customers are more involved through their interactions with the companies and thus know more about the firms. It also shows that customers tend to forward positive word-of-mouth about a firm more than the general public. *"Direct experience has a strong impact on brand reputation because the attitude is more accessible."* (Selnes, 1993, p.22)

The paper by Shamma and Hassan (2009) observed that the strongest influence on reputation comes from the knowledge of experience and second from knowledge from the media. Oftentimes, the result of reputation is derived from the consumer's experience mixed with the public knowledge that is shared in the media. When a consumer does not have direct access to the products or services of a firm, he or she often relies on other consumers' experiences or other sources. *"While own experiences might be essential in developing trust, experiences communicated by others might be essential to perceive reputation."* (Helm, 2011, p.11)

The customer gains knowledge about the products and the quality, as well as the level of trust from own experiences, whereas he or she gains information from the media about other factors (e.g. the financial performance) that are important for reputation building. The study showed that corporate reputation is positively related to behavioral intentions with both stakeholder groups, costumers and the general public, and that for

the customer group, behavioral intentions were positively related to behavioral outcomes (Shamma and Hassan, 2009, p.334).

From the aspects of the RQ, the study identified that workplace environment and products and services are at the core of corporate reputation. An explanation for this may be that the workplace environment reflects several aspects of the company, such as the internal environment, trust and quality. This suggests that the workplace environment should be strongly communicated through corporate communications. These findings underpin the practitioners' opinion to build corporate reputation from the inside out (Shamma and Hassan, 2009, p.335). As products and services are also at the core of corporate reputation, marketers have to focus on them to provide high value for the customers. Products and services of a firm show the value, innovativeness and quality of the corporate purpose. The other aspects of corporate reputation such as emotional appeal, vision and leadership, financial performance and social and environmental responsibility are secondary elements of reputation (Shamma and Hassan, 2009, p.335).

In a survey by MacMillan et al. (2002), the general public nominated the companies with the best and worst reputations in the UK. It showed that the public nominates organizations that are well known or they are familiar with. They can be therefore called 'Top Mind' reputations. 60 percent of the firms that were mentioned have a high street presence, mainly retailers and banks (p.376). Some of the companies were both indicated as having a good and bad reputation. The authors conclude that the general public has the same access to information that is public, but the views of friends, family and acquaintances influence the people. MacMillan et al. also emphasize that the most significant influence will be the personal experience. The paper by MacMillan et al. (2002) also used the Reputation Quotient by Fombrun et al. to analyze the reputations of nominated companies.

For all measurements of corporate reputation, the researchers have to find out whether the stakeholders that are questioned answer according to their own experiences or on those of others, that were shared e.g. mouth-to-mouth or via the media (Helm, 2011, p.11).

5.2. A theoretical model for the relationship between quality, customer satisfaction, brand reputation and intended loyalty (Selnes, 1993)

Customer satisfaction and customer loyalty are important factors of reputation. The customer will only assign a service firm a good reputation if he himself or she herself is satisfied with the quality of the product and will intend to purchase it again. Therefore, firms increase their motivation to focus on brand names and quality. Loyalty is a result of good brand reputation and customer satisfaction (Selnes, 1993, p.22).

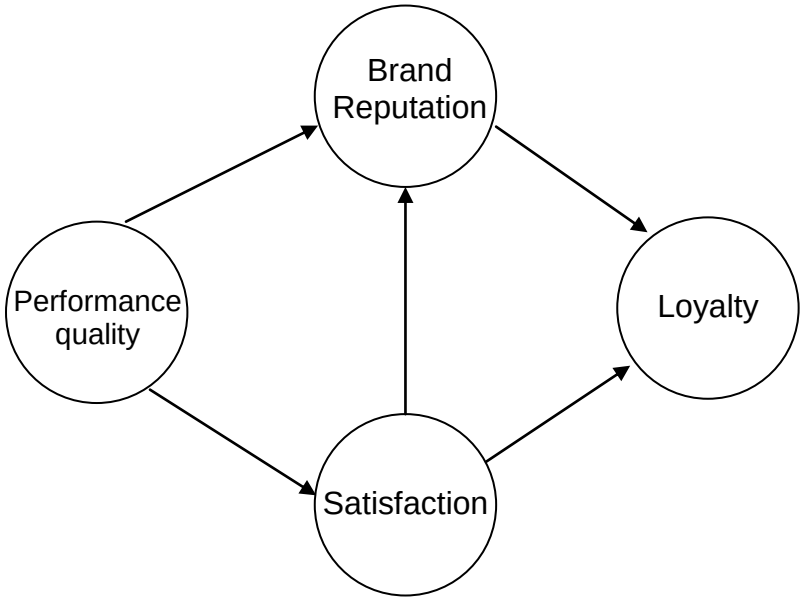


Figure 6: A theoretical model for the relationship between quality, customer satisfaction, brand reputation and intended loyalty (Selnes, 1993, p.24)

Similar to reputation, customer satisfaction has several definitions, but most widely accepted is the view that satisfaction is *"a post-choice evaluative judgment of a specific transaction"* (Selnes, 1993, p.21). Customer loyalty is an intended behavior, whether it is the intention to purchase a product again in the future or to switch to another product and/or brand. Part of customer loyalty is the support of the customer in communications. When a customer recommends a product to someone else, this is seen as very loyal (Selnes, 1993, p.21).

5.3. Customer-Based Corporate Reputation (Walsh et al., 2007, 2009, 2011)

In most of the literature, the focus did not lie in the development of a scale to assess consumer-based corporate reputation. So far, only Walsh et al. (2007, 2009 and 2011) are an exception with their customer-based corporate reputation (CBR) scale. In this scale they define corporate reputation as a multidimensional attitude. Customers are very important with all the difficult economic conditions nowadays. The customer perspective needs to be researched because they are the revenue generators. They have a big impact on the company's success because of word-of-mouth, even more nowadays with on-line communications and they are easy to influence by TV or press news stories (Walsh et al., 2009, p.189).

For Walsh et al., corporate reputation is an attitude and its management has to focus on the customer because they may have different expectations of companies than other constituencies, such as employees or shareholders. When analyzing a firm's reputation it may be useful to divide the customers in several groups.

Oftentimes, studies of consumers on corporate reputation see the concept reputation related with other concepts such as satisfaction, trust, perceived risk and loyalty (Walsh et al, 2011, p.152). But often these studies were conceptualized in a completely different way so that they cannot be compared. Therefore, a total new view is presented by Walsh et al. (2011): They consider corporate reputation as a customer attitude. They argue for this because they feel that the reputation of a company provokes feelings and thoughts about the company. These feelings may cause a behavior and therefore is an attitude. Corporate reputation is the analysis of personal interaction, experience and results from received information that is relevant for the reputation of the firm. Walsh et al. (2011) give a definition of customer-based reputation (CBR):

> *"CBR is the customer's overall evaluation of a firm based on his or her reactions to the firm's goods, services, communication activities, interaction with the firm and/or its representatives (e.g. employees, management) and/or known corporate activities"* (Walsh and Beatty, 2007, p.129).

This means that customer-based reputation acts as a kind of quality promise that makes the firm focus on high quality products and services. The higher the firm's reputation, the higher are the barriers of market entry for others, because the high reputation leads to customer loyalty due to a reduction of transaction costs. This concept of customer-based reputation includes the personal experiences as an explicit determinant of corporate reputation. This definition respects the definitions that were discussed at the beginning of this paper, but introduces the "attitude-like evaluative judgment of firms" (Walsh and Beatty, 2007, p.129).

The franchise systems in the fast-food industry have a relatively low level of customization and therefore the restaurants often may rely on the overall corporate reputation and not on the impression of the restaurant itself (Walsh et al., 2011, p.154). In the analysis of Walsh and Beatty (2007) they used a five factor model with the factors 'customer orientation', 'good employer', 'reliable and financially strong company', 'product and service quality' and 'social and environmental responsibility'. In addition to these five factors, they examined the scale's relationship with the customer-outcome variables 'customer satisfaction', 'loyalty', 'trust' and 'word-of-mouth'. Customer satisfaction is conceptualized as "an attitude-like judgment after a purchase" (Walsh and Beatty, 2007, p.129).
This conceptualization provides a more detailed understanding of which factors influence customer-based corporate reputation and its dimensions.

As a starting point, Walsh and Beatty (2007) used the 20 items of the RQ proposed by Fombrun et al., because they seemed to contain some facets of CBR and additionally they did quantitative and qualitative research.
This research contained an open question procedure with students and non-students and depth interviews to reveal the different items of corporate reputation. In addition to the RQ's 20 items, 40 items were developed. These 60 items were then sorted in a procedure and finally composed of seven categories with 46 items. After this, the items were rated by a few academics and students and this procedure resulted in 39 items. In a further step, the scale was refined and finally consisted of 31 items in the five dimensions mentioned above.

Factor 1: customer orientation
Has employees who are concerned about customer needs
Has employees who treat customers courteously
Is concerned about its customers
Treats its customers fairly
Takes customer rights seriously
Seems to care about all of its customers regardless of how much money they spend with them
Factor 2: good employer
Looks like a good company to work for
Seems to treat its people well
Seems to have excellent leadership
Has management who seems to pay attention to the needs of its employees
Seems to have good employees
Seems to maintain high standards in the way that it treats people
Seems to be well-managed
Factor 3: reliable and financial strong company
Tends to outperform competitors
Seems to recognize and take advantage of market opportunities
Looks like it has strong prospects for future growth
Looks like it would be a good investment
Appears to make financially sound decisions
Has a strong record of profitability
Is doing well financially
Seems to have a clear vision of its future
Appears to be aware of its responsibility to society
Factor 4: Product and service quality
Offers high quality products and services
Is a strong, reliable company
Stands behind the services that it offers
Develops innovative services
Offers services that are a good value for the money
Factor 5: social and environmental responsibility
Seems to make an effort to create new jobs
Would reduce its profits to ensure a clean environment
Seems to be environmentally responsible
Appears to support good causes

Table 4: Customer-based reputation factors (Walsh and Beatty, 2007, p.135)

The study by Walsh and Beatty (2007) showed that four of the five dimensions overlap with Fombrun's scale. This supports that corporate reputation is in fact a multidimensional construct that influences customers and their reactions to a company.

In the literature it was suggested previously that corporate reputation is linked with customer satisfaction, loyalty, trust and positive word-of-mouth (Walsh and Beatty, 2007, p.127). Reputation can act as a differentiator between service firms, where the product is ultimately the same, but costumers perceive a higher quality/value when the

company has a higher reputation. Therefore customer satisfaction should be positively related with customer-based corporate reputation. This is the same with loyalty, trust and positive word-of-mouth. When a company has a good reputation, it is easier for them to attract and to keep customers. With a higher reputation, the customer is more willing to trust the firm which leads to more positive word-of-mouth.

Factor: customer satisfaction
I am satisfied with the services the company provides to me
I am satisfied with my overall experience with this company
As a whole, I am NOT satisfied with this company
Factor: loyalty
I am a loyal customer of this company
I have developed a good relationship with this company
I am loyal to this company
Factor: trust
This company can generally be trusted
I trust this company
I have great confidence in this company
This company has high integrity
I can depend on this company to do the right thing
This company can be relied upon
Factor: word-of-mouth
I'm likely to say good things about this company
I would recommend this company to my friends and relatives
If my friends were looking for a new company of this type, I would tell them to try this place

Table 5: Customer outcome variables of corporate reputation (Walsh and Beatty, 2007, p.138)

In the follow-up study by Walsh et al. (2009), a structural equation model was used to find out about the antecedents and consequences of corporate reputation. The objectives of this follow-up study were to apply the US CBR scale in Europe and to link corporate reputation with the antecedents and consequences.

The study was again carried out in the service industry, as they argue that corporate reputation is more important in this industry than in manufacturing because in the service industry there is little evidence of the product to evaluate.

Dowling (2001; cited in: Walsh et al., 2009, p.191) describes corporate reputation similarly by stating that reputation is *"a combination of admiration, respect, trust and confidence in the future actions of the organization".*

Walsh et al. (2009) try not to focus on the dimensionality of corporate reputation, but on the antecedents and consequences. They research corporate reputation as a

multidimensional concept after first having tested the validity of the multidimensional scale. The SEM is built up according to their thought that corporate reputation is influenced by customer variables and that corporate reputation also influences other customer variables. Walsh et al. (2009, p.191) explain that it is not quite clear whether corporate reputation functions as a predictor or as a consequence. Fombrun and Shanley (1990) found that a better financial performance leads to a better corporate reputation and that this increases the chances of having a better financial position in the future. Walsh et al. (2009) do not focus on the financial aspects but on customer behavior. They consider customer satisfaction and trust as antecedents of corporate reputation.

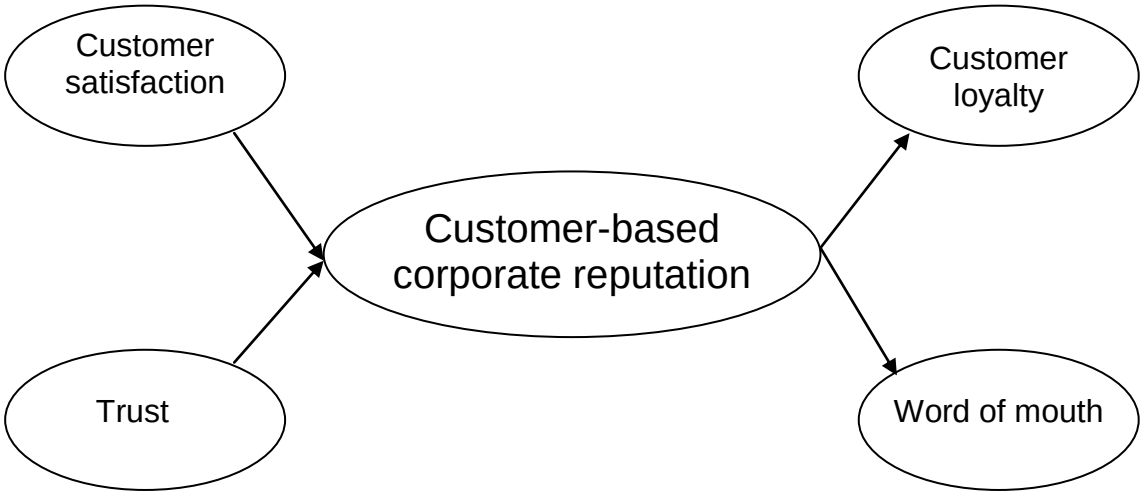


Figure 7: Model of antecedents and consequences of customer-based corporate reputation (Walsh et al., 2009, p.192)

They formulate four hypotheses according to previous research.

