Consumer Attitudes toward the Corporate Image of Direct Selling Companies in Thailand

Prasit Rattanaphan

Abstract—The purpose of this study was to identify the major predictors that affect consumers’ attitude toward the corporate image of direct selling companies in Thailand. Using questionnaires survey on a sample of 343 customers of direct selling companies in Thailand and then analyzing those using regression. The findings indicated that perceived value ($\beta = 0.191$, $t = 2.778$, and $p = 0.006 < 0.01$) and trust ($\beta = 0.220$, $t = 3.054$, and $p = 0.002 < 0.01$) had significant positive relationship on attitude toward corporate image. On the other hand, brand architecture, corporate social responsibility (CSR), and internet marketing had no significant influence on attitude toward corporate image.

Index Terms—Corporate image, direct selling, consumer attitude.

I. INTRODUCTION

In 2009, the Direct Selling Association (DSA) reported that consumers had a negative attitude towards network marketing and a lack of positive confidence in direct selling. Moreover, many consumers did not understand the system of direct selling which often generated negative attitude toward direct selling companies. Many consumers were doubtful and had a negative attitude toward pyramid scheme and internet MLM fraud occurring in direct selling that affected companies in the long term and damaged the corporation’s image [1], [2]. The Department of Special Investigation (DSI) in Thailand reported that from 2006 to 2008 there were more than 6,000 victims of pyramid schemes and internet frauds, valued at more than 48.39 million ($US). Furthermore most of victims did not report these crimes, so there could be more than a hundred thousand people influenced by these crimes, which could represent financial losses of more than 1.61 billion ($US). In consequence, consumers had an even worse attitude towards direct selling.

Direct selling representatives often have no office or place of residence for selling and use aggressive techniques to reach consumers at their premises; so it makes direct selling very difficult to be supervised by the government. Subsequently, using the internet to carry out their schemes, fraudsters now have access to the consumers worldwide as well as the potential to affect the consumer attitudes toward the corporate image of direct selling companies.

The widespread importance of attitude for direct selling companies’ corporate image has gained more attention in recent years due to pyramid schemes and internet MLM frauds which have resulted in the development of a negative attitude toward direct selling companies. There is a vacuum of studies investigating attitude in direct selling settings. The real extent of that negative attitude generated by pyramid schemes, internet and MLM frauds on direct selling companies is not factually proven. Thus, the damage to corporate image of direct selling companies by pyramid schemes and internet frauds has not been investigated empirically [1], [2].

The diverse antecedents of consumers’ attitudes will be elaborated such as brand architecture, CSR, internet marketing, trust, and perceived value on specific linkages of corporate image of direct selling companies in Thailand.

This study proposes to determine the major predictors that affect consumers’ attitudes toward the corporate image of direct selling companies. The analysis of the direct impacts of these antecedents on consumers’ attitude will increase the empirical literature in direct selling and related discipline.

In direct selling, customers will purchase a product based on distinctive tastes. Customers with various cultural backgrounds will evaluate the impact of their own consumption behaviors differently. Perceptions from the customer of quality, price and value have long been essential determinants in purchase behavior and product choice. An attitude is a learned predisposition to behave in consistently favorable or unfavorable way with respect to a given object [3].

Attitude towards direct selling corporate image is the result of an individual’s overall influenced reaction from the usage of direct selling activities. Researchers have stated that there are relationship and positive influence between marketing activities and consumers’ attitudes toward the organization and products [4], [5]. Consumer attitudes can have powerful effects on corporate image [4], creating competitive advantages for a company by stimulating consumer’s purchase purpose [5]. However, corporate image is also affected by every interaction between stakeholders (e.g. employee, salesperson) and external audiences (e.g. consumer, distributor, community member). Furthermore, research has suggested that customer’s attitudes have a positive effect on corporate image [4], [5].

Corporate image is a resource which is very difficult to imitate, as a result of the extensive time period that is necessary for its development and an intuitively appealing concept which is related to attitude. The concept of corporate image is implicated to different types such as
perceived by consumers, the community and stakeholders; it also depends on consumers’ purpose. Andreassen and Lindestad [6] suggested that corporate image is a major factor that affects attitude, perception and customer’s satisfaction because it relates to the customers’ recognitions of the products and services. Moreover, corporate image is a result of attitude that affects perception and recognition.

Past studies have shown that the social responsibility is related to the attitudes of corporations [4].

The concept of CSR refers to an organization’s activities and commitments in relation with the recognition of its response to society or jointly with a stakeholder in its activities [4], [5]. The CSR has a commitment function which involves moral, ethical and social responsibilities between an organization and its stakeholders.

C. Internet Marketing

Based on the same view points, internet marketing and e-marketing are often applied to reach the same objective and are used synonymously. There has been a rise in the fraudulent use of internet marketing originating from the rapid growth of internet organizations, frequently devoid of economical essence and lacking inside controls on traditional transactions. Direct selling companies could benefit from incorporating the internet into their marketing strategies, products and services. They could get to a worldwide audience online, advertising or reaching public media in developing markets with less cost, using web site as a marketing tool that can reduce the expenses of printing materials. Moreover, the internet can be channeled for interactive exchanges between stakeholder and the organization. It can also enhance the organization’s credibility by creating a professional image through effective web site design in order to answer questions about products and services in multiple languages and conduct research abroad.

The internet was created to improve efficiency and was integrated to the marketing activities; providing all organizations, including direct selling companies, with opportunities that otherwise would have been unavailable to them. From the literatures, there has been a lack of evidence about the role of Internet on organizations and their marketing activities and its efficiency; while there have been numerous studies examining the internet usage and the viability of e-marketing for SMEs. Thus, businesses should design internet marketing strategies to determine exactly their limitations in regards to their consumers’ attitude.

D. Trust

The importance of initiating, building and maintaining trust between buyers and sellers as a key facilitator of successful direct selling is increasingly being recognized in academic circles as well as in practitioner communities [9]. Reliability of the product and of the corporation will give the trust to consumers and facilitate a purchase. Therefore, direct selling companies seek to build trust, reliability and create better awareness about their company's brand and image. Recently, direct selling appears as it has thrown down the glove, arising from distribution channels thanks to new technological means and increasing the aggressive nature of competition through the new channels for doing business. Consequently, researchers have examined predictors that link consumers’ attitudes with the purchase decision in direct selling.

Placing and determining trust between a seller and its customers is the main goal achieved in direct selling, this line of thought has gained more recognition in academic and managerial communities. Numerous studies have
investigated the role of trust in the context of trust for business-to-consumer as in direct selling [9].

E. Perceived Value

In direct selling, customers will purchase a product based on their distinctive tastes. Customers with various cultural backgrounds thus will evaluate the impact of their own consumption behaviors. The customers’ perceptions of quality, price and value have long been essential in determining the purchase behavior and product choice. Many researchers have found that values impact diverse features of attitude and consumption behaviors [10] [11].

Perceived value has an indirect impact on a customer’s behavior through a less abstract mediator variable such as domain-specific attitudes, by which the effect of values must theoretically flow from abstract values to mid-range attitudes to specific behaviors. Numerous researchers suggest that perceived values have been significantly influencing different features of attitude and consumption behaviors [11].

III. THE STUDY’S FRAMEWORK

This paper proposes a framework based on the literature which has discussed well-known concepts and studies useful for developing the background for a model. This framework offers a model on how to make logical sense of the relationships between the several factors that have been identified as important to the issue at hand. The hypotheses are as follow: H1-H5 Predictors (brand architecture, CSR, perceived value, internet marketing, and trust) will have a positive effect on attitude toward corporate image.

IV. RESULTS

This study is a quantitative research which uses structured questionnaire with closed responses- questions using a seven point rating Likert scale (1 = strongly disagree and 7 = strongly agree). In this research, a stratified random sampling method was used to get respondents. The population of this study can be used to portray customers of direct selling companies who as a workforce represent 39.44 million (National Statistical office of Thailand, 2011). Therefore, the calculation for the sample size was done by using the Taro Yamane’s formula [12], as given in the equation \[ n = \frac{N \cdot e^2}{(1+N \cdot e^2)} \], where \( n \) = sample size, \( N \) = population, and \( e \) = error of the sample (with 95% confidential level). The sample size was 400, as mentioned previously 500 questionnaires were distributed and 355 were collected back. The 12 survey instruments were deleted because of incomplete data that’s why all these missing data have been excluded from this study for the final 343 usable questionnaires. The data were analyzed using SPSS to obtain reliable results and regression was used to assess the hypotheses.

There are more female (67.6%) than male respondents (32.4%). The respondents’ ages are mostly 26-35 years old (49.6%) followed by 18-25 years old (15.2%) and more than 35 years old (35.2%). Their educational background ranges from Bachelor’s degree (69.7%), Secondary levels (17.5%) to others (12.8%). About 21.6% of the respondents have an income below 10,000 baht a month, 54.2% are earning between 10,000 to 20,000 baht, and 24.2% have an income above 20,000 baht.

The direct selling products that respondents purchased the most frequently were cosmetics and personal cares (44.6%), followed by supplements (24.3%), household care (11.7%), food and drink (11.5%) and others (7.9%). Most of the respondents have been purchasing direct selling products for less than a year (37.3%), about 1-2 years (23.9%), 2-5 years (22.7%), and more than 5 years (16.1%). The average amount spent per purchase is less than 500 baht for about 24.5% of the respondents, 40.5% are in the range of 501-1,000 baht, followed by 18.4% are in the range of 1,001-1,500 baht, and 16.6% are above 1,500 baht. The reasons for the purchase of the respondents were, ease of the purchase is the most frequent answer (27.3%), followed by high quality of the products (24.1%), variety of the products (18.6%), special discounts (16.7%), and others (13.3%). Most of the respondents (60.7%) purchased direct selling products from a salesperson, the next 31.2% purchased from direct selling outlets, and 8.1% purchased by online order and direct mail.

The reliability of the pre-formulated questionnaire to determine the attitude toward corporate image of direct selling companies was tested through the Cronbach’s alpha. The result shows a reliability index for each variable higher than 0.7 which indicates acceptable reliability (Table I). A common factor analysis with the principal component factoring was conducted to test the validity of the scale with varimax rotation. The Kaiser Meyer Olkin (KMO) or Measure of Sampling Adequacy (MSA) indicate reading of 0.920 (>0.5) which is above the minimum requirement and the Bartlett’s Test of Sphericity stands at a significant level of 0.000 (sig<0.05) thus, making the following factor analysis permissible (Table II).

The results indicate that predictors (IV) could reveal 27.8 percent of variance in attitude toward corporate image (\( F = 27.299, p = 0.000<0.001 \)). It was shown that H3 and H5 were supported which means that perceived value (\( \beta = 0.191, \))
In addition, consumers’ perceptions of perceived value (quality, price and value) have long been essential in evaluating the determinants of purchase behavior and product choice. Many researchers found that perceived value impacts diverse features of attitude and consumption behaviors [10] [11]. New contribution can be generated from handling competition and increasing the sales which can significantly improve the corporate image of direct selling companies. Finally, the results of this study can give a platform to improve attitude toward corporate image of direct selling companies and the predictors in this model will show evidence of its effect on consumers’ attitudes toward corporate image.

V. DISCUSSION

Recently, direct selling business has had a great impact, both positive and negative on the economy of the world. Thus, the study of attitudes toward corporate image is essential to allow the operations of the direct selling business to grow steadily and to show its effects on consumers’ awareness. The purpose of this study was to identify the key factors influencing the attitude toward corporate image. The literature reveals that there are many factors that affect consumers’ attitudes. The direct factors that significantly affect attitude are as follow; brand architecture, CSR, internet marketing, trust, and perceived value.

This study has established two direct significant relationships between corporate image; perceived value and trust that show that the consumers will have a positive attitude toward the corporate image of a direct selling company when they have integrated the perceived value and trust of this company. This is similar to previous studies which indicated that direct selling companies should seek to build trust, reliability and create better awareness about their company's image [9].

In addition, consumers’ perceptions of perceived value

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Notes: *p<0.01; R²=0.288; Adjusted R²=0.278; F=27.299; n=343

REFERENCES


