How does brand misconduct affect the brand–customer relationship?

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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.

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, 2000; Fournier, 1998; Fournier & Yao, 1997). 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 a Made in Taiwan label to symbolize its product quality and play on other misconduct case. The brand has marketed its product by using 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.

Pratuck (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 relationship before and after brand misconduct. A model confirming how brand misconduct and marketing efforts affect the relationship 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, & Gremler, 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.,...
Commitment is the degree of obligation that a consumer considers with regard to behavior, re-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, Hirschovitch, & 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)
find that the recovery of brand misconduct is helpful to maintain relationship quality and touch affected attributes of the consumers. The study assumes the following hypothesis:

**H9.** Advertising investment mitigates the negative influence of brand misconduct on marketing relationships.

### 3. Methods

#### 3.1. Study objects and samples

The study uses a 2 (no advertising vs. with advertising) × 2 (before brand misconduct vs. after brand misconduct) between-subjects design to test the research hypotheses. The participants are randomly assigned to one of the four conditions. The research creates a fictional brand named ANGES for the research, and the stimuli are based on Lativ’s statement and marketing efforts related to brand misconduct.

In total, 674 valid respondents are used for the hypothesis testing. The profile of the respondents shows that the majority is 21–25 years old (less than 20 years of age, 5.9%; 21–25 years of age, 56.4%; 26–30 years of age, 24.5%; 31–30 years of age, 12%; older than 41 years of age, 1.2%). There is also diversity in education (less than high school diploma, 3.7%; college, 63.9%; graduate school or above, 32.3%) and gender (37.5% male, 62.5% female). In addition, 81.6% of respondents report no purchase experience with Lativ, which potentially excludes bias coming from purchase experience.

#### 3.2. Measurement

All measures for the questionnaire are adapted from existing scales in the established research. Service-point scales, from strongly disagree to strongly agree, are used throughout the questionnaire. Satisfaction is defined as the overall evaluation of an entire product-using experience and adopted from scales used in Fullerton (2011) and Spreng et al. (1996). The measures of commitment are developed by following the Allen and Meyer (1996). e-Service quality measurement items stem from the established scales developed by Parasuraman et al. (2005). Advocacy intentions are measured using three items adapted from Fullerton (2011) and Zeithaml, Berry, and Parasuraman’s (1996) study, which proposes that advocacy intentions are a type of positive customer WOM.

#### 3.3. Analysis method

The study employs the partial least squares (PLS) technique to estimate the hypothesized relationships. After the measurement model obtains an appropriate reliability and validity, a path model is performed to test the main hypothesized relationships. Multi-group PLS is employed to test the differences of structural coefficients across the two groups. The study follows Chin’s (2000) suggestion to compute the pooled estimator for the variance, and then the t-statistic is used as the threshold to determine significant levels of group difference (Chin, 2000; Sia et al., 2009) (Fig. 1).

### 4. Results

#### 4.1. Reliability and validity of the scales

Table 1 shows the correlation matrix of the measured constructs. The composite reliability (CR) and Cronbach’s alpha of all constructs are higher than 0.8. Average variance extracted (AVE) value for all constructs is greater than 0.6 (see Table 2), showing appropriate convergent validity of the measurements. The square root of AVE for each individual construct exceeds the correlation value between itself and other constructs, fulfilling the requirement of discriminant validity (Fornell & Larcker, 1981).

#### 4.2. Hypotheses testing

After ascertaining that the measurement items hold adequate properties, the researcher examines the individual hypotheses by performing PLS. Fig. 2 shows the results from the main effect of the hypothesized relationship. H1, assuming that e-service quality is positively related to consumer satisfaction, is supported by the data (β = .68, p < .01; R² = .48). Consumer satisfaction has a significant impact on both affective commitment (β = .22, p < .01) and continuance commitment (β = .14, p < .05). Thus, H2 and H3 are supported by the data. e-Service quality has a positive association with affective commitment (β = .41, p < .01) and continuance commitment (β = .16, p < .05). Therefore, H4 and H5 are supported. e-Service quality and satisfaction can explain 43% of the variance in affective commitment and 12% of the variance in continuance commitment. H6, predicting that affective commitment is positively related to advocacy intention, is strongly supported by the data (β = .50, p < .01). The impact of continuance commitment on advocacy intention is positive, as predicted, but not statistically significant (γ = .09, p > .05). Therefore, H7 is not supported. Affective commitment and continuance intention can explain 38% of the variance in advocacy intention.