As satisfaction has been widely discussed as an influencing factor of reputation, they state the first hypothesis.

H1: Customer satisfaction has a positive effect on customer-based reputation.

Walsh and Beatty (2007) found that trust is a correlate of customer-based reputation. Walsh et al. (2009, p.193) *"see trust in terms of willingness to rely on the exchange partner in whom one has confidence".* So if a customer trusts in the company, this will have a positive influence on their feelings towards the company and its reputation will get better. This leads to the second hypothesis.

H2: Trust has a positive effect on customer-based reputation.

Walsh et al. (2009) see customer loyalty and word-of-mouth behavior as the consequences of corporate reputation. Corporate reputation may *"serve as a quality promise for customers"* (Walsh et al., 2009, p.193). Therefore they state hypothesis 3.

H3: Customer-based corporate reputation has a positive effect on customer loyalty.

When firms offer products or services with a good quality, they will be honored with positive word-of-mouth. On the other hand, if the firm provides poor quality, it will be penalized with negative word-of-mouth. Therefore, Walsh et al. (2009, p194) formulate their fourth hypothesis.

H4: Customer-based reputation has a positive effect on customers' positive word-of-mouth.

In their study, Walsh et al. (2009, p.127) found that all four hypotheses were significant. The companies should focus on delivering high quality products and services, which in turn supports customer satisfaction. They have to train the employees in a way that satisfies the customer. They also should promote customer loyalty programs as they support loyalty. These actions can lead to a better corporate reputation and this may act as an effective barrier for market entry of new competitors. This study tries to help to develop effective reputation management programs.

In the course of the research for this thesis, I came across another antecedent/consequence that may be observed, the (market) standing of the franchise system. The company has a certain position on the market compared to its competitors and next to this, the visibility on the market and the prospects of the future make up the concept of the standing of the franchise system. When trying to arrange the concept standing in the SEM model of reputation, it will be placed as an antecedent. This is very logic: when the firm has a good standing compared to its competitors, when it is highly visible on the market and when the future looks positive this may be the main influence factor of customer-based reputation.

Therefore, the model of Walsh et al. (2009) will be slightly modified. The concept of trust is not seen as important in this thesis, but standing is seen as a main influencer. So the concept of trust will be replaced by the concept of (market) standing.

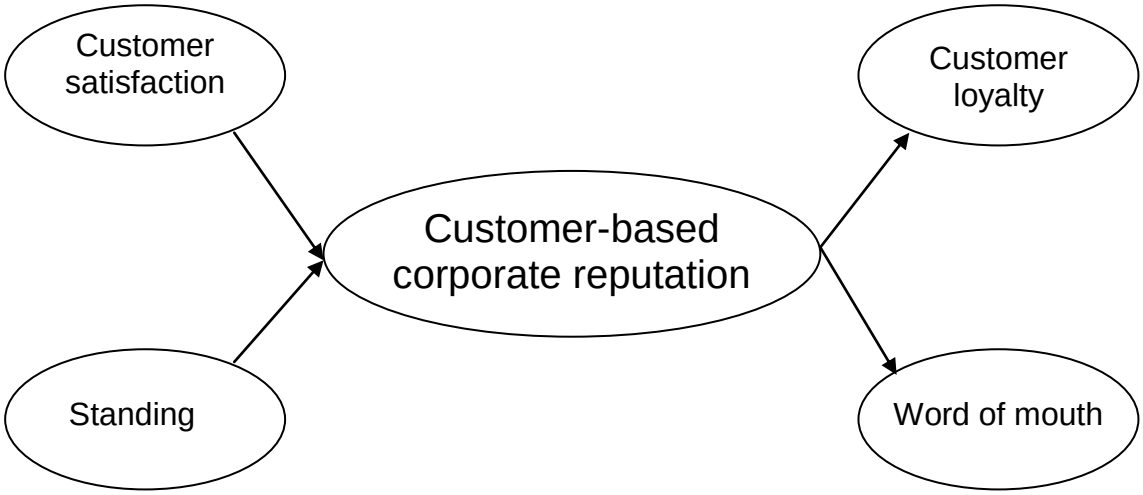


Figure 8: Model of antecedents and consequences of customer-based corporate reputation with the factor standing

This model fits best for the existent questionnaire and therefore will be the basis for the analysis in the empirical part.

6. The Franchise Systems

6.1. Franchise System 1: McDonald's Österreich

6.1.1. A short presentation of the company

Ray Kroc opened the first McDonald's restaurant in Des Plaines, Illinois in 1955. Originally, he worked as a seller of milkshake mixers and tried to sell his product to the brothers Richard and Maurice McDonald. They owned a restaurant in which they served hamburgers, fries and soft drinks with low waiting times. Kroc was amazed by this concept and bought a license from the McDonald brothers. This was the starting point of the success of McDonald's. Today, McDonald's restaurants exist in 117 countries worldwide with more than 32,000 restaurants (Internet: http://www.mcdonalds.at/downloads/company/ray_kroc.pdf, accessed Nov. 9th, 2011).

The first McDonald's restaurant in Austria was set up in 1977. Since then, the success of McDonald's in Austria is unstoppable. In 2010, McDonald's Österreich had about 8,000 employees with 176 restaurants, generated total revenues of EUR 482 million and 146 million guests were counted. In the past years, McDonald's Österreich realized a modernization of its concept and invested EUR 120 million between 2006 and 2010. In the course of the modernizations, McCafés were established in 137 of the 176 restaurants.

(Internet:http://www.mcdonalds.at/presse/maps/Pressemappe_Jahrespressekonferenz_2011.pdf, accessed Nov. 9th, 2011)

85 percent of the McDonald's restaurants are franchised restaurant with 52 franchisees (Internet:http://www.mcdonalds.at/downloads/katalog/nachhaltigkeit2011/index.html, accessed Nov. 11th, 2011).

The headquarters of the McDonald's Franchise GmbH (McDonald's Österreich), which is a subsidiary of McDonald's Europe Ges.m.b.H. and of McDonald's Ges.m.b.H, is located in Brunn am Gebirge. In Europe, McDonald's is divided in four divisions: Northern, Eastern, Southern and Western. Together with Germany, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Poland, Hungary, the Czech Republic and Slovakia, Austria forms the Western division (http://www.mcdonalds.at/downloads/katalog/nachhaltigkeit2011/index.html, accessed Nov. 11th, 2011).

6.1.2. Corporate Social Responsibility at McDonald's Österreich

McDonald's Österreich has a full program of activities concerning CSR. It publishes a Corporate Sustainability Report, claims to buy and sell only meat and potatoes from Austrian farmers and uses only green electricity. McDonald's Österreich also has a program called McRecycle, which is in place since 1992. This program helps to reduce waste and makes sure that the packaging is made predominately from renewable resources (Internet: http://www.mcdonalds.at/#/umwelt/, accessed Nov. 11th, 2011).

The sustainability report of 2011 was the first one published and encompasses four core topics: quality assurance, employee development, the protection of natural resources and social responsibility.
(Internet: http://www.mcdonalds.at/downloads/katalog/nachhaltigkeit2011/index.html, accessed Nov. 11th, 2011)

6.2. Franchise System 2: Burger King Holdings, Inc. in Austria

6.2.1. A short presentation of the company

The Burger King Holdings, Inc. (BKC) is the second largest fast food hamburger chain in the world with more than 12,300 restaurants in the United States and 76 countries worldwide. Approximately 90 percent of Burger King Restaurants are owned and operated by independent franchisees. The first Burger King restaurant in Austria was set up in 2000. Nowadays, there are 28 restaurants all over Austria. Burger King sets a focus on the quality of the outlets, not on the quantity, as they name customer satisfaction as their main principle (Internet: www.burgerking.at, accessed Nov. 9th, 2011).

BKC was founded in 1954 in Miami by James McLamore and David Edgerton.
The Whopper was introduced in 1957 and quickly became one of the best-known sandwiches in the world. Burger King launched the famous "have it your way" marketing campaign in 1974. This enables the consumer to create his or her own

burgers with whatever ingredients he or she likes. There are 221,184 possible ways for a guest to order an original Whopper sandwich. In 1966, the first international franchise restaurant opened in the Bahamas.

In May 2006, BKC became a publicly traded company listed on the New York Stock Exchange under the symbol "BKC".

In fiscal 2007, BKC reported record revenues of USD 2.234 billion. System-wide sales for franchised and company-owned Burger King Restaurants were USD 13.232 billion. In October 2010, the Burger King Holdings, Inc. was sold to 3G Capital, a multi-billion dollar, global investment firm focused on long-term value creation, with a particular emphasis on maximizing the potential of brands and businesses (Internet: www.bk.com, accessed Nov. 9th, 2011).

6.2.2. Organisation of the company's franchise system

The Burger King Holdings, Inc. uses three different distribution channels. In the United States it runs company-owned units, as well as franchised units.

In this thesis I focus on the Austrian market. There are wholly-owned subsidiaries spread all over Europe. In Austria, the franchised units are not contracting with a wholly-owned subsidiary, but with the headquarters, located in Miami. Therefore, it is a directly franchised unit. The subsidiary, located in Germany, is responsible for the operational management and control of the Austrian franchised units. This means that it is a hybrid form of wholly-owned subsidiaries and direct franchising.

The German subsidiary is responsible for Germany, Austria, Switzerland and the Netherlands. The location of these subsidiaries generally depends on the size of the market and on the consumer's purchasing power. Due to the long-lasting experience in franchising to foreign countries, the BKC can also enter markets with greater cultural and geographical distance, like South America, the Middle East and Africa. In order to prevent intercultural problems from occurring, subsidiaries responsible for culturally similar countries are installed. These try to compensate the possible differences by adjusting the products to the consumer's taste. For example, Burger-Creation centers are set up in different regions in order to maintain the continuing development of new burgers, which suit the local needs, e.g. kosher burgers in Israel or burgers without pork in Islamic countries (Kerres et. al, 2008).

6.2.3. Corporate Social Responsibility at Burger King Holdings, Inc.

At BKC, Corporate Social Responsibility is an important factor. Every two years, BKC publishes a CSR report in which the BKC explains its approach to CSR and what actions it took in the previous year. They set a focus on the four factors: commitment to food, commitment to people, commitment to the environment and commitment to corporate governance. *"Burger King Holdings, Inc. is committed to making a positive impact in the communities where we live and work by partnering with our franchisees, employees and suppliers in four key areas – food, people, the environment and corporate governance."*

(Internet:http://www.bk.com/cms/en/us/cms_out/digital_assets/files/pages/BK_CR_Report.pdf)

This report is made for three reasons. First, to publicly state Burger King's commitment to corporate responsibility, second to share where BKC is now with its efforts of CSR and third, to identify areas where Burger King can take further steps to move forward.

7. Hypotheses and Methodology

In this part I will first discuss the questions that are the core of the survey of consumers and then develop hypotheses that I will analyze later in detail.

The big questions at the heart of the survey are the following: How does the consumer think about the franchise system? What are his or her views and opinions? These questions need to be analyzed in detail to make a comparison of the two franchise systems possible.

When comparing the two franchise systems, McDonald's Österreich and Burger King in Austria, two further questions arise: How does the consumer see the franchise system's position on the market? How is the franchise system positioned compared to other systems? Are there any differences? I will examine these questions later in detail.

Especially when surveying the opinions of consumers, the question arises whether the consumer can identify himself or herself and/or his values with the core values of the company. This is the next research question: Is the consumer able to identify himself with the brand? Does the consumer feel attracted by the values of the company? Can the consumer associate with the brand? Are the values of the consumer and the brand corresponding?

When examining a special restaurant of the chain, the question of influence of the consumer's experience in this special restaurant arises: Does the experience in one certain restaurant have an influence on the attitude towards the restaurant chain?

The study in this thesis has two goals: to compare the two franchise systems in Austria in terms of customers' perceptions of their experiences, satisfaction with the restaurant, values, market position, recommendations to dine out, etc. These questions will be mainly examined in the descriptive analysis. Next to this, the construct reputation has to be analyzed. For this, the following four hypotheses are derived from the literature by Walsh et al. (2007, 2009, 2011) and the existent questionnaire.

H1: Customer satisfaction has a positive effect on customer-based reputation. (Walsh et al., 2009)

H2: (Market) Standing has a positive effect on customer-based reputation.

H3: Customer-based corporate reputation has a positive effect on customer loyalty. (Walsh et al., 2009)

H4: Customer-based reputation has a positive effect on customers' positive word-of-mouth. (Walsh et al., 2009)

First, these hypotheses will be tested for validity across the two franchise systems and in the next step, the antecedents and the consequences of each franchise system's reputation are analyzed with the SEM presented earlier. This is done in two steps: first, the influence of the antecedents of reputation is tested and then, in the next step, the influence of reputation on the consequences is analyzed with a regression model.

8. Empirical Study

In the following part the empirical study is explained. First, I will describe the objective, the participants and the tool for the survey, the questionnaire and how I collected the used data, as well as the problems I encountered.

8.1. Presentation of the empirical study

8.1.1. Objective

The objective of this study is to survey the consumer's opinions and views on the specified franchise system. I will compare the results of the two franchise systems and with the presented hypotheses I will try to explain the influence of several factors on customer-based corporate reputation. The goal is to analyze all the research questions in detail and to verify or to falsify the stated hypotheses. I will use the relevant data for my thesis of McDonald's and Burger King in Austria and use the statistics program SPSS to come to my results.

8.1.2. Participants

The participants are consumers that were selected randomly by the interviewer at different outlets of the two franchise systems. For each system, 30 people of different ages were asked to fill out the questionnaire.

8.1.3. Tool for data collection- the questionnaire

The tool that is used in this study is a questionnaire that was developed and tested by a research team at the University of Oklahoma. It was then translated by a German university into German and I made slight modifications to fit the Austrian common speech.

