The Relationship of Direct Antecedent Variables on Corporate Image of Direct Selling Companies in Thailand

Prasit Rattanaphan[1] and Nik Kamariah Nik Mat[2]

[1]College of Business, University Utara Malaysia

[2]OYA Graduate Business College of Business, University Utara Malaysia

Abstract. The main objective of this study is to examine the relationships between six antecedents and corporate image of direct selling companies in Thailand. One hundred questionnaires were collected and analyzed using regression analysis. The results show that trust and attitude have significant positive relationships on corporate image. However, brand architecture, corporate social responsibility (CSR), perceived value, and internet marketing have no significant relationship with corporate image.)

Keywords: corporate image, direct selling, attitude, brand architecture, perceived value, corporate social responsibility (CSR), internet marketing, trust.

1. Introduction

The direct selling industry in Thailand is linked with economic crimes, a dark danger that comes with an economy in recession, it can corrupt the nation's economy and affect the image of direct selling businesses. It comes in the form of pyramid schemes and internet frauds. From 2006 to 2008, the Department of Special Investigation (DSI) has reported 6,000 victims of these crimes, valued at more than 48.39 million ($US). Although most of the victims do not report these crimes, there could be more than a hundred thousand people affected by these, representing financial losses of more than 1.61 billion ($US). The direct selling industry scams seems to focus on creating revenue for their network over income distribution and raise capital in a fraudulent manner.

Moreover, direct selling representatives sell in an aggressive manner to reach consumers at their premises. These representatives often have no office or place of residence for their fraudulent activities; which makes it very difficult for the government to supervise. Integrating the internet to carry out their schemes, these fraudsters now have access to a worldwide consumer base. They have the potential to destroy the image of direct selling companies even more [1]. This image is getting worse, negative or declining [2][3], because of these frauds as well as pyramid multi-level marketing (MLM) scams.

Direct selling is a non-store retailing business and many consumers have doubt regarding this practice and a negative attitude towards it. The effect of this negative attitude can affect the long term prospect of this industry and damage the corporations. Negative attitude is generated by pyramid schemes and internet MLM frauds from direct selling companies. The real cause however, has not been measured by empirical studies. A survey of consumers' perceptions towards direct sales and its effect regarding the purchasing decision showed that consumers have a negative attitude towards network marketing and the positive attitude is very low towards direct selling.

Kustin and Jones [4] suggest that *"Many consumers do not understand the system of direct selling that often has negative perceptions of direct selling organizations and network marketing in particular"*. Furthermore, Raymond and Tanner [5] pointed that *"There are many cases where customer had developed such negative perceptions as a direct consequence of the frustration experienced when direct selling representatives supplying them with their products quit"*. The literatures confirmed that these customers' attitudes can have violent effects

---

[1] College of Business, Universiti Utara Malaysia, Sintok, Kedah Darul Aman, Malaysia
Telephone: 668-9466-2368 Fax No.: 667-443-8074 Email: prasit_aod@hotmail.com
[2] OYA Graduate Business College of Business, Universiti Utara Malaysia. Sintok, Kedah Darul Aman, Malaysia
Telephone: 604-9285020, 6017-6995943 Fax No.: 604-9285761 Email: drnikuum@gmail.com

on corporate image [6][7]. There is a vacuum of studies investigating brand architecture [8], CSR [9][10], perceived value [14], internet marketing [13], trust [11][12], and attitude [24] in direct selling setting. Moreover, inconsistent results are also observed between the relationship of predictors and corporate image in other settings.

2. Problem Statement

2.1. The damage to corporate image

The cause of the damage to corporate image on direct selling companies by pyramid schemes and internet frauds has not been investigated analytically [2][3][15]. However, there is a diversity of predictors of corporate image in other settings which shows inconsistent results [8][9][10][11][12][13][14][16][17][18][19] [20][21][22][23][24].

2.2. The negative attitude in direct selling

The real extent of negative attitude generated by pyramid schemes, internet and MLM frauds on direct selling companies is not factually proven [4][5]. There are also inconsistent results when showing the correlation between the different predictors of attitude [10][24][25][26][27]. Attitude towards direct selling corporate image is an individual's overall influent reaction the usage of direct selling activities.