The moderating effect of brand misconduct on the brand-consumer relationship discussed above is tested using multi-group PLS analysis. The t-statistic proposed by Chin (2000) is used to examine the difference level of the path coefficients for the two groups (before vs. after brand misconduct). Table 3 shows two groups are classified by the condition of before or after brand misconduct. The t-statistic is calculated
after path coefficients for each group are obtained, in which all \( t \) values surpass the significant level (\( t \)-value > 2.58), and path coefficients for the before misconduct group are greater than for the after misconduct group except \( \beta_{\text{continuance} \rightarrow \text{advocacy intention}} \) is greater in the after misconduct group. The results support brand misconduct deteriorating brand–customer relationships; thus, H8 is supported by the data.

Analysis of variance (ANOVA) is performed to test the interaction effect of advertising and brand misconduct on advocacy intention. The results show that advertising moderates the impact of brand misconduct on advocacy intention \( (F = 4.16, p < .05) \). As shown in Fig. 2, when participants are grouped as receiving the advertising message, the message results in higher advocacy intention \( (M = 4.24) \) than for those not receiving the advertising \( (M = 4.08) \) when brand misconduct exists.

5. Discussion

The study finds that service quality and satisfaction play a crucial role in determining a consumer’s loyal behavior, including brand commitment and advocacy intention. Kurt and Attrek (2012) indicate that strong service quality can promote consumer satisfaction with a firm. To improve the brand–customer relationship, firms should consider consumer satisfaction first. The research findings support the perspective mentioned above that e-service quality has a positive impact on consumer satisfaction and obtains great variance \( (R^2 = .48) \). This confirms that service quality is the cornerstone to building the brand–customer relationship. This study confirms that brand misconduct diminishes the relationship quality among customers and brand. The results also show that e-service quality has a significant impact on consumer satisfaction even after brand misconduct. E-service quality increases both affective and continuance commitment.

Satisfaction is positively related to affective commitment and continuance commitment. The findings show that satisfaction will result in higher continuance commitment than affective commitment. When looking at the formation of brand commitment, the results show that continuance commitment receives lower variance \( (R^2 = .12) \), showing that e-service quality and consumer satisfaction are more effective to increase affective commitment \( (R^2 = .43) \) than continuance commitment.

Similar to Meyer et al. (2002), the results of this study show that the relationship between affective commitment and advocacy intentions is significantly positively related. Consumers’ emotional attachment to patriotism may increase their advocacy intentions toward brands. The impact of continuance commitment on advocacy intention is the only path coefficient that is not significant before brand misconduct, but it has a tremendous impact after brand misconduct. The reason may stem from consumers’ calculated benefits, like switching cost, which will enhance their support for the brand because transaction loss may occur when consumer backlash results in bankruptcy of the brand.

This conclusion is consistent with Huber et al. (2010). Brand misconduct may lead to negative consequences and might negatively affect company profit. In contrast, the effect of continuance commitment on advocacy intention may increase. Although continuance commitment is positively and significantly related to advocacy intentions after brand misconduct, the average score of continuance commitment remains substantially higher before the misconduct event occurs. Therefore, continuance commitment can act as a form of compensation in mending the relationship.

Moreover, marketing efforts such as advertising have a moderating effect on the relationship between brand misconduct and advocacy intention. Participants exposed to advertising messages will have higher advocacy intention than the without-advertising group. This may provide evidence that marketing efforts after brand misconduct are effective to maintain brand–customer relationships. For example, Lativ employed a tremendous advertising campaign after its brand misconduct and kept its price advantage. The Lativ outcome shows that the company maintains strong growth in revenue after brand misconduct.