The questionnaire consists of four different parts. The first section seeks to survey the opinions of the consumer about how they feel about the franchised fast-food restaurant business in general. The next part seeks the consumers' opinions about their brand

experiences in the franchised fast-food restaurant. The third section seeks the consumers' opinions about their brand experiences at the special restaurant they just left. The final questions are classification questions which are asked to make combinations of answers of different participants possible.

The first three parts of the questionnaire consist of 26 multiple-choice questions with multiple choices. The participant has to check the box to the corresponding answer. He can decide between the answers Strongly Disagree, Disagree, Somewhat Disagree, Neutral, Somewhat Agree, Agree and Strongly Agree. This is a seven-point Likert-type scale. One question has to be answered with Yes or No. The last part consists of different questions. There are personal questions about the gender and age of the participant, the education, the brand of the franchise system and the location of the restaurant where the survey was taken. There are three more open questions about how often the participant dines out, how often he dines at this restaurant chain and the three favorite products. At the end of the questionnaire, there is a box where the participant could add any comments for the research team.

8.1.4. Data collection process

The data for this survey were collected between November 25th and December 1st at different locations in and around Vienna. 60 people filled out the questionnaire, 30 in front of a McDonald's outlet and 30 in front of a Burger King restaurant. Most of the people completed the questionnaire in less than four minutes.

98 people were asked to fill out the questionnaire. Of these 98, 78 were qualified to fill out the questionnaire with the only prerequisite of the study: to be a customer of McDonald's or Burger King. 60 out of the 78 filled out the questionnaire. This represents a response rate of 76.92%.

8.2. Presentation of the findings

8.2.1. Descriptive Analysis

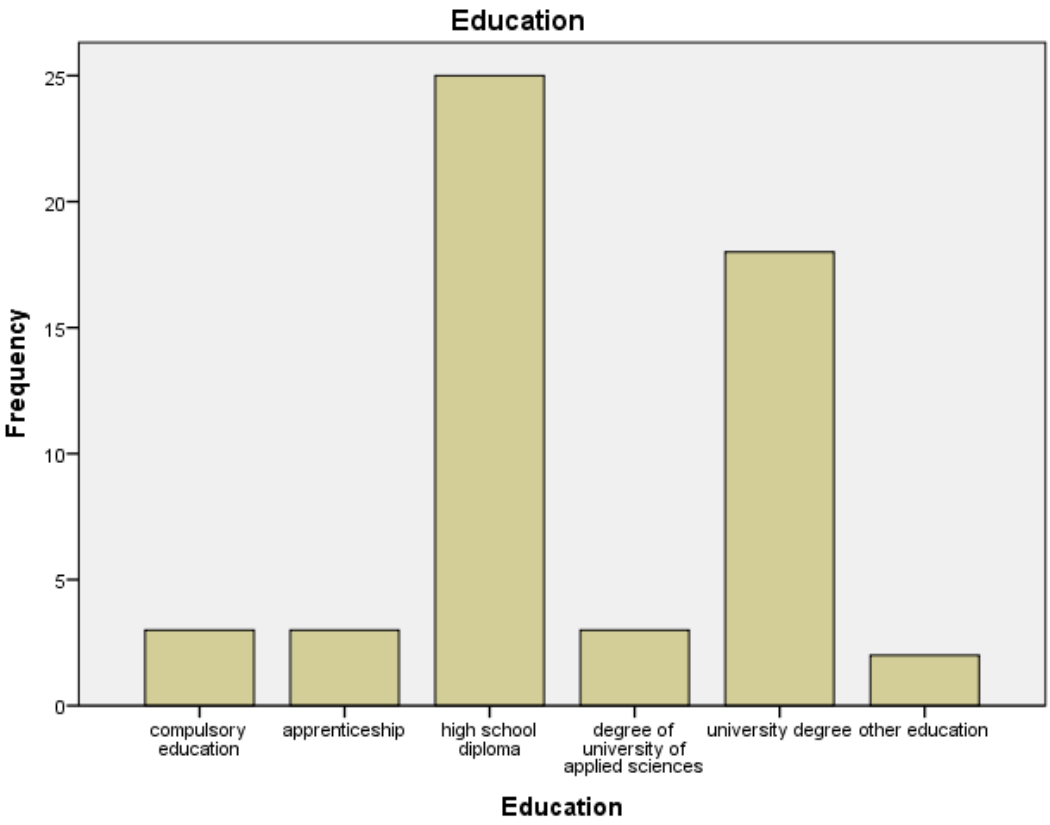
50% of the questionnaires were filled out for McDonald's and 50% were filled out for Burger King.

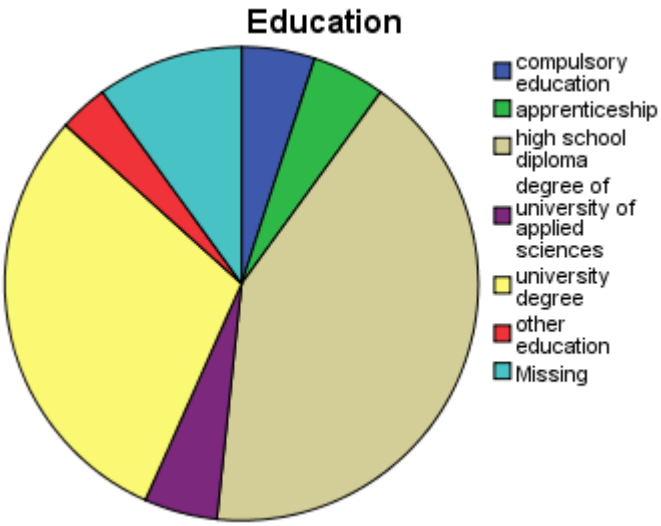
Gender

		Frequency	Percentage	Valid Percentage	Cumulated Percentage
Valid	male	28	46,7	46,7	46,7
	female	32	53,3	53,3	100,0
	total	60	100,0	100,0	

46.7% of the respondents were male and 53.3% of the respondents were female.

When comparing the respondents according to their education, it can be seen that most of them have at least a high school diploma and that many have continued their education.





On average, the respondents purchase 11.77 times per year at the franchised fast food restaurant. Interestingly, McDonald's customers visit the outlets more frequently than Burger King customers (average 14.46 times per year compared to 7.94 times per year). This may be explained by the simple fact that there are more than six times more McDonald's restaurants in Austria than Burger King restaurants (176 compared to 28, as described earlier). In Vienna and Lower Austria there are 71 McDonald's outlets compared to 12 Burger King outlets.

Descriptive Statistics

	N	Minimum	Maximum	Mean value		Standard deviation	Variance
	Statistics	Statistics	Statistics	Statistics	Standard error	Statistics	Statistics
dining out per week	59	,25	6,00	2,1144	,17310	1,32964	1,768
Valid Values	59						

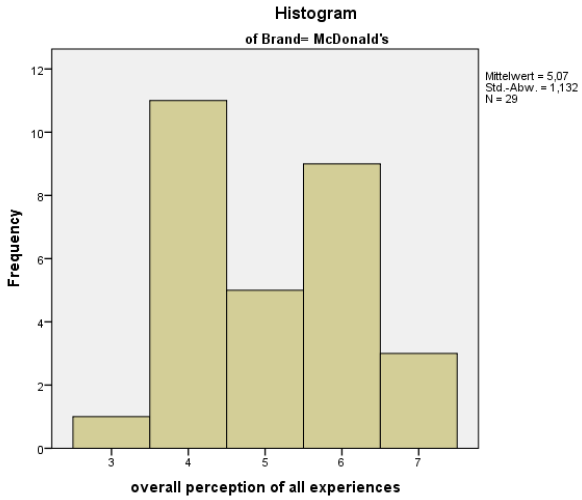
From this table it can be seen that the respondents dine out 2.1 times per week on average.

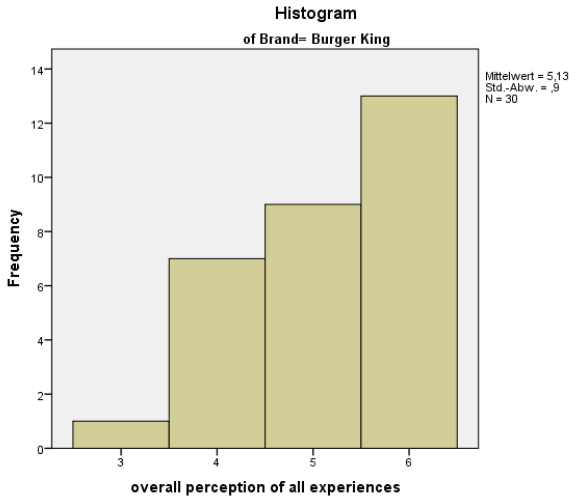
In this part I will focus on the comparison of the two franchise systems, McDonald's and Burger King. I will examine the differences in the overall perceptions, the market standing, the attitudes towards the brand, the identification with values. I will further discuss the buying behavior and the experience with a certain restaurant.

I will start with examining the **overall perception of all experiences** with the franchise system.

Processed Cases

	Brand	Cases					
		Valid		Missing		Total	
		N	Percentage	N	Percentage	N	Percentage
overall perception of all experiences	McDonald's	29	96,7%	1	3,3%	30	100,0%
	Burger King	30	100,0%	0	0,0%	30	100,0%





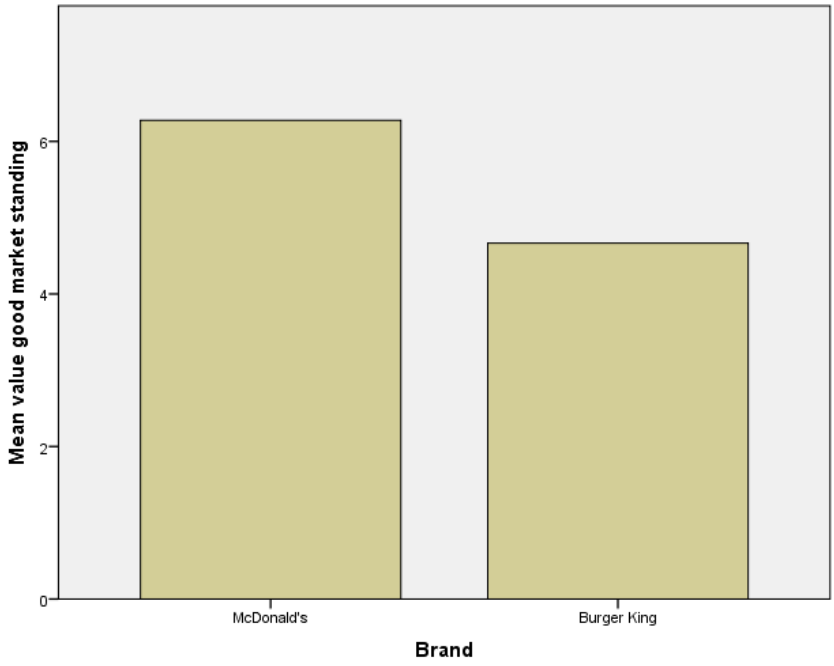
Oneway ANOVA

overall perception of all experiences

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,061	1	,061	,059	,809
Within the groups	59,329	57	1,041		
Total	59,390	58			

The question that was examined in the last four diagrams was the following: My overall perceptions of the franchise system are very good. The numbers have the following meaning: 1 stands for Strongly Disagree, 2 for Disagree, 3 for Somewhat Disagree, 4 for Neutral, 5 for Somewhat Agree, 6 for Agree and 7 for Strongly Agree. It can be seen that for McDonalds, more respondents are neutral to the statement, whereas for Burger King, more people seem to be convinced of having a good overall perception. The mean values are about the same, namely 5.07 for McDonald's and 5.13 for Burger King. With the one-way ANOVA it was tested whether the two brands show in the basic population on average an equal value of the overall perception of all experiences. Here, we need to look at the value of significance. The value of 0.809 reveals that the hypothesis is correct and that the two brands have an equal value of overall perception in the basic population (= all customers).

When comparing for **market standing**, it can be seen that Mc Donald's has a higher mean value. This means that the respondents think that McDonald's has a better market position than Burger King in Austria. On the y-axis, the mean value of the market standing is given. It is 6.28 for McDonald's and 4.67 for Burger King.



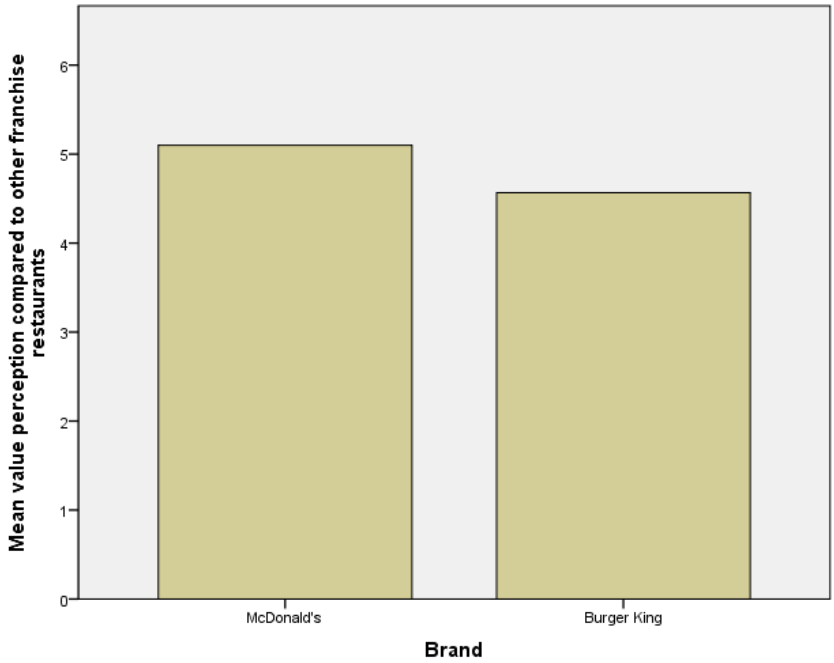
Oneway ANOVA

good market standing

	Sum of squares	Df	Mean of the squares	F	Significance
Between the groups	38,184	1	38,184	34,847	,000
Within the groups	62,460	57	1,096		
Total	100,644	58			

The hypothesis that is examined with the one-way ANOVA states that the two brands show in the basic population on average an equal value at the variable good market standing. Here, we see that the hypothesis has to be falsified: The significance value of 0.0 shows us that with a chance of 0% the hypothesis is true.

