



# How does brand misconduct affect the brand–customer relationship?



Chih-Hui Hsiao<sup>1</sup>, George C. Shen<sup>\*1</sup>, Pei-Ju Chao<sup>1</sup>

National Chiayi University, Taiwan

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## ABSTRACT

This study aims to investigate how brand misconduct and advertising affect the brand–customer relationship. The conceptual model consists of e-service quality, consumer satisfaction, brand commitment, and advocacy intentions, which are used to test the hypothesized brand–customer relationship. The study involves an experiment with 674 participants to test the research hypotheses. Results show that e-service quality and satisfaction are crucial to determine a customer's brand commitment, which in turn has a positive impact on advocacy intention. Brand misconduct decreases the brand–customer relationship. That is, customers who were informed about brand misconduct displayed a lower response on marketing relationships. Advertising is effective to mitigate the negative impact of brand misconduct on a customer's advocacy intention. The research advances the relationship marketing literature explaining the effects of brand misconduct and advertising on the brand–customer relationship.

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## 1. Introduction

Previous studies propose that relationship quality is the core of relationship marketing, which is beneficial to a brand's long-term relationships with customers and results in business profit (Aaker, 2011; Aaker & Joachimsthaler, 2000; Bendapudi & Berry, 1997; Jones, 1996; Lovelock & Jochen, 2011). Shankar et al. (2003) suggest that online service requires a greater degree of consumer satisfaction and trust to build brand loyalty than offline service. Several studies indicate that satisfaction, trust, commitment, service quality, and advocacy are the key constructs for building brand–customer relationships (Aaker, 2011; Aaker & Joachimsthaler, 2000; Cronin, Brady, & Hult, 2000; Fournier, 1998; Fournier & Yao, 1997).

Brand misconduct refers to a company's behavior or statement that disappoints consumers or public expectations of the brand. For example, Adidas, Nike, and Puma have contracted their product to factories that abuse child labor for production (Huber, Vollhardt, Matthes, & Vogel, 2010). Lativ, the leading online apparel retailer in Taiwan, is another misconduct case. The brand has marketed its product by using a Made in Taiwan label to symbolize its product quality and play on consumer patriotism by persuading consumers that the brand stands for the local textile industry. In early 2012, Lativ announced that the

company had deployed some of its production to Southeast Asia due to higher costs and limited production capacity in the home country. Lativ's decision has angered customers, with many vowing to boycott the brand (Taipei Time, 2012). In the meantime, the company has employed high amounts of advertising to attract online consumers (TVBS, 2012). Indeed, Lativ has 100% growth in revenue, from NT\$ 3 billion in 2011 to 6 billion dollars in 2012.

Priluck (2003) claims that a firm's marketing efforts may mitigate the negative outcome of product or service failure. Mattila (2004) states that highly emotionally bonded customers might magnify the negative reaction to brand misconduct. Although the influence of brand misconduct on consumer satisfaction and brand trust has largely been investigated, no previous research has examined the change in brand–customer relationships before and after brand misconduct. A model confirming how brand misconduct and marketing efforts affect the relationship quality might provide greater understanding of the formation of online consumer loyalty.

## 2. Research hypotheses

### 2.1. Service quality and satisfaction

e-Service quality is defined as the extent to which a website facilitates efficient and effective shopping, purchasing, and delivery (Zeithaml, Bitner, & Greiner, 2006). Service quality evaluations are cognitive responses at the attribute level of service outcome, which leads to consumer satisfaction if the perceived service quality exceeds the consumer's expectations. Past studies have found that service quality is crucial to determine consumer satisfaction (Cronin et al., 2000; Parasuraman, Zeithaml, & Malhotra, 2005; Taylor & Baker, 1994; Zeithaml et al.,

\* Corresponding author at: Department of Marketing and Logistics, National Chiayi University, 580 Sinmin Rd, Chiayi City 60054, Taiwan. Tel.: +886 5 2732910.

E-mail address: georgecshen@gmail.com (G.C. Shen).

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2006). Kurt and Atrek (2012) find that attributes of online service quality engender consumer satisfaction. Thus:

**H1.** e-Service quality is positively related to consumer satisfaction.

## 2.2. Satisfaction and brand commitment

Brand commitment consists of three sources, including affective, continuance, and normative (e.g., Allen & Meyer, 1996; Bansal, Irving, & Taylor, 2004). Affective commitment refers to the customer's emotional connection in a marketing relationship. Continuance commitment is the cost associated with consumers when they leave an exchange relationship, reflecting the benefit of the continuing relationship. Normative commitment is the degree of obligation that a consumer considers with regard to behavior (Gustafsson, Johnson, & Roos, 2005; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002).