3. Research Question and Research Objective

The research questions that were asked in this study include the followings: *"What is the direct relationship between antecedents (Attitude, Brand architecture, CSR, Internet marketing, Trust, Perceived value) and corporate image?"*

The main objective is to determine the major predictors that affect corporate image of direct selling companies in Thailand. The aim is to investigate the causal relationship between the different factors using regression analysis method. The specific objectives of the study are: *"To examine the direct effect of antecedents (Attitude, Brand architecture, CSR, Internet marketing, Trust, Perceived Value) on corporate image"*

4. Research Justifications

This study has determined the justifications of research such as:

4.1. Diverse predictors

Previous empirical studies have shown a diversity of predictors of corporate image in other settings which have produced inconsistent results. Inspired by the literatures, this study investigates approaches from a realistic perspective by selecting five antecedents; brand architecture [8][17][19][21], CSR[9][10][20], perceived value [14][18] [22], internet marketing [13][24], trust [11][12][16][23]. Other inconsistent linkages can be noticed between perceived value and corporate image, which mostly support positive and significant relationship [14][18] but not in the study by Andreassen and Lindestad [22]. Similarly, past studies examined supportable trust as a significant positive relationship toward corporate image [12][16][23] but not in the study by Siva and Alwi [11]. This linkages warrant further investigations due to these inconsistencies.

4.2. Negative attitude and inconsistent result

The widespread importance of attitude for direct selling company's corporate image has gained more attention in recent years due to pyramid schemes and internet MLM frauds involving direct selling companies which have propagated a negative attitude toward direct selling companies. Based on previous empirical studies, we can conclude that there is a vacuum of studies investigating attitude in direct selling settings.

Moreover, previous studies in other settings have shown inconsistent results on direct predictors of attitude and not corporate image. They mostly support positive and significant relationships between attitude and predictors like trust[27], social marketing [10], corporate communication [24], and brand image [26] but not in the study by Hassan et. al.[25]. In response to this issue, this study includes attitude as a predictor to be examined in the context of direct selling settings in Thailand.

5. Research Contributions

The contributions of the study are as follow:

- The highlighted direct impacts of antecedents on corporate image will increase the empirical literature in direct selling and related disciplines.
- A comprehensive corporate image model for direct selling will be developed.
- The results of measurement contribution are expected to provide guidelines and a new validation of the existing instruments used to measure variables in this study.

6. Literature Review

The core component of corporate image is focused on the perceptions of the stakeholders (e.g. customer, shareholder, employee, community, and the media). Nguyen and Leblance [14] defined that corporate image is the result of a combination with the customers compare features and contrast various attributes of organizations. The complexity of the structure of a corporate image is cause trouble for generating and management. Direct selling definition as the marketing and selling of products directly to consumers away from a fixed retail location. The direct selling includes sales made through the party plan, one-on-one demonstrations, and other personal contact arrangements as well as internet sales [5].

6.1. Brand Architecture

The impact of brand architecture on corporate image has not been established comprehensively in prior academic researches. Additionally, new predictor factors have not been extensively researched for brand architecture. Laforet and Saunders [30] revealed that there are *"Three general formats of brand architecture: the unique corporate, product and combined structures that based on the results of organizations and companies which drive the value of global brands. The combination format of brand architecture, product brand, and corporate brand will be considered"*. The studies examining the relationship between brand architecture and corporate image have found significant and positive interconnection [8][17][19][21]. Including, Bensϕ and Grunert [19] who conceptualized and analytically researched the role of brand architecture through perceived store (corporate) image, satisfaction and loyalty.

6.2. Corporate Social Responsibility (CSR)

CSR refers to the organization's activities and commitments relating to the recognition of its need to respond to society or collaborate jointly with a stakeholder in its activities [31]. The CSR is a commitment function of moral, ethical and social responsibilities which is established between an organization and its stakeholders [32]. Many researchers have found a positive relationship between societal marketing communication and corporate social responsibility with regards to corporate image but none has investigated this relationship in direct selling. Corporate social responsibility is also a marketing tool that businesses have used to establish their corporate image with a widespread and very popular result; the direct selling industry has been keen on using this tool too. Researchers conducted studies to demonstrate the links between CSR and corporate image and the findings mostly supported the fact that the connections are positive and significant [9][10][20].