It is now interesting how the **overall perception of the franchise system compared to its competitors** is seen.



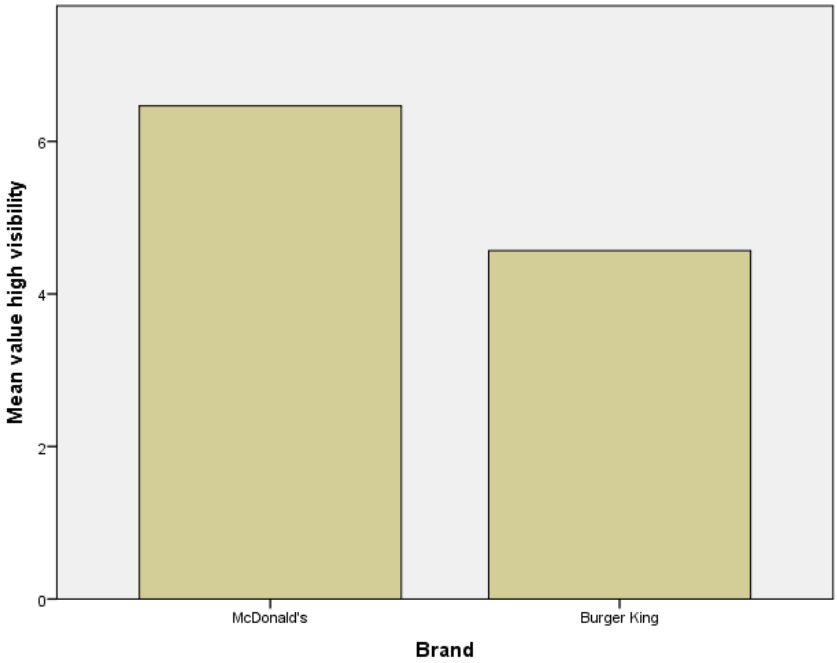
One-way ANOVA

perception compared to other franchise restaurants

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	4,267	1	4,267	2,027	,160
Within the groups	122,067	58	2,105		
Total	126,333	59			

The mean value for McDonald's is 5.10 and for Burger King 4.57. The respondents are almost indifferent in their overall perceptions of the franchise system compared to the competitors. The one-way ANOVA shows with a value of 0.16, that the statement that the two brands show in the basic population on average an equal mean value when looking at the perception compared to other franchise restaurants is true.

When comparing for the **visibility** of the franchise system on the market, it can be seen that McDonald's is perceived to have a slightly higher visibility with a mean value of 6.47 compared to Burger King with a mean of 4.57.

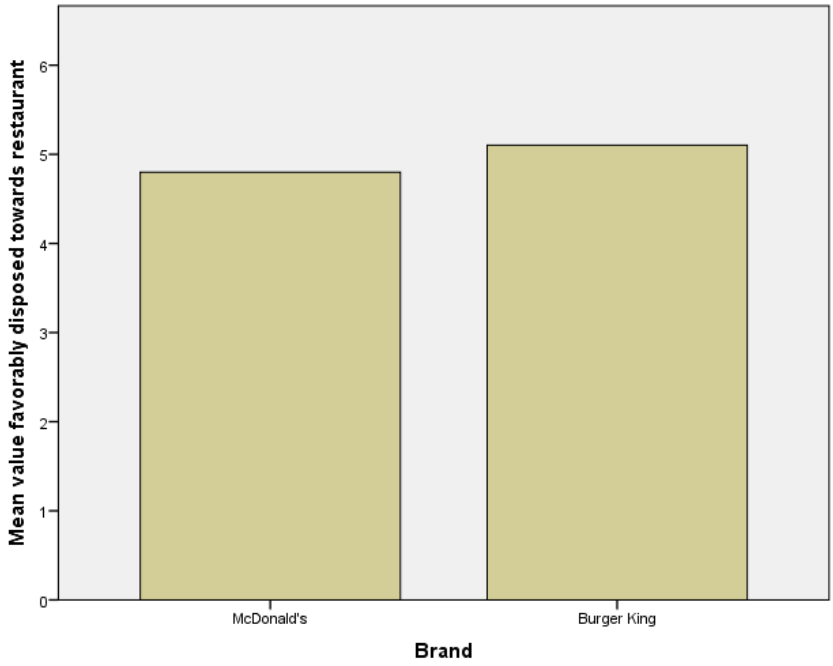


One-way ANOVA

high visibility

	Sum of squares	Df	Mean of Squares	F	Significance
Between the groups	54,150	1	54,150	36,169	,000
Within the groups	86,833	58	1,497		
Total	140,983	59			

The significance value of 0.0 shows, that the hypothesis that the two brands show in the basic population on average an equal value at the variable high visibility can be rejected.



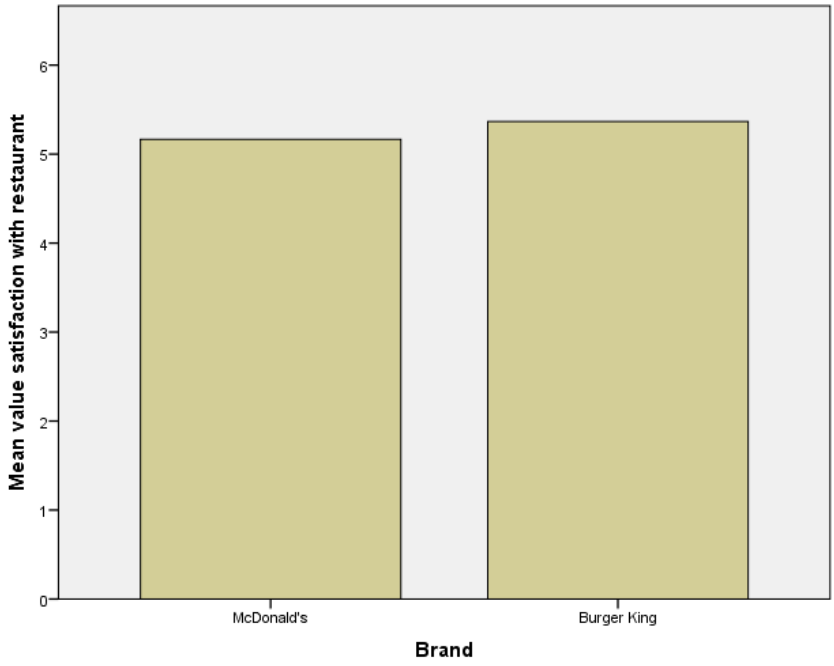
When looking at the **attitude towards the franchise restaurant as a brand**, the picture is slightly different. Burger King customers are more favorably disposed towards the franchise restaurant compared to McDonald's customers (Mean value 5.10 vs. 4.80).

One-way ANOVA

favorably disposed towards restaurant

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	1,358	1	1,358	,794	,377
Within the groups	97,490	57	1,710		
Total	98,847	58			

The one-way ANOVA examines the hypothesis that the two brands show in the basic population on average an equal value at the variable favourably disposed towards the restaurant. The significance value of 0.377 states that the hypothesis can be confirmed.



When looking at the **satisfaction with the franchise restaurant**, it can be seen that the customers of both franchise systems are both almost equally satisfied with the restaurant. In both cases, the mean lies between Somewhat Agree and Agree (between 5 and 6).

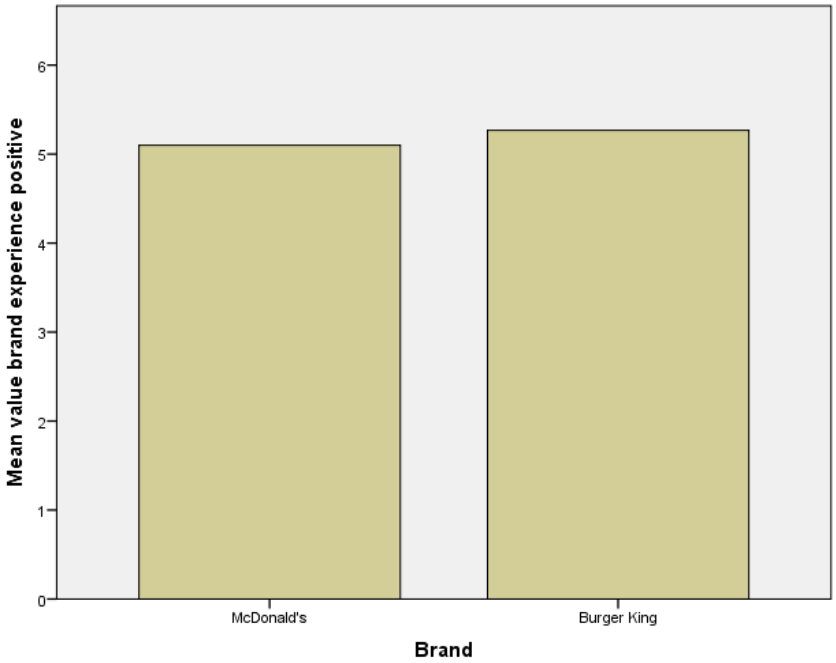
One-way ANOVA

satisfaction with restaurant

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,600	1	,600	,358	,552
Within the groups	97,133	58	1,675		
Total	97,733	59			

The hypothesis that the two brands show in the basic population on average an equal value at the satisfaction with the restaurant, can be confirmed with a chance of 55.2%.

It is the same with **brand experience**: the personal experiences of Burger King customers were a bit better than those of McDonalds customers. Again, the mean values are between Somewhat Agree and Agree.



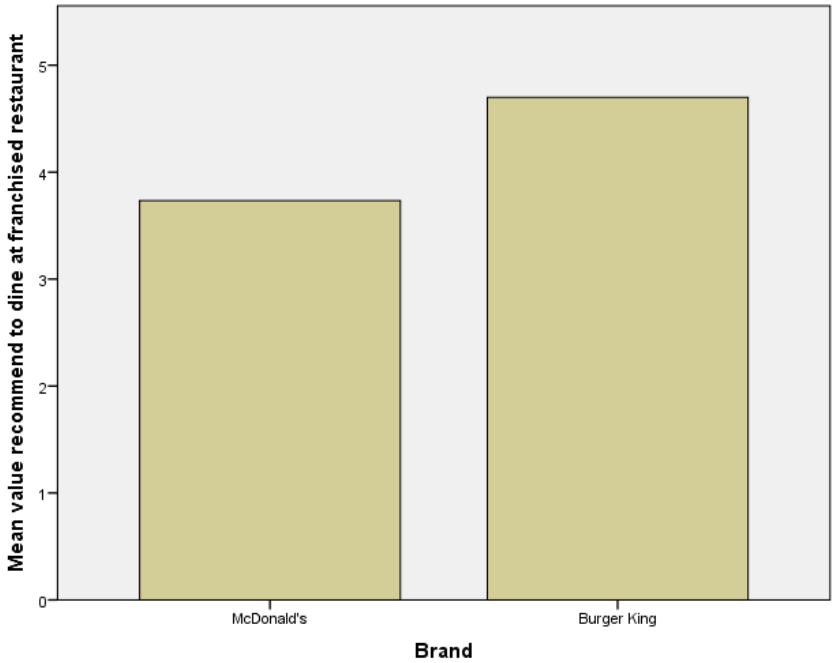
One-way ANOVA

brand experience positive

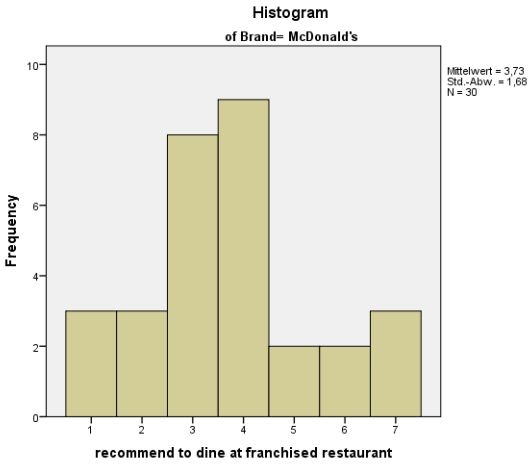
	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,417	1	,417	,308	,581
Within the groups	78,567	58	1,355		
Total	78,983	59			

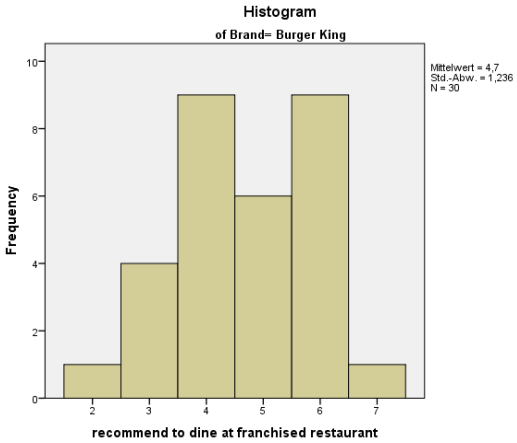
The significance value of 0.581 shows that the hypothesis that the two brands show in the basic population on average an equal value on positive brand experiences can be confirmed.

I will now look at the customers' word-of-mouth behavior. Looking at the graphic, it is clear that Burger King customers are more eager to recommend to eat at the franchise restaurant than McDonald's customers (Mean value of 4.70 with a standard deviation of 1.236 compared to mean value of 3.73 with a standard deviation of 1.680).



These are only the mean values, but it is also interesting to look at the actual allocation of responses.





