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## „Local and global franchising systems: an analysis of corporate reputation from the customer perspective“


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# 1. Introduction (Dana Larisa Lazar, Katharina Pisarew)

## 1.1. Research Idea

Today, companies are becoming more and more aware of the importance of their reputation, particularly in such an increasing competitive world as today. Strong and positive reputation leads to the increase of loyal customers and their purchases of the company's goods and services, thus increasing company's profitability. Moreover, strong reputation leads to the best workers to choose the company as their employer and the investors to trust and invest into company's stocks. According to numerous academics (Carmeli and Tishler 2005; Greenwood, Li, Prakash and Deephouse 2005), good reputation implies high quality products and services offered by the company, as well as the certainty that it would treat its customers well. Some research (Rossides 2008) refers to the corporate reputation as an extremely important intangible asset of the company, and thus has to be addressed seriously. Moreover, positive reputation can be beneficial for the company on a daily basis by positive recommendations and opinion of the customers, better treatment by the investors and higher committed employees, as well as in extraordinary situations, such as crisis situations, where it can help reduce negative impact of the media. The importance of company's reputation has been increasing through the years, as the modern customer has become more and more aware of what is happening in the marketplace. In today's world, the information travels within a second and is then available and accessible to everyone from almost everywhere in the world. As research shows (Fombrun and van Riel 1997; Greenwood et al. 2005, Rossides 2008), customers do rely on such information and use it for their future evaluations and decisions on engaging with the company.

The Internet and media are booming with various researches and studies that point out the importance of reputation for the company. A survey by Burson-Marsteller, USA found that 95% of surveyed managers stated that corporate reputation plays "an important or very important role in the achievement of business objectives" (Harrison 2012). Many different consulting agencies provide services on increasing corporate reputation, to make it strong and positive. Others offer the methods to measure it, and thus provide good overview of where it needs more focus in order to advance. Taking this into account, one can see the importance of the corporate reputation for the company and the need for the firm to measure it. Moreover, reputation of the firm from the customer perspective is indeed highly relevant knowledge for companies to gain.

This master thesis aims to look at the corporate reputation of the franchising systems from the customer perspective, differentiating between global and local franchising businesses. We base our study on the previous work conducted in this area by Walsh, Beatty and Shiu (2009a), for a specific stakeholder group, in our case the customers of a special service sector, franchising coffeehouses. We will also look at the drivers of corporate reputation and try to explain that relationship. The questions that are raised in this paper are the following: “What are the main drivers (antecedents) and what are the main outcomes (consequences) of the corporate reputation from the customer perspective?”, “What are the drivers of the consumers to re-purchase certain brand?”, “Is there a difference for global perceived and local perceived brands?”. Four franchising systems in the Austrian coffee house sector are chosen for the empirical analysis: Segafredo and Tchibo as global and Testa Rossa and Coffeeshop Company as local franchising coffee house businesses. The differences between global and local brands are to be explored, and whether the customer perception of the company reputation is better for global or local coffee houses is going to be analyzed.

## 1.2. Research Questions

This master thesis aims to look at the main problems and issues of the corporate reputation in the franchising business, by giving an overview of the importance of good reputation for the companies. The concept of brand and brand perception by the customers within franchising business is touched and analyzed. The goal of this thesis is not only the analysis and pointing out the critical issues of the current literature on reputation and branding, but also to provide valid results by the means of empirical investigation, particularly concentrating on the fast food restaurant industry.

This thesis is based upon a quantitative study that analyzes the main antecedents and consequences of the corporate reputation from the customer perspective. Corporate reputation from the customer perspective is influenced by customer satisfaction and trust on one hand and on the other hand it influences the future performance of a company throughout the customer loyalty and the willing to engage in positive worth of mouth (Welsh et al. 2009a). Moreover, customer perception of the global and local brands is closely evaluated. The issues of customer perception of the franchising fast food restaurant as local or global is addressed and its influence on the positive or negative corporate reputation is studied. At last, the drivers for customers to revisit particular franchising units are to be evaluated.

### 1.3. Structure of the Thesis

Following this introduction and brief description of the research questions, in **chapter two**, the key concepts that underline this master thesis will be discussed and relevant terminology for understanding the concept of this master thesis will be presented. The second chapter consists of three main parts. First, the concept of franchising will be discussed, and special focus will be given to franchising in Austria. The second part of chapter two gives insights into the concept of reputation that underlines one of the constructs of the present study. Moreover, the insights on different perspectives of reputation are presented and customer-based reputation is conventionalized. Short insights into different measurement styles of reputation are going to be discussed. The third part of the chapter two highlights the concept of brands and branding models from the consumer perspective. Discussions about global and local brands as well as concepts of localness and globalness are presented to underline another construct of this thesis.

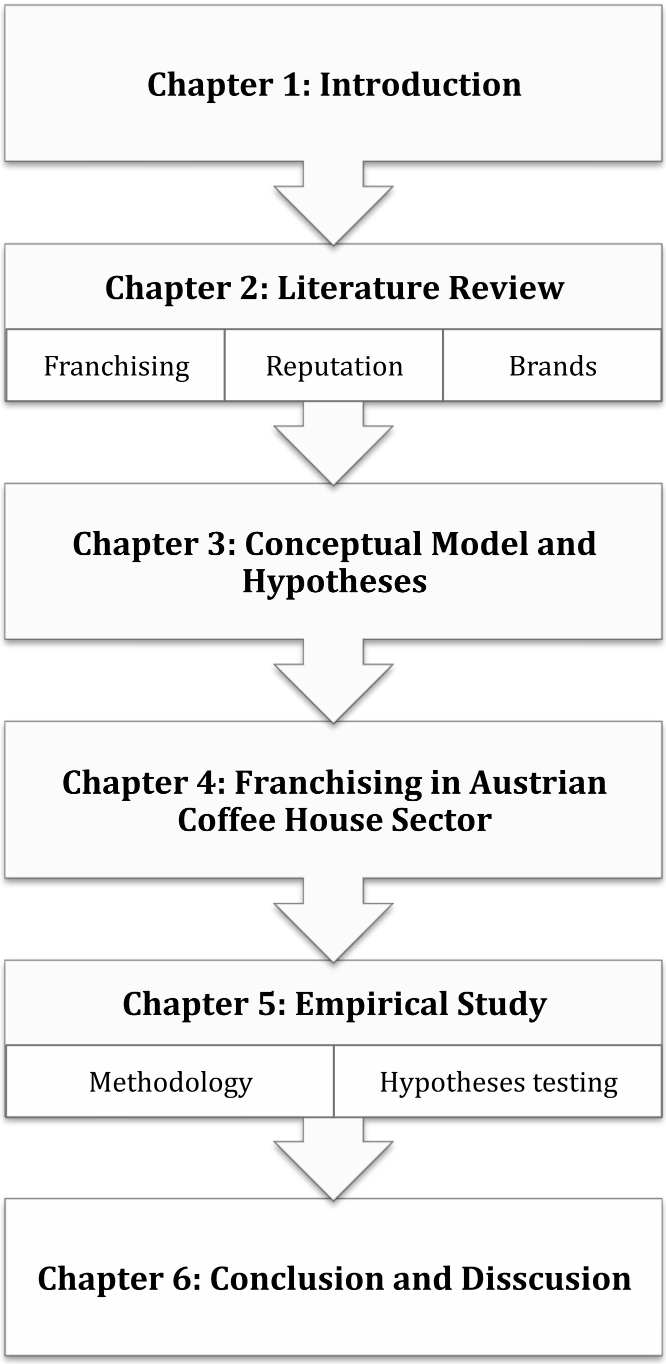


Figure 1: Structure of the thesis

**Chapter three** presents the conceptual model of this study's investigation and defines the research objectives. Further, the research questions and hypotheses are formulated on which the research will particularly focus on.

**Chapter four** gives a detailed overview of franchising business in Austrian coffee house sector. Two global: Segafredo and Tchibo, and two local: Coffeeshop Company and Teste Rossa franchising systems in the coffee house sector are presented, outlining brief overview of the company and highlighting key business strategies.

**Chapter five** refers to the empirical method applied in the present study as well as the hypotheses testing. First of all, this chapter presents the data collection process and its evaluation for the analysis. Secondly, each research question is addressed separately with the analysis and detailed evaluation of the results. Moreover, further analysis is done, which is important and relevant to the study, but does not fit into the research model.

**Chapter six** summarizes the research results and contains conclusive discussion of the present study. Further, the limitations of the present study are presented and implications for future research are pointed out.

# 2. Literature Review

## 2.1. Franchising (Dana Larisa Lazar, Katharina Pisarew)

### 2.1.1. Definition of Franchising

Today, franchising has become a common form of business not only in the USA, but throughout the world as well. There are an estimated of 2,200 different franchising brands in the USA, and the number of this type of business grew at an average of 4.3% annually between 2001 and 2005 (Price Waterhouse Coopers, 2008). Moreover, according to European Franchise Federation report (2011), there were over 10,000 franchised brands in Europe in 2009, with the average annual growth of 8.1% between 2007 and 2009. This shows an increasing significance of franchising business in the European area.

Rubin (1978) offers a number of definitions for a better understanding of the franchise concept. According to him: "a franchise agreement is a contract between two (legal) firms, the franchisor and the franchisee (Rubin 1978, p.224). The franchisor is a parent company that has developed certain product or service to be sold; the franchisee is a firm presented in the market and offers this product or service in a particular location. The franchisee pays a fee for the right to market this product." According to the literature (Caves and Murphy 1976; Lafontaine 1992; Combs and Ketchen 2003), the franchisee has a right to sell franchisor's product or services using franchisee's name in specific region for an agreed period of time. In other words, the franchisor is the "creator, builder and guardian of a unique business format" who is responsible for the operation and management of the entire system (Kaufmann and Eroglu 1998, p.69). Franchising is also considered to be a "contractual vertical marketing relationship" between franchisor and franchisee (Grünhagen and Dorsch 2003, p.366).

Castrogiovanni and Justis (1998) define franchise organization as the system containing a parent company – referred to as franchisor, and its franchisees, that represent independent managers in specific countries. The term franchising is used to specify the process of development and maintenance of contractual agreement. Moreover, Norton

(1988) notes the point of economic structure in his paper: franchise contracts are seen as a hybrid form of an organization.

Two basic strategies in terms of what is franchised can be distinguished: a *trade-name franchising*, or in another words *licensing*, when the franchisee is given through the contract a set of rights for production of a certain product or service under franchisor's trade name. The second strategy is a business-format franchising, when the rights and commitments to copy the entire business operation model is franchised (Justis and Judd 1989; Castrogiovanni and Justis 1998; Kaufmann and Eroglu 1998). Under business-format franchising, marketing plan and strategy, as well as standards, quality controls and communication guidelines are all provided by the parent company (Lafontaine 1992; Blair and Lafontaine 2005). For example, company's bottling franchising is a license agreement, while most fast-food, hotel, car rental are the business-format franchising. According to the U.S. Department of Commerce, the number of business-format franchising systems has grown from 909 in the year 1972 to 2177 in 1986. In the 1960's, a high growth in restaurant / fast-food industry has been seen; where as in the 1970's more and more service businesses and automobile product companies were choosing franchising for their operations. In the service sector, such as lawn-maintenance business, maid-service or day-care facilities, there has also been a positive development and growth of franchised units (Lafontaine 1992). In this master thesis the main focus is on the business-form franchising, thus we refer to the term franchising accordingly.

According to Windsperger and Hussain (2010), when a firm chooses to expand, it can either open a new outlet or it can franchise. In the case of franchising, the firm can decide either for a single-unit or a multi-unit franchising. The single-unit franchising allows unit owner to only run one single outlet within the franchising chain (Garg, Rasheed and Priem 2005). On the other hand, multi-unit franchising means that a company can own two or more outlets in various locations within the same franchised chain (Windsperger and Hussain 2010). Furthermore, according to the study of Garg et at. (2005), multi-unit franchising are more likely to achieve high growth. Franchising is considered to be a proven successful business opportunity with a low-risk investment decisions. For an entrepreneur, it provides a great opportunity and less risk if compared with a wholly owned company. Franchising is seen as an opportunity for the firm to expand and to capture economies of scale and firm's further growth and development

(Kotabe 2009). According to the same author, franchising appears mostly in the markets with high competition and rapidly changing customer tastes and preferences. Fast-food restaurants and convenience stores sector is a common industry for franchising, mostly due to the strong competition. On the other hand, franchising is not so frequent in the markets with high wages and high risks, where the level of technical know-how is higher and there are more segmented local markets.

### 2.1.2. Characteristics of Franchising Systems

Castrogiovanni and Justis (1998) state three essential aspects, which differentiate franchising systems from other organizations: (1) geographic dispersal of organization units; (2) replication across units; and (3) joint ownership. They add, that franchising is commonly seen as a system that constantly increases its existing distributing units, its offerings are similar from one unit to another and there is an ownership agreement present between franchisee and franchisor.

Franchising therefore is a particularly efficient way to organize operational units positioned in different locations (Kaufmann and Eroglu 1998). Further, the authors argue, that in order to achieve large-scale economies in franchising, the standardization of all core components, which Kaufmann and Eroglu refer to as product/service deliverables, benefit communicators, system identifiers and format facilitators. These components must be fully documented and executed among all franchising units.

The primary characteristics of franchising organizations are the presence of market-like and firm-like features. The market-like characteristics appear from the trade in labor, capital and product markets between franchisor and franchisee. The franchisor develops a product or service, which is then sold within a particular area or location by the franchisee. Thus franchisee gets a right to market the franchisor’s product for a particular lump sum fee, and is also obligated to pay royalties (percentage of sales) to the franchisor. The firm-like features imply the existence of a two-sided relationship between two entities, in other words a ‘full vertical integration’ of the franchised units. In general, franchisors provide franchisees with certain assistance and management guidelines, including selection of the site for the new unit, training programs, operating procedures, designing strategies and marketing plan. The franchisor on the other side is required to run the business accordingly (Norton 1988; Lafontaine 1992).

In the past, the key success factor was the location of the store. However, since most of the good locations are already occupied, the focus shifted from location to innovation. In order for the franchising business to succeed, their main goal nowadays is not providing their customers with needed goods and services, but also constantly coming up with different innovation activities to attract customers (Wu, Huang, Tsai and Chen, 2009).

### 2.1.3. Motives and Reasons for Franchising

Franchising organizations have been a successful business formula for many different brands for quite a long time already. In the literature certain benefits of franchising are pointed out, as well as its limitations. From the franchisor perspective, franchising has the benefit of fast possibility for the business expansion and thus quick use of economies of scale. Of course, new entrepreneurs could be facing higher initial costs of production, which, however, could be quickly paid off by reaching minimum efficiency point through franchising (Kotabe 2009). Moreover, franchising helps the company not only to grow further, but also to survive, as it one of the only way to quickly get an access of new capital. From the franchisee perspective, franchising is an already tested, ready-to-use formula, with services, trainings and blueprints provided by the franchisor. Good brand name of one franchising outlet could be beneficial for the entire chain. This is, however, also true in opposite direction: if one unit gets bad reputation, the whole chain could suffer (Kotabe 2009). From the franchisee perspective, however, lower risks and support from the franchisor, as well as good established name and already tested model are the main reasons named by entrepreneurs when choosing franchising as a business form (Jungwirth 1994 as cited in Glatz and Chan 1999). According to another study, relatively large independence in operating the unit, training support from the franchisor and well-known name are the main benefits of franchising (Peterson and Dant 1990 as cited in Glatz and Chan 1999).

According to the franchising literature, there are three major reasons why firms choose to franchise: resource scarcity, transaction costs approach and principal-agent theory. In 1968, Oxenfeldt and Kelly described the resource scarcity approach, stating that firms are motivated to franchise because if allows them to rise capital. Resource scarcity approach sees that in the beginning of their life cycle, companies face capital scarcity, thus they are prompted to use franchising to achieve their capital requirement for growth and expansion. As the company reaches its mature stage, it has better access to financial resources. Franchising basically allows the company to overcome resources scarcity by giving access to franchisee's resources and enables them to expand. According to Oxenfeldt and Kelly (1968), the resource scarcity approach suggests, that in the short run, franchising is seen as a solution for resource scarcity. In the long run however, the intention is to reduce the role of franchising scarce and its units would return to the company's owned system. Especially companies with little own resources are highly motivated to use a franchising strategy, compared to the firms with relatively large pool of resources.

Another reason why companies use franchising is minimizing transaction costs. The transaction cost theory assumes that managers act on one side rational and on the other side opportunistic when meeting decisions about the company (Baker und Dant 2008). Opportunism means in this context that managers fraudulently follow their own interest, when they have an opportunity for that (Williamson 1985; Baker und Dant 2008). According to Williamson's (1973, 1975, 1985) transaction cost theory, the level of hold-up risk, occurring from specific investments is growing with the increasing level of investments. Specific investments are those investments, which occur upon the start up of a new outlet for the franchisee and can be only used in that way. The money spend on the specific investment will be lost, if the franchisee would quite the franchising contract. When starting a franchising business, the manager can minimize certain transaction costs, which is any business costs other then physical or technological costs of production. Involvement into a certain business relationship can lead to minimization of production and distribution costs. Franchising relationship gives an opportunity for the new manager to enter into relation with the lower risks as well. According to Spencer (2006, p.2) the most significant aspect of the transaction cost theory for franchising is that "the franchisee's equity investment ensures a strong commitment to the success of the business". It is also common for the franchisee to run their business themselves. Moreover, franchisees can reach savings through economies of scale in diverse areas such as product development, marketing, purchasing and advertisement. Another transaction costs savings in franchising business is the development cost of franchise system per unit, which is often less then the expenses for opening additional company store (Spencer 2006).

According to Ross (1973), the agency theory can be defined as follows: “an agency relationship has arisen between two (or more) parties when one, designated as the agent, acts for, on behalf of, or as representative for the other, designated the principal, in a particular domain of decision problems” (Ross 1973, p.134). Another definition of principal-agency theory is presented by Pratt and Zeckhauser (1985), where the authors look at it from a wider perspective. They describe it as follows: “whenever one individual depends on the action of another, an agency relationship arises. The individual taking the action is called the agent. The affected party is the principal” (Pratt and Zeckhauser 1985, p.2). In franchising, an agent relationship is between the franchisee and the franchisor, where the franchisor acts as a principal and has an authority over the agents that occur in the form of either store managers or franchisees (Combs und Ketchen 2003). Both parties want to maximize their personal benefits, suggesting the assumption, that agent does not always act in the interest of the principal act. In order to ensure the agent not always acting in his own interest, the principal can either initiate such incentives as the transmission of ownership (Shane 1996) or invest in better monitoring of the agent, which is typically associated with high costs (Jensen und Meckling 1976). According to Lafontaine and Slade (1997), agency theory describes franchising as an inactive device. Taking the agency theory into consideration, one of the reasons for companies to use franchising is the faster growth of the firm as a business compared to the increase of the monitoring cost during the growth (Norton, 1988).

### 2.1.4. Franchising in Austria

While franchising became a common thing in the USA and basically found its ‘home’ there, in Europe it has also been raising importance.

Austrian online economical magazine (die Wirtschaft 2007) points out, that there has been a rapid growth in franchising business in Austria in 2007. Since the mid of 1980’s, the number of franchising units has increased tenfold, showing a dynamic growth over the last 10 years. In 2010, there were 420 registered franchising systems in Austria, operating in more then 8000 different locations, from which 46% of the franchising systems are local, and 54% are foreign. The majority of franchising systems in Austria operate in commerce business and in the service sector, followed by the gastronomy and production sector (Gittenberger, Eidenberger and Talker 2011). According to the research of Gittenberger et at. (2011), more then half of all franchising systems are still in 'growing' phase. Figure 2 gives an overview of the expansion of franchising systems in Austria from 2006 until 2010, with the sector distribution for 2010. Table 1 provides an overview of the franchising development over last 10 years.