6.3. Perceived Value

Based on the results of literatures, perceived value is thought to have a positive impact on corporate image. Perceived value is a key factor to determine corporate image, it was shown that it has a positive and direct influence on corporate image [14][18]. Buyers are faced with a more diverse choice in terms of products with similar design and characteristics for a similar price range regarding all types of products. It is clear that when there is no significant difference in price, quality, design or features; the purchase decision will focus more on positive image [33]. Consumers will purchase a product which in their eyes has a more positive corporate image [24]. Customers' perceived value has a subjective nature to it, because of the nature of the decision evaluation. Porter and Claycomb [8] emphasized that *"The perceived value appoints to corporate image and is projected onto the retail store's image that supports the corporation or brand, and thus a consumer's narrative will incorporate in his choice in the image of the retail store or the corporate image"*. Thus, perceived value has been a significant positive predictor of corporate image [14][18] while non- significant in a study [22].

6.4. Internet Marketing

Organizations are embracing internet marketing in order to respond to customer trends and thrive in a rapidly-changing environment. The adoption of internet marketing has been widely analyzed in various studies, and which has triggered a more forceful manner in business management . Bhurahongse [34] found that the advantages of the electronic commerce technology would assist the operations on a multi-level scale. Marketing companies are able to expand their businesses in order to challenge their competitors and expand their activity to international markets in the future. The internet was created to improve the efficiency and integrate the development of marketing activities; preparing all organizations, including direct selling companies, for opportunities that otherwise would may be unavailable to them[35].But there has been a lack of factual studies conducted to study the connections between internet marketing and corporate image related to direct selling. Chatttananon et. al. [24] and Yeo and Youssef [13] have conducted researches on internet communication and corporate image, which stressed that internet marketing had a positive and significant influence on corporate image.

6.5. Trust

The importance of initiating, building and maintaining trust between buyers and sellers as a key facilitator for successful direct selling is increasingly being recognized by academics as well as practitioners[9][27]. The reliability of the product and of the corporation will generate trust in the consumers' minds and facilitate the purchase. Therefore, direct selling companies seek to build trust, reliability and create better awareness about their company's brand and image. Recently, it appears that the gloves are off in the direct selling industry, exhibited by a rise in the use of new technological supports and more violent approaches in confronting the competition to assert the rights on new channels for doing business. Consequently, researchers have examined predictors that are related to the customer's purchasing decision process in direct selling.

Trust and corporate image are highly related. From the various literatures, personal selling can succeed if it is focused on customers, by obtaining the customer's trust and faith [22]. Moreover, empirical studies support the fact that customers will purchase from a salesperson or a company in which they trust and a salesperson's ethical behavior is related positively to a customer's trust, which significantly influences the corporate image. Flavián et. al. [12], Lin and Lu [23] and Hoq et. al.[16] showed that trust has a significant and positive influence on corporate image.

6.6. Attitude

The attitude of a customer toward an organization is intimately connected to corporate image which is the overall result of an interaction between people and an organization on levels like feelings, ideas, impressions and beliefs. Consequently, the customer attitude toward image becomes a key variable that can significantly affect an organization, influence decisions on investment and recruitment, and affect consumers' behaviour [28]. Chattananun et. al. [24] showed positive consumer attitude toward corporate image.

7. Research Methodology

The study uses a quantitative research methodology through empirical research, designed to collect primary data for the purpose of answering the research questions and achieve the research objectives. It is conducted by collecting data from the structured questionnaire. Then the data is analyzed with a structural equation modelling approach.

The basis of the research framework discusses the reliability statistics and regression analysis between the predictor variables (brand architecture, perceived value, CSR, internet marketing, trust, and attitude) that are considered important to corporate image. Their selection is based on several factors. First, most findings in past studies investigating this linkage have shown equivocal or ambiguous results. Second, these variables seem to have generated a lot of recent empirical research interests in different areas, since the variables have great potential to be good predictors of corporate image. Due to these reasons, the research framework model contributes to bring new knowledge especially in understanding the forthcoming results.