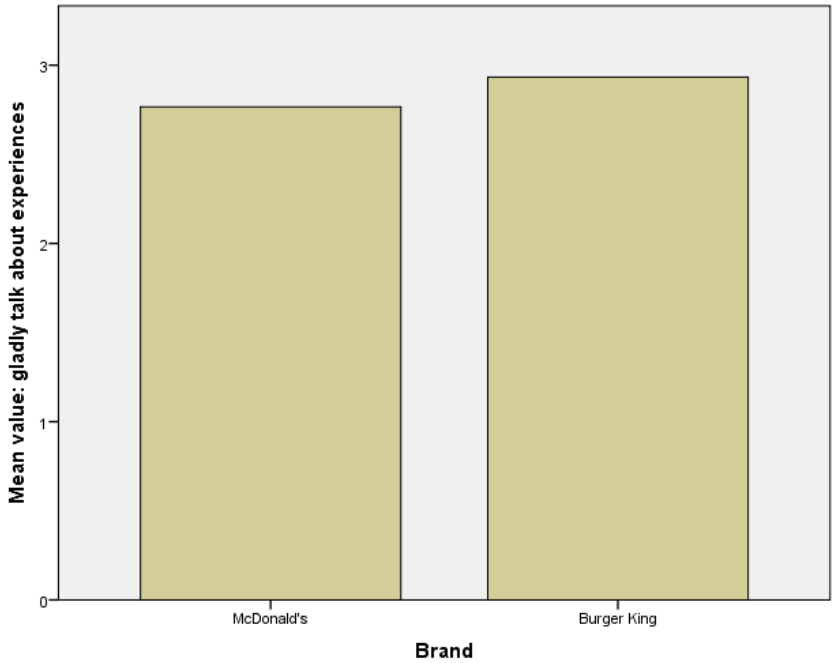
The responses of McDonald's customers include all answer possibilities, whereas no Burger King respondent marked Strongly Disagree. Far more Burger King customers marked that they would recommend others to eat at the franchise restaurant than McDonald's customers did.

One-way ANOVA

recommend to dine at franchised restaurant

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	14,017	1	14,017	6,444	,014
Within the groups	126,167	58	2,175		
Total	140,183	59			

The one-way ANOVA shows that the hypothesis that the two brands show in the basic population on average an equal value at the variable of recommend to dine at franchised restaurant can only be confirmed with a chance of 1.4%.



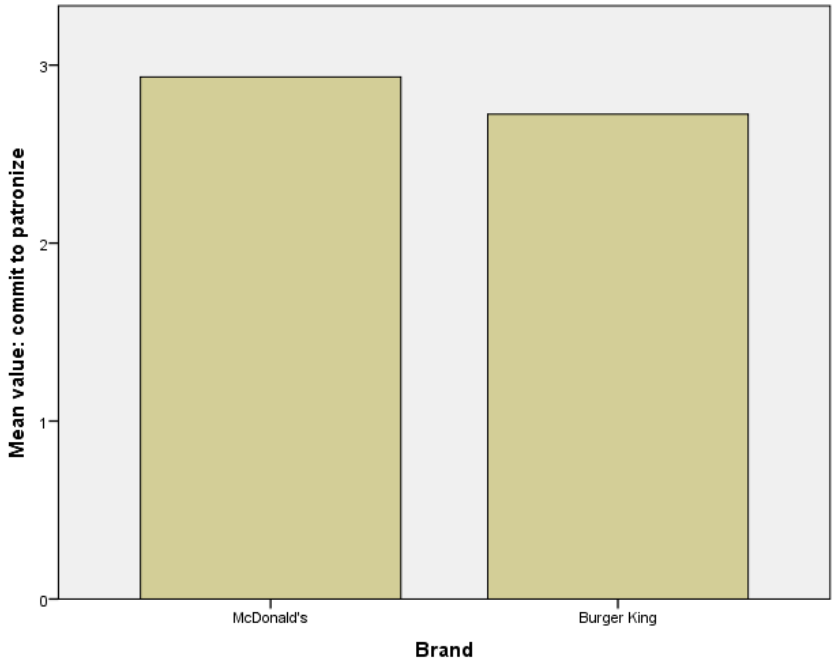
From this diagram, it can be seen that customers of franchise fast food restaurant do generally not like **to talk about their experiences**. But Burger King customers seem to agree with the statement a bit more (Mean value 2.93 with standard deviation of 1.461 and for McDonald's mean value of 2.77 with a standard deviation of 1.406).

One-way ANOVA

gladly talk about experiences

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,417	1	,417	,203	,654
Within the groups	119,233	58	2,056		
Total	119,650	59			

The hypothesis states that the two brands show in the basic population on average an equal value at the variable gladly talk about experiences. This ANOVA exhibits that with a significance value of 0.654 the hypothesis can be confirmed.



When looking at the **commitment to patronize**, McDonald's customers tend slightly more to patronize the restaurant. They marked the answers with a mean value of 2.93 and a standard deviation of 1.780, compared to Burger King customers with a mean value of 2.72 and a standard deviation of 1.437.

One-way ANOVA

commit to patronize

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,645	1	,645	,246	,622
Within the groups	149,660	57	2,626		
Total	150,305	58			

This one-way ANOVA shows that the hypothesis that the two brands show in the basic population on average an equal value at the variable committing to patronize can be confirmed with a chance of 62.2%.

The question whether the consumer is **willing to pay a higher price** to dine at the franchise restaurant than at other brands delivers an interesting result: the mean values are the same for both franchise restaurant chains (2.20), but standard deviations are different, for McDonald's it is 1.495 and for Burger King it is 1.606. This means that the answers of Burger King customers are more dispersed than those of McDonald's

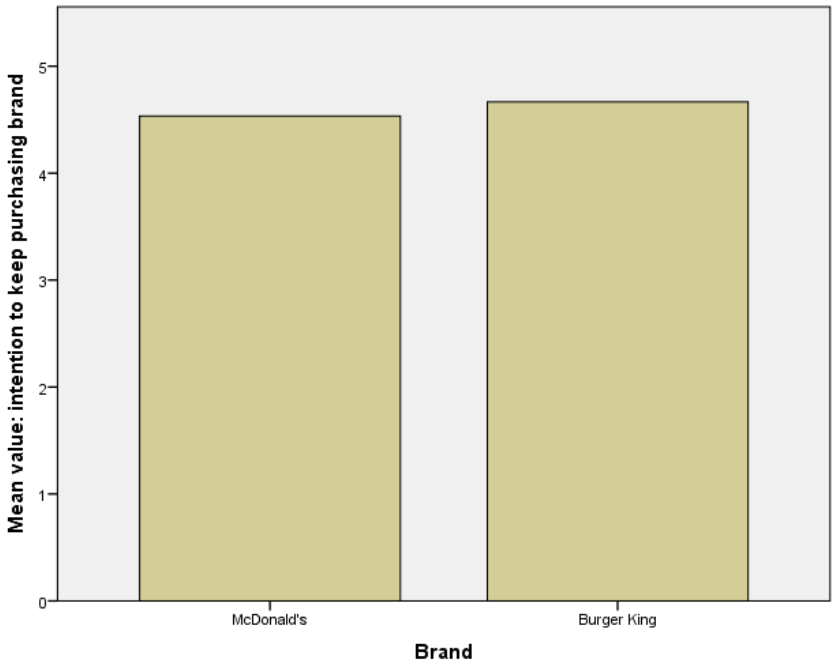
customers. This result shows that not many customers are willing to pay a higher price for the delivered products and services.

One-way ANOVA

willing to pay higher price

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,000	1	,000	,000	1,000
Within the groups	139,600	58	2,407		
Total	139,600	59			

This is a special case: the one-way ANOVA shows a significance of 1, this means that the hypothesis can be confirmed. The hypothesis states that the two brands show in the basic population on average an equal value at the variable willing to pay a higher price.



When examining the **intention to keep purchasing the brand**, Burger King customers are a little bit more loyal than McDonald's customers. The answers of McDonald's respondents have a mean value of 4.53 and a standard deviation of 1.548 and Burger King answers have a mean value of 4.67 with a standard deviation of 1.269.

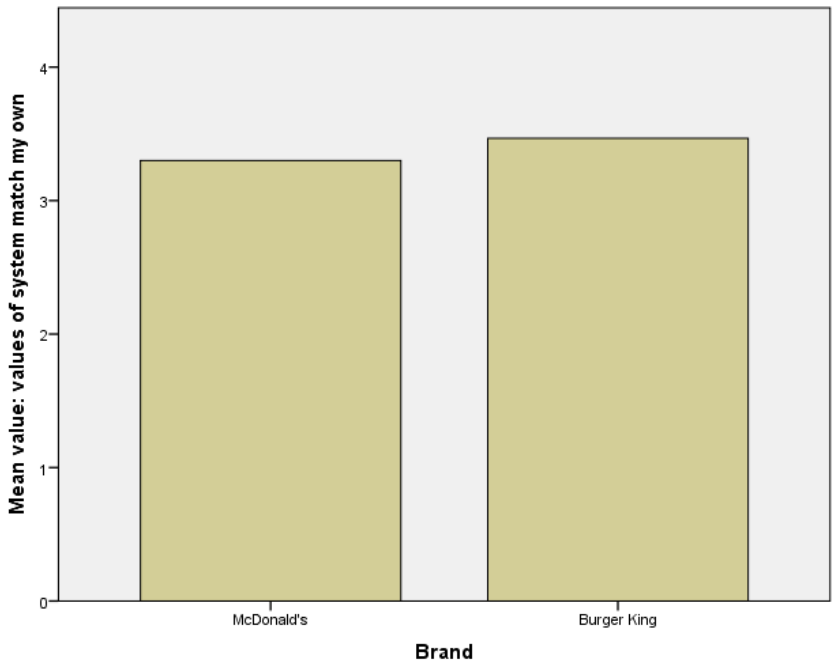
In both cases, Neutral was the most chosen answer.

One-way ANOVA

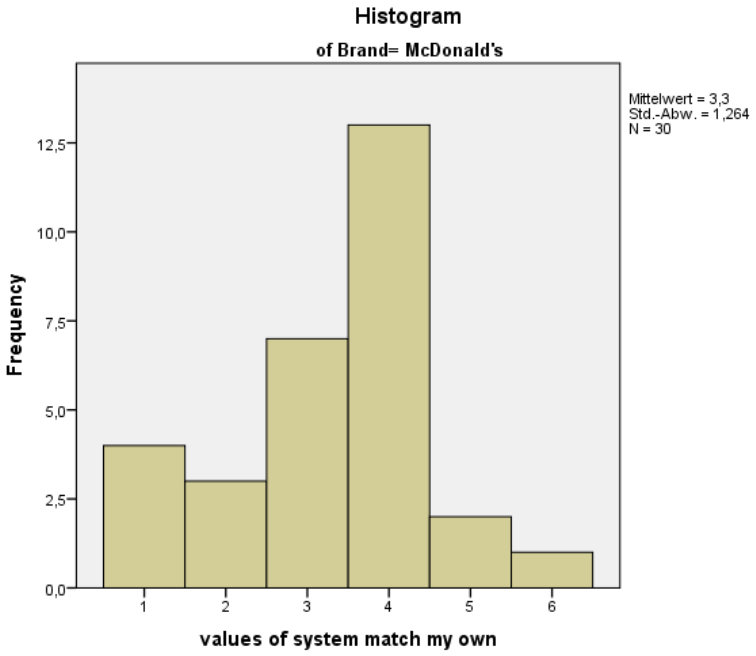
intention to keep purchasing brand

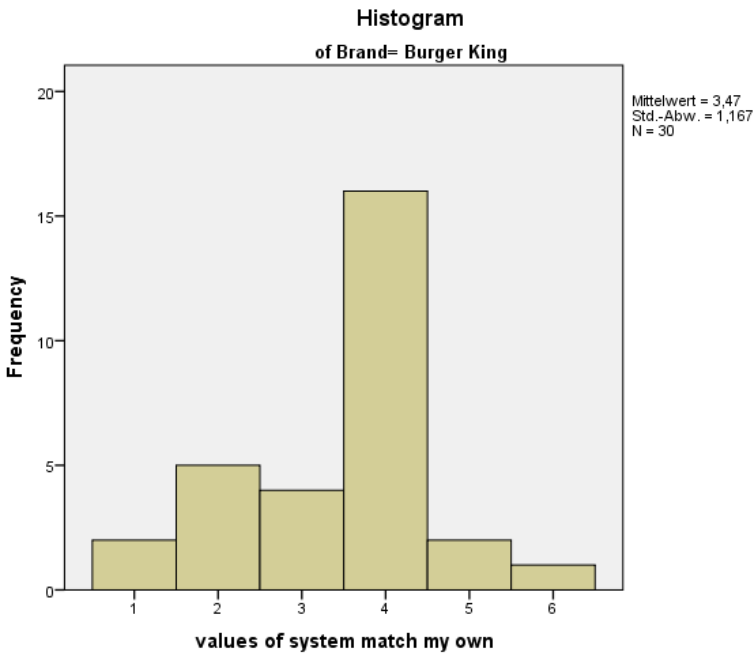
	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,267	1	,267	,133	,716
Within the groups	116,133	58	2,002		
Total	116,400	59			

The value of significance of 0.716 states that the hypothesis that the two brands show in the basic population on average an equal value of the intention to keep purchasing the brand can be confirmed.



The question whether the **values of the system match the customers' own** is an interesting one, but it seems that most of the respondents were not quite sure about it. This can be seen in the amount of Neutral answers. The answers for McDonald's have a mean value of 3.3 and a standard deviation of 1.264 and the answers for Burger King have a mean value of 3.47 and a standard deviation of 1.167.