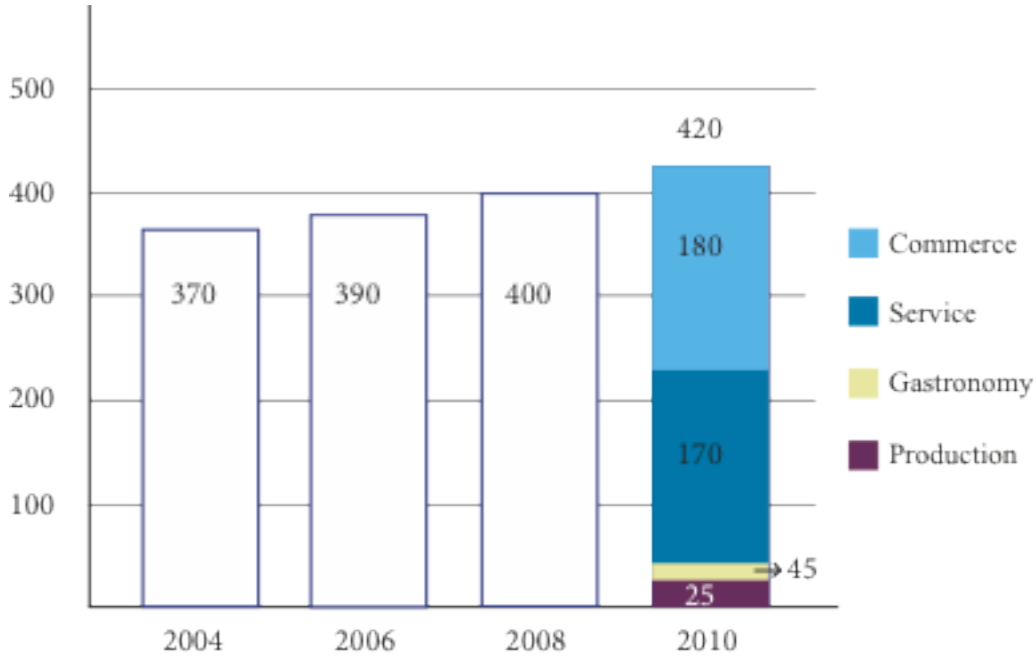


Figure 2: Franchising systems in Austria from 2004 until 2010. Source: Austrian Franchising Association Report 2011 (p.6).

| | 2000 | 2010 | Growth (%) |
|---|---|---|---|
| **Franchisees** | 4.200 | 6.700 | 59,5% |
| **Franchisors** | 305 | 420 | 37,7% |
| **Employees** | not available | 61.000 | -- |
| **Sales (bn. Euro)** | not available | 7,9 | -- |

Table 1: Franchising business in Austria. Source: Austrian Franchising Association Report 2011.

In general, the number of Austrian local firms increased over past years, causing the growth and expansion of Austrian franchising. Membership of Austria to the European

Union and, moreover, the open boarder to Eastern Europe has made Austria an attractive market for international franchising systems. This is especially true for German franchising systems, as they do not face cultural and language difficulties. An increased expansion of German franchising to Austria since 1993 has been observed (Glatz and Chan 1999). According to Gittenberger et at. (2011), almost 38% of Austrian franchising systems originate in Germany. Austria, as many other European countries show a relatively slower expansion in franchising, if compared to the USA. This is because in Europe there are a number of smaller markets, which are protected by more barriers against expansion and there are better establishment of voluntary cooperation in Europe then in the USA (Tietz and Mathieu 1979 cited in Glatz and Chan 1999).

## 2.2. Reputation (Katharina Pisarew)

Warren Buffet, one of the most successful investors in the world once said, “it takes 20 years to build a reputation, and only five minutes to ruin it” (Fisher 2006). And this is true. Corporate reputation is becoming more and more crucial for companies around the world. More and more executives are becoming aware of it. In recent years, many academics and researchers devoted their studies to the corporate reputation topic. According to the study of Echo Research and Bestra Brand Consultants on the FTSE 350 companies, corporate reputation is worth a total of £480bn (€578bn) a year to the UK’s companies. Moreover, economic contribution of the corporate reputations of FTSE 350 companies account for 30% of all shareholder value (Financial Times 2011). Business Week (2007) reports that even though reputation has an intangible value to the company, not like its property, revenue or cash, it is possible with a good corporate reputation to enumerate its turnovers. The author of *The Halo Effect*, the book that describes how fast can reputation turn its direction, notes, that the biggest driver of companies reputation is its financial result (Business Week 2007). Another survey was conducted by the Council of Public Relations Firms among 1,375 consumers and 575 senior executives with the main question of why the company behind the brand mattered. They found out, that a strong corporate reputation leads to increased consumer investment in the companies’ products and services. 88% of the surveyed consumer revealed that other people influence the most their perception about companies. Another revealing outcome was the power of online reviews and online search results are important for the general public in gathering information about companies, with a significance of 83% and 81% respectively (Shandwick 2011).

### 2.2.1. Defining Reputation

The term ‘reputation’ has many different definitions, which are partly far away from each other. Various definitions of reputation have been offered in the academic and professional literature. The next part provides diverse explanations of this complicated term, from a general, but also from a business perspective.

According to the Cambridge Online Dictionary (2012), reputation is defined 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”. In the Financial Times Lexicon (2012), the term reputation refers to: “the observers’ collective judgments of a corporation based on assessments of financial, social and environmental impacts attributed to the corporation overtime”. Another definition of reputation is offered by Webster’s New World College Dictionary (2012) as, “estimation in which a person or thing is commonly held, whether favorable or not; character in the view of the public, the community”. Reputation is important not only in business but in many other areas, such as education, private sector and online communications. It is also seen as a part of one’s identity defined by others.

Definition of the term ‘reputation’ is closely dependent on the discipline that is defining it. In economics, corporate reputation is defined as “as a reflection of a firm’s past actions which provide signals to stakeholders about their ‘true’ attributes” (Shamma and Hassan 2009, p.326). From the strategic management literature, reputation is seen as the main differentiation source of a company against its competitors; it is an important and fragile asset that gives company its competitive advantage (Balboni 2008). According to Wilson (as cited in Balboni 2008, p.2), reputation “becomes a measure of trust in a pre-relationship stage when the partner is an untested commodity”. Moreover, in a relationship studies, company’s reputation is seen as “a function of its network position which consists of its relationships’ portfolio, activity links, resource ties, and actor bonds” (Ford, Gadde, Hakansson, Lundgren, Snehota, Turnbull and Wilson 1998, as cited in Balboni 2008, p.2). The author also points out, that corporate reputation is to some extent created by the perception of company’s counterparts about its situation. In marketing, definition of reputation has been presented by Fombrun (1996, p.72) as "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". He also added in his work with other authors, that corporate reputation is "a collective construct that describes the aggregate perceptions of multiple stakeholders about a company's performance" (Fombrun, Gardberg. and Sever 2000, p.242). To summarize, corporate reputation is a perception of various stakeholders about the firm and its actions and outcomes from the past. Table 2 presents the summary of corporate reputation definition taken from Fombrun et al. (2000). It shows that the concept of reputation has been used in many different disciplines. Moreover, it illustrates that corporate reputation is a collective construct attained from stakeholders' perception of the company and its performance. Fombrun et al. (2000, p.243) concludes, that reputation is "a collective assessment of a company's ability to provide valued outcomes to a representative group of stakeholders".

| **Discipline** | **Definition** |
|---|---|
| Economics | Reputations are traits or signals that describe a company's probable behavior in a particular situation. |
| Strategy | Reputations are intangible assets that are difficult for rivals to imitate, acquire, or substitute, and so create mobility barriers that provide their owners with a sustained competitive advantage. |
| Accounting | Reputations are one of many types of intangible asset that are difficult to measure but create value for companies. |
| Marketing | Reputation describes the corporate associations that individuals establish with the company name. |
| Communications | Reputations are corporate traits that develop from relationships companies establish with their multiple constituents. |
| Organization Theory | Reputations are cognitive representations of companies that develop as stakeholders make sense of corporate activities. |
| Sociology | Reputational ranking are school constructions emanating from the relationships firms establish with stakeholders with their shared institutional environment. |

Table 2: Definitions of Corporate Reputation. Source: Fombrun et al., 2000 (p. 243)

Academic work by Schreiber (2008b) provides a list of five diverse definitions of reputation found in the literature, pointing out the intersection and integration of those various definitions:

1. "*Reputation is an intangible asset*: as an intangible, reputation represents a firm's past actions and describes a firm's ability to deliver value outcomes to multiple stakeholders" (Mahon 2002; Fombrun 1996, as cited in Schreiber 2008b, defining reputation section).

2. "*Reputation is a derivative of other actions and behaviors of the firm*: it is difficult to isolate one variable that influences perceptions to a greater degree than others across all stakeholders" (Schultz et. al, 2006, as cited in Schreiber 2008b). "Reputation is the collective representations shared in the minds of multiple publics about an organization over time" (Grunig and Hung 2002; Yang and Grunig 2005, as cited in Schreiber 2008b), and is "developed through a complex interchange between an organization and its stakeholders" (Rindova and Fombrun 1999, as cited in Schreiber 2008b, defining reputation section).

3. "*Reputation is judged within the context of competitive offerings*" (Fombrun and Van Riel 2003; Fombrun, et al. 1990; Shapiro 1983; Schultz, et al. 2006, as cited in Schreiber 2008b, defining reputation section). Reputation does not have same meaning for all companies.

4. "*Reputation is the way in which stakeholders, who know little about an organization's true intent, determine whether an organization is worthy of their trust*" (Stigler 1962, as cited in Schreiber 2008b). In the business world where all operations are based on cooperation and relationships, trust becomes an essential part (Madhok 1995, as cited in Schreiber 2008b, defining reputation section). According to Zaballa, Panadero, Gallardo, Amate, Sanchez-Galindo, Tena and Villalba (2005) "corporate reputation of an enterprise is the prestige maintained through time which, based on a set of shared values and strategies and through the eminence achieved with each stakeholder, assures the sustainability and differentiation of the company via the management of its intellectual capital (intangibles)" (Zaballa et al. 2005, as cited in Schreiber 2008b, defining reputation section).

5. "*Reputation is based on the organization's behaviors, communications and relationships"*: The formula as a definition provided in the literature is "sum of images= (performance and behavior) + Communication = sum of relationships" (Doorley and Garcia 2008, as cited in Schreiber 2008b, defining reputation section).

### 2.2.2. Different Perspectives on Reputation

Taking into consideration all the above-mentioned definitions, Schreiber (2008b) suggests two diverse definitions of reputation, the one from the firm's perspective and the second one from the perspective of the stakeholders. From the first one, the *perspective of the organization*, reputation is "an intangible asset that allows the company to better manage the expectations and needs of its various stakeholders, creating differentiation and barriers vis-à-vis its competitors" (Schreiber 2008b, proposed definition section, para. 2). On the other hand, from the *perspective of the stakeholders'*, reputation can be defined as "the intellectual, emotional and behavioral response as to whether or not the communications and actions of an organization resonate with their needs and interests" (Schreiber 2008b proposed definition section, para. 3). If stakeholders (employees, customers, suppliers, etc) are satisfied how the organization meets their needs, they will act toward the organization in a positive way by investing, supporting or joining such organizations. Companies that constantly meet the needs and interests of their stakeholders increase their reputation flexibility and decrease their reputation risks. This continuous differentiation of the company from other competitors creates a 'halo-effect', which is adventurous to the organization. Money and Carola (2007) also look at these two perspectives, differentiating reputation from strategic and perceptual perspective. They refer to the reputation in a strategic context as "asset generating activities of the firm and corporate reputation can be conceptualized as an intangible asset and consequences are understood as market assets and improved performances of a firm" (Money and Carola 2007, p.4). From a perceptual and also personal perspective, corporate reputation is seen by the authors as a concept or cognition held in the minds of stakeholders. Putting the company in the focus, reputation is seen as an intangible asset and is characterized by the firm's past actions; reputation can also be seen as the firm's ability to meet the expectations of its stakeholders. On the other hand, when putting the individual in the focus, corporate reputation is seen as the stakeholders' perception of company's past actions and future visions, when compared with its competitors (Fombrun 1996; Rindova and Fombrun 1999). In the online article, Dr. Rossides, the Group CEO, differentiates between three clusters of reputation: reputation as an asset, reputation as a state of awareness and reputation as an assessment. He states, that reputation as awareness indicates that "stakeholders have an awareness of a company without judging it"; where reputation as an asset signifies "something of value and significance to a firm" (Rossides 2008, definition of reputation section, para. 3). Reputation as an assessment indicates that "stakeholders are judging or evaluating a firm" (Rossides 2008, definition of reputation section, para. 3).

Taking all of the above definitions into consideration and different perceptions on reputation, we can conclude, that the focus is mostly put either on the corporation itself or on the individual. In the present study, we will build this master thesis on the idea that reputation is a collective perception of an individual / customer about the company.

### 2.2.3. Why is Corporate Reputation Important?

It is extremely important for almost all organizations in our society to be able not only to build but also to sustain good reputation, for both profit and non-profit organizations. Reputation is an essential factor in measuring a company's success. Corporate reputation is the most significant and valuable strategic asset of the company. Reputation is crucial to the company in financial and non-financial ways, and can affect both easily. Until recently, marketers perceived reputation only from the customer's perspective and its influence on consumers' product decision-making process. Nevertheless, corporate reputation has now gained broader implications beyond customers' relationship with the firm (Walsh and Beatty 2007; Shamma and Hassan 2009).

According to some academicals (Carmeli and Tishler 2005; Greenwood et al. 2005), strong corporate reputation implies high quality products and services offered by the company, as well as the certainty that it would treat its customers well. Reputation is an intangible asset of the firm, and intangible assets are extremely vital for the company in order to achieve its competitive advantage. According to Greenwood et al. (2005), there is a clear relationship between reputation and performance: reputation serves as a sign to the customers, when there is lack in other information. Schreiber (2008b) concludes after examining various academic authors, that good reputation has strategic value for the organization. When stakeholders are faced with negative information about the firm, it is difficult to change their perception later on (Wartick, 1992 cited in Schreiber 2008b). Moreover, Schreiber (2008b) states in his report, that social responsibility does play an important role for corporate reputation, providing results of national survey from Smith and Alcorn (1991) and Edelman Trust Barometer. According to Schreiber (2008b), a company's social responsibility influences consumer's perception of the firm and their attitudes toward the company. Rossides (2008) states in his report, that 47% of consumers responded that they would be 'much more likely' and 88% would be 'much or somewhat likely' to purchase company's products, if the firm is socially responsible. On the other hand, Shamma and Hassan (2009) suggest that social and environmental responsibility does not play a significant role in shaping corporate reputation perception among both customers and non-customers. Creating and maintaining good reputation between a company and its customers in a B2B relationship could be an essential strategy for transaction cost reduction. Firms prefer to deal with other companies that have shown to be trustworthy and reliable in the past. Customers and suppliers get to know and learn to trust each other through repeated contracts in the past, which in turn can lead to lower cost for the future (Compes Lopez and Poole 1998; Reichheld 1996 as cited in Walsh and Beatty 2007). Moreover, companies with a good corporate reputation are more likely to attract loyal customers and also keep them for a longer time (Fombrun and van Riel 1997).

Rossides (2008) lists a number of advantages that have been proved to be a result of good reputation: customers are ready to pay more for products and services, as well as recommend the organization and its products to others (positive word-of-mouth). More, good corporate reputation leads to higher commitment of its employees and better treatment by business partners. Nevertheless, the organization is viewed as less risky by capital markets and thus can benefit from higher credit ratings and investors feel more secure in doing business with the company with good corporate reputation. Some other advantages are the fact that media treats those companies more fairly and all stakeholders trust and feel good about the company.

Nowadays, corporate reputation became especially important as the modern consumer becomes more and more aware of what is happening in the marketplace. In the situation, where immediate information about the company is not available or not accessible, customers do rely on corporate reputation and use it as an indicator of quality for the goods and services. Moreover, word-of-mouth and gaining in its importance word-of-mouse have been an essential communication tools for information (both positive and negative) exchange about companies. It is thus essential for the companies to pay attention to this intangible asset and how it influences them.

### 2.2.4. Measuring Reputation

How to measure reputation closely depends from which perspective one is looking. Some studies have been examining corporate reputation from the company's perspective; others have been looking from the perspective of customers as well as from the employees' perspective. Different measurements of reputation are described further in this chapter.

**Social Ratings Agencies**

One of the most famous measures of reputation is the survey conducted yearly by the Fortune Magazine called "Most Admired American Companies". The survey is done on the companies covering each industry, and observing the top ten companies with the highest revenues. The survey is aimed to analyze eight main attributes: product and service quality, wise use of corporate assets, people management, innovation, financial soundness, quality of management, social, environmental responsibility and value as a long-term investment (Schreiber, 2008b). Another well-known magazines, like Manager Magazine (survey on 100 largest companies in Germany), Far East European Review (ratings of top 90 non-Asian countries), Management Today (250 British top companies and 10 most successful financial banks), Financial Times (World's Most Respected Companies) and Asian Business (most admired companies in Asian market) also introduced social ratings in their publications. Another admired rating agency, Kinder, Lydenberg and Domini (KLD) also rates companies based on their social performance. Such rankings have a number of limitations, are doubtful in their validity and do not consider perceptions from various stakeholders. However, many of the academic researchers still base their reputation investigations on social rating results, mostly on Fortune and KLD (Fombrun et al., 2000).

**Reputation Quotient by Charles Fombrun**

Charles Fombrun, Professor of Management at the Stern School of Business in New York and Co-Founder of the Reputation Institute has been examining and researching the topic of corporate reputation (1990, 1996, 2000, 2004). He and his colleagues developed the *Reputation Quotient* (RQ), which is an assessment tool that summarizes stakeholder's perception about corporate reputation across different industries in various countries. Dimensions of RQ include: financial performance, vision and leadership, emotional appeal, products and services, workplace environment and social and environmental responsibility (Fombrun et al., 2000, 2003). Figure 3 summarizes six dimensions and 20 attributes of the reputation quotient. RQ has been and remains to be one of the most common tools for measuring and accessing corporate reputation and is widely used and accepted among researchers (Shamma and Hassan 2009).

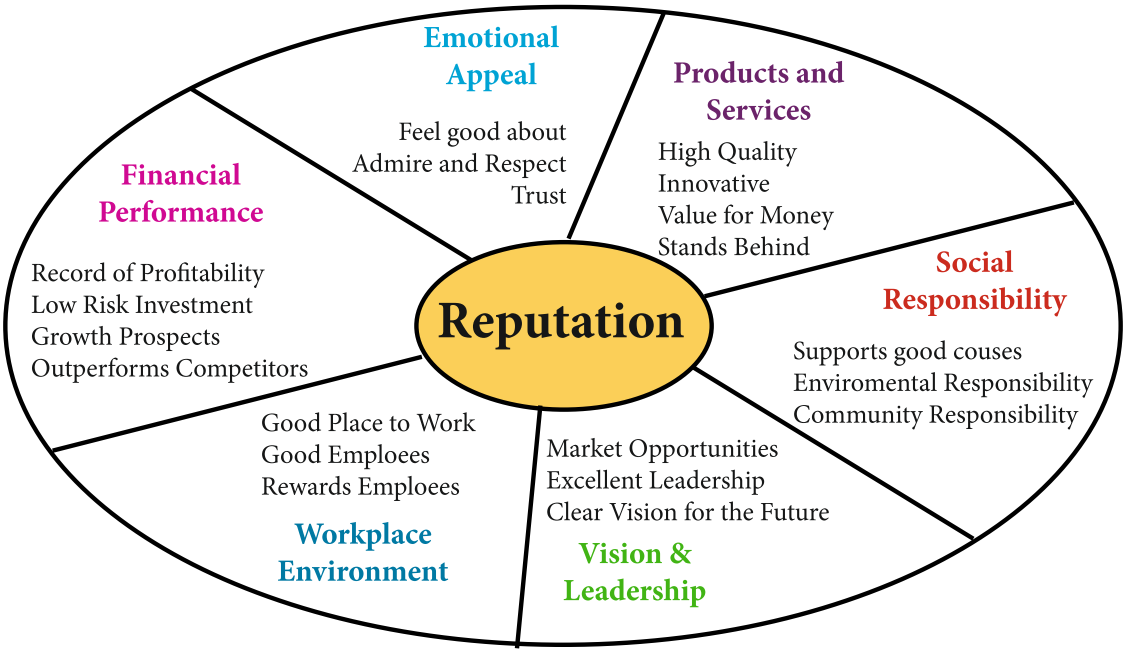


Figure 3: Reputation Quotient. Source: Fombrun and Riel, 2004 (p.53)

**Model by Shamma and Hassan**

Shamma and Hassan (2009) expose in their work corporate reputation by examining customers or primary stakeholders and non-customers, secondary stakeholders, which are represented by the general public in their study. Customers are one of the most important stakeholders for the company and their perceptions about the company have a great effect on the general reputation of the firm. Customers have direct interaction with the company, and they form their perception based on the company's actions towards them, e.g. such as customer service, warranties or after-sale services. On the other side, non-customers / general public cannot be left unconsidered, as those could be company's potential customers or future employees. Their perceptions about the firm are as important as the ones of the customers. Nowadays, companies are expected to contribute to the public and to the world, by improving health, environmental, educational and employment situation. This study is one of the first researches that looked at the corporate reputation from both primarily and secondary stakeholder's point of view.

