

Chapter 3

A stage to engage: Social media use and corporate reputation

Abstract

Corporate reputation is a valuable intangible asset for companies, yet is increasingly difficult to manage in an era with hard-to-control online conversations. In this chapter, we investigate whether and when a company's online activities to acquire engaged consumers are beneficial for corporate reputation. In a survey among 3,531 customers and non-customers of an international airline, we measured consumers' engagement in the airline's social media activities and perception of corporate reputation. Results show that consumers' intensity of social media use is positively related to their engagement in the airline's social media activities, especially among customers. Engagement in the social media activities in turn is positively related to corporate reputation, especially among non-customers. We discuss the implications of the results for social media policies in the travel and tourism industry.

Keywords: corporate reputation, social media, social networking, corporate reputation, online engagement, online brand exposure

Introduction

Social media have changed the way people interact with each other and with companies (Hanna, Rohm, & Crittenden, 2011; Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). The rise of Web 2.0 has enabled consumers to actively act and react on what companies are doing, without being dependent on third parties for media-access – anyone with a smartphone can potentially reach a worldwide audience (Cormode & Krishnamurthy, 2008; O’ Reilly, 2007). Moreover, consumers have shifted their information seeking behavior with regard to products and services from offline sources to electronic word-of-mouth sources (eWOM), like social networking and review sites (Gruen, Osmonbekov, & Czaplewski, 2006). While traditional commercial information, like advertisements and promotion, is becoming decreasingly effective (Sethuraman, Tellis, & Briesch, 2011), consumers tend to increasingly rely on peer consumer opinions available online (Gligorijevic & Luck, 2012; Park, Lee, & Han, 2007). A global survey among 28,000 internet respondents showed that only about 46% of participants reported trusting traditional advertising, whereas 92% reported trusting word-of-mouth from friends and family and 70% reported trusting online consumer reviews (Nielsen, 2012). Notably, social media platforms, like Facebook and Twitter, provide a substantive part of the available online word-of-mouth. Furthermore, social media sites are an important factor in search results. In a study of Xiang and Gretzel (2010) travel related search results in Google consisted of 11% referrals to social media sites. In a similar study 27% hotel related search results referred to social media sites (Walden, Carlsson, & Papageorgiou, 2011).

As a result of these developments, companies have changed their communication approach. Companies increasingly try to get consumers engaged in online discussions by including social networking sites like Facebook and Twitter in their communication strategy: 87% of the Fortune Global 100’s companies are active on at least one social media platform, mainly Twitter (82%) and Facebook (74%) (Burson-Marsteller, 2012).

The most prevalent motives for companies to use social media are enhancing trustworthiness, brand attitude, and customer commitment (van Noort & Willemsen, 2011; Weinberg & Pehlivan, 2011). Together, the activities aiming at achieving these goals are often referred to as online reputation management, which can be defined as “the process of positioning, monitoring, measuring, talking, and listening as the organization engages in a transparent and ethical dialogue with its various on-line stakeholders” (Jones, Temperley, & Lima, 2009, p. 934). Online reputation management involves interacting with people online, creating shareable content, monitoring what

stakeholders are saying, keeping track of their dialogue, addressing negative content found online, and following up on ideas that are shared through social media.

A crucial question, however, that has hitherto not been studied extensively, is whether such social media activities are in fact beneficial for a company's corporate reputation. In the present study, we investigate whether and when consumers' engagement in a company's social media activities is positively related to perceived corporate reputation.

Theoretical background

Corporate reputation

One of the main reasons for companies to carry out the kind of online activities described above is the assumption that they are beneficial for their (corporate) reputation. Corporate reputation has been defined as "a collective representation of a firm's past behaviour and outcomes that depicts the firm's ability to render valued results to multiple stakeholders" (Fombrun, Gardberg, & Sever, 2000, p. 243). According to Fombrun (2000), reputation is an attitudinal construct that consists of two components: an emotional (affective) component and a rational (cognitive) component.

Corporate reputation matters for several reasons. First, it is a key parameter in the supplier selection process by potential customers (Walsh, Mitchell, Jackson, & Beatty, 2009). Thus, consumers are more likely to select companies with a positive corporate reputation, and are willing to pay more for their products (Graham & Moore, 2007). Second, a positive corporate reputation can create market entry barriers for competitors, foster customer loyalty and retention (Nguyen & Leblanc, 2001) and enable a company to attract more customers (Gardberg & Fombrun, 2002), which in the end translates into higher market value (Smith, Smith, & Wang, 2010). A favorable corporate reputation can also protect a company in times of crisis (Shamma, 2012). Lastly, a positive reputation increases stakeholders' willingness to invest in a company, since it enables the company to attract higher quality employees and to gain better returns (Chun, 2005; Vergin & Qoronfleh, 1997).

While being active on social media sites may provide benefits for the reputation of companies, there are certainly drawbacks. Social media platforms are no orderly one-way channels for communication, but rather uncontrolled arenas for participation, which may pose a risk of reputation damage for firms (Aula, 2010). Users can freely spread opinions and ideas that conflict with a company's interest, for instance with regard to

operational or ethical issues, product quality or customer satisfaction. Even a single unhappy customer can cause reputational damage via social media platforms, which for example United Airlines experienced in the “United Breaks Guitars” case (Tripp & Grégoire, 2011). Service companies – like those in the tourism and travel industry – may be even more vulnerable to such risks than others (Litvin, Goldsmith, & Pan, 2008), because of the product characteristics of services. Service products are intangible, non-standardized, and need to be consumed before they can be fully evaluated (Murray & Schlacter, 1990). This increases the chance of a gap between customer expectation and perception (Berry & Parasuraman, 1991), which, in turn, increases the chance of online complaint behavior on social media sites (Mitra, Reiss, & Capella, 1999).

