

**Disentangling the effects of Customer-Based Corporate  
Reputation on Business-to-Customer Relationships:  
Direct, Mediated and Moderated Effects**

A Thesis Submitted to Middlesex University  
in Partial Fulfilment of the Requirements for the Degree of  
Doctor of Philosophy

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London  
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## **Declaration of Originality**

I hereby declare that this project is entirely my own work and that any additional sources of information have been duly cited.

I hereby declare that any internet sources, published or unpublished works from which I have quoted or draw references have been referenced fully in the text and in the contents list. I understand that failure to do this will result in failure of this project due to Plagiarism.

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Signed .....

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Dr. Kailin Wu (Second Supervisor)

## **Abstract**

The extant literature provides a limited understanding of the role of customer-based corporate reputation (CBR) in business-to-customer relationships. Cognitive CBR and affective CBR are two distinct attitudinal components of CBR. However, research into CBR largely neglects to test the separate effects of both CBR components on business-to-customer relationships. In particular, the affective aspects of CBR have been underrated in comparison with the cognitive aspects of CBR in the conceptualization of CBR as a whole. The underlying mechanisms and boundary conditions of the effects of the CBR components on business-to-customer relationships also invite researchers' attention to better explain how these effects operate and how different circumstances influence these effects. This study, therefore, distinguishes between both the cognitive and affective components of CBR to investigate their relative effects on business-to-customer relationships, and examines the underlying mechanisms and boundary conditions of such effects. For this purpose, customer trust, customer commitment, intentional loyalty, and customer perceived risk are adopted as representative constructs of business-to-customer relationships, from the existing literature.

This study developed a conceptual model comprising of 21 hypotheses representing the inter-construct effects. Quantitative methodology was adopted to test the model. For this purpose, a systematic sample of 1059 customers was surveyed from the fast-food services industry in Pakistan.

By disentangling the effects of CBR on business-to-customer relationships, this study makes several theoretical contributions. *First*, this study reveals that cognitive CBR and affective CBR have differential effects on business-to-customer relationships. *Second*, this study extends the application of social exchange theory into the areas of corporate reputation and business-to-customer exchanges by identifying that the underrated affective component of CBR has a strong impact on business-to-customer

relationships. *Third*, this study explicates the mechanisms through which CBR affects business-to-customer relationships, by analysing the role of mediating factors that explain the effects of both CBR components on intentional loyalty. *Fourth*, this study finds relationship age as an important moderator (i.e. boundary condition) for the effects of CBR on business-to-customer relationships. *Fifth*, drawing on the international business perspective, this study theorizes and tests the moderating effects of firm type (local versus MNEs) for the impacts of CBR components on business-to-customer relationships.

The findings help the service providers to better understand the ways in which CBR may affect their relationship marketing activities. The findings also suggest some useful implications in the areas of integrated marketing communication, customer segmentation, and international business management.

**Keywords:** Customer-based corporate reputation; Business-to-customer relationships; Customer trust; Customer commitment; Intentional loyalty; Customer perceived risk; Attitude; Multiple mediator analysis; Moderators; Relationship age; Local versus foreign multinational enterprises (MNEs).

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Ali, R., Wu, K., Jin, Z., & Melewar, T. C. (2014). How does reputation win trust? - A customer-based mediation analysis. *19<sup>th</sup> International Conference on Corporate and Marketing Communications (CMC)*, April 2014, Milan, Italy.

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# **Chapter 1**

## **Introduction**

### **1.1. Introduction**

This chapter presents the background to the research problem and the rationale for this study. The literature on corporate reputation offers certain challenges and potential opportunities to the researchers in this area. These challenges and opportunities are discussed in this chapter in support of the rationale for this study; and to further develop research aim, research questions and research objectives. This chapter also outlines the major contributions of this study, followed by a brief overview of research methodology and a description of the structure of this research thesis.

### **1.2. Background to the research problem**

This study aims to provide a more detailed understanding of the impact of customer-based corporate reputation (CBR) on business-to-customer relationships. By definition, corporate reputation refers to the perceptual evaluation of an organization (Fombrun, Gardberg, & Sever, 2000; Walker, 2010). Based on the knowledge from attitude theory and the literature on definitions of corporate reputation, several authors conceptualize reputation as an attitude or attitude-related construct, consisting of cognitive and affective components (see e.g., Schwaiger, 2004; Eberl & Schwaiger, 2005; Raithel & Schwaiger, 2015).

As different stakeholder groups (e.g., customers, employees, suppliers, general public and others) may evaluate an organization using different criteria, corporate reputation should be studied separately for each stakeholder group (Walsh & Beatty, 2007; Fombrun & Shanley, 1990). Customers are the focus of this study due to their

strategic importance as a major source of organizational revenues (Walsh, Mitchell, Jackson, & Beatty, 2009a), and their impact on marketing policies (Kotler, 2011).

The strategic importance of corporate reputation is mainly derived from the significance of its outcomes for an organization. From the management perspective, corporate reputation has long been recognized as a significant source of competitive advantage and superior financial performance (Deephouse, 2000; Roberts & Dowling, 2002). Firms with higher reputations are linked with higher customer loyalty (Bartikowski, Walsh, & Beatty, 2011), better customer trust (Johnson & Grayson, 2005), stronger customer commitment (Suh & Houston, 2010), more positive future purchase intentions (Keh & Xie, 2009), and greater satisfaction of key stakeholders such as: customers (Walsh & Beatty, 2007), employees (Chun & Davies, 2010) and investors (Helm, 2007).

Corporate reputation, through its outcomes, can perform an influential role in managing the relationships of an organization with its stakeholders (Lange, Lee, & Dai, 2011; Srivoravilai, Melewar, Liu, & Yannopoulou, 2011). Among several stakeholders, customers are considered to be the most important stakeholder group of an organization (Walsh et al., 2009a). Therefore, reputational researchers have already started to realize the importance of studying the effects of CBR on various aspects of business-to-customer relationships (see e.g., Bartikowski et al., 2011; Bartikowski & Walsh, 2011; Caruana & Ewing, 2010; Walsh et al., 2009a). However, these effects require further investigation. The literature in this regard invites the researchers to provide a better understanding of such effects by using an attitude-related conceptualization of CBR (see e.g., Raithel & Schwaiger, 2015), and by investigating the underlying mechanisms and boundary conditions of these effects (see e.g., Walsh et al., 2014).

Managing business-to-customer relationships is important as it can improve the market position, competitiveness and financial performance of a firm (Hunt, Arnett, & Madhavaram, 2006). Focusing on business-to-customer relationships, instead of individual exchange transactions, requires an organization to shift from a company or product orientation to a customer orientation (Sheth & Parvatiyar, 1995a; Peppers & Rogers, 2011). As markets are becoming more competitive, the pressure on marketers is increasing to know their customers better and to build long-term favourable relationships with customers (Palmer, 1996; Palmer & Bejou, 1994). In this regard, an organization may consider a business-to-customer relationship favourable, if mutual trust and commitment are developed between exchange partners; the perceived risks of customers are reduced, and customers exhibit loyalty towards the organization (Egan, 2011; Palmer, 1996; Wray, Palmer, & Bejou, 1994).

The process of building and sustaining strong, mutually beneficial relationships with the customers is known as relationship marketing in the existing literature (Berry & Parasuraman, 1991; Morgan & Hunt, 1994). Researchers have widely studied customer trust, customer commitment, customer perceived risk and intentional loyalty as the central concepts or key objectives of relationship marketing (Palmer, 2011; Jeng, 2011; Lacey, Bruwer, & Li, 2009; Eastlick, Lotz, & Warrington, 2006; Palmer, 1996; Morgan & Hunt, 1994). This study, therefore, incorporates these central concepts/objectives of relationship marketing as the representative constructs of business-to-customer relationships. Trust refers to the *confidence in an exchange partner's reliability and integrity* (Morgan & Hunt, 1994: p. 23), whereas, commitment represents a customer's desire to maintain a valued relationship with a service provider (Moorman, Zaltman, & Deshpande, 1992). Customer perceived risk refers to the loss expectation that a customer determines subjectively (Mitchell, 1999), whereas, intentional loyalty represents a customer's willingness to continue purchasing from and recommending the

service provider organization to others in future (Bartikowski et al., 2011; Selnes, 1993).

As discussed in this section, the evolving research on the role of CBR in managing business-to-customer relationships offers certain challenges for the researchers. In this regard, a synthesized review of the studies on several outcomes of CBR is presented in Table 1.1. This review identifies the way CBR is operationalized as an attitude-related construct; and which contingencies and boundary conditions (i.e. mediators and moderators) have been examined (if any) in the respective studies. By doing so, this review highlights those obvious challenges derived from the extant literature, which merit the researchers' attention in order to provide a better understanding of the impact of CBR on business-to-customer relationships. The following Section 1.3 discusses those challenges in detail to clarify the rationale for this study.

**Table 1.1: Synthesis of studies on CBR's consequence factors**

<b>Authors</b>	<b>Sample</b>	<b>Consequences studied</b>	<b>Mediators</b>	<b>Moderators</b>	<b>CBR as an attitude</b>
<i>Consumer-related consequences studied</i>					
Bartikowski and Walsh (2011)	n=583, service customers in France	Customer citizenship behaviour	Commitment; Loyalty intentions	No	CBR as a whole (Cognition-based)
Bartikowski et al. (2011)	n=1105, fast food restaurant customers in US, UK and France	Affective and intentional customer loyalty	No	Culture; Relationship age	CBR as a whole (Cognition-based)
Caruana and Ewing (2010)	n=1857, customers of online vendors in South Africa and Australia	Customer loyalty	No	No	CBR as a whole (mixed of cognitive and affective components)
Cretu and Brodie (2007)	n=377, managers of hair salons in New Zealand.	Customer loyalty; Customer value; Product and services quality	Brand image (mediating effects not tested empirically)	No	CBR as a whole (Cognition-based)
Einwiller, Carroll, and Korn (2010)	n=295, university students in Germany	Purchase intentions; Application intentions (for job)	Emotional appeal	No	Five dimensions of cognitive CBR and one dimension of affective CBR
<i>(Continues on next page...)</i>					

<b>Authors</b>	<b>Sample</b>	<b>Consequences studied</b>	<b>Mediators</b>	<b>Moderators</b>	<b>CBR as an attitude</b>
Johnson and Grayson (2005)	n=334, customers of a financial advisory service in UK.	Cognitive and affective customer trust	No	No	CBR as a whole (mixed of cognitive and affective components)
Kim, Ferrin, and Rao (2008)	n=468, online consumers (undergraduate students)	Customer perceived risk; Customer trust	No	No	CBR as a whole (Affect-based)
Lacey et al. (2009)	n=105, customers of a fine dining restaurant in Australia	Customer perceived risk	No	No	CBR as a whole (Cognition-based)
Michaelis, Woisetschläger, Backhaus, and Ahlert (2008)	n=184, students in Poland	Customer trust	No	No (Not related to corporate reputation)	CBR as a whole (Cognition-based)
Walsh et al. (2009a)	n=511, customers of energy supply company in Germany	Customer loyalty; Word of mouth	No	No	CBR as a whole (Cognition-based)
Walsh, Bartikowski, and Beatty (2014)	n=783, service customers in France	Commitment; Loyalty intentions; Customer feedback; Customer spending; Share of wallet	Commitment	Service context risk	CBR as a whole (Cognition-based)

*(Continues on next page...)*



<b>Authors</b>	<b>Sample</b>	<b>Consequences studied</b>	<b>Mediators</b>	<b>Moderators</b>	<b>CBR as an attitude</b>
<i>Organizational consequences studied</i>					
Eberl and Schwaiger (2005)	n=1012, general public in Germany	Organizational financial performance	No	No	Two components (Cognitive reputation and affective reputation)
Raithel and Schwaiger (2015)	n=1251-2465 in 13 surveys, general public in Germany	Shareholder value	No	No	Two components (Cognitive reputation and affective reputation)

### **1.3. Rationale for the study**

#### **1.3.1. Relative effects of CBR components on business-to-customer relationships**

Table 1.1 reflects the general tendency of researchers to study CBR as a whole, without distinguishing between its cognitive and affective components, while investigating the effects of CBR on business-to-customer relationships (see e.g., Caruana & Ewing, 2010; Johnson & Grayson, 2005). This tendency of researchers limits the understanding of such effects of CBR. Some studies have tried to overcome this issue, and have examined the separate effects of both CBR components on *organizational consequence factors*, including organizational financial performance (e.g., Eberl & Schwaiger, 2005) and shareholder value (e.g., Raithel & Schwaiger, 2015). However, the extant literature largely neglects to overcome this shortcoming while studying the impact of CBR on *customer-related consequence factors* or *business-to-customer relationships*.

Studying cognitive CBR and affective CBR as two distinct components is important because cognitive CBR is theoretically different from affective CBR. Cognitive CBR represents the customers' evaluations of a firm's capabilities or competence; whereas affective CBR refers to a firm's likeability or customers' feelings towards the firm (Schwaiger, 2004; Raithel & Schwaiger, 2015). Moreover, the existing evidence for the differential effects of cognitive reputation and affective reputation on corporate financial performance (Eberl & Schwaiger, 2005) and shareholder value (Raithel & Schwaiger, 2015) also motivate the investigation and comparison of the separate effects of CBR components in managing relationships with customers. This is because the financial performance and competitive advantage of an organization are derived from the organizational ability to manage their relationships with the key stakeholders (Hunt et al., 2006; Srivastava, Fahey, & Christensen, 2001). Therefore, cognitive CBR and

affective CBR can be expected to have differential effects on business-to-customer relationships.

Studying CBR as a single construct limits the understanding of its impact on business-to-customer relationships for another reason also. Table 1.1 demonstrates that cognitive aspects of CBR are overweighted in comparison with affective aspects of CBR in the conceptualization of CBR as a whole, in the existing literature (see e.g., Bartikowski & Walsh, 2011; Jeng, 2011). Raithel and Schwaiger (2015: p. 946) highlight this issue by stating, “*Many measurements of reputation overweight its cognitive component*”. Therefore, whatever is known about the impact of CBR on business-to-customer relationships mainly represents the impact of cognitive CBR. In comparison, little is known about such impact of affective CBR. However, as customers have the tendency to anthropomorphise organizations (Fombrun, 1996), their feelings (i.e. affect) become an important element of CBR (Raithel, Wilczynski, Schloderer, & Schwaiger, 2010). Such positive feelings or emotions are expected to help in the development of successful relationships between customers and service providers (Raithel & Schwaiger, 2015). Therefore, affective CBR should not be underrated in comparison with cognitive CBR. Moreover, to get a clear understanding of the impact of affective CBR on business-to-customer relationships, it should not be mixed with cognitive CBR in the conceptualization of CBR. For this purpose, an investigation of the distinguishing effects of affective CBR can be helpful.

An understanding of the relative effects of both CBR components will help managers to tailor their policies for developing and strengthening the relationships with customers. Such an understanding will make them better informed about which CBR component would be more effective in reducing perceived risk; and winning customer trust, customer commitment and intentional loyalty. Managers will be able to use this information in designing strategies for integrated marketing communication, and

developing solutions for customer relationship management. In this regard, a study of the relative effects of CBR components may help managers in making some important marketing decisions, such as, which aspects of CBR should be emphasized while designing the integrated marketing communication mix, and which type of message appeal (rational or emotional) may make advertising campaign more effective. Moreover, this research will help inform decisions regarding which types of incentives or promotional benefits should be offered to customers to strengthen the relationships with them, and help better explain how customers get into relationships with the service providers.

### **1.3.2. Underlying mechanisms and boundary conditions of CBR's effects on business-to-customer relationships**

A review of the literature on the effects of CBR (see Table 1.1) represents another challenge for researchers, which is related to explicating the mechanism through which CBR affects business-to-customer relationships and examining the boundary conditions of such effects. This challenge stems from the focus of the researchers on testing the direct relationships between CBR and outcome variables, while neglecting the other variables, which may explain or affect these direct relationships (Walsh et al., 2014). Therefore, the processes through which CBR, rather both the components of CBR (following the discussion in the previous Section 1.3.1) individually affect business-to-customer relationships and the boundary conditions of such effects require further investigation to disentangle the effects of CBR.

The underlying mechanisms of the causal CBR-outcome relationships can be investigated through identification and testing of the influence of the variables, which are theoretically related to both CBR and customer outcomes (Walsh et al., 2014). Such variables are called mediators, which can explain the causal relationships (Baron &

Kenny, 1986). Further, testing the boundary conditions of causal relationships refers to testing the effects of moderating factors on those relationships (Mayer, Ehrhart, & Schneider, 2009). Moderators may not explain, rather affect the strength or nature of the relationships between CBR components and outcome variables (Baron & Kenny, 1986). In other words, moderation analysis will help to find out *when* or under what conditions the CBR components may affect business-to-customer relationships, whereas mediation analysis will help to identify *how* the CBR components affect business-to-customer relationships (Hayes, 2012).

Examining the underlying mechanism (i.e., through mediators) and boundary conditions (i.e., moderators) of causal relationships is crucial to improve the understanding of these relationships (Brach, Walsh, Hennig-Thurau, & Groth, 2014; Mayer et al., 2009). Such improved understanding may also help managers effectively utilize CBR in managing and strengthening relationships with their customers. However, Walsh et al. (2014) have identified the dearth of studies, which test mediating and moderating variables in CBR-outcome relationships. Table 1.1 also highlights the same issue. Therefore, this study aims to address both the directions to further explicate the role of CBR in business-to-customer relationships, and theorize the following mediating and moderating effects in this regard.

#### ***1.3.2.1. Mediated effects of CBR components***

Based on a review of the literature on CBR and its outcome variables, this study proposes and tests three mediating factors, which are expected to explain the effects of CBR components on business-to-customer relationships. For this mediation analysis, mediating effects of customer trust, customer commitment and customer perceived risk have been theorized for the separate effects of CBR components on intentional loyalty.

Although, the three proposed mediators and intentional loyalty are the key constructs representing business-to-customer relationships, this study adopts intentional loyalty as the dependent variable to test the mediated effects of CBR components. There exist multiple justifications for this decision. *First*, customer loyalty is considered the ultimate desired outcome of relationship marketing (Hennig-Thurau, Gwinner, & Gemler, 2002; Yim, Tse, & Chan, 2008). *Second*, intentional loyalty represents the conative or behavioural component of customers' attitudes towards the seller organizations. The other key constructs associated with business-to-customer relationships (i.e., customer perceived risk, customer trust and customer commitment) are more likely to be the attitudinal components. Drawing on attitude theory, attitudinal components lead to behavioural components (see e.g., Fishbein & Ajzen, 1975). *Third*, the existing literature also suggests that customer perceived risk, customer trust and customer commitment act as determinants of intentional loyalty (Sun, 2014; Yim et al., 2008; Walsh et al., 2014). Therefore, selecting intentional loyalty as the only dependent variable to test the mediated effects of CBR components is justified in this study. The following evidence from the literature further help to hypothesize the mediating effects of customer trust; customer commitment and perceived risk for the CBR-intentional loyalty relationship (see more detailed discussion in Chapter 3, Section 3.5).

Customer trust and customer commitment play a significant role in social exchanges (Lawler, 2001; Lawler & Thye, 1999; Cook & Emerson, 1978). The central role of both these constructs has been theorized in the 'commitment-trust theory of relationship marketing' proposed by Morgan and Hunt (1994). They emphasized the inclusion of both customer trust and customer commitment, not only as two important constructs, but also as key mediators in the studies related to relationship marketing. In the same vein, cognitive consistency theories suggest that people have tendencies to maintain commitments consistent with their beliefs, attitudes and behaviours (Eagly & Chaiken,

1993). Therefore, both customer trust and customer commitment can be expected to explain the effects of CBR's attitudinal components (i.e. cognitive CBR and affective CBR) on the behavioural component (i.e. intentional loyalty). Moreover, the literature on customer perceived risk, its antecedents and its consequences supports to hypothesize perceived risk as a mediator, which may explain the impact of CBR components on intentional loyalty (Lacey et al., 2009; Kim et al., 2008; Sun, 2014). Therefore, to comprehend how cognitive CBR and affective CBR influence organizational relationships with customers, an investigation of the respective mediating effects of customer trust, customer commitment and customer perceived risk becomes much needed.

The issue of testing the mediating effects becomes more complex and challenging when, in reality, more than one intervening variable may co-exist to explain the effects of CBR on relationship outcomes. This phenomenon refers to joint mediation or the multiple mediator effect of more than one mediator. Addressing this complex yet important issue is critical when attempting to better explain the CBR's effects on intentional loyalty. For this purpose, possible multiple mediator effects are hypothesized and examined in this research. For example, the discussion in this section proposes that customer trust, customer commitment and customer perceived risk may *jointly* explain the respective relationships of cognitive CBR and affective CBR with intentional loyalty.

#### ***1.3.2.2. Moderated effects of CBR components***

This study proposes *relationship age* (short age versus long age) and *type of firm* (local versus foreign multinationals) as moderators for the effects of CBR components on customer outcome variables. Social exchange theory and the literature on the management of business-to-customer relationships are used to conceptualize the

moderating effects of relationship age. The literature on international business management helps to theorize the moderating effects of type of firm (for more detailed discussion see Chapter 3, Section 3.6). Testing these moderating effects is important for the comprehension of the causal relationships hypothesized in this study. What follows is a further explanation of the rationale for examining these moderating effects.

The duration of time for which a customer has been in relationship with the service provider may enhance the intimacy and confidence level of customer towards the service provider (Verhoef, Franses, & Hoekstra, 2002; Swann & Gill, 1997). Relationship age, therefore, may strengthen the effects of CBR on customer outcome variables including customer perceived risk, customer trust, customer commitment and intentional loyalty. However, some contradictory viewpoints from the existing literature suggest that relationship age does not affect the relationship outcomes (Seiders, Voss, Grewal, & Godfrey, 2005; Raimondo, Miceli, & Costabile, 2008), or alternatively, has a declining impact on the strength of business-to-customer relationships (Ranaweera & Menon, 2013). Such inconclusive evidence about the role of relationship age needs further investigation, which may help to improve the understanding of the effectiveness of CBR components in business-to-customer relationships. The identification of any moderating impact of relationship age on CBR-outcome relationships may support practitioners in developing policies for reputation management and relationship management for different relationship age-based segments of customers.

With respect to the second moderator (i.e. type of firm), the international business perspective has long theorized the differences between local and foreign multinational enterprises (MNEs) (Zaheer, 1995; Hymer, 1976). These differences are based upon varying characteristics and comparative advantages/disadvantages of both types of organizations. For example, local enterprises are expected to enjoy the advantage of better familiarity with the domestic market, culture and practices (Asmussen, 2009;



Hymer, 1976), whereas, in comparison, MNEs may face the liability of foreignness (Zaheer, 1995). Such differences have important implications for the expectations of customers (Gamble, 2006), and the performance of market players (Zaheer, 1995). Therefore, this study hypothesizes the moderating effects of type of firm for the impact of CBR components on business-to-customer relationships. These effects have not yet received attention in the literature on CBR. However, studying these moderating effects is important for providing some useful insights into any possible differentiated impacts of CBR on business-to-customer relationships across both local and multinational firms.

### **1.3.3. Selection of research settings**

The existing literature on corporate reputation mainly originates from developed countries (Walker, 2010; see Table 1.1 also). Therefore, studies from the emerging or developing markets can potentially contribute towards the theoretical development and contextual diversity of this area of research. This is because customers from developed countries may have different characteristics and perceptual evaluations of products or organizations, when compared to those from developing countries (Jin et al., 2015). Moreover, effects of corporate reputation on outcome variables may vary across different countries, which have cultural and institutional differences (Ali, Lynch, Melewar, & Jin, 2015).

The developing consumer market of Pakistan provides an appropriate setting for this study. This market, with a population of over 180 million, a per capita income growth rate of 3.4 per cent and an emergent middle-income class, represents a huge potential for consumer goods and services (Ministry of Finance, Government of Pakistan, 2013; USDA Foreign Agricultural Service, 2011).

The cultural characteristics of Pakistan also make it an appropriate context for this research. Pakistan scores high on the cultural dimensions of uncertainty avoidance and

collectivism (Hofstede, 2012). The extant literature supports an important role of CBR for shaping the behaviour of consumers with a high need for uncertainty avoidance (Bartikowski et al., 2011). Similarly, customers belonging to collectivist cultures are expected to value relationships more than customers living in individualistic societies (Hofstede, 2012). Therefore, studying the impact of CBR on business-to-customer relationships in such an emerging consumer market is important and justified.

Services concerns are more exposed to the effects of CBR (in comparison with manufacturers) because of services' intangibility, heterogeneity, and inseparability from their producers (Palmer, 2011; Walsh et al., 2009a; Mitchell, 1999). Customers may find it difficult to evaluate services and therefore rely more upon the reputation of a service provider when assessing its capabilities (Firth, 1993; Nguyen & Leblanc, 2001; Bromley, 2001). Therefore, this study selects the setting of the service sector.

Within services, fast food restaurant services are selected for this study. Over a period of time and with the changing lifestyles, the food preferences of people are also shifting. The increasing consumption of fast food represents one such shift in food preferences. A shortage of free time and a need for the quick provision or preparation of food have significantly driven the increasing demand for fast food (Brewis & Jack, 2005).

The fast food service industry is presumably a low-involvement, low-risk industry, where customers can easily switch from one service provider to the other (Bartikowski et al., 2011; Walsh et al., 2014). Therefore, it is both critical and difficult for the management of fast food restaurants to develop successful long-term relationships with their customers. This study addresses this issue by investigating the impact of both CBR components on business-to-customer relationships. The findings in this regard will provide useful insights for the managers of low-involvement, low-risk services, where managing business-to-customer relationships is relatively more challenging.

The selection of the fast food industry also supports the selection of Pakistani consumer market for this study. The fast food industry is highly competitive in Pakistan. Several multinational chains and local market players of different size and scope are operating in this industry. An estimated 42% of an individual's income is spent on food and beverages in Pakistan (USDA Foreign Agricultural Service, 2011), which suggests a promising market potential for the fast food services. Moreover, the increasing consumption of fast food has become a global phenomenon. Therefore, research on CBR and business-to-customer relationships within the context of fast food services should not be restricted to the developed countries. A detailed discussion on the selection of research settings and context for this study is included in Chapter 4 (Section 4.3).

#### **1.4. Research questions and objectives**

The discussion of the rationale for this research raises four major questions that need to be answered through this study:

**RQ1:** (a) How is affective CBR related to outcome variables including customer perceived risk, customer trust, customer commitment and intentional loyalty?

(b) How different are the effects of affective CBR when compared to the effects of cognitive CBR, on business-to-customer relationships?

**RQ2:** How do customer perceived risk, customer trust and customer commitment explain the effects of both CBR components on intentional loyalty?

**RQ3:** How does relationship age influence the effects of CBR components on business-to-customer relationships?

**RQ4:** How does type of firm influence the effects of CBR components on business-to-customer relationships?

In an attempt to address these research questions, this study aims to investigate and compare the direct, mediated (indirect) and moderated effects of both CBR components on the respective constructs representing business-to-customer relationships. This aim can be decomposed into following four research objectives:

*First*, to examine the direct impact of affective CBR, when compared to that of cognitive CBR, on customer perceived risk, customer trust, customer commitment and intentional loyalty (**RO 1**).

*Second*, to investigate the mediating effects in the relationships of both CBR components with intentional loyalty (**RO 2**). This objective can be further divided into following five sub-objectives:

- To analyse and compare the mediating effects of customer perceived risk in the relationships of both CBR components with intentional loyalty.
- To test and compare the mediating effects of customer trust in the relationships of both CBR components with intentional loyalty.
- To analyse and compare the mediating effects of customer commitment in the relationships of both CBR components with intentional loyalty.
- To examine and compare the simultaneous mediation of multiple mediators in the relationships of both CBR components with intentional loyalty.
- To compare the effects of multiple mediators in explaining the relationships of both CBR components with intentional loyalty.

*Third*, to investigate and compare the moderating effects of relationship age (short age versus long age) on the relationships of both CBR components with customer perceived risk, customer trust, customer commitment and intentional loyalty (**RO 3**).

*Fourth*, to examine and compare the moderating effects of firm type (local versus foreign multinational firms) on the relationships of both CBR components with

customer perceived risk, customer trust, customer commitment and intentional loyalty (*RO 4*).

## **1.5. Research contributions**

This study contributes to the extant literature by providing a better understanding of the effects of CBR on business-to-customer relationships. In this regard, the *first* contribution is to investigate and compare the separate effects of cognitive CBR and affective CBR on business-to-customer relationships. This study demonstrates how different are the effects of both the CBR components on customer perceived risk, customer trust, customer commitment and intentional loyalty. Cognitive consistency theories, social exchange theory and the theory of customer perceived risk are used to theorize the effects of CBR components on outcome variables. In this way, the application of these theories is extended into studying the role of CBR in business-to-customer relationships. Furthermore, this contribution is not limited to examining and comparing the direct effects of both CBR components, as their separate mediated and moderated effects on customer-outcome variables are also investigated and compared in this study. Therefore, this study provides a greater clarity about the mechanisms through which cognitive CBR and affective CBR individually influence business-to-customer relationships, and about the boundary conditions of such influences.

The *second* contribution of this study lies in the uncovering of the important role of affective CBR for business-to-customer relationships. This is because affective CBR has been an underrated component of CBR, when compared to cognitive CBR, in the extant literature (Raithel & Schwaiger, 2015; Bartikowski & Walsh, 2011; Jeng, 2011). However, this study draws on social exchange theory and the theory of customer perceived risk to suggest a vital role of affective CBR in building customer trust,

developing customer commitment, winning intentional loyalty, and reducing perceived risks.

Although CBR is considered an important driver of intentional loyalty (Bartikowski & Walsh, 2011; Walsh et al., 2014); such a relationship requires further investigation, in order to clarify the ways in which both the components of CBR affect intentional loyalty. Therefore, the *third* contribution of this study is to demonstrate how multiple mediators, including customer perceived risk, customer trust and customer commitment, explain the effects of both CBR components on intentional loyalty. Further, a comparison of effects of the multiple mediators helps to determine their relative importance for CBR-intentional loyalty relationships.

Relationships evolve over time (Cropanzano & Mitchell, 2005), and it may take considerable time to develop corporate reputation (Hall, 1992); however, the literature provides little understanding about how relationship age may influence the impact of CBR on business-to-customer relationships. Therefore, the *fourth* contribution of this study is the examination of the moderating impact of relationship age on the direct and mediated relationships of both CBR components with customer perceived risk, customer trust, customer commitment and intentional loyalty.

The extant literature pays little attention to how type of firm (MNE versus local) affects the relationship between CBR and customer-outcome variables, even though differences between MNEs and local enterprises have important implications for firm performance and customers' expectations (Zaheer, 1995; Gamble, 2006). This study's *final* contribution is the analysis of the moderating impact of the type of firm for the direct and mediated effects of both CBR components on business-to-customer relationships. Based on the comparative disadvantages of MNEs (Zaheer, 1995; Hymer, 1976), CBR components are expected to have relatively stronger effects on customer

perceived risk, customer trust, customer commitment and intentional loyalty of local firms' customers.

Along with theoretical contributions, the findings provide useful insights for the service providers, with respect to the development and strengthening of successful business-to-customer relationships through effective management of CBR. In this regard, this study contributes to the managers' understanding of the separate effects of both cognitive CBR and affective CBR on business-to-customer relationships, and of the underlying mechanisms and boundary conditions of these effects. Such an improved understanding will help managers to use CBR components more effectively in developing solutions for customer relationship management, or loyalty programs; designing integrated marketing communications; applying segmented approach for customers with short or long relationship age, and targeting the customers of local enterprises differently than the customers of foreign MNEs. In this way, CBR will be better utilized to develop and strengthen successful business-to-customer relationships. A detailed discussion of research contributions is included in Chapter 7.

## **1.6. Research methodology**

This study mainly used a quantitative methodology to address the research objectives. The decision to use quantitative methodology is justified for several reasons (see Section 4.2.3). The testing of hypotheses; the investigation of cause-and-effect relationships; and the generalization of findings through studying large populations are some of the justifications for adopting a quantitative methodology (Ghauri & Gronhaug, 2010; Swanson & Holton, 2005). Along with this, a qualitative methodology was used in the development of measures for the key constructs of this study. For this purpose, unstructured interviews with experts from academia and actual customers were

conducted. A pilot study with the valid sample size of 137 customers helped further refine constructs' measures and some other aspects of research design.

The proposed conceptual model (Figure 3.5, p. 103) includes all of the hypothesized effects. The author tested the hypothesized relationships among the constructs by collecting survey data from customers of the four largest fast food restaurant chains operating in Pakistan. A team of surveyors was able to collect 1059 valid responses using the systematic selection of target customers from within the premises of restaurants. Section 4.3.4 and Section 4.4 include detailed discussion on the selection of specific fast food restaurant chains and their customers, respectively.