Histogram
of Brand= McDonald's
Mittelwert = 3,3
Std.-Abw. = 1,264
N = 30
Frequency
12,5
10,0
7,5
5,0
2,5
0,0
1
2
3
4
5
6
values of system match my own

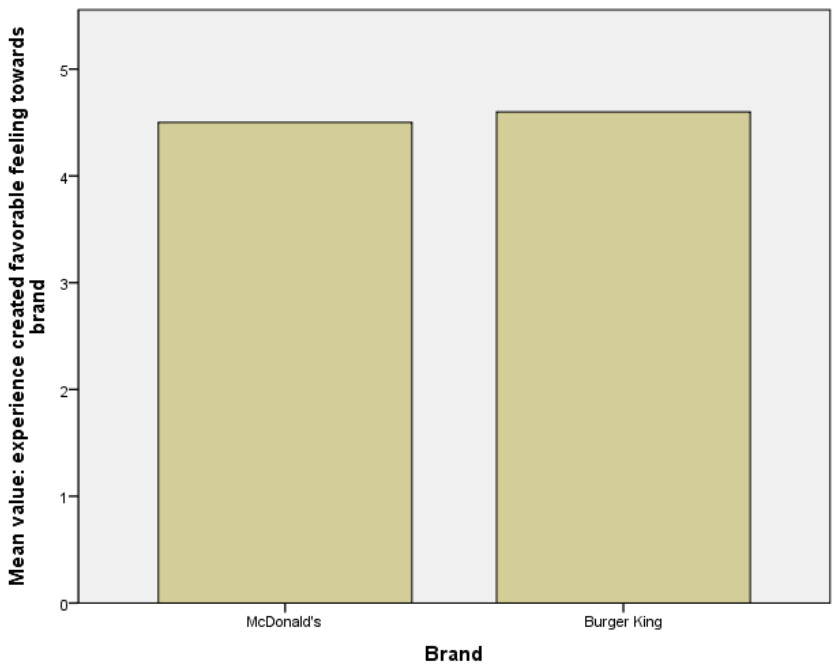

Histogram
of Brand= Burger King
Mittelwert = 3,47
Std.-Abw. = 1,167
N = 30
Frequency
20
15
10
5
0
1
2
3
4
5
6
values of system match my own

One-way ANOVA

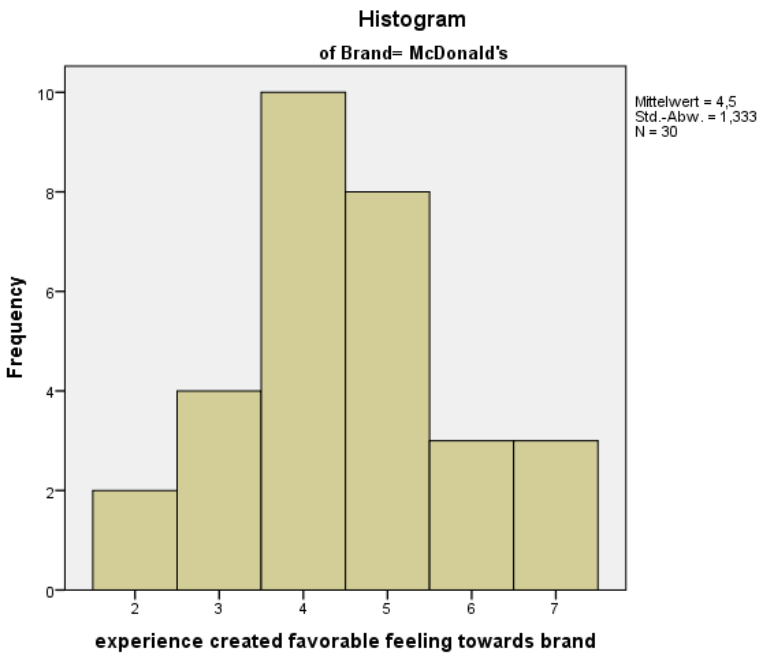
values of system match my own

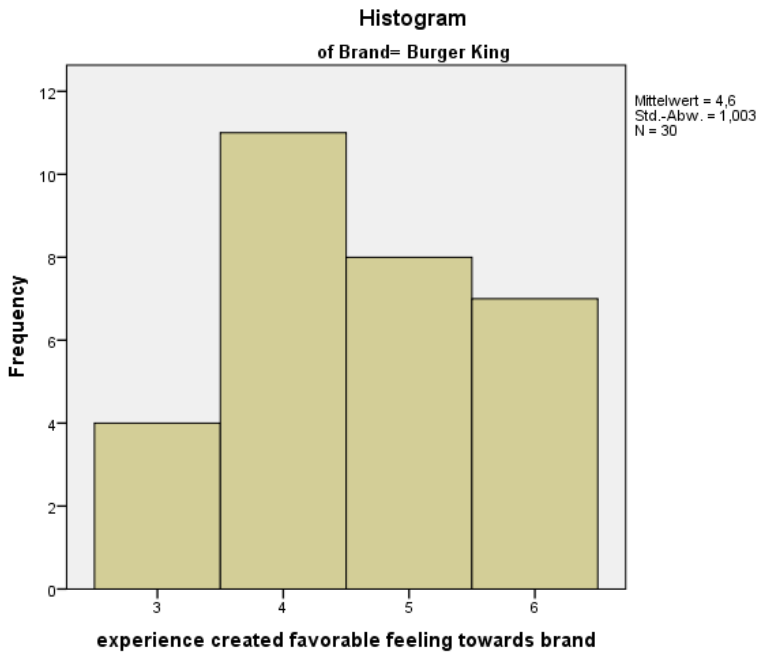
	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,417	1	,417	,282	,598
Within the groups	85,767	58	1,479		
Total	86,183	59			

The hypothesis states that the two brands show in the basic population on average an equal value at the variable values of system match my own. This one-way ANOVA exhibits that the hypothesis can be confirmed with a chance of 59.8%.



In the last section of the questionnaire it was asked whether **the experience with the special restaurant has influenced the favourable feeling towards the brand**. Here, again there is no big difference between the two franchise restaurant brands: the answers for McDonald's and Burger King lie between the answers Neutral and Somewhat Agree.





One-way ANOVA

experience created favorable feeling towards brand

	Sum of squares	Df	Mean of squares	F	Significance
Between the groups	,150	1	,150	,108	,744
Within the groups	80,700	58	1,391		
Total	80,850	59			

The hypothesis states that the two brands show in the basic population on average an equal value at the variable experience created favourable feeling towards brand. The value of significance shows that the hypothesis can be confirmed with a chance of 74.4%.

8.2.2. Factor analysis

As the construct that is examined in this thesis, reputation, is not a thing that can be measured directly, another procedure has to be used to run the following regression analysis. This tool is called factor analysis. With this tool, several variables are put together to form clusters that represent the concept reputation and others (Fields, 2005). Therefore, I will now run a factor analysis to find out about the variables that belong to the different concepts that I want to analyze.

At first, all the variables of the questionnaire were taken into the factor analysis. The main components method is chosen for the extraction and the Varimax method for the rotation. This is done to get the best results.

Explained Total Variance

Components	Initial eigen-value			Sums of the squared factor loadings for Extractions			Rotated sums of the squared loadings		
	Total	% of the Variance	Cumulated %	Total	% of the Variance	Cumulated %	Total	% of the Variance	Cumulated %
1	9,556	36,755	36,755	9,556	36,755	36,755	4,709	18,113	18,113
2	3,482	13,394	50,149	3,482	13,394	50,149	4,282	16,471	34,583
3	2,134	8,208	58,358	2,134	8,208	58,358	3,536	13,599	48,182
4	1,565	6,021	64,378	1,565	6,021	64,378	3,110	11,962	60,145
5	1,204	4,631	69,010	1,204	4,631	69,010	1,753	6,742	66,887
6	1,177	4,526	73,536	1,177	4,526	73,536	1,729	6,649	73,536
7	,866	3,332	76,868						
8	,834	3,209	80,077						
9	,755	2,906	82,982						
10	,692	2,663	85,646						
11	,556	2,137	87,783						
12	,518	1,992	89,774						
13	,431	1,657	91,431						
14	,385	1,483	92,913						
15	,321	1,236	94,149						
16	,262	1,009	95,158						
17	,256	,986	96,145						
18	,203	,780	96,925						
19	,194	,746	97,670						
20	,165	,633	98,303						
21	,131	,506	98,809						
22	,096	,368	99,177						
23	,085	,327	99,503						
24	,051	,195	99,698						
25	,044	,169	99,867						
26	,035	,133	100,000						

Extraction method: main component analysis.

We see in the first column that six values are above one that means that the factor analysis has derived six components.

In the rotated component matrix it can be seen what variable loads on which factor. All 26 variables put together show that there are six factors the variables load up to. The variables load up to the following factors.

Factor 1:

- Overall perception
- Pleasure with restaurant
- Favourably disposed towards restaurant
- Brand experience positive
- Highly likely dine at brand again
- Satisfaction with restaurant
- Intend to dine in future
- Recommend to dine at franchised restaurant

This factor may be called reputation.

Factor 2:

- Pleased with dining experience at this restaurant
- Values of system match my own
- Brand and I appear to share similar values
- Satisfaction with dining experience at this restaurant
- Experience created favourable feeling towards brand
- Content with experience at this restaurant

This factor may be called satisfaction.

Factor 3:

- Recommend to dine out
- Gladly talk about experiences
- Willing to pay higher price
- Commit to patronize
- Buy brand next time dining out

This factor may be called word-of-mouth.

Factor 4:

- Good long-term future
- Good market standing
- High visibility
- Perception compared to other franchise restaurants

This factor may be called (market) standing.

Factor 5:

- Seek other franchised restaurants to patronize
- Intention to keep purchasing brand

Factor 6:

- Experience excellent at this restaurant

The last two factors will be neglected in this thesis, as they do not fit in the model. After some rearrangements, the final factors are presented in the next part.

Rotated component matrix[a]

	components					
	1	2	3	4	5	6
overall perception of all experiences	,625	,264	,319	,220	-,207	,176
perception compared to other franchise restaurants	,379	,423	,086	,572	-,032	,132
good long-term future	,307	,105	-,026	,796	-,066	-,244
good market standing	,123	,102	-,018	,851	,096	,130
high visibility	-,089	-,010	-,079	,908	,030	,034
satisfaction with restaurant	,743	,263	,191	,204	,089	,114
pleasure with restaurant	,846	,112	,055	-,007	,122	,084
favorably disposed towards restaurant	,798	,189	,073	,035	,333	,147
brand experience positive	,737	,279	,012	,166	,024	,329
highly likely dine at brand again	,597	,299	-,112	,176	,352	-,123
intend to dine in future	-,384	-,252	-,224	,001	-,303	-,296
recommend to dine at franchised restaurant	,496	,398	,448	-,415	-,031	-,057
recommend to dine out	,216	,060	,779	-,210	,047	,208
gladly talk about experiences	-,036	-,019	,799	-,040	,024	-,036
seek other franchised restaurants to patronize	,096	,020	,314	,000	,696	,006
commit to patronize	,155	,176	,686	,287	,394	-,043
willing to pay higher price	-,027	,270	,752	-,004	,169	,096
buy brand next time dining out	,237	,044	,592	-,020	,293	,473
intention to keep purchasing brand	,328	,426	,143	,035	,688	,102
values of system match my own	,263	,710	,391	-,031	,070	-,123
brand and I appear to share similar values	,304	,746	,386	,010	,029	-,078
satisfaction with dining experience at this restaurant	,323	,692	-,104	,279	,239	,272
pleased with dining experience at this restaurant	,006	,727	,138	,172	,178	,294

Rotated component matrix[a]

	components					
	1	2	3	4	5	6
experience created favorable feeling towards brand	,327	,812	-,014	,013	,044	,147
experience excellent at this restaurant	,302	,275	,165	-,012	-,035	,790
content with experience at this restaurant	,385	,642	-,024	,197	,129	,478

Extraction method: main component analysis.

Rotation method: Varimax with Kaiser-Normalization.

a. The Rotation is in 8 Iterations convergated.

8.2.2.1. The five factors

The factor REPUTATION consists of the following variables:

- Overall perception
- Pleasure with restaurant
- Favorably disposed towards restaurant
- Brand experience positive
- Satisfaction with restaurant

Reputation	
number of valid cases	58
excluded	2
Cronbach's Alpha	0,908
Number of items	5

The Cronbach Alpha of 0.908 shows that the five variables fit together to represent the concept of reputation. It should be at least 0.6 to fit for our model.

Explained Total Variance

Components	Initial eigen-values			Sums of the squared factor loadings for Extraction		
	Total	% of the Variance	Cumulated %	Total	% of the Variance	Cumulated %
1	3,680	73,601	73,601	3,680	73,601	73,601
2	,549	10,972	84,573			
3	,349	6,988	91,561			
4	,267	5,332	96,893			
5	,155	3,107	100,000			

Extractionmethod: Main component analysis.

Component matrix[a]

	Components
	1
overall perception of all experiences	,781
pleasure with restaurant	,880
favorably disposed towards restaurant	,882
brand experience positive	,885
satisfaction with restaurant	,857

Extractionmethod: Main component analysis.

a. 1 Component extracted

It can be seen in the component matrix that the five variables load on only one factor that will be called reputation.

The factor LOYALTY consists of these four variables:

- Highly likely dine at brand again
- Willing to pay higher price
- Commit to patronize
- Buy brand next time dining out

Loyalty	
number of processed cases	59
excluded	1
Cronbach's Alpha	0,717
Number of items	4

The Cronbach Alpha is here high enough as well.

Explained Total Variance

Components	Initial eigen-values			Sums of the squared factor loadings for Extraction		
	Total	% of the Variance	Cumulated %	Total	% of the Variance	Cumulated %
1	2,180	54,508	54,508	2,180	54,508	54,508
2	,926	23,149	77,656			
3	,559	13,980	91,636			
4	,335	8,364	100,000			

Extractionmethod: Main component analysis.

Components matrix[a]

	Components
	1
highly likely dine at brand again	,499
willing to pay higher price	,818
commit to patronize	,881
buy brand next time dining out	,697

Extraction method: Main component analysis.

a. 1 Component extracted

All four variables load on the one factor with values of at least 0.499. This factor will be called loyalty.

The factor SATISFACTION consists of the following variables:

- Pleased with dining experience at this restaurant
- Values of system match my own
- Brand and I appear to share similar values
- Satisfaction with dining experience at this restaurant
- Experience created favourable feelings towards brand

Satisfaction	
number of processed cases	58
excluded	2
Cronbach's Alpha	0,876
Number of items	5

The Cronbach Alpha of 0.876 is also high enough and therefore the concept of satisfaction can be explained by the presented five variables.

Explained Total Variance

Components	Initial eigen-values			Sums of the squared factor loadings for Extraction		
	Total	% of the Variance	Cumulated %	Total	% of the Variance	Cumulated %
1	3,370	67,396	67,396	3,370	67,396	67,396
2	,873	17,463	84,859			
3	,349	6,973	91,832			
4	,226	4,527	96,360			
5	,182	3,640	100,000			

Extraction method: Main component analysis.

Components matrix[a]

	Components
	1
pleased with dining experience at this restaurant	,800
values of system match my own	,797
brand and I appear to share similar values	,806
satisfaction with dining experience at this restaurant	,838
experience created favorable feeling towards brand	,862

Extraction method: Main component analysis.

a. 1 Component extracted

Clearly, the five variables load on the one factor called satisfaction.

The factor WORD-OF-MOUTH is made up from these three variables:

- Recommend to dine out
- Recommend to dine at franchised restaurant
- Gladly talk about experiences

Word-of-mouth	
number of processed cases	60
excluded	0
Cronbach's Alpha	0,810
Number of items	3

The Cronbach Alpha is high enough with a value of 0.810.