Given the ambiguities of the effects of company social media activity, and given that many companies in the travel and tourism industry have decided to become active in social media, it is surprising to see that the results of such activities have received scant attention in the academic literature. The goal of the present chapter is to provide empirical evidence for a relationship between a consumer’s engagement in company social media activities and corporate reputation and to explore determinants of the reach of social media activities. Given the different relation of customers vs. non-customers with a company, and given the different ways customer vs. non-customers respond to brand communications (Zauner, Koller, & Fink, 2012), we will also test hypotheses about the differences between customers and non-customers with regard to the reach and effect of company social media activities.

Engagement in a company’s social media activities

The relationship between consumers’ engagement in a company’s social media activities and perceived corporate reputation is one of the main focal points of this study. Many different definitions and conceptualizations of the engagement concept have been published in scholarly literature. The understanding of this phenomenon has developed significantly, however a general consensus has not yet been reached. In studies published to date, engagement is defined in terms of a combination of cognitive aspects (e.g., being interested in a company’s activities), behavioral aspects (participation in the company’s activities), and/or emotional aspects (feeling positive about a company’s activities). The lack of consensus on the engagement concept is reflected in a literature review by Brodie, Hollebeek, Juric & Ilic (2011), where eight customer engagement definitions from academic marketing literature, twenty-two from social science/management literature, and nineteen from business practice literature were categorized on cognitive, emotional and behavioral aspects. Definitions vary

greatly, from broad, overarching definitions (e.g., “the level of a customer’s cognitive, emotional and behavioral investment in specific brand interactions” (Hollebeek, 2011, p. 565)), to narrow definitions focusing on only one perspective (e.g., “a behavioral manifestation toward the brand or firm that goes beyond transactions” (Verhoef, Reinartz, & Krafft, 2010, p. 247)).

In the present study we will focus on the concept of engagement at its most basic level, and refer to consumer’s familiarity with a company’s social media activities (i.e., cognition) and the online following of these activities (i.e., behavior). That is, our approach of the concept can be regarded as the principal starting point (i.e., a precondition – one first needs to be familiar with a company’s online activities, and start to follow them) from which subsequent expressions of online engagement behavior towards a company may grow (e.g., experiencing or expressing interest/ emotions, interacting, contributing, participating, etc.).

Achieving a high level of consumer engagement is viewed as desirable, because it may enhance a company’s reputation and brand loyalty (Doorn van et al., 2010; Hollebeek, 2011) and purchase decisions (Patterson, Yu, & de Ruyter, 2006). The relational consequences of consumer engagement may include commitment, trust, consumers’ emotional brand attachment and loyalty (Brodie, Ilic, Juric, & Hollebeek, 2013). This is argued to be of added value for companies, especially for those in highly competitive markets that are dominated mainly by price competition, like the tourism and travel industry (So, King, & Sparks, 2012). Tourism and travel organizations can use customer engagement as a counterweight to competition on price only, to attract more (potential) customers and to develop customer loyalty (Bowden, 2009).

In sum, an online following of consumers, who actively participate in a company’s online activities, is regarded to be highly valuable for a company. Yet, to date no empirical studies have directly tested the relation between engagement in a company’s social media activities and corporate reputation. Most research on social media focuses on the effects of online reviews on consumers (e.g., Utz, Kerkhof, & Bos van den, 2012; Vermeulen & Seegers, 2009), and only a few studies focus on the effect of the social media activities of companies. These latter studies typically do not focus on corporate reputation but on related concepts like consumer trust, emotional appeal and brand attitude, generally showing positive effects. For example, webcare interventions to negative social media complaints tended to enhance consumers’ brand evaluations (van Noort & Willemsen, 2011). In two recent studies, company-created social media communication showed to positively affect brand attitude, brand awareness and brand image (Bruhn, Schoenmueller, & Schäfer, 2012; Schivinski & Dakabrowski, 2013).

Additionally, frequent visitors of a corporate blog perceived the relational commitment communicated by the organization behind the weblog as higher, which in turn related to trust and satisfaction (Kelleher, 2009).

Based on the above, we expect that followers of a company's social media activities should develop a more positive perceived corporate reputation. Earlier research on traditional offline media shows that exposure to news with a positive tone of voice about a company is associated with a more positive perception of corporate reputation (Meijer & Kleinnijenhuis, 2006; Wartick, 1992). Assuming that companies will mainly share positive and entertaining company news through social media, and that the company's webcare team is conducive and helpful to customers, followers of these activities will witness positive activity more frequently than non-followers. Therefore, we expect,

H1. A positive relation between consumers' level of engagement in a company's social media activities (i.e., low, medium, high engagement) and perception of corporate reputation.

The impact of social media activities is determined not only by the ability to influence perceptions of corporate reputation, but also by the number of people that can be reached with these activities. A likely determinant for consumers to start engaging in a company's social media activity is consumers general social media usage. Indeed, recent work by Leung and Bai (2013) shows that the intensity of one's social media use and engagement in a company's social media activities are strongly related. We therefore expect,

H2. A positive association between consumers' intensity of social media use and engagement in a company's social media activities.