The minimisation of common method bias was a major concern for the validity of the results. Therefore, several procedural and statistical remedies were adapted for this purpose. The proposed hypotheses were tested using structural equation modelling (SEM) technique through *AMOS* (Version 21). However, due to some limitations of *AMOS* in mediation analysis, an SPSS-based macro (i.e. '*PROCESS*') developed by Hayes (2013) was used to test the multiple mediator effects. In addition, three rival (alternate) structural models were also developed and tested to add strength to the acceptance (rejection) of the proposed conceptual model (Figure 3.5).

## **1.7. Structure of the thesis**

This thesis is organized as follows. Following the introduction chapter, Chapter 2 presents a review of the existing literature on corporate reputation, CBR and business-to-customer relationships. Chapter 3 discusses various theories and their application for hypothesizing the effects of CBR components on business-to-customer relationships. Attitude theory, cognitive consistency theories, social exchange theory, the theory of customer perceived risk and the commitment-trust theory of relationship marketing have been used in the theoretical framework. The conceptual model (Figure 3.5) is



developed in this chapter, which consists of hypotheses related to direct, mediated and moderated effects of CBR components on business-to-customer relationships.

Chapter 4 covers different issues related to methodology and research design, such as research philosophy, approach and strategy, research context, research method, sample size selection, measurement of constructs, questionnaire design, pilot study, common method bias, and techniques for data analysis. Chapter 5 reports on the data analysis and results. Evaluation of measurement model, structural model and rival (alternate) models is included in this chapter. Evaluation of structural model provides results for the hypothesized direct, mediated and moderated effects. Chapter 6 presents findings and their discussion, which correspond to the study objectives. Results are interpreted in this chapter by referring to the literature and the theories used in the study. Finally, Chapter 7 discusses theoretical contributions and managerial implications stemming from the findings of this research. This chapter concludes with a discussion of the limitations of this research and the opportunities for future research.

The list of references, and appendices have been placed at the end of the thesis. The survey questionnaires for both the pilot study and the major survey; and the results of pilot study are included in the appendices.

## **Chapter 2**

# **Literature Review - Perspectives on Corporate Reputation, CBR and Business-to-Customer Relationships**

### **2.1. Introduction**

This chapter presents a review of the existing literature in order to introduce and discuss the main concepts used in this study. These concepts include corporate reputation, CBR, and the management of business-to-customer relationships. A review of these concepts is necessary for three reasons. *First*, this review will help contribute to an understanding of the definitional aspects of these concepts. For the definition of corporate reputation in particular, the existing literature offers multiple perspectives that should be synthesized in order to understand the scope of corporate reputation for this study. *Second*, it is important to establish why these concepts should be studied. Therefore, this review highlights the significance of these concepts, mainly through a discussion of their outcomes for a corporate entity. *Third*, this review develops an understanding of how these three concepts are interrelated at a broader level. The emphasis remains on the impact of CBR on business-to-customer relationships.

In short, this chapter develops a broader understanding of definitional aspects, significance and interrelationships of the key concepts included in this study. In comparison, the following chapter (Chapter 3) discusses the hypothesized relationships among the specific key constructs representing CBR and business-to-customer relationships.

## **2.2. Definitional aspects of corporate reputation**

The origin of the word ‘reputation’ can be traced to the Latin word ‘*reputare*’, which means ‘think over’ (Online Oxford Dictionaries, 2016). The term ‘corporate reputation’ can be found in the available literature of the early 20<sup>th</sup> century, where it has been used to mean ‘good name’ (see BWS, 1913). Since then, the term ‘corporate reputation’ has been used across a wide range of academic disciplines. Its usage can be found as an aggregate of traits or signals in the discipline of economics; as a customer’s or an end user’s view of an organization in the marketing discipline; as an aggregate assessment of firm’s performance in sociology discipline; as an asset and mobility barrier in the area of strategy; as a perception of organization by internal stakeholders in the area of organizational behaviour, and as an intangible asset having financial worth in the field of accountancy (Fombrun & Van Riel, 1997; Chun, 2005). Such cross-disciplinary nature of corporate reputation has been a problem in developing its representative definition (Chun, 2005).

At present, there are plenty of definitions and viewpoints available from a number of scholars and researchers regarding the meaning of ‘corporate reputation’. However, because of the ongoing development of the concept and its cross-disciplinary nature, it is hard to find any single representative definition of corporate reputation. Several researchers have already raised this issue. For example, Wartick (2002) highlighted the lack of definitions of corporate reputation. Barnett, Jermier, and Lafferty (2006) identified that the lack of a precise and commonly agreed upon definition of corporate reputation may restrict the concept’s theoretical development. Likewise, Walker (2010) highlighted the need for a comprehensive and well-accepted definition of corporate reputation. These researchers have also attempted to resolve the definition-related issue, and have made a valuable contribution in this regard. However, the need for a representative definition of corporate reputation is not yet fulfilled, because no single

definition of corporate reputation covers all of its key aspects as derived from the existing literature. In this regard, Table 2.1 presents some of the definitions of corporate reputation in chronological order, as proposed or mentioned by researchers in the literature over the last few decades. A review of these definitions helped to identify the following key aspects of corporate reputation that can be used to form its more comprehensive conceptualization for this study.

The *first* and fundamental aspect of corporate reputation is to consider it as an evaluation of an organization by its stakeholders (see e.g., Wartick, 1992; Fombrun, 1996; Deephouse, 2000; Walker, 2010). Such evaluation can be positive or negative (Walker, 2010). The evaluating stakeholders may include both internal (e.g. employees) and external stakeholders (e.g. customers, investors, and general public). Some early researchers have defined corporate reputation as an evaluation of an organization by an individual stakeholder (see e.g., Hall, 1992; Wartick, 1992). Later on, corporate reputation has been referred to a collective evaluation of an organization by all of its stakeholders (see e.g., Fombrun, 1996; Fombrun & Van Riel, 1997; Cable & Graham, 2000). However, by realizing the differences in the characteristics of multiple stakeholder groups, some recent researchers have suggested that corporate reputation varies across different stakeholder groups (Walsh & Beatty, 2007; Ali et al., 2015). Therefore, the present literature on corporate reputation includes several studies, which conceptualize corporate reputation with respect to a specific stakeholder group (see e.g., Bartikowski & Walsh, 2011; Jeng, 2011; Helm, 2007; Chun & Davies, 2010).

**Table 2.1: Definitions and key aspects of corporate reputation (in chronological order)**

<b>Study</b>	<b>Definition</b>	<b>Key aspects</b>
Fombrun and Shanley (1990: 234)	The outcome of a competitive process in which firms signal their key characteristics to constituents to maximize their social status (Spence, 1974).	-Evaluation of attributes and abilities -Perceptual evaluation by stakeholders
Hall (1992: 138)	Reputation ... represents the knowledge and emotions held by individuals about, say, a product range.	Attitude-related construct
Wartick (1992: 34)	The aggregation of a single stakeholder's perceptions of how well organizational responses are meeting the demands and expectations of many organizational stakeholders.	-Perceptual evaluation by stakeholders - Evaluation of attributes and abilities
Fombrun (1996: 72)	A perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all of its key constituents when compared with other leading rivals.	Perceptual evaluation by stakeholders
Fombrun and Van Riel (1997: 10)	A corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (Fombrun & Rindova, 1996).	-Evaluation of attributes and abilities -Perceptual evaluation by stakeholders
Gray and Balmer (1998: 697)	A value judgement about the company's attributes.	Evaluation of attributes and abilities
Cable and Graham (2000: 929)	A public's affective evaluation of a firm's name relative to other firms (Fombrun, 1996; Fombrun & Shanley, 1990).	(Affective) Evaluation of attributes and abilities
Deephouse (2000: 1093)	The evaluation of a firm by its stakeholders in terms of their affect, esteem, and knowledge.	- Attitude-related construct -Perceptual evaluation by stakeholders
Fombrun et al. (2000: 243)	A collective assessment of a company's ability to provide valued outcomes to a representative group of stakeholders.	-Evaluation of attributes and abilities - Perceptual evaluation by stakeholders
Whetten and Mackey (2002: 401)	Organizational reputation is a particular type of feedback, received by an organization from its stakeholders, concerning the credibility of the organization's identity claims.	-Evaluation of attributes and abilities - Perceptual evaluation by stakeholders

*(Continues on next page...)*

<b>Study</b>	<b>Definition</b>	<b>Key aspects</b>
Rindova, Williamson, Petkova, and Sever (2005: 1033)	Stakeholders' perceptions about an organization's ability to create value relative to competitors.	-Evaluation of attributes and abilities - Perceptual evaluation by stakeholders
Chun (2005: 105)	An umbrella construct, referring to the cumulative impressions of internal and external stakeholders.	Perceptual evaluation by stakeholders
Eberl and Schwaiger (2005: 840)	...Related to attitudes, therefore containing affective as well as cognitive components and described solely by denotative attributes (Schwaiger, 2004).	-Attitude-related construct - Evaluation of attributes and abilities
Barnett et al. (2006: 34)	Observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time.	Evaluation of attributes and abilities
Davies, Chun, and Kamins (2010: 531)	The perceptions and feelings about an organization held by its multiple stakeholders (Fombrun, 1996).	-Attitude-related construct - Perceptual evaluation by stakeholders
Walker (2010: 370)	A relatively stable, issue specific aggregate perceptual representation of a company's past actions and future prospects compared against some standard.	Perceptual evaluation by stakeholders
Walsh et al. (2014: 166)	The overall assessment of a firm's standing in the eyes of stakeholders (Fombrun, 1996).	Perceptual evaluation by stakeholders

*Secondly*, what do the stakeholders evaluate related to an organization and how do they evaluate; refer to some other important definitional aspects of corporate reputation. The stakeholders evaluate an organization based on its attributes and abilities (see e.g., Gray & Balmer, 1998; Fombrun et al., 2000; Whetten & Mackey, 2002). They may evaluate an organization based upon its overall prominence within an organizational field (from the institutional perspective), or the relevant attributes of that entity (from the economics perspective), while assessing corporate reputation (Rindova et al., 2005). In this regard, the organizational attributes may include, for example, honesty and concern for the customers (Doney & Cannon, 1997); perceived financial strength (Walsh & Beatty, 2007), and ability of organization to provide valued outcomes to

stakeholders (Fombrun et al., 2000). Such attributes need to be consistent over time (Herbig & Milewicz, 1993), which means it may take a long time to build the strong reputation. Moreover, stakeholders evaluate the organizational attributes and abilities relative to the other competitors (Rindova et al., 2005). Such comparative evaluation is based upon stakeholders' relevant knowledge (Rose & Thomsen, 2004), direct experience with the organization, or any other form of communication that provides information about firm actions (Gotsi & Wilson, 2001).

*Third*, corporate reputation is an attitude-related construct. It represents both cognitive and affective evaluations of an organization by its stakeholders (see e.g., Hall, 1992; Deephouse, 2000; Davies et al., 2010). Deephouse (2000) suggested that corporate reputation represents affect, esteem and knowledge of stakeholders about the organization. Hall (1992) considered corporate reputation as a combination of knowledge and emotions of stakeholders about the organizational offerings. Similarly, Fombrun et al. (2000), Schwaiger (2004), Eberl and Schwaiger (2005), Einwiller et al. (2010) and Raithel and Schwaiger (2015) represent the group of researchers who have conceptualized corporate reputation as an attitudinal construct consisting of its cognitive (knowledge based) and affective (feelings based) components.

This study synthesizes the evolved understanding of these key aspects of corporate reputation to define it as 'an attitude-related construct consisting of cognitive and affective evaluation of abilities and attributes of an organization by a specific stakeholder group'. This definition may not resolve all of the conundrums related to the conceptualization of corporate reputation. However, it essentially represents the three key aspects of corporate reputation derived from the existing literature. No single definition presented in Table 2.1 incorporates all these three aspects of corporate reputation. Therefore, this study has attempted to develop a better, more comprehensive

conceptualization of corporate reputation, which can also serve as a useful input for future developments in this regard.

### **2.3. Customer-based corporate reputation (CBR)**

Organizations have several stakeholders, including, customers, employees, investors, media, government, pressure groups, general public, competitors and others. The existing literature suggests that corporate reputation may vary across different stakeholder groups (Fombrun & Shanley, 1990; Walsh & Beatty, 2007; Ali et al., 2015). This is because of the difference in the nature of their stakes in the organization (Fassin, 2012). Therefore, referring to the conceptualization of corporate reputation in this study (Section 2.2), different stakeholder groups may have different evaluations of or, attitudes towards, an organization (Walsh & Beatty, 2007; Ali et al., 2015).

Within the existing literature, the author was able to find several studies concerning the reputational evaluation of an organization with respect to a specific stakeholder group. These studies were related to, for example: customer-based corporate reputation (Bartikowski & Walsh, 2011; Eastlick et al., 2006; Jeng, 2011; Walsh & Beatty, 2007); investor-based corporate reputation (Helm, 2007); employee-based corporate reputation (Chun & Davies, 2010; Freund, 2006) and media-based corporate reputation (Deephouse, 2000). This evidence supported the view that there are multiple reputations of a single organization (Walsh & Beatty, 2007; Fombrun & Shanley, 1990). It also reflected the need to study corporate reputation separately for each stakeholder group.

This study focuses on customer-based corporate reputation (CBR). Among different stakeholders, 'customers' occupy a distinctive place, because of their vital role for all businesses (Peppers & Rogers, 2011). Customers' liking and willingness to purchase the products and services are a primary determinant of the financial success of an organization. Being a major source of revenues, customers are considered to be the most



important stakeholders of an organization (Walsh et al., 2009a). Marketing philosophy also revolves around the maximization of value for customers, making ‘concern for customers’ a key consideration in all marketing decisions (Kotler, 2011; Peppers & Rogers, 2011). Customers are the ‘ultimate power brokers’ and a major source of pressure for businesses to change marketing practices over time (Kotler, 2011). They can play a significant role in spreading information about an organization through word-of-mouth using social media and other channels of communication (Walsh et al., 2009a).

Considering the strategic importance of customers for policy formulation and business performance, it becomes essential to assess how customers evaluate an organization with respect to its attributes and abilities. Following the attitude-based conceptualization of corporate reputation, it is also important for businesses to know the extent to which customers are emotionally attached to a business entity. This study, therefore, focuses on CBR and aims to investigate the role of CBR in managing business-to-customer relationships.

Definitions of CBR as found in the literature are based on definitions of the main construct, that is, corporate reputation. Walsh and Beatty (2007, p. 129) defined CBR as, “*the customer’s overall evaluation of a firm based on his or her reactions to the firm’s goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management and other customers) and/or known corporate activities*”. Similarly, Eastlick et al. (2006, p. 880) have conceptualized CBR as “*the overall impression of firm ability and character*”. However, these definitions lack consideration of the attitudinal (i.e. cognitive and affective) aspects of CBR. Therefore, this study follows the attitude-based conceptualization of corporate reputation, as discussed in the preceding Section 2.2, to achieve a more comprehensive conceptualization of CBR. Accordingly, CBR is defined

in this study as ‘an attitude-related construct consisting of cognitive and affective evaluation of abilities and attributes of an organization by its customers’.

Section 2.2 and Section 2.3 provide an understanding of the definitional aspects of corporate reputation and CBR, respectively. The following Section 2.4 highlights the significance of these constructs in the area of marketing. In this vein, their significance can be better understood by discussing their outcomes or benefits for an organization.

## **2.4. Outcomes of corporate reputation and CBR**

Corporate reputation is a valuable market-based asset (Walker, 2010). If managed properly, it enhances the financial strength of a business entity (Carmeli & Tishler, 2005; Kim, Bach, & Clelland, 2007) and makes its competitiveness sustainable (Hall, 1992; Walker, 2010). There are several other outcomes of corporate reputation revealed in the literature, which reflect the value of this asset for organizations.

Table 2.2 provides a summary of the advantages of corporate reputation and CBR that have been suggested in the existing studies<sup>1</sup>. For example, good reputation generates the trust of the consumers (Eastlick et. al., 2006), customer commitment (Bartikowski & Walsh, 2011), customer loyalty (Nguyen & Leblanc, 2001), positive future purchase intentions (Keh & Xie, 2009), and the satisfaction of key stakeholders, including customers (Loureiro & Kastenholz, 2011), employees (Chun & Davies, 2010) and investors (Helm, 2007). A well-reputed organization can persuade customers to pay (Graham & Bansal, 2007) and generate positive word-of-mouth (Walsh et. al., 2009b). It may also potentially reduce the buyer’s perceived risk (Brown, 1995).

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<sup>1</sup> The source of Table 2.2 is the database of studies prepared for the meta-analysis by Ali et al. (2015). They examined the moderating influences on the relationships of corporate reputation with its antecedents and consequences. Author of this PhD thesis is the first author of that meta-analysis based study, which is included in Appendix 5 of this thesis.

**Table 2.2: Outcomes of corporate reputation and CBR**

<b>Outcomes (in alphabetical order)</b>	<b>Study</b>	<b>Correlation coefficient</b>	<b>Country of research</b>	<b>Stakeholder group perceiving corporate reputation</b>
<i>Organizational outcomes of corporate reputation</i>				
Applicant pool quality	Collins and Han (2004)	0.22*	USA	Top management and analysts
	Turban and Cable (2003)	0.31**	USA	Top management and analysts
Applicant pool quantity	Collins and Han (2004)	0.42**	USA	Top management and analysts
	Turban and Cable (2003)	0.24**	USA	Top management and analysts
Employee emotional attachment	Chun and Davies (2010)	0.50**	UK	Employees or job seekers
Financial performance	Deepphouse (2000)	0.14*	USA	Media
	Miller and Triana (2009)	0.21***	USA	Top management and analysts
	Raithel et al. (2010)	0.52*	Germany	General public and opinion leaders (experts)
Firm innovation	Hayton (2005)	0.53**	USA	Media (Researchers themselves using Press Media coverage)
Firm venturing	Hayton (2005)	0.67**	USA	Media (Researchers themselves using Press Media coverage)
Involvement in CSR	Williams (2003)	0.27** and 0.33*** <sup>b</sup>	USA	Top management and analysts
Job security	Chun and Davies (2010)	0.45**	UK	Employees or job seekers
Labour efficiency	Stuebs and Sun (2010)	0.31 <sup>a</sup>	USA	Top management and analysts
Labour productivity	Stuebs and Sun (2010)	0.31 <sup>a</sup>	USA	Top management and analysts
Organizational fairness	Koys (1997)	0.18*	USA	Top management and analysts
Price premium	Rindova et al. (2005)	0.22* and 0.60* <sup>c</sup>	USA	Top management and analysts
Satisfaction (Employees')	Chun and Davies (2010)	0.58**	UK	Employees or job seekers
Satisfaction (Investors')	Helm (2007)	0.56	Germany	Shareholders
<i>Outcomes of CBR in business-to-business relationships</i>				
Attitude towards product	Brown (1995)	0.55*	USA	Organizational buyers
Attitude towards sales person	Brown (1995)	0.60*	USA	Organizational buyers
Customer commitment	Keh and Xie (2009)	0.45**	China	Organizational buyers
Customer identification	Keh and Xie (2009)	0.42**	China	Organizational buyers
Customer loyalty	Cretu and Brodie (2007)	0.80	New Zealand	Organizational buyers

*(Continues on next page...)*

<b>Outcomes (in alphabetical order)</b>	<b>Study</b>	<b>Correlation coefficient</b>	<b>Country of research</b>	<b>Stakeholder group perceiving corporate reputation</b>
Customer trust	Keh and Xie (2009)	0.61**	China	Organizational buyers
Perceived customer value	Cretu and Brodie (2007)	0.71	New Zealand	Organizational buyers
	Hansen, Samuelsen, and Silseth (2008)	0.78	<i>Not identified</i>	Organizational buyers
Perceived experience of sales person	Brown (1995)	0.17*	USA	Organizational buyers
Perceived risk	Brown (1995)	-0.24*	USA	Organizational buyers
Price premium	Keh and Xie (2009)	0.41**	China	Organizational buyers
Product and/or service quality	Cretu and Brodie (2007)	0.70	New Zealand	Organizational buyers
Purchase intentions	Keh and Xie (2009)	0.56**	China	Organizational buyers
Willingness to invest	Suh and Houston (2010)	0.42*	Not identified	Organizational buyers
<b><i>Outcomes of CBR in business-to-customer relationships</i></b>				
Brand equity	Page and Fearn (2005)	0.50 <sup>d</sup>	Japan, UK, USA	General public and consumers
Brand relationship	Veloutsou and Moutinho (2009)	0.21**	UK (Scotland)	General public and consumers
Consumer involvement	Henard and Dacin (2010)	0.63	USA	General public and consumers
Consumer's tolerance for product failure	Henard and Dacin (2010)	0.54	USA	General public and consumers
Consumer's willingness to pay	Graham and Bansal (2007)	0.57***	USA	General public and consumers
Corporate image	Henard and Dacin (2010)	0.69	USA	General public and consumers
	Nguyen and Leblanc (2001)	0.41	Canada	General public and consumers
Customer citizenship/ Supportive behaviour	Bartikowski and Walsh (2011)	0.38	France	General public and consumers
	Coombs and Holladay (2001)	0.46**	<i>Not identified</i>	General public and consumers
	Newburry (2010)	0.75	<i>Eight countries<sup>e</sup></i>	General public and consumers
Customer commitment	Bartikowski and Walsh (2011)	0.62	France	General public and consumers
	Eastlick et al. (2006)	0.67	USA	General public and consumers
	Jeng (2011)	0.51**	Taiwan	General public and consumers
Customer feedback	Walsh et al. (2014)	0.66	France	General public and consumers

*(Continues on next page...)*

<b>Outcomes (in alphabetical order)</b>	<b>Study</b>	<b>Correlation coefficient</b>	<b>Country of research</b>	<b>Stakeholder group perceiving corporate reputation</b>
Customer loyalty	Bartikowski and Walsh (2011)	0.70	France	General public and consumers
	Bartikowski et al. (2011)	0.64	France, UK, USA	General public and consumers
	Caruana and Ewing (2010)	0.72	South Africa & Australia	General public and consumers
	Nguyen and Leblanc (2001)	0.54	Canada	General public and consumers
	Nizar, Norizan, and Heung-Ja (2006)	0.38**	Japan & USA	General public and consumers
	Walsh et al. (2009a)	0.49**	Germany	General public and consumers
Customer perceived risk	Kim et al. (2008)	-0.43	<i>Not identified</i>	General public and consumers
Customer spending	Walsh et al. (2014)	0.32	France	General public and consumers
Customer trust	Eastlick et al. (2006)	0.78	USA	General public and consumers
	Johnson and Grayson (2005)	0.25*	UK	General public and consumers
	Jeng (2011)	0.59**	Taiwan	General public and consumers
Excitement towards firm	Henard and Dacin (2010)	0.66	USA	General public and consumers
Information costs saved	Jeng (2011)	0.55**	Taiwan	General public and consumers
Privacy concerns	Eastlick et al.(2006)	-0.28	USA	General public and consumers
Product and/or service quality	Loureiro and Kastenholtz (2011)	0.57	Portugal	General public and consumers
	Jeng (2011)	0.65**	Taiwan	General public and consumers
Purchase intentions	Eastlick et al. (2006)	0.38	USA	General public and consumers
	Jeng (2011)	0.53**	Taiwan	General public and consumers
Satisfaction (Customers')	Loureiro and Kastenholtz (2011)	0.65	Portugal	General public and consumers
	Walsh, Dinnie, and Wiedmann (2006)	0.85	Germany	General public and consumers
Share of wallet	Walsh et al. (2014)	0.36	France	General public and consumers
Word-of-mouth	Walsh and Beatty (2007)	0.32	USA	General public and consumers
	Walsh et al. (2009a)	0.75**	Germany	General public and consumers

\*, \*\*, \*\*\* and <sup>a</sup> represent significance at 5%, 1%, 0.1% and 0.01% respectively

<sup>b</sup> = For two CSR related activities/variables (i.e., level of philanthropy and charitable expenditures on education, respectively)

<sup>c</sup> = For two dimensions of corporate reputation (i.e., perceived quality and prominence, respectively)

<sup>d</sup> = Significant, but significance level not mentioned

For all the remaining correlation coefficients, the information about significance level was not mentioned.

<sup>e</sup> = Spain, Argentina, Chile, Columbia, Peru, Brazil, Mexico and Venezuela

Organizations with better reputations are more attractive for prospective employees and have access to a higher quantity and better quality of job applicants (Turban & Cable, 2003). Higher levels of labour efficiency and labour productivity have been observed in well-reputed firms (Stuebs & Sun, 2010). Emotional attachment and job security of employees are some other merits of corporate reputation (Chun & Davies, 2010). Moreover, a good reputation may encourage the business to get more engaged in philanthropy (Williams, 2003).

Many of the benefits of corporate reputation, as discussed above (and mentioned in Table 2.2), are particularly related to CBR. These benefits include, for example, customer commitment, customer loyalty, customer trust, customer satisfaction, positive purchase intentions, positive word-of-mouth, reduced perceived risk and customers' willingness to pay.

In order to get maximum benefits from CBR for a longer time period, it seems essential to engage the customers into long-term, mutually beneficial and strong relationships. Customers who are well-bound with an organization are expected to generate revenues over a longer period of time, and thus contribute towards the financial strength of the organization. Supporting this view, there exist empirical evidence, which has emerged from studies in to the role of CBR in developing sound relationships with customers (see e.g., Eastlick et al., 2006; Jeng, 2011). However, such a role of CBR requires further investigation, as discussed in Chapter 1 (Section 1.3). Having an organizational focus on relationship building, instead of being transaction-oriented, refers to an important area of marketing theory that is known as 'relationship marketing'. The following Section 2.5 discusses the concept of relationship marketing and its relevance to CBR.

## **2.5. Relationship marketing, business-to-customer relationships and CBR**

### **2.5.1. Relationship marketing and business-to-customer relationships**

Relationship marketing, where the management attempts to establish, develop and maintain successful relational exchanges (Morgan & Hunt, 1994) is a major development in marketing theory and practice. Some scholars consider it a paradigm shift in marketing, whereas others think of it as an old-fashioned concept based on well-established business practices (Palmer, 2014; Sheth & Parvatiyar, 1995a). In any case, it seems difficult to ignore the positive impact of relationship marketing on organizations, as is demonstrated in the literature (see e.g., Hunt et al., 2006; Srivastava et al., 2001).

The development of relationship marketing has been influenced by the development of academic perspectives of consumer goods marketing, industrial marketing and services marketing (Egan, 2011). The shift from transactional-orientation to relational-orientation of marketing can be traced into the late 1970s. This was a time when industrial marketers, marketing channels and service marketers started to direct their focus towards dyadic buyer-seller relationships. They did this because the traditional and transactional marketing mix approach was not being considered sufficient given the changing customer needs and marketing environment (Möller & Halinen, 2000). Subsequently, the development of information technology, electronic commerce and one-to-one marketing have further highlighted the effective role of relationship marketing (Möller & Halinen, 2000).

The scope of relationship marketing is not limited to the stakeholder group of customers (Egan, 2011). Rather, relationship marketing involves the relationship of a business entity with all of its stakeholders, for example, suppliers, employees, customers, competitors and government (Morgan & Hunt, 1994; Hunt et al., 2006). In this regard, Christopher, Payne, and Ballantyne (1991) and Payne, Ballantyne, and

Christopher (2005) introduced a *six-markets model*. With this model, they suggested that organizations should maintain consistency in their relationship marketing efforts for each of the six markets, which include customers, suppliers, employees, other internal departments of an organization, referral markets (including advocates and intermediaries of an organization), and influence markets (e.g., government and regulatory bodies). The central idea of relationship marketing for an organization is thus to develop successful relational exchanges with all of its stakeholders. Moreover, such relationships should be long-term and mutually beneficial for both of the exchange partners (Egan, 2011).

Customers occupy a central place among the other stakeholders because of their vital role for the financial strength of organizations (Walsh et al., 2009a). For this reason, the successful management of business-to-customer relationship has been considered the core concern in relationship marketing (Möller & Halinen, 2000; Peppers & Rogers, 2011). A prominent school of thought in the literature conceptualizes relationship marketing in the context of business-to-customer relationships only (Egan, 2011). For example, Berry and Parasuraman (1991, p. 131) document relationship marketing as “*attracting, developing and retaining customer relationships*”.

Managing business-to-customer relationships is rewarding for businesses, as it improves the firms’ competitiveness, marketplace position, and thus their financial performance (Hunt et al., 2006; Palmer, 2012). In accordance with the resource based view of the firm, relationships with customers, relationship marketing activities or ability to get involved with relationship marketing, represent valuable market-based assets of an organization, which lead to attain competitive advantage (Srivastava et al., 2001; Gouthier & Schmid, 2003). Gaining success in increasingly competitive markets and conforming to the changing marketplace dynamics are considered to be the key motives of firms for getting involved with relationship marketing (Morgan & Hunt,



1994; Palmer & Bejou, 1994; Palmer, 2012). Binding customers into relationships and retaining them is generally more profitable than continually spending to recruit new customers (Palmer, 2014).

Getting into relationships with the seller or service provider is beneficial for the customers also. It saves their time and effort to evaluate several alternatives when making a choice (Palmer, 2014; Peppers & Rogers, 2011). In the same vein, reducing the number of brands in the choice-set has been an important determinant of buyer-seller relationships (Sheth & Parvatiyar, 2002). A successful business-to-customer relationship also satisfies the customers' need to affiliate with and attach themselves to their service providers (Palmer, 2014). Therefore, if both customers and marketers are willing and able to be involved in relationship marketing, the productivity of marketing efforts will be enhanced (Sheth & Parvatiyar, 1995b), making such efforts more efficient and effective.

### **2.5.2. Relevance of CBR to business-to-customer relationships**

The literature on business-to-customer relationships highlights customer trust, customer commitment, customer perceived risk and intentional loyalty as the key constructs used to study the strength or nature of such relationships (Eastlick et al., 2006; Jeng, 2011; Palmer, 2011; Lacey et al., 2009). Customer trust and customer commitment are considered to be the key constructs and potential mediators in the process of relationship marketing (Morgan & Hunt, 1994; Peppers & Rogers, 2011; Egan, 2011). Customer loyalty is the ultimate desired outcome of managing relationships with customers (Hennig-Thurau et al., 2002; Palmer, 2014). In the same vein, minimizing customer perceived risk may have significant influence on business-to-customer relationships (Sun, 2014; Egan, 2011). Therefore, this study selects customer trust,

customer commitment, customer perceived risk and intentional loyalty as key representative constructs of business-to-customer relationships.

A customer's evaluation of an organization (i.e. CBR) plays an influential role in his/her relationship with that organization (Walsh et al., 2014; Walsh et al., 2009a). CBR can affect a customer's engagement in, and reaction to, the relationship marketing activities of an organization. The relevant literature in this regard suggests customer trust and customer commitment as two key relational outcomes of CBR (Eastlick et al., 2006; Jeng, 2011). Customers have been found to use CBR as a risk reduction strategy (Sun, 2014; Van den Poel & Leunis, 1999). Moreover, well-reputed organizations are expected to win the loyalty of customers, which represents their intentions to repeat purchase and spread favourable word-of-mouth (Keh & Xie, 2009; Walsh et al., 2009a). However, as discussed in Chapter 1 (Section 1.3), the studies investigating the impact of CBR on business-to-customer relationships present knowledge gaps, which need to be addressed from both theoretical and practical perspectives. In this regard, a study of the separate effects of cognitive and affective aspects of CBR on business-to-customer relationships, and an investigation of the underlying mechanisms and boundary conditions of such effects, are necessary to comprehend the effects of CBR.

An important conceptual question that may arise and need clarification at this stage is why overall loyalty is not considered to be included in the objectives of this study, and why only intentional loyalty is included. Answering this question is important because the literature carries sufficient evidence for the inclusion of another component of loyalty when testing the relationships of customer loyalty in the context of business-to-customer relationships or reputation management. This component is the attitudinal component of loyalty, known as 'affective loyalty' (Methlie & Nysveen, 1999) or 'attitudinal loyalty' (Raimondo et al., 2008).

The answer for this question lies in the selection of customer commitment in the conceptual model, which is developed for this study, and in the fact that some overlap is found between the constructs of customer loyalty and customer commitment in the existing literature. In this regard, Morgan and Hunt (1994) and Raimondo et al. (2008) reported the alternate usage or overlapping of commitment and loyalty. Furthermore, customer loyalty has been defined in terms of repeat purchases (*behavioural component*) along with a commitment representing a favourable attitude (*attitudinal component*) towards the selling brand (Day, 1970; Assael, 1995). Such definitions reflect the two components of customer loyalty: behavioural and attitudinal components, where the construct of customer commitment and the attitudinal component of loyalty are found conceptually similar or overlapping. Based on this evidence, it is most likely a duplication of effort to examine both customer commitment and attitudinal loyalty in the same study, as they represent two similar constructs. Therefore, this study incorporates the behavioural component of customer loyalty (i.e. intentional loyalty) along with customer commitment, which represents the attitudinal component of customer loyalty.

