# Exploring Impact of Corporate Image and Customers' Aversion to Risk on Sustainability

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**Abstract:** Trust in the existing customer behaviour literature has been acknowledged as an important determinant of decisions made and actions taken by customers. Its multidimensional linkages are useful to both marketers and practitioners as they enable both to understand why customers behave the way they behave. This article proposes corporate image and customer's aversion to risk as important predictors of trust that develops the sustainability of a firm in the competitive markets and influences its financial performance.

**Keywords:** Risk, Sustainability, Corporate Image, Performance

## 1 Introduction

The corporate image of a firm sets the foundation of expectations that its customers can have from the firm (Podnar and Jancic, 2006). The theoretical view explains that customers' trust is linked to their aversion to risk (Knox and Walker, 2001). The trust that customers have is dependent not only on the type and quality of products or services being offered by the firm but also on the corporate image of the firm (Achrol and Kotler, 1999). A study of relationship between loyalty and customer's aversion to risk was performed recently by Matzler et al. in 2008, and it was found that trust is affected by customer's aversion to risk and to financial robustness (Fukuyama, 1995; La Porta et al., 1997; Solow, 1995; Williamson, 1993).

Nurturing trust in the minds of the customers is important for a company aiming to develop loyal customers as these customers become instrumental in its sustainability (Parvatiyar and Sheth, 2001). Furthermore, the evidence of a strong correlation between customer loyalty and performance of the firm has been provided to researchers by various studies such as Hung et al., 2003; Mavondo and Farrell, 2003. Long-term sustainability of the image of the firm can be assessed from the response of customers towards risk anticipated by them in dealing with the firm (Lawer and Knox, 2006). The objective of this research is to understand the role played by corporate image and aversion of customers to risk in developing sustainability of the firm.

## 2 Sustainability

Sustainability of an organisation is a combination of social and economic factors (Zink, 2007). Theory of sustainability in the business domain explains that a sustainable business is dependent on its ability to evaluate and use tangible and intangible resources available for achieving its current objectives and following a growth path for future (Schutter, 2008). The balance scoreboard theory of Kaplan and Norton (1997) allows companies to consider both monetary and non-monetary aspects of businesses to be sustained by firms as they contribute to its growth (Choong, 2008). From the social aspect, sustainability is based upon the longevity of an organisation's orientation to the current and future needs of its customers (Kohli and Jaworski, 1990; Zink, 2007). Signitzer and Prexl (2008) proposed that sustainability comes from trust in the top management and corporate image of its organisational systems.

The assumptions made by this research are based on the correlation between trust that customers have in the firm and the corporate image that firms develop (Bendapudi and Leone, 2002; Fombrun and Shanley, 1990; Morgan and Hunt, 1994). On the basis of the review of literature, this research interprets the role of

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corporate image (Bennett and Gabriel, 2001; Menon and Menon, 1997) and customer's aversion to risk (Kahneman and Tversky, 1979; Pratt, 1964) as the determinants of trust (Matzler et al., 2008; Morgan and Hunt, 1994; Sirdeshmukh et al., 2002). Conceptually grounded in the theory of sustainability (Baumol et al., 1977), this article proposes evaluation of the two given constructs, that is aversion of customers to risk as and corporate image in building trust that helps a company to sustain its growth in the competitive markets.

## 3 Corporate Image

Advertising literature has been proposing a linkage between corporate image of a firm and behaviour of customers towards the firms since 1962 (DaSilva and Alwi, 2008; Gurhan-Canli and Batra, 2004; Jovalgi et al., 1994; Penn et al., 1963). Corporate image as proposed by Ruyter and Wetzels (2000) is a source of information that signals its credibility and generates an image in the minds of the customers. The evaluations of these signals made by customers about the quality of products offered by the firm leads the development of the notion of trustworthiness of the firm (Gurhan-Canli and Batra, 2004). Favourability demonstrated by customers progresses towards strengthening of corporate image of the company held by customers in their minds (Anselmsson et al., 2007). The corporate image of the firm influences its sustainability in competitive markets (Roberts and Dowling, 2002). This section of research is developed to understand the relationship between corporate image, trust and sustainability enabling two initial propositions.

P1: The image of the firm held by customers in their minds influences the trust that customers have in the firm. We believe that the stronger the influences of corporate image the stronger the trust (enhanced loyalty) and *vice versa*.

P2: The image of the firm held by customers in their minds influences the sustainability of the firm in competitive markets. This intimates a correlation between the strength of corporate image influence and sustainability of brand trust.

There is another factor that is included in this research and that is the risk perception of customers towards the organisation. Blomquist (1997), Mayer et al. (1995) and Rempel et al. (1985) observed that trust arose out of perceived risk. To consider the strength of brand trust, risk perception of the brand and the organization becomes critical.