Differences between customers and non-customers

Although companies encounter a diverse audience by using social media, customers are the most significant stakeholders, because they create the company's revenue streams (Walsh et al., 2009). They may – through word-of-mouth communication about their experiences – also affect other stakeholders' views about a company. There are reasons to expect that both the effects and reach of company social media activities differ among customers and non-customers. Compared to non-customers, customers have direct experience with the company and its products. Their brand related beliefs and attitudes are likely to be held with more confidence and are less likely to change

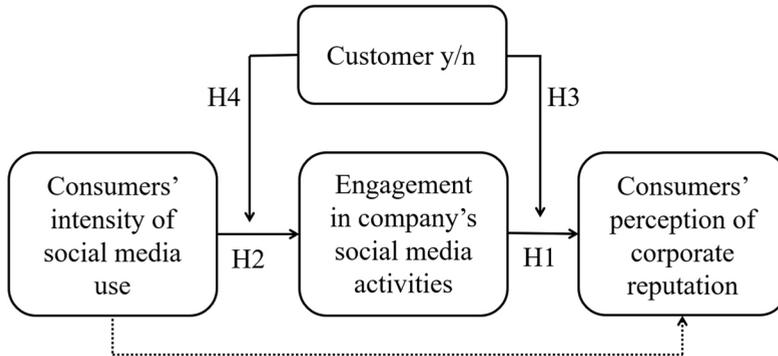
by, for instance, exposure to a marketing campaign (Smith & Swinyard, 1982). This applies in particular to product or service attributes that are a matter of subjective experience (Wright & Lynch, 1995). Indeed, research shows that the brand image of customers – compared to non-customers – depends less on the specifics of a single marketing campaign (Zauner et al., 2012). Non-customers, in contrast, have no direct experience with a brand, have only limited interaction with a company, and are therefore more likely to be influenced by indirect experiences such as news reports in traditional mass media, brand advertisements, and – increasingly – brand activities in social media (Shamma & Hassan, 2009). Therefore, we expect that,

H3. The above hypothesized positive relationship between engagement in a company’s social media activities and perception of corporate reputation is stronger for non-customers than for customers.

With respect to the reach of social media activity, however, customers are easier to reach than non-customers. Social media, and especially Facebook and Twitter, are increasingly used as channels for customer service, and social media engagement may therefore be more instrumental for customers than for non-customers, for example to ask service related questions, to complain or compliment the service, or to receive information updates. Furthermore, a company may use offline communication channels to actively motivate customers to use their social media channels, which is more likely followed by customers who are actively using social media. Hence, we expect that,

H4. The above hypothesized relation between intensity of social media use and engagement in a company’s social media activities is stronger for customers than for non-customers.

Our hypotheses on the relationships between intensity of social media use, engagement in a company’s social media activities and corporate reputation, and the moderating role of being a customer (versus a non-customer) are summarized in Figure 1.

Figure 1. *Conceptual model*

The case company

Airlines currently make up the most “socially devoted” industry, and several airlines are among the most active companies in using social media (Socialbakers, 2013). Therefore, airlines constitute an ideal setting for studying the relation between engagement in a company’s social media activities and corporate reputation. For the present study we chose KLM Royal Dutch Airlines as a case company, because it is very active on a range of online platforms, has enough online followers, and is regarded as a frontrunner in this field.

KLM, as part of Air France KLM, is a major international player in the aviation industry, and is a well-known company in the Netherlands with a general brand awareness of more than 90% (NBTC-NIPO Research, 2011). Starting with the eruption of the Icelandic volcano Eyjafjallajökull – with the resulting ash cloud – in April 2010 and the communication challenges caused by this natural disaster, KLM has adopted social media as a serious and rapidly maturing communication channel. Initially, KLM’s social media activities aimed at customers only, but at a later stage the target group was broadened to include all other interested consumers. At present, KLM is considered worldwide as a frontrunner in the commercial use of social media (IFITT, 2012) with – in January 2014 – five million Facebook friends and more than 770,000 Twitter followers. KLM has been awarded several prizes for its pioneer activities in this field (e.g., IFITT Innovation Award (2012), SimpliFlying Award (2013), DDMA Customer Data Award (2012), Dutch Interactive Award (2013)). Apart from its presence on Facebook and Twitter, KLM’s social media activities consist of a blog and active

presence on YouTube, Pinterest, Google+ and Instagram. Consumers can contact KLM “24/7” via Facebook and Twitter in 9 different languages. Social media within KLM is organized around three pillars: “servicing” (answering questions and responding of customers), “brand & engagement” (entertainment, news, co-creation activities) and “commerce” (providing relevant offers and deals) (Henkes, 2013). These three categories are of equal importance in KLM’s social media strategy, but the servicing component focuses exclusively on customers, who are actively encouraged by KLM to follow and approach them on Facebook and Twitter.

Method

Participants

We conducted a survey among 3,531 participants (42% female) consisting of both customers and non-customers, all residing in the Netherlands. The age distribution of our sample was < 25 years: 9%, 25-35: 14%, 36-45: 20%, 46-55: 24% and > 55: 33%. To be classified as “customer” in this study, a participant must have used the services (for private or business use) of KLM in the two years before the start of the study. With this definition, 1,912 participants (54% of N) were classified as “customer”. In order to ensure that we had enough customers in the sample and a variety in social media usage and online engagement in the company’s social media activities, we determined the sample size and composition in advance. The participants were selected in four different ways, which resulted in four subsamples. In all these subsamples, there were KLM customers based on the customer criterion described above. To be able to test our research hypotheses H3 and H4, the total sample was categorized as customers or non-customers (54% versus 46% of N). After data collection, we did not exclude any of the participants.