There are some studies in the existing literature, which have conceptualized the constructs of customer commitment, customer trust, and customer perceived risk as multidimensional constructs (see e.g., Bansal, Irving, & Taylor, 2004; Johnson & Grayson, 2005; Sun, 2014, respectively), as compared to using unidimensional forms of these constructs (see e.g., Bartikowski & Walsh, 2011; Doney & Cannon, 1997; Lacey et al., 2009, respectively). Two salient dimensions of customer commitment found in the literature include affective commitment and calculative commitment, where affective commitment is desire-based and calculative commitment is cost or economy-based (Richard & Zhang, 2012; Bansal et al., 2004). Reliability and integrity of the seller/service provider have been considered two key components of customer trust in

the existing literature (Morgan & Hunt, 1994; Eastlick et al., 2006). Similarly, previous researchers have used multiple dimensions/components of perceived risk, including for example, functional risk, financial risk, performance risk, and time risk (Sun, 2014; Lacey et al., 2009).

A multidimensional view represents different sources of the construct, whereas a unidimensional view provides an overall judgment of the construct (Keh & Xie, 2009). This study uses the later view, that is, an overall judgement of customers for each of customer commitment, customer trust, and perceived risk by including various aspects or dimensions of these constructs in their respective unidimensional conceptualizations. There are multiple reasons to justify the usage of the unidimensional view of the selected constructs:

*First*, this choice is consistent with the conceptualization of customer commitment and customer trust in ‘the commitment-trust theory of relationship marketing’ (Morgan & Hunt, 1994). This choice is also consistent with the conceptualization of customer commitment, customer trust and customer perceived risk in many other studies in the existing literature (see, e.g., Bartikowski & Walsh, 2011; Hennig-Thurau et al., 2002; Keh & Xie, 2009; Doney & Cannon, 1997; Lacey et al., 2009; Sweeney, Soutar, & Johnson, 1999).

*Second*, many of the studies that have investigated the effects of CBR on business-to-customer relationships (i.e., the major area of investigation in this study) have used the unidimensional form of customer commitment, customer trust, and perceived risk (see e.g., Bartikowski & Walsh, 2011; Eastlick et al., 2006; Jeng, 2011; Walsh & Beatty, 2007; Walsh et al, 2009b; Walsh et al., 2014; Lacey et al., 2009; Kim et al., 2008).

*Third*, the choice of using unidimensional view of the selected constructs is supportive in achieving the objectives of this research, which include the investigation

of the relative effects of two CBR components on the relationship marketing constructs, and an examination of the mechanisms and boundary conditions of such effects.

## **2.6. Summary**

This chapter serves three purposes in this study. *First*, it provides an understanding about the definitional aspects of corporate reputation and CBR (Section 2.2; Section 2.3, respectively). Through a review of multiple definitions found in the literature, three key aspects of corporate reputation are identified. Based on those key aspects, corporate reputation and CBR are conceptualized for this study. CBR, the central construct of this study, is conceptualized as: ‘an attitude-related construct consisting of cognitive and affective evaluation of abilities and attributes of an organization by its customers’.

*Second*, the significance of corporate reputation and CBR is discussed through highlighting their outcomes for organizations and relational exchanges (Section 2.4). Table 2.2 provides a summary of the relationship of corporate reputation/CBR with their outcomes, as found in the existing literature. These outcomes have been organized into three categories: (1) Organizational outcomes of corporate reputation (e.g., financial performance, firm innovation, investor satisfaction, employee satisfaction); (2) Outcomes of CBR in business-to-business relationships (e.g., attitude towards sales person, willingness to invest, customer trust, customer commitment); and (3) Outcomes of CBR in business-to-customer relationships (e.g., customer trust, customer commitment, supportive behaviour, customer satisfaction, customer loyalty, customer perceived risk).

*Third*, the concept of relationship marketing, and significance of business-to-customer relationship in relationship marketing are discussed (Section 2.5.1). Business-to-customer relationships have been widely studied in the literature on relationship marketing. Managing such relationships has several benefits for both buyers and sellers,

which may motivate them to get into long term relationships with each other. Further, the relevance of CBR to business-to-customer relationships is discussed (Section 2.5.2). CBR contributes to the quality of business-to-customer exchanges through the development of customer trust, customer commitment and intentional loyalty in the relationships. Moreover, CBR reduces the perceived risk of customers. However, the existing literature offers some challenges for the better understanding of the effects of CBR on business-to-customer relationships (see Section 1.3). This study attempts to address such challenges.

The following Chapter 3 discusses the development of the conceptual model and hypotheses for this study.

## **Chapter 3**

### **Conceptual Model and Hypotheses**

#### **3.1. Introduction**

This chapter presents a review of the existing literature in order to develop the conceptual framework for this study. Multiple theories support the theoretical development of corporate reputation, CBR and their role in business-to-customer relationships. This study primarily uses attitude theory, cognitive consistency theories, social exchange theory, the theory of customer perceived risk, and the commitment-trust theory of relationship marketing to develop the conceptual model. An overview of these theories in relation to the objectives of this study and a discussion of the development of hypotheses regarding direct, mediated and moderated effects of CBR components are included in this chapter.

The literature on the structure of attitudes (within the domain of attitude theory) supports the conceptualization of CBR as an attitude-related construct, consisting of cognitive and affective components (Section 3.2). Section 3.3 hypothesizes the interrelationship of cognitive and affective components of CBR. Cognitive consistency theories and social exchange theory respectively help to explain the impact of cognitive CBR (Section 3.4.1) and affective CBR (Section 3.4.2) on the representative constructs of business-to-customer relationships. These representative constructs include customer trust, customer commitment and intentional loyalty. This study also incorporates customer perceived risk as a representative construct of business-to-customer relationships. In this vein, the theory of customer perceived risk helps to hypothesize the effects of CBR components on customer perceived risk (Section 3.4.3).

Section 3.5 theorizes the mediating effects of customer trust, customer commitment and perceived risk for the relationships of both CBR components with intentional loyalty. The commitment-trust theory of relationship marketing is mainly used to hypothesize the mediating effects of customer trust and customer commitment (Section 3.5.1). The literature on antecedents and consequences of customer perceived risk is mainly used to hypothesize the role of customer perceived risk as a mediator (Section 3.5.2). In the same vein, multiple mediator effects are hypothesized in Section 3.5.3, for the relationships of CBR components with intentional loyalty.

The moderating effects are hypothesized for the impact of CBR components on business-to-customer relationships in Section 3.6. Social exchange theory and the literature on business-to-customer exchanges help to theorize the moderating effects of ‘relationship age’ (Section 3.6.1). Furthermore, the literature on international business management helps to theorize the moderating effects of ‘type of firm (MNEs versus Local firms)’ (Section 3.6.2).

Section 3.7 presents the *rival models*, which are developed by the author. The development of these rival models is based on the theoretical viewpoints, which differ from those used to develop the conceptual model of this study (Figure 3.5). Testing of the rival models aims to assess the robustness of the main conceptual model.

This chapter gradually develops the conceptual model in the following four stages:

- *Stage 1* presents the interrelationship of cognitive CBR and affective CBR (Section 3.3). The outcome of Stage 1 is Model ‘A’ (Figure 3.2).
- *Stage 2* presents the direct effects of both CBR components on the representative constructs of business-to-customer relationships (Section 3.4). The outcome of Stage 2 is Model ‘B’ (Figure 3.3), which also includes the effect from Model ‘A’.



- *Stage 3* presents the indirect or mediated effects of both CBR components on intentional loyalty (Section 3.5). The outcome of Stage 3 is Model ‘C’ (Figure 3.4), which accumulates the effects from Model ‘A’ and Model ‘B’ also.
- Finally, *Stage 4* presents the moderated effects of both CBR components on the representative constructs of business-to-customer relationships (Section 3.6). The outcome of Stage 4 is the complete conceptual model (Figure 3.5), which accumulates the effects from Models ‘A, B and C’ also.

The chapter ends with a summary (Section 3.8).

## **3.2. Attitude theory and CBR**

### **3.2.1. Attitude theory: An overview**

Attitude theory has its origins in the disciplines of psychology and sociology. Due to continuous development over a longer period of time, the term ‘attitude theory’ does not refer to any specific theory, rather to an aggregate of multiple theories developed under this umbrella (Eagly & Chaiken, 1993). The domain of attitude theory includes discussion on various issues related to attitudes, such as the definition of attitudes, the formation of attitudes and attitude change. This study refers to the aspect of theoretical development in attitude theory, which is related to the conceptualization or formation of attitudes. The motivation for this is to clarify the basis for the conceptualization of CBR as an attitude or attitude-related concept. The reputation of a firm has been conceptualized in the literature as an attitude of stakeholders (Raithel & Schwaiger, 2015; Schwaiger, 2004; Fombrun et al., 2000); however, the theoretical background for such conceptualization requires further clarification.

The concept of ‘attitude’, from its core, refers to the evaluation of an object or entity, represented on a continuum ranging from favour to disfavour or positive to negative (Eagly & Chaiken, 1993; Petty, Wegener, & Fabrigar, 1997). As, corporate reputation

represents the evaluation of an organization by its stakeholders (Walker, 2010) it also reflects an attitude of the respective stakeholder groups.

There are long-standing debates regarding the formation of attitudes in the literature on attitude theory (Eagly & Chaiken, 1993; Millar & Tesser, 1986; Fishbein & Ajzen, 1975; Ostrom, 1969). A review of this literature suggests that attitudes can be conceptualized as evaluations, which are primarily based on the two components of 'cognition' and 'affect' (Petty et al., 1997; Millar & Tesser, 1986; Katz, 1960). Millar and Tesser (1986) suggested the importance of cognitive or affect components of attitudes in comparison with general evaluations, while engaging in a particular behaviour. Moreover, cognition is different from affect (Ajzen, 1991), as 'cognition' consists of beliefs, judgements and thoughts related to an attitude object, whereas 'affect' is composed of emotions, drives or feelings towards an attitude object (McGuire, 1969). It is further argued that 'cognition' is knowledge-based, whereas, 'affect' is emotions-based (Johnson & Grayson, 2005), and that 'cognition' refers to belief elements describing the object of attitude, its characteristics and relationship with other objects, whereas, 'affect' refers to feelings associated with liking or disliking (Katz, 1960).

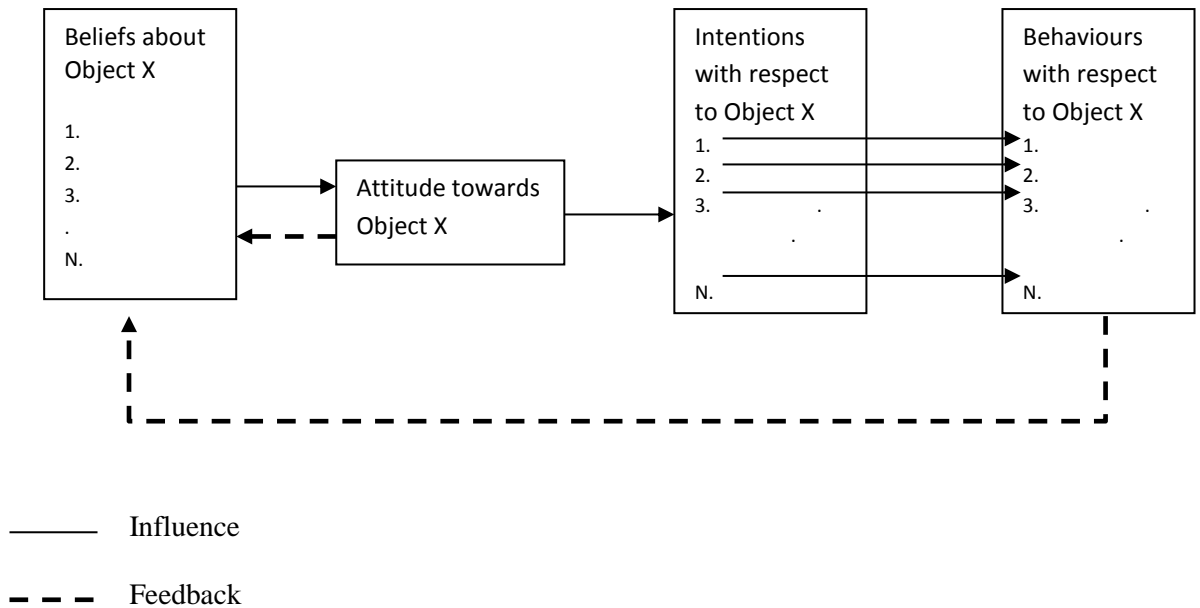
Along with cognition and affect, a third component of attitude – behavioural intentions - has been mentioned in the existing literature (Ostrom, 1969). This component is also termed as a 'conative' component of attitude (Insko & Schopler, 1967, Fishbein, 1967). Behavioural intentions (conation) have been studied/found as a consequence of cognition and affect components (Einwiller et al., 2010, Johnson & Grayson, 2005, Lewis & Weigert, 1985, Bagozzi, 1981), or as a consequence of attitudes in general, such as in the 'theory of planned behaviour' (Ajzen, 1991). For further clarification of the three components of attitude, an example is presented below that is in the form of an individual's hypothetical description of an attitude object

(Company XYZ). This hypothetical description contains all three components of attitude:

“I have been hearing about it from family and friends, and watching the TV commercials of Company XYZ. I believe that they are offering some really competitive deals (*cognition*). I have positive feelings about XYZ (*affect*) and may continue to visit their outlet in future (*conation*).”

Although this tripartite view of attitude formation has a long history, it has also received some strong criticism. For example, Eagly and Chaiken (1993, p. 666) considered these three components as “*merely three types of evaluative responses that may underlie attitudes*”, which are interdependent and work in synergy with each other to formulate an overall evaluation. They have also emphasized upon testing and finding the discriminant validity of these three types of evaluative responses to consider them as three different components of attitude.

In contrast to the above, some early researchers (e.g., Fishbein, 1967, Fishbein & Ajzen, 1975) have represented attitude with the affective component only. According to this viewpoint, the affective component consists of the evaluation of an individual of any object in terms of liking or disliking only. Furthermore, the cognition component refers to beliefs, and serves as an antecedent of attitude, whereas, behavioural intentions are treated as a consequence of attitude (i.e. affect). In this regard, Fishbein and Ajzen (1975) proposed the following model, which demonstrates the structure of attitude (see Figure 3.1).



**Figure 3.1: The link between beliefs (cognition), attitude (affect), intentions (conation) and behaviour with respect to a given object (Adapted from Fishbein & Ajzen, 1975)**

From the discussion presented above, it can be concluded that, with reference to formation of attitudes, there exist three viewpoints. *First*, that attitudes are one-dimensional (Fishbein, 1967; Fishbein & Ajzen, 1975) and consist of only the affect component. *Second*, that attitudes are mainly based upon two components of cognition and affect (Millar & Tesser, 1986; Katz, 1960). *Third*, that attitudes consist of a tripartite classification, which includes cognition, affect and conative components (Ostrom, 1969). Disagreement among the researchers can be found on the composition of attitude and its measurement or definition. However, for any of the above viewpoints, the literature supports the three components (or types of evaluations), which include cognition, affect and behavioural intentions (conation), as determinants of an individual's actual behaviour towards any attitude object (Walsh et al., 2014; Millar & Tesser, 1989; Fishbein & Ajzen, 1975).

The research implications of this discussion regarding the formation of attitudes can be summarized in the following way:

(1) All three components (cognition, affect and behavioural intentions) should be incorporated in the study of attitudes and their impact on behaviour, regardless of how attitudes are conceptualized by the researchers.

(2) Cognition, affect and behavioural intentions should be treated separately (i.e., as three distinctive constructs) in attitude-related studies. Although these three components can be related to each other, treating them as distinctive constructs is important in order to investigate their relative effects on overall attitudes or other outcome variables.

These implications are taken into consideration in the following Section 3.2.2, in which CBR is discussed as an attitude-related construct.

### **3.2.2. CBR as an attitude-related construct**

This study conceptualizes CBR as an attitude-related construct consisting of cognitive and affective evaluations of customers. This conceptualization of CBR is based on the key aspects of corporate reputation, which are derived from a review of definitions of corporate reputation (see Section 2.2 and Section 2.3 for details). The researchers suggesting or using such definitions mainly draw on attitude theory to conceptualize corporate reputation or CBR as an attitude-related construct (see e.g., Schwaiger, 2004; Eberl & Schwaiger, 2005; Einwiller et al., 2010; Raithel & Schwaiger, 2015). These researchers use both the components of cognition and affect to represent CBR. In the same vein, Fombrun et al. (2000) have developed the ‘Reputation quotient (RQ)’ scale, which consists of several dimensions of corporate reputation that correspond to both cognitive and affective components. Various aspects of both CBR components have been discussed in the existing literature, which are being presented in the following sub-sections 3.2.2.1 and 3.2.2.2, respectively.

### ***3.2.2.1. Cognitive CBR:***

Cognitive CBR reflects customers' evaluation of several competencies or capabilities of organizations (Schwaiger, 2004; Eberl & Schwaiger, 2005), which may include the following:

#### ***3.2.2.1.1. Customer orientation:***

The existing literature on CBR suggests that customer orientation is a key determinant of CBR (Bartikowski et al., 2011; Walsh et al., 2014). The customers of organizations with positive cognitive CBR will have positive evaluation of those organizations' concern for the customers (Walsh & Beatty, 2007). A firm is perceived to be customer oriented when its employees have tendency and ability to meet the needs of its customers (Brown, Mowen, Donovan, & Licata, 2002). Employees of such organizations are expected to be courteous and fair when dealing with the customers (Bartikowski & Walsh, 2011). Moreover, the customer-oriented firms are likely to take serious care of the rights of its customers, and treat them without discrimination (Walsh & Beatty, 2007).

#### ***3.2.2.1.2. Good employer:***

Customers' evaluation of how an organization or its management treats its employees reflects the reputation of that organization in the minds of the customers (Walsh et al., 2011; Walsh et al., 2009a). Customers perceive a well-reputed organization as a good company to work for, and as a company, which provides a better working environment to its employees (Fombrun et al., 2000). Such an organization is also expected to have excellent leadership and competent employees (Walsh et al., 2009b; Fombrun et al., 2000).

#### ***3.2.2.1.3. Financial Strength:***

The previous researchers have considered perceived financial strength of an organization as an important indicator of its reputation (see e.g., Walsh & Beatty, 2007; Fombrun et al., 2000). Customers are likely to have a positive evaluation of the competence of an organization if it seems to be profitable and perform better than its competitors (Fombrun et al., 2000; Bartikowski & Walsh, 2011). Customers' positive perceptions about the strong prospects for the future growth of an organization and ability of that organization to identify and seize the market opportunities also reflect the perceived financial strength of the organization (Walsh et al., 2009b; Bartikowski et al., 2011).

#### ***3.2.2.1.4. Product and service quality:***

From an economics perspective, the customers' evaluation of an organization's ability to produce high quality goods and services is an important determinant of corporate reputation (Rindova et al., 2005). The existing literature also relates the ability of an organization to develop innovative products and products with a good value for the money, to the reputation of that organization (Fombrun et al., 2000; Bartikowski & Walsh, 2011). Customers having a positive evaluation of such abilities of an organization are expected to pay premium price for the products and thus generate higher economic returns for the organization (Shapiro, 1983).

#### ***3.2.2.1.5. Corporate social and environmental responsibility***

The organizations having concerns for the society and environment are likely to enjoy a good reputation among their customers (Bartikowski & Walsh, 2011; Walsh et al., 2009b). The existing literature suggests that the perceived abilities of an organization to create new jobs and ensure a clean environment may play an important role in the

development of cognitive CBR (Walsh & Beatty, 2007; Bartikowski et al., 2011). However, customers might be more concerned about the product quality and fairness of an organization towards them, as compared to social responsibility of that organization while evaluating its competence (Page & Fearn, 2005).

#### ***3.2.2.2. Affective CBR:***

Affective CBR is the second key component of CBR, where CBR is conceptualized as an attitude-related construct. Affective CBR refers to likeability of a firm as perceived by the customers, or the feelings of the customers towards the firm (Schwaiger, 2004; Raithel & Schwaiger, 2015). These feelings or sentiments of the customers towards a firm also represent the emotional evaluation or emotional appeal of the firm (Schwaiger, 2004; Fombrun et al., 2000). The extent to which customers admire and respect a goods or services provider is considered an important element of emotional appeal of the organization (Fombrun et al., 2000). Customers feel enthusiastic about the firms with the positive affective CBR (Einwiller et al., 2010). Moreover, a positive affective CBR of a firm reflects the desire of its customers to better identify themselves with the same firm as compared with its competitors (Eberl & Schwaiger, 2005). The tendency of the customers to anthropomorphise organizations (Fombrun, 1996), and their desire to identify themselves with the organizations they like (Eberl & Schwaiger, 2005), make affective CBR a key component of CBR (Raithel et al., 2010).

The long-term orientation of CBR should be considered in addition to its structure or formation, as the long-term orientation also contributes to the understanding of CBR as an attitude-like construct. Hall (1992) has found reputation (as an intangible asset) to be the most important contributor towards a company's overall success. However, as they suggest, it takes a fairly long time period of demonstrating superior competence in order



to become well-reputed. Similarly, Herbig and Milewicz (1993, p. 18) reported reputation to be “*the estimation of the consistency over time of an attribute of an entity*”. This refers to length of time required for the formation of customers’ beliefs and emotional feelings about an organization, and thus, building CBR as an attitude-related construct.

This study, however, found some issues in the existing literature where reputational researchers investigated the impact of attitude-based CBR on business-to-customer relationships. These issues included studying CBR as a whole without distinguishing between its cognitive and affective components (see e.g., Caruana & Ewing, 2010; Johnson & Grayson, 2005); and using underrated affective CBR in comparison with cognitive CBR (see e.g., Bartikowski & Walsh, 2011; Jeng, 2011). The problem of relatively overweighted cognitive CBR has prevailed whether reputation has been operationalized as a one-dimensional construct (see e.g., Jeng, 2011) or as a multi-dimensional construct (see e.g., Walsh, Beatty, & Shiu, 2009b). Moreover, testing the interrelationship of cognitive CBR and affective CBR receives little attention in the extant literature. This study attempts to address these issues by investigating the relative effects of cognitive CBR and affective CBR on business-to-customer relationships, and by using a more balanced<sup>2</sup> conceptualization of CBR. The interrelationship of cognitive CBR and affective CBR is also tested within the context of this study.

Examining the comparative role of both CBR components in achieving the relational benefits can enhance the understanding of the significance of CBR in business-to-customer relationships. Contributing towards the existing literature on CBR and business-to-customer relationships, the findings of this study may also be of value to practitioners. Managers may be able to formulate more effective reputation management

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<sup>2</sup> ‘More balanced’ here refers to a better balance between the cognitive and affective components of CBR, in comparison with other studies in the same area, which include, for example, Bartikowski and Walsh (2011); Bartikowski et al. (2011); Cretu and Brodie (2007); Jeng (2011); Michaelis et al. (2008); Walsh et al. (2009a); Walsh et al. (2009b); Walsh et al. (2014), and others.

and relationship marketing strategies by separately considering both attitudinal components of CBR, which may have varying influences on the outcome variables.

The conceptualization of CBR as an attitude-related construct, and the implications of the literature on the formation of attitudes (as discussed in preceding Section 3.2.1) contribute to the development of conceptual model for this study, in the following way:

(1) Cognitive CBR and affective CBR are being incorporated as two distinct constructs or components of CBR in order to test their respective effects on business-to-customer relationships. Cognitive CBR is being conceptualized as a multi-dimensional construct, where different aspects of cognitive CBR (as discussed above) are being considered different dimensions of cognitive CBR.

(2) Conation or behavioural intentions - the third component of attitudes - is being included as 'intentional loyalty' in the conceptual model. It has been incorporated as an outcome of the cognitive and affective components of CBR, following Einwiller et al. (2010), Johnson and Grayson (2005), Lewis and Weigert (1985), and Bagozzi (1981).

### **3.3. Interrelationship of CBR components**

The interplay between cognitive CBR and affective CBR has received little attention in the existing literature. Researchers such as Schwaiger (2004), Eberl and Schwaiger (2005), and Raithel and Schwaiger (2015) used both cognitive and affective components of reputation. They did not however study the interrelationship of these components. In this vein, only one reputational study by Einwiller et al. (2010) could be found, which presents an examination of the relationship between cognitive CBR and affective CBR. Their findings suggest a positive influence of cognitive CBR on affective CBR. They used the Ray's (1973) standard learning hierarchy model to postulate that customers initially get involved in thinking (i.e. cognition), and then into feeling (i.e. affection), before they exhibit any behaviour. Ray's (1973) standard

learning hierarchy model suggests a cognitive-change in response to some communication, resulting in an affect-change, and ultimately leading towards a change in the behaviour.

Some evidence can be found regarding the interrelationship of cognition and affect, from the literature on application of attitude theory in managing business-to-customer relationships. Alwi and Kitchen (2014) found cognitive brand attributes to influence affective brand attributes, while testing the impact of both types of attributes on organizational relationships with customers. They followed the literature on corporate brands (see e.g., De Chernatony, 2002) to conceptualize the relationship between cognitive and affective brand attributes. De Chernatony (2002) suggests that customers are initially concerned about the functional value of corporate brands. For example, a car customer may be initially concerned about power of the engine, or a restaurant customer may be initially concerned about quality of the food. Later, those functional values relate to the emotional values or liking for the brand. In the same vein, Johnson and Grayson (2005) found cognitive aspects of customer trust to positively influence affective aspects of customer trust in business-to-customer relationships in services concerns.

In the literature on attitude theory, however, there exists mixed evidence about which come first in cognition-affect interrelationship. According to Fishbein and Ajzen (1975: p. 15), cognition (referring to beliefs, knowledge, thoughts and opinions about an object) influences affect (i.e., feelings towards an object). They view people as ‘essentially rational organisms’ who obtain information from direct observation, outside sources or through personal inferences to form beliefs/cognition about an object (p. 14). Such beliefs then develop feelings of a person towards the same object. Fishbein and Ajzen (1975) further suggested that, once established, affect could possibly influence cognition through a feedback effect. Accordingly, a bidirectional or reciprocal

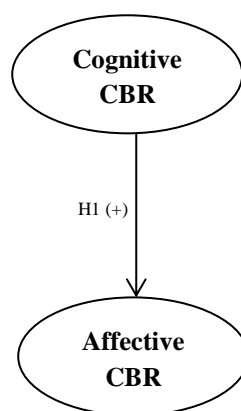
relationship of cognition and affect, over a period of time, is presented in their conceptual framework of attitude-formation, where cognition influences affect at first. Some longitudinal research design might be useful to investigate such bidirectional relationship between cognition and affect over time (Boden & Berenbaum, 2010). In contrast to Fishbein and Ajzen (1975), Zajonc (1980) found that affect was not necessarily dependent on cognition, and was not a post-cognitive concept in all the cases. As it suggested, affect could also be pre-cognition. However, some researchers suggest that affect and cognition are independent of each other (Brown & Stayman, 1992; Zajonc, 1980). Moreover, it is also possible that cognition and affect are in conflict with each other, which is known as the condition of ‘ambivalence’ in the existing literature (Ajzen, 2001).

Although the literature on attitude theory provides mixed and inconclusive evidence about the cognition-affect interplay, there exist strong evidence about the cognitive processes to take place before the development of affect, in the areas of CBR, business-to-customer relationships, and corporate branding (see e.g., Einwiller et al., 2010; Alwi & Kitchen, 2014; Johnson & Grayson, 2005; De Chernatony, 2002). This evidence has been discussed above in this section. Drawing on attitude model presented by Fishbein and Ajzen (1975), affective CBR may possibly influence cognitive CBR over time through a feedback loop. However, investigation of such change in the interrelationship of constructs over time is not included in the objectives of this study. Some longitudinal studies in future may serve this purpose. Therefore, this study theorizes the direct positive impact of cognitive CBR on affective CBR, drawing on the literature on CBR, business-to-customer relationships, and corporate branding.

**Hypothesis 1:** Cognitive CBR has a positive direct impact on affective CBR.

In the literature on CBR, only Einwiller et al. (2010) have hypothesized and reported a positive direct impact of cognitive CBR on affective CBR. However, their evidence is not generalizable across all contexts. The interrelationship of cognitive and affective reputation requires further investigation, particularly in the context of services. Einwiller et al. (2010) conducted research on manufactured products (automobiles) in a developed country (Germany). However, in contrast to manufacturing, services facilities (such as fast food services) are more exposed to the effects of CBR (Walsh et al., 2009a). The intangible nature of services makes it difficult to evaluate their quality before consumption, and even sometimes after consumption/availing (Firth, 1993). In such cases, the reputation of the service provider can be considered to be a reliable signal of firm's ability to satisfy the customers' needs (Nguyen & Leblanc, 2001; Bromley, 2001). Moreover, in contrast with Einwiller et al. (2010), this study is conducted in an emerging/developing market. Therefore, testing the interrelationship of cognitive CBR and affective CBR in different research settings will contribute to the theoretical development of this interrelationship.

Hypothesizing the interrelationship of cognitive CBR and affective CBR represents the first stage of the development of conceptual model. The output of the first stage (i.e., Model 'A') is presented below in Figure 3.2.



**Figure 3.2: Conceptual Model 'A' (Stage 1)**

**Interrelationship of cognitive CBR and affective CBR**

### **3.4. Direct effects of CBR components**

This section begins with a discussion on the direct effects of cognitive CBR on business-to-customer relationships (Section 3.4.1). These effects are drawn on cognitive consistency theories. The direct effects of affective CBR on business-to-customer relationships are theorized based on social exchange theory (Section 3.4.2). In Section 3.4.3, the theory of customer perceived risk and the effects of both CBR components on perceived risk are discussed.

#### **3.4.1. Cognitive consistency theories and direct effects of cognitive CBR on business-to-customer relationships**

Cognitive consistency theories refer to a group of theories based on the principle of cognitive consistency. The seminal work by Heider (1946) on balance theory, congruity theory by Osgood and Tannenbaum (1955) and the theory of cognitive dissonance (Festinger, 1957) mainly represent the cognitive consistency theories. These theories are related to attitude structure and attitude change. The consistency principle in these theories refers to the mutual interdependence or consistency among the attitudinal components (Eagly & Chaiken, 1993). As discussed in the existing literature, Gestalt theory is considered to be the origin of such theories (Heider, 1960; Eagly & Chaiken, 1993, Simon, Snow, & Read, 2004). The Gestaltian central idea of a ‘good’ figure leading towards the states of order and coherence underlies the principle of cognitive consistency (Heider, 1946; 1960). A brief review of cognitive consistency theories will help to further understand the cognitive consistency principle and its implications for this study.

*Balance theory* by Heider (1946) is an important contribution to the field of social psychology. This theory uses the context of individuals’ relationships in order to understand their attitudes. Heider discusses the states of balance and imbalance in the

interrelationships of two or three entities. One of these entities is essentially the perceiver or reference person himself/herself. Two other entities may be two other persons, two other impersonal entities (e.g., physical objects, social issues, values, or, other abstractions), or a combination of a person and an impersonal entity. The state of balance only exists if all the relations between two or three entities are positive in all respects; or if two negative relations co-exist with one positive relation in case of three entities. As suggested by balance theory, any state of imbalance produces unpleasantness, which motivates the perceiver to restore the balanced state by bringing any change in the attitudes about or relations with the other entities (Heider, 1946; Eagly & Chaiken, 1993).

*Congruity theory* by Osgood and Tannenbaum (1955) relates the intensity of attitudes to the motivation for cognitive change in the case of inconsistency or incongruity. As they suggest, it is more difficult to change stronger attitudes than weaker attitudes. In contrast to the balance theory's balanced and imbalanced states, they discuss the congruity or the degree of incongruity between the perceiver's attitude towards a *source* of communication and the perceiver's attitude towards an *issue*. They use the term of *valence* for the attitude of *source* towards the *issue*; and measure both the attitudes of a perceiver and of a *source* on bipolar evaluative scales. The state of congruity exists when perceiver's attitudes towards the *source* and the *issue* are *equally polarized*, with either favourable or unfavourable attitude of *source* towards the *issue* (*i.e. valence*). Any deviation from this condition of congruity refers to the extent of incongruity (Eagly & Chaiken, 1993).

