

# Supermarket Reputation: A Theoretical Review

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Abstract: For the last three decades, the tremendous growth of retail industries in Indonesia has led to a fierce competition among retailing companies. Some of them, say Starmart of Hero, Seven-Eleven, have closed down their businesses up to 2017. Some new entries especially foreign investors are opening their retail companies in Indonesia, such as Lulu from Saudi Arabia, looking at the flourish growth of retail industry and the big population with high purchasing power of the people. Hence, it is very necessary for the retail companies to find a way to survive and win the competition. Based on previous empirical research, a company with a good reputation keep it in the competition for its intangible character makes it difficult to imitate and give unique differentiation among other companies. Reputation has thoroughly been measured in many perspectives of business context, like marketing, finance, etc. However, it is still rare to find a measurement to suit supermarket. This research paper aims to construct supermarket reputation measurements. This research paper uses extensive literature review method ranging from 1980s up to 2017 research papers to propose new constructs for supermarket reputation. The result is Customer Oriented, Products, Good Employer, Services, Comfortable Workplace, Location, Chic, Social and Environment Responsibility, Trust, Innovation, Omnipresence and Financially Strong Company are possible dimensions to measure supermarket reputation..

## 1 INTRODUCTION

Observing at today's businesses, there are no new businesses, instead there is only an extended version of business. There is once a brick-and-mortar retail store and the extended one now is e tailing or e-commerce business. There is once an offline bookstore and now there is an online version of bookstore like Amazon, eBay etc. In an education world, not only an e-learning platform but free knowledge appears through blog, websites, YouTube, Khan Academy, etc. Hence, business today is having competition not only from their line of business, but also from online platform. The heating up competition forces companies to find a new way to reach sustainable competitive advantages (Engizek and Yasin, 2017). Companies need to look for intangible factors to create their competitive advantage since it is difficult to copy in a short time by competitors. One of them is corporate reputation (Engizek and Yasin, 2017). A Corporate reputation becomes crucial especially for service industries because from the perspective of customers, they are not able to measure the service quality. Competitors

are not able to duplicate a reputation because it represents the company itself, hence it becomes a crucial strategic resource to strengthen competitive advantages (Engizek and Yasin, 2017; Fombrun and Riel, 1997; Fombrun and Shanley, 1990; Jalilvand et al., 2017; Walsh and Beatty, 2007). A company's performance is believed to increase by having a good reputation (Engizek and Yasin, 2017; Jalilvand et al., 2017; Swoboda et al., 2016).

Retail industry in Indonesia has shown a significant growth around 12-15% per year and employed twenty-six million workers (Pulungan, 2017). There are over thirty thousand retail stores in Indonesia (Simorangkir, 2017) dominated by hypermarket (17.9%), minimart (17.4%) and supermarket (3%) with revenue reaching USD 48 billion (Margrit, 2016). With all these tremendous achievement, retail business in Indonesia really shows huge opportunity. However, everybody wants to take his or her share, hence retail industry in Indonesia is having the toughest and feist competition nowadays. Victims are falling. Seven-Eleven once was the top brand based on Frontier Consulting Group assessment, declared bankrupt in

2017 (Fauzie, 2017). Profit of Indomart decreased to 71% in 2017 (Akhir, 2017). Ramayana department store closed 8 department stores along with Matahari department closed 2 department stores (Intan, 2017). It is a red alarm for retail industry in Indonesia and in need of solution either in short run and long run as well. Through corporate reputation measurement, retail industries in Indonesia are able to learn how to build a stronger retail reputation especially supermarket reputation and make it as their competitive advantages.

Numerous attempts have been made to construct corporate reputation measurement to help companies in measuring their reputation. Fombrun, Gardberg, and Sever (2000) measure reputation based on all stakeholders, Davies et al. (2004) measure reputation based on employees as an internal perspective and customer as an external perspective and Walsh and Beatty (2007) measure reputation based on customer. However very few research papers found measuring reputation in retail industry. This research aims at constructing a new measurement for reputation in retail industry, especially supermarket. The structure of this research is first, revealing the importance and gap of the research paper in introduction section. Second, under literature review section theories from the past until the latest implementation are produced in regards to the definition and industries involved. Third, construct measurement section is used to bring up relevance construct measurement for reputation especially in the service industries since retail is under service industry section. Lastly, the discussions and conclusion section are to sum up and produce set of new constructs for supermarket reputation.

## 2 LITERATURE REVIEW

Fombrun and Riel (1997) has reviewed company reputation from extensive literature review and merging all the views, they state a company reputation is a whole form of combining portrayal based on its past deeds and consequences which depicts their capacity to present favored consequences to many partners. It gages an association's relative standing both with internal workers and with external stakeholders, based on their bureaucratic and fierce environments.