The goal of the first and largest subsample was to provide us with a general and representative picture of the (adult) Dutch population. This sample was provided by the Dutch market research firm Motivaction, which administers an online panel of 20,000 members, representative for the adult Dutch population. The members of this panel regularly participate in market research on a voluntary basis, often on behalf of companies. The participants from this subsample were rewarded for taking part in this survey, as a regular agreement of their membership of the panel. A total of 6,650 members from the panel were invited by e-mail and, with a hyperlink, directed to the online questionnaire. This led to a response of 31% ($n = 2,077$; 59% of total N), of which

538 participants (26% of this subsample) were classified as “customer” based on the criterion described above.

To ensure a sufficient number of social media users and people engaged in the social media activities of KLM, a second and third subsample was selected by posting a message on KLM’s Facebook- and Twitter page with a call to participate in the study and a hyperlink to the online questionnaire. This resulted in 304 participants from Facebook (9% of total N) and 176 from Twitter (5% of total N).

Finally, to ensure a sufficient number of KLM customers, a fourth subsample was taken from members of KLM’s loyalty program. A total of 6,564 members were invited by e-mail to participate in the study with a hyperlink to the questionnaire. The response rate was nearly 15%, resulting in 974 participants (28% of total N).

The participants of the Facebook, Twitter and KLM loyalty program subsamples did not receive any compensation for taking part in this survey.

Procedure

By clicking the hyperlink in the invitation mail (Motivaction panel and KLM loyalty members) or via the hyperlink on KLM’s Facebook and Twitter page, participants were directed to our online questionnaire. After receiving thanks for their interest and co-operation, the participants answered the survey questions. The questionnaire started with questions about perceived corporate reputation, followed by questions about participants’ intensity of social media use, and their level of engagement in the social media activities of the case company. Depending on the route in the questionnaire and the corresponding number of posed questions participants, completion took about 8 to 10 minutes.

Measures

Corporate reputation.

The perception of corporate reputation was assessed using a revised version of the ‘Reputation Quotient’ methodology (Fombrun et al., 2000) and its 6 dimensions, using 3 items per dimension. Of the series of 18 statements of the original methodology, 5 items were revised in order to fit the company’s specific situation. Participants were asked to rate their agreement with the statements on a five-point Likert-type scale (ranging from 1 = “Strongly disagree” to 5 = “Strongly agree”). The dimensions and the items were:

1. Emotional appeal (items: company gives a good feeling, calls on admiration and respect, can be trusted);

2. Products and services (items: company gives value-for-money, has quality products, has innovative products);
3. Vision and leadership (items: company proves leadership in the industry, has a vision for its future, recognizes and uses market opportunities);
4. Workplace environment (items: company is well-managed, has good employees, is good to work for);
5. Social and environmental responsibility (items: company supports good causes, is environmental responsible, has high standards in the way it treats people);
6. Financial performance (items: company has a strong record of profitability, is a low risk investment, is an outperformer).

The item scores were averaged for each of the 6 dimensions and proved to constitute a reliable scale for every dimension (α per dimension ranging from .71 to .89). A principal axis factor analysis, including all 18 items, revealed one main dominant interpretable factor with a pre-extraction eigenvalue of 8.78 (which accounted for 49 percent of the variance) and two smaller factors with eigenvalues of 1.26 and 1.02. All 18 items loaded significantly (correlations $> .5$) on the dominant factor. Therefore, on the basis of this analysis we averaged the responses of the 18 items to produce one index of perception of corporate reputation ($\alpha = .94$, $M = 3.53$, $SD = 0.51$), with high scores indicating a positive perceived corporate reputation.

Intensity of social media use.

All participants were asked about their Facebook and Twitter use. They were asked whether they had a “profile” on one or both of these sites and, if the answers were affirmative, how often they used Facebook and Twitter for reading others’ messages (passive use per medium) as well as for posting messages themselves (active use per medium), on a scale of 0 to 5 (with answer categories 0 = “Don’t use this platform”, 1 = “Less than once a week”, 2 = “1 to 2 times per week”, 3 = “3 to 4 times a week”, 4 = “Once a day” and 5 = “Several times a day”). To check whether these 4 items formed a valid reflective construct, we subjected the items to exploratory factor analysis. This revealed one dominant factor with a pre-extraction eigenvalue of 2.07 (accounting for 52% of the variance) and one smaller factor with an eigenvalue of 1.01. The ‘elbow’ in the scree plot suggested the use of one factor. In the component matrix, all items loaded significantly on one factor (with correlations ranging from .61 to .80). Therefore, we concluded that the four item scores (combination Facebook/Twitter and reading/posting) could be reflected in one single measure – *intensity of social media use* – and the four

items were averaged. The resulting measure was ranging from 0 to 5 ($\alpha = .80$, $M = 1.30$, $SD = 1.32$).

Engagement in company's social media activities.

As described in the theoretical background, we define consumers' engagement in a company's social media activities at its basic level, i.e., on (a) consumer's familiarity with a company's social media activities (cognition) and (b) the online following of these activities (behavior).

Our measure of engagement reflects these two aspects. Concerning the familiarity with KLM's social media activities, we asked participants to what extent they were familiar with the company's social media activities, on a 4-point scale (ranging from 1 = "Not familiar", 2 = "Somewhat familiar", 3 = "Familiar" and 4 = "Very familiar"). With regard to the following of KLM on social media sites, we asked "On which social networking sites do you follow KLM?", with Facebook and Twitter among the answer options. The answers to these two questions were combined to reflect the participants' level of engagement, resulting in a classification of three groups:

1. Low engagement group: Participants who were not familiar with the company's social media activities, and who were not following the company on Facebook and/or Twitter.
2. Medium engagement group: Participants who were somewhat to very familiar with the company's social media activities, but who were not following the company on Facebook and/or Twitter.
3. High engagement group: Participants who were somewhat to very familiar with the company's social media activities, and who were following the company on Facebook and/or Twitter.

This results in a measure – *engagement in the company's social media activities* – on a three point scale, ranging from low engagement ($n = 2,405$; 68% of N), via medium engagement ($n = 306$; 9% of N) to high engagement ($n = 820$; 23% of N).

Results

Table 1 gives an overview of the descriptive statistics and Spearman's rank correlations between the main variables in this study, the moderator variable "customer" (yes or no), and participants' gender and age.

Table 1. Descriptive Statistics and Spearman's Rank Correlations ($N = 3531$)

| | Descriptives | | | | Correlations (Spearman's rho) | | | | | |
|---|--------------|------------|------|------|-------------------------------|--------|-------|-------|-------|-----|
| | Scale min. | Scale max. | Mean | SD | (1) | (2) | (3) | (4) | (5) | (6) |
| (1) Gender (m/f) | | | | | - | | | | | |
| (2) Age category | | | | | -.04* | - | | | | |
| (3) Customer (n/y) | | | | | -.20** | .01 | - | | | |
| (4) Intensity of participants' social media use | 0 | 5 | 1.30 | 1.32 | .02 | -.34** | .07** | - | | |
| (5) Engagement in company's social media activities | 0 | 2 | .55 | .84 | -.14** | -.20** | .38** | .45** | - | |
| (6) Perception of corporate reputation | 1 | 5 | 3.53 | .51 | -.03 | -.01 | .24** | .11** | .28** | - |

** $p < .01$; * $p < .05$

Gender and age did not have any direct association with perception of the company's reputation. However, there was a negative correlation between age and intensity of social media use ($\rho = -.34$) and between age and engagement in social media activities ($\rho = -.20$): older participants are less active on social media and less engaged in KLM's social media activities

Being a customer was weakly related to intensity of social media use ($\rho = .07$), but strongly related to both social media engagement ($\rho = .38$) and to perceived corporate reputation ($\rho = .24$). Customers tend to be more intensely engaged in the social media activities of KLM than non-customers, and have a more positive perception of KLM's reputation. This was also apparent from the scores of customers and non-customers on the three main variables in this study: independent sample t-tests showed that customers ($M = 1.41, SD = 1.41$) had a higher score on intensity of social media use than non-customers ($M = 1.17, SD = 1.18$); ($t(3483) = -5.4, p < .001$) and on engagement in the company's social media activities: $M_{\text{cust}} = .83, SD_{\text{cust}} = .92$ versus $M_{\text{non-cust}} = .20, SD_{\text{non-cust}} = .55$; ($t(3483) = -24.0, p < .001$). Furthermore, customers showed a higher score with regard to perceived corporate reputation: $M_{\text{cust}} = 3.63, SD_{\text{cust}} = .52$ versus $M_{\text{non-cust}} = 3.42, SD_{\text{non-cust}} = .47$ ($t(3484) = -12.7, p < .001$).

The correlations presented in Table 1 also provide the first test of our H1 and H2. In support of H1, engagement in social media activities and perception of corporate reputation were positively related ($\rho = .28$). In support of H2, intensity of social media use and engagement in the company's social media activities were positively related ($\rho = .45$). Intensity of social media use and perceived corporate reputation also showed a positive relation ($\rho = .11$), albeit to a much lesser extent.

To further test our hypotheses and the relationships in the proposed conceptual model (Figure 1), we used a two-step approach. As a first step, with regard to H1 and H2, we tested the relations in the conceptual model (Figure 1) without customer (y/n) as a moderator. As a second step, and to test H3 and H4, we added the moderator. We performed a regression-based path analysis using PROCESS, a computational tool for estimating conditional indirect effects in moderated mediation models (Hayes, 2013; Hayes & Matthes, 2009; Preacher, Rucker, & Hayes, 2007). PROCESS generates bootstrap confidence intervals for total and specific indirect effects of the predictor(s) on the dependent variable through one or more mediator variable(s). Bootstrapping has advantages over other analyses because it provides more accurate inferences and it is possible to apply to statistics with sampling distributions that are difficult to derive. Furthermore, with PROCESS, additional calculations that are not carried out automatically by conventional regression routines are performed in one analysis (Hayes,

2012). Thus, we used PROCESS to establish the mediational effects in the model (i.e., participants' engagement in social media activities of company) as well as the moderating effects of customers vs. non-customers.

In step 1 – testing H1 and H2 – we examined the model (see Figure 1) without the moderating role of customer (y/n). As depicted in Figure 1, we expected that consumers' intensity of social media use would, via engagement in the company's social media activities, be indirectly related to perceived corporate reputation. We regressed perception of corporate reputation on participants' intensity of social media use with engagement in the company's social media activities as a mediator. Table 2 summarizes the results for the regression analysis.

Table 2. *Mediational Regression Analysis of KLM Reputation (N = 3531)*

| | Engagement (mediator) | Reputation (DV) |
|--|--------------------------|--------------------|
| | <i>B (SE B)</i> | <i>B (SE B)</i> |
| Constant | .64 (.06)** | 3.41 (.04)** |
| Gender (m/f) | -.24 (.02)** | .02 (.02) |
| Age | -.04 (.01)** | .01 (.01) |
| Intensity of participants' social media use | .30 (.01)** | -.01 (.01) |
| Engagement in company's social media activities | — | .16 (.01)** |
| Direct effect of intensity of social media use | | -.01 (.01) |
| Indirect (conditional) effect of intensity of social media use | | .05 (.00) |
| 95% CI | | .04 - .06 |
| Total effect of intensity of social media use | | .04 |
| <i>R</i> ² | .26 | .07 |

** $p < .001$; * $p < .01$

Note. Regression performed by using PROCESS tool, model 4 (Hayes, 2013).