![Fig. 2. The moderating role of advertising on advocacy intention.](image-url)

### Table 1

<table>
<thead>
<tr>
<th>Construct</th>
<th>Satisfaction</th>
<th>Privacy</th>
<th>Availability &amp; fulfillment</th>
<th>Efficiency</th>
<th>Product</th>
<th>Affective</th>
<th>Continuance</th>
<th>Advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>.94*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Privacy</td>
<td>.39**</td>
<td>.89*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability</td>
<td>.52**</td>
<td>.54**</td>
<td>.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fulfillment</td>
<td></td>
<td></td>
<td></td>
<td>.49**</td>
<td>.42**</td>
<td>.75**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>.56**</td>
<td>.41**</td>
<td>.56</td>
<td></td>
<td>.56**</td>
<td>.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective</td>
<td>.42**</td>
<td>.31**</td>
<td>.33</td>
<td></td>
<td>.27**</td>
<td>.40**</td>
<td>.89</td>
<td>.84</td>
</tr>
<tr>
<td>Continuance</td>
<td>.27**</td>
<td>.18**</td>
<td>- .01</td>
<td></td>
<td>- .03</td>
<td>.19**</td>
<td>.51**</td>
<td>.84</td>
</tr>
<tr>
<td>Advocacy</td>
<td>.69*</td>
<td>.39*</td>
<td>.40*</td>
<td></td>
<td>.37**</td>
<td>.54**</td>
<td>.50**</td>
<td>.40**</td>
</tr>
</tbody>
</table>

*Note: Square root of AVE is shown on the diagonal.

* \( p < .05 \)

** \( p < .01 \)

### Table 2

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>CR</th>
<th>Cronbach’s ( \alpha )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer satisfaction</td>
<td>.88</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td>Affective commitment</td>
<td>.79</td>
<td>.92</td>
<td>.92</td>
</tr>
<tr>
<td>Continuance commitment</td>
<td>.64</td>
<td>.88</td>
<td>.87</td>
</tr>
<tr>
<td>e-Service quality-privacy</td>
<td>.67</td>
<td>.92</td>
<td>.92</td>
</tr>
<tr>
<td>e-Service quality-availability &amp; fulfillment</td>
<td>.64</td>
<td>.95</td>
<td>.95</td>
</tr>
<tr>
<td>e-Service quality-efficiency</td>
<td>.80</td>
<td>.95</td>
<td>.94</td>
</tr>
<tr>
<td>e-Service quality-product quality</td>
<td>.70</td>
<td>.85</td>
<td>.82</td>
</tr>
<tr>
<td>Advocacy intention</td>
<td>.81</td>
<td>.93</td>
<td>.93</td>
</tr>
</tbody>
</table>
Table 3
The impact of brand misconduct on the brand–customer relationships.

<table>
<thead>
<tr>
<th>Path</th>
<th>Path coefficient Before</th>
<th>Path coefficient After</th>
<th>t test</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-Service quality → satisfaction</td>
<td>0.68</td>
<td>0.32</td>
<td>7.85**</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>Satisfaction → affective commitment</td>
<td>0.28</td>
<td>0.12</td>
<td>3.51**</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>Satisfaction → continuance commitment</td>
<td>0.47</td>
<td>0.30</td>
<td>3.73**</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>e-Service quality → affective commitment</td>
<td>0.46</td>
<td>0.14</td>
<td>7.01**</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>e-Service quality → continuance commitment</td>
<td>0.13</td>
<td>–0.21</td>
<td>7.43**</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>Affective commitment → advocacy intention</td>
<td>0.50</td>
<td>0.08</td>
<td>9.21**</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>Continuance commitment → advocacy intention</td>
<td>0.01</td>
<td>0.39</td>
<td>8.32**</td>
<td>&lt;0.01</td>
</tr>
</tbody>
</table>

* p < .05  ** p < .01

Hence, brand managers should enhance service quality and marketing communication to regain consumers’ satisfaction and loyalty.

6. Limitations and future research

The present research has several limitations that qualify the research findings and present opportunities for further research. First, because the study uses an experimental design focused on individual behavior that may omit the process of consumers forming brand loyalty, further research can use an ethnographic approach to capture the evolution of consumer loyalty. Second, the study uses Lativ as the scenario for capturing brand misconduct. Consumers’ response to brand misconduct may be affected by different situations. Future research can investigate the influence of brand misconduct in different conditions (e.g., food safety concerns, price mislabeling). Third, the model is empirically tested in a Taiwanese sample. Different societies may have different attitudes toward brand misconduct. Finally, this study uses printed questionnaires to gather empirical data, which may fail to evoke respondents’ real feelings toward the online environment. Future research can use different experimental methods like computer-based testing to determine respondents’ real feelings.

References