The *theory of cognitive dissonance* (Festinger, 1957) is considered a major success and contribution towards social psychology (Eagly & Chaiken, 1993). According to Festinger (1957), anything that a person knows refers to 'cognitive elements', where a cognitive element or knowledge can be about the person himself/herself, his/her

behaviour, or surroundings. Multiple cognitive elements co-exist in a person's *cognitorium*. If two relevant cognitive elements are opposite to each other or do not fit together, they are in *dissonant* relation. However, if they are consistent to each other, there are in *consonant* relation. The dissonance itself is a drive state that motivates the person to eliminate or reduce it, by using different tactics. For example, a person facing dissonance may bring a change in cognitive elements (e.g., in attitudes and/or behaviour), or add some relevant consonant elements to the *cognitorium*, which may reduce the magnitude of dissonance (Festinger, 1957; Eagly & Chaiken, 1993; Ask, Reinhard, Marksteiner, & Granhag, 2011).

Based on a review of cognitive consistency theories, the basic principle of cognitive consistency can be summarized into three major points: *First*, people have tendencies to maintain a state of harmony and balance among their beliefs, attitudes, behaviours and commitments. *Second*, any inconsistency (i.e., imbalance, incongruity or dissonance) in this regard may create 'tension' that people would like to avoid. *Finally*, that tension motivates people to bring a change in their cognition (i.e. cognitive elements), in order to restore the state of equilibrium (Eagly & Chaiken, 1993, p. 455-460).

The principle of consistency is highly relevant when investigating the impact of CBR (as an attitude-related construct) on the customer-outcome variables. Customers' positive evaluations of an organization can generate consistent attitudes and behaviours towards that organization. Customers tend to perceive that the costs of opportunistic behaviour, self-interest seeking or untrustworthy behaviour are high for the well-reputed seller organizations (Gulati, 1995; Doney & Cannon, 1997). Moreover, developing CBR requires consistent efforts over a long time period (Hall, 1992). Therefore, organizations would not like to put their efforts at stake by involving themselves in any negative or untrustworthy activities. Good reputation may therefore generate an organization's credibility or the confidence of customers in the organization. The



principle of consistency also suggests that customers' positive evaluation of organizational attributes (e.g., product quality) may develop their commitments in relational exchanges, and favourable behavioural intentions towards exchange partners (Eagly & Chaiken, 1993; Bartikowski & Walsh, 2011).

There exist evidence in the literature which supports the assertion that CBR is consistent with customer trust, customer commitment and intentional loyalty (see e.g., Bartikowski & Walsh, 2011; Cretu & Brodie, 2007; Eastlick et al., 2006; Walsh et al., 2014). However, in these studies the conceptualization of CBR is mainly cognition-based. The researchers in this area underrate the affective component of CBR (see Table 1.1) that is otherwise considered to be an important component of attitudes, when discussing the cognitive consistency theories (see e.g., Ajzen, 2005). Therefore, drawing on the cognitive consistency principle and evidence from the existing literature, this study hypothesizes a direct impact of cognitive CBR on customer trust, customer commitment and intentional loyalty. However, as mentioned in Section 1.4 (Chapter 1), an investigation of the relative effects of affective CBR on the representative constructs of business-to-customer relationships is included in the objectives of this study.

**Hypothesis 2:** Cognitive CBR has a positive direct impact on customer trust.

**Hypothesis 3:** Cognitive CBR has a positive direct impact on customer commitment.

**Hypothesis 4:** Cognitive CBR has a positive direct impact on intentional loyalty.

### **3.4.2. Social exchange theory and direct effects of affective CBR on business-to-customer relationships**

Originating from economics, sociology, social psychology and anthropology, social exchange theory states that human behaviour and relationships build upon a subjective cost-benefit analysis between parties, where the actions of one party are contingent

upon what the other does (Emerson, 1976; Cropanzano & Mitchell, 2005). This theory provides a major theoretical perspective to the understanding of how social actors interact with each other and develop social exchanges; where such actors may include individuals, groups, networks, institutions and organizations (Cook, Cheshire, Rice, & Nakagawa, 2013).

Peter Blau, one of the early contributors to the social exchange theory, defines social exchange in the following way: “*Social exchange as here conceived is limited to actions that are contingent on rewarding reactions from others*” (Blau, 1964, p. 6). Social exchanges thus involve an interdependence among the social actors. Such interdependence can potentially generate high-quality relationships if certain exchange-rules are followed by the interacting parties, such as the rules of reciprocity and rationality, as suggested in the existing literature (Cropanzano & Mitchell, 2005; Meeker, 1971). *Reciprocity* here refers to the mutual benefit of both the exchange parties, where one party is neither completely dependent nor completely independent of the other party, but rather they both are interdependent (Cropanzano & Mitchell, 2005). Similarly, *rationality* refers to a logical pursuit of value maximization through logical selection of means. However, of course, people do not always behave rationally (Meeker, 1971).

Traditionally, the exchange partners have been considered to be self-interested and unemotional beings. However, later research has emphasized the importance of emotions (affect) in social exchanges (Lawler & Thye, 1999; Lawler, 2001). The emotions or feelings are considered to be involved in a broad range of social exchanges, ranging from a friendship between two individuals to a corporate merger between two or more organizations. Moreover, emotions are related to every facet of social exchange, including context, process and outcomes of social exchange (Lawler & Thye, 1999). Further, these are not only economic resources which are exchanged between

parties, rather socioemotional resources are also exchanged. In this context, socioemotional resources refer to the way in which a person's social and self-esteem needs are fulfilled, and the way in which a person is treated (Foa & Foa, 1980). For example, friendship, respect and love are included in the socioemotional resources.

The exchange process between a customer and an organization can also be considered as a social exchange (Cook et al., 2013; Lii & Lee, 2012), where customers may develop emotional bonds with the organization after receiving benefits from goods or services provided by the organization to fulfil customers' needs. Similarly, customers may exchange the socioemotional resources of affection, love or respect also with the service providers, in addition to the exchange of economic resources. Therefore, the role of emotions or affect should not be ignored when discussing the exchange relationship of customers with an organization.

Emotions (feelings) can be positive or negative. Both the positive emotions (e.g. feeling good) and the negative emotions (e.g. feeling bad) may have different motivational impacts (positive and negative, respectively) on the exchange relationships (Lawler, 2001). Negative emotions can negatively influence the commitment of an individual towards the exchange partner (Shepherd, Patzelt, & Wolfe, 2011). In contrast, positive emotions can promote mutual trust and cooperation in exchange relationships (Lawler & Thye, 1999). Similarly, an individual's positive emotions about the exchange partner can make the former loyal to the latter (Chaudhuri, 2006: 28).

Affective CBR, the emotional component of a customer's evaluation, represents the likeability or emotional appeal of an organization (Einwiller et al., 2010; Fombrun et al., 2000). As discussed above, emotional expressions play a central role in the social exchange processes, and in the development of trust, commitment and loyalty in relationships (Chaudhuri, 2006; Lawler & Thye, 1999; Shepherd et al., 2011). The social exchange theory further postulates that businesses with good reputations can

enter into favourable social exchanges with their customers. Such businesses may provide benefits to customers and enjoy their positive feelings. In return to receipt of these benefits and development of positive feelings, customers may exhibit supportive behaviour towards the organizations (Lii & Lee, 2012; Tsai, 2005; Walsh et al., 2014). In other words, the affective emotional responses of customers can develop their future intentions (Ranganathan, Madupu, Sen, & Brooks, 2013). Therefore, if a customer likes or has positive emotions or feelings towards an organization due to any of the organization's characteristics, he /she is likely to offer something in return (reciprocal behaviour). The return from customers can be in form of trust and long term commitment in the relationship, repurchase intentions and positive word-of-mouth. It helps to hypothesize that:

**Hypothesis 5:** Affective CBR has a positive direct impact on customer trust.

**Hypothesis 6:** Affective CBR has a positive direct impact on customer commitment.

**Hypothesis 7:** Affective CBR has a positive direct impact on intentional loyalty.

### **3.4.3. The theory of customer perceived risk and CBR-perceived risk relationship**

It was Bauer who introduced the concept of 'risk' in 1960 at the 43<sup>rd</sup> conference of the *American Marketing Association* (Mitchell, 1999). Since then, the concept of 'customer perceived risk' has attracted considerable attention from marketing researchers (see e.g., Taylor, 1974; Morgan & Hunt, 1994; Mitchell, 1999). Customer perceived risk refers to the loss expectancy that the customers determine subjectively (Mitchell, 1999). Taylor (1974) made an attempt (in terms of *systematic explanation* of the concept) to theorize risk taking in consumer behavior. He suggested that the behavior centers on the question of making a (right) choice, due to the fact that the choice outcome was

unpredictable in most of the situations. This unpredictability of future outcomes of exchange results from the incomplete or asymmetrical knowledge of buyer (Johnson & Grayson, 2005). Therefore, facing risk, handling it and experiencing its effect would be indispensable for a consumer in several situations.

As described by Schiffman, Kanuk, and Hansen (2008), customers' inability to predict the outcomes may be related to expected product performance (i.e. functional risk), harm to self and others (i.e. physical risk), value received against money spent (i.e. financial risk), or wastage of time (i.e. time risk). These are some major types of risks that a customer may perceive when making a purchase decision or establishing a relationship with a service provider organization.

At this point, it is important to clarify the difference between two terms: 'risk' and 'uncertainty'. Both of these terms have been used synonymously in some of the existing studies (see e.g., Taylor, 1974). However, they are and should be considered to be different from each other, as risk is characterized with 'known probability' of consequences (as against the uncertainty), although that probability may be stated either objectively or subjectively (Mitchell, 1999; Knight, 1948). This study incorporates the construct of perceived risk that deals with the known probability, not the complete uncertainty.

Customers handle or reduce perceived risks by using various strategies (particularly in business-to-customer relationships), for example, through seeking information, selecting well-known brands, buying the most expensive model, seeking reassurance through money-back guarantees, and/or relying on store images (Schiffman et al., 2008). Among these strategies, assessing the corporate reputation may play an important role in reducing perceived risks (Sun, 2014; Van den Poel & Leunis, 1999).

This role of corporate reputation or CBR in managing customer perceived risk can be explained through the economic and institutional perspectives. From an economic

perspective, organizations aim to earn economic returns by reducing the customers' uncertainty about the quality of products or services, which they do through activities based upon their reputation (Rindova et al., 2005; Roberts & Dowling, 2002). From an institutional perspective, well reputed organizations exchange information with prominent social actors (e.g., ranking organizations) in their organizational fields. These social actors are followed by the majority of the stakeholders of well reputed organizations. This allows organizations to reduce the perceived risk of stakeholders regarding the organizational attributes (Rindova et al., 2005).

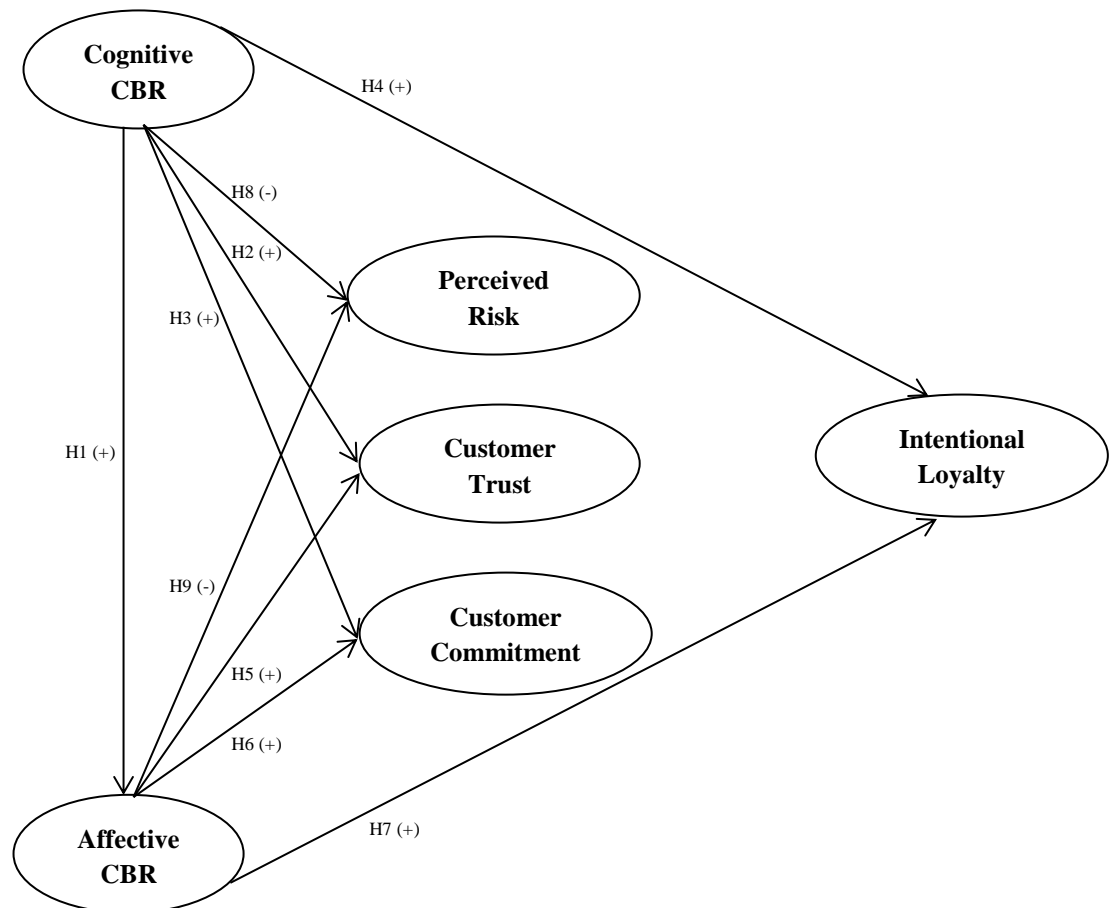
Positive CBR of the service providers may also help to minimize the customer perceived risk because customers expect such an organization to act responsibly when utilizing its resources (Walsh et al., 2009a). As services are more exposed to the risk (Mitchell, 1999) in comparison with goods, customers may rely more upon cues signalled from the service providers to lessen their perceived risks. Particularly, firms that offer less customized services (e.g., restaurants, transport services, hotels, courier services and commercial banks) are expected to enhance their reliance on CBR for relaying favourable impression.

Studying wine purchase decisions in restaurants, Lacey et al. (2009) pointed to the influence of enhancing cognitive CBR as an important risk-reduction strategy. Similarly, from the settings of electronic commerce, Kim et al. (2008) considered positive affective CBR as a signal for a firm that had honored its past commitments related to customers, and thus made the firm a less risky option for customers to deal with. The above discussion helps to hypothesize the negative impact of both CBR components on customer perceived risk.

**Hypothesis 8:** Cognitive CBR has a negative direct impact on customer perceived risk.

**Hypothesis 9:** Affective CBR has a negative direct impact on customer perceived risk.

Hypothesizing the direct effects of cognitive CBR and affective CBR represents the second stage of the development of conceptual model. The output of second stage (i.e., Model ‘B’) is presented below in Figure 3.3.



**Figure 3.3: Conceptual Model ‘B’ (Stage 2)**

**Direct effects of cognitive CBR and affective CBR on business-to-customer relationships**

### 3.5. Mediating effects

This section presents the development of hypotheses related to the mediating effects of customer trust, customer commitment and customer perceived risk in CBR-intentional loyalty relationship. Multiple mediator effects for the respective relationships between CBR components and intentional loyalty are also hypothesized in this section.

### **3.5.1. ‘The commitment-trust theory of relationship marketing’, and the mediating effects of customer trust and customer commitment**

Trust and commitment between the exchange partners play a critical role in developing successful long term relationships (Cropanzano & Mitchell, 2005; Gundlach, Achrol, & Mentzer, 1995). Therefore, building customer trust and customer commitment gain strategic importance for organizations (Bansal et al., 2004; Morgan & Hunt, 1994; Walsh et al., 2014). In this vein, Morgan and Hunt (1994) proposed the commitment-trust theory of relationship marketing. Through this theory, they highlight the significant role of customer trust and customer commitment in the commercial exchanges. They recommended using both customer trust and customer commitment as central constructs and key mediator variables while studying organizational relationships with customers. They further cautioned that the quality of conclusions about the effects on relationship outcome variables may suffer by ignoring the mediating role of customer trust and customer commitment.

There are several organizational and attitudinal factors which have been found to affect the outcome variables through customer trust and customer commitment in the existing literature. For instance, it has been suggested that customer trust mediates the relationships between: organizational communications and uncertainty of customer decisions (Morgan & Hunt, 1994); corporate reputation and purchase intentions (Eastlick et al., 2006); and opportunistic behavior of supplier firm and uncertainty of customer decisions (Morgan & Hunt, 1994). Similarly, customer commitment has been reported to mediate the relationships between: customer satisfaction and customer loyalty (Richard & Zhang, 2012); relationship termination costs and cooperation between exchange partners (Morgan & Hunt, 1994); CBR and customer spending (Walsh et al., 2014); and CBR and customer’s willingness to help the company (Bartikowski & Walsh, 2011).



The commitment-trust theory of relationship marketing and existing literature on the mediating role of customer trust and customer commitment helps to hypothesize their possible mediating effects in CBR-intentional loyalty relationship. This study has already hypothesized the direct impact of both CBR components on customer trust and customer commitment (Hypotheses 2, 3, 5 and 6 in Section 3.4). In the same vein, the following discussion about the direct impact of customer trust and customer commitment on intentional loyalty further supports to hypothesize the mediating effects of both former constructs in CBR-intentional loyalty relationship.

The association of customer trust and customer commitment with behavioural intentions or customer loyalty has remained a key area of interest in relationship marketing research (Bansal et al., 2004; Johnson & Grayson, 2005; Keh & Xie, 2009; Richard & Zhang, 2012). Customers who trust their service provider organizations are expected to continue to purchase from the same organizations in future (Johnson & Grayson, 2005; Keh & Xie, 2009). Customer commitment is found to negatively influence the switching intentions of customers, and to positively affect their advocacy intentions to spread favourable word-of-mouth (Bansal et al., 2004; Fullerton, 2005). It can be costly for the committed partner in a relationship to switch to another organization. Therefore, by gaining the positive influence of both CBR components on one hand, and by positively influencing intentional loyalty on the other hand, both customer trust and customer commitment are expected to mediate CBR-intentional loyalty relationships.

The mediating effects of customer trust and customer commitment in CBR-intentional loyalty relationship also receive theoretical support from cognitive consistency theories. The principle of cognitive consistency suggests consistency of customer trust and customer commitment with the other attitudinal (i.e., CBR) and behavioural (i.e., intentional loyalty) components (Eagly & Chaiken, 1993).

Morgan and Hunt (1994) developed the commitment-trust theory of relationship marketing in the context of business-to-business relationships. However, following their recommendations, some researchers have studied the mediating effects of customer trust and customer commitment in the context of business-to-customer relationships (see e.g., Bartikowski & Walsh, 2011; Eastlick et al., 2006; Jeng, 2011; Walsh et al., 2014). In particular, Eastlick et al. (2006) tested the mediating effects of both customer trust and customer commitment in the relationship of CBR with purchase intent. Similarly, Walsh et al. (2014) tested the mediating effects of customer commitment in CBR-loyalty intentions relationship. However, this study intends to extend the findings of both Eastlick et al. (2006) and Walsh et al. (2014) in the following three ways.

*First*, this study examines the mediating role of customer trust and customer commitment for the separate effects of both CBR components (i.e. cognitive CBR and affective CBR) on intentional loyalty. In comparison, Eastlick et al. (2006) and Walsh et al. (2014) used overall CBR in their studies without distinguishing between its cognitive and affective components.

*Second*, the outcome variable of intentional loyalty in this study includes the measures of both repurchase intentions and intentions to spread word-of-mouth (Bartikowski et al. 2011; Selnes, 1993). In contrast, Eastlick et al. (2006) and Walsh et al. (2014) did not include the measure of word-of-mouth intentions while conceptualizing their loyalty-related constructs. Therefore, this study uses a better representative measure of intentional loyalty.

*Third*, this study investigates the multiple mediator effects of three mediators including: customer trust, customer commitment and customer perceived risk, simultaneously. These effects are discussed later in Section 3.5.3. In contrast, Eastlick et al. (2006) examined the mediating effects of customer trust and customer commitment

in CBR-purchase intent relationship. Similarly, Walsh et al. (2014) investigated only the mediating effect of customer commitment in CBR-loyalty intentions relationship.

The discussion in this section leads to the development of following hypotheses regarding the mediating effects of customer trust and customer commitment in CBR-intentional loyalty relationships.

**Hypothesis 10:** Customer trust mediates the effect of cognitive CBR on intentional loyalty.

**Hypothesis 11:** Customer trust mediates the effect of affective CBR on intentional loyalty.

**Hypothesis 12:** Customer commitment mediates the effect of cognitive CBR on intentional loyalty.

**Hypothesis 13:** Customer commitment mediates the effect of affective CBR on intentional loyalty.

### **3.5.2. Mediating effects of customer perceived risk**

Customer perceived risk can affect the customers' relationships with service providing organizations, through its impact on intentional loyalty (Sun, 2014; Grewal, Iyer, Gotlieb & Levy, 2007). A higher risk perception about the delivery of expected services enhances the customers' intentions to leave the service provider organization, and reduces the word-of-mouth (Sun, 2014). In other words, a reduction in perceived risk can help to win the loyalty of customers and their positive word-of-mouth.

Organizations can make the customers more loyal by increasing the brand substitution risk (Sheth & Parvatiyar, 1995b). In this case, customers can become more conscious of the negative consequences of making a wrong alternate choice. Based on their knowledge and favourable experience with an organization, they may consider it

advantageous to stay with the existing service provider. It can therefore be deduced that for a loyal customer the perceived risk of leaving the service provider organization is higher than the risk that he/she may face in continuing with the same organization. It also indicates that the effective management of perceived risk by the seller organization can be helpful to retain the customers.

The issue of customer perceived risk in business-to-customer exchanges is critical, particularly within the context of services concerns. Due to the specific characteristics (i.e., heterogeneity, perishability, inseparability, and lack of tangibility), services are more exposed to perceived risk (Mitchell, 1999; Mitchell & Greator, 1993; Palmer, 2011). Such characteristics of services limit the standardization of services; may make it difficult for customers to evaluate the services; and may weaken the customers' confidence and enhance their degree of uncertainty when making decisions regarding purchase of services (Mitchell, 1999; Mitchell & Greator, 1993). Therefore, customers of services may face multiple risks in making purchase decisions or decisions to maintain relationship with the service provider. These risks may include the risk of experiencing variations in the quality of service during the next visit, the risk of receiving less value for more money, and the risk of spending a valuable amount of time to travel to the service outlet and waiting in long queues. Such risks can potentially influence the efforts of marketers to engage the customers in long-term relationships, through building their loyalty towards the service provider organizations (Sun, 2014; Grewal et al., 2007).

The expected positive impact of minimizing perceived risk on intentional loyalty, and the relieving effects of CBR components on customer perceived risks (Hypotheses 8 and 9) help to hypothesize the mediating effects of perceived risk in CBR-intentional loyalty relationship. In other words, well-reputed service providers are expected to win loyal customers by minimizing their perceived risks. There exists some evidence in the

literature that customer perceived risk mediates the relationship between CBR (as a single construct) and intentional loyalty (see e.g., Sun, 2014). However, at least two questions require researchers' attention for further investigation: (1) Whether such mediating effects vary across both the components of CBR, and (2) How perceived risk mediates the CBR-intentional loyalty relationship in comparison with other mediators (i.e. customer trust and customer commitment). This study attempts to address both these questions. For this purpose, based on the discussion in this section, this study hypothesizes the following mediating effects of customer perceived risk. The multiple mediator effects of perceived risk jointly with customer trust and customer commitment are hypothesized in the following Section 3.5.3.

**Hypothesis 14:** Customer perceived risk mediates the effect of cognitive CBR on intentional loyalty.

**Hypothesis 15:** Customer perceived risk mediates the effect of affective CBR on intentional loyalty.

### **3.5.3. Multiple mediator effects**

As discussed in Sections 3.5.1 and 3.5.2, existing literature suggests the respective mediating effects of customer trust, customer commitment and perceived risk in explaining the relationships between CBR components and intentional loyalty. However, while hypothesizing such effects for this study, it was realized that single mediator effects might be helpful, but not sufficient to explicate the process through which CBR influences intentional loyalty.

In reality, more than one intervening variable may co-exist in some cause-effect relationships (see e.g., Spurk & Abele, 2011; Preacher & Hayes, 2008). Investigating such multiple mediator effects can be essential to understand those causal relationships.

However, testing the simultaneous mediation of multiple mediators has not received due attention in applied and methodological studies (Preacher & Hayes, 2008). Lack of understanding of the relevant methods may be a reason behind the lack of researchers' attention in this regard. In the same vein, the literature on the role of CBR in business-to-customer relationships largely fails to incorporate the simultaneous mediation of multiple mediating factors (see e.g., Walsh et al., 2014, see Table 1.1 also).

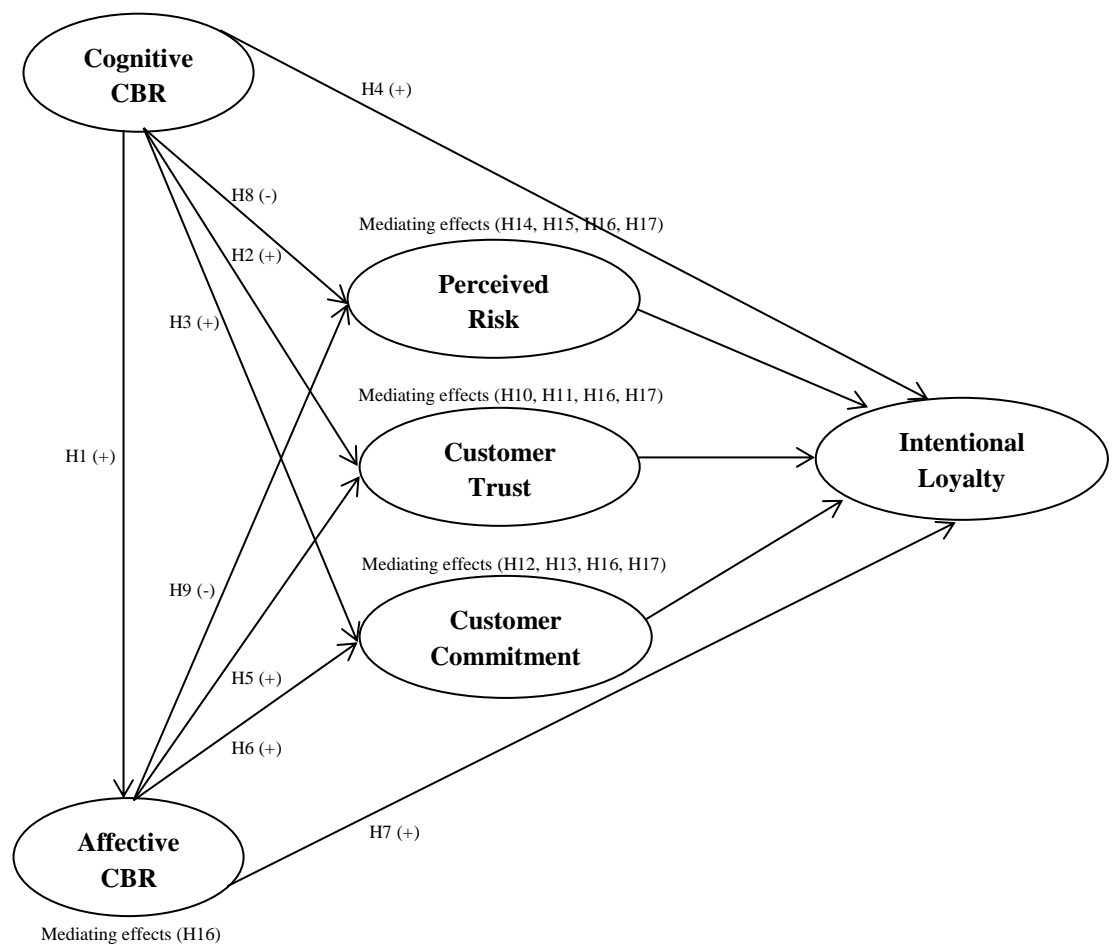
Based on the discussion for the development of mediation related hypotheses in the preceding Sections 3.5.1 and 3.5.2, some multiple mediator effects can be proposed to better understand the causal relationships of CBR components with intentional loyalty. In this regard, customer trust, customer commitment and customer perceived risk may jointly mediate the effects of both CBR components on intentional loyalty. In addition, affective CBR is also expected to explain the effects of cognitive CBR on intentional loyalty. This expectation is based upon the implications of the extant literature. Ray's standard learning hierarchy model (1973), the attitude model proposed by Fishbein and Ajzen (1975: p. 15), Einwiller et al. (2010), and Ranganathan et al. (2013) suggest the impact of *cognition* on *affect*, and further, the influence of *affect* on the behavioural element of attitudes. Simply put, affect may translate cognition into behavioural intentions, or alternatively, affect may mediate the relationship between cognition and behavioural intentions (Ranganathan et al., 2013).

The discussion in this section helps to develop the following hypotheses for multiple mediator effects. The findings in this regard will be discussed in Chapter 6 (Section 6.4.4).

**Hypothesis 16:** Affective CBR, customer trust, customer commitment and customer perceived risk jointly mediate the effect of cognitive CBR on intentional loyalty.

**Hypothesis 17:** Customer trust, customer commitment and customer perceived risk jointly mediate the effect of affective CBR on intentional loyalty.

Hypothesizing the mediated or indirect effects of cognitive CBR and affective CBR represents the third stage of the development of conceptual model. The output of third stage (i.e., Model ‘C’) is presented below in Figure 3.4.



**Figure 3.4: Conceptual Model ‘C’ (Stage 3)**

**Direct and mediated effects of cognitive CBR and affective CBR on business-to-customer relationships**

### **3.6. Moderating effects**

This section hypothesizes the moderating effects for the impact of CBR components on business-to-customer relationships. In this regard, the moderating effects of ‘relationship age’ are hypothesized in Section 3.6.1 and Section 3.6.2 hypothesizes the moderating effects of ‘type of firm’.

#### **3.6.1. ‘Relationship age’ as a moderator**

The important role of relationship age in business-to-customer relationships is reflected through the attention that it has received from the existing researchers of the area (see e.g., Verhoef et al., 2002; Raimondo et al., 2008; Bartikowski et al., 2011). The amount of time a customer has spent in a business relationship is referred to as ‘relationship age’ (Bartikowski et al., 2011). Studying the moderating effects of relationship age for the impact of CBR components on business-to-customer relationships is important at least for two reasons.

*First*, there exists little evidence about moderating effects in the literature on CBR and its relationship with the outcome variables (Walsh et al., 2014). The literature review conducted by the author suggests that only Bartikowski et al. (2011) has studied the moderating effects of relationship age on CBR-customer loyalty relationship. However, the moderation of relationship age for the impact of CBR on other relational outcome variables (e.g., customer trust, customer commitment and customer perceived risk) requires attention from researchers. Moreover, as recommended by Bartikowski et al. (2011), replicating their research in the other contexts will extend and add to the generalizability of their findings.

*Second*, identifying how the effects of CBR components on business-to-customer relationships differ with respect to relationship age has strategic implications for



practitioners. Moderating effects of relationship age, if found, may help marketers to design specific strategies for each of short-term and long-term consumer segments.

This study mainly draws on social exchange theory to hypothesize the moderating effects of relationship age. Cropanzano and Mitchell (2005) in their review of social exchange theory suggest the following:

*“One of the basic tenets of SET (i.e., social exchange theory) is that relationships evolve over time into trusting, loyal, and mutual commitments”.*

As the relationship between customer and service provider matures over time, it may increase the intimacy between both the exchange partners (Verhoef et al., 2002). It can foster customers' confidence by improving the richness of firm's impression (Swann & Gill, 1997), and it may enhance the positive effect of customer commitment (Verhoef et al., 2002).

Social exchange theory highlights 'reciprocity' as a key principle for successful long-term relationships (Cropanzano & Mitchell, 2005; Lawler, 2001). Reciprocity here refers to the interdependence of exchange partners with respect to continuous exchange of benefits with each other. Such interdependence is expected to reduce the perceived risks of exchange partners and motivate them to cooperate with each other (Cropanzano & Mitchell, 2005). The discussion of social exchange theory thus, reveals an expected continuous reduction in perceived risk, and the gradual development of customer trust, customer commitment and intentional loyalty in business-to-customer relationships.

In their study on CBR, Bartikowski et al. (2011) found a moderating role of relationship age in CBR-loyalty relationship, but with varying impact in different cultures. In France (a culture with relatively higher long-term orientation and uncertainty avoidance), relationship age magnified the effects of CBR on customer loyalty. In contrast, they found that relationship age suppressed the CBR's effects on

customer loyalty in UK and USA (cultures with relatively lower long-term orientation and uncertainty avoidance).