While Fombrun and Riel (1997) focus defining reputation based on industrial customers or multiple stakeholder groups, a customer based definition is given by Walsh and Beatty (2007) as the patron's general judgement of a company in view of his or her

reactions to the company's tangible and intangible products, divulgence exercises, connections with the company or potentially its agents or proponents, (for example, representatives, administration, or different patrons) or potentially known corporate exercises. They argue that though the perceptions of all stakeholders are important in building company reputation, on the other hand customers using the products or services may have different view regarding their hope and cognizance compare to all stakeholders.

Davies et al. (2004) come with assessing reputation based on internal view such as employees and external view, which are customers. In other words, they assess reputation based on human character. They believe that when a client is facing a worker and the worker shares a positive perspective of the company then a positive connection between them will probably happen. Thus, it is important for companies to create environment that result in a positive view internally and creates positive view externally. Hence et al. (2004) define reputation as something that is needy upon genuine encounter of the company, when contrasted with image for instance, which is regularly used to allude to a mindset that is free of genuine encounter and based on emotional response to image of the company.

Another interesting construct and indicators of corporate reputation come from Vidaver-Cohen (2007) where she tries to define corporate reputation for business schools as a perceptual marvel – rising up out of eyewitnesses' aggregate judgments around an association in view of appraisal of the company execution after some time in regions eyewitnesses consider vital.

## 3 REPUTATION CONSTRUCT

Fombrun, Gardberg, and Sever (2000) have developed a multi-dimensional construct for reputation by converging opinions from economists, strategists, marketers, organization theorists, sociologists, communication expert and accountants. The construct for reputation is also the result of thorough study of existing reputation survey instruments, such as Fortune AMAC, Asian Business, Manager Magazine, Management Today, and Fortune GMAC. Thus born the new reputation survey called The Reputation Quotient. It consists of 6 dimensions and 20 item statements to measure the dimensions. The dimensions are **Emotional Appeal** (three-item statements), **Products and Services** (four-item statements), **Vision and Leadership**

(three-item statements), **Workplace Environment** (three-item statements), **Social and Environmental Responsibility** (three-item statements), and **Financial Performance** (four-item statements).

Ou and Abratt (2006) made the first attempt to apply Reputation Quotient in retail industry and call it as Retailer Reputation. Their study was conducted for supermarket customers in Taiwan. Their findings show that from six dimensions of Reputation Quotient, one dimension was dropped due to lack of reliability and the other five dimensions converged into three new dimensions namely, **Company Assessment** (six-item statements), **Emotional Appeal** (five-item statements), and **Leadership Perceptions** (four-item statements). Though Emotional Appeal is still the same dimension from Reputation Quotient, but the item statements become five items compare to the previous one, which was three items.

Davies et al. (2004) have developed a new construct to measure reputation based on three approaches, direct approaches, projective approaches and qualitative approaches. These approaches are derived from extensive literature review from 1972 up to 2000. They come up with a new measurement for reputation, which they call as Corporate Character Scale, involving dimensions: **Agreeableness, Enterprise, Competence, Chic, Ruthlessness, Informality, and Machismo**. Agreeableness consists of three sub dimensions namely, warmth, empathy and integrity measured by thirteen-item statements. Enterprise consists of three sub dimensions namely, modernity, adventure and boldness measured by nine-item statements. Competence consists of three sub dimensions namely, conscientiousness, drive, and technocracy measured by nine-item statements. Chic consists of three sub dimensions namely, elegance, prestige and snobbery measured by eight-item statements. Ruthless consists of two sub dimensions namely, egotism and dominance measured by six-item statements. Informality is measured by three-item statements without sub dimensions and Machismo is measured by three-item statements without sub dimensions.

Vidaver-Cohen (2007) constructs reputation predictors for business school based on the RepTrak model from Reputation Institution. Her Business School Reputation has two views, reputation predictors and reputation perceptions. Reputation predictors are related to business-school-quality dimensions, which are **performance, product, service, leadership, governance, workplace, citizenship and innovation**. Reputation perceptions are related to business-school-reputation assessments

with dimensions of trust, admiration, good feeling, and perceived public esteem. She further adds a mediator of stakeholder expectations and moderator of third party judgements.

Järvinen and Suomi (2011) use reputation construct by Vidaver-Cohen (2007) in their research in retail context. They argue that reputation in retail is based on not only stakeholders but also customers. The quality dimensions that they have found are similar with Vidaver-Cohen (2007) model with some changes. The dimensions are **performance, services, products, leadership, governance, workplace climate, citizenship, innovation and location**. Location is one of the new sub dimensions found by Järvinen and Suomi (2011) which is different to Vidaver-Cohen (2007). It is recommended to have bigger car park lot in bigger cities. Other than that major differences of Järvinen and Suomi (2011) lie on their attributes and contents.