## 4 Risk Aversion

Previous research has empirically demonstrated that targeting risk-averse customers influences the market share of a company (Kohli and Jaworski, 1990; Rajagopal, 2006). A study of relationship between loyalty and customer's aversion to risk was performed recently by Matzler et al. in 2008, and they was found that trust is affected by customer's aversion to risk. The research performed by Knox and Walker (2001) suggested that commitment demonstrated by the firm is important for developing loyal customers and is dependent upon its risk bearing ability. The commitment shown by a firm enables its customers to develop a favourable attitude for the firm and drives them towards loyalty (Eisingerich and Bell, 2007). The relationship between trust of customers and their aversion to risk influences the sustainability of the business (Cox, 2007; Menon and Menon, 1997). The commitment and support provided by the firm works as a litmus test, as it enables customers to understand the amount of risk associated in dealing or working with the firm (Hall, 2007; Shekhar, 2008). This section aims to evaluate the relationship between customer's aversion to risk, trust and its sustainability enabling two further propositions.

P3: The aversion of customers to the risk in dealing with the firm influences the trust that customers have in the firm.

P4: The aversion of customers to the risk in dealing with the firm influences the sustainability of the firm in competitive markets.

To consider these propositions, we have attempted to consider the implications of brand trust.

## 5 Brand Trust

Trust is a multidisciplinary construct that attracts scholars from various fields such as psychology, organisational behaviour and social marketing and has been defined in many ways within the marketing literature (Balmer, 2001; Brown et al., 1994, 2005; Gordon, 2007; Sparks and Schenk, 2001). Trust, as explained by Delgado-Ballester and Munuera-Aleman (2003), is an important feature of a relationship as it involves confident behaviour of customers based on expectation and risk management skills of the company. Trust is developed as a result of aversion in customers towards the risk involved in dealing with the firm (Ha, 2004; Singh and Sirdeshmukh, 2000). Committed customers developed based on the trust contribute to the sustainability of a business plan (London and Hart, 2004). Correlation between two identified important constructs namely trust and corporate image when mediated by customers' aversion to risk has not been given attention from the context of firms in international markets (Bolton et al. 2004; Johnson, 2007; Walsh et al., 2006). The conceptual relationship to be understood by researchers from this study is as follows enabling the proposition that:

P5: The trust that customers have in dealing with the firm influences its sustainability in competitive markets.

## 6 Model of Risk Aversion, Corporate Image, Brand Trust and Sustainability (RIBS)

### 6.1 Rationale for RIBS

Risk aversion theory seeks to consider pay offs against risk aversion and risk-loving preferences (Neilson, 2002). It becomes critical to observe what factors enhance risk aversion or risk loving. Risk aversion seeks out intimates a preference over and above other brands or corporate image. Brand and corporate image are not necessarily positively correlated and may in fact be negatively correlated. For example, trusting a financial product from Norwich Union Insurance does not automatically indicate that there is a risk loving attitude towards its parent organisation Aviva. Mergers can shift brand trust away where the image of the company is subsumed under a new name.

The RIBS model considers: risk attitude of consumer, riskiness of the firm in terms of credit rating, brand performance.

## 7 Conclusion

This research seeks to contribute to existing knowledge by reviewing the literature available on trust and corporate image from the perspective of customers' aversion to risk. It outlines the conceptualisation of the linkages between these three constructs based on sustainability of businesses in international markets. The relationships theorised in this article initiate a new dimension of research that can allow firms to focus on their intangible resources and strengths for its growth. This research defines the construct of trust in line with other research studies such as Delgado-Ballester et al. (2003) and identifies definition of corporate image in line with Ruyter and Wetzels (2000). It introduces the influence of sustainability on the financial performance of the company based on research studies such as Williamson, 1993; Solow, 1995; Fukuyama, 1995; La Porta et al., 1997.

To test the hypothetical extensions, this study plans to adopt a mix method approach by collecting qualitative data from expert interviews which will help in broadening the horizon of the research and develop a research instrument that can allow the quantitative testing of the propositions being hypothesised (Churchill, 1997). Quantitative data will be collected by way of field survey that will enable the researcher to generalise the assumptions made based on the empirical evidences obtained through path analysis (Jick, 1979). This research also suffers from certain limitations. The constructs being investigated by this study are multifaceted constructs. This research study is restricted to the customers of the international firms in the retail sector. It does not take into account the customers who like to purchase products using Internet.

In conclusion, the key conceptual relationships built into the RIBS model to be understood from this study are as follows:

1. an increase in trust reduces risk aversion of customers,
2. the decrease in the risk aversion of customers increases the purchase intention of customers,
3. an increase in trust increases the purchase intention of customers and therefore
4. greater trust strengthens corporate image and sustainability.

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