7.1. The hypotheses of the study

The research questions used in the research questionnaire will try to support all these hypotheses which are as follow: H1-H6 Predictors (Brand architecture, CSR, Internet marketing, Trust, Perceived value, and Attitude) have positive relationship with corporate image.

7.2. Questionnaire design

A questionnaire is a pre-formulated written set of questions used for data collection which is required to measure variables [36]. In this research, the initial questionnaire consists of two parts: Part 1, General data, contains 7 items inquiring about gender, age, marital status, education, occupation, income, and acquaintance with direct selling. Part 2, Latent variables, contains 49 items, interval scales measuring 5-items brand architecture modified from Pina et. al. [21] (Adopt 3 items), Porter and Claycomb [8] (Adopt 2 items), 7-items corporate social responsibility developed from Chang [9] (Adopt 2 items), Lai et. al. [20] (Adopt 5 items), 9-items perceived value revised from Vahie and Paswan [18] (Adopt 5 items), Luo and Bhattacharya [32] (Adopt 4 items), 6-items internet marketing modified from Palmer and McCole [35](Adopt 4 items), Bhurahongse [34] (Adopt 2 items), 7-items trust developed from Flavián et. al. [12] (Adopt 5 items), Hog et. al. [16] (Adopt 2 items), 7-items attitude revised from Wu and Lo [26] (Adopt 5 items), Chattananon et. al. [24] (Adopt 2 items), and 8-items corporate image modified from Pina et. al. [21] (Adopt 4 items), Yeo and Youssef [13] (4 items). These items use a seven point rating Likert scale (from 1 = strongly disagree to 7 = strongly agree). For any questionnaire used in a survey, it is important to pretest the instruments to ensure that the questions are understood by the respondents and that there is no problem with the content, wording or measurement [36]. The initial questionnaire was given to 8 direct selling managers and 8 marketing lecturers to ensure that the concepts used are clear and relevant to direct selling, and therefore face- validate the aforesaid questionnaire.

8. Results

The study is conducted with a sample size of 100, consisting of direct selling's representatives from five (5) direct selling companies each located in Thailand. The data were analyzed using SPSS to obtain reliable results and regression was used to test the hypotheses.

The study adopted Cronbach's α value as a tool for reliability examination, the result shows reliability index of each variable are higher than 0.7 which indicates acceptable reliability (Table I). The hypotheses generated are tested using the regression analysis and the results are presented in Table II. The results indicate that antecedents (IV) could interpret 75.9 percent of variance towards corporate image ($F = 53.097$, $p = 0.000 < 0.001$). It was shown that H1-H4 were not supported, which represents that brand architecture ($\beta = 0.121$, $t = 1.920$, and $p = 0.058 > 0.05$), CSR ($\beta = 0.092$, $t = 1.076$, and $p = 0.285 > 0.1$), perceived value ($\beta = 0.151$, $t = 1.646$, and $p = 0.103 > 0.1$), and internet marketing ($\beta = -0.061$, $t = -1.112$, and $p = 0.269 > 0.1$) are not significantly related to corporate image. Fortunately, H5 and H6 were supported which mean that trust ($\beta = 0.274$, $t = 3.261$, and $p = 0.002 < 0.01$) and attitude ($\beta = 0.410$, $t = 4.781$, and $p = 0.000 > 0.001$) have significant positive relationship with corporate image.