Independent variable (participants' social media usage intensity) and mediator (participants' engagement in company's social media activities) are mean centered to render a parameter estimate that is interpretable within the range of the data.

Note. *B* = unstandardized effect size. Bootstrap resamples = 10,000.

In the first equation, engagement is predicted by intensity of social media use. Age and gender were used as covariates, because – as we saw in Table 1 – these variables showed moderate correlations with intensity of social media use and engagement in social media activities and thus could also affect the relationship between the predictor and independent variable¹. The results showed that intensity of social media use was positively associated with engagement ($b = .30, SE = .01, p < .001$), which supported H2. Age ($b = -.04, SE = .01, p < .001$) and gender ($b = -.24, SE = .02, p < .001$) were both related to engagement. Together the predictors explained 26% of the variance in engagement. In the second part of the regression (the right section in Table 2), corporate reputation was the dependent variable. In line with H1, there was a positive association between engagement and reputation ($b = .16, SE = .01, p < .001$). The direct effect of intensity of social media use was not significant nor were the effects of age and gender, but there was a significant indirect effect, through engagement, on corporate reputation (95% $CI = .04 - .06$). The direct and indirect effects together explained 7% of the variance in corporate reputation.

In step 2 of our analysis – with regard to H3 and H4 – we included customers versus non-customers as a moderator in the analysis. The results are shown in Table 3.

1 When age and gender are not entered as covariates, intensity of social media use shows $b = .29, SE = .01, p < .001$; only a small difference in comparison with the use of covariates. Without covariates, intensity of social media use explains 20% of the variance in engagement.

Table 3. Moderated Mediation Regression Analysis of KLM Reputation ($N = 3485$)

| | Engagement (mediator) | Reputation (DV) |
|---|--------------------------|--------------------|
| | <i>B (SE B)</i> | <i>B (SE B)</i> |
| Constant | .30 (.05)** | 3.50 (.04)** |
| Gender (m/f) | -.12 (.02)** | .03 (.02) |
| Age | -.04 (.01)** | .00 (.01) |
| Intensity of participants' social media use | .25 (.01)** | .00 (.01) |
| Customer (n/y) | .56 (.02)** | .12 (.02)** |
| Engagement in company's social media activities | -- | .15 (.01)** |
| Customer x intensity of social media use | .26 (.02)** | -- |
| Customer x engagement in social media activities | -- | -.10 (.03)** |
| Direct effect of intensity of social media use | | .01 (.01) |
| Indirect (conditional) effect of intensity of social media use: | | |
| Non-customers | | .02 (.00) |
| 95% CI | | .02 – .03 |
| Customers | | .04 (.02) |
| 95% CI | | .03 – .05 |
| Total effect of social media use: | | |
| Non-customers | | .03 |
| Customers | | .05 |
| <i>R</i> ² | .40 | .09 |

** $p < .001$; * $p < .01$

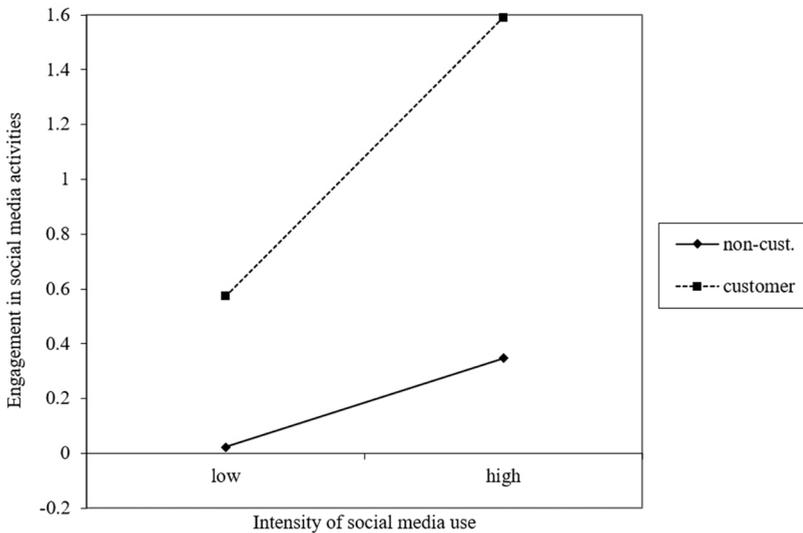
Note. Regression performed by using PROCESS tool, model 58 (Hayes, 2013).

Independent variable (participants' social media usage intensity) and mediator (engagement) are mean centered to render a parameter estimate that is interpretable within the range of the data. All coefficients are unstandardized and based on models with all primary variables entered.

Note. B = unstandardized effect size. Bootstrap resamples = 10,000.

As in the first step, the regression is conducted in two steps. In the first step, the predictors explained 40% of the variance in engagement. The intensity of social media use was positively related to engagement ($b = .25, SE = .01, p < .001$). Furthermore, customers were more engaged than non-customers ($b = .56, SE = .02, p < .001$). There was a significant interaction of customer and intensity of social media use ($b = .26, SE = .02, p < .001$). The interaction is depicted in Figure 2. The figure shows that, in line with H4, among customers the intensity of social media use in general was more strongly related to engagement in the company’s social media activities than among non-customers.

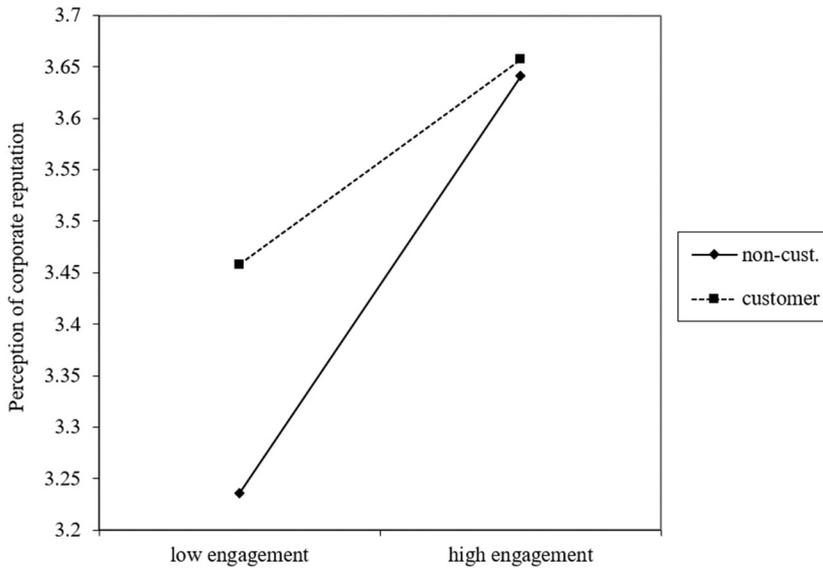
Figure 2. Relation between intensity of social media use and engagement in company’s social media activities, for customers and non-customers.



In H3, we hypothesized that perception of corporate reputation among non-customers is more strongly related to social media engagement than among customers. The results in the second step of the analysis (Table 3) show a positive relationship of corporate reputation and engagement in the company’s social media activities ($b = .15, SE = .01, p < .001$). Also, customers were more positive about KLM’s reputation than non-customers ($b = .12, SE = .02, p < .001$). Importantly, the interaction between being a customer and engagement in social media activities has a significant effect on corporate reputation ($b = -.10, SE = .03, p < .001$). The direct and indirect effects of

social media use and engagement together explained 9% of the variance in corporate reputation. Again, to illustrate the nature of the interaction between being a customer and engagement we constructed a graph from the outcomes of the second part of the regression (Figure 3).

Figure 3. *Relation between engagement in the company's social media activities and perception of corporate reputation, for customers and non-customers.*



Although perception of corporate reputation was higher among customers at all levels of social media engagement, Figure 3 shows that – as predicted – among non-customers engagement and corporate reputation were more strongly related than among customers, thus confirming H3.

Conclusion and discussion

The proliferation of social media use among companies has raised questions about the effects of their social media efforts, particularly with regard to the effects on corporate reputation. Our study aimed to shed light on the question whether and to which extent a company's social media activities are related to perceptions of corporate reputation among customers and non-customers. The results of a large-scale survey provide both theoretical and practical insights. We find that engagement in company social media activities is positively related to corporate reputation, especially among non-customers. Social media engagement is predicted by general social media use, especially among customers. We will discuss these findings and their implications below.

A first main finding – supporting H1 – was that consumers' level of engagement in a company's social media activity was positively related to perceptions of corporate reputation.

Engagement in our study ranged from not being active on social media and not knowing KLM's social media activities, to following KLM on one of its social media channels.

Part of the positive association between engagement and reputation might be the result of emotional contagion – the tendency to feel and be influenced by others' emotions – (Barsade, 2002; Hatfield, Cacioppo, & Rapson, 1993). On social media sites more than 50% of word-of-mouth communication about companies and brands is positive, while only less than 10% is negative (InSites Consulting, 2012). Consumers who choose to follow KLM in social media are exposed to both content placed by KLM and the responses to these posts, and to the questions, complaints and remarks posted mainly by customers and often followed by a response of KLM. Content placed by a company itself will often have a positive tone of voice and give rise to positive consumer responses, as can be witnessed on KLM's Facebook page. However, much of the consumer posts on Twitter and Facebook start with negative sentiment, for instance because luggage is lost, flights are delayed, etc. Our study cannot disentangle the effects of the different kind of content that consumers are exposed to when they follow a company. It could be argued that witnessing customers complain about a company's services, negatively affects the evaluation of the company. However, previous studies have shown that witnessing a company responding to customer complaints in social media affects the evaluation of this company (van Noort & Willemsen, 2011). The findings of the present study indicate that the net effect is still positive. Future studies

should aim to unravel the effects of different kinds of content that consumers are exposed to when they engage in a company on social media.

Regarding the reach of a company's social media activity we found – in line with H2 – that consumer's intensity of social media use was positively related to engagement in a company's social media activities. The higher one's intensity of social media use, the more likely one will become a 'friend' or 'follower' of a company and to become engaged in their online activities (Leung & Bai, 2013). Since in a global study of Insite Consulting (2012) approximately 50% of the social networking site users indicated that their use of social networking sites is likely to grow (or grow a lot) in the next coming year, one can expect to see the number of company "followers" and "likes" rise in the coming years, even when companies don't put more effort into their social media channels. This once more underlines the importance of establishing a well-thought-out brand presence in social media.

Looking at the differences found between customers and non-customers, we must first note that customers and non-customers have different antecedents and motives to follow and become engaged in a company's social media activities. Whereas for non-customers general company interest or just curiosity may play an important role, for customers social media platforms also prove its worth as channels for customer service, direct feedback and product/company updates (Webster, 2012). Furthermore, customers have personal experience with a company, are more involved with it and know more about it, resulting from information seeking behavior before a purchase (to collect product information), and also after a purchase (to reduce cognitive dissonance) (Blackwell, Miniard, & Engel, 2006). Customers are thus in a different relationship stage than non-customers, which is also reflected in differences in the antecedents and consequences of brand trust for both groups (Sichtmann, 2007). Our results show that customers have more positive perceptions of the company's reputation than non-customers, regardless their intensity of social media use and engagement in the company's social media activities.

The differences between costumers and non-customers together show a rather different picture for both groups with regard to social media engagement and corporate reputation. The higher reach of the company's social media activities among customers is likely the result of both being encompassed by the company's attempts to motivate customers to use their social media channels, and the higher persuasiveness of these appeals because of the higher instrumentality of these channels. As mentioned earlier, customers have obvious reasons – particularly in the case of KLM – to make use of social media channels since they provide easy access to a quick, responsive and "24/7"

customer service. In our study, in the subsample representative for the Dutch population, of the customers active on social media (i.e., reading Facebook/Twitter updates minimal once per week), 45% is familiar with the social media activities of KLM and 36% is following KLM on Facebook and/or Twitter. This underlines the potential of social media platforms for customer service purposes. Additionally, customer support in social media may have important side effects for non-customers, who now witness customers being supported on Twitter or Facebook, which may strengthen their perception of the level of customer orientation of the company. Non-customers experience the candid way employees of the company respond with a conversational human voice to several types of online feedback, like questions, compliments, and complaints (Kelleher & Miller, 2006; Lee, Hwang, & Lee, 2006). In earlier studies, conversational human voice was shown to be of added value for brand evaluation (van Noort & Willemsen, 2011), and candidness in online dialogues showed to enhance trust and familiarity (Lee et al., 2006). Together, this may influence the perception of corporate reputation.

The relationship between social media engagement and corporate reputation is more pronounced among non-customers. This suggests that companies should actively focus their social media activities on non-customers for a number of reasons. First, the largest part of a company's target markets consists of non-customers. Companies need to continuously explore opportunities to sell to new customers since at some point existing customers may fall away. In the short term, firms may not see market performance effects (higher sales or market share) from their social media activities focused on non-customers. Nevertheless, in the longer term – when it may come to new supplier selection – online engaged non-customers may turn more easily into customers, since corporate reputation is an important aspect in purchase intentions (Keh & Xie, 2009).

Second, important market changes are often first observable among non-customers (Drucker, 1994). Knowing and understanding the general public's changing needs and preferences is critical for companies. This stresses the need for companies to keep in touch with non-customers. Social media platforms can offer an "early warning system", which, at a relatively low expense, is also useful for ideation and co-creation (Hoyer, Chandy, Dorotic, Krafft, & Singh, 2010).

Third, engaged non-customers with a positive perception of the company's reputation may come to play an important role as online "ambassador" and influencer, or might become future employees or shareholders (Shamma & Hassan, 2009). Enhancement of reputation is considered – after enhancement of relationships with key audiences – as the second most important metric when measuring the effectiveness of a company's efforts in communicating with online influencers (Gillin, 2008). To

substantiate this suggestion, a longitudinal study that follows non–customers for a longer period of time is needed.

As all studies, this research also has its limitations. First, KLM Royal Dutch Airlines – the case company we used in this study – is very active in the field of social media and has a large general brand awareness in the Netherlands. This may attract people not being a customer of KLM, but with a more than average interest in this company or its online activities. In that sense, KLM may not be representative for the average company, especially because this study is mainly based on participants residing in KLM’s home market.

A second limitation is that our definition of “customer” is debatable: the cut-off point for being regarded as a customer was placed at having flown with KLM within the two years before this study. This means that, for example, a participant who flew with KLM for decades, but not in the last two years is not considered a customer. Conversely, a “one-time flyer” with KLM in the last two years is categorized as a customer in our study. This may have influenced the results of this research by over or underestimating the effects of being a (non)customer of KLM.

Third, in this study a very basic conceptualization of engagement was used, i.e., familiarity with a company’s social media activities and following those activities on Twitter and/or Facebook. Although following a brand in social media is a frequently used way consumers engage online with a brand, it is also a rather minimal form of engagement. In order to more fully investigate the impact of a company’s social media activities on corporate reputation, future research should include a broader range of consumer engagement measures.

As a last limitation, participants with a high level of engagement in the company may have been different beforehand with regard to perceived reputation. In the current study we only studied relations between variables and not the direction of the relations. As mentioned before, we recommend further research to shed light on this. While, in the present study, we suggest that engagement in a company’s social media activities is a predictor of perception of corporate reputation – even stronger for non-customers than for customers – the direction of causality in this relation may be opposite, and is most likely to be bidirectional. Thus, we recognize the necessity for a longitudinal study that measures engagement in social media activities in relation to corporate reputation in the same sample at different time intervals, to draw more explicitly causal claims about the exact operation of the conceptual model proposed and supported here. Despite these limitations, this study contributes to a better understanding of the relationship between consumers’ intensity of social media use, their engagement in companies’ social

media activities and corporate reputation. We showed that consumers' level of online engagement is positively associated with perception of corporate reputation. Moreover, this study emphasizes the importance for a company of not only engaging online with its customers, but not the least also with its non-customers. The findings provide evidence that for companies, social media platforms really are a "stage to engage" with both consumer groups, therewith enhancing their corporate reputation.

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