Satisfaction is a key factor to build brand–customer relationship and it predicates consumers' loyal behavior (Fournier, 1998; Fournier & Mick, 1999; Spreng, MacKenzie, & Olshavsky, 1996; Yoon & Uysal, 2005). Consumers' satisfaction influences their attitude toward a company/product and purchase intention (Oliver, 1980). Garbarino and Johnson (1999) find that consumers' satisfaction with their service provider enlarges the resource that satisfied customers commit to invest in a transaction. Fullerton (2011) notes that satisfaction causes affective and continuance commitment. Gustafsson et al. (2005) demonstrate that affective and calculative commitments are the important mediators to link the satisfaction–retention relationship. Therefore:

**H2.** Consumer satisfaction is positively related to affective commitment.

**H3.** Consumer satisfaction is positively related to continuance commitment.

## 2.3. e-Service quality and brand commitment

Consumer belief in the distant behavior of the service provider is affected by the consumer's confirmation of the service quality (Doney & Cannon, 1997). Morgan and Hunt (1994) find that a supplier's performance affects a buyer's trust and commitment to the ongoing relationship. The degree to which consumers devote resources in an exchange relationship is affected by the benefit that consumers can receive from the transaction (Fullerton, 2005). Brown and Dacin (1997) suggest that corporate ability associations are those associations related to the service provider's expertise in producing and delivering its outputs. Consumers are more likely to commit their loyal intention when the firm is capable of providing service that meets their need.

Service quality drives continuance commitment in the marketing relationship because of the devaluation of benefits due to the consumer's switch to other service providers. Affective commitment is a crucial mediator of the service quality–loyalty relationship. In the same vein, e-service quality will be the antecedent of affective and continuance commitment in the marketing relationship (Fullerton, 2005). Hence:

**H4.** e-Service quality is positively related to affective commitment.

**H5.** e-Service quality is positively related to continuance commitment.

## 2.4. Brand commitment and consumer advocacy intention

In the internet environment, if a user has a sense of commitment to the company derived from past interactions with it, the commitment is very likely to drive the user to use the company over time (Li, Browne, & Wetherbe, 2006; Shin, Chung, Oh, & Lee, 2013). When customers are comfortable with their relationship with a service provider, they are more likely to advocate for the service provider (Fullerton, 2003). Harrison-Walker (2001) demonstrates that affective commitment is

positively related to word-of-mouth (WOM) intention. Christopher et al. (2012) propose that advocacy is the key to building a strong company–customer relationship.

WOM is a movement of advocacy in marketing relationships (Fullerton, 2011) and represents consumer willingness to recommend or praise their desired service or product to others (Harrison-Walker, 2001; Hill, Provost, & Volinsky, 2006; Keller, 2007). Brown et al. (2005) state that affective commitment influences consumers' positive WOM intention. Fullerton (2011) claims that customers will invest more resources in the future when they commit to an organization and thus support the firm's success. Allen and Meyer (1996) demonstrate that prosaic behavior consists of a willingness to comment about an organization positively, resulting from a commitment to the organization. Therefore, the research suggests that a consumer's commitment to the service provider positively influences his or her advocacy intention. Based on the above discussion, the following hypothesis is offered:

**H6.** Affective commitment is positively related to advocacy intentions.

**H7.** Continuance commitment is positively related to advocacy intentions.

## 2.5. Consequences of brand misconduct

Brand misconduct is defined as any company's action that disappoints consumer expectations of a brand (Huber et al., 2010) or behavior that consumers do not support (Huber, Vogel, & Meyer, 2009); for example, Lativ claimed to remove the label regarding country of origin which is meaningful to customers' affective attachment. Brand misconduct is the result of violating consumers' desired value of ethical norms (Huber et al., 2009, 2010) and can be classified into the different categories of (a) product quality differing from customer expectations, (b) lack of service orientation (Parasuraman, Zeithaml, & Berry, 1994, 1985), (c) symbolic–psychological misconduct, and (d) socially debatable actions. Brand misconduct erodes brand–customer relationships and might result in the firm's economic loss (Huber et al., 2010). Brand misconduct can also damage brand reputations, images, and consumer loyal behavior (Aaker, Fournier, & Brasel, 2004; Huber et al., 2009; Xie & Heung, 2012). Thus:

**H8.** Brand misconduct deteriorates the relationship quality between service and quality-advocacy.

## 2.6. Advertising investment

Priluck (2003) claims that a firm's marketing efforts may mitigate the negative outcome of product or service failure. Huber et al. (2010) find that longstanding and strong brand–consumer relationships can lessen the deterioration caused by brand misconduct. Aaker et al. (2004) learn that repeatedly positive brand experiences can reduce the negative effects caused by brand misconduct. The longer the relationship is sustained, the more likely consumers maintain the marketing relationship (Huber et al., 2010).

Past research has proven that internet retailers' investment in advertising is a useful signal to increase the receiver's trust (e.g., Aiken & Boush, 2006). Fontenot and Wilson (1997) conclude that co-operative advertising investment increases the relational partnership between the supplier and distributor. Consumers may use the costly advertising investment as a signal to indicate a transaction party's intention for long-term relationship. For example, Lativ employed tons of advertising after the company's controversial statement removing the Made in Taiwan label (TVBS, 2012). A previous study also proposes that online purchase is highly related to website click-through and brand awareness (Hofmann, Huurnink, Bron, & de Rijke, 2010). The higher the brand awareness, the greater the consumer's trust. Xie and Heung (2012)

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