Explained Total Variance

Components	Initial eigen-values			Sums of the squared factor loadings for Extraction		
	Total	% of the Variance	Cumulated %	Total	% of the Variance	Cumulated %
1	2,176	72,523	72,523	2,176	72,523	72,523
2	,600	19,996	92,519			
3	,224	7,481	100,000			

Extraction method: Main component analysis.

Component matrix[a]

	Components
	1
recommend to dine at franchised restaurant	,821
recommend to dine out	,930
gladly talk about experiences	,798

Extraction method: Main component analysis.

a. 1 Component extracted

The loadings for the factor word-of-mouth are also very high.

And the last factor STANDING consists of the following three variables:

- Good long-term future
- Good market standing
- High visibility

Standing	
number of processed cases	59
excluded	1
Cronbach's Alpha	0,800
Number of items	3

The Cronbach Alpha value is also high enough, as it should be over 0.6.

Explained Total Variance

Components	Initial eigen-values			Sums of the squared factor loadings for Extraction		
	Total	% of the Variance	Cumulated %	Total	% of the Variance	Cumulated %
1	2,179	72,640	72,640	2,179	72,640	72,640
2	,531	17,712	90,353			
3	,289	9,647	100,000			

Extraction method: Main component analysis.

Component matrix[a]

	Components
	1
good long-term future	,814
good market standing	,905
high visibility	,836

Extraction method: Main component analysis.

a. 1 Component extracted

The three variables load on one factor that will be called standing and the loadings show high values again.

8.2.3. Correlation analysis

From the hypotheses I will now examine the correlations between the five factors loyalty, satisfaction, word-of-mouth, standing and reputation. This is presented in the correlation matrix. It is seen that the factor reputation is significantly positively correlated with all variables.

Correlations

		standing	loyalty	satisfaction	word of mouth	reputation
standing	Pearson Correlation	1	,235	,231	-,099	,262*
	Significance (2-sided)		,076	,084	,456	,049
	N	59	58	57	59	57
loyalty	Pearson Correlation	,235	1	,615**	,683**	,583**
	Significance (2-sided)	,076		,000	,000	,000
	N	58	59	57	59	57
satisfaction	Pearson Correlation	,231	,615**	1	,439**	,661**
	Significance (2-sided)	,084	,000		,001	,000
	N	57	57	58	58	56
word of mouth	Pearson Correlation	-,099	,683**	,439**	1	,475**
	Significance (2-sided)	,456	,000	,001		,000
	N	59	59	58	60	58
reputation	Pearson Correlation	,262*	,583**	,661**	,475**	1
	Significance (2-sided)	,049	,000	,000	,000	
	N	57	57	56	58	58

*. The correlation is significant (2-sided) on the level of 0,05.

**. The Correlation is significant (2-sided) on the level of 0,01.

8.2.4. Variables

For the following regression analysis, a dependent and several independent variables are needed. These variables change depending on what model is examined. Satisfaction and standing are both independent variables and first, reputation is the dependent variable. In the second step, the influence of reputation on loyalty and word-of-mouth are analyzed and in these models, reputation is the independent variable and loyalty and word-of-mouth are the dependent variables in two different regression models. After I run each regression analysis, I add three control variables: Age, Gender and Education. These control variables are not part of the main research interest, but they are included to control that there is in fact a connection between the dependent and the independent variables and not only an appearance, that may be actually attributed to other factors.

8.2.5. Regression analysis to test the SEM model

To test the hypotheses presented in part 7, I will conduct several regression analyses. For testing the first two hypotheses, the dependent variable is the factor ‘reputation’,

as mentioned above. The independent variables are satisfaction and standing. For testing the third and fourth hypothesis, the dependent variables are loyalty and word-of-mouth respectively. The independent variable for both regression models is customer-based reputation. The regression analyses were done at a level of significance of $\alpha=0.05$.

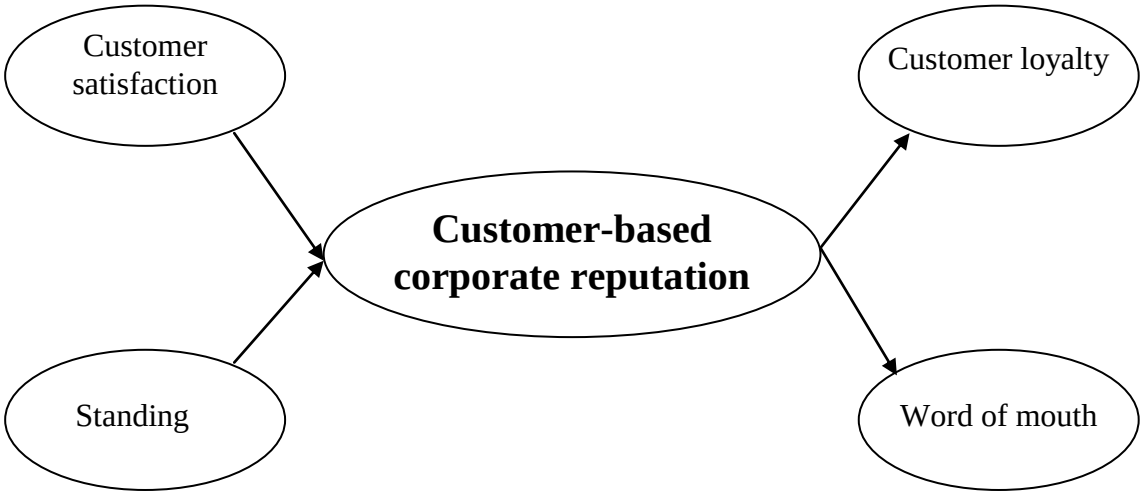
H1: Customer satisfaction has a positive effect on customer-based reputation. (Walsh et al., 2009)

H2: (Market) Standing has a positive effect on customer-based reputation.

H3: Customer-based corporate reputation has a positive effect on customer loyalty. (Walsh et al., 2009)

H4: Customer-based reputation has a positive effect on customers' positive word-of-mouth. (Walsh et al., 2009)

I chose the regression analysis because it fits best. The data set is too small (with only 60 data sets) to use LISREL. For this tool, data sets of at least 100 are required.



8.2.5.1. The influence of customer satisfaction on customer-based corporate reputation

H1: Customer satisfaction has a positive effect on customer-based reputation. (Walsh et al., 2009)

For the analysis of the first hypothesis I will examine the influence of satisfaction on reputation.

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	satisfaction[b]	.	Enter

a. Dependent Variable: reputation

b. All requested Variables were entered.

Model Summary

Modell	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,661[a]	,437	,426	,74732279

a. Predictors: (Constant), satisfaction

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23,401	1	23,401	41,901	,000[b]
	Residual	30,159	54	,558		
	Total	53,560	55			

a. Dependent variable: reputation

b. Predictors : (Constant), satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standarderror	Beta		
1	(Constant)	-,047	,100		-,467	,642
	satisfaction	,647	,100	,661	6,473	,000

a. Dependent Variable: reputation

The R^2 has a value of 0.437. This value explains the fit and the quality of the model. In this case, 43.7% of the factor reputation can be explained by customer satisfaction. The R is the same value as the beta (because there is only one independent variable) and it is in fact the correlation coefficient with a value of 0.661 and it is significant. This means that satisfaction is highly correlated with reputation. Therefore, the first hypothesis can be confirmed.

When adding the control variables Gender, Age and Education we see that the model looks like this:

Dependent variable:Reputation

Independent variables	Coefficient	Beta	Sig
Intercept	0,151		0,666
	(0,348)		
Satisfaction	0,724	0,71	0,000
	(0,102)		
Gender	-0,56	-0,269	0,010
	(0,209)		
Age	0,011	0,136	0,277
	(0,010)		
Education	-0,073	-0,084	0,506
	(0,109)		
R2	0,569		

values in parentheses are standard errors

The R^2 looks a bit better (0.569) but satisfaction is still the only indicator that influences reputation positively with a beta of 0.710 that is highly significant. This shows that satisfaction has an actual influence on reputation. Gender has also a significant, but negative influence on corporate reputation. This means that male customers have a positive influence on the concept of reputation, whereas female customers have no influence.

8.2.5.2. The influence of market standing on customer-based corporate reputation

H2: (Market) Standing has a positive effect on customer-based reputation.

Now we examine whether standing has an influence on reputation.

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	standing[b]	.	Enter

a. Dependent Variable: reputation

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,262[a]	,069	,052	,98240414

a. Predictors : (Constant), standing

ANOVA[a]

Model		Sum of Squares	df	Mean of Squares	F	Sig.
1	Regression	3,908	1	3,908	4,050	,049[b]
	Residual	53,081	55	,965		
	Total	56,990	56			

a. Dependent Variable: reputation

b. Predictors : (Constant), standing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standarderror	Beta		
1	(Constant)	,003	,130		,021	,983
	standing	,260	,129	,262	2,012	,049

a. Dependent Variable: reputation

The R^2 value of 0.069 has the meaning that the regression model can explain only 7% of the construct reputation. The beta (=R) is significant, but not as significant as all the other three variables, that are examined in this thesis. Here, the R is the correlation coefficient with a value of 0.262. Therefore, reputation is only slightly correlated with the factor standing and the second hypothesis can be confirmed.

When controlling with the variables Gender, Age and Education, it shows that the R^2 increases from 0.069 to 0.135. Because I made the assumption of the level of significance at 0.05, standing has no longer a significant influence on customer-based corporate reputation. When using a level of significance of 0.1, standing is still significant. Furthermore, the whole model can be rejected as it is not significant any more.

Dependent variable:Reputation

Independent variables		Coefficient	Beta	Sig
Intercept		0,104		0,833
		(0,493)		
Standing		0,283	0,279	0,051
		(0,141)		
Gender		-0,458	-0,216	0,129
		(0,296)		
Age		0,01	0,126	0,468
		(0,014)		
Education		-0,051	-0,06	0,733
		(0,15)		
R2	0,135			
Sig	0,153			

values in parentheses are standard errors

8.2.5.3. The influence of customer satisfaction and market standing on customer-based corporate reputation

As both satisfaction and standing have an influence on reputation, we can put the two factors together and run the regression in one model. It can be seen that the R^2 with a value of 0.447 is higher than the R^2 of both other models (0.437 and 0.069) and that satisfaction has a significant influence on reputation with a beta of 0.645. In this model, standing has again no significant influence on reputation and has to be rejected.

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	standing, satisfaction[b]	.	Enter

a. Dependent Variable: reputation

b. All requested variables entered.

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,668[a]	,447	,425	,75491646

a. Predictors : (Constant), standing, satisfaction

ANOVA[a]

Model		Sum of squares	df	Mean of Squares	F	Sig.
1	Regression	23,921	2	11,961	20,987	,000[b]
	Residual	29,635	52	,570		
	Gesamt	53,556	54			

a. Dependent Variable: reputation

b. Predictors : (Constante), standing, satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standarderror	Beta		
1	(Constant)	-,051	,102		-,501	,619
	satisfaction	,635	,104	,645	6,087	,000
	standing	,078	,104	,079	,749	,457

a. Dependent Variable: reputation

When adding the control variables Gender, Age and Education, it can be seen that the R^2 rises from 0.447 to 0.581. Satisfaction has again a significant positive influence on reputation, whereas standing does not influence reputation, as it is not significant. Gender has a significant negative impact on reputation (beta of -0.28). In combination with satisfaction and standing, gender plays a role in determining the reputation of a

company. Here, male customers have a positive influence on customer-based reputation and females have no influence.

Dependent variable:Reputation

Independent variables		Coefficient	Beta	Sig
Intercept		0,172		0,627
		(0,352)		
Satisfaction		0,725	0,706	0,000
		(0,108)		
Standing		0,039	0,039	0,710
		(0,105)		
Gender		-0,586	-0,28	0,009
		(0,213)		
Age		0,01	0,126	0,319
		(0,01)		
Education		-0,072	-0,083	0,518
		(0,11)		
R2	0,581			
Sig	0,000			

values in parentheses are standard errors

8.2.5.4. The influence of customer-based corporate reputation on customer loyalty

H3: Customer-based corporate reputation has a positive effect on customer loyalty. (Walsh et al., 2009)

Now I will use the same procedure to examine the influence of reputation on loyalty, but this time, reputation is the independent variable and loyalty the dependent variable.

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	reputation[b]	.	Enter

a. Dependent Variable: loyalty

b. Alle requested Variables entered.

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,583[a]	,340	,328	,82559896

a. Predictors : (Constant), reputation

ANOVA[a]

Model		Sum of Squares	df	Mean of Squares	F	Sig.
1	Regression	19,348	1	19,348	28,385	,000[b]
	Residual	37,489	55	,682		
	Total	56,837	56			

a. Dependent Variable: loyalty

b. Predictors : (Constant), reputation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standarderror	Beta		
1	(Constant)	,017	,109		,159	,874
	reputation	,583	,109	,583	5,328	,000

a. Dependent Variable: loyalty

The R^2 has a value of 0.340, this means that 34% of the customer loyalty can be explained by the factor 'reputation'. In this model, the beta is in fact the correlation coefficient with a value of 0.583. This means that loyalty is correlated with reputation. The beta (=R) is significant and therefore, the third hypothesis can be confirmed.

When looking at the regression model with the control variables Gender, Age and Education, we see that the R^2 increases from 0.340 to 0.444 and reputation has the biggest influence on loyalty. In the coefficient table it can be seen that Age has also a small, but significant influence on loyalty. This may mean that there are other factors than reputation that play a role in determining customer loyalty. The age of the customer influences loyalty. The older the customers are, the more loyal they are. Older people may be more loyal, as they are less flexible than younger people and tend

to visit the same restaurants more often. Young people like to try new places and different kinds of foods.

Dependent variable: Loyalty

Independent variables		Coefficient	Beta	Sig
Intercept		-0,515		0,193
		(0,39)		
Reputation		0,578	0,578	0,000
		(0,113)		
Gender		-0,024	-0,011	0,922
		(0,239)		
Age		0,024	0,303	0,033
		(0,011)		
Education		-0,042	-0,049	0,724
		(0,119)		
R2	0,444			
Sig	0,000			

values in parentheses are standard errors

8.2.5.5. The influence of customer-based corporate reputation on customer word-of-mouth

H4: Customer-based reputation has a positive effect on customers' positive word-of-mouth. (Walsh et al., 2009)

It is the same case with word-of-mouth as with loyalty. The influence of reputation on the word-of-mouth of the customer is examined with reputation as the independent variable and word-of-mouth as the dependent variable.