The literature on corporate reputation suggests that it takes considerable time and consistent efforts to develop corporate reputation or CBR (Hall, 1992; Herbig & Milewicz, 1993). Similarly, as discussed above, social exchange theory implies that customer trust, customer commitment and intentional loyalty may evolve over time (Cropanzano & Mitchell, 2005). Moreover, interdependence of exchange partners may continuously minimize perceived risks in an exchange relationship. In this regard, the effects of CBR on perceived risk, customer trust, customer commitment and intentional loyalty have already been hypothesized in this study (Hypotheses 2-17). Therefore, it can be expected that the effects of CBR components on the representative constructs of business-to-customer relationships (i.e., perceived risk, customer trust, customer commitment and intentional loyalty) will strengthen over time.

In contrast to the above, there exist at least two other viewpoints in the extant literature, which suggest otherwise. *First*, some researchers indicate that there is no significant impact of relationship age on customer commitment and intentional loyalty (see e.g., Seiders et al., 2005; Raimondo et al., 2008). In this regard, Seiders et al. (2005) suggest that it can be difficult for retail shoppers to incorporate the background factors, such as relationship age, into making predictions about future purchases. However, interestingly, they find significant effects of relationship age on actual repurchase visits and spending.

*Second*, some researchers (e.g., Ranaweera & Menon, 2013) argue that there is a declining impact of relationship age on the customers' positive word of mouth and strength of their relationship with the service provider. They consider the *honeymoon-hazard effect* as the rationale behind the reduction in relationship strength over time. They suggest that customers perceive their relationships with sellers more favourably in

initial days (honeymoon time period) due to the amount of time and efforts they had invested in making that decision, and to cope with post-purchase dissonance. With the maturity of relationship, the initially generated goodwill dissolves and customers feel less motivated to talk about their service provider (hazard effect). Their findings are, however, related to impact of relationship age on the intentions of customers to spread positive word-of-mouth only. They do not study the effects of relationship age on repurchase intentions or any other relational construct (e.g., customer perceived risk, customer trust and customer commitment). Therefore, this study finds their evidence to be limited, in order to hypothesize the moderating effects of relationship age in the context of business-to-customer relationships.

Based on the above discussion, this study mainly draws on the implications of social exchange theory, and the literature on corporate reputation and business-to-customer relationships, to hypothesize the moderating effects of relationship age. The hypotheses in this regard are as following:

**Hypothesis 18:** The effects of cognitive CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers with longer relationship age than for customers with shorter relationship age.

**Hypothesis 19:** The effects of affective CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers with longer relationship age than for customers with shorter relationship age.

### **3.6.2. 'Type of firm' as a moderator**

To theorize 'type of firm' as a moderator, this study incorporates foreign multinational enterprises (MNEs) and local enterprises (Local) as two types of firms. The literature on corporate reputation and international business management is reviewed to hypothesize any possible variation in the impact of CBR components on business-to-customer relationships across both the proposed firm types.

The literature on the antecedents of corporate reputation suggests that organizations are better reputed if they are financially stronger (Fombrun & Shanley, 1990; Brammer & Millington, 2005), larger in size (Carter, 2006; Musteen, Datta, & Kemmerer, 2010), older in age (Graham & Bansal, 2007), and more visible in the media (Brammer & Pavelin, 2006). From this perspective, MNEs are expected to be better reputed when compared to local firms, because MNEs are more likely to have a wider presence, higher financial strength, better media visibility, larger firm size, and older age. However, it is important to consider a limitation of most of the studies on the relationship of corporate reputation with its antecedents, which is that they do not differentiate MNEs from local enterprises (see e.g., Fombrun & Shanley, 1990; Brammer, Millington, & Pavelin, 2009; Love & Kraatz, 2009). In the same vein, studying the differential effects of type of firm (i.e., MNEs when compared to local enterprises) on the relationship between corporate reputation and consequence factors awaits researchers' attention. Thus, the available literature on antecedents and consequences of corporate reputation seems not to be sufficient for theorizing the moderating effects of type of firm. This study, therefore, looks into the literature on international business management for this purpose.

The literature on international business management has long theorized the relative challenges faced by MNEs operating in the foreign markets, in contrast to local enterprises (Zaheer, 1995). These challenges for MNEs mainly emerge from higher

environmental diversity outside the home market, differences in economic and institutional factors, cultural and language barriers, lack of information about the characteristics of local market, risk of exchange rate fluctuations, discrimination of domestic market against the outsider market players and the strong national biases of MNEs themselves (Asmussen, 2009; Hymer, 1976; Bell, Filatotchev, & Rasheed, 2012). Drawing on the theories of organizational legitimacy, Kostova and Zaheer (1999) reveal that MNEs face more difficulties (in contrast to local firms) in establishing and maintaining their legitimacy in the foreign markets. This is because, people are more suspicious about the activities of MNEs operating in the foreign markets, stereotypes exist in host countries about the MNEs operating there, and MNEs are more vulnerable to attacks and criticism from local pressure/interest groups (Kostova & Zaheer, 1999).

Zaheer (1995) termed such comparative disadvantages or challenges for MNEs as ‘the liability of foreignness’, and found a negative impact of this liability on the comparative performance of MNEs. These challenges are expected to make the management of corporate reputation and relationships with customers a relatively more difficult task for managers at MNEs. Research in the area of CBR, however, provides a very limited understanding of the impact of such differences in type of firm on the management of CBR and its relationship with customer-outcome variables.

The impact of the liability of foreignness is mainly attributed to the additional costs that MNEs incur (in contrast to local enterprises) when operating in a foreign market (Zaheer, 1995). These include the costs incurred due to unfamiliarity with the local markets, and the administrative costs related to coordination over geographical distance. In contrast, local firms are expected to have a better understanding of domestic markets and access to low-cost resources (e.g., labour and raw materials) (Zaheer, 1995). The comparative cost advantage of local enterprises can allow them to offer products and

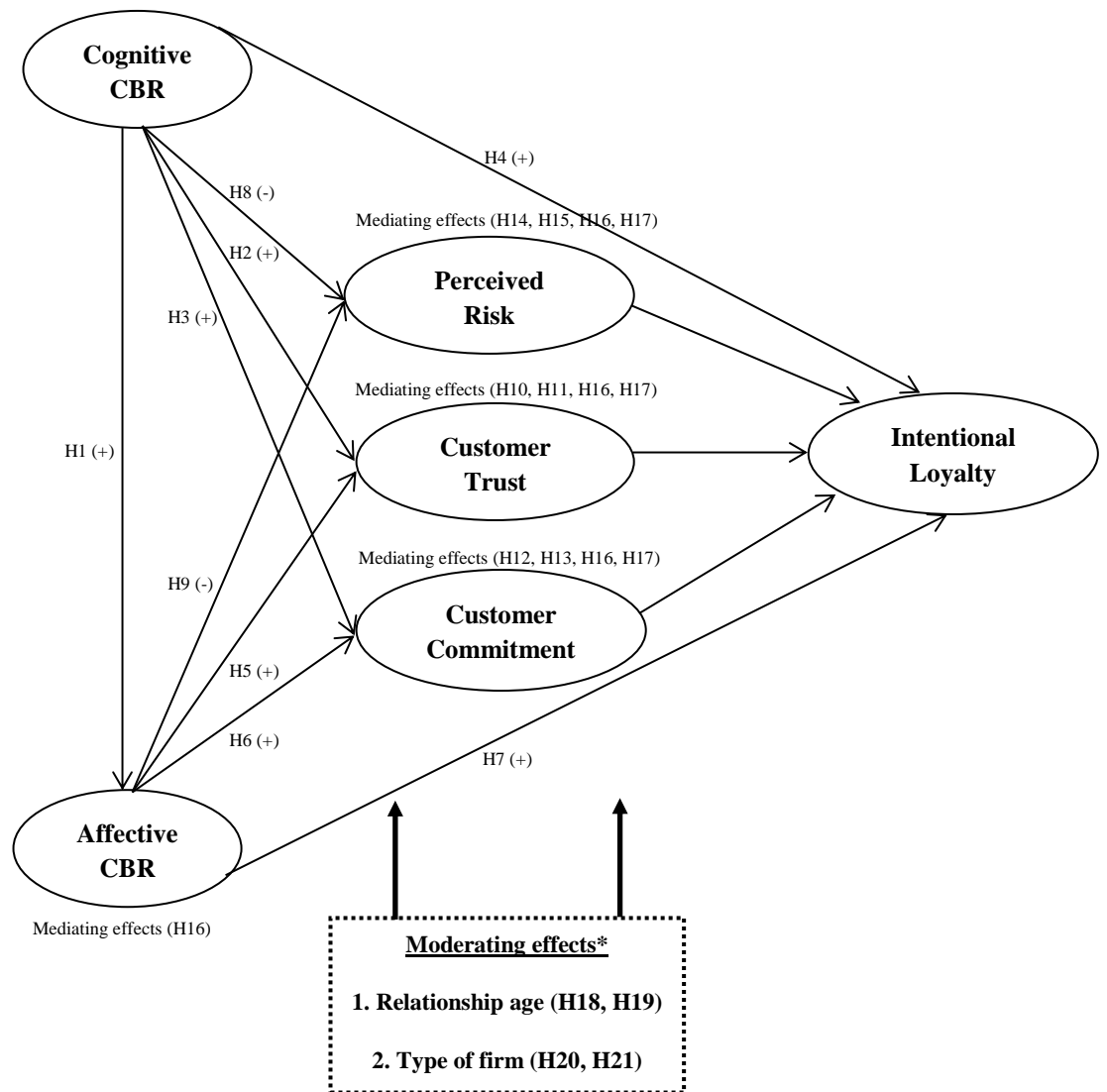
services at lower prices than MNEs. Local enterprises may thus provide better value for customers in relation to the price paid. Moreover, customers' expectations of foreign companies are likely to be higher in comparison to local companies operating in the developing markets (Gamble, 2006).

The higher expectations of customers of MNEs and the liability of foreignness may expose MNEs to a relatively higher level of customer perceived risk than local enterprises. MNEs may be required to put in more efforts in developing CBR, and in managing successful business-to-customer relationships represented by customer trust, customer commitment and intentional loyalty. In contrast, local enterprises may have a comparative advantage over the competing MNEs in this regard, which can help local enterprises to perform better and generate higher profitability (Zaheer, 1995). The existing literature also reports an association of the better performance of an organization with a more favourable corporate reputation (Fombrun & Shanley, 1990; Brammer & Millington, 2005) and rewarding relationship marketing activities (Hunt et al., 2006). This study therefore hypothesizes a stronger impact of CBR components on business-to-customer relationships for local market players as compared to MNEs.

**Hypothesis 20:** The effects of cognitive CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers of local firms than for customers of foreign multinational firms.

**Hypothesis 21:** The effects of affective CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers of local firms than for customers of foreign multinational firms.

Hypothesizing the moderated effects of cognitive CBR and affective CBR represents the fourth (i.e. final) stage of the development of conceptual model. The outcome of fourth stage is a *complete* conceptual model, which is presented below in Figure 3.5.



\*Moderating effects for direct and indirect effects of both CBR components on business-to-customer relationships

**Figure 3.5: Complete Conceptual Model (Stage 4)**

**Direct, mediated and moderated effects of cognitive CBR and affective CBR on business-to-customer relationships**

### **3.7. Rival models**

A rival model represents an alternative conceptual viewpoint that contradicts some theoretical contribution of a study (see e.g., Morgan & Hunt, 1994; Rindova et al., 2005; Walsh et al., 2014). Such a model is conceptually developed, based on the implications derived from the literature (Morgan & Hunt, 1994). The purpose of testing a rival model is to add strength to the acceptance (rejection) of the proposed conceptual model of a study.

From a methodology perspective, the existing literature recommends testing the rival model/s rather than just relying on a main conceptual or structural model, when applying the structural equations modelling technique for data analysis (see e.g., Morgan & Hunt, 1994; Walsh et al., 2014). This study also uses the structural equations modelling technique for the evaluation of the conceptual model (Figure 3.5). Therefore, rival models have been developed to add strength to the evaluation of the conceptual model and test the robustness of the study findings.

The conceptual model (Figure 3.5) posits at least two major viewpoints or contributions of this study that can be tested by developing rival models:

- (1) Cognitive CBR and affective CBR are two distinct constructs, having separate effects on business-to-customer relationships. Customer perceived risk, customer trust, customer commitment and intentional loyalty have been incorporated as representative constructs of business-to-customer relationships in this study.
- (2) Customer perceived risk, customer trust and customer commitment serve as mediators for the relationships of both CBR components with intentional loyalty.

This study proposes and tests multiple rival models against the conceptual model (Figure 3.5) to evaluate the two conceptual viewpoints stated above. Rival model 1 (see Figure 3.6) corresponds to conceptual viewpoint 1. In this rival model, the constructs of cognitive CBR and affective CBR are not differentiated from each other, and are instead



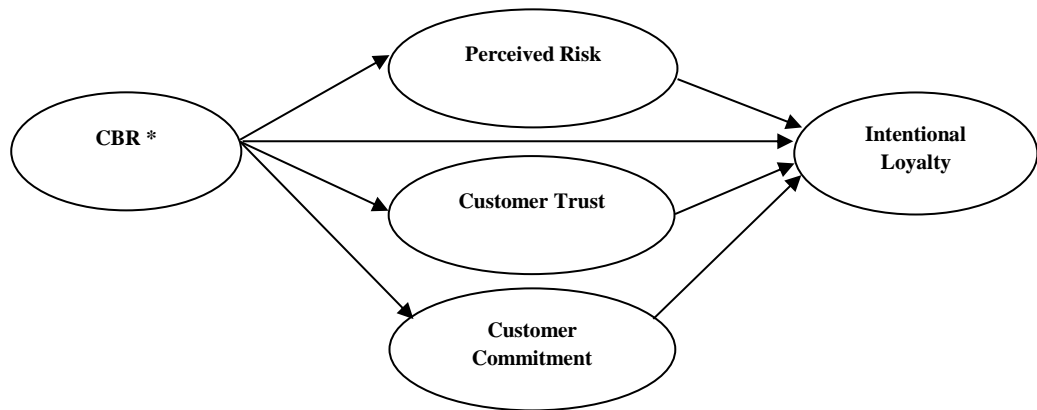
combined into a single CBR construct. CBR as a whole is hypothesized to further relate with the other outcome variables, including customer perceived risk, customer trust, customer commitment and intentional loyalty. The development of this rival model is based on evidence from the literature, which uses CBR as a single construct while testing its relationships with customer perceived risk (Sun, 2014), customer trust (Jeng, 2011), customer commitment (Walsh et al., 2014), and intentional loyalty (Bartikowski & Walsh, 2011). The use of a combined (single) construct of CBR differentiates rival model 1 (Figure 3.6) from conceptual model (Figure 3.5). Otherwise, all of the hypothesized relationships among the constructs included in this rival model follow the corresponding relationships hypothesized in conceptual model.

Rival models 2 and 3 (see Figures 3.7 and 3.8, respectively) correspond to conceptual viewpoint 2. In both of these models, none of perceived risk, customer trust or customer commitment has been posited as a mediator in CBR-intentional loyalty relationships. In rival model 2 (Figure 3.7), five constructs (i.e., cognitive CBR, affective CBR, perceived risk, customer trust and customer commitment) are conceptualized as *exogenous* constructs, having direct relationships with intentional loyalty (*endogenous* construct). The development of this rival model is supported by evidence from the literature on the direct relationship of intentional loyalty with each of cognitive CBR (Bartikowski & Walsh, 2011), affective CBR (Ranganathan et al., 2013), customer trust (Johnson & Grayson, 2005), customer commitment (Bansal et al., 2004), and perceived risk (Sun, 2014).

Rival model 3 (Figure 3.8) exhibits perceived risk, customer trust, customer commitment and intentional loyalty as *endogenous* constructs, having direct relationships with both cognitive CBR and affective CBR (*exogenous* constructs). The development of this rival model is supported by the hypothesized direct relationships of both CBR components with perceived risk, customer trust, customer commitment and

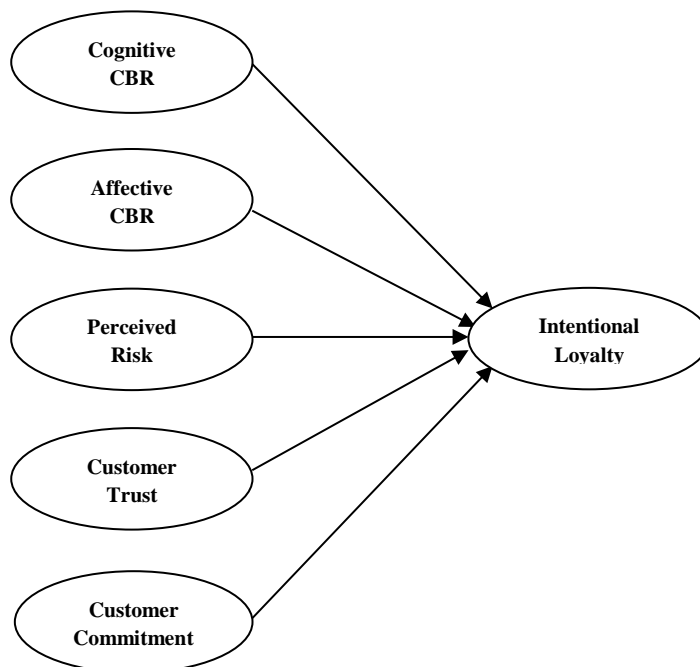
intentional loyalty in this study (see hypotheses 2-9 in Section 3.4). In both rival models 2 and 3, no other relationships among the constructs are conceptualized in order to ensure the absence of any mediated (indirect) effects.

The results of testing rival models are presented in Chapter 5 (Section 5.8).



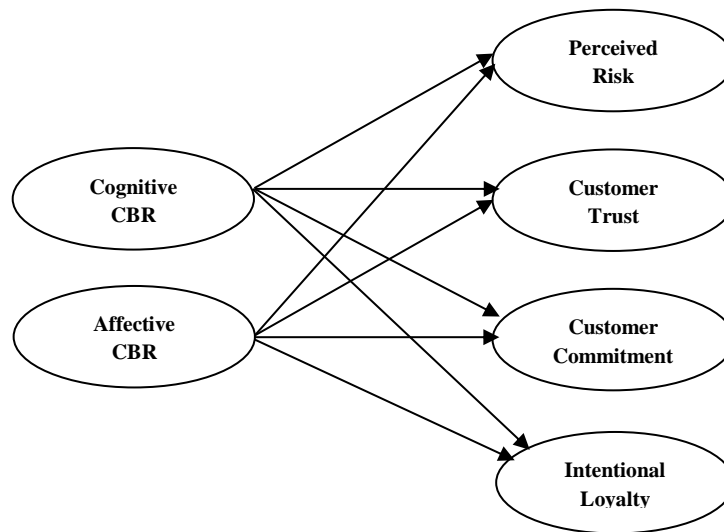
\*CBR = Combined cognitive CBR and affective CBR

**Figure 3.6: Rival Model 1– CBR as a single construct**



**Figure 3.7: Rival Model 2– No mediator effects**

**(Intentional loyalty as endogenous construct)**



**Figure 3.8: Rival Model 3– No mediator effects**  
 (Cognitive CBR and affective CBR as exogenous constructs)

### 3.8. Summary

The research hypotheses and conceptual model for this study have been developed in this chapter. For this purpose, the author has reviewed multiple theories and the literature related to the role of CBR in business-to-customer relationships. A review of attitude theory has helped to conceptualize CBR as an attitude-related construct (Section 3.2). The development of the conceptual model has been discussed in four stages.

In the *first* stage, the literature on CBR, business-to-customer relationships and corporate branding helped to hypothesize the interrelationship of cognitive and affective components of CBR (Section 3.3). In the *second* stage, direct effects of both CBR components on business-to-customer relationships were hypothesized, drawing on cognitive consistency theories, social exchange theory and the theory of customer perceived risk (Section 3.4). The *third* stage comprised of hypothesizing the mediated effects of cognitive CBR and affective CBR (Section 3.5). The commitment-trust theory of relationship marketing and the literature on customer perceived risk helped to hypothesize customer trust, customer commitment and perceived risk as mediators for

the CBR-intentional loyalty relationships. The *final* stage discussed the moderated effects of CBR components on business-to-customer relationships (Section 3.6). For this purpose, ‘relationship age’ was theorized as moderator, primarily drawing on social exchange theory. Furthermore, the literature on international business management helped to hypothesize ‘type of firm’ as moderator. The outcome of the final stage was the complete conceptual model (Figure 3.5) which consists of 21 hypotheses.

Three rival models have been developed in Section 3.7 to test the alternative conceptual viewpoints that contradict some major theoretical contributions of this study. These rival models help to assess the robustness of the conceptual model (Figure 3.5). The development of rival models (Figures 3.6-3.8) is based upon implications derived from the existing literature.

The following Chapter 4 discusses the methodology and research design for this study.

## **Chapter 4**

### **Methodology and Research Design**

#### **4.1. Introduction**

The purpose of this chapter is to describe and justify the methodology that was used to test the proposed conceptual model (Figure 3.5) in this study. The chapter also discusses several issues related to research design.

This study is primarily comprised of a quantitative research conducted through a survey of fast-food restaurant customers in the services sector of Pakistan. Some qualitative methods are also adopted in the development of measures for the key constructs. Detailed discussion on research philosophy, approach, and strategy is presented in the following section (Section 4.2). Pakistan, as one of the largest developing consumer markets, with a culture characterised by high uncertainty avoidance and collectivism (Hofstede, 2012), provides a favourable research setting for this study on the role of CBR in business-to-customer relationships. Services are more exposed to the effects of reputation in comparison with manufacturers (Walsh et al., 2009a). Therefore, the setting of services sector is selected for this research. Moreover, within the services sector, fast-food restaurants represent a competitive industry setting, where customers enjoy low exit barriers (Bartikowski et al., 2011), and direct contact with service provider. The detailed rationale behind the selection of this particular research context has been discussed in Section 4.3.

A self-administered survey was used for data collection. For this purpose, customers (aged 15 or above) of the selected fast food restaurants were approached. By following systematic sampling, every third customer returning from the service counter of a selected fast food outlet was requested to fill the questionnaire. A detailed discussion on

research method, sample selection and data collection activities is provided in Section 4.4, whereas, Section 4.5 is comprised of sample size selection procedures.

The measures of constructs used in this study were adapted from the existing literature. These measures had been previously developed and tested by other researchers, which is the justification for their inclusion in this study. However, the initially selected measures were further refined through extensive pretesting (using unstructured interviews) and pilot testing to ensure their equivalence within the context of this study. Section 4.6 and Section 4.7 include discussion on measurement of key constructs. The procedures and outcomes related to adaption of scale items, pretesting, the translation of the questionnaire and revisions in scale items are covered in Section 4.6. Section 4.7 discusses the design of the pilot study and the implications of its results for the major survey. The following Section 4.8 explains structure of the final questionnaire. The issue of common method bias and the remedies that were adapted to minimize its negative effects are covered in Section 4.9. Section 4.10 explains the data analysis techniques applied in this study. Finally, Section 4.11 provides a summary of the chapter.

## **4.2. Research philosophy, approach, and strategy**

The nature of research aim, objectives and the theoretical framework are the basis for the selection of the appropriate research philosophy, the approach of research, and the strategy for conducting this study. These aspects of the research have been discussed in the following Sections (4.2.1-4.2.3).

#### **4.2.1. Research philosophy**

Two important considerations for the research philosophy are its ontological and its epistemological positions. Ontology refers to “*philosophical assumptions about the nature of reality*” (Easterby-Smith, Thorpe, & Jackson, 2008, p. 60); and the “*study of being...concerned with ‘what is’, with the nature of existence, with the structure of reality as such*” (Crotty, 1998, p. 10). It is about the ‘meanings’ assigned to the object of study, such as: what does the corporate reputation/CBR mean? How is it defined? Is it an objective reality or a socially constructed concept? How is this perceived? There are some important thoughts or questions, which need to be discussed in order to understand the ontological position of corporate reputation.

Corporate reputation has been defined in multiple ways by academia and researchers in the existing literature. Different definitional aspects of corporate reputation have been discussed in Chapter 2 of this study. Being an evaluation of an organization by the stakeholders who have different types of stakes in the organization, corporate reputation should be studied separately for each stakeholder group (Fombrun & Shanley, 1990; Ali et al., 2015). It reflects that the association with some specific group of stakeholders is an essential element of corporate reputation’s ontology. Further, from the literature review, it is established that corporate reputation refers to ‘actual’ evaluation, in contrast to the evaluation ‘desired’ by management of service provider organization (which refers to ‘organizational image’) (Walker, 2010). Corporate reputation also refers to the attitude of stakeholders towards the organization based on its past actions, key attributes, abilities and future prospects (Walker, 2010; Rindova et al., 2005; Einwiller et. al., 2010).

These are the stakeholders, who are approached for the measurement of reputation. For example, the popular reputational measures of Fortune’s rankings (Fombrun & Shanley, 1990; Musteen et al., 2010), Reputation Quotient (Fombrun et al., 2000) or

CBR scale (Walsh et al., 2009b) depend upon assessment or evaluation by organizational stakeholders. The existing literature thus supports the ontological position of *'nominalism'* for the reputation construct, where reality or truth depends upon who establishes it and the facts are created by human beings (Easterby-Smith et al., 2008). It also reflects the ontological position of *'constructionism'* (Bryman & Bell, 2007), as the phenomenon of evaluating reputation is a social phenomenon, and it cannot be separated from the social actors (i.e. stakeholders) who construct it, who evaluate the reputation, or who develop the reputational attitude. *'Nominalism'* and *'constructionism'* can be used as alternative ontological positions here. However, this ontological position is different from *'realism'*, which maintains the existence of absolute reality and the separation of reality from its perception (Bryman & Bell, 2007). Similarly, other constructs included in this study (i.e., perceived risk, customer trust, customer commitment and intentional loyalty) are also based upon respondents' (i.e. customers') evaluations. Their ontology is thus represented by *'nominalism'* or *'constructionism'* also.

However, the aim of this study is not to develop any new measure for, or, to get an in-depth understanding of, any specific construct included in this research. The aim of this study is rather to test the relationships among such constructs (by using their already developed and validated measures), and thus to examine the role of cognitive and affective CBR in managing business-to-customer relationships. For this purpose, hypotheses are theoretically derived, which represent the interrelationships of the constructs. These hypotheses reflect the predictions that require further verification in this study's context. Therefore, *'representationalism'* is the appropriate overall ontological position for this study.

*'Representationalism'* in social sciences corresponds to *'realism'* in natural sciences and proposes the existence of a concrete external world, where realities exist outside the



mind (Easterby-Smith et al., 2008). Therefore, within the mind is the representation of reality, not the reality itself. In fact, in this study, the relationships among various constructs can be considered as ‘reality’, whose latent representation exists in the minds of perceiving or evaluating customers. The response from such customers will help to test the nature and the significance of those relationships. From the work of many other researchers in this area, it can be deduced that they also adapted the ontological position of ‘*representationalism*’ (see e.g., Morgan & Hunt, 1994; Eastlick et al., 2006; Keh & Xie, 2009; Jeng, 2011).

It is necessary to clarify here that the ontology of the study as a whole (where a relationship between two constructs is the unit of analysis) is different from the ontology of each individual construct being studied here. The study’s ontology is mainly based on the nature of overall aim and objectives of this research, which represent the theoretical and practical gaps in the areas of corporate reputation, CBR and management of business-to-customer relationships. An empirical investigation to fill these knowledge gaps will contribute towards the ontology of corporate reputation’s association with its related constructs.

In contrast to the ontology, the epistemological position of a research refers to the “*general set of assumptions about the best ways of inquiring into the nature of the world*” (Easterby-Smith et al., 2008, p. 60). It represents the way one can attain knowledge about a construct, or a field of study, or reality in general. In this research, the major activity is to empirically test theoretical hypotheses involving inter-construct causal relationships. To carry out this activity, key constructs are measured based on the data collected from customer respondents. This reflects the ‘*positivist*’ epistemology of this research (Easterby-Smith et al., 2008; Swanson & Holton, 2005). Such epistemology encourages a scientific method of research inquiry in an objective way (Bryman & Bell, 2007).

Despite receiving a lot of criticism, *positivism* makes its way into the future as a prominent way of inquiry (Halfpenny, 2001). The current emphasis on developing evidence-based professional practices in various applied fields reveals the prevailing attraction of *positivism*. The ‘evidence-based management’ is a good example of this (Halfpenny, 2001; Pfeffer & Sutton, 2006). Moreover, the ontological position of *representationalism* in this study, supports the *positivist* epistemology adapted here (Easterby-Smith et al., 2008) for a scientific and objective inquiry regarding the role of CBR in managing business-to-customer relationships.

#### **4.2.2. Research approach**

Bryman and Bell (2007) suggest two alternative broad approaches of a research inquiry: deductive and inductive approaches. In the deductive approach, researchers develop hypotheses based on existing theories or what is already known about a subject matter. These hypotheses are then empirically tested through the collection and analysis of data, in order to answer the research questions. In contrast, researchers using the inductive approach collect observations, analyse them, and draw inferences from them in order to develop some theory. In other words, the theory is the output of inductive approach.

This study uses deductive approach, in correspondence with its aim and objectives stated in Section 1.4. The aim of this research inquiry is to enhance the understanding of the impact of CBR on business-to-customer relationships, through the investigation and comparison of the separate effects of cognitive and affective components of CBR, and the examination of underlying mechanisms and boundary conditions of such effects. Although the role of CBR in the development of business-to-customer relationships has already attracted the attention of researchers, the current literature presents certain challenges, which require further investigation for better comprehension of such role

(see Section 1.3 for a detailed discussion on these challenges). This study attempts to address such challenges identified from the extant literature.

In this regard, based on what is known about CBR, its cognitive and affective components, and the relationship of CBR with the representative constructs of business-to-customer relationships, a conceptual model (Figure 3.5) has been developed for this study. This conceptual model consists of several hypotheses representing the inter-construct direct, mediated and moderated effects. These hypotheses are developed with the help of attitude theory, cognitive consistency theories, social exchange theory, the commitment-trust theory of relationship marketing, the theory of customer perceived risk, and the international business perspective. The collection of data through a customer-based survey and the analysis of collected data follow the development of hypotheses. The results of data analysis help to support or reject hypotheses. The findings are discussed in relation to the existing literature and the theories used for the development of conceptual model. In this way, the aim and objectives of this study are addressed. This systematic process refers to the *deductive* approach of research inquiry, as suggested by Bryman and Bell (2007).

In summary, there are three critical factors, which suggest the suitability of the deductive approach for this study: (1) the nature of the research aim (i.e. to investigate the impact of CBR on business-to-customer relationships for its better comprehension); (2) the availability of relevant literature; (3) the application of existing theories to develop hypotheses/conceptual model.

#### **4.2.3. Research strategy**

This study adopts a quantitative methodology to address the research objectives by collecting and analysing the primary data. The selection of quantitative methodology is consistent with the *positivist* epistemology and *deductive approach* (Bryman & Bell,

2011) as discussed in Sections 4.2.1 and 4.2.2. Along with this, some qualitative methods were adopted in the development of the constructs' measures, and for ensuring their equivalence within the context of this study (Bryman & Bell, 2011). For this purpose, exploratory research of the existing literature was conducted, and discussions through unstructured interviews were held with experts from academia and with actual customers. The usage of qualitative methods for the development of constructs' measures is explained in Section 4.6.

Quantitative methodology has been selected as the main methodology (relative to qualitative methodology) to address this study's objectives due to several reasons. *First*, the objectives of this research involve the assessment of cause-and-effect relationships between the constructs (i.e. the relationships between CBR components and customer outcome variables). Quantitative research is suggested to serve this purpose better than qualitative research (Ghauri & Gronhaug, 2010).

*Second*, to measure the direct, indirect and moderated effects, hypotheses have been developed in this study. The development of such hypotheses follows a deductive approach, where relevant theories and the existing literature have been referred to in the proposal of the conceptual model. Quantitative methods are thus preferred due to this study's focus on hypotheses testing (Ghauri & Gronhaug, 2010).

*Third*, quantitative research can help to study large populations, and make generalizations about broader groups of people based on the sample selected from them (Swanson & Holton, 2005). Since this study also intended to make generalizations about the large population of fast food restaurant customers and the broader groups within them (e.g., with respect to relationship age and type of firm), the quantitative methods were considered appropriate.

*Fourth*, the respondents' fast-food purchase and consumption activity is explicit in nature, for which a quantitative study is well suited (Bryman & Bell, 2007). Moreover,

this study's constructs do not require any socially sensitive or complex information, which could only be acquired through probing or in-depth discussion. Therefore, it also makes quantitative methodology compatible with the study objectives (Becker, Bryman, & Ferguson, 2012).