Table I Reliability Statistics

Variable	Number of items	Cronbach's alpha	Mean	SD
Corporate Image	8	.911	5.57	.91
Brand Architecture	5	.845	5.92	.79
CSR	7	.941	5.75	1.03
Perceived Value	9	.940	5.76	.99
Internet Marketing	6	.946	5.11	1.34
Trust	7	.934	5.56	.91
Attitude	7	.936	5.8	.86

Table II Regression Analysis

Dependent Variable	Independent Variable	β	t	p	VIF
Corporate Image	(H1)Brand Architecture	0.121	1.920	.058	1.630
	(H2)CSR	0.092	1.076	.285	3.009
	(H3)Perceived Value	0.151	1.646	.103	3.456
	(H4)Internet Marketing	-0.061	-1.112	.269	1.253
	(H5)Trust	0.274	3.261	.002*	2.908
	(H6)Attitude	0.410	4.781	.000**	3.022

Notes: *p<0.01; **p<0.001; R^2=0.774; Adjusted R^2=0.759; F=53.097; p=0.000**; n=100

9. Conclusion

This study has established two direct significant relationships on corporate image: trust and attitude. Similar past studies support these findings such as trust to corporate image [12][16][23] and attitude to corporate image [24][29]. This finding shows the good corporate image of direct selling company will has to start early to build trust and get into a positive attitude towards direct selling.

10. References

[1] Viosca, C., Bergiel, B. and Balsmeier, P., "Effects of electronic Nigerian money fraud on the brand equity of Nigeria & Africa", Management Research News, Vol. 27 No. 6, 2004, pp.11-21

[2] Saha, S., "Fraud scheme shadow over direct selling", http://www.telegraphindia.com/1090727/jsp/business/story_11286405.jsp. 2009, Retrieved on 6/29/2010

[3] Villarreal, P., "Multilevel Marketing Is Bad" http://consumerist.com/2009/05/multilevel-marketing-is-bad.html#comments-content. 2009, Retrieved on 5/18/2010.

[4] Kustin, R. A. and Jones, R. A., "Research note: a study of direct selling perceptions in Australia", International Marketing Review, Vol. 12 No. 6, 1995, pp. 60-67.

[5] Raymond, M. and Tanner J.F. Jr., "Maintaining customer relationship in direct sales: stimulating repeat purchase behaivour", Journal of Personal Selling & Sale Management, Vol. 14 No. 3, 1994, pp.67-76.

[6] Brown, T.J. and Dacin, P.A., "The company and the product: corporate associations and consumer product responses", Journal of Marketing, Vol. 61, 1997, pp. 68-84.

[7] Barone, M.J., Miyazaki, A.D. and Taylor, K.A., "The influence of cause-related marketing on consumer choice: does one good turn deserve another", Journal of the Academy of Marketing Science, Vol. 28 No. 2, 2000, pp. 248-262.

[8] Porter, S. S. and Claycomb, C., "The influence of brand recognition on retail store image", Journal of Product & Brand Management, Vol. 6 No. 6, 1997, pp. 373-387.

[9] Chang, C., "The relationships among CSR, corporate image and economic performance of high-tech industries in Taiwan", Qual Quant, Vol. 43, 2009, pp. 417-429.

[10] Chattananon, A., Lawley, M. and Leelayouthayothin, L., "Building corporate image through societal marketing programs", Society and Business Review, Vol. 2 No. 3, 2007, pp. 230-253.

[11] Siva, R. V. D. and Alwi, S. F. S., "The link between offline brand attributes and corporate brand image in bookstores", Journal of Product & Brand Management, Vol. 17 No. 3, 2008, pp. 175–187.

[12] Flavián, C., Guinalíu, M. and Torres, E., "The influence of corporate image on consumer trust: A comparative analysis in traditional versus internet banking", Internet Research, Vol. 15 No 4, 2005, pp. 447-470.

[13] Yeo, R. K. and Youssef, M. A., "Communicating corporate image into existence: the case of the Saudi banking industry", Corporate Communications: An International Journal, Vol. 15 No. 3, 2010, pp. 263-280.

[14] Nguyen, N. and Leblanc, G., "The mediating role of corporate image on customers' retention decisions: an investigation in financial services", International Journal of Bank Marketing, Vol. 16 No. 2, 1998, pp. 52–65.

[15] Baker, C. R., "An analysis of fraud on the Internet", Internet Research: Electronic Networking Applications and Policy, Vol. 9 No. 5, 1999, pp. 348-359.