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	reputation[b]	.	Enter

a. Dependent Variable: word of mouth

b. All requested Variables entered.

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,475[a]	,225	,211	,89353386

a. Predictors : (Constants), reputation

ANOVA[a]

Model		Sum of Squares	df	Mean of Squares	F	Sig.
1	Regression	12,995	1	12,995	16,276	,000[b]
	Residual	44,711	56	,798		
	Gesamt	57,706	57			

a. Dependent Variable: word of mouth

b. Predictors : (Constant), reputation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standarderror	Beta		
1	(Constants)	,017	,117		,146	,884
	reputation	,477	,118	,475	4,034	,000

a. Dependent Variable: word of mouth

The R^2 has a value of 0.225. The beta (=R) has a positive value of 0.475 and is significant and therefore, the fourth hypothesis can be confirmed.

When controlling with the variable Gender, Age and Education, it can be seen, that the R^2 gets a bit better, it rises from 0.225 to 0.301, but reputation remains the main source of influence. This regression analysis is done at a level of significance of 0.05, therefore age is not significant in this model. At a level of significance of 0.1, age would be significant. This can be interpreted that people of different age groups have a different word-of-mouth behaviour. The older the customers, the more they transfer positive messages. Young people may share their positive experiences less often than older people. They are customers of many fast food chains and it is part of their everyday life, in comparison, older people may not patronize franchised restaurants, but if they have a good experience they communicate it to others.

Dependent variable: Word-of-Mouth				
Independent variables		Coefficient	Beta	Sig
Intercept		-0,068		0,877
		(0,434)		
Reputation		0,444	0,447	0,001
		(0,126)		
Gender		-0,205	-0,098	0,445
		(0,266)		
Age		0,022	0,278	0,077
		(0,012)		
Education		-0,122	-0,142	0,361
		(0,132)		
R2	0,301			
Sig	0,002			

values in parentheses are standard errors

To sum up, three of the four hypotheses can be confirmed with this regression analysis and this shows that our model is fitting to explain the antecedents and consequences of the concept of customer-based reputation when looking at each factor separately. The second hypothesis has to be rejected, as the analysis with the control variables showed that the first significant influence was not persistent.

8.2.6. Regression analysis to test the SEM model for the franchise systems

To compare the two franchise systems, McDonald's and Burger King in Austria, I will now do the regression analysis separately and analyze the results.

8.2.6.1. The influence of customer satisfaction and market standing on the reputation of McDonald's

Brand = McDonald's

Dependent variable: Reputation				
Independent variables		Coefficient	Beta	Sig
Intercept		-0,488		0,070
		(0,257)		
Satisfaction		0,505	0,495	0,006
		(0,168)		
Standing		0,561	0,309	0,073
		(0,298)		
R2	0,403			
F	7,758			
Sig	0,003			

values in parentheses are standard errors

When looking at the first model to analyze the influence of satisfaction and standing of the franchise system, the model has an R^2 of 0.403, this means that the two factors explain the construct of reputation by 40.3%. Only satisfaction shows a significant influence with a beta of 0.495 at the level of significance of 0.05 and standing has a positive influence with a beta of 0.309 but it is only significant when choosing the level of significance of 0.1. The available data shows that the reputation on McDonald's in Austria is influenced significantly by its market position and the customers' satisfaction with their experience.

8.2.6.2. The influence of customer satisfaction and market standing on the reputation of Burger King

When looking at the results for Burger King, the picture looks a bit different. This present model has a fit of 0.704 (R^2) that is better than in the McDonald's case. Satisfaction influences the reputation of Burger King significantly with a beta of 0.818, but standing does not influence the reputation. This can be explained easily, as Burger King is not as visible as McDonald's on the Austrian market and it does not have such a good market position.

Brand = Burger King

	Dependent variable: Reputation			
Independent variables		Coefficient	Beta	Sig
Intercept		0,055		0,62
		(0,109)		
Satisfaction		0,752	0,819	0,000
		(0,107)		
Standing		0,043	0,048	0,681
		(0,103)		
R2	0,704			
F	30,982			
Sig	0,000			

values in parentheses are standard errors

8.2.6.3. The influence of customer-based corporate reputation on loyalty at McDonald's

Brand = McDonald's

	Dependent variable: Loyalty			
Independent variables		Coefficient	Beta	Sig
Intercept		0,128		0,476
		(0,177)		
Reputation		0,491	0,520	0,004
		(0,155)		
R2	0,270			
F	9,996			
Sig	0,004			

values in parentheses are standard errors

When examining the influence of reputation on loyalty of McDonald's customers, it can be seen that the loyalty is influenced by 27% by reputation, as the R^2 has a value of 0.270, which is the fit of the model. The beta of 0.520 is the correlation factor, as there is only one independent variable and the influence of reputation on loyalty is significant.

8.2.6.4. The influence of reputation on loyalty at Burger King

Burger King customers' loyalty is even more influenced by the reputation of the franchise system. The fit of the model with a value of 0.511 shows that reputation explains 51.1% of the loyalty of Burger King customers.

Brand = Burger King

	Dependent variable: Loyalty			
Independent variables		Coefficient	Beta	Sig
Intercept		-0,114		0,371
		(0,125)		
Reputation		0,781	0,715	0,000
		(0,150)		
R2	0,511			
F	27,167			
Sig	0,000			

values in parentheses are standard errors

8.2.6.5. The influence of reputation on the word-of-mouth of McDonald's customers

Brand = McDonald's

	Dependent variable: Word-of-Mouth			
Independent variables		Coefficient	Beta	Sig
Intercept		-0,114		0,512
		(0,172)		
Reputation		0,408	0,461	0,012
		(0,151)		
R2	0,212			
F	7,27			
Sig	0,012			

values in parentheses are standard errors

When analyzing whether the reputation of McDonald's has an influence on the customers' positive word-of-mouth, it can be seen that there is a significant influence, but the customers' word-of-mouth is only influenced by 21.2% by reputation. Other factors that may influence the word-of-mouth more may be personal experience and satisfaction.

8.2.6.6. The influence of reputation on the word-of-mouth of Burger King customers

Brand = Burger King

	Dependent variable: Word-of-Mouth			
Independent variables		Coefficient	Beta	Sig
Intercept		0,138		0,398
		(0,161)		
Reputation		0,591	0,501	0,006
		(0,197)		
R2	0,251			
F	9,04			
Sig	0,006			

values in parentheses are standard errors

Burger King customers' word-of-mouth is a bit more influenced by reputation than McDonald's customers' word-of-mouth. The influence of reputation is positive and significant. This model fits slightly better for Burger King, as the R^2 is 0.251 and it is significant.

9. Conclusion

9.1. Discussion

This paper presents a Structural Equation Model (SEM) to explain the antecedents and the consequences of the construct ‘reputation’. The data suggest that this model can be explained partially: Three of the four hypotheses were confirmed. Only standing does not influence customer-based corporate reputation significantly.
When looking at the regression analysis with standing being the only independent variable, standing shows a small, but significant influence on reputation. But when running the regression with the control variables, the second hypothesis has to be dismissed. The regression models of the single franchise systems again show no significant influence of market standing on customer-based corporate reputation, therefore the second hypothesis has to be rejected.

Overall, it seems that other factors such as satisfaction, explain the reputation of a franchise restaurant more than the position and visibility on the market. Therefore, personal experience or information from others may be a major factor that people come back to when making their buying decision.

The factor ‘satisfaction’ has a big influence on the concept of reputation. In the literature and in other surveys this has already been discussed widely and this paper can only verify this. Customer satisfaction is the ultimate goal that the franchise restaurants should achieve to gain a competitive advantage and to sustain superior success.

The results of the last two hypotheses were not surprising either: Customer loyalty and word-of-mouth are significantly influenced by reputation. When a firm has a good reputation that is prevalent and widely known, customers count on it will be loyal and spread the word. Another factor that may influence the two constructs may be personal experience. The combination of a good corporate reputation and a good personal experience would lead to very loyal customers that inform others of their good experiences at the (franchised) fast food restaurant.

9.2. Summary of the results

In the theoretical part of this thesis, at first the definitions of reputation and franchising were discussed and I differentiated reputation from the concepts of identity, brand and image. Then I presented several measurements of reputation and explained how corporate reputation may be a source of competitive advantage.
In the next section, three models of corporate reputation from a customer viewpoint are presented. The third model was then further developed, trust was replaced with standing. This model was finally used for the regression analysis.

The descriptive analysis showed some interesting results. The respondents are dining out 2.1 times on average. The overall perception of the two franchised systems are about the same, they lie on average between Somewhat Agree and Agree. McDonald's clearly has a better market position according to the respondents, as well as a slightly better perception compared to other franchised restaurants and shows a higher value of visibility.
Burger King customers are more favorably disposed towards the restaurant and they are more satisfied with their experience. They are more eager to talk about their experience and recommend dining at the franchised restaurant more likely than McDonald's customers. Both customer groups are not willing to pay a higher price for the products with a mean value of 2.20. In comparison, Burger King customers are a bit more loyal. The questions about values show many neutral answer. This indicates that many people were not quite sure what the values of the franchise systems are.

Then a factor analysis was run to extract the five underlying concepts of the Structural Equation model: reputation, satisfaction, standing, loyalty and word-of-mouth. With these factors, a correlation analysis was done and then the model was examined in two steps: First, the antecedents of reputation were examined and then the consequences were analyzed. At first, the model was tested as a whole with all gathered data and then the two systems were compared to see the differences.

When testing the model, three of the four hypotheses were confirmed in the presented regression analysis the second hypothesis has to be dismissed. Standing does not have an influence on the concept of reputation.

The other three hypotheses could be confirmed for every case. Over all, satisfaction has a major influence on reputation and this was exemplified by the results for McDonald's and Burger King. Customer-based reputation influences the two constructs loyalty and word-of-mouth in the basic model as well as at McDonald's and Burger King.

9.3. Limitations

A limitation of the study is that only 60 questionnaires were collected, more data would be more representative and other tools of analysis could have been used. Although the regression analysis produced good results, other factors may exist that influence the construct reputation and other factors influence the factors loyalty and word-of-mouth.

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13. Appendix

13.1. Abstract

This paper deals with the concept of customer-based corporate reputation and especially corporate reputation of franchise systems. After defining the concepts of reputation and franchising, a distinction is made between reputation and the concepts of image, identity and brand. Several approaches to the topic of reputation are presented and how the construct may be a source of competitive advantage for a franchise system. A structural equation model is introduced to examine the antecedents and consequences of reputation, and data was collected for two franchise systems, McDonald's and Burger King in Austria. After the descriptive analysis, five factors are derived by a factor analysis from the questionnaire and then several regression analyses are run to test the four presented hypotheses.

Diese Arbeit beschäftigt sich mit dem Konzept der Konsumenten-orientierten Unternehmensreputation, speziell im Umfeld von Franchise Systemen. Nach der Definition von Reputation und Franchising, wird das Konstrukt Reputation von den Konzepten Image (Persönlichkeitsbild), Identität und Marke abgegrenzt. Verschiedene Ansätze zum Thema Reputation werden präsentiert und wie Reputation Ausgangspunkt für einen Wettbewerbsvorteil sein kann wird diskutiert. Ein Strukturgleichungsmodell wird vorgestellt um die Einflüsse und die Konsequenzen von Reputation zu untersuchen und Daten für die beiden Franchise Systeme McDonald's und Burger King in Österreich wurden gesammelt. Nach der deskriptiven Analyse werden fünf Faktoren aus dem Fragebogen herausgefiltert und damit werden dann Regressionsanalysen durchgeführt um die vier präsentierten Hypothesen zu testen.

13.2. Curriculum vitae

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Personal Data

Born on January 6th, 1988
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Education

Since 10/2009	**University of Vienna** **Faculty for Business Administration** **Master programme International Business Administration** • Specializations : -International Management -Corporate Finance
08/2009 - 12/2009	**Aarhus School of Business, Aarhus, Denmark** Erasmus study semester
10/2006 – 06/2009	**University of Vienna** **Faculty for Business Administration** **Bachelor programme International Business Administration** • Specializations: -International Environmental Management -International Financial Management -International Strategy & Organization ▪ Degree: Bachelor of Science 06/2006
08/2004 - 01/2005	**Exchange semester in the USA** International School of the Americas San Antonio, Texas
09/1998 – 06/2006	**Albertus-Magnus Gymnasium (Middle & High School)** Graduation 20.06.2006 (1180 Wien, Semperstr. 45)

Work Experience

01/2012 – to date	**McDonald's Franchise GmbH** Marketing- Brand Activation Internship
08/2011- 09/2011	**AGRANA Beteiligungs AG** Corporate Accounting, Tax & Consolidation Internship • Introduction to the consolidation steps of a corporation • Co-operation at the development of a corporate accounting structure • Preparations for the annual report
03/2011- 04/2011	**AußenwirtschaftsCenter Toronto** Wirtschaftskammer Österreich Internship • Handling of requests of Austrian companies • Co-operation at the organization of events • administrative tasks, data base support
02/2011	**IQ mobile GmbH** Project support internet appearance Translations German-English
11/2010 – to date	**IQ mobile GmbH** Translations German-Englisch
01/2009 - 02/2009 07/2009 – 08/2009	**Mercer** Accomplishment of the Cost of Living Survey in Vienna
08/2008	**Raiffeisenlandesbank NÖ-Wien AG** Summer Internship ▪ Customer service ▪ Officemanagement
08/ 2006	**Ströck GmbH** Summer Internship

Additional Qualifications

Languages	**German:** Mother tongue **English**: fluent written and spoken **French**: Level B2 **Spanish**: Basic knowledge
Computer Skills	Good knowledge of MS Excel, MS PowerPoint, MS Word (Qualification: ECDL – European Computer Drivers Licence) Basic knowledge in SPSS and HTML
Social Competences	07/2010 deputy leader of a children summer camp

	2007-2009 leadership of a children ministry group at the church Pfarre Weinhaus. Intercultural Skills: I worked for AFS, a volunteer organization for exchange programmes.
Personal Interests	Aerobic, Singing (Choir member), Travelling