*Finally*, there is strong evidence from the literature where researchers have used quantitative methods for studying the relationship of CBR with the antecedent/consequence factors (see e.g., Bartikowski & Walsh, 2011; Caruana & Ewing, 2010; Eastlick et al., 2006; Jeng, 2011; Loureiro & Kastenholz, 2011; Walsh et al., 2014). Such evidence also supports to adopt quantitative methods for this study.

### **4.3. Research context**

This section includes a discussion and justification for the selection of market, sector, industry, and market players for this study, respectively presented in the following Sections (4.3.1-4.3.4).

#### **4.3.1. Market selection**

Pakistan provides an appropriate setting for this research for several reasons. *First*, most of the development in the area of corporate reputation is skewed towards developed countries, such as the United States, the United Kingdom, France and Germany (Walker, 2010; see Table 2.2 also). Research in a different context (e.g., developing/emerging markets) is therefore needed for the theoretical development of this research area. Moreover, this study surveys the customers of fast food restaurants. Fast food consumption has become a global phenomenon that can be assessed from the continuous worldwide penetration of global fast food brands (e.g., McDonald's, KFC, and Subway). McDonald's alone has more than 34000 outlets all over the world (McDonald's, 2014). Therefore, research on corporate reputation and business-to-

customer relationships should not be limited to the developed countries in such a context. A large presence of global and local fast food businesses in Pakistan makes it an appropriate target market for this research.

*Second*, Pakistan offers promising market potential with the sixth largest population in the world (over 180 million), having a per capita income growth rate of 3.4 per cent (Ministry of Finance, Government of Pakistan, 2013), and an emergent middle income class which is estimated to comprise of one quarter of the whole population (USDA Foreign Agricultural Service, 2011). Pakistan's economy has managed to grow in the last decade, despite the global recession (The World Bank, 2013). Due to such market potential, the country has been attracting foreign producers of consumer goods and services, in addition to the growth of local businesses in various sectors. 'Retail food' is one of these sectors with a large presence of multinational and local fast food businesses in the market. Expenditures on food and beverages are estimated to be 42% of an individual's income in Pakistan, which is evidence of the future growth potential in this sector (USDA Foreign Agricultural Service, 2011). Such a promising potential of consumer market in Pakistan makes it an appropriate setting for this study on CBR and business-to-customer relationships.

*Third*, with respect to culture, Pakistan is a highly collectivist society, scoring high on the cultural dimension of 'uncertainty avoidance' also (Hofstede, 2012)<sup>3</sup>. High collectivism reflects the orientation or desire of people to build and maintain relationships (Hofstede, 2012); whereas a high need for uncertainty avoidance suggests an important role of CBR in consumer behaviour (Bartikowski et al., 2011). Customers from such cultures may need to rely more on corporate reputation to avoid uncertainty in making purchase decisions and establishing relationships with the service providers

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<sup>3</sup> Professor Geert Hofstede is an internationally recognized researcher who has significantly contributed in the areas of national and organizational culture. His valuable work is being widely cited in the relevant studies. Hofstede (2012) refers to the website here, which provides country scores on various cultural dimensions introduced by Geert Hofstede and his co-researchers.

(Bartikowski et al., 2011). Both of these cultural characteristics make Pakistan a valuable target for studying the role of CBR in managing relationships with customers. However, such cultural characteristics of selected market may limit the generalizability of this study's findings to collectivist cultures with a high score for uncertainty avoidance. Future research, testing our proposed conceptual model in individualistic cultures and/or the cultures that score lower for uncertainty avoidance, may generate different findings for the role of CBR in managing business-to-customer relationships.

Moreover, within the broad cultural values, the diversity of sub-cultures represented by multiple demographic segments, ethnic groups, languages, norms, and income/social classes, make Pakistan a challenging market for marketers of consumer goods and services. The findings from this research are expected to provide some useful inputs to marketers for developing future strategies in such a diversified market.

#### **4.3.2. Sector selection**

The setting of the services sector is selected for this research. Studying reputation in the context of services is important because services concerns, in comparison with manufacturers, are more exposed to the effects of reputation (Walsh et al., 2009a). In fact, services are characterized by intangibility, heterogeneity, and inseparability from their producers (Mitchell, 1999; Palmer, 2011). Therefore, customers may find it difficult to evaluate the quality of services without experiencing them (Firth, 1993). Such difficulty in evaluation may be addressed by customers through a reliance on the reputation of the service provider, because good corporate reputation can reflect that a service provider is capable of satisfying its customers' needs (Nguyen & Leblanc, 2001; Bromley, 2001).

Moreover, the services sector is an important contributor to Pakistan's economy. According to the Economic Survey of Pakistan (2011-2012), the services sector makes

the largest contribution (provisionally estimated 53.54%) to the country's GDP. It also engages 34.2% (2010 estimate) of the country's total labour force (Central Intelligence Agency, 2013). The significance of this sector for the overall economic activity highlights the need for and the impact of research here.

Therefore, for this study, the 'services sector' and within this the 'fast food restaurant services' are the focus for the selection of the sample of respondents (i.e. customers). The rationale behind the selection of this particular services industry is explained in the following section.

### **4.3.3. Industry selection**

This study focuses on the fast food services industry. Food is a basic human need. The shifting food preferences, resulting from shortage of time and speed of provision, are the key drivers for the demand of fast-food (Brewis & Jack, 2005). In Pakistan, the fast food industry is highly competitive. The presence of multinational chains, local market players and the mushroom growth of corner/street shops add depth to this industry. However, there is a visible dominance of international fast food market players in Pakistan's consumer market. Some big international corporate brands operating here include: KFC, McDonald's, Subway, Hardee's and Burger King. Alluring market potential and a growing population has resulted in increasing number of outlets of both multinational and local fast food chains, and therefore a healthy competition among them.

The fast food industry provides an appropriate setting for this research for several reasons. *First*, the fast food industry is associated with lower supplier-selection risk (Walsh et al., 2014). For a customer, it is relatively easy to switch from one service provider to the other in the case of low-involvement/low-risk services (Bartikowski et al., 2011). This implies a challenging task for such services to manage the relationships



with their customers through the development of customer trust, customer commitment and intentional loyalty. Therefore, it highlights the importance of studying the business-to-customer relationships in the context of a low-involvement/low-risk industry (e.g. fast food services industry).

*Second*, restaurants are included in the *experience category* of service organizations, which are difficult to evaluate, as customers can evaluate them only after experiencing their services (Ostrom & Iacobucci, 1995; Hsieh, Chiu, & Chiang, 2005). When customers find it difficult to evaluate such services, they tend to rely heavily on the signals from the service provider organizations (Walsh et al., 2014). As found in the reviewed literature, corporate reputation is considered to be an important signal/cue for this purpose (Fombrun & Shanley, 1990; Bartikowski et al., 2011). Therefore, the study of corporate reputation in the context of *experience* services (such as, fast food restaurants) should receive due attention from the researchers, considering the difficulty of evaluating such services.

*Third*, the findings from Walsh et al. (2014) suggest the significance of ‘emotionally binding strategies’ for lower selection-risk services (e.g., fast food restaurants and retailers), whereas in contrast, cognition-based strategies are expected to be more influential for higher selection-risk service category (e.g., retail banking and telecommunication). Therefore, it is anticipated that affective CBR (the emotions or feeling based component) may play a more critical strategic role in the case of low selection-risk services than in high selection-risk services. As a major objective of this study is to test the relative contribution of the underrated affective CBR in business-to-customer relationships, in contrast to cognitive CBR, it seems appropriate to select some services industry where studying affective CBR can be more critical. Fast food industry is therefore selected for this study.

*Fourth*, customers may be exposed to multiple types of risks while making a fast-food related decision. These risks, as specified by Schiffman et al. (2008), may include: functional risk (e.g., expecting poor quality of products and services), financial risk (e.g., expecting less value received against the money spent), physical risk (e.g., expecting less healthy junk food) and time risk (e.g., expecting delayed delivery or long waiting times). Fast food services can, therefore, be considered appropriate settings to test the mediating effects of customer perceived risk (as proposed in conceptual model, Figure 3.5).

*Fifth*, the context of the fast-food restaurants industry is also important due to its role in the economic growth and development. For example, KFC alone operates in 18 major cities in Pakistan with more than 60 outlets. They claim to contribute: 1200 direct jobs, Rupees 10 million (GBP 69,000 approximately) per month towards direct taxes, over Rupees 35 million (GBP 241,500 approximately) per month for the local purchase of food and packing material, and support for construction industry through expansion of their network (KFC Pakistan, 2013).

*Finally*, in the existing literature, there is a wide range of evidence where the researchers have studied the relationship of CBR with the outcome variables in the context of fast-food restaurants, in recognition of the importance of this context (see e.g., Bartikowski et al., 2011; Bartikowski & Walsh, 2011; Walsh & Beatty, 2007; Walsh et al., 2009b). Such evidence strengthens the justification for this study's selection of the fast food industry.

#### **4.3.4. Selection of specific service providers**

There are a number of market players operating in the fast food services industry of Pakistan. Table 4.1 reports the number of outlets of some major fast food chains operating in Pakistan (along with the number of cities in which they operate). For

control purposes, it was better to specify the corporate brands whose customers would be selected for this study. Therefore, it was initially decided that the customers of four major fast food restaurants (KFC, Subway, McDonald's and AFC) would be selected to collect relevant information through survey questionnaire. All the shortlisted fast food restaurants are well-known multinational chains, except the AFC, which is a local fast food service organization. The selection of these four major players was primarily based on their wider presence (measured through number of operating outlets) in Pakistan.

**Table 4.1: Major fast-food restaurant chains operating in Pakistan (Number of outlets and number of cities being served)**

Corporate Brand	Number of Outlets	Number of Cities being served
KFC <sup>a</sup>	More than 60	18
Subway <sup>b</sup>	32	9
McDonald's <sup>c</sup>	21	7
AFC <sup>d</sup>	18	11
Domino's <sup>e</sup>	8	3
Nando's <sup>f</sup>	7	3

**Sources:**

- a. KFC Pakistan [Homepage of KFC Pakistan], (2012). [Online]. Retrieved on June 14, 2012, from: <http://www.kfcPakistan.com>.
- b. Subway Pakistan [Homepage of Subway Pakistan], (2012). [Online]. Retrieved on June 14, 2012, from: <http://world.subway.com/Countries/frmMainPage.aspx?CC=PAK>.
- c. McDonald's Pakistan [Homepage of McDonald's Pakistan], (2012). [Online]. Retrieved on June 14, 2012, from: <http://www.mcdonalds.com.pk>.
- d. Al-Najam Fried Chicken, (2012). Information received in June 2012, from Accounts department (Head Office) of AFC, Lahore, Pakistan, through Contact Number: +924237364071.
- e. Domino's Pakistan [Homepage of Domino's Pakistan], (2012). [Online]. Retrieved on June 14, 2012, from: [www.dominospk.com](http://www.dominospk.com).
- f. Nando's Pakistan [Facebook page of Nando's Pakistan], (2012). [Online]. Retrieved on June 14, 2012, from: <https://www.facebook.com/nandospak/info>.

Selecting customers of specific market players seems to be a good compromise between including the whole industry or just a single organization in the sampling frame. As in the case of taking whole industry, it was not feasible to get a representative sample because of the large number of market players and the lack of any database carrying their organizational profiles. On the other hand, the selection of just a single organization as sampling frame would not have provided for sufficient variation within the key constructs, for example, in CBR, or intentional loyalty.

It is important to mention here that three of the four selected restaurant chains allowed surveys to be conducted in their respective outlets while starting pilot study, whereas, the management of AFC did not allow that activity to be conducted in any of their outlets. Therefore, the customers of KFC, Subway and McDonald's (three largest fast food chains operating in Pakistan, see Table 4.1) were surveyed in pilot study (conducted in August 2012). Later on, in the major survey (conducted in August-September 2013), AFC was replaced with another local fast food chain of 'Fri-Chiks'. Fri-Chiks was not among the prominent fast food chains, and was concentrated in only one major city at the time of pilot survey for this study, during 2012. However, due to its rapid growth, it made its place as the fourth largest fast food chain a year later (as in August 2013) with respect to the number of outlets in Pakistan. Moreover, the operations of Fri-Chiks had also expanded to several other cities by that time. Therefore, at the time of the major survey, the four largest fast food chains; KFC, Subway, McDonald's and Fri-Chiks, respectively, were shortlisted for this study<sup>4</sup>.

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<sup>4</sup> These four restaurant chains are being considered as *corporate entities* in this study of (customer-based) corporate reputation, based on the evidence received from some well-known corporate rankings by the third parties, or the official websites of these restaurant chains. McDonald's is included in the 'Fortune 500' companies (<http://fortune.com/fortune500/>). Subway has been ranked as the America's third most reputable hospitality company in the rankings of year 2015 by 'Reputation Institute' (<http://www.reputationinstitute.com/news/press-releases>). Moreover, the corporate status of KFC and Fri-Chiks is confirmed from their official websites (i.e. <http://www.kfc.com/about>, and <http://www.fri-chiks.com/>, respectively).

#### **4.4. Research method, sampling and data collection**

Considering the quantitative nature and objectives of this study, a customer survey was selected as the research method for data collection. The selection of survey is consistent with many other studies on CBR and its outcomes, for example: Nguyen and Leblanc (2001); Walsh et al. (2009a); and, Loureiro and Kastenholtz (2011).

The survey for this study was conducted in the city of *Lahore*, which is the most populous city in Punjab, which is the most populous province of Pakistan. Customers, aged 15 or above, of the selected restaurants were targeted. Fifteen years is the economic age in Pakistan, as individuals under fifteen are not considered economically independent (Pakistan Census Organization, 2012). This age limit also ensures the capability of a customer to respond properly to a survey questionnaire. The respondents were contacted in person by intercepting them within the premises of selected fast food restaurants. This strategy helped to approach maximum number of qualified respondents.

With respect to the sampling strategy, a review of existing empirical evidence in the research areas of CBR and business-to-customer relationships highlights the use of *convenience sampling* for selection of customer respondents (Walsh & Beatty, 2007; Walker, Heere, Parent, & Drane, 2010; Jeng, 2011; Bartikowski et al., 2011). Due to the non-availability of a complete list of respondents, or the lack of accessibility to all of the respondents, it might not be possible to use a probability sampling method. Therefore, convenience sampling has been adopted in a number of relevant studies as the most suitable option for obtaining a representative sample in an efficient way (Raimondo et al., 2008). However, this study used a mixed sampling procedure to make the selection of respondents as objective as possible, and in order to get a better representative sample. The sampling procedure for this study is explained in the following paragraph.

A complete list of all the outlets of selected fast food restaurants was prepared and three outlets of each restaurant were shortlisted for conducting survey. This shortlisting was purely based upon simple random sampling. Thus, in total, twelve outlets of four selected restaurant chains were shortlisted, and each outlet was given equal weightage in the targeted final sample of respondents. Target respondents were intercepted within the restaurants in a systematic way. For that purpose, every third customer who was being served from the service counter was approached to fill the paper-and-pencil questionnaire, subject to fulfilling the qualifying criteria. In the case that he or she did not qualify for the survey, or did not show willingness to fill in the questionnaire, the next available customer was contacted. After getting a qualified respondent, the next third customer was then intercepted. This systematic sampling of respondents is guided by Chandon and Wansink (2007), and, Gilbert, Veloutsou, Goode, and Moutinho (2004), who used similar procedures in the selection of consumer respondents while studying their intentions and satisfaction levels respectively, in the context of fast food restaurants.

A team of ten business graduates was hired for the purpose of data collection. They (along with the author) collected 1236 responses in less than a month (including weekends), using varying day and night timings. After deleting invalid questionnaire responses and responses with missing data (through list-wise deletion<sup>5</sup>) 1059 responses were available for further analysis. Applying a *z-test for independent proportions* (Sheskin, 2004), no significant differences were found (*at 0.05 significance level*) between the original and the filtered datasets with respect to the restaurant surveyed and customer demographic variables (e.g., customer age, gender, qualification, and marital status).

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<sup>5</sup> In the case of having an adequately large sample size and a few cases having missing values, list-wise deletion can be considered a good choice (Byrne, 2010).

#### 4.4.1. Sample profile

Table 4.2 presents the profile characteristics of selected respondents. Youth (18-29 years) was the major age group (65%) of sample respondents and most of the respondents were *single* (55.9%). Almost two third respondents (64%) held a bachelor or master degrees, or the equivalent – which is unsurprising given that the survey took place in a large urban area where people have relatively easy access to colleges and universities. More importantly, college students are heavy users of fast food outlets, and several previous studies have selected a sample of college/university students to represent the customers of fast food restaurants (Laroche, Takahashi, Kalamas, & Teng, 2005; Lee & Ulgado, 1997).

A notable majority (79.1%) of customers visited the restaurants with family or friends, which can be attributed to the collectivist culture in Pakistan (Hofstede, 2012). Although a large number of customers (72%) reported ‘Lahore’ as their city of origin; the remaining customers (28%) represented all of the other big cities of Pakistan (including: Karachi, Faisalabad, Gujranwala, Multan, Peshawar, Sialkot, Islamabad/Rawalpindi, and Quetta), several smaller cities of Pakistan, and some cities abroad also (e.g., London, Manchester, New York, Riyadh).

The percentage of male respondents was higher than females in the selected sample (69.3% and 30.7% respectively). This is because the surveyors found that male members of those groups of family or friends visiting the restaurants were more willing to participate in the survey than the females (particularly in family groups). There are at least two reasons that can be suggested for this male dominance in responses:

**Table 4.2: Sample profile (n = 1059)**

<b>Descriptors</b>	<b>Percentage of sample respondents</b>
<b>Restaurant</b>	
Fri-Chiks	24.0
KFC	25.6
McDonald's	26.3
Subway	24.1
<b>Gender</b>	
Female	30.7
Male	69.3
<b>Customer age (years)</b>	
15-17	7.0
18-29	65.0
30-39	20.3
40-49	6.0
50-59	1.3
60 or above	0.5
<b>Highest qualification</b>	
Less than Matriculation	2.1
Matriculation/O-Levels	6.3
Intermediate/A-Levels	12.3
Diploma/Certificate	3.2
Bachelors or Equivalent	34.2
Masters or Equivalent	29.8
Other Higher Qualification	12.1
<b>Marital status</b>	
Single (Never married)	55.9
Married	40.9
Others	3.2
<b>Customers visiting restaurant with family or friends</b>	
No	20.9
Yes	79.1
<b>City of origin</b>	
Lahore	72.0
Other cities	28.0



*First*, in Pakistani culture, it is observed that males generally are considered to be the head of the family, so they are more authoritative and active in dealing with external affairs. *Second*, the literacy rate of males in Pakistan (70%) is higher than that of females (47%) (Pakistan social and living standards measurement survey, 2011-12). Having said that, fast food is likely to be a gender-neutral product (Childs & Maher, 2003). Therefore, the study's selection of respondents may not represent the actual gender-mix in the target market of fast food restaurants. In this regard, by applying *independent samples t-test for comparison of means*, no significant gender differences were found (*using 95% confidence interval*) for any of the six key constructs included in the conceptual model (Figure 3.5).

#### **4.4.2. Quality control of data collection procedure**

In order to ensure that the team of surveyors had collected the information through questionnaires in the right way, a set of data collection procedures and data check measures were applied.

*First*, the surveyors were trained by the author for the purpose (although, they had prior experience of conducting self-administered/intercept surveys). Training ensures that all of the surveyors collect the data in the same way (Malhotra, 2010). Therefore, the surveyors were explained about the operating procedures and ethical concerns for conducting the survey. They read the questionnaire carefully and confirmed that they had completely understood its content. They were particularly instructed to target every third customer served from the service counter of a selected restaurant. They were also directed to quickly examine the filled questionnaire for any missing responses as soon as the customer returned the questionnaire. This on-spot check for any missing data was of great help for increasing the response rate and to minimise missing data entries. For

ensuring that respondents were qualified, the surveyors were directed to ask the customers how old they were.

*Second*, as the nature of survey was *intercept* and *self-administered*, the length of the questionnaire was kept short to avoid fatigue of the respondents (Lindell & Whitney, 2001). It took around 8-12 minutes to fill in the questionnaire. The questionnaires were delivered only to those respondents who were qualifying and willing to fill them in. Moreover, the respondents were supposed to return the questionnaires at the spot after filling them in. By employing such procedures, a high response rate was expected.

*Third*, the author himself was practically involved in conducting the survey and supervising the performance of other surveyors. He coordinated the whole activity and personally visited every outlet where the survey was being conducted. As suggested by Malhotra (2010), such supervision helped to ensure that surveyors were following all operating procedures and ethical concerns.

*Fourth*, the surveyors were provided with the coding sheet for data entry. They posted the information collected through questionnaires on to the coding sheet. One sample of the collected and posted questionnaires for each outlet was randomly drawn by the author, and it was verified that the information had been entered accurately. Some discrepancies were found in the information entered by some surveyors for some outlets. In such cases, all the entered information by those surveyors for those particular outlets was rechecked, and the discrepancies were completely removed.

#### **4.5. Sample size selection**

The selection of an appropriate sample size is a common and important element of research design, as an inadequate sample size can affect the quality and stability of research results (Hair, Black, Babin, & Anderson, 2010; Bartlett, Kotrlik, & Higgins, 2001). The existing literature suggests several study characteristics which may inform

the decision to select the sample size, such as: type of sampling strategy (probability or non-probability methods), type of data (continuous or categorical), population size (known or unknown), margin of error, alpha (representing the level of acceptable risk), variance estimates (within the variable of interest), desired level of accuracy, expected no-response rate, the number of constructs in the study, model complexity, the number of measurement items for a construct, items' communalities, budget constraints and the type of statistical technique selected for data analysis, for example: factor analysis, multiple regression, or structural equation modelling (Krejcie & Morgan, 1970; Cochran, 1977; Bartlett et al., 2001; Hair et al., 2010).

Realizing the importance and complexity of this decision, some researchers provide theoretical or practical guidelines to determine the appropriate sample size (*see e.g.*, Krejcie & Morgan, 1970; Hair et al., 2010). Moreover, some organizations also provide online sample size calculators, for example, 'National Statistical Service', whose website is managed and operated by the 'Australian Bureau of Statistics' (National Statistical Service, 2012).

Using the existing theoretical and practical guidelines for selecting an adequate sample size, different sample sizes were calculated and proposed for this study (see Table 4.3). These methods or guidelines for sample size calculation were based upon different sets of study characteristics. Therefore, all of these estimates were considered in making the final decision for sample size.

**Table 4.3: Proposed sample sizes (using multiple sources)**

<b>Sources of theoretical/ practical guideline</b>	<b>Proposed sample size (Number of respondents)</b>
Krejcie and Morgan (1970)	384-390 (approx.) <sup>6</sup>
Hair et al. (2010)	500 <sup>7</sup>
National Statistical Service (2012)	385 <sup>8</sup>

Using a conservative approach, this study shortlisted the recommendation of Hair et al. (2010), which is to have a sample of minimum 500 respondents (see Table 4.3). However, as Hair et al. (2010) suggest, sample size should be increased to compensate for some other influencing factors, such as, missing data, model complexity and the adequate representation of population of interest. In the same vein, the literature related to the impact of CBR on outcome variables was consulted to facilitate the sample size decision. A few examples of sample sizes in this regard are: n=477 (Eastlick et al., 2006), n=511 (Walsh et al., 2009a), n=583 (Bartikowski & Walsh, 2011), n=783 (Walsh et al., 2014), n=1105, in a cross-cultural study (Bartikowski et al., 2011). Moreover, a large population of fast food restaurant customers, with diversified sub-cultural and demographic characteristics, was expected in Pakistan. Therefore, considering the factors suggested by Hair et al. (2010), the evidence from the literature, and particularly the large population of fast food restaurant customers in Pakistan, this study targeted a

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<sup>6</sup> The increase in sample size is at diminishing rate with the increase in population size. For example, for population sizes of 70,000 and 1,000,000, the proposed sample sizes are 382 and 384, respectively. For larger populations, they suggest the sample size to remain constant at slightly more than 380 cases. For this study, the size of total target population was unknown. Therefore, keeping in view the total population of the country, that is, more than 180 million (Ministry of Finance, Government of Pakistan, 2012) and the context of fast food services, a target population of more than 1,000,000 was estimated and sample size was reported accordingly.

<sup>7</sup> Minimum sample size for study models involving large number of constructs, some with lower communalities and/or having fewer than three measured items. It was the most conservative possible scenario for this study, which required selecting a relatively higher sample size.

<sup>8</sup> At 95% confidence level, and 50% population proportion (a conservative estimate of population proportion, which is expected to have the attribute/s that this study is interested to consider/measure).

conservative sample size of 1000 respondents. However, this sample size was subject to revision, based upon the results of pilot study.

The results of the pilot study indicated two other issues of concern regarding sample size selection. *First, misresponse* - this can refer to non-serious response, where the respondents' views contradicted themselves for different scale items measuring a construct (Swain, Weathers, & Niedrich, 2008). *Second, no-response* (Bartlett et al., 2001) where, within the context of this study, the respondents took the questionnaire but did not fill a significant part or the whole of it. An expected rate of 15% for both the issues of misresponse and no-response in the major survey was taken into consideration, based on the results of pilot study. The final target sample size was thus 1176 (calculated through,  $1000/1-0.15$ ), that is, 1200 respondents, approximately. As three outlets of each of the four selected restaurants were shortlisted to conduct the survey, a target sample size of 100 respondents for each outlet was specified. In the actual survey, this target was fully achieved. As reported in the preceding Section 4.4, a sample of 1236 responses was collected with 1059 valid/usable responses for further analysis.

#### **4.6. Measurement of key constructs**

This study followed the scale development procedure recommended by Churchill (1979: p. 66). In this regard, this section explains multiple stages of selecting and purifying construct measures as presented in Table 4.4.

**Table 4.4: Stages for development of construct measures**

<b>Stage</b>	<b>Description</b>	<b>Sample size</b>	<b>Methods employed</b>	<b>Relevant section in this chapter</b>
1	Review of existing literature for adaption of construct measures	-	Exploratory research	Section 4.6.1
2	Pretesting of questionnaire through unstructured interviews with experts from academia	5 faculty members	Qualitative research	Section 4.6.2.1
3	Pretesting of questionnaire through unstructured interviews with actual customers	5 customers	Qualitative research	Section 4.6.2.1
4	Pretesting of <i>revised</i> questionnaire through unstructured interviews with actual customers	4 customers	Qualitative research	Section 4.6.2.3
5	Pretesting of <i>translated</i> questionnaire through unstructured interviews with actual customers	5 customers	Qualitative research	Section 4.6.3.2
6	Pilot study	137 customers	Quantitative research	Section 4.7

The following Section 4.6.1 discusses the adaption of measures/scale items from the existing literature (Stage 1). Section 4.6.2 explains the *second*, *third* and *fourth* stages of the development of the measures. Unstructured interviews with experts from academia and with actual customers are used in these stages. Equivalence of scale items was also

ensured (for their usage in this study's context) by following the procedures used by Walsh et al. (2014). For this purpose, the *translation/back-translation approach* (Walsh et al., 2014) was applied in order to prepare an *Urdu* (the national language of Pakistan) version of the questionnaire. Section 4.6.3 presents details of the applied translation approach, and the pretesting of the translated questionnaire (Stage 5). Moreover, a complete pilot study (Stage 6; Section 4.7) helped further refine the measures for their usage in the final survey.

#### **4.6.1. Adaption of construct measures**

After discussing domain of the constructs (in Chapters 1 and 2), exploratory research of the existing literature was conducted. The purpose of this exploratory research was to select and adapt the construct measures for their further refinement through pretesting and a pilot study (Churchill, 1979). Studies related to the key constructs of corporate reputation, customer perceived risk, customer trust, customer commitment and intentional loyalty were searched for through various search engines and databases. These search engines/databases mainly included: *Google Scholar*, *Emerald*, *Science Direct* and *EBSCO Business Source Complete*. Two other major sources of relevant studies included: a systematic review of corporate reputation's literature by Walker (2010), and a meta-analytic study of moderating influences for the relationships of corporate reputation, conducted by author of this PhD thesis (see Ali et al., 2015<sup>9</sup>).

Through an extensive search of the literature, multiple-item measures were adapted for all the constructs. Multiple-item measures (in contrast to single-item measures) were preferred as they were expected to help in making relatively fine distinctions among respondents (customers), reducing measurement error and increasing reliability

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<sup>9</sup> Appendix 5 of this PhD thesis includes the meta-analytic study by Ali et al. (2015).

(Churchill, 1979). Table 4.5 presents the measures initially adapted for respective constructs included in this study.

**Table 4.5: Initially adapted measures of the key constructs**

<b>Constructs/ Dimensions</b>	<b>Measures</b>	<b>Sources</b>
<b>Cognitive CBR</b>		
<i>Customer orientation</i>	CUS1- The restaurant has employees who treat customers courteously.	Walsh <i>et al.</i> (2009b)
	CUS2- The restaurant has employees who are concerned about customer needs.	Walsh <i>et al.</i> (2009b)
	CUS3- The restaurant is concerned about its customers.	Walsh <i>et al.</i> (2009b)
<i>Good employer</i>	EMP1- The restaurant looks like a good company to work for as an employee.	Walsh <i>et al.</i> (2009b)
	EMP2- The restaurant seems to treat its employees well.	Walsh <i>et al.</i> (2009b)
	EMP3- The restaurant seems to have excellent leadership.	Walsh <i>et al.</i> (2009b)
<i>Financial strength</i>	FIN1- The restaurant tends to outperform competitors.	Walsh <i>et al.</i> (2009b)
	FIN2- The restaurant seems to recognize and take advantage of market opportunities.	Walsh <i>et al.</i> (2009b)
	FIN3- The restaurant looks like it has strong prospects for future growth.	Walsh <i>et al.</i> (2009b)
<i>Product and service quality</i>	PRO1- The restaurant develops innovative services.	Walsh <i>et al.</i> (2009b)
	PRO2- The restaurant offers high quality products and services.	Walsh <i>et al.</i> (2009b)
<i>Corporate social and environmental responsibility</i>	CSR1- The restaurant seems to make an effort to create new jobs.	Walsh <i>et al.</i> (2009b)
	CSR2- The restaurant seems to be environmentally responsible.	Walsh <i>et al.</i> (2009b)
	CSR3- The restaurant would reduce its profits to ensure a clean environment.	Walsh <i>et al.</i> (2009b)
<b>Affective CBR</b>	AFF1- You have good feeling about the restaurant.	Fombrun <i>et al.</i> (2000)
	AFF2- You have admiration and respect for the restaurant.	Fombrun <i>et al.</i> (2000)
	AFF3- You can better identify yourself with this restaurant as compared with other fast food restaurants.	Schwaiger (2004)
	AFF4- You are enthusiastic about the restaurant.	Einwiller <i>et al.</i> (2010)
<b>Customer Perceived Risk</b>	RIS1- There are chances that fast-food would not taste good.	Lacey <i>et al.</i> (2009); Schiffman <i>et al.</i> (2008)
	RIS2- There are chances that fast-food would contain ingredients which are harmful for health and fitness.	Lacey <i>et al.</i> (2009); Schiffman <i>et al.</i> (2008)
	RIS3- There are chances that fast-food would not be a good value for money spent.	Lacey <i>et al.</i> (2009); Schiffman <i>et al.</i> (2008)
	RIS4- There are chances that it would be wastage of time to purchase from this restaurant.	Lacey <i>et al.</i> (2009); Schiffman <i>et al.</i> (2008)

(Continues on next page...)