The findings of Shamma and Hassan (2009) show that different stakeholders use different sources to form their perceptions about the company, thus affecting their opinions about company's reputation. Moreover, consumers form their opinions about the company based largely on their personal experience, as well as knowledge acquired from the media and other individuals. On the other hand, general public's corporate perception is mainly driven from mass media sources.

**Customer-Based Corporate Reputation by Walsh and Beatty**

*Customer-based reputation* (CBR) is defined by Walsh and Beatty (2007) as "the customer's overall evaluation of a firm based on his or her reactions to the firm's goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities" (Walsh and Beatty 2007, p.129). They argued, that even though corporate reputation has been receiving lately significant attention among scholars, there is not sufficient research on reputation from the customers' perception. Customers are one of the most important stakeholder groups, who may differ in their expectations and opinions compared to competitors, employees or stockholders. CBR could serve as a signal for quality and can lead to transaction cost and risk reduction, as well as increased loyalty of the customer towards the company (Walsh and Beatty, 2007; Walsh, Beatty and Shiu 2009a). The authors propose a five dimensional scale to measure customer based corporate reputation: customer orientation, product and service quality, good employer, reliable and financially strong company and environmental responsibility. Table 3 summarizes five dimensions of CBR.

In their further research together with Shiu E.M.K., they developed a shorter CBR scale with 15 items (original scale contained 28 items) testing it in USA, UK and Germany. The shorter version is useful for the surveys, in order to keep it at a reasonable length. In another study, Walsh, Mitchell, Jackson and Beatty (2009b) looked at the antecedents and consequences of customer-based corporate reputation. They found out, that high levels of customer trust and satisfaction have a positive impact on customer-based reputation. Moreover, positive customer-based reputation has a strong influence on customer loyalty and word-of-mouth. In other words, customers that are satisfied with the firm and trust them would tend to come back / stay loyal to that company and are more likely to spread positive word-of-mouth.

| | |
|---|---|
| Customer orientation | "Customers' perception of the willingness of company employees to satisfy customer needs" (Walsh et al., 2009b, p.191) |
| Good employer | "Customers' perceptions about how the company and its management treat its employees and pays attention to their interests, and customer expectations that the company has competent employees" (Walsh et al., 2009b, p.191) |
| Reliable and financially strong company | "Customers' perception of the company in terms of competence, solidity and profitability; customers' expectations that the company uses financial resources in a responsible manner and that investing in the company would involve little risk" (Walsh et al., 2009b, p.191) |
| Product and service quality | "Customers' perceptions of the quality, innovation, value and reliability of the firm's goods and services" (Walsh et al., 2009b, p.191) |
| Environmental responsibility | "Customers' beliefs that the company has a positive role in society and towards the environment in general" (Walsh et al., 2009b, p.191) |

Table 3: Customer-Based Corporate Reputation. Self-portrayal from the source: Walsh et al., 2009b

### 2.2.5. Discussion of Reputation

As corporate reputation has been gaining interest from the academics and researchers, plenty of definitions have been proposed and introduced. Among this variety of definitions, the focal point is either put on the individual or the organization. When the company is in the focus, corporate reputation is seen as a firm's intangible asset; it is how it projects its overall performance, strategies and values. On the other hand, when the individual is put in the focal point, reputation is identified as the perception of the company by it various stakeholders. It is the perception of what the company is, who is the management of it, where does it come from, how does it treat its employees, customers and partners and how it runs its business. Such perception or views are built upon all the experiences an individual/stakeholder has with the company.

For the further analysis in this master thesis, we base our definition mainly on the research done by Walsh and Beatty (2007, 2009a, 2009b) and refer to corporate reputation as the perception and evaluation of the company by the customer (particular stakeholder individual). It is the perception of how the company treats its customers, evaluation of it products and services, how it treats its employees and its role in the social responsibility arena. Such perceptions are built upon the experience of individual stakeholders with the company, its employees, management and other customers.

## 2.3. Brand and Branding (Dana Larisa Lazar)

Today, every company wants to have a strong brand, especially in the fast-moving consumer goods. In this industry, brands are competing head to head. Branding has become a strategic issue in all sectors: services, high tech, low tech, commodities, utilities, components, business-to-business (B2B), pharmaceutical laboratories, non-profit organizations and non-governmental organizations. All these seem to see a use for branding (Kapferer 2008). Brands are being seen as intangible assets that aim to produce added benefits for the business. There are different definitions for brands in the literature.

The customer-based definitions refer to the relationship that the customers have with the specific brand. It is about the awareness, the beliefs of exclusivity and superiority of some valued benefit and emotional bonding (Kapferer 2008). Keller's (1998) classical definition says that "a brand is a set of mental associations, held by the consumer, which add the perceived value of a product or service" (Keller 2008 cited in Kapferer 2008, p.10). Further on, it delivers the promise of a set of features, benefits and services from the company to the buyer (Kotler 2003). According to Aaker (1996), Kapferer (1997) and Keller (2003), a strong brand has a positive influence on a firm not only by establishing an identity in the marketplace, but also by developing a solid customer franchise.

Another definition is that a brand is a name that influences buyers. Due to the fact that nowadays the choice is very large, consumers cannot spend too much time comparing all products. For this reason, brands have to convey certitude and trust. They are a time and a risk reducer (Kapferer, 2008) and once they are established, they become trusted. This helps consumers to make their choices much easier and faster (Gillespie, Hennessy and Jeannet 2004). In order to create value, brands need to have a strong reputation (Kapferer 2008). There are different types of branding strategies to create a successful company. Due to the current trend of globalization, many companies that are international active have moved from a multidomestic marketing approach to a global marketing approach. This has of course also a huge influences also on the type of strategy that that a company uses (Schuiling and Kapferer 2003). Depending on where it is active, a company might use a local or a global strategy.

### 2.3.1. Global brands

What is a global brand? There are many articles that define global brands in many ways and it seems to be a problem regarding the answer to this question due to the fact that there is no real agreement about one definition (Johansson and Ronkainen 2004). Whitelock and Fastoso (2007) have examined forty articles that have dealt with the concept of international branding from 1975 until 2005 and from all these articles only nine of them explicitly defined a "global brand". These definitions can be seen in the Table 4:

| Author | Year | Definition |
|---|---|---|
| **Levitt** | 1983 | „The global corporation operates as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere" (p.92) |
| **Chevron** | 1995 | „A global brand is one that is perceived to reflect the same set of values around the World. The same set of values or brand character forms the key in global brand strategy" (p.24) |
| **Aaker and Joachimsthaler** | 1999 | „Brands whose positioning, advertising strategy, personality, look, and feel are in most respects the same from one country to another" (p.137) |
| **Ghose and Lowengart** | 2001 | „Global brands – international brands that have been big marketing successes in many countries" (p.46) |
| **Steenkamp, Batra and Alden** | 2003 | „Brands that consumers can find under the same name in multiple countries with generally similar and centrally coordinated marketing strategies" (p.37) |
| **Keegan and Green** | 2004 | „A brand that has the same name and a similar image and positioning throughout the world" (p.333) |
| **Schuiling and Kapferer** | 2004 | „Global brands are defined as brands that use the same marketing strategy mix in all markets" (p.98) |
| **Johansson and Ronkainen** | 2005 | „Global brand is defined as the multi-market reach of products that are perceived as the same brand worldwide both by consumers and internal constituents" (p.340) |
| **Kapferer** | 2005 | „For most managers a brand is global when it is sold everywhere in the world" (p.322) |
| **Inkpen and Ramaswamy** | 2006 | „Global brands are based on an organization's ability to tailor messages at the local level while keeping the brand image intact on the global level" (p.49) |

Table 4: Global Brands Definitions from the literature. (Source: Schiefer 2008, p.9)

All things considered, according to Schuiling and Kapferer (2004), the most lenient definition of the global brands is that these are the ones "that are marketed under the same name in multiple countries with similar and centrally coordinated marketing strategies" (Steenkamp, Batra and Alden 2003, p. 37).

### 2.3.2. Local Brands

Local brands are defined as “brands that exist only in one country or in a limited geographical are” (Wolfe 1991, p.50). These might belong either to a local, or to an international or global firm. Compared to the global brands, there are no differences regarding the definition of the local brands. The definition of Wolfe (1991) is widely accepted.

Despite the fact that academics and or practitioners have not paid that much attention to the local brands, there are some authors that pointed out their existence and discussed their characteristics (Chernatony, Halliburton and Bernarth 1993; Douglas, Craig and Nijssen 2001; Halliburton and Hünerberg 1993; Quelch and Hoff 1986; Kapferer, 2002). There are various markets where the local brands seem to be much successful than the global and to dominate. One example for that is the whiskey market in France (Schuiling and Kapferer 2004; Johansson and Ronkainen 2004).

**Advantages of the global brands**

When using a global strategy, a company may benefit of a lot of advantages. Chernatony et al. (1995) divides the advantages of a global strategy in two types of factors:

| | |
|---|---|
| the supply –side related factors | demand – side related factors |

Regarding the supply-side of global brand usage, first of all are the economies of scale in order to gain competitive advantage in worldwide markets (Douglas and Wind 1987). These lead to reductions of many costs. They include not only logistic costs, but also manufacturing or costs regarding the research and development (Kapferer 2004; Keller 2003; Schuiling and Lambin 2003). Their consequence is the fact that they create competitive prices (Chernatony et al. 1995) and an enhance of the financial performance. Further, more advantages from the supply-side related factors are not only the economies of scales in distribution and packaging, but also the ability to utilize a centralized structure (Chernatony et al. 1995). On the other hand, there are also a variety of advantages of using global brands from the demand side related factors. These include:

| | |
|---|---|
| The creation of an unique brand image across the countries | (Schuiling and Kapferer 2004; Schuiling and Lambin 2003) |
| The alleged convergence of customer demand | (Katsanis and Hassan 1994) |
| The creation of power and scope | (Keller 2003) |

The creation of a unique brand image across the countries is considered as being a very important advantage throughout the fact that it enables the development of global advertising for a company and also the possibility of leveraging the international media (Schuiling and Lambin 2003). Because customer demand seems to lead to a convergence, taking the globalization fact into consideration, the brands' standardization became much more favorable (Elinder 1965; Buzzell 1968; Roostal 1963). Keller (2003) suggests that by creating a global brand image, brands create power throughout the quality signals that they send to consumers. Global brands are seen as being very powerful and strong contributors to brand equity (Kapferer 1997). Buzzell (1968) states that the concept of global image and global branding increase the sales and also the power and the value of a brand. Moreover, consumers seem to perceive them as being more sophisticated, more cosmopolitan and also more modern than the local brands (Zhou and Belk 2004; Bauer, Exler, and Bronk 2006; Friedman 1990). According to Alden, Steenkamp, and Batra (1999) and Holt (2004) consumers have the opportunity to feel as a member of specific global segments and being part of something much bigger. Because global brands are typically larger than the local ones, they are also perceived as being much stronger, with a higher quality signal and also more powerful (Dimofte, Johansson and Ronkainen 2008).

**Advantages of the local brands**

The strength of the local brands has been underestimated and the criticism therefore exaggerated (Kapferer 2001), because despite their weaknesses, the strength of local brands has already been demonstrated (Kapferer and Schuiling 2004). These brands often build strong relationships with local consumers over the years and are mainly designed to respond to the specific needs of the local market. One of their biggest advantages is the high level of trust, awareness and loyalty due to the history they share with the customers (Schuiling and Kapferer 2004). The advantages of the local brands can be divided in:

| structural advantages | equity advantages |
|---|---|

One of the first important structural advantage of the local brands is their flexibility. These are much more flexible than the global brands because they can be developed to provide answers to the particular needs of the local consumers. Not only that they can respond to specific needs and provide unique products, they can also select its positioning, and have the possibility of reflecting local insights in the advertising campaigns they generate (Schuiling and Kapferer 2004). Moreover, local brands are more flexible regarding the pricing strategy. They don't have to face risks like imports in more countries at the same time. This makes them able to gain competitive advantage. (Schuiling and Kapferer 2004). Further, in contrast to global brands that have a predefined marketing strategy they have to follow everywhere, the local ones can be repositioned and adapted accordingly. Another strong advantage of the local brands is built on the opportunity they have by acquiring profitable segments of the market because of their possibility of responding to specific needs that cannot be covered by global brands. This happens because global brands have to concentrate on covering similar segments in many markets in order to benefit from economies of scales (Schuiling and Kapferer 2004). Regarding the equity advantages, the local brands can create strong emotions among consumers, especially if they have a high level of ethnocentrism or patriotism (Kapferer 2002). Many international companies have adapted the strategy of using local names with specific meanings in order to be perceived as domestic brands (Kapferer 2002). Schuiling and Kapferer (2004) identified confidence and proximity as other key factors of the local brands success.

### 2.3.3. Perceived Brand Globalness

Many studies suggest that being perceived as a global brand increases the benefits for a company. This because consumers tend to consider global brands superior by perceiving them as having a higher quality and by offering them a higher prestige. These advantages are more visible in the less developed countries. Here, the domestic products tend to be seen often as less superior (Batra, Ramaswamy, Alden, and Steenkamp 2000; Ger 1993). As mentioned before, there is a quite large number of reasons why companies create global brands like: the synergies between countries, the economies of scale, the benefits achieved by creating a global image and also the speed with which innovations that are created worldwide can be brought onto the market. Moreover, companies like Starbucks, McDonald's or Coke, after becoming leaders in the United States, on the basis of their reputation managed to export all over the world (Kapferer 2008). Due to this the perceived value is therefore being increased by the perception of globalness.

The study of Steenkamp, Alden and Betra (1999) demonstrated that perceived globalness has a strong influence on the consumers' purchase intentions. Later, Steenkamp et al. (2003) have linked the brands' perceived level of globalness to the prestige and quality perceptions. They also define this construct as being the perceptions of consumers regarding the globalism of a brand. This by considering in how many countries it is sold and if in these countries the brand is generally recognized. The perceptions of perceived brand globality might be formed in two different ways. One way to form these is based on factors that are out of the company's control. One example for this is when consumers find out through media exposure, own travels or through worth-of-mouth that they can find a brand in more countries. Secondly, the perceptions of the brand can be also influenced actively by the company. This happens when a company uses marketing communications that are implying its globalness. Examples for this are the global advertising themes that give consumers the feeling of a modern life (Alden et al. 1999 and Steenkamp et al. 2003). Another study was conducted regarding the topic of how global brands are being perceived had been conducted by Douglas, Quelch and Taylor (2004). They conducted a research in 41 countries that involved 3300 consumers in order to see how they perceive global brands. Their results show that quality is an important signal. Consumers prefer global brands because they perceive them as having a higher quality and better guarantees than other products. Moreover, they are also willing to pay more taking this characteristic into consideration. Consumers perceive global companies as being also very innovative by developing new products and technologies much faster than the rivals. Another important characteristic that consumers associate with global brands is that they perceive them as being socially responsible. People consider that global companies have an extraordinary influence regarding the society’s well-being. In their opinion global brands seem to have a special duty to tackle social issues, like for example BP and Shell and also regarding the way companies threat their employees. A third dimension that people associated with global brands is the global myth. They tend to perceive the global brands as symbols of cultural ideals, not only that these offer the highest value products, but also deliver cultural myths with global appeal. Global brands seem to make the consumer feel part of something bigger, makes them feel like citizens of the world, something they aspire to be (Douglas et al. 2004).

### 2.3.4. Perceived Brand Localness

As before mentioned, the advantages of the local brands are firstly the emotional feelings they create towards customers. Moreover, in a study conducted by Schuiling and Kapferer (2004) seems that the local brands scored more in trust and reliability. Due to this, many global companies started to adapt to the local needs from a specific country. For example Mc Donalds is a global brand and despite the fact that it is known all around the world under the same name and has the same “brand identity”, it adapts its offering to suit the local needs and customs (Kapferer 2002). They have emotional connotation to the local consumers and their names are also a part of their life. These “can capitalize on the unique strength of emotional ties” (Kapferer 2002, p. 67). Kapferer (2002) describes an example regarding this characteristic. It is about the launch of a new cigarette “Yava” in the Russian market in 1998. Despite the fact that it was a small local company, they positioned the new product by using the national pride and had a very successful launch. There are local companies that use specific local names for their products in order to connect it to country symbols. This is a source of creating an emotional bond to consumers. . Anyway, many brands can be perceived as local, either they are global or local, if the company uses an adapted strategy.

### 2.3.5. Local vs. Global Brand Discussion

All things considered, it is quite difficult to make broad generalizations regarding the superiority of two alternatives. Both, global and local brands have not only advantages, but also disadvantages depending on the situation and on the action of each company regarding the strategy that it would like to adopt. Again, the advantages between the global and local brands can be divided in the structural/supply side driven advantages and the image driven advantages. While only the truly global brands can enjoy the structural advantage, the image advantages can be changed so that global companies are perceived as local and vice versa. This depends on the strategy of each company. Shortly summarized, brands that are being perceived as global can benefit of the following advantages: can be perceived as having a higher quality than the other ones and a higher prestige (eg. Batra et al. 2000; Ger 1993, Douglas et al. 2004). They are considered to be more innovative and give consumer the feeling of being part of something bigger and having a "modern" urban lifestyle (Alden et al. 1999; Douglas et al. 2001; Steenkamp et al.2003). On the other hand, local brands score more in trust, reliability, emotions and feelings (Schuiling and Kapferer 2004; Kapferer 2002). This raises the question if the fact that brands are being perceived as local or global has an influence regarding the reputation of the company.

# 3. Development of the Conceptual Model and Hypotheses (Dana Larisa Lazar, Katharina Pisarew)

## 3.1. Research Objectives

Reputation seems to be an extremely important factor in every organization in our society and has a significant influence on the consumers' product decision process. The objective of this study is to test the customer-based corporate reputation in the franchising fast food industry, more precisely from local and global franchising coffee houses in Austria. The starting point for our conceptual model is to determine the factors that influence the corporate reputation in the franchising fast food industry from the customer perspective and then to find out the outcomes and the type of consequences these can have on consumers.

The corporate reputation has been tested in several of studies not only as a variable that tests the consequences (eg. Lo, Hui and Wang 2003 as cited in Walsh et al. 2009a), but also as a predictor (eg. Fombrum and Shanley 1990, Walsh, Dinnie and Wiedmann 2006 as cited in Walsh et al. 2009a). In order to measure the customer-based corporate reputation, Welsh et al. (2009a) have developed a conceptual model according to which the customer based corporate reputation is being influenced by customer satisfaction and trust on one hand and on the other hand it influences the future performance of a company throughout the customer loyalty and the willingness to engage in positive worth of mouth. This research has been conducted in the German energy supply industry and all hypotheses have been confirmed (Walsh et al. 2009a). We adopt this model in order to test it in the franchising fast food industry and add new variables to this model, proposing the perceived globalness and localness of the brand and also predictors of the reputation.

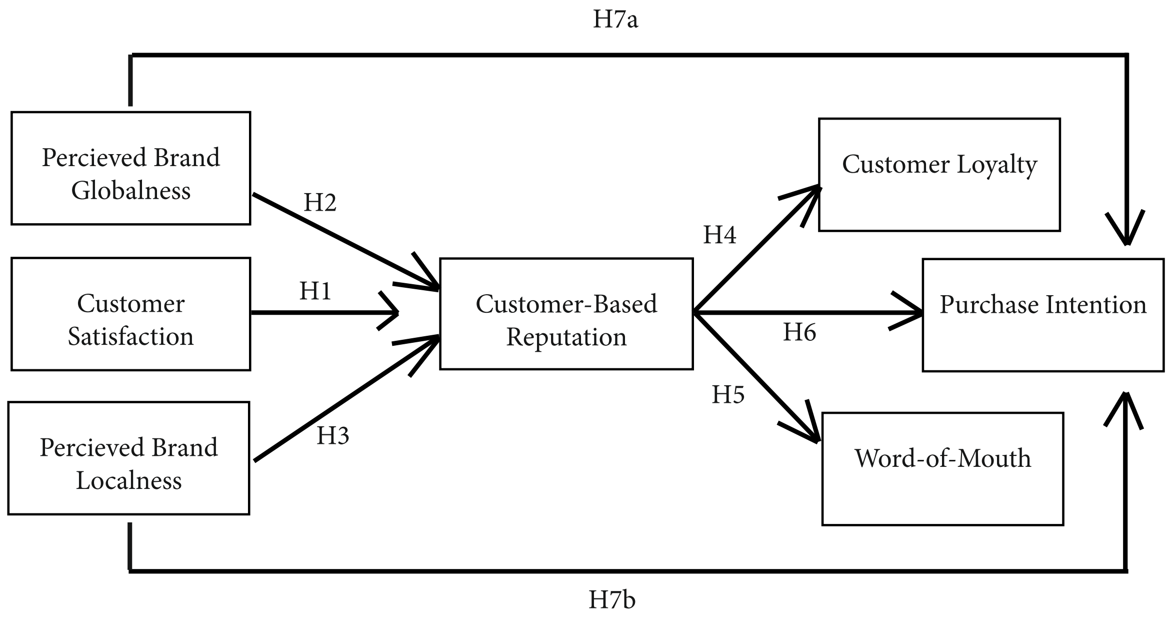


Figure 4: Research Model

Therefore, our research model tests three predictors of the customer-based reputation: *customer satisfaction, perceived brand globalness* and *perceived brand localness* and the two outcomes of the reputation, customer *loyalty* and the willingness to engage in *positive worth of mouth*.

## 3.2. Development of Hypotheses

### Antecedents of corporate reputation

*Customer satisfaction*. In the model of Walsh et al. (2009a), customer satisfaction seems to have a significant impact on the corporate reputation. Because the investigation conducted in the energy sector demonstrates that the customer-based reputation is being explained by the satisfaction, this arises as our first topic of investigation.

> **Research Question 1**: *Is the customer satisfaction an antecedent of the corporate reputation in the franchising coffee restaurants?*

Although besides Walsh et al. (2009a) research, the direct link between the satisfaction of the customer with regard to the reputation of the company has not been investigated, there are studies that suggest that organizational behavior, what is known about a certain company and the evaluations of its actions are key antecedents of a good corporate reputation (Fombrun and Rindova 2000; Fombrun and Shanley 1990). Satisfaction is seen as a key indicator for customers. Walsh, Dinnie and Wiedmann (2006), as well as Davies, Chun, Da Silva, and Roper (2002) have similar findings in their studies in their research that has been conducted in the retailing and utility services, in which they demonstrate that there is a positive relationship between the satisfaction of consumers and the corporate reputation, but without assessing the impact. A further study suggests that a company can measure its reputation by taking as indicators the ability to satisfy the desires and needs of its customers (Nguyen and Leblanc 2001). Based on this research and taking these findings into consideration, it is very likely that consumers in the fast food industry may evaluate the reputation of the franchising company based on if it exceeds or fulfills their expectations. Therefore we hypothesize that:

**Hypothesis 1: Customer-based corporate reputation is being influenced by the customer satisfaction.**

*Perceived brand globalness/Perceived brand localness*. The strategies that companies adopt on branding their products seem to have consequences regarding the different perceptions that consumers adopt about specific brands and companies. While global companies benefit from an image and the perception that they offer products with a higher quality and prestige (eg. Batra et al. 2000; Ger 1993, Douglas et al. 2004), the local ones score higher in trust, reliability, emotions and feelings (Schuiling and Kapferer 2004; Kapferer 2002) they develop with the local customers. This leads us to our next topic of investigation.

> **Research Question 2:** *Do companies that are perceived as global/local influence the customer-based reputation of the company?*

*Perceived brand globalness.* Customers seem to associate the brands they perceive as global, with high quality. They consider global brands have a better quality and guarantees than the local ones (eg. Batra et al. 2000; Ger 1993, Douglas et al. 2004). Further, more people consider that global brands are socially responsible and have an extraordinary influence on the society's well-being. In their opinion, global brands seem to have a special duty to tackle environmental issues, like for example BP and Shell and also regarding the way companies threat the employees (Douglas et al. 2004). According to Walsh and Beatty (2007), products and service quality, environmental and social responsibilities are dimensions of customer-based corporate reputation. Therefore we hypothesize:

**Hypothesis 2: Perceived brand globalness has a significant influence on the customer-based corporate reputation.**

*Perceived brand localness.* Besides the fact that consumers tend to associate the brands they perceive as being local with higher trust and reliability, these seem to generate feelings of confidence based on multi-generation usage of the same brand. They have emotional connotations to the local consumers (Schuiling and Kapferer 2004; Kapferer 2002). These "can capitalize on the unique strength of emotional ties" (Kapferer 2002, p.167). Additionally, local brands have names that have a specific meaning, what offers them an emotional added value. Keller (2003) describes a few examples in his research in which he shows that specific local brands use names connected to the country symbols in order to create sources of consumer bonding that have an emotional resonance, while only a specific country can understand. Because according to Fombrun et al. (2000) the emotional appeal is another dimension of the corporate reputation, we therefore hypothesize:

**Hypothesis 3: Perceived brand localness has a significant influence on the customer-based corporate reputation.**

**Consequences of corporate reputation**

Corporate reputation is demonstrated to be an important factor for a company in order to achieve success (Figlewicz and Szwajkowski 2002), as well as to increase the financial performance (Fombrun and Shanley 1990) and to retain customers (Andreassen and Lindestad 1998; Barich and Kotler 1991). Moreover, many studies like those of Gardberg and Fombrun (2002), or like those of Gotsi and Wilson (2001) and Groenland (2002), suggest that a company that has a good reputation can gain competitive advantage by attracting more customers. If customers tend to associate positive attributes with a company, their overall attitude towards it is also more favorable (Johnson and Zinkhan 1990). A good reputation signals that the firm serves goods and services of high quality with honesty and integrity. It reduces the perceived risk of the customers and encourages a greater loyalty (Rose and Thomsen 2004; Walsh 2007) and also a positive word of mouth behavior (eg. Walsh 2009b; Groenland 2002). Based on this theory, there is another key question.

> **Research Question 3:** *What are the consequences of the company reputation in the franchising coffee restaurants?*

*Customer loyalty*. By having a good reputation, a company sends signals of higher quality what engages customers not only in a higher level of commitment, but also greater intentions of loyalty (Walsh 2009). Many empirical studies demonstrated that there is not only an indirect, but also a direct link between the customer-based corporate reputation and the customers' loyalty. For example Welsh (2009, 2009b), as also Walsh and Widmann (2004) have demonstrated in their studies conducted in banking, retailing, energy sector and also in fast-food restaurants that there is a positive influence of the customer-based corporate reputation and customer loyalty. An indirect link between these two variables has also been demonstrated in the studies of Andreassen and Lindestad (1998) and Barich and Kotler (1991). Furthermore, Wernerfeld (1998) showed in his research that consumers that aren't familiar with a product, but know the brand, tend to judge the new product by associating it with the reputation of the company and if the reputation is good, they tend to judge more favorably the products. Based on these studies, we hypothesize the following:

**Hypothesis 4: Customer-based corporate reputation has a significant influence on the customer loyalty.**

*Word of mouth behavior*. The word of mouth behavior has also been tested as an outcome of customer-based corporate reputation in other studies. Walsh et al. (2009b) tested the impact that reputation has on the worth of mouth behavior. Their results show that customer-based corporate reputation has a positive impact on the word of mouth behavior and on loyalty. This makes reference to the quality effect of the reputation. Throughout this construct it is meant that costumers will penalize companies that offer products with a poor quality by engaging in negative worth of mouth. . If the company offers products of good quality, consumers tend to perceive the company as having a good reputation and are therefore more willing to engage in positive word of mouth behavior, while on the other hand companies with a bad reputation may be treated by consumers with negative word of mouth behavior (Walsh et al. 2009b). Based on these findings, we therefore hypothesize:

**Hypothesis 5: Customer-based corporate reputation has a significant influence on the customers' word of mouth behavior.**

*Purchase intention*. This construct refers to the consumer behavioral intention and the likelihood of buying the organizational product. In the case of this research, we would like to find out which are the triggers that influence consumers' to revisit the coffeehouse. This brings us to the next research question:

> **Research Question 4:** *What are the drivers that influence consumers to revisit the coffeehouse?*

According to Walsh and Beatty (2007), the social and environmental responsibility is a dimension of customer-based corporate reputation. This dimension includes "customers' beliefs that the company has a positive role in society and towards the environment in general" (Walsh et al. 2009b, p.191). Not only according to Walsh and Beatty (2007), but also to Fombrun et al. (2000), corporate social responsibility is a dimension of customer-based reputation. Providing the results of a national survey from Smith and Alcorn (1991) and Edelman Trust Barometer, Schreiber (2008b) state that social responsibility plays an important role for corporate reputation. Moreover, according to their research, this influences consumers' perception of the company and also their attitudes toward it. Rossides (2008) states in his report, that 47% of consumers responded that they would be 'much more likely' and 88% would be 'much or somewhat likely' to purchase company's products, if the firm is socially responsible. Therefore, we hypothesize the following:

**Hypothesis 6: Customer-based corporate reputation has a positive influence on the purchase intention.**

Using data from consumers in the U.S.A and Korea, Steenkamp et al. (2003) have tested the direct link between the perceived brand globalness and perceived brand localness on the purchase likelihood and found a significant influence. Consumers tend to buy global brands not only due to the prestige and quality they inspire, but also because of the globalness per se. This makes people feel that they participate to a global world that they always have aspired (Alden et al.1999). More, according to Dawar and Parker (1994), global brands seem to make people feel that they are a member of the worldwide consumer segment. On the other hand, according to Samli (1995) the local culture also has a significant influence on the consumer identity and behavior. Moreover, the research conducted by Ger (1999) shows that companies that use the local culture capital and position themselves by understanding the local culture seem to be very successful. Brands that are perceived as being local seem to “create a sustainable unique value and offer the symbolism of authenticity and prestige” (Ger 1999, p.70). According to this, we hypothesize the following:

**Hypothesis 7: Perceived brand globalness and perceived brand localness have an influence on the purchase likelihood.**

# 4. Franchising in the Austrian Coffee House Sector

## 4.1. Segafredo Espresso (Katharina Pisarew)

### 4.1.1. Background

Segafredo Espresso belongs to Massimo Zanetti Beverage Group, a holding with various international brands, mainly in the coffee sector. It owns more than 20 companies worldwide, including Chock Full o'Nuts, Chase and Sanborn, Hills Bros., Segafredo Zanetti Espresso, Meira Oy, Brodies and Tiktak. Massimo Zanetti Beverage Group was founded in 1973 by Massimo Zanetti, an Italian entrepreneur, who is currently also the chairman of the group. The group claims to be one of the largest private coffee groups in the world, offering a wide range of quality regional products, including coffee, tea, cocoa and spices. Global operations of the group include a coffee plantation and processing plant in Brazil, a coffee mill in Costa Rica and a trading company for green coffee in Switzerland. Moreover, the group owns eleven roasting plants throughout the world. The mission of Massimo Zanetti Beverage Group is "we aim to offer our coffee, in its various forms, our cafés, our quality and our service worldwide" (Massimo Zanetti Beverage Group 2012; Segafredo Zanetti 2012).

Segafredo Espresso's first international coffee bar was opened on April 1, 1988 in Paris on the Boulevard des Italiens. Soon after, it opened its second international store in 1989 at the heart of Vienna in Graben, with the typical Italian coffee bar flavor. At the beginning, it was challenging to convince Austrian consumers of the quality of Italian coffee. Austrian people enjoyed going to Italy for vacation and drinking there typical Italian espresso and cappuccino, however, back home, drinking Italian coffee specialties was not common. Now, there are 50 Segafredo Espresso units in Austria, while in the world there are more then 500 units (Segafredo Zanetti 2012).

### 4.1.2. Franchise Model

The idea of Segafredo Espresso franchising is an Italian espresso bar with wide assortment of Italian coffee specialties, wine and light Italian bubbly white wine, aperitifs, Panini and so on, surrounded by Italian atmosphere with music, magazines and coffee smell. Segafredo franchising model is well designed and a tested approach for new business formation. The franchisor assists the franchisee with a step-by-step strategy for the new unit, including ready marketing concept and proposal, main training program, detailed system manual, national-wide marketing plan and so on (Segafredo Franchising 2012).

#### 4.1.3. Entrance Fee

From the financial point of view, to form a Segafredo Espresso Franchising in Austria, 20.000 euro as an admission fee for trademark and servicing licenses has to be paid. The franchising fee consist of 5 euro monthly pro squared meter, the minimum however is 150 euro that has to be paid (Franchise Key 2012). The franchisee is also required to cover the costs of all necessary renovations, furnishing, technical equipment, promotion for the shop and food expenses for personal while attending stuff training provided by franchisor. The cost of leasing the space and operating expenses are covered by the franchisee as well.

#### 4.1.4. Types of Outlets

Segafredo Espresso's strategy is to look for good locations to open new outlets, as it is the factor for future success. The location for the new coffee shop is defined through the franchisor by using market surveys, feasible studies and sales projections. When the franchisee wants to suggest a location, Segafredo Espresso requires the evaluation of the feasibility by applying the tools mentioned before (Segafredo Franchising 2012).

#### 4.1.5. Training the Franchisees

Segafredo Espresso management believes that training is the way to success for both sides, thus assisting future franchisees with full-stage professional training. First training sessions are scheduled in Bologna center, the headquarter city of Segafredo Group. Interchange of practical and theoretical elements of the training is essential for the franchisees to sharpen their skills. The main goal of the training is for the franchisee to acquire new knowledge, necessary for daily routine in food and beverages industry; learn how to optimize company's performance; selection and training of stuff, as well essential operation procedures (Segafredo Franchising 2012).

## 4.2. Tchibo (Dana Larisa Lazar)

### 4.2.1. Background

Tchibo was founded in 1949 in Hamburg by Max Herz, a Germany native merchant. Innovation in the way the coffee was packed and the extraordinary business idea of sending roasted coffee directly to customers by post, made Tchibo revolutionary in the coffee market. Only a few years later, customers had the possibility to buy fresh coffee directly from the roasting plant factory, which brought Tchibo's success back then. In 1955 the first Tchibo coffee shop was opened in Hamburg and only three years later around 77 shops were open all around Germany. The number of shops was growing extremely fast, reaching more than 400 Tchibo cafes in 1965. Max Herz did not stop with the innovation and expansion and in 1991 the first international shop was opened in Budapest, Hungary, followed by Slovakia, Czech Republic and UK. Only a few years later, Tchibo had to close all its stores in the UK due to unfavorable circumstances. Today Tchibo operates in various business sectors like travel offerings, online shops, golf clubs, flower delivery services and financial services and owns different brands such as Tchibo, Eduscho and Davidoff Café. There are today more than 1120 shops in seven northern European countries, 300 of which are located in central Europe and 800 shops in Germany. Over the years, Tchibo became the leader in the out-of-home coffee market in Europe (Austria, Czech Republic, Slovakia, Germany, Poland, Turkey, Hungary and Switzerland), claiming that its awareness level in Germany is 99% (Tchibo Corporate, 2012).

For the founder of Tchibo, Max Herz, a successful distribution system was essential. His idea was to make products and services available as quickly and convenient as possible. Over the 60 years in coffee business, Tchibo succeeded in the expansion of food and non-food services, as well as spread its distribution system to diverse channels. Tchibo products are sold via online shops in different European countries, as well as in shops on the main streets, like drugstores, bakeries, supermarkets, photo stores and at Tchibo franchise shops. The assortment and range of products and services offered in Tchibo stores as well as online are oriented to different market segments, covering a large percentage of population.

#### 4.2.2. Franchise Model

The Tchibo partner concept combines the elements of franchising with the importance of partnership. Tchibo supports its franchisees throughout the whole period of contract. The franchisor is offering a low investment from the side of franchisee, turn-key new shop for operations, store ratings and revenue forecasts, as well as intensive trainings and guided instructions. Many times tested, the Tchibo shop concept and modern interior are very important aspects for the company and benefits for the new entrepreneur. Tchibo is also well known for its weekly change of product range (Franchise Direct 2012; Franchise Portal 2012).

#### 4.2.3. Entrance Fee

The entrance fee to start a Tchibo franchise is 10.000 euro, as well as 20.000 euro as own capital for security deposit. Tchibo is helping with the largest part of the investment for shop and room design. Tchibo management is following the commission-agent model, where before sales, the items in the shop remain the property of Tchibo. This saves the franchisee paying for the items in advance. With every sold item of Tchibo products, the franchisee is rewarded with a percentage (Franchise Portal 2012).

#### 4.2.4. Types of Outlets

A typical Tchibo store is about 100 square meters where food and beverages can be consumed inside and in some stores also outside. A coffee bar with large offerings of diverse coffee kinds, cakes and snacks are part of a Tchibo store. This is the so-called three-in-one store model, a distinctive combination of coffee bar, retail store and coffee shop. The scent of coffee is also a part of the marketing strategy of Tchibo, adding to its ambience. The shops are standardized and look the same throughout the world. The first store in Austria was opened in Vienna in 1969, while today there are around 150 stores around the country.

#### 4.2.5. Training the Franchisees

Tchibo attaches a big importance to training its future franchisee partners. The initial training for all new partners is provided by Tchibo management, with the focus on main topics such as marketing and sales, daily challenges in operating in the food and beverages industry, detailed product knowledge trainings as well as selection and training of new stuff.

## 4.3. Coffeeshop Company (Katharina Pisarew)

### 4.3.1. Background

Coffeeshop Company was founded in 1999 as a part of Schärf group, and in September same year, the first Coffeeshop Company outlet was opened in Vienna, Austria, the country of its origin. The well-known slogan of Coffeeshop Company 'Home in Vienna' is reflecting the company's origin. Schäft group is a family business company operating for over 60 years in producing coffee machines for gastronomy and was a pioneer in technology for espresso machines. The inspiration of Coffeeshop Company was creating a harmonical mix between selling coffee based on the modern concept so popular in the USA and the unique tradition of Viennese coffee culture. According to Coffeeshop Company (2012) the core idea of "American coffeeshops is specifically translated into the premium Viennese cafe culture". The goal of Coffeeshop Company is to create a one-shop tradition, where coffee, tea, coffee machines, water and a perfect ambiance come from one source. Modern design and flair, as well as sophisticated solutions for coffee making combining with the high quality of Schärf group products generate success for the company.

In 2000 Coffeeshop Company and American shipping line "Carnival Cruise Line" formed a partnership and ever since each cruise line has a Coffeeshop-Company-Corner. Later, Coffeeshop Company introduces its first mobile coffeeshop for events assistance. In 2002 the company started its expansion overseas, by opening outlets in Germany and further outlets in Austria. A year later, it continued its expansion into Eastern Europe as well as into the Arabian market. Today Coffeeshop Company can be found in 14 different countries, including Russia (44 outlets), Germany and USA (35 outlets in each country), Slovakia (17 outlets), Hungary (10 outlets) as well as Egypt, Poland, Macedonia, Check Republic, Monaco, Mexico and others (Coffeeshop Company 2012).

#### 4.3.2. Franchise Model

Coffeeshop Company has five outlets that are company owned, but most of its outlets are franchised shops. The franchisor provides the future franchisee with various help for starting the new business, such as an investment plan, sales and costs plan, budget plan, concept for financing as well as plans for placements and extensions of credits. In other words, the franchisee is supported with various financial aids. The franchisor also assists in choosing and analyzing the location, designing a plan for the facility, different statistics and market studies, diverse marketing strategies and much more (Franchise Key 2012). Various advantages are pointed out for starting franchising with Coffeeshop Company, such as experience and knowledge of the market, symbiosis of machines and coffee and successful trial, which is the approval of the concept by the public.

#### 4.3.3. Entrance Fee

To form a Coffeeshop Company franchise in Austria, 25.000 euro entrance fee for trademark and servicing licenses is required. Moreover, to become a Coffeeshop Company franchisee partner, the future franchisee has to present to the company's management his reasons, intensions and plans for application. Additional 15.000 euro as own capital has to be raised at the beginning. Depending on the type of the outlet, 'Shop in Shop' or 'Stand alone', and the chosen location the investment for the shop may range between 1.800 and 2.200 pro square meter (Coffeeshop Company 2012). The company, however, suggest the franchisee to provide the whole 100% of the investment at once, without taking the loan.

#### 4.3.4. Types of Outlets

Coffeeshop Company has an established coffee shop concept available for the franchisee. Depending on the size of the location, three different models of outlets are available. The largest one and the most common is 'Lounge', 120-200 square meters space needed. The 'Lounge' offers service attendance and the menu varies from cold and warm drinks to all kind of different warm/cold snacks. The 'Classic' requires 40-100 square meters space and is a prototype of the Coffeeshop concept. 'Classic' outlets are self-serviced and typical equipment includes cups and mugs with company's logo. The primary location for this type of outlet is the inner city. The 'Shop in Shop/Base' is the smallest unit with only 20-30 square meters space required. This is the concept for the outlet inside another shop, with the focal point of taking away service. Warm and cold beverages are offered, as well as some snacks (Coffeeshop Company 2012).

#### 4.3.5. Training the Franchisees

Coffeeshop Company develops specific training manuals, in order to ensure ongoing quality of the products and services. The apprentice-training plan has been specially developed for the Coffeeshop Company concept directed to the new members. Franchisee partners and new members of the stuff are required to attend the initial training at the Schärf Academy. The main focus of the training is marketing and sales, organization and administration, product knowledge, accounting and financing and quality control. Quality Assurance Manual for all employees and locations are developed by the company to ensure a constant high quality standard of the offered products and performances. For the future support of the franchisee and its stuff members, the franchisor keeps permanent contact for supervising and helping its franchising partners in any matters related to the outlet itself (Coffeeshop Company 2012).

### 4.4. Testa Rossa Caffe (Dana Larisa Lazar)

#### 4.4.1. Background

Testa Rossa was founded in 1904 and is a subsidiary of Handelshaus Wedl, located in Mils, a small town in Tyrol, Austria. The company belongs to the 10 largest privately owned restaurant and catering wholesalers in Austria. The company's director, Leopold Wedl, has been occupying this positing for the last 40 years and has played a central role in developing the Testa Rossa coffebar franchising system. The main focus of the company is wholesale supplies for hotels and catering trade. Wedl operates its own companies in Italy, Hungary and Germany. The company has been roasting Vienna coffee blend for over 100 years and Tessa Rosa caffe was the first espresso in its product range. Some other Italian coffee blends, such as Caffè Bristot, Caffè Breda and Caffè Deorsola, have been added to the portfolio of the company since it acquired the Procaffè Roastery in Belluno, Italy. The Procaffè roasting plant is one of the largest and most modern coffee companies in Northern Italy exporting to 40 different countries around the world (Testa Rossa Caffe 2012).

Testa Rossa Caffe was created in 1994 as Italian espresso and is Handelshaus Wedl own brand with high international success. The trademark is protected by international law in a variety of goods and services categories. In 1999, the first Testa Rossa caffèbar was opened in Innsbruck, which is currently the headquarter of the companies' franchise system, followed by the flagship store in Munich, who continues to pilot training and operation of the system. The administration and further development of the franchising concept, as well as marketing and strategies for international expansion are all managed from the Innsbruck headquarter. Today, Testa Rossa Caffe is represented in nine different countries, including Germany, Italy, Hungary, United Arab Emirates, Turkey, Romania, Egypt and Cyprus (Testa Rossa Caffe, 2012).

### 4.4.2. Franchise Model

The large success of Testa Rossa coffee beans has motivated the company to develop the Italian coffee bar concept, called Testa Rossa Caffe. The concept has been tested and further developed over several years in its own outlets, before the first franchises were awarded. Now the franchisee concept provides different types of outlets, in order to be the ideal solution for every location and every specification. The main idea of the Testa Rossa Caffe is a classic Italian coffee bar with an elegant atmosphere, broad range of high quality products and expert service. The success factors of the Testa Rossa Franchising are ongoing development and fine-tuning of the concept, wide range of expertise, in-depth training and support as well as attractive and well-known brand. The franchisor provides support in location search and analysis, planning the inner design, marketing concept and international strategies, controlling, organization and administration (Testa Rossa Caffe 2012).

### 4.4.3. Entrance Fee

To form a Testa Rossa Caffe franchise in Austria, 18.000 euro entrance fee needs to be paid. Additional 50.000 euro as own capital has to be raised at the beginning. Depending on the type of the outlet, an additional investment ranging from 100.000 to 175.000 euro for 'Testa Rossa Caffebar', 75.000 euro for 'Testa Rossa l'Espresso' and for ‘Testa Rossa Piccolo’ between 35.000 and 50.000 euro is required. However, individual calculations for each outlet have to be prepared, as the cost for extras, such as toilets, designing of the cladding or broker’s charge are not included (Franchise Key 2012).

#### 4.4.4. Types of Outlets

Testa Rossa Caffe provides three different types of outlets for the future franchisee partners. ‘Testa Rossa caffèbar’ is the classical Italian coffee bar with a space requirement between 80 and 150 square meters. Such coffee bar locations are the city center sites with frequent visits, shopping streets and malls or business centers. Testa Rossa caffè bar outlets offer a full range of coffee specialties, alcohol-free and alcohol beverages, as well as Italian warm and cold snacks. ‘Testa Rossa l’Espresso’ is a stand-up coffee bar with the space requirement of 40 to 80 square meters and a selected range of foods and beverages. The location of ‘Testa Rossa l’Espresso’ is shopping malls, department stores, hotels, office buildings and food courts. The smallest option is ‘Testa Rossa Piccolo’, which is a stand-up bar with the area requirement of 8-12 square meters and with a selected range of food and beverages. ‘Testa Rossa Piccolo’ is a free-standing, shop-in-shop option located in department stores, hotels, exhibition, events and conference centers (Testa Rossa Caffe 2012).

#### 4.4.5. Training the Franchisees

The three-week initial training course is required for all new franchisee partners. Topics such as marketing and sales, organization and administration, product knowledge, quality control and management techniques are covered. A two-day training on business management tools with the course manual is also provided by the franchisor. The trainings for the new stuff members are also offered by the franchisor (Franchise Key 2012).

# 5. Empirical Study (Dana Larisa Lazar, Katharina Pisarew)

## 5.1. Methodology

### 5.1.1. Data Analysis

The data will be analyzed in three stages: the preliminary, main and further analysis.

In the first part, the preliminary analysis, the data will be screened and cleansed from the incomplete and inconsistent questionnaires. Next, the constructs will be analyses and tested to find out whether it can be used for the further analysis. The constructs, which are reputation, satisfaction, globalness, localness, purchase intention, loyalty and word-of-mouth will be then checked for reliability, i.e. Cronbach's alpha will be observed. This is the method of assessing the internal consistency of a scale (Jaffe and Nebenzahl 1984; Craig and Douglas 2005). The results of Cronbach's alpha and the comparison of the means will be examined in order to determine whether a single variable can be constructed from the separate dimensions for the further analysis.

The second part, the main part of the analysis will answer the research questions of this thesis. For this matter and in order to test the seven hypotheses, a regression analysis will be conducted. This method allows analyzing whether a single variable has an influence on the dependent variable, in our case loyalty, word-of-mouth and purchase intention (Field 2005).

The third part of this thesis, the further analysis, will focus on the additional analysis, that does not fit into our research model; nevertheless is rather essential and especially interesting for this study. The perception of franchising systems by Austrian consumers in terms of localness and globalness as well as differences in global and local brands regarding reputation will be tested. For this matter, an ANOVA (analysis of variance) analysis will be conducted. This method allows testing whether the means of several groups are equal, and thus comparable. Moreover, the data will be separately analyzed for local and global franchising systems in order to test whether there is a difference between the global and the local brands regarding the way consumer perceive them. Furthermore, it is interesting to see which of the two drivers is the primarily driver that has the influence on the corporate reputation of the company.

### 5.1.2. Sample Selection and Data Collection

While conducting empirical research, it is simply not possible to gather data based on all potential means of the analysis. It is thus more practical and accurate to obtain research information from a defined sample as from the whole population. According to Stead (2001), if the sample is selected according to the scientific standards and if it is represented by the whole population, then the findings based on such a sample could be generalized to the entire population. Thus, the conclusion that the entire population holds the same or similar views as the sample can be made.

To meet the purpose of this thesis the *convenience sampling* method has been used, thus including people that are easily reachable. According to Stead (2001, p.111), convenience sampling is a non-probability sampling method, for which the researcher uses the most convenient or economical sample and is chosen on the basis of availability. Respondents are included in the sample without known or pre-specified probability. Advantages of convenience sampling are the comparatively easy selection of the sample and thus data collection (Anderson, Sweeney and Williams 2009). Since the main goal of this thesis is the evaluation of the customer perception about corporate reputation, this is a well-suited method for sample selection. The conditions were that only Austrian consumers are included in the sample, and that the gender and age proportion should be balanced.

Data was gathered in January and February 2012 via printed questionnaires. A total of 334 customers were approached, and 135 customers were effectively surveyed. This yields a response rate of 40.4%, which corresponds to a relatively good response rate. Due to the inconsistency and incompleteness of questionnaires with missing answers and noticeable response errors (e.g. same answer possibility is selected by the respondent throughout a large part of the questionnaires), a total of 120 respondents were used to test the research hypotheses, with the allocation of 30 customers per each franchising system. The population of interest was Austrian customers diverse in socio-demographic criteria. The survey and distributing of questionnaires took place in Vienna and its surrounding area, mostly inside or in front of the corresponding franchising outlets around the city, such as Tchibo, Segafredo, Testa Rosa and Coffeeshop Company. Another part of the questionnaires was distributed at the Faculty of Business, Economics and Statistics of the University of Vienna. Table 5 provides an overview of the sample by franchising system.

| | **Segafredo** (n=30) | | **Tchibo** (n=30) | | **Cofeeshop Company** (n=30) | | **Testa Rosa** (n=30) | |
|---|---|---|---|---|---|---|---|---|
| *gender* | *Frequency* | *%* | *Frequency* | *%* | *Frequency* | *%* | *Frequency* | *%* |
| Male | 12 | 10.0 | 14 | 11.7 | 14 | 11.7 | 11 | 9.2 |
| Female | 18 | 15.0 | 16 | 13.3 | 16 | 13.3 | 19 | 15.8 |
| *age group* | *Frequency* | *%* | *Frequency* | *%* | *Frequency* | *%* | *Frequency* | *%* |
| 15-20 | 1 | 0.8 | 7 | 5.8 | 2 | 1.7 | 4 | 3.3 |
| 21-30 | 13 | 10.8 | 11 | 9.2 | 9 | 7.5 | 9 | 7.5 |
| 31-40 | 9 | 7.5 | 9 | 7.5 | 8 | 6.7 | 7 | 5.8 |
| 41-50 | 4 | 3.3 | 0 | 0 | 3 | 2.5 | 6 | 5.0 |
| 51-60 | 2 | 1.7 | 1 | 0.8 | 5 | 4.2 | 3 | 2.5 |
| <60 | 1 | 0.8 | 2 | 1.7 | 3 | 2.5 | 1 | 0.8 |
| *education* | *Frequency* | *%* | *Frequency* | *%* | *Frequency* | *%* | *Frequency* | *%* |
| Secondary | 1 | 0.8 | 2 | 1.7 | 3 | 2.5 | 0 | 0 |
| High-School | 1 | 0.8 | 0 | 0 | 11 | 9.2 | 10 | 8.3 |
| Apprenticeship | 11 | 9.2 | 15 | 12.5 | 4 | 3.3 | 5 | 4.2 |
| College | 2 | 1.7 | 1 | 0.8 | 3 | 2.5 | 2 | 1.7 |
| University | 15 | 12.5 | 12 | 10.0 | 9 | 7.5 | 13 | 10.8 |

Table 5: Sample characteristics by the company

The average age of our sample varies between 21-30 years old (42 of the respondent fall into this age category). The next age category with the largest number of respondents is between 31-40 (33 respondents), followed by the age category of 15-20 and 41-50 (14 and 13 respondents respectively). The gender distribution of our sample was relatively balanced, with 42.5% males and 57.5% females. Most respondents have a university diploma or have completed an apprenticeship as the highest degree, with 40.8% and

29.2% respectively, while 18.3% have high-school diploma. The figures below show a graphical representation of our sample. Overall, it can be concluded that our sample is relatively balanced.

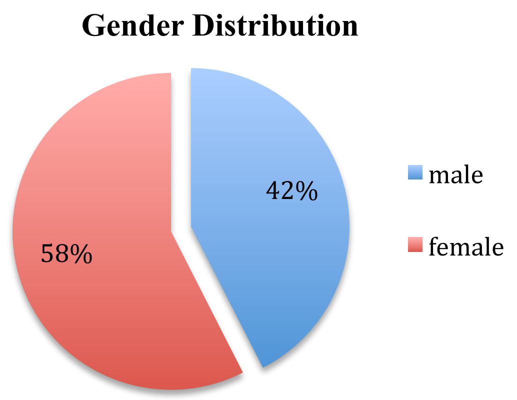


Figure 5: Gender distribution of the sample

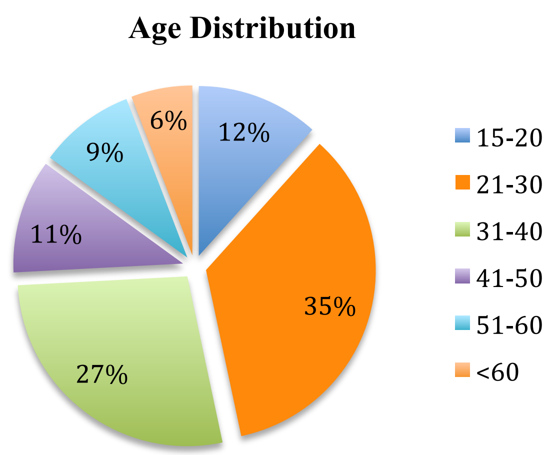


Figure 6: Age distribution of the sample

### 5.1.3. Description of Variables

In this section the variables used for the analysis as well as for the questionnaire will be described briefly. The variables have also been described in the section about hypotheses development.

*Customer satisfaction* and its relationship with customer-based reputation was discussed and tested in Walsh et al. (2009a, 2009b). Other researches have identified customer's evaluations of a firm's actions; where one of the key indicators is satisfaction (Fombrun and Shanley 1990; Sobol and Farrelly 1988 as cited in Walsh et al. 2009b). With customer satisfaction variable we mean to which extend products and services offered by the franchising café house companies meet the expectations and believes of the customers. The customer satisfaction variable is tested in our questionnaires with items, like "I am satisfied with this café house" and "I am favorably disposed toward this café house".

Customer-based reputation, loyalty and word-of-mouth variables were adopted from Walsh et al. (2009a, 2009b). In short, *customer-based reputation* measures the perception of the customers about the company. Reputation was assessed based on certain items, e.g. "my overall perceptions of total experience with this café house are very good" and "my perceptions of this café house compared to its competitors are very good". *Customer loyalty* measures the bond between the company and the customer in terms of re-visiting/re-buying products and services of the company (Walsh et al. 2009a). "I would be willing to pay a higher price to drink coffee in this café house over other brands" and "I am committed to patronizing this café house brand" are examples of customer loyalty scales. Customers that perceive the company to have a good reputation are more likely to engage in positive word-of-mouth. By *word-of-mouth* we mean passing the information from one person to another via oral communication, recommending an organization and its products to others (Rossides 2008). Examples of this scale in our questionnaire are "I would recommend to other people that they should visit this brand of café house" and "I would gladly talk about my experiences with this brand of café house to other people".

The construct *purchase intention* refers to the consumer behavioral intention and the likelihood of buying the organizational product. Many different studies use this construct for their research (Chang and Wildt 1994; Dodds, Monroe and Grewal 1991; Putrevu and Lord 1994). This constructs is tested based on the following scales: "I will visit this café house the next time I go to a cafe" "I intend to keep purchasing/visiting this brand".

*Perceived brand globalness* is explained by consumer perception of a brands' globality depending in how many countries it is marketed and whether it is recognized as global in those countries (Steenkamp et al. 2003). We use the scale proposed by the authors and adapt it to our questionnaire to see whether the customers perceive the examined café houses as a global brand. An example of the scale is: "for me brand X is a local brand" and "the brand X is exclusively used in Austria". We imply by *perceived brand localness* that the brands are perceived as being local by the customers. The scale is adopted from Schiefer (2008) and stated in our questionnaire as: "a 'typical' Austrian uses the brand X" and "the brand X is a part of Austrian culture".

### 5.1.4. Reliability Test

The reliability analysis is an indicator of the overall consistency of the data. Cronbach's Alpha and the inter-item correlation matrix indicate the overall reliability of the construct items used in the questionnaire. The values of Cronbach's alpha around 0.8 show a high level of consistency of the measure. Cronbach's Alpha if Item Deleted is another important indicator, which tells us whether removing a particular item would improve the overall consistency and reliability of the questionnaire. This value has to be much higher than the Cronbach's Alpha, in order to remove the item (Field 2005, p.668).

Separate reliability analysis for each construct has been conducted and the results for each construct were satisfactory, where Cronbach's Alpha was around 0.8 (ranging from 0.766 to 0.940) showing a high level of consistency of the measure. According to Nunnally (1978), the scale is considered to be reliable, if the value of Cronbach's Alpha is not considerably lower than 0.7. Please refer to the Table 6 below for partial results of the reliability analysis. For the complete results of the reliability analysis please refer to the Appendix.

| Scale | Crobbach's Alpha |
|---|---|
| Reputation | 0.869 |
| Satisfaction | 0.940 |
| Word-of-mouth | 0.766 |
| Loyalty | 0.914 |
| Purchase Intention | 0.817 |
| Globalness | 0.892 |
| Localness | 0.940 |

Table 6: Reliability analysis

For further analysis the whole data was separated into global and local franchising systems and the reliability analysis was run to test consistency. We ran again reliability analysis separately for each construct for the global franchising systems (Tchibo and Segafredo) and the results were satisfactory. The average of Cronbach's alpha was again 0.87 ranging between 0.749 and 0.936. The same analysis has been then conducted for the local franchising systems (Coffeeshop Company and Testa Rosa) with the average Cronbach's alpha of 0.85. Table 7 summarizes these results, which show a very good reliability measure. Therefore, it can be concluded that these scales provide reliable results.

| Scale | Crobbach's Alpha | |
|---|---|---|
| | Global | Local |
| Reputation | 0.884 | 0.844 |
| Satisfaction | 0.936 | 0.945 |
| Word-of-mouth | 0.749 | 0.803 |
| Loyalty | 0.929 | 0.855 |
| Purchase Intention | 0.873 | 0.696 |
| Globalness | 0.857 | 0.884 |
| Localness | 0.908 | 0.941 |

Table 7: Reliability analysis separately for local and global franchising systems

## 5.2. Research Findings

### 5.2.1. Descriptive Statistics:

Descriptive statistics are useful at this stage of the analysis to look at the differences in responses between different franchising systems, as well as between local and global systems for certain constructs. For this matter, we will use the Cross-Tabs method that provides us with the basic overview of two or more variables. The first cross-tab test was done between gender and each franchising system, testing how many male and female are in the sample visited certain café. Most females visited café Testa Rossa and most male Tchibo and Coffeeshop Company, corresponding to 15.5%, 14% and 14% respectively. Taking frequency of visits into consideration, most of our respondents visit one of the tested cafés one time a year on average, followed by 12 times a year (once a month), corresponding to 54.2% and 10.8% of all the respondents respectively. The most visited café house turned out to be Tchibo, with 15% of all visits, followed by Segafredo, Coffeeshop Company and Testa Rossa with 14.2%, 13.3% and 11.7% respectively.

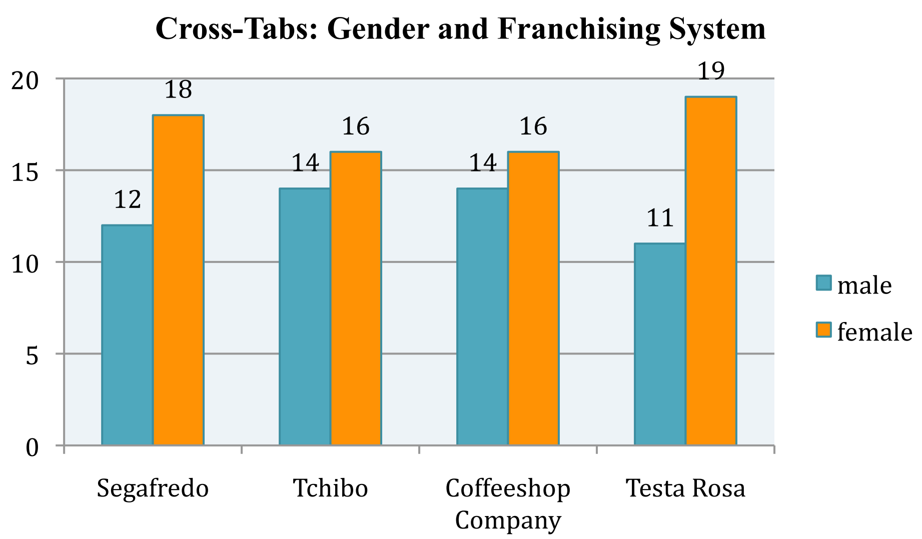


Figure 7: Cross-Tabs: gender per franchising system.

Another cross-tab analysis for testing frequency of visit and age shows that most of the respondents that visit a café house are between 21 and 30 years old. This is also because most of our respondents fall into this age category. Another interesting statistical result shows that 28 out of 30 think that the brand origin of Segafredo is Italy, which is correct. Tchibo is thought to be a German brand by 24 out of 30 people; another 6 think it is an Austrian brand. Coffeeshop Company has a rather a blurred brand origin image. 18 out of 30 think it is an Austrian brand (which is a correct); 5 people think it comes from USA, 4 from UK and 2 believe it is an Italian brand. Testa Rossa has also a relatively blurred brand origin image: 20 out of 30 believe it is an Austria brand (which is a correct), 9 think it comes from Italy and 1 thinks it comes from Spain. These results give us an overview of whether Austrian respondent know where the brands come from. Moreover, Coffeeshop Company seems to have to work on its image as an Austrian brand, as people have diverse opinion regarding the origin of the brand. On the other hand, Tchibo and Segafredo have the most stable brand origin image, as most of the people state its true origin correct. The figure 6 below summarizes these results in a vivid way.

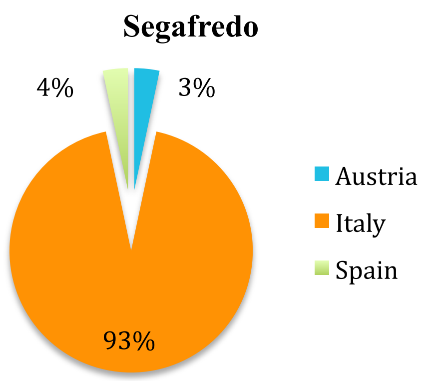


Figure 8: Brand origin responses for Segafredo

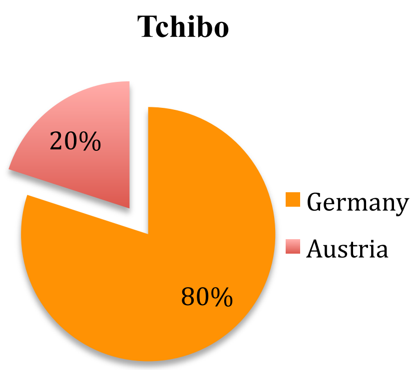


Figure 9: Brand Origin responses for Tchibo

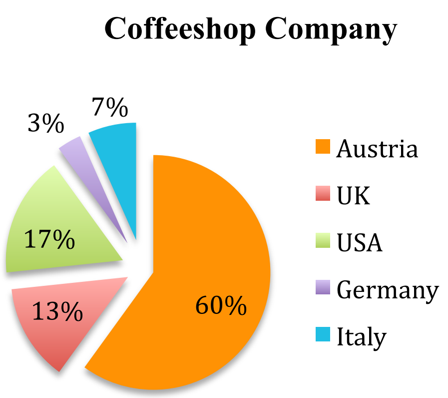


Figure 10: Brand origin responses for Coffeeshop Company

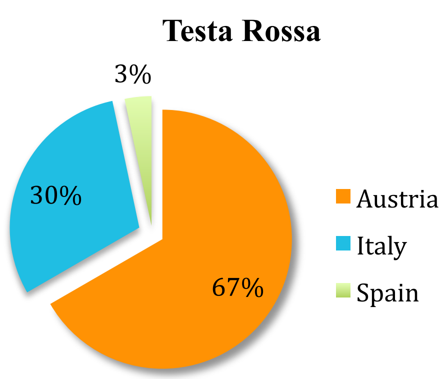


Figure 11: Brand origin responses for Testa Rossa

After the presentation of the sample and measurement methods, this chapter will give a brief overview of the analysis conducted in this thesis taking each research question into consideration. In the first part, the analysis methods and detailed results regarding the research questions are presented. These take the predictors of the customer-based corporate reputation into consideration: customer satisfaction, perceived brand globalness and perceived brand localness. The research questions that examine the outcome variables of the customer-based corporate reputation, customer loyalty and the engagement in a positive worth of mouth, will be tested and examined in the second part. In order to have a better understanding of the research model, the analysis will not only be conducted with all the data, but also separately with data from the local franchising coffee restaurants: Testa Rossa and Coffeshop Company and with the data from the global franchising restaurants: Segafredo and Tchibo. This will show if there is any difference between the local and the global brands regarding the reputation of a franchising company from the customer perspective.

### 5.2.2. Results for Research Question 1

**Research Question 1**: *Is the customer satisfaction an antecedent of the corporate reputation also in the franchising coffee restaurants?*

The first research question addresses one of the antecedents of the customer-based corporate reputation. To answer it, the following hypothesis has been developed based on the literature review:

> **Hypothesis 1**: Customer-based corporate reputation is being influenced by the customer satisfaction.

For testing the above hypothesis, a regression analysis will be conducted. Regression is an analysis that helps to predict values of the dependent variable from one or more independent variables. This type of analysis actually helps to predict an outcome variable from one predictor (simple regression) or from several predictors (multiple regression) (Field 2011). It also helps to measure the power of influence by doing additional calculations. On the other hand, with the regression analysis it is quite difficult to include variables that contain categorical data. This type of data refers to the data that can be divided into different groups that are clearly defined, for example variables like educational level, age or gender groups.

In this particular case, having only one predictor, this being the satisfaction of customers and because both variables, satisfaction and reputation are metric variables, a simple regression will show the influence of "Customer Satisfaction" on the "Customer-based Corporate Reputation". The results of the analysis are shown in the table 8:

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .650 | p= < .05 | β= .806 |

Table 8: Regression: "Customer Satisfaction" on "Customer-based Corporate Reputation"

The $\mathbf{R^2}$ from the regression analysis says how much of the variance is explained by the model. This is by comparing in the first place with how much variance there is to explain. For these data, the value of $\mathbf{R^2}$ is **.650**. This shows that the customer satisfaction can account for 65% of the variation of corporate reputation. In other words, there might be many factors that can explain this variation, but because this model includes only the satisfaction of the customers, this can explain 65% of it. Furthermore, because the significance level has a value smaller than .05, it can be said that the regression model overall predicts corporate reputation significantly well. The standardized beta coefficient tells the gradient of the regression line and the strengths of the relationship between customer satisfaction and the customer-based corporate reputation. In this particular case, the standardized coefficient beta has a value of .806. All things considered, taking the results of the simple regression into consideration, the first hypothesis is confirmed. This means that the higher the satisfaction of the customers, the better the reputation of the company.

To gain a deeper understanding of this antecedent of corporate reputation, two additional regression analysis have been conducted having the same predictor and outcome, just taking the data from the global franchising coffee restaurants (Tchibo and Segafredo) and from the local ones (Testa Rossa and Coffeeshop Company) separately in order to see if there are any differences.

Firstly only the data from the global franchising restaurants was taken, a further simple regression will be conducted. The variables are the same, just the data remains only from Tchibo and Segafredo.

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .695 | p= < .05 | β= .834 |

Table 9: Regression: "Customer Satisfaction" on "Customer-based Corporate Reputation" (Global)

In this case, also the simple regression results show a positive significant influence of the "Customer Satisfaction" on the "Customer-based Corporate Reputation". The model is explained at a level of almost 70% and the correlation between the two variables is high, the value of the standardized beta coefficient is .834. Furthermore, the same analysis was conducted only with the data from the local franchising restaurants: Testa Rossa and Coffeeshop Company. The results are shown in table 10:

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .594 | p= < .05 | β= .771 |

Table 10: Regression: "Customer Satisfaction" on "Customer-based Corporate Reputation" (Local)

In this case, the regression analysis is also significant, the F-ratio having a value lower than .05. The model explains almost 60% of the variance. The R2 value is .594 . The two variables are highly correlated, which is shown by the standardized coefficient beta that has a value of .771.

All things considered, according to Walsh et al. (2009a), customer satisfaction is an antecedent of the customer based corporate reputation. He conducted the study in the energy industry, in B2B. This raised the first research question of this study, if customer satisfaction is an antecedent of the corporate reputation also in the franchising coffee restaurants. After testing this influence with data collected in the B2C sector, from customers of franchising coffee restaurants in Vienna, the Walsh et al. (2009a) findings are confirmed. This brings to the conclusion that the higher the satisfaction of the consumers, the better the reputation of the company. Moreover, the same results have been found, in the global franchising coffee restaurants Segafredo and Tchibo and in the local ones: Testa Rossa and Coffeeshop Company.

### 5.2.3. Results for Research Question 2

**Research Question 2:** *Do companies that are being perceived as global/local influence the customer-based reputation of the company?*

The second research question also concerns the predictors of corporate reputation. To address answer the second topic of the present thesis, the following hypotheses have been developed based on the literature review already described in the second chapter of the thesis.

> **Hypothesis 2**: Perceived brand globalness has a significant influence on the customer-based corporate reputation.
>
> **Hypothesis 3**: Perceived brand localness has a significant influence on the customer-based corporate reputation.

In order to test the second and the third hypothesis, an analysis of simple regression will be conducted. For the second hypothesis the predictor in the regression is the dimension "Perceived Brand Globalness" and the outcome variable is the dimension of "Customer-based Corporate Reputation". The following table shows the results of the second hypothesis:

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .058 | p= < .05 | β= .242 |

Table 11: Regression: "Perceived Brand Globalness" on "Customer-based Corporate Reputation"

From the results it can be seen that the F-ratio is statistically significant, which means that the regression model overall predicts the reputation significantly well. The variance explained by the model is 58% and the correlation between the two variables is .242. Based on these results the second hypothesis is confirmed. This means that the more global perceived company is perceived, the better is its reputation.

For the third hypothesis, the predictor in the regression analysis is the dimension "Perceived Brand Localness" and the outcome variable the same as before, the dimension of "Customer-based Corporate Reputation". The results of this analysis are shown in the table 12 below:

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .020 | p= > .05 | β= .140 |

Table 12: Regression: "Perceived Brand Localness" on "Customer-based Corporate Reputation"

Based on the results, there is no significant influence of the "Perceived Localness" on the "Customer-based Corporate Reputation". Therefore, the third hypothesis is rejected.
All things considered, it seems that perceived globalness has a positive influence on company reputation, while the perceived localness does not show a significant influence. According to Batra et al. (2000), Ger (1993), Douglas et al. (2004) brands that are perceived as global have a better image in the eyes of the customers who consider them having a higher quality and prestige. This seems to influence also the customer perceptions over the reputation.
Summarized, the predictors of the customer-based corporate reputation in the franchising fast food industry seem to be the satisfaction of the customers and the perceived globalness of the brands.

Furthermore, an additional multiple regression analysis is going to be conducted with all the drivers of the Customer-based Corporate Reputation: Satisfaction, Perceived Brand Globalness and Perceived Brand Localness and with the control variables: Age and Gender. This analysis is going to be conducted in order to find out which of the drivers has a higher influence on the reputation of a company.

First of all, there shouldn't be a perfect multicollinearity. This means that between the two predictors there shouldn't be a perfect linear relationship, they should not correlate too highly. Multicollinearity is a problem only for the multiple regressions because in the case of a simple regression there is only one predictor. A perfect collinearity between predictors makes impossible to obtain unique estimates of the regression coefficients and difficult to assess the individual importance of a predictor. The assumption of multicollinearity can be tested with the variance inflation factor (VIF).

This factor indicates if there is a linear relationship between the two predictor-variables (Field 2011). According to Bowerman & O'Connell (1990) and Myers (1990), if the value of VIF is greater than 10, there is a reason to be concerned. This means that the assumption of no multicollinearity is violated. Moreover, a serious problem arises if the tolerance level is below 0.1 (Field, 2011) or 0.2 (Menard 1995). The assumption of no multicollineariry has been met; VIF has a value of 1,043.

The second assumption is the lack of autocorrelation, which means that the two observations should be independent; they shouldn't be correlated (Field 2011). The Durbin-Watson test, which tests whether adjacent residuals are correlated, can be used for testing this assumption. The values of this statistic test can vary between 0 and 4. The residuals are uncorrelated if the value is 2. What is below this number indicates a positive correlation and above a negative correlation (Field 2011). According to Durbin and Watson (1951), problematic values are the ones less than 1 or greater than 3. For the current model, the Durbin-Watson test for the assumption of no autocorrelation has a value of 1,899, which means that the residuals aren't correlated and the assumption is met.

The third assumption before conducting a multiple regression is the assumption of homoscedasticity. This means that the residuals need to have the same variance at each level of the predictors (Field 2011). This assumption is met if the graph looks like a random array of dots that are dispersed evenly around zero. If it looks like a funnel, it means that the assumption is violated. For the current model, the assumption of homoscedasticity is met. Therefore the results of the multiple regression are valid and can be interpreted.

| Reputation | $R^2$ | Significance Level | Standardized beta |
|---|---|---|---|
| **Satisfaction** | .816 | p= < .05 | β= .754 |
| **Perceived Globalness** | | | β= .132 |
| **Perceived Localness** | | p=>.05 | β= .084 |
| **Age** | | p=>.05 | β= .050 |
| **Gender** | | p=>.05 | β= .068 |

Table 13: "Regression: "Perceived Brand Globalness", "Customer Satisfaction", "Perceived Localness", "Age" & "Gender" on "Customer-based Corporate Reputation"

The model explains 81,6% of the variance and has a significant result. As the standardized beta coefficients show, an important finding is the fact that the satisfaction of consumers seems to have a much higher influence on the reputation of a company than the perceived globalness, while the perceived localness, age and gender have no influence on the reputation.

### 5.2.4. Results for Research Question 3

**Research Question 3:** *What are the consequences of the company reputation in the franchising coffee restaurants?*

In order to find out the consequences for a company that has a good reputation the following hypotheses have been developed, described more in detail in the previous chapter:

> **Hypothesis 4**: Customer-based corporate reputation has a significant influence on the customer loyalty.
>
> **Hypothesis 5**: Customer-based corporate reputation has a significant influence on the customers' word of mouth behavior.

For finding out if customer's loyalty and word of mouth behavior are the results of a good reputation of the company, again an analysis of simple regression has been conducted in both cases. For the fourth hypothesis the predictor of the analysis has been defined as the "Customer-based Corporate Reputation" and the outcome variable "Customer Loyalty". The results can be seen in table 14 below:

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .275 | p= < .05 | β= .524 |

Table 14: Regression: "Customer-based Corporate Reputation" on "Customer Loyalty"

As the results of the analysis show, corporate reputation has a significant influence on the loyalty of the customers. This means that the better the reputation of a company is, the more loyal are its customers. The model explains in this case 27, 5% of the variance and the correlation between the two dimensions is .524. Furthermore, for testing the fifth hypothesis, the dimension of "Word of Mouth" is defined as the outcome variable in the next regression analysis that is influenced by the predictor "Customer-based Corporate Reputation". The following table (table 15) shows the results of this analysis:

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .193 | p= < .05 | β= .439 |

Table 15: Regression: "Customer-based Corporate Reputation" on "Word of Mouth"

Taking the results of the regression analysis into consideration, the fifth hypothesis is confirmed. The positive worth of moth behavior is the second consequence of the good reputation of a company. The model seems to explain 19, 3% of the variance and the correlation between the two is .439 in this case. This means that the better the reputation of a company, the more positive the word of mouth behavior of the consumers. Seeing the results, it seems that also in the franchising coffee house sector the consequences of a good reputation are the loyalty of the consumers and their involvement in positive word of mouth behavior. For a better understanding of the third research question, the same analysis has been conducted for hypothesis four and five, but separately, once only with the data from the global franchising systems: Tchibo and Segafredo and once with the data from the local franchising systems: Testa Rossa and Coffeeshop Company. These analyses can provide relevant information in order to see if there is any difference between them regarding the consequences of the reputation. For the fourth hypothesis the results can be seen in table 16 below:

| "Customer Loyalty" | $R^2$ | Significance Level | Standardized beta |
|---|---|---|---|
| **Global Brands** | **.370** | p= < .05 | β= .608 |
| **Local Brands** | **.131** | p= < .05 | β= .362 |

Table 16: Regression: "Customer-based Corporate Reputation" on "Customer Loyalty" (Global, Local)

As the results show, in both cases the regression analyses have a significant results, but in the case of the global brands the variance is more explained by the model, $R^2$ having a value of 37% as in the case of the local brands where $R^2$ has a value of 13,1 %. Also the correlation between the two variables is higher in the case of the global than in the case of the local brands, the standardized beta coefficient having a value of .608 in the first case. For the fifth hypothesis, taking the results from the following table 17 into consideration, it seems that the regression has significant results in both of the cases.

| "Word of Mouth" | $R^2$ | Significance Level | Standardized beta |
|---|---|---|---|
| **Global Brands** | **.310** | p= < .05 | β= .557 |
| **Local Brands** | **.071** | p= < .05 | β= .266 |

Table 17: Regression: "Customer-based Corporate Reputation" on "Word of Mouth" (Global, Local)

Despite the significant results, as in the case of the fourth hypothesis, the variance explained by the model and the correlation between the two dimensions score higher in the case of the global brands. All things considered, the answer for the third research question is that the consequences of a company's reputation in the franchising fast food industry are consumers' loyalty and the engagement in worth of mouth behavior. These are the consequences whether the company is a global or a local one.

### 5.2.5. Results for Research Question 4

**Research Question 4:** *What are the drivers that influence consumers to revisit the coffeehouse?*

In order to find out what would determine consumers to continue buying from a company, the following two hypotheses have been developed according to the literature review:

> **Hypothesis 6**: Customer-based corporate reputation has a positive influence on the purchase intention.
>
> **Hypothesis 7**: Perceived brand globalness and perceived brand localness have an influence on the purchase likelihood.

In order to test the sixth hypothesis a simple regression analysis has been conducted. The predictor in this case is the „Customer-based Corporate Reputation" and the outcome variable is the construct of „Purchase Intention". As can be seen in the table below, the results of the regression analysis are significant and the variance explained by the model is 38, 4%. Moreover, according to the standardized coefficient beta, the correlation between the two variables is .619. This means that the better the reputation of the company is, the more likely the consumers are to revisit the coffeehouse.

| $R^2$ | Significance Level | Standardized beta coefficient |
|---|---|---|
| .384 | p= < .05 | β= .619 |

Table 18: Regression: "Customer-based Corporate Reputation" on "Purchase Intention"

In order to find out if there is any difference regarding the consumers that revisit the coffeehouse considering the fact that it is a local or a global brand, an additional regression analysis has been conducted with data separately taken from each of them, having the same predictor and outcome.

| Purchase Intention | $R^2$ | Significance Level | Standardized beta |
|---|---|---|---|
| **Global Brands** | **.518** | p= < .05 | β= .720 |
| **Local Brands** | **.189** | p= < .05 | β= .435 |

Table 19: Regression: "Customer-based Corporate Reputation" on "Purchase Intention" (Global, Local)

As the results show, in both cases a better reputation of the company determines consumer to continue buying. Despite the fact that both analyses have significant results, the variance explained by the model has a higher value in the case of the global brands, with 51, 8% and the correlation between the two variables is also higher compared to the local. The value of the standardized beta coefficient is .720 in this case. All things considered, it can be concluded that, the better the reputation of a company, the more likely are the consumers to purchase companies' products.

In order to test hypothesis seven, a multiple regression analysis has been conducted. This type of analysis is used when several predictor variables are used in order to predict the value of the depend variable (Field 2011). In this particular case the predictor variables are the constructs of "Perceived Brand Globalness" and "Perceived Brand Localness" and the outcome variable is the construct of "Purchase Intention". In order to draw conclusions about a population based on a multiple regression analysis, there are several assumptions that have to be true (Barry 1993).

Before conducting the main analysis the assumptions will be tested. For the current model, the tolerance statistics (0.727) is well above 0.2 and the value of VIF (1,376) is well below 10. Therefore, the first assumption of no multicollinearity has been met. Furthermore, the Durbin-Watson test has a value of 2,004, which means that the second assumption is perfectly met. By looking at the Scatterplot from the Figure 12 we can see that the third assumption of homoscedasticity is also met.

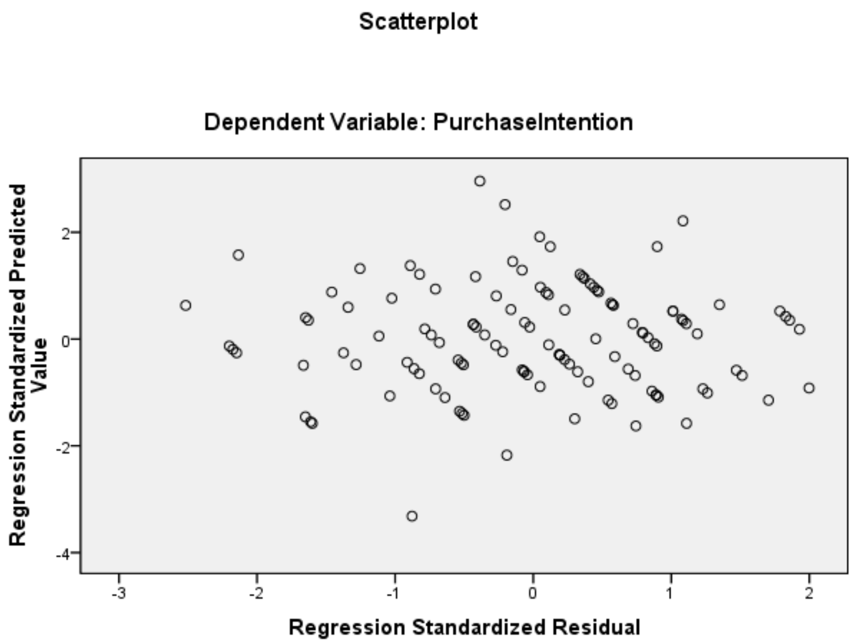


Figure 12: Scatterplot of dependent variable: purchase intention

Because all the assumptions have been met, the results of the multiple regression analysis can be interpreted.

| Purchase Intention | $R^2$ | Significance Level | Standardized beta |
|---|---|---|---|
| **Globalness** | **.149** | p= < .05 | β= .439 |
| **Localness** | | | β= .324 |

Table 20: Regression: "Perceived Brand Globalness" & "Perceived Brand Localness" on "Purchase Intention"

The seventh hypothesis is confirmed, which means that the variables of "Perceived Brand Globalness" and "Perceived Brand Localness" significantly influence the purchase intention of consumers. The model explains 14, 9% of the variance and according to the standardized beta coefficients, the "Perceived Globalness" has a higher influence than "Perceived Localness" on the purchase intention of consumers.

All things considered, the answer of the fourth research question is that the reputation of the company and the global or local perception of it determine customers' purchase intention.

### 5.2.6. Further Analysis

In order to conduct this research, two global brands were chosen: Segafredo and Tchibo and two local brands: Testa Rossa and Coffeeshop Company. To find out if there is any difference between the ways consumers perceive these as global versus local an analysis of the variance has been conducted (ANOVA). This type of analysis is used for comparing several means. These means have to come from more than two different groups of people. Furthermore, the means of four groups of people (Segafredo, Tschibo, Testa Rossa and Coffeshop Company consumers) will be compared and the dimension of "Perceived Globalness" is the dependent variable in this case. The results of this analysis provide information about whether there is a significant difference between the global and the local brands, regarding the way consumer perceive them. Before conducting the ANOVA analysis, the assumptions of normal distribution and homogeneity of variances have to be tested. The normal distribution of the sample will be tested with the Kolmogorov-Smirnof test and the homogeneity of the variance with the Lavene's test. Both tests have no significant results, p>.05 which means that the assumptions are met and the ANOVA analysis results can be interpreted.

| Name of the brand(I) | Name of the brand(J) | Mean difference (I-J) | Significance level |
|---|---|---|---|
| Segafredo | Tchibo | 1,2222 | ,015 |
| | Coffeeshop Company | 1,9667 | ,000 |
| | Testa Rossa | 2,0668 | ,000 |
| Tchibo | Segafredo | -1,222 | ,015 |
| | Coffeeshop Company | ,7444 | ,379 |
| | Testa Rossa | ,8556 | ,193 |
| Coffeeshop Company | Segafredo | -1,9667 | ,000 |
| | Tchibo | -,7444 | ,370 |
| | Testa Rossa | ,1111 | 1,000 |
| Testa Rossa | Segafredo | -2,0778 | ,000 |
| | Tchibo | -,8556 | ,193 |
| | Coffeeshop Company | -,1111 | 1,000 |

Table 21: ANOVA Analysis

According to the results, it seems that there is a significant difference only between Segafredo and the other three coffeehouses regarding the perceived globalness. This means that only Segafredo is being perceived as a global brand by the consumers.

# 6. Discussions and Conclusions (Dana Larisa Lazar, Katharina Pisarew)

## 6.1. Discussion and Implications

### 6.1.1. Discussion

This master thesis deals with the antecedents and consequences of corporate reputation. It extends the previous work conducted in this area (Walsh et al. 2009a), for a specific stakeholder group, in this case, the customers of a special service sector, franchising coffeehouses. The thesis starts with a short overview about the research idea and questions. In order to have a clear distinction between the constructs and the concepts tested in this research, a literature review has been presented. The core concepts are the Customer-based Corporate Reputation (Walsh et al. 2009a, 2009b), its antecedents Customer Satisfaction (Walsh et al. 2009a, 2009b), Perceived Brand Globalness (Steenkamp et al.2003), Perceived Brand Localness and its consequences Customer Loyalty (Walsh et al. 2009a), Word-of-Mouth Behavior (Rossides 2008) and customers' Purchase Intention (Chang and Wildt 1994; Dodds et al. 1991; Putrevu. and Lord 1994). Then, in order to find out which of the main concepts are the ones that drive the reputation of a company and also what are the consequences for a company that has a good reputation, based on the literature review, seven hypotheses have been developed. To test these hypotheses a questionnaire in German language was developed and self-administered in several places in Vienna, Austria. The sample consists of 120 respondents with the allocation of 30 customers per each franchising system. After screening, editing the data and checking the reliability of the scales, the main analysis has been run.

As expected, the **first hypothesis** has been supported by the data. Results show that customers' satisfaction has a high influence on the customer-based corporate reputation. This result sustains Walsh et al. (2009a) findings conducted in the energy sector. These findings confirm also Nguyen and Leblanc (2001) statement that suggests that a company can measure its reputation by taking as indicators the ability of satisfying the desires of its customers. The same is also valid also for Walsh, Dinnie and Wiedmann (2006) for research conducted in the retailing and utility services. They also demonstrated the association between customer satisfaction and the corporate reputation, but without assessing its impact. The same results have been found by conducting this analysis not only with all the collected data, but also separately, with data only from the global versus local companies.

For the **second hypothesis**, a significant positive influence of the perceived brand globalness on the customer based corporate reputation has been found. Although there are several authors that have mentioned that consumers tend to perceive global brands as having a better quality and guarantees than local ones (eg. Batra et al. 2000, Ger 1993, Douglas et al. 2004) and have also a special duty to tackle environmental issues (Douglas et al. 2004), characteristics that are considered as keys correlate of corporate reputation (Walsh and Beatty 2007), rarely has this been empirically established.

The **third hypothesis** has been rejected. Based on the data, perceived brand localness has no influence on the corporate reputation. The direct link between the two variables hasn't been empirically established despite the fact that according to Schuiling and Kapferer (2004) and Kapferer (2002) local brands seem to generate emotional connotations to local consumers, which according to Fombrun et al. (2000) is a dimension of the corporate reputation.

On the other hand, all the hypotheses that take the consequences of the corporate reputation into consideration have been confirmed.

The **fourth hypothesis** is sustained by data and shows that the customer-based corporate reputation has a significant positive impact on the customer loyalty. Our results sustain the findings of Walsh (2009, 2009b) and Walsh and Widmann (2004), who have demonstrated in their studies conducted in banking, retailing, energy sector and in the fast-food restaurants sector that there is a positive influence of the customer-based corporate reputation and customer loyalty.

The results of the **fifth hypothesis** show a positive significant influence of the corporate reputation on the word of mouth behavior. This finding sustains Walsh et al. (2009b) research. According to their findings, customers adopt a positive word of mouth behavior regarding companies that have a good reputation, while on the other hand companies with a bad reputation may stimulate a negative word of mouth.

Regarding the **sixth hypothesis**, the direct link between the corporate reputation and purchase intention hasn't been empirically established in the literature. Anyway, according to Rossides (2008) consumers are more likely to purchase the products of a company that is socially responsible, this being a dimension of the corporate reputation (Walsh and Beatty 2007; Fombrun et al. 2000; Schreiber 2008b). Our findings show a positive and significant influence of the customer-based corporate reputation on the customers' purchase intention.

Hypotheses four, five and six have been tested not only with all the data collected, but also separately with data only from the global versus local brands and in all of the results were positive and significant..

The **seventh hypothesis** has also been confirmed. Perceived brand globalness and localness has a significant influence on the purchase likelihood. The results sustain Steenkamp et al. (2003) findings, who collected data from consumers in Korea and in the U.S.A. The figure 13 summarizes confirmed hypothesizes are displayed as a straight red line, and rejected hypotheses are displayed as dotted black line.

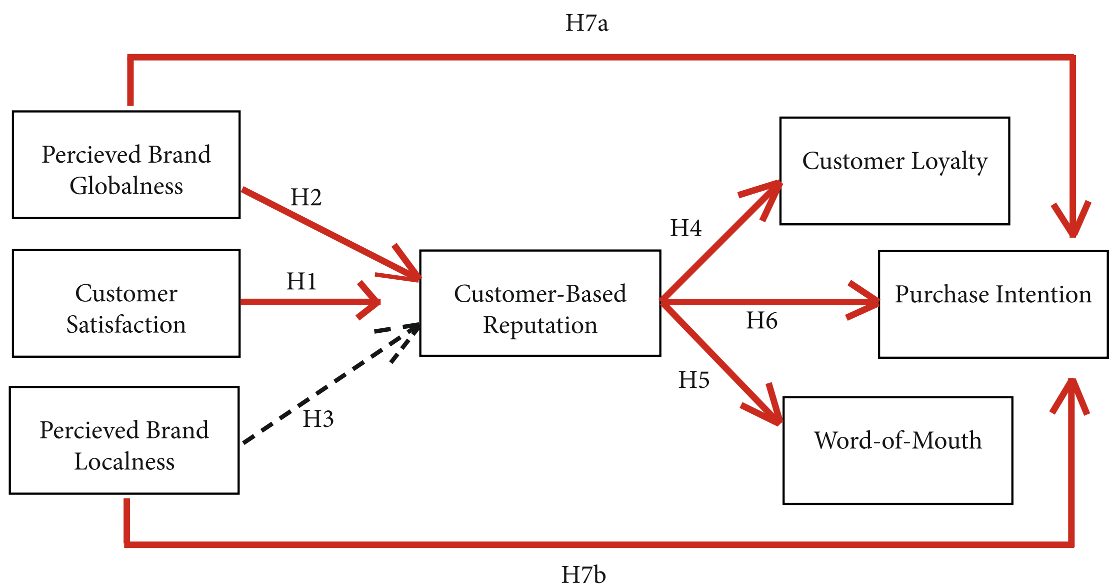


Figure 13: Research Model with confirmed and rejected hypotheses.

### 6.1.2. Managerial implications

Key insights from current research illustrate managers of franchising coffeehouses, that there are important consequences and consumer antecedents that correlate positively with the customer-based corporate reputation. Present thesis demonstrates that important variables regarding customer behavior not only influence, but are also influenced by the customer-based corporate reputation. This can help firms when developing strategies by focusing on these specific consequences and antecedents. It can help to allocate resources in a more effective and efficient way.

First of all, if a company wants to have a good reputation, it is very important to deliver customer satisfaction. In order to achieve this, it is important for a company in this sector to get its service right because satisfied consumers will also rate the company's reputation more favorable. According to Walsh et al. (2009b), the dimensions of customer-based corporate reputation is a company that is strong financially, its orientation towards customers, a good employer that is reliable and offers high quality service with environmental friendly products. This thesis shows that companies in this sector have to be focused more on the dimension of product and the quality of its service since this has a direct link to the satisfaction of consumers.

Furthermore, the results of this research show that consumers that perceive the brands as being global increase the reputation of a company. We suggest that managers should adopt a global branding strategy. This can benefit and increase the reputation of the company and has a direct link to the customers' likelihood of revising the coffeehouse. It seems that consumers tend to associate the global brands with better quality and guarantees than the local ones (eg. Batra et al. 2000; Ger 1993, Douglas et al. 2004) and also with environmental friendly (Douglas et al. 2004), dimensions that influence the reputation of a company from the customer perspective.

Based on our results, a company that has a good reputation can benefit from this when it comes to the retention of its customers. Another insight for managers is that when the company has a good reputation, than it is worth to make investments in customer loyalty programs. Since the reputation has a direct link to the loyalty of consumers, if the company has a bad reputation than it would be better to investigate why customers are dissatisfied and try firstly to fix that and increase the satisfaction.

A further aspect is the worth of mouth behavior. According to Walsh et al., this type of promotion is considered to be independently in the promotional mix due to the fact that it has "unique qualities of being a non-marketing two-way flow free exchange of information which is an experience-delivery mechanism, independent and therefore credible" (Walsh et al. 2009a, p.198). What managers should take into consideration is that if the company has a reputation that is being perceived as a good one, it is worth to invest in word of mouth campaigns, hence there is a direct link between the two variables, if not, they should better concentrate on other types of promotional activities. All things considered, it is crucial for a company to have a good reputation in order to be successful. For achieving this, customers should be first of all very satisfied with the company's services and products.

## 6.2. Conclusions and Limitations

### 6.2.1. Conclusions

The aim of this study was to establish three contributions. First of all, to test the model developed by Walsh et al. (2009) that measures not only the consequences, but also the antecedents of customer-based corporate reputation in the franchising coffeehouse sector in Austria. The second contribution was to improve the model by finding other drivers of the customer-based corporate reputation and provide an explanation for this. The third was to find another direct relationship between the customer-based corporate reputation and the already tested outcomes of loyalty and word of mouth behavior, by finding another direct link with customers' likelihood of revisiting the coffeehouse.

In order to achieve these objectives, we extended the previous work by Walsh et al. (2009), whose research was conducted in the B2B service sector. They tested the outcomes and antecedents of customer-based corporate reputation by surveying the customers of a company that is active in the energy supply sector from Germany. We focused on a specific stakeholder group, customers of global and local franchising coffeehouses in Austria, in the B2C service sector. According to our findings, it seems that there is no difference between B2B and B2C customers. In both cases, their satisfaction with the company's products and services is a very important driver of the corporate reputation. Moreover, it seems that loyalty and the word of mouth behavior is an important reaction to company's reputation not only for the customers in the B2B sector, but also for those in the B2C sector. Furthermore, we extend the research of Walsh et al. (2009) by finding other drivers of a company's reputation from the customer perspective. We are the first who examined if the way consumers perceive a company (global versus local) has an impact on its reputation. Our findings show that there is a significant positive impact for the companies that are being perceived as global regarding the reputation. We conclude that besides the satisfaction of consumers, the perceived globalness is another antecedent of the corporate reputation. On the other hand, according to Walsh et al. (2009) model the word of mouth behavior and customer loyalty are the outcome variables of the reputation of a company from the customer perspective. According to our findings, these results seem to be applicable also in the B2C service sector. Moreover, besides loyalty and the engagement in a word of mouth behavior, we found another outcome of the corporate reputation from the customer perspective. It seems that the reputation of a company has a direct link to customers' intention of revisiting the coffeehouse. In conclusion, companies that want to be successful and want loyal customers while gaining new ones, should focus on these tested antecedents, try to satisfy their customers and apply a global branding strategy in order to achieve a good reputation.

### 6.2.2. Limitations

As all empirical investigations, this thesis suffers also from some limitations that reduce the generalizability of the results. First of all, the research has investigated global and local franchising coffeehouses only in one country, Austria. Future research can investigate these influences of customer-based corporate reputation also in other geographic areas in order to see if the impact remains the same. In order to validate these findings, this research needs to be conducted in more countries (Jaffe and Nebenzahl 2006). A further limitation is built upon the small sample size. 30 respondents have been surveyed for each franchising company: Segafredo, Tchibo, Testa Rossa and Coffeeshop Company. This limited approach keeps us from generalizing our findings. Another limitation of our research is that, for testing both dependent and independent variables only one instrument has been used. Future research should take these aspects into consideration and use different methods for assessing different aspects regarding the corporate reputation.

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# 8. Appendix

## A. Questionnaire (German Version)

universität wien

**Univ. Prof. Dr. Josef Windsperger**
**Institut für Betriebswirtschaftslehre**
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Sehr geehrter Franchise-Kunde,
sehr geehrte Franchise-Kundin,

vielen Dank, dass Sie an dieser wichtigen Befragung zu Ihren Erfahrungen mit diesem Franchise-Restaurant teilnehmen. Seien Sie versichert, dass im Rahmen der Auswertung dieser Befragung keinerlei Rückschlüsse auf Ihre individuellen Antworten gezogen werden. Die erhobenen Daten dienen ausschließlich wissenschaftlichen Zwecken. Bitte geben Sie bei der Beantwortung der Fragen Ihre ehrliche Meinung an.

Die Beantwortung dieses Fragebogens wird ungefähr 10 Minuten in Anspruch nehmen.

Vielen Dank im Voraus für Ihre Unterstützung.

Teil 1: In diesem Abschnitt möchten wir Sie fragen, wie Sie über das **Kaffeehaus ‚Coffeeshop Company'** allgemein denken. Bitte schauen Sie sich die folgenden Aussagen an und kreuzen Sie jeweils das Kästchen an, das Ihre Meinung am besten wiedergibt.

| | Stimme überhaupt nicht zu | Stimme nicht zu | Stimme eher nicht zu | Neutral | Stimme eher zu | Stimme zu | Stimme voll-kommen zu |
|---|---|---|---|---|---|---|---|
| Mein Gesamteindruck, im Hinblick auf alle meine Erfahrungen mit diesem Kaffeehaus, ist sehr gut. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Mein Gesamteindruck bezüglich dieses Kaffeehauses, im Vergleich zu seinen Konkurrenten, ist sehr gut. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich glaube an eine gute langfristige Zukunft für dieses Kaffeehaus. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich glaube, dass die Marktposition dieses Kaffeehauses gut ist. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Die Wahrnehmbarkeit dieses Kaffeehauses am Markt ist hoch. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

Teil 2: In diesem Abschnitt wird nach Ihrer Meinung zu Ihren Erfahrungen mit dem **Kaffeehaus ‚Coffeeshop Company'** als Marke gefragt. Betrachten Sie bitte die folgenden Aussagen und kreuzen Sie jeweils das Kästchen an, das Ihre Meinung am besten wiedergibt.

| | Stimme überhaupt nicht zu | Stimme nicht zu | Stimme eher nicht zu | Neutral | Stimme eher zu | Stimme zu | Stimme voll-kommen zu |
|---|---|---|---|---|---|---|---|
| Ich bin mit diesem Kaffeehaus zufrieden. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Dieses Kaffeehaus gefällt mir. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich stehe diesem Kaffeehaus positiv gegenüber. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Meine Erfahrungen mit dieser Marke waren positiv. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Alles in allem ist es sehr wahrscheinlich, dass ich dieses Kaffeehaus tatsächlich wieder besuchen werde. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

Beabsichtigen Sie, in naher Zukunft wieder das **Kaffeehaus ‚Coffeeshop Company'** zu besuchen? Ja Nein

| | Stimme überhaupt nicht zu | Stimme nicht zu | Stimme eher nicht zu | Neutral | Stimme eher zu | Stimme zu | Stimme voll-kommen zu |
|---|---|---|---|---|---|---|---|
| Ich würde anderen Leuten empfehlen, dieses Kaffeehaus zu besuchen. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich würde dieses Kaffeehaus anderen Leuten empfehlen, die daran interessiert sind, auswärts zu essen. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich würde gern mit anderen Leuten über meine Erfahrungen mit diesem Kaffeehaus reden. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich würde gerne andere Kaffeehäuser ausfindig machen, bei denen ich Kunde werden könnte. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich hänge daran, bei diesem Kaffeehaus Kunde zu sein. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich wäre bereit, einen höheren Preis zu zahlen, um bei diesem Kaffeehaus zu essen/trinken, als bei anderen Marken. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich werde dieses Kaffeehaus besuchen, wenn ich das nächste Mal auswärts esse/trinke. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich beabsichtige, weiterhin dieses Kaffeehaus zu besuchen. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich fühle, dass die Werte dieser Kaffeehauskette meinen eigenen Werten entsprechen. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Diese Kaffeehaus und ich scheinen ähnliche Werte zu teilen | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

TEIL 3: In diesem Abschnitt möchten wir Ihre Meinung zu Ihren Erfahrungen **in einem spezifischen Coffeeshop Company Kaffeehaus** (unter all den Standorten von Coffeeshop Company) erfahren. Bitte prüfen Sie die folgenden Aussagen und geben Sie Ihre Antworten, indem Sie das jeweils am besten passende Kästchen ankreuzen.

Zufriedenheit mit ***Coffeeshop Company*** dieser Kaffeehauskette:

| | Stimme überhaupt nicht zu | Stimme nicht zu | Stimme eher nicht zu | Neutral | Stimme eher zu | Stimme zu | Stimme voll-kommen zu |
|---|---|---|---|---|---|---|---|
| Ich bin mit meinen bisherigen Erfahrungen, wenn ich in diesem Kaffeehaus gegessen/getrunken habe, zufrieden. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Meine Erfahrungen mit diesem Kaffeehaus gefallen mir gut. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Meine Erfahrungen in diesem Kaffeehaus haben bei mir eine positive Grundhaltung gegenüber dieser Marke entstehen lassen. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Meine Erfahrungen mit diesem Kaffeehaus sind hervorragend. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich fühle mich zufrieden mit den Erfahrungen, die ich in diesem Kaffeehaus gemacht habe. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

TEIL 4: Die nächsten Aussagen beziehen sich darauf, inwieweit **Coffeeshop Company** ihrer Meinung nach außerhalb von Österreich reicht verbreitet ist, sowie, wie sehr sie mit Österreich verbunden ist.

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|---|---|---|---|---|---|---|---|---|
| Für mich Coffeeshop Company ist eine lokale Marke. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | Für mich Coffeeshop Company ist eine *globale* Marke. |
| Ich denke nicht, dass Konsumenten im Ausland die Marke Coffeeshop Company nutzen. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | Ich denke, dass Konsumenten im Ausland die Marke Coffeeshop Company nutzen. |
| Die Marke Coffeeshop Company wird ausschließlich in Österreich genutzt. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | Die Marke Coffeeshop Company wird in der ganzen Welt genutzt. |

| Inwieweit treffen die folgende Aussagen auf die Marke **Coffeeshop Company** zu? | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stimme überhaupt nicht zu | Stimme nicht zu | Stimme eher nicht zu | Neutral | Stimme eher zu | Stimme zu | Stimme voll-kommen zu |
| Die Marke Coffeeshop Company ist meiner Ansicht nach fixer Bestandteil des österreichischen Alltags. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Ich verbinde die Marke Coffeeshop Company mit Österreich. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Der „typische" Österreicher nutzt die Marke Coffeeshop Company. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Die Marke Coffeeshop Company ist Teil der österreichischen Kultur. | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

| | |
|---|---|
| Aus welchem Land, denken Sie, kommt die Marke **Coffeeshop Company?** | |

TEIL 5: Fragen zur Einordnung:
Dieser letzte Abschnitt dient dazu, dass wir Ihre Antworten und die Antworten anderer Befragter in Bezug setzen können. Die Fragen sind nicht dazu gedacht, Sie in irgendeiner Hinsicht identifizieren zu können. Wir versichern ausdrücklich, dass Ihre persönliche Identität niemals offengelegt werden wird.

| | | |
|---|---|---|
| Ihr Geschlecht? | Männlich Weiblich | |
| Ihr ungefähres Alter? | ☐ 15 – 20 Jahre<br>☐ 21 – 30 Jahre<br>☐ 31 – 40 Jahre | ☐ 41 – 50 Jahre<br>☐ 51 – 60 Jahre<br>☐ älter als 60 Jahre |

Was ist Ihr höchster bisheriger Abschluss (die richtige bitte unterstreichen):

- Grund-/Hauptschulabschluss
- Abitur
- Ausbildung / Lehre
- Fachhochschulabschluss
- Hochschulabschluss

Standort dieses Kaffeehauses ________________________________

Wie häufig besuchen Sie Coffeeshop Company Kaffeehauskette? ________________________________________

Wie oft essen Sie pro Woche auswärts? __________________________________________________________

Was sind Ihre drei Lieblingsartikel auf der Speise- und Getränkekarte der Coffeeshop Company Kaffeehauskette?

[1] ________________________________ [2] __________________________________ [3]_______________________________

Haben Sie Anmerkungen für das Forschungsteam?

| |
|---|
| |

**Vielen Dank für Ihre Teilnahme an dieser Umfrage!**

# B. Reliability Analysis 1

## Overall

| Scale | Cronbach's Alpha if Item is Deleted |
|---|---|
| *Reputation* | |
| Overall perception of all experiences | ,849 |
| Perception compared to other franchise restaurants | ,848 |
| Good long-term future | ,825 |
| Good market standing | ,827 |
| High visibility | ,856 |
| *Satisfaction* | |
| Satisfaction with restaurant | ,923 |
| Pleasure with restaurant | ,922 |
| Favorably disposed towards restaurant | ,916 |
| Brand experience positive | ,934 |
| Highly likely dine at brand again | ,935 |
| Highly likely dine at brand again | ,935 |
| *Word-of-Mouth* | |
| Recommend to dine at franchised restaurant | ,694 |
| Recommend to dine out | ,621 |
| Gladly talk about experiences | ,642 |
| Seek other franchised restaurants to patronize | ,837 |
| *Loyalty* | |
| Commit to patronize | ,902 |
| Willing to pay higher price | ,901 |
| buy brand next time dining out | ,893 |
| Intention to keep purchasing brand | ,902 |
| Values of system match my own | ,891 |
| Brand and I appear to share similar values | ,899 |
| *Globalness* | |
| For me its a local brand | ,866 |
| Customers use the brand abroad | ,848 |
| The brand is only used in Austria | ,828 |
| *Localness* | |
| Common for Austrian market | ,932 |
| Connecting the brand to Austria | ,916 |
| Typical Austrian uses this brand | ,926 |
| The brand is a part of Austrian culture | ,912 |

## C. Reliability Analysis 2

### Separately for global and local franchising systems

| **Scale** | **Cronbach's Alpha if Item is Deleted** | |
|---|---|---|
| *Reputation* | Global | Local |
| Overall perception of all experiences | ,864 | ,825 |
| Perception compared to other franchise restaurants | ,862 | ,828 |
| Good long-term future | ,851 | ,775 |
| Good market standing | ,848 | ,791 |
| High visibility | ,871 | ,834 |
| *Satisfaction* | | |
| Satisfaction with restaurant | ,915 | ,936 |
| Pleasure with restaurant | ,914 | ,933 |
| Favorably disposed towards restaurant | ,909 | ,926 |
| Brand experience positive | ,934 | ,934 |
| Highly likely dine at brand again | ,934 | ,935 |
| Highly likely dine at brand again | ,915 | ,936 |
| *Word-of-Mouth* | | |
| Recommend to dine at franchised restaurant | ,608 | ,807 |
| Recommend to dine out | ,592 | ,693 |
| Gladly talk about experiences | ,610 | ,711 |
| Seek other franchised restaurants to patronize | ,871 | ,781 |
| *Loyalty* | | |
| Commit to patronize | ,908 | ,848 |
| Willing to pay higher price | ,916 | ,833 |
| buy brand next time dining out | ,896 | ,830 |
| Intention to keep purchasing brand | ,927 | ,828 |
| Values of system match my own | ,916 | ,817 |
| Brand and I appear to share similar values | ,908 | ,848 |
| *Globalness* | | |
| For me its a local brand | ,829 | ,852 |
| Customers use the brand abroad | ,821 | ,815 |
| The brand is only used in Austria | ,755 | ,842 |
| *Localness* | | |
| Common for Austrian market | ,889 | ,936 |
| Connecting the brand to Austria | ,876 | ,915 |
| Typical Austrian uses this brand | ,881 | ,926 |
| The brand is a part of Austrian culture | ,876 | ,909 |

## D. Abstract (English)

Today, more and more companies are getting aware of the importance of their reputation, particularly in such an increasingly competitive world as today. Strong and positive reputation leads to the increase of company's profitability by attracting customers to purchase companies products and use its services, the best workers to chose the company as its employer and the investors to trust and invest into its stocks. Moreover according to numerous academics, good reputation implies higher quality of the products and services offered by the company, as well as certainty that it would treat its customers well. The importance of the reputation has been increasing through the years, as the modern customer has become more and more aware of what is happening in the marketplace. In today's world, the information travels within a second and is then available and accessible to everyone from almost everywhere in the world.

This master thesis seeks to address the issue corporate reputation of the franchising systems in Austrian coffeehouse sector from the customer perspective, differentiating between global and local franchising businesses. We will also look at the drivers of corporate reputation and try to explain that relationship. The questions are raised in this paper: "What are the main drivers (antecedents) and what are the main outcomes (consequences) of the corporate reputation from the customer perspective?", "What are the drivers of the consumers to re-purchase certain brand?", "Is there a difference for global perceived and local perceived brands?". Four franchising systems in the Austrian coffee house sector are chosen for the empirical analysis: Segafredo and Tchibo as global and Testa Rossa and Coffeeshop Company as local franchising coffee house businesses. The differences between global and local brands are to be explored, whether the customer perception of the company reputation is better for global or local coffee houses is going to be analyzed.

The study revealed that satisfaction with the company's products and services is a very important driver of the corporate reputation. More, loyalty and the word of mouth behavior is an important reaction of the company's reputation for the customers in B2C business. Our findings show that there is a significant positive impact for the companies that are being perceived as global regarding the reputation. We conclude that besides

the satisfaction of consumers, the perceived globalness is another antecedent of the corporate reputation.

## E. Abstract (German)

Heute, wird immer mehr Unternehmen bewusst, wie wichtig die Reputation ist, vor allem in solch einer zunehmend wettbewerbsorientierten Welt wie heute. Starke und positive Reputation führt zur Steigerung der Unternehmensprofitabilität durch die Kundengewinnung, indem sie die Unternehmensprodukte kaufen und ihre Dienstleistungen verwenden; die besten Arbeiter wählen das Unternehmen als Arbeitgeber und die Investoren vertrauen und investieren in ihre Wertpapiere. Zahlreiche Akademiker erklären dass gute Reputation auf Qualität der Produkte und Dienstleistungen des Unternehmens, hinweisen. Die Bedeutung der Reputation hat im Laufe der Jahre zugenommen, als dem modernen Kunde immer bewusst wurde, was im Markt passiert. In der heutigen Welt, wird die Information innerhalb einer Sekunde verteilt und ist dann verfügbar und zugänglich von fast überall in der Welt.

Diese Diplomarbeit soll der Aspekt der Reputation des Unternehmens der Franchise-Systemen in der österreichischen Kaffeehaus-Branche aus der Sicht des Kunden anzusprechen, mit der Unterscheidung zwischen globalen und lokalen Franchise-Unternehmen. Wir werden auch die Einflussfaktoren der Reputation des Unternehmens anschauen und versuchen, diese Beziehung zu erklären. Die Fragen werden in dieser Arbeit behandelten: "Was sind die wichtigsten Einflussfaktoren (Vordersatz) und was sind die wichtigsten Ergebnisse (Folgen) der Reputation des Unternehmens aus der Kundenperspektive?"; „Was sind die Einflussfaktoren von der Konsumenten eine bestimmten Marke wieder zu kaufen?"; „Gibt es einen Unterschied zwischen die Wahrnehmung von die globale und lokale Marken?".

Vier Franchise-Systeme in der österreichischen Kaffeehaus-Branche sind für diese empirische Analyse ausgewählt: Segafredo und Tchibo als globale und Testa Rossa und Coffeeshop Company als lokale Franchise-Kaffeehaus-Unternehmen. Die Unterschiede zwischen globalen und lokalen Marken sollen erforscht werden, indem die Kundenwahrnehmung der Unternehmensreputation für die globalen oder lokalen Kaffeehäusern analysiert wird.

Die Studie ergab, dass die Zufriedenheit mit den Produkten und Dienstleistungen des Unternehmens ein sehr wichtiger Einflussfaktor der Unternehmensreputation ist. Außerdem, ist die Loyalität und das Mundpropaganda Verhalten eine wichtige Reaktion

der Unternehmensreputation für die Kunden im B2C-Geschäft ist. Unsere Ergebnisse zeigen, dass es eine signifikante positive Auswirkungen für die Unternehmen in Bezug auf die Reputation gibt, die als global wahrgenommen werden. Wir schließen daraus, dass neben der Zufriedenheit der Konsumenten, die wahrgenommene Globalität ein anderer Einflussfaktor der Unternehmensreputation ist.

## F. Work Distribution of Authors

| | |
|---|---|
| 1. Introduction | Dana Larisa Lazar, Katharina Pisarew |
| 2. Literature Review | |
| 2.1. Franchising | Dana Larisa Lazar, Katharina Pisarew |
| 2.2. Reputation | Katharina Pisarew |
| 2.3. Brand and branding | Dana Larisa Lazar |
| 3. Franchising in fast food industry | |
| 3.1. Segafredo | Katharina Pisarew |
| 3.2. Tschibo | Dana Larisa Lazar |
| 3.3. Coffeeshop Company | Katharina Pisarew |
| 3.4. Testa Rossa Caffe | Dana Larisa Lazar |
| 4. Research Questions | |
| 4.1. Research Objectives | Dana Larisa Lazar, Katharina Pisarew |
| 4.2. Development of Hypotheses | Dana Larisa Lazar, Katharina Pisarew |
| 5. Empirical Study | |
| 5.1. Research Method | Dana Larisa Lazar, Katharina Pisarew |
| 5.2. Research Findings | Dana Larisa Lazar, Katharina Pisarew |
| 6. Conclusion and Discussion | Dana Larisa Lazar, Katharina Pisarew |

## G. Curriculum Vitae

# DANA LARISA LAZAR

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Austria
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PERSONAL DATA

| | |
|---|---|
| Name: | Dana Larisa Lazar |
| Date of birth: | 08 June 1987 |
| Place of birth: | Reghin, Romania |

WORK EXPERIENCE

07.2011 – 03.2012 **Hoerbiger Compression Technology** Vienna, Austria

- Intern in Marketing & Marketing Research
- Projects:
  Implementation of Marketing Intelligence
  Social Media in B2B
  Branding in B2B

05.2009 – 06.2009 **EBS Romania S.R.L.** Cluj Napoca, Romania

- Intern in the Administration Department
  User Help Desk/ first level support
  Call Center
- Gained skills:
  Working under stress
  Ability to work in a team
  Results-oriented and analytical thinking

## EDUCATION

03.2010 – 05.2012 **University of Vienna** Vienna, Austria

- *Magister of Business Administration* with concentration International Marketing and Innovation and Technology Management

10.2006 – 07.2009 **Babes Bolyai University** Cluj Napoca, Romania

- *Bachelor of International Business Administration*
- *Final degree grade Bachelor: 9.25/10*

10.2007 – 02.2008 **Fachhochschule Hof** Hof, Germany

- *International Management Major:* ERASMUS exchange semester

2002 - 2006 **German High School Samuel von Brukenthal** Sibiu, Romania

- *Secondary Education Diploma*

## PERSONAL SKILLS AND LANGUAGES

Languages

- Romanian: mother tongue
- English: business fluent
- German: business fluent
- Spanish: basics

Computer skills

- MS Office (Word, Excel, Power Point)
- Windows XP/Vista
- SPSS

Personal skills

- Good communication skills
- Intercultural Skills – gained while studying abroad
- Work with team members
- Logical, Analytical, results-oriented thinking