Walsh and Beatty (2007) have developed a new multi-dimensional construct for reputation based on customers' perspective and named it as Customer-Based-Reputation (CBR). CBR has 5 dimensions and 31-item statements to measure the dimensions. The dimensions are **Customer Oriented** (six-item statements), **Good Employer** (five-item statements), **Reliable and Financially Strong Company** (nine-item statements), **Product and Service Quality** (five-item statements), **Social and Environmental Responsibilities** (four-item statements). Walsh and Beatty study is based on Fombrun et al. (2000). The dimension of customer oriented is totally new dimension and new items compare to the other variables where most of them following the work of Fombrun et al. (2000). Five item statements of good employer are from workplace environment, vision and leadership and social and environmental responsibility. Nine item statements of reliable and financially strong company come from financial performance, vision and leadership, and focus group study result. Five item statements of product and service quality are from products and services of Fombrun et al. (2000). The social and environmental responsibilities item statements are similar to that of Fombrun et al. (2000).

Walsh et al. (2012) further confirm the use of Customer-Based Reputation in service industries namely, banks, telecommunication service providers, retailers and restaurants in French. They measure reputation based on reflective measure instead in contrast to formative measure by Helm (2005). In line with Walsh and Beatty (2007) findings, they also have the perfect model fit for Customer-Based Reputation including the sequence.

## 4 DISCUSSIONS AND CONCLUSIONS

Reviewing corporate reputation from 1980s to 2017, various researchers have attempted to create a reputation measurement due to neither consensus on its definition nor on its measurement. Nevertheless, most of them only either following Fombrun et al. (2000) which focus more on stakeholders and make some adjustments to their respected field of research or following Walsh and Beatty (2007) who give a more concern on consumers' perspective. Davies et al. (2004) looking at reputation more to their human character. However, all these measurements have something in common that is, they refer reputation as an assessment instead of asset or awareness. Other than that, the underlying attributes of reputation is seen as either reflective or formative measure with reflective as the most measurement followed. It is clear that most researchers fill there must be a differentiation between reputation from stakeholders' perspective and customers' perspective. However, looking at business today, customers become the priority to sustain their business. Hence, a customer-based reputation is in need. It does not mean the stakeholders are not important; instead, finding a way to combine stakeholders' and customers' need in future give benefit for company to sustain. At this moment, retail business is flourished either offline or online throughout the world. Thus, customers become even more important to consider avoiding the closing down of the retail stores. Convenience stores use location as their main strategy but supermarket is not the same. Though location becomes prime target, however other considerations need to be taken care as well. Products need to be guaranteed on their reliability and functionality and at the same time quality becomes the king in offering the products. Private label products become a trend to nowadays retailers as the source of income generator. Nevertheless, it does not mean that quality is deductible. Employees, on the other hand, play an important role in succeeding the company's vision and mission since they are the companies spear to meet and fulfill customers' needs. A high turnover rate of employees in any retailers is difficult to cover. It creates bad impression to the company because most of their customers are employees as well. Hence, it is important to retain employees in any retail stores. Customer Oriented becomes the only way for retailers to see how they run their business. By equipping employees with satisfaction, there is a guarantee that they will in turn give it back to customers, because satisfied employees will satisfy

customers as well. Customers only problem is handling complaint fast and satisfying. Socially responsible has seen one of crucial factor for society especially on the used green products, taking care of green environment, play a role in society. Hence, by following or be part of society activities and environmentally responsible will bring image to customers that they are concern retailers. Trust is always an issue for customers. Due to massive advertisement on offline media and online media, it seems customers need to be very careful to choose from which store they have to buy. Promotions are given to good products or out of date products. Overall, retailers need to honest on what they are doing and promising. A Comfortable working environment does not only bring joy to employees but also to the customers. A nice place to work usually gives employees joy feel. This joy feel gives positive motivation at the work that impact to how they serve the customers. Customers also feel joy in a cozy place where they fulfill their needs and even more being served by positive employees. Innovation may come handy for retailers and customers. A big place like supermarket, customers need to queue in the cashier. Let's say a customer would like know the price of a product, which unfortunately the price tag is missing, would be very annoying to queue just to ask the price. Having a price detector or kiosk may help the customers who are in a hurry. Chic may be another criterion needed to boost the company's image because nowadays youngsters prefer a prestigious and stylish company to shop at. Omnipresence is another important measurement for today's retailers. Customers tend to have their products from not only one place but also other places when they are on vacation or business trip etc. Having the store in the place wherever they go is benefiting retailers. Even more better if retailers provide online shopping as well. Financially strong company in a sense will give perception to customers that this company is selling good products or services. So companies need to look financially strong. Hence, a supermarket reputation that is proposed here with dimensions such as Products, Services, Comfortable Workplace, Customer Oriented, Location, Good Employer, Social and Environment Responsibility, Trust, Innovation, Omnipresence and Financially Strong Company.

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