<b>Constructs/ Dimensions</b>	<b>Measures</b>	<b>Sources</b>
<b>Customer Trust</b>	TRU1- The restaurant can be relied on for keeping its promises.	Larzelere and Huston (1980); Eastlick et al. (2006)
	TRU2- The restaurant would be honest and truthful.	Larzelere and Huston (1980); Eastlick et al. (2006)
	TRU3- You have great confidence in this restaurant.	Larzelere and Huston (1980); Morgan and Hunt (1994)
	<i>TRU4- The restaurant cannot be trusted.</i>	Larzelere and Huston (1980); Morgan and Hunt (1994); Eastlick et al. (2006)
<b>Customer Commitment</b>	COM1- Your relationship with this restaurant means a lot to you.	Morgan and Hunt (1994); Bartikowski and Walsh (2011)
	COM2- If this restaurant would not exist any longer, it would be a hard loss for you.	Morgan and Hunt (1994); Bartikowski and Walsh (2011)
	COM3- You are willing to put effort into helping this restaurant be successful.	Mowday, Steers, and Porter (1979); Eastlick <i>et al.</i> (2006)
	<i>COM4- You do not feel a strong sense of belonging to this restaurant.</i>	Allen and Meyer (1990); Bansal <i>et al.</i> (2004)
<b>Intentional Loyalty</b>	LOY1- You intend to purchase from this restaurant again or remain a customer of this restaurant.	Chaudhuri and Holbrook (2001); Bartikowski <i>et al.</i> (2011)
	LOY2- You will consider the restaurant your first choice to buy fast food.	Zeithaml, Berry, and Parasuraman (1996); Mattila (2004)
	LOY3- You will gladly recommend this restaurant to other people that you know.	Zeithaml, Berry, and Parasuraman (1996); Methlie and Nysveen (1999)

For measuring cognitive CBR, this study adapted 14 scale items from the reputation scale developed by Walsh et al. (2009b). They developed and tested the CBR scale within the context of services concerns (i.e., fast food restaurants, retailers and banks). Their CBR scale consists of five dimensions, which correspond to cognitive aspects of CBR. Moreover, Walsh et al. (2009b) developed this CBR scale by using a customer-specific approach. In contrast, Reputation Quotient (RQ) scale, which is another prominent scale to measure corporate reputation, has been developed by Fombrun et al. (2000) by using a multiple-stakeholder approach. Since this study focuses on CBR, and not on measuring corporate reputation across multiple stakeholder groups, CBR scale developed by Walsh et al. (2009b) is preferred over the RQ scale, for the measurement

of cognitive CBR. Walsh et al. (2009b) have also found the acceptable reliability, validity and empirical usefulness of their scale items across three different countries (i.e., the United States, the United Kingdom, and Germany).

Affective CBR was measured through four scale items adapted from Fombrun et al. (2000), Schwaiger (2004), and Einwiller et al. (2010). Fombrun et al. (2000) introduced the emotional appeal as a distinct dimension of corporate reputation in their Reputation Quotient (RQ) Scale. Schwaiger (2004) and Einwiller et al. (2010), later on, used the RQ scale while developing the measures for corporate reputation in their studies. Affective CBR was theorized as a distinct construct, alongside cognitive CBR, in both Schwaiger (2004) and Einwiller et al. (2010).

For measuring customer trust, four scale items were adapted from Larzelere and Huston (1980), which cover the major aspects of trust, including reliability, honesty, truthfulness, and confidence. Several marketing studies have already adapted the scale items from the established scale developed by Larzelere and Huston (1980) to measure customer trust (see e.g., Morgan & Hunt, 1994; Eastlick et al., 2006).

The measures for customer commitment (two of four scale items) came from Morgan and Hunt (1994) who presented the commitment-trust theory of relationship marketing, within the context of business-to-business relationships. However, some researchers have adapted these measures to study the relationship of customer commitment with the other constructs of relationship marketing within the context of business-to-customer relationships (see e.g., Bartikowski & Walsh, 2011). As the measures for customer commitment (found in the existing literature) have been mainly adapted from the literature on organizational commitment (Morgan & Hunt, 1994), two other measures of customer commitment were adapted from Mowday, Steers, and Porter (1979) and Allen and Meyer (1990), which are two widely-cited studies in the area of organizational commitment. Several marketing researchers have already adapted

these two measures for the study of customer commitment (see e.g., Eastlick et al., 2006; Bansal et al., 2004).

This study adapted the measures for intentional loyalty from Chaudhuri and Holbrook (2001), and Zeithaml, Berry, and Parasuraman (1996). Both these studies conducted extensive research to develop the scale items for measuring intentional or behavioural component of customer loyalty. Chaudhuri and Holbrook (2001) surveyed 4470 respondents (30 actual users for each of 149 brands in 49 product categories). Similarly, Zeithaml et al. (1996) developed the measures based on responses from 3069 actual customers. Several marketing researchers who studied intentional loyalty have adapted the measures developed in both these studies (see e.g., Bartikowski et al., 2011; Mattila, 2004; Methlie & Nysveen, 1999). All of the measurement items for cognitive CBR, affective CBR, customer trust, customer commitment and intentional loyalty consisted of five-point Likert scales (see e.g., Walsh et al., 2014).

For assessing the overall customer perceived risk in the context of fast-food restaurants, four measures were adapted from Lacey et al. (2009) and Schiffman et al. (2008). Lacey et al. (2009) studied customer perceived risk within the research setting of a restaurant. Therefore, the scale items used by them were found to be relevant to the settings of this research. In the same vein, Schiffman et al. (2008) discussed different categories of perceived risk involved in consumer purchase decisions, within the general context of consumer behaviour. From both Lacey et al. (2009) and Schiffman et al. (2008), the measures representing four types of customer perceived risk including functional risk, physical risk, financial risk and time risk were adapted for this study. A seven-point Likert scale was used to measure each risk, in consistency with Lacey et al. (2009).

Relationship age was determined by each respondent in terms of the length of time for which he/she had been availing the services from the selected restaurant

(Bartikowski et al., 2011). In this regard, five age categories were provided to respondents in the survey questionnaire, which included: less than or equal to a month, more than a month to six months, more than six months to a year, more than a year to three years and more than three years. Such categories for relationship age were provided for two reasons. *First*, it was found difficult for customers to remember the exact length of time for which they had been associated with a service provider. Therefore, such broad categories were provided to facilitate them in answering this question. *Second*, no secondary data about relationship age of customers was available from any fast food restaurant. Subsequently, to test the moderating effect of relationship age, a relationship length of up to a year was coded as ‘short age’, whereas, the relationship age above a year was categorized as ‘long age’ (see Section 4.10.2 for data analysis technique).

#### **4.6.2. Pretesting of the questionnaire**

Pretesting refers to the testing of the questionnaire using a small sample size that helps to identify problems in the questionnaire design features and make appropriate modifications (Malhotra, 2010; Bolton, 1993). These problems may include inappropriate vocabulary, double-barrelled questions, missing response alternatives, ambiguous question statements, and loaded questions (Hunt, Sparkman, & Wilcox, 1982). Pretesting also helps to assess the flow of different sections of the questionnaire, placement order of the questions, time requirements for filling the questionnaire, and the interest of the respondents (Bolton, 1993).

Taking the experts’ judgments and respondents’ opinions in pretesting can improve the face validity of the construct measures (Hair et al., 2010). Face validity refers to ‘how well the content of a scale represents the measurement task at hand’ (Malhotra & Birks, 2003). In other words, if respondents consider a scale item not relevant to the

construct it intends to measure, then the scale item suffers from the problem of face validity.

Understanding the importance of the pretesting for this research, survey questionnaire was pretested through the following multiple stages, in order to minimise expected problems before commencing the pilot study.

#### ***4.6.2.1. Unstructured interviews with experts and customers***

The questionnaire was at first discussed with five experts from academia (i.e., faculty members of a university) through unstructured interviews. Four of them were associated with the business school, and pursuing their doctoral studies in business and management. One faculty member was associated with the linguistics department of the university. The author gave them a brief introduction to this study and explained the purpose of unstructured interviews, before they analysed the survey questionnaire. They were asked about various features of the questionnaire, including relevance, clarity and the format of the questions, the usage of the vocabulary, the structure of the questionnaire and the convenience of filling the questionnaire. Their academic qualifications, research experiences, areas of study, and personal experiences (as a customer) with selected restaurants allowed them to provide valuable feedback for making some improvements in the questionnaire (as discussed later in this section).

Along with these faculty members, five actual customers of selected fast food restaurants were interviewed for pretesting questionnaire. The representation of each selected restaurant was ensured in the selection of those five customers. The selected customers were also asked about various features of the survey questionnaire, as were asked from the faculty members (highlighted in the preceding paragraph).

Discussion with selected experts and customers provided suggestions for some revisions in the questionnaire which, along with others (See Section 4.6.2.2), included

the removal of some measures lacking in face validity. The measures identified for removal represented two CBR dimensions as adapted from the CBR scale developed by Walsh et al. (2009b). These highlighted CBR dimensions included: *good employer*, and *corporate social and environmental responsibility*. However, no questions were removed at this stage. All of the questions were retained for further pretesting.

#### ***4.6.2.2. Revisions in questionnaire following unstructured interviews***

After these pretesting stages (Section 4.6.2.1), the following revisions were made in the questionnaire, based on the feedback received. *First*, questionnaires were customized for each of the selected restaurant. In the content of the questionnaire, instead of using a general term ‘your selected restaurant’, the name of a selected restaurant (for example, *McDonald’s*) was used. Such customization was suggested to help in making the statements/questions clearer and more easily understandable for the respondents. No other customization in the questionnaires was made with respect to a particular restaurant.

*Second*, the wording of a few questions was revised to make them appropriate for the particular context of the study. *Finally*, two scale items were found to be double-barrelled, which included: AFF2 for affective CBR (i.e. ‘*you have admiration and respect for the restaurant*’) and TRU2 for customer trust (i.e. ‘*the restaurant would be honest and truthful*’). Each of these double-barrelled items was split into two scale items. For affective CBR, the two split items represented the attributes of ‘admiration’ and ‘respect’ respectively. Similarly, for customer trust, the two split items were representing the attributes of ‘honesty’ and ‘truthfulness’ respectively.

#### ***4.6.2.3. Pretesting of the revised questionnaire***

The revised questionnaire was tested by approaching four actual customers (one from each of the four initially shortlisted restaurants). The discussion through unstructured

interviews with those customers also revealed some discomfort with the same two cognitive CBR dimensions highlighted earlier by faculty members and restaurant customers in Section 4.6.2.1. No other major modification was recommended. All of the questions were retained at this stage for further pretesting.

### **4.6.3. Translation of the questionnaire**

The effective translation of the research instrument into the language of respondents is considered to be highly important for achieving meaningful research outcomes. Without such translation, respondents might not be able to understand the contents of the instrument (Douglas & Craig, 2007). Considering the fact that respondents in this study are restaurant customers and that the national language of Pakistan is *Urdu* (that is widely spoken and understood in Pakistan), it was appropriate to translate the English language questionnaire into Urdu. The following Section 4.6.3.1 explains the procedures adopted for translation of the questionnaire.

#### ***4.6.3.1. Translation/back-translation approach***

For translation purpose, the translation/back-translation approach was used (Okazaki, Taylor, & Doh, 2007; Walsh et al., 2014). During the translation process, the focus was not only on literal or direct translation, but was also on conceptual equivalence and the comprehension of respondents (Douglas & Craig, 2007). For translation into Urdu, the consultancy services of an experienced bilingual faculty member of social sciences were requested, who had decades of experience in social sciences research. He generously helped to translate the questionnaire (i.e. first English language version) into Urdu language. The Urdu version of the questionnaire was then delivered to another bilingual faculty member of a business school. She translated back the questionnaire into English language (i.e. second English language version). Then, both English language versions

were compared by the author and any differences were resolved after discussion with the translator.

The decision was made to offer the choice of both the *Urdu* and *English* language questionnaire versions to every respondent. This decision was based on the knowledge that the selected fast food restaurants were present in major urban areas with high literacy rates, and where, from an early educational stage, there would be a high use of English language, either as a basic mode of study or as an essential part of the curriculum. Therefore, many of the respondents were expected to understand and prefer the English version of the questionnaire.

#### ***4.6.3.2. Pretesting of the translated version of questionnaire***

The resulting Urdu language version was tested through unstructured interviews with five actual customer respondents of a selected restaurant. Based on their feedback, a few minor changes were made in the wording of the questionnaire. Again, it was found difficult for some customers to answer the questions related to the same two cognitive CBR dimensions (i.e., *good employer*, and *corporate social and environmental responsibility*) highlighted earlier in Section 4.6.2. However, it was decided to retain all the scale items in the questionnaire for further extensive testing through pilot study. The survey questionnaire used in the pilot study is presented in Appendix 1.

### **4.7. Pilot study and its implications for major survey**

‘Pilot study’ refers to conducting the whole research activity at a smaller scale by taking a smaller sample size than that selected for the major research activity (Malhotra & Birks, 2003). Its purpose is to find out methodological and operational issues (along with their solutions) which may be faced by researchers in the major research activity. These issues might be related to the measurement of constructs, questionnaire design,



respondents' behaviour, usage of data analysis techniques, or any other research-related procedure (Bryman & Bell, 2007; Malhotra & Birks, 2003). Therefore, the scope of a pilot study is broader than pretesting, where the latter is limited mainly to testing and modifying questionnaire design. A pilot study saves time, cost and effort of researchers by providing useful guidelines for the major research activity.

The pilot survey for this study was conducted in the city of 'Lahore'. It is the second most populous city in Pakistan, and has a high concentration of fast food restaurants. The management of three out of four shortlisted restaurants were willing to participate in the survey. A team of four business graduates from a local university were hired to conduct the pilot survey. The team consisted of two female and two male members, who were studying in final year of their Masters in Business Administration. Although they had prior research and survey experiences, a detailed session with them was held to discuss methodology and the strategy of the survey. They were instructed about ethical concerns in particular. They were also directed to offer both the English and Urdu language versions to each customer respondent.

The surveyors were able to get 137 valid responses (after discarding some non-serious and incomplete responses) from within the premises of selected restaurants. The number of customer respondents for KFC, McDonald's and Subway were 48, 37 and 52, respectively. All of these responses were collected from one outlet of each selected restaurant. Systematic sampling was used to select the target respondents, as the surveyors were instructed to approach every fifth customer served from the service counter. This pilot survey was conducted in four days (including a weekend) within different day and night timings: for example, in the afternoon, evening, night and late night.

The pilot study provided a useful assessment of methods, based on which the research strategy and procedures were modified for the major research activity. The key

results of the pilot study are presented in Appendix 2, and the implications of pilot study for the major survey are discussed in the following Sections (4.7.1-4.7.4).

#### **4.7.1. Revisions in questionnaire design**

A major revision in the questionnaire design was related to the use of two reversed statements, which were included in the questionnaire administered for the pilot study. One statement (TRU4) was incorporated as a measure of customer trust (i.e. '*the restaurant cannot be trusted*'). The other statement (COM4) was included as a measure of customer commitment (i.e. '*you do not feel a strong sense of belonging to the restaurant*'). The purpose of using these statements was to minimize the common method bias. As suggested by Podsakoff, MacKenzie, Lee, and Podsakoff (2003), such statements are expected to serve as 'cognitive speed bumps' for respondents, motivating them to pay attention towards each question statement, and thus reduce the response pattern bias.

The results of the pilot study revealed that responses for the reversed statements were contradicting the corresponding responses for other scale items of customer trust and/or customer commitment in overall 21 percent of completed questionnaires. This was a high rate of *misresponse* (Swain et al., 2008). To understand the reasons behind a high misresponse rate, the literature on the usage of reversed statements was consulted. It was found that respondents' inattention, response pattern bias, or tendency to agree (disagree) with the statements included in the questionnaire without going through questions' content (i.e., acquiescence bias) were not the only reasons behind misresponse in the case of reversed statements. Reversed statements also used to make the task more complex for respondents, requiring more cognitive effort from them, and thus, causing the problem of 'item verification difficulty' (Swain et al., 2008). Therefore, usage of reversed statements in questionnaires to avoid response biases may

not be completely justified because of the increased complexity of the task for the respondents, which may result in high misresponse rate.

Further, in the existing literature, Schriesheim and Hill (1981) advised against the use of reversed or negatively-worded scale items in order to control for acquiescence response bias, as it might negatively influence the accuracy of the customer response. In the same vein, Podsakoff et al. (2003) urged caution in the use of reverse-coded or negatively-worded statements, as they could rather cause method bias instead of minimising it. Moreover, no evidence for the inclusion of any reversed statement was found in popular reputation measurement scales, such as, Reputation Quotient (Fombrun et al., 2000), CBR scales (Walsh et al., 2009b; Walsh & Beatty, 2007) and Fortune's reputational rankings (Fombrun & Shanley, 1990; Musteen et al., 2010). Feedback from this pilot study also revealed that reversed statements caused complexity, confusion and difficulty for the respondents. Therefore, when developing the final survey's instrument, the reversed statement (TRU4) measuring overall customer trust was removed, and the reversed statement (COM4) measuring customer commitment was (positively) reworded as '*you feel a strong sense of belonging to the restaurant*'.

One scale item (PRO2) measuring the product and service quality dimension of cognitive CBR was found double-barrelled. This scale item, adapted from Walsh et al. (2009b), was included in the questionnaire as '*The restaurant offers high quality products and services*'. Based on respondents' feedback in the pilot study, this measure was split into two measures for assessing the quality of products and services separately. The resulting split measures included: '*The restaurant offers high quality products*' and '*The restaurant offers high quality services*'.

Along with this, some words in the *Urdu* questionnaire were replaced with simpler words, as some respondents reported them to be difficult to understand.

#### **4.7.2- Changes in sampling strategy**

In the pilot study, every fifth customer served from the service counter was approached for a response. However, the following two issues made it necessary to amend or further clarify the systematic sampling strategy for the major survey:

*First*, as the survey was ‘self-administered’ (where a customer was required to fill the questionnaire himself/herself), targeting every fifth customer (i.e. the skip interval of four respondents) was found less efficient in terms of resource consumption. This issue was faced generally in all surveyed outlets. However, such a problem of inefficiency was found to be more severe in the ‘Subway’ outlet, where the customer traffic was observed to be relatively lower than in the other two restaurants’ outlets (i.e. McDonald’s and KFC). There could be multiple reasons behind Subway’s lower customer traffic, for example: their outlets have relatively less covered area, limited sitting capacity, limited parking space and the lack of entertainment facilities for kids (in contrast to McDonald’s and KFC). Therefore, without affecting the choice of systematic sampling strategy, the skip interval was reduced from four to two for the major survey, which meant to target every third customer served from the service counter, for getting the questionnaire filled.

*Second*, for customers entering into restaurants with family or friends, surveyors found it confusing to identify and approach the target respondent among the whole group. In fact, in some cases, more than one person from the same group used to stay at the service counter. Moreover, it was also found necessary to clarify whether to treat the whole group or an individual as one respondent. Therefore, in the major survey, to further refine and standardize the sampling procedure, surveyors were directed to target the actual buyer (making the payment at the service counter) preferably, from a group of family/friends. The surveyors were also instructed to consider the whole group of

family/friends as one respondent, for the application of the systematic sampling procedure.

#### **4.7.3- Sample size issue**

The selection of the right sample size is a critical factor for getting stable and meaningful results through the application of the structural equation modelling technique (Hair et al., 2010; Malhotra, 2010). In this regard, the results of the pilot study helped to estimate the rates of misresponse/non-serious response and no-response/incomplete response for major survey. Such an estimated rate (i.e. 15% consolidated) was used to calculate the target sample size for the major survey (see Section 4.5 for the details of sample size selection).

#### **4.7.4. Revisions in adapted measures of constructs**

The analysis of data (explained later in this section) collected through this pilot study suggested the removal of two cognitive CBR dimensions, including '*good employer*' and '*corporate social and environmental responsibility*'. As discussed earlier in Sections 4.6.2 and 4.6.3, some customers reported discomfort or difficulty in answering the questions related to the same two cognitive CBR dimensions in various pretesting stages. These two dimensions were therefore removed from the questionnaire before moving on to the major survey. The removal of the scale items which pose problems for the respondents' understanding (identified through pretesting) or which perform poorly in data analysis (in the pilot study) is also evident from the existing literature (see e.g., Walsh et al., 2006; Srivoravilai et al., 2011; Keh & Xie, 2009; Churchill, 1979; Sun, 2014).

In this regard, the results of data analysis for the pilot study are presented in detail in Appendix 2. The two dimensions of cognitive CBR (identified for removal) did not

fulfil the theoretical benchmarks in the reliability analysis and the testing of the measurement model. The Cronbach's alpha coefficient measuring construct's reliability or internal consistency for '*corporate social and environmental responsibility*' was 0.60, which should not be lower than 0.70 as suggested by Hair et al. (2010). The three scale items (CSR1, CSR2, CSR3) measuring this dimension reported item-to-total correlation coefficients of 0.41, 0.44 and 0.38 respectively, which should not be lower than 0.50, as suggested by Hair et al. (2010). Similarly, item-to-total correlation coefficients for two of the three scale items (EMP1 and EMP3) measuring '*good employer*' dimension were reported as 0.44 and 0.47 respectively, which did not fulfil the theoretical benchmark (of 0.50) suggested by Hair et al. (2010).

The testing of the measurement model that consisted of all five dimensions of cognitive CBR also reported problems with the convergent validity of both '*corporate social and environmental responsibility*' and '*good employer*' dimensions. The 'average variance extracted' in this regard should not be less than 0.50 preferably, in order to ensure the convergent validity, as suggested by Malhotra (2010) and Bagozzi and Yi (1988). However, average variances extracted for both the highlighted dimensions of cognitive CBR were reported as 0.34 and 0.46, respectively. Moreover, factor loading for one scale item (CSR3) measuring '*corporate social and environmental responsibility*' was 0.42, which should not be less than 0.50 as suggested by Hair et al. (2010). Along with these problems with construct reliability and convergent validity, some issues were also found with the face validity of the two highlighted cognitive CBR dimensions in various pretesting stages (as mentioned in Sections 4.6.2 and 4.6.3). These issues are discussed in the following paragraphs, which further justify the decision to remove the highlighted dimensions. This discussion is based upon the feedback received from the respondents in pretesting stages.

*First*, for the cognitive CBR dimension of *'good employer'*, employees can be the most relevant stakeholder group for evaluating an *'organization as an employer'*. The general consumers in this study did not find it convenient to rate any employer fast food restaurant on this CBR dimension. Moreover, the promotional communication of fast food restaurants is mainly product or service-oriented. General customers may get some idea about this *'good employer'* dimension primarily through observing the employees' behaviour during their personal visit to the restaurant outlets. However, even at that time, the employees are at work, so customers' observation can be biased. Therefore, due to the lack of relevant knowledge and/or experience, general customers might not be able to easily assess the reputation of the selected restaurants on this dimension. However, this can be a key dimension of employee-based corporate reputation.

*Second*, the removal of the cognitive CBR dimension of *'social and environmental responsibility'* from the questionnaire was suggested. In fact, the concepts and practice of corporate social or environmental responsibility are not as developed in Pakistan as they are in the developed countries of the world. Levels of disclosure regarding social responsibility are quite low. The websites and advertising campaigns of fast food restaurants are the major sources of their communication with the target market. However, these promotional tools of restaurants provide little information about their activities in relation to social or environmental responsibilities. For instance, a review of the official websites of the selected fast food restaurants reflected little availability of information about this dimension. Therefore, it was found difficult for general customers to identify the practices of the selected fast food restaurants, relevant to their social and environmental performance. The customers' responses were influenced by the lack of information, and thus, did not support to keep this dimension in the questionnaire. This decision is also supported by the existing literature, where *'corporate public responsibility'* (based on the consumers' assessment) has been

documented to be least-associated with brand equity, in comparison with other dimensions of corporate reputation (Page & Fearn, 2005). Similarly, Walsh and Beatty (2007) suggested the less relevance of the CBR dimension of social and environmental responsibility for customers in their commercial exchanges.

After deleting two dimensions, three dimensions of cognitive CBR were carried forward for the major survey of this study. These dimensions included '*customer orientation*', '*financial strength*' and '*product and service quality*' dimensions as adapted from Walsh et al. (2009b). The scale items carried forward for the major survey are presented in Table 4.6.

#### **4.8. Structure of the final questionnaire**

This section explains the structure of the questionnaire used in the major survey of this study. This survey questionnaire in its final form is presented in Appendix 3. The first question that surveyors verbally asked the respondents was about the age of the respondent. This was a qualification question. Customers from all the age groups were supposed to be qualified as respondents except those who were less than 15 years old. Moreover, before getting the responses from customers who were under 18, oral permission from their parents or guardians was obtained.

The questionnaire started with an introduction page. On this page, the customers were introduced to the researcher, questionnaire and nature of research. They were assured about anonymity and the confidentiality of information. Contact details of the author/researcher were also provided on the same page.





<b>Constructs/ Dimensions</b>	<b>Measures</b>	<b>Sources</b>
<b>Customer Commitment</b>	COM1- My relationship with the restaurant means a lot to me.	Morgan and Hunt (1994); Bartikowski and Walsh (2011)
	COM2- If the restaurant would not exist any longer, it would be a hard loss for me.	Morgan and Hunt (1994); Bartikowski and Walsh (2011)
	COM3- I am willing to put effort into helping the restaurant be successful.	Mowday, Steers, and Porter (1979); Eastlick <i>et al.</i> (2006)
	COM4- I feel a strong sense of belonging to the restaurant.	Allen and Meyer (1990); Bansal <i>et al.</i> (2004)
<b>Intentional Loyalty</b>	LOY1- I intend to purchase from the restaurant again or remain a customer.	Chaudhuri and Holbrook (2001); Bartikowski <i>et al.</i> (2011)
	LOY2- I will consider the restaurant my first choice to buy fast food.	Zeithaml, Berry, and Parasuraman (1996); Mattila (2004)
	LOY3- I will gladly recommend the restaurant to other people that I know.	Zeithaml, Berry, and Parasuraman (1996); Methlie and Nysveen (1999)

The questionnaire was composed of four major sections. The *first* section consisted of some warm-up and general questions related to the selected restaurant and some other fast food restaurants. The questions about customer's visit to other outlets, relationship age, visit frequency and knowledge about the country of origin were particularly related to the specific restaurant visited by the respondent at the time of survey. One question was about the respondent's patronage of other fast-food restaurants. The multiple-choice answer format for those questions was used for the convenience of respondents. However, for two questions (i.e., related to country of origin and patronage of other restaurants), open-ended options were also provided (along with the multiple choices) in order to get the independent opinions or answers from the respondents. The question inquiring about 'relationship age' was set to receive information for testing the moderating role of relationship age.

The *second* section consisted of statements related to the constructs of cognitive CBR (9 items), affective CBR (5 items), customer trust (4 items), customer commitment (4 items) and intentional loyalty (3 items), respectively. These statements were intended

to provide measurement of key constructs, and to help in testing relationships of CBR components with customer outcome variables. A five-point Likert scale was used for all of the statements included in this section.

In the *third* section, four statements measuring customer perceived risk were included. Each statement referred to a unique type of risk that might be involved in a customer's buying from a fast food restaurant. This section provided the data to test the relative effects of CBR components on perceived risk, and to examine the mediating effects of perceived risk in the relationships of CBR components with intentional loyalty. A seven-point Likert scale was used for all of the statements included in this section.

The final (*fourth*) section consisted of six demographic questions, inquiring about gender, age, highest qualification, current marital status, city of origin and primary (mother) language of the target respondents, respectively. For the first four questions, the response format was multiple-choice, consisting of all possible answer options. Such a response format was expected to make those questions easier to answer for the respondents. The final two questions about city of origin and primary language were kept open-ended due to there being a number of relevant possible answer options. The justification for including demographic questions was to get some information about the profile characteristics of sample respondents. A note of thanks for the respondents was included at the end of this section in order to acknowledge their cooperation.

A small section to be filled by surveyors was included at the end of the questionnaire. In this section, the surveyors were required to provide their names (initials), and information about whether a respondent visited the restaurant with family or friends. The surveyors were also required to specify the name of the surveyed outlet, the date and day of survey, and the time of customer's visit. Moreover, each

questionnaire was assigned a unique serial/identification number by the surveyors in this section.

Another version of the same questionnaire was also developed, in which the placements of the second and third sections were interchanged. As suggested by Podsakoff et al. (2003), such a change in the placement of the sections in the questionnaire can help to minimize the common method bias. In the following discussion, the terms of ‘version 1’ and ‘version 2’ will be used for referring to both these versions, where version 1 represents the version developed first. Moreover, by developing ‘version 1’ and ‘version 2’ within the English and Urdu language versions generated earlier (Section 4.6.3), four versions of the same questionnaire were available for every selected fast food restaurant.

## **4.9. Common method bias**

Common method bias can be a major threat for the validity of measures, and, if not controlled adequately, it may lead towards misleading results (Bagozzi & Yi, 1990; Podsakoff et al., 2003). By following recommendations from the relevant literature, several procedural and statistical remedies were applied to minimise this potential problem.

### **4.9.1. Procedural remedies**

Several remedies related to data collection and questionnaire design were adopted to minimise common method bias. *First*, the survey data was collected at different points of time (i.e., different days of the week, and different hours in a day). The purpose was to control the common method bias originating from the context of obtaining the measures. *Second*, the respondents were assured (in the introduction section of the survey questionnaire) about their anonymity, the confidentiality of information, and the

fact that there were no right or wrong answers. This was to help minimise their intentions (if any) to be seen to be socially desirable, lenient or acquiescent while responding to the questions (Podsakoff et al., 2003). *Thirdly*, the length of the questionnaire was kept short in order to avoid respondents' boredom or fatigue that might had led to lack of accuracy in their responses (through reduction in their cognitive effort) (Lindell & Whitney, 2001).

*Fourth*, different response formats were used for different variables. For example: a five-point Likert scale was used for measuring CBR components (Walsh et al., 2009b), while a seven-point Likert scale was used for measuring customer perceived risk (Lacey et al., 2009). This remedy is labelled as the 'proximal/methodological separation of constructs' (Podsakoff et al., 2003). This was to help minimize common method bias through reducing the respondents' ability to use previous answers, retrieval cues or short-term memory for answering the remaining questions included in the questionnaire (Podsakoff et al., 2003).

*Fifth*, two different versions (version 1 and version 2) of the questionnaire were prepared with the different placement of two major sections. In fact, the placement of the measurement items within the questionnaire can be a source of bias, as the mood and attention-level of respondents may vary for different sections of the questionnaire (Podsakoff et al., 2003). This remedy thus helped to control this source of bias. Moreover, both version 1 and version 2 were prepared for the *Urdu* (i.e. national language of Pakistan) version of the questionnaire also, in order to improve the understanding of the respondents and avoid any ambiguity due to language problem.

#### 4.9.2. Statistical remedies

Two empirical tests were performed to assess any threat of common method bias. *First, Harman's one factor test* (Chang, Witteloostuijn, & Eden, 2010) was applied. When entering all of the construct measures jointly into the exploratory factor analysis, no single general factor/component accounting for the majority of the variance was revealed. Moreover, using confirmatory factor analysis (CFA), the one-factor model reported a worse and unacceptable fit (GFI=0.71; CFI=0.72; TLI=0.69; IFI=0.72; RMSEA=0.10, and,  $\chi^2/\text{d.f.} = 4679.36/377 = 12.41$  with p-value=0.000). In comparison, the author's six-factor measurement model<sup>10</sup> reported an acceptable fit (GFI=0.91; CFI=0.93; TLI=0.92; IFI=0.93; RMSEA=0.05, and,  $\chi^2/\text{d.f.} = 1470.43/359 = 4.10$  with p-value=0.000). The difference in the chi-square values of both these models (3208.93 with 18.0 d.f.) was also found to be statistically significant (p value < 0.01). These results supported the absence of common method variance (Walsh et al., 2014).

*Second*, following Walsh et al. (2014), the study used a *post hoc marker variable technique*, where the second smallest correlation coefficient serves as a proxy for common method variance. The author found the second smallest correlation (see Table 4.7) between cognitive CBR and customer perceived risk (-0.302). After controlling for/partialling out cognitive CBR and customer perceived risk, the already significant correlation coefficients (among four other constructs of affective CBR, customer trust, customer commitment and intentional loyalty) remained significant. It also strengthened the study's finding about there being no threat from common method bias in the results.

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<sup>10</sup> In the six-factor measurement model, six key constructs of this study were represented individually. This was in contrast to the one-factor measurement model where those six key constructs were combined into one overall construct. In the one-factor model, all of the construct measures were assumed to measure that one overall construct. Both of the models were tested for the sample size of 1059 customers.

**Table 4.7: Inter-construct correlation coefficients<sup>11</sup> (n=1059)**

	No. of scale items	Mean	Cognitive CBR	Affective CBR	Perceived risk	Customer trust	Customer commitment	Intentional loyalty
<b>Cognitive CBR</b>	9	3.53	1					
<b>Affective CBR</b>	5	3.50	0.639**	1				
<b>Perceived risk</b>	4	-0.65 <sup>a</sup>	-0.302**	-0.344**	1			
<b>Customer trust</b>	4	3.49	0.605**	0.693**	-0.341**	1		
<b>Customer commitment</b>	4	3.16	0.443**	0.653**	-0.297**	0.617**	1	
<b>Intentional loyalty</b>	3	3.52	0.512**	0.660**	-0.352**	0.602**	0.696**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

<sup>a</sup> Scale items for perceived risk are measured on a seven point Likert scale, ranging from ‘-3 to +3’, where ‘0’ is the point of indifference, and ‘-3’ represents the extreme negative value for customer perceived risk.

#### 4.10. Data analysis techniques

This section starts with a discussion on some basic issues in data analysis, which include reliability analysis, testing of multicollinearity, dealing with outliers, assessment of normality of the data, and evaluation of the measurement model. Following that, data analysis techniques are discussed for testing of the hypotheses related to inter-construct direct, mediated and moderated effects, and for testing of the rival models.