[16] Hoq, M. Z., Sultana, N. and Amin, M., "The effect of Trust, Customer Satisfaction and Image on Customers' Loyalty in Islamic Banking Sector", South Asian Journal of Management, Vol. 17 No. 1, 2010, pp. 70-93.

[17] Martenson, R., "Corporate brand image, satisfaction and store loyalty", International Journal of Retail & Distribution Management, Vol.35 No.7, 2007, pp. 544-555.

[18] Vahie, A. and Paswan, A., "Private label brand image: its relationship with store image and national brand", International Journal of Retail & Distribution Management, Vol. 34 No. 1, 2006, pp. 67-84.

[19] Brunsφ, K. and Grunert, K.G., "Retail brand architecture and consumer store loyalty", Proc. of ANZMAC, 2009.

[20] Lai, C. et. al., "The Effects of corporate Social Responsibility on Brand Performance: The Mediating Effect of Industrial Brand Equity and Corporate Reputation", Journal of Business Ethics, Vol. 95, 2010, pp.457-469.

[21] Pina, J. M., Martinez, E. De Chernatony, L. and Drury, S., "The effect of service brand extensions on corporate image", European Journal of Marketing, Vol.40, 2006, pp.174-197.

[22] Andreassen,T. W. and Lindestad, B.,"The impact of corporate image on quality, customer satisfaction and loyalty for customers with varying degrees of service expertise", International Journal of Service Industry Management, Vol. 9 No. 1, 1998, pp. 7-23.

[23] Lin, L. and Lu, C., "The influence of corporate image, relationship marketing, and trust on purchase intention: the

moderating effects of word-of-mouth", Tourism Review, Vol. 65 No. 3, 2010, pp. 16-34.

[24] Chattananon, A., Lawley, M. and Leelayouthayothin, L., "Impacts of a Thai cause-related marketing program on corporate image", International Journal of Emerging Markets, Vol. 3 No. 4, 2008, pp. 348-363.

[25] Hassan, R., Ghani, E. K. and Said, J., "Part Time Students' Benefit Perception on Online Shopping in Malaysia", Canadian Social Science, Vol. 5 No. 4, 2009, pp. 72-80.

[26] Wu, S. and Lo, C., "The influence of core-brand attitude and consumer perception on purchase intention towards extended product", Asia Pacific Journal of Marketing and Logistics, Vol. 21 No. 1, 2009, pp. 174-194.

[27] Grabner-Kräuter, S. and Faullant, R., "Consumer acceptance of internet banking: the influence of internet trust", International Journal of Bank Marketing, Vol. 26 No.7, 2008, pp. 483-504.

[28] Schiffman, L. G., Consumer Behavior, 7th ed, Prentice-Hall, London, 2002.

[29] Balmer, J.M.T. and Gray, E.R., "Corporate Brands: What are they? What of them? European Journal of Marketing", Vol. 37, No. 7 and 8, 2003, pp. 972-997.

[30] Laforet S, and Saunders, J.A., "Managing brand portfolios: how the leaders do it", Journal of Advertising Research Vol. 34 No. 5, 1994, pp. 64–67.

[31] Luo, X., and Bhattacharya, C. B., (2006). Corporate social responsibility, customer satisfaction, andmarket value. Journal of Marketing, Vol. 70 No. 4, pp.1-18.

[32] Maignan I. and Ferrell, O. C., "Antecedents and benefits of corporate citizenship : aninvestigation of French Businesses", Journal of Business Research, Vol. 51, 2001, pp. 37-51

[33] Kennedy, S.H., "Nurturing corporate images.Total communication or ego trip?", European Journal of Marketing, Vol. 11 No. 1, 1977, pp. 120-64.

[34] Bhurahongse, K., "Internet electronic commerce for multi-level marketing", Thesis (M.Eng.), Chulalongkorn University, 1999, http://hdl.handle.net/123456789/4282

[35] Palmer, A. and McCole, P., "The role of electronic commerce in creating virtual tourism destination marketing organizations", International Journal of Contemporary Hospitality Management, Vol. 12 No. 3, 2000, pp. 198-204.

[36] Sekaran, U. and Bougie, R., Research Methods for Business, 5th ed., John Wiley and Sons, UK, 2010.