This study performed a reliability analysis by using the software package of *SPSS*, Version 21. This analysis consisted of two components. *First*, Cronbach’s alpha for each construct was examined to assess the internal consistency of the measures of each construct. *Second*, to assess the reliability at item level, the item-to-total correlation for each scale item was estimated. The detailed results of the reliability analysis are presented in Section 5.2 (Chapter 5).

<sup>11</sup> These correlation coefficients were estimated using *SPSS*, Version 21.

*Multicollinearity* is a condition when independent variables in a model are highly correlated (Kutner, Nachtsheim, Neter, & Li, 2005). Such high inter-construct correlation may influence the estimates, and bias the results in multivariate analysis (Hair et al., 2010; Kutner et al., 2005). Hair et al. (2010) suggest that generally a correlation coefficient exceeding 0.90 may indicate the presence of substantial multicollinearity. In this regard, Table 4.7 in the preceding Section 4.9.2 represents that no inter-construct correlation coefficient in this study exceeds 0.90. Therefore, substantial multicollinearity may not be present here. However, for further investigation of multicollinearity, variance inflation factors (VIFs) were estimated, as suggested by Kutner et al. (2005) and Hair et al. (2010). The value of each VIF should be below '10' to ensure that multicollinearity is not a serious concern in the study (Kutner et al., 2005; Nguyen & Leblanc, 2001). The results in this regard are presented and discussed in Section 5.3 (Chapter 5).

*Outliers* are the values that are substantially or distinctly different from other values in the dataset (Hair et al., 2010; Byrne, 2010). In multivariate analysis, a case is considered an outlier, if it takes unusually high or low (i.e. extreme) values on multiple (i.e. two or more) variables (Kline, 2011). The outliers can be problematic as they may not represent the population and distort the results of the statistical analysis (Hair et al., 2010). Therefore, it is important to identify and deal with such extreme values. A common technique to identify and deal with the outliers in multivariate analysis is to compute the squared '*mahalanobis distance*' ( $D^2$ ) for each case (Hair et al., 2010; Byrne, 2010). According to Byrne (2010: 106), mahalanobis distance "*measures the distance in standard deviation units between a set of scores for one case and the sample means for all variables (centroids)*". An outlier is the case whose  $D^2$  value "*stands distinctively apart from all the other  $D^2$  values*", and it should be considered for deletion from the dataset (Byrne, 2010: 106, 341). This study used the guidelines



provided by Byrne (2010) to identify and deal with the outlier cases in multiple stages of data analysis (see Sections 5.4.1 and 5.4.2 in the following Chapter 5).

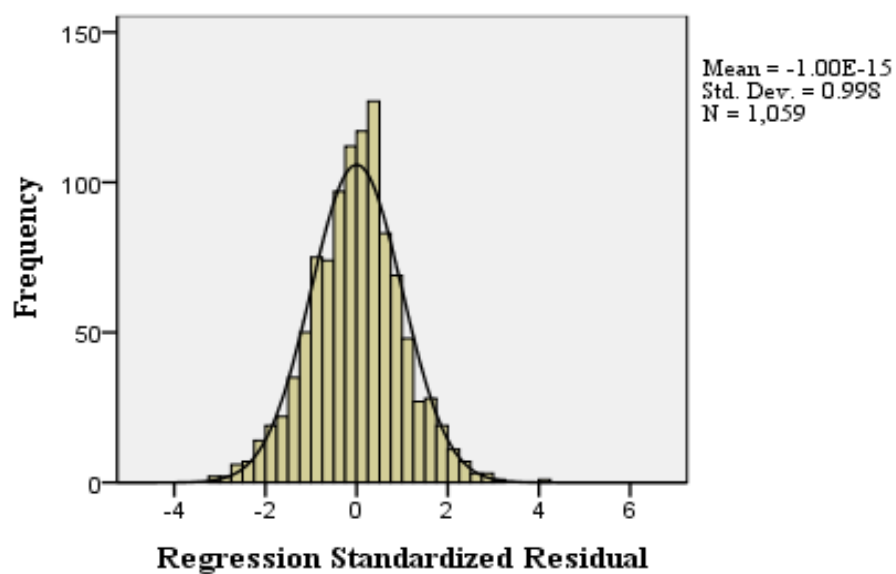
*Normality* of data refers to tendency of the data not to substantially deviate from the mean value of the data, and follow a pattern of normal distribution (Kline, 2011). At first, the statistics of *skewness* and *kurtosis* were estimated to assess the univariate normality, that is, normality of the data collected for each construct. According to Kline (2011), the value of skewness estimate should not exceed '3' and the value of kurtosis estimate should not exceed '8' to reveal the normality of the data. The values of both skewness and kurtosis for all the constructs in this study were found to follow this theoretical benchmark, and did not exceed '3' and '8' respectively (see Table 4.8 for details).

However, this study involves multivariate analysis, and univariate normality is considered helpful but not sufficient to ensure multivariate normality (Hair et al., 2010). Therefore, the guidelines suggested by Gujarati (2004) were followed to assess the multivariate normality. For this purpose, each construct was regressed on all the other constructs included in the conceptual model (Figure 3.5). The standardized residuals of each regression were plotted against their frequencies in the respective histograms prepared through SPSS. Figure 4.1 represents the histogram where intentional loyalty is regressed on other constructs. The histograms where other constructs are taken as dependent variables, one by one, are presented in Appendix 4 (see Figures A4-1, A4-2, A4-3, A4-4, and A4-5). The residuals seem to have a symmetrical (bell-shaped) distribution in each histogram (with a few outliers), which supports multivariate normality in this study (Gujarati, 2004). Furthermore, normal P-P plot of regression standardized residuals was prepared (by using SPSS) for each construct taken as a dependent variable (against all the other constructs taken as independent variables) into the regression equation. The P-P plot where intentional loyalty is treated as dependent

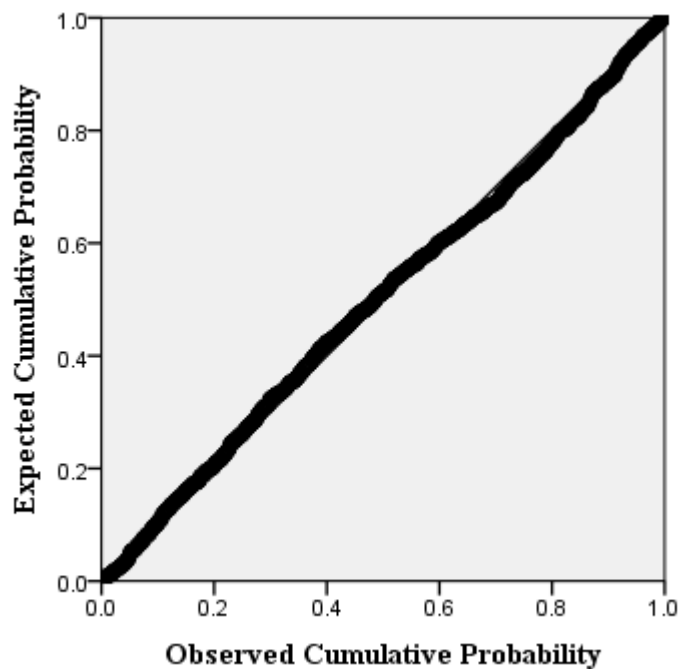
variable is presented in Figure 4.2, whereas P-P plots where other constructs are treated as dependent variables one by one, are presented in Appendix 4 (see Figures A4-6, A4-7, A4-8, A4-9, and A4-10). All these P-P plots reflect that the values (representing observed cumulative probability against expected cumulative probability) lie on or very close to the reference/diagonal line, in support of the multivariate normality.

**Table 4.8: Skewness and kurtosis of the key constructs (n=1059)**

Constructs	Dimensions	Skewness	Kurtosis
<b>Cognitive CBR</b>		-0.452	0.603
	<i>Customer orientation</i>	-0.698	0.968
	<i>Financial strength</i>	-0.454	0.084
	<i>Product and service quality</i>	-0.398	0.281
<b>Affective CBR</b>		-0.427	0.525
<b>Customer Trust</b>		-0.377	0.336
<b>Customer Perceived Risk</b>		0.198	-0.232
<b>Customer Commitment</b>		-0.121	-0.355
<b>Intentional Loyalty</b>		-0.337	-0.096



**Figure 4.1: Histogram of regression standardized residuals  
Dependent variable: Intentional Loyalty**



**Figure 4.2: Normal P-P Plot of regression standardized residuals**

**Dependent variable: Intentional Loyalty**

In addition to assessment of normality through estimates of skewness and kurtosis, and histograms and normal P-P plots of regression residuals, a large valid sample size of 1059 respondents was used in this study. The larger samples are more likely to follow a normal distribution of the data, and minimize the detrimental effects of any possible non-normality, as suggested by Hair et al. (2010) and Gujarati (2004). As discussed earlier in this section, the outlier cases were also assessed through ‘mahalanobis distance’ and were deleted from the dataset. Most importantly, bootstrapping procedures were used for multivariate analysis. As recommended by Byrne (2010), bootstrapping can be considered an important aid to normalize the data. Multiple samples (usually in thousands) of same size as of original sample are randomly drawn (with replacement) from the original sample in bootstrapping, to get the estimates. It helps normalize the distribution of data, and make the original sample a better

representative of the population (Byrne, 2010). Thus, a larger sample size, deletion of the outlier cases, and usage of the bootstrapping procedures were expected to further improve the normality of the data in this study.

For testing the measurement and structural models<sup>12</sup>, this study used the structural equation modelling (SEM) technique through *AMOS*, Version 21 (a statistical package for data analysis). The measurement models were tested to assess composite reliability, convergent validity and discriminant validity of the constructs, along with finding the fitness-of-model indices. The study's hypotheses were tested through the evaluation of structural model. These hypotheses involved the inter-construct direct, indirect/mediated and moderated effects. The following Sections (4.10.1-4.10.3) describe the techniques used to test such inter-construct effects.

#### **4.10.1. Direct and indirect/mediated effects**

This study used bootstrapping procedures to compute direct and indirect effects in a relationship between two constructs. Bootstrapping is useful as it generates more stable and accurate results through application of SEM (Byrne, 2010). A bootstrap sample size of 5000 was used as recommended by Hair, Ringle, and Sarstedt (2011), Byrne (2010), Zhao, Lynch, and Chen (2010), and Hayes (2009) to compute standardized direct and indirect effects along with their p-values.

To examine the significance and type of mediated relationships, the guidelines provided by Zhao et al. (2010) were used instead of testing three regression functions as suggested by Baron and Kenny (1986). Zhao et al. (2010) critically analysed Baron and Kenny's (1986) well known work on testing mediation, and suggested the revised guidelines, which include the following key points:

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<sup>12</sup> The measurement model specifies the relationships between scale items/dimensions/factors and their corresponding constructs, whereas, the structural model specifies the relationships among various constructs used in a study (Byrne, 2010; Hair et al., 2010).

(1) The direct effect of independent variable on dependent variable is not a prerequisite for testing mediating effects.

(2) To test mediation, one bootstrap test of indirect effect of independent variable on dependent variable is sufficient, instead of running three regressions.

Some multiple mediator effects are proposed in this study (see Hypotheses 16 and 17). In these effects, more than one mediator was involved, and multiple indirect paths or mediation possibilities could be conceived of for a relationship between two constructs. For instance, the joint mediating effects of customer perceived risk, customer trust and customer commitment were hypothesized in the indirect relationship of affective CBR with intentional loyalty (Hypothesis 17). While testing such multiple mediator effects, it was important to assess the relative effects of each mediator or the coefficient of each indirect path in an indirect relationship between two constructs. However, AMOS has a limitation in this regard. AMOS generates only one coefficient for one inter-construct indirect effect, even in the presence of multiple mediators or multiple indirect paths in that indirect effect. Hence, it is not possible to identify the individual effect coefficient of each mediator or indirect path in multiple mediation analysis conducted through AMOS.

To overcome this limitation of AMOS, the custom dialogue of '*PROCESS*' was used, which has been developed by Hayes (2013). '*PROCESS*' works as a macro for *SPSS*, and uses bootstrapping procedures to simultaneously estimate the separate effects of multiple mediators, or the coefficients of various mediation paths for an indirect relationship. A latest version of this macro (V. 2.13)<sup>13</sup> was used in this study for multiple mediator analysis. In the existing literature, Wang and Tong (2015), and Soule and Reich (2015) have recently used the '*PROCESS*' macro to test the multiple

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<sup>13</sup> *PROCESS* (V. 2.13) is the latest version of '*PROCESS*' macro, which was released on September 26, 2014 by Andrew F. Hayes. It can analyse up to 10 mediators (placed in parallel) in a model (Hayes, 2013). For using in this study, this latest version was retrieved on February 25, 2015 from: <http://www.processmacro.org/download.html>

mediator effects in their studies. Moreover, Helm (2013) has applied such macro to test the multiple mediator effects in her study on corporate reputation.

*Significance test for Z-scores* (Paternoster, Brame, Mazerolle, & Piquero, 1998) was applied to further test the significance of differences among the coefficients of various mediation paths/possibilities in a multiple mediator effect. In applying this significance test, Z-scores were calculated using the following formula, as suggested by Paternoster et al. (1998):

$$Z = \frac{b_1 - b_2}{\sqrt{SEb_1^2 + SEb_2^2}}$$

where  $b_i$ =coefficient of effect size, and,  $SE_i$ =Standard error associated with a group.

p-value for each Z-score was estimated to comment on the significance of the difference between the two coefficients of effect sizes (i.e. two mediation paths).

#### **4.10.2. Moderated effects**

*Multigroup structural equation modelling* (Walsh et al., 2014; Hair et al., 2010) and *sub-group analysis* (Rigdon, Schumaker, & Wothke, 1998; Edwards & Lambert, 2007) techniques were used to test moderating effects. Moderation analysis for the *direct* effects of CBR components on outcome variables was conducted through multigroup structural equation modelling. The software package of AMOS was used for this purpose. However, AMOS does not help to test moderating effects for *mediated* (i.e. indirect) inter-construct effects, or *total* inter-construct effects (i.e. sum of direct and indirect effects). In other words, moderated-mediation analysis and moderated-total-effect analysis could not be carried out through AMOS. Therefore, a sub-group analysis technique was used to test moderating effects for mediated and total effects of CBR components on outcome variables.

For the application of both moderation analysis techniques, the data collected from respondents through the major survey was classified into two groups for each of the moderating variables. With respect to relationship age, the two groups included were: ‘customers with short relationship age’ and ‘customers with long relationship age’. Similarly, with respect to type of firm, the two groups included were: ‘customers of foreign multinational enterprises’ and ‘customers of local enterprises’.

Inter-construct direct, indirect and total effects were estimated for each group separately, using bootstrapping procedures through SEM technique<sup>14</sup>. At first, multigroup structural equation modelling was applied for the moderation analysis of direct inter-construct effects. The moderating effects, if found, were explained through comparison of direct effects across the respective groups. Such comparison helped to identify which group had a stronger or weaker inter-construct direct effect.

Following multigroup structural equation modelling, a sub-group analysis technique was applied for the moderation analysis of mediated and total inter-construct effects. In this regard, mediated and total effects were compared across respective sub-groups to find any inter-group differences. Edwards and Lambert (2007) have highlighted some limitations related to testing the significance of such differences. In order to address those limitations, Z-scores were calculated for the respective differences between the corresponding effect coefficients of both the sub-groups. The formula suggested by Paternoster et al. (1998) was used for calculation of Z-scores. This formula is mentioned in the preceding Section 4.10.1. Statistical significance of those Z-scores was then tested (through estimation of p-values) to comment on the inter-group differences or moderating effects (Paternoster et al., 1998).

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<sup>14</sup>Standardized effects were estimated using bias-corrected percentile method and a bootstrap sample size of 5000.

### **4.10.3. Testing rival/alternate models**

Rival/alternate models were tested through SEM technique. For the comparison of rival models with the proposed conceptual model of this study (Figure 3.5), two-point criteria were used. *First*, the fitness-of-model indices for each rival model were compared with those of main conceptual model. *Second*, the significance of the chi-square difference was estimated for each comparison of the models.

### **4.11. Summary**

The salient features of the methodology and research design for this study are summarized in this section.

The ontological position of *representationalism* and a *positivist* epistemology represent the philosophical underpinning of this research. This study follows a deductive approach to develop the hypotheses and conceptual model (Figure 3.5). Quantitative methods are primarily used to collect and analyse the data for testing hypotheses. However, exploratory research and qualitative methods (i.e. unstructured interviews) have been used to support the development of construct measures. For this purpose, the measures were initially adapted from the existing literature using exploratory research. The adapted measures were further refined through several stages of pretesting (involving unstructured interviews), and an extensive (survey-based) pilot study. Translation/back-translation approach was used to prepare a national language (Urdu) version of the English questionnaire.

The shortlisted construct measures were carried forward to collect the data through a customer survey of fast food restaurant services operating in Pakistan. A valid sample of 1059 customers was selected from within the premises of fast food restaurant outlets through systematic sampling procedures. Having concerns for the effect of common



method bias, several procedural and statistical remedies were applied to minimize such effect.

For the analysis of data, structural equation modelling technique was used through *AMOS*, and *PROCESS* (a macro developed by Hayes, 2013). Bootstrapping procedures were applied to estimate the direct and indirect/mediated effects in this regard. To test the moderating effects of relationship age and type of firm, multigroup structural equation modelling and sub-group analysis techniques were used.

## Chapter 5

### Data Analysis and Results

#### 5.1. Introduction

This chapter presents the results of the major survey, which was conducted for this study. Section 5.2 describes about the internal consistency of construct measures, whereas Section 5.3 explains the assessment of multicollinearity. Section 5.4 and Section 5.5 respectively report the evaluations of measurement models and structural model through application of structural equation modelling (SEM) technique. The testing of hypotheses involving direct effects and detailed mediation analysis are also included in Section 5.5. Section 5.6 consists of the results for the moderating effects of relationship age and firm type. Moderation analysis is followed by Section 5.7, which summarizes results from testing all of the hypotheses included in the conceptual model (Figure 3.5). Section 5.8 presents the results of the testing of rival conceptual models. Finally, Section 5.9 summarizes the whole chapter.

#### 5.2. Internal consistency of construct measures

Item-to-total correlation and Cronbach's alpha statistics were calculated in order to assess the internal consistency or reliability of selected measures at the individual-item level and construct/dimension level, respectively. As suggested by Hair et al. (2010), Cronbach's alpha should not be less than 0.7, whereas item-to-total correlation coefficients should not be less than 0.5. Both of the statistics were found to exceed the theoretical benchmarks (see Table 5.1 for results) and thus demonstrated an acceptable reliability of the construct measures (Hair et al., 2010). The only exception was a scale item (PRO1), which measures the *product and service quality* dimension of cognitive

CBR. An item-to-total correlation of 0.49 (marginally below 0.50) was reported for this item.

**Table 5.1: Cronbach's alpha and item-to-total correlation coefficients <sup>a</sup> (n=1059)**

<b>Constructs</b>	<b>Dimensions</b>	<b>Scale Items</b>	<b>Item Means</b>	<b>Cronbach's Alpha</b>	<b>Corrected Item-to-total correlation</b>
Cognitive CBR	<i>Customer orientation</i>	CUS1	3.66	0.73	0.50
		CUS2	3.58		0.64
		CUS3	3.59		0.52
	<i>Financial strength</i>	FIN1	3.40	0.71	0.52
		FIN2	3.45		0.54
		FIN3	3.57		0.51
	<i>Product and service quality</i>	PRO1	3.29	0.71	<u>0.49</u>
		PRO2	3.65		0.52
		PRO3	3.53		0.58
Affective CBR		AFF1	3.81	0.85	0.64
		AFF2	3.56		0.69
		AFF3	3.66		0.68
		AFF4	3.27		0.64
		AFF5	3.21		0.62
Customer Perceived Risk <sup>b</sup>		RIS1	-0.45	0.80	0.58
		RIS2	-0.66		0.60
		RIS3	-0.44		0.65
		RIS4	-1.06		0.63
Customer Trust		TRU1	3.42	0.88	0.65
		TRU2	3.49		0.75
		TRU3	3.53		0.80
		TRU4	3.53		0.75
Customer Commitment		COM1	3.18	0.85	0.68
		COM2	2.98		0.68
		COM3	3.30		0.63
		COM4	3.17		0.75
Intentional Loyalty		LOY1	3.74	0.80	0.61
		LOY2	3.22		0.65
		LOY3	3.61		0.70

<sup>a</sup> The statistics which do not fulfil the theoretical benchmarks have been written in *italics* and underlined.

<sup>b</sup> Measured on a 7-point Likert scale ranging from -3 (very strong disagreement) to +3 (very strong agreement). All the scale items of other constructs are measured on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

### 5.3. Assessment of multicollinearity

Assessment of multicollinearity in this study started with the analysis of correlation coefficients. All the inter-construct correlation coefficients were found below 0.90 (see Table 4.7), which indicates the absence of substantial multicollinearity as suggested by Hair et al. (2010). However, a simple analysis of correlation coefficients may not be sufficient to assess that there exists no possibility of any serious multicollinearity in the dataset (Kutner et al., 2005). Therefore, variance inflation factors (VIFs) were estimated for further investigation of the condition of multicollinearity, as recommended by Kutner et al. (2005) and Hair et al. (2010).

Table 5.2 reports the values of VIF for respective independent/predictor constructs in the conceptual model (Figure 3.5). All the VIF values are less than 2.5 (far below the theoretical benchmark of ‘10’), which assure that multicollinearity is not a serious problem in this study (Kutner et al., 2005; Pfarrer, Pollock, & Rindova, 2010; Nguyen & Leblanc, 2001).

**Table 5.2: Assessment of Multicollinearity – Variance Inflation Factors <sup>a</sup> (n=1059)**

<b>Predictor/Independent Construct</b>	<b>Variance Inflation Factor (VIF)</b>
Cognitive CBR	1.86
Affective CBR	2.65
Customer Perceived Risk	1.17
Customer Trust	2.32
Customer Commitment	1.92

<sup>a</sup> The highest value of VIF is being reported for each predictor/independent construct.

#### 5.4. Confirmatory factor analysis

After assessing the reliability of scale items and constructs, and ensuring the absence of any serious threat of multicollinearity, a confirmatory factor analysis (CFA) was conducted. CFA has been widely used in the existing literature, where researchers have studied the effects of CBR on customer-outcome variables (see e.g., Walsh et al., 2014; Bartikowski & Walsh, 2011; Jeng, 2011; Eastlick et al., 2006). The purpose of conducting CFA is to test theoretically established relationships between the scale items and their respective constructs (Hair et al., 2010; Malhotra, 2010; Walsh & Beatty, 2007). In other words, CFA examines how measurement theory corresponds to actual data or how well the theory-driven scale items represent their respective factors/constructs (Hair et al., 2010; Malhotra, 2010).

Following the existing literature, a CFA was conducted for this study. For this purpose, the structural equation modelling (SEM) technique was applied through the software package of AMOS 21.0. For applying SEM through AMOS in this regard, the constructs along with their measures or scale items are represented through a measurement model, which is evaluated by using the actual data. This analysis was performed in the following two stages:

(1) *Evaluation of measurement model consisting of three dimensions of cognitive CBR* (i.e., customer orientation, financial strength, and product and service quality). This measurement model specified the relationships between scale items and their respective latent dimensions of cognitive CBR. The model was a *first-order measurement model*, because it was consisting of only one layer of latent constructs/dimensions, which were being measured through some observable scale items (Hair et al., 2010).

(2) *Evaluation of measurement model consisting of six key constructs* (i.e., cognitive CBR, affective CBR, customer perceived risk, customer trust, customer commitment and intentional loyalty). All of these constructs, except cognitive CBR, were first-order

latent constructs, which were being measured directly through some observable scale items. However, cognitive CBR was a second-order latent construct, consisting of another layer of three latent dimensions. Each dimension of cognitive CBR was then measurable through some observable scale items. Therefore, due to the presence of a second-order latent construct, this measurement model, which involved six key constructs, was a *second-order measurement model* (Hair et al., 2010).

These two stages of CFA are presented in the following Sections 5.4.1 and 5.4.2, respectively.

#### **5.4.1. Evaluation of measurement model involving three dimensions of cognitive CBR**

The evaluation of the measurement model aims to assess how well the scale items represent their respective constructs/dimensions (Walsh & Beatty, 2007; Malhotra, 2010). For this purpose, the application of SEM helps to evaluate the fitness of the measurement model along with the composite reliability, convergent validity and discriminant validity of the constructs included in the model (Hair et al., 2010). The results for the evaluation of the measurement model involving three dimensions of cognitive CBR are presented in the following Sections 5.4.1.1-5.4.1.3.

##### ***5.4.1.1. Fitness of measurement model***

The testing of the measurement model through AMOS generates several fitness-of-model indices, including: goodness of fit index (GFI), comparative fit index (CFI), Tucker-Lewis index (TLI), incremental fit index (IFI), root mean square error of approximation (RMSEA), and ratio of chi-square to degrees of freedom ( $\chi^2/d.f.$ ) which is also written as 'CMIN/DF' (Malhotra, 2010; Hair et al. 2010). To get a good-fit, a measurement model should fulfil the following theoretical benchmarks for these

indices, as recommended by Bagozzi and Yi (1988) and Hair et al. (2010). GFI, CFI, TLI and IFI should not be less than 0.90; RMSEA should be less than 0.07 (lower is better)<sup>15</sup>; and ' $\chi^2/d.f.$ ' should not exceed 5.0.

The proposed measurement model consisting of three dimensions of cognitive CBR was evaluated through AMOS. For this purpose, a bootstrap sample size of 5000 was used following the recommendations of Byrne (2010), Hair et al. (2011) and Zhao et al. (2010). The model achieved a good fit (GFI=0.97; CFI=0.95; TLI=0.93; IFI=0.95; RMSEA=0.07, and,  $\chi^2/d.f.$ <sup>16</sup>=151.18/24=6.30 with p-value=0.000). However, three cases in the data were identified as outliers based on the *mahalanobis distance* (calculated through AMOS). Following the guidelines from Byrne (2010), these cases were deleted list-wise, and the measurement model was evaluated again for the sample size of 1056 responses. The model achieved a good fit apart from a marginally higher RMSEA in comparison with the benchmark of 0.07 (GFI=0.97; CFI=0.95; TLI=0.92; IFI=0.95; RMSEA=0.08, and,  $\chi^2/d.f.$ =170.55/24=7.11 with p-value=0.000). The output from the evaluation of measurement model (i.e., factor loadings/regression weights, correlation coefficients, and confidence intervals for correlation coefficients) was used further to assess the reliability and validity of three dimensions of cognitive CBR.

#### ***5.4.1.2. Composite reliability and convergent validity of constructs***

The evaluation of the measurement model generates standardized factor loadings of the scale items of respective constructs/dimensions included in the model. These factor loadings are used to calculate the *composite reliability* and *average variance extracted* to assess convergent validity of the constructs. As suggested by Malhotra (2010), Hair et al. (2010), and Bagozzi and Yi (1988), composite reliability should exceed 0.7,

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<sup>15</sup> RMSEA should be less than 0.07 for a sample size of more than 250 respondents.

<sup>16</sup> CMIN/d.f. (based on  $\chi^2$ ) should preferably be below 5.0 for a good model-fit. However, chi-square value is reported as sensitive to the sample size (i.e., it increases with the sample size) and may potentially bias the model-fit in case of larger samples. Therefore, (in such cases) other alternate indices should be reported and evaluated to comment on model-fitness (Malhotra, 2010; Hair et al., 2010).

whereas, average variance extracted should exceed 0.5 to ensure the convergent validity of a construct included in the measurement model. Furthermore, all the factor loadings should exceed 0.5 as suggested by Hair et al. (2010). In this regard, Table 5.3 presents the results for the evaluation of measurement model consisting of three dimensions of cognitive CBR.

The results (Table 5.3) revealed that all the scale items had significant standardized loadings ( $p < 0.001$ ) on their respective constructs, which exceeded 0.5 as recommended by Hair et al. (2010). The composite reliabilities exceeded the theoretical benchmark of 0.7 for all the constructs, as suggested by Malhotra (2010) and Hair et al. (2010). The average variance extracted for the *customer orientation* dimension of cognitive CBR met the theoretical benchmark of 0.5 as recommended by Malhotra (2010) and Bagozzi and Yi (1988). For the other two cognitive CBR's dimensions of *financial strength* and *product and service quality*, average variances extracted were found marginally below 0.5 (i.e., 0.45 and 0.47, respectively). However, as reported by Fornell and Larcker (1981), average variance extracted is a conservative measure of convergent validity. They further suggest that the composite reliability of a construct, which fulfils the theoretical benchmarks, is sufficient for researchers to draw conclusions regarding convergent validity. Therefore, the results for the evaluation of measurement model involving three dimensions of cognitive CBR (Table 5.3) reveal the composite reliability and convergent validity of all three dimensions.



**Table 5.3: Results for the evaluation of the measurement model involving three dimensions of cognitive CBR (composite reliability and convergent validity)<sup>a</sup>**

Construct	Dimensions	Scale Items	Standardized Factor Loadings <sup>b</sup>	Composite Reliability	Average Variance Extracted
Cognitive CBR	<i>Customer orientation</i>	CUS1	0.62	0.74	0.50
		CUS2	0.81		
		CUS3	0.68		
	<i>Financial strength</i>	FIN1	0.69	0.71	0.45
		FIN2	0.63		
		FIN3	0.69		
	<i>Product and service quality</i>	PRO1	0.65	0.72	0.47
		PRO2	0.64		
		PRO3	0.75		

<sup>a</sup> n = 1056; <sup>b</sup> All of the standardized factor loadings are significant (p < 0.001)

#### **5.4.1.3. Discriminant validity of constructs**

There are multiple techniques available to test the discriminant validity of the constructs included in measurement model. As suggested by Malhotra (2010), for discriminant validity, a construct's *average variance extracted* should exceed the squared correlation of that construct with every other analysed construct in the model. Using this technique, the discriminant validity of the *customer orientation* dimension was ensured in comparison with other two dimensions of cognitive CBR. However, some issues were found for the discriminant validity of *financial strength* and *product and service quality* dimensions, relative to each other. To examine the discriminant validity of both these dimensions, two other statistical procedures were used as suggested by Anderson and Gerbing (1988).

*First*, using bootstrap procedures, a 95% confidence interval was calculated for a correlation estimate between the two cognitive CBR dimensions (i.e., *financial strength* and *product and service quality*). A bootstrap sample size of 5000 was selected for this purpose, as recommended by Byrne (2010) and Hair et al. (2011). The resulting confidence interval (0.69, 0.83) did not include the value of 1.0. This reflects that both

of the dimensions were not identical, but rather significantly distinct from each other at a 95% confidence level (Anderson & Gerbing, 1988).

*Second*, as suggested by Anderson and Gerbing (1988), to test discriminant validity, the correlation coefficient for an association between two constructs should be constrained to 1.0. The constrained measurement model thus generated should be evaluated to estimate its chi-square value. The difference in the chi-square values of both the constrained model and the unconstrained model should be statistically tested. A significant rise in the chi-square value of the constrained model reveals discriminant validity of the investigated constructs.

Following the recommendations of Anderson and Gerbing (1988), the correlation coefficient between *financial strength* and *product and service quality* dimensions was constrained to 1.0 in the measurement model. The constrained model was evaluated using AMOS, which generated chi-square statistic and other fitness-of-model indices (see Table 5.4). A comparison of both the constrained and unconstrained models revealed a significantly lower chi-square value ( $p < 0.00001$ ) for the unconstrained model. Moreover, the fitness-of-model indices also worsened for the constrained model in contrast to the unconstrained model (see Table 5.4). The results, therefore, supported the discriminant validity of *financial strength* and *product and service quality* dimensions. From the literature on CBR, Walsh et al. (2014) have followed the same guidelines suggested by Anderson and Gerbing (1988) to test the discriminant validity of two constructs (i.e., customer commitment and loyalty intentions).

**Table 5.4: Discriminant validity analysis for the cognitive CBR dimensions of ‘*financial strength*’ and ‘*product and service quality*’<sup>a</sup>**

<b>Fitness-of-Model Indicators</b>	<b>Unconstrained Model</b>	<b>Constrained Model<sup>b</sup></b>
CMIN/DF	7.11	10.47
GFI	0.97	0.95
CFI	0.95	0.92
TLI	0.92	0.88
IFI	0.95	0.92
RMSEA	0.08	0.10
Chi-Square	170.55	261.69
Degrees of freedom (d.f.)	24	25
p-value	0.000	0.000
Difference in Chi-squares	-	91.14
Difference in d.f.	-	1
p-value of chi-square difference	-	<b>&lt;0.00001</b>

<sup>a</sup> n=1056; Bootstrap sample of 5000

<sup>b</sup> Correlation coefficient between ‘*financial strength*’ and ‘*product and service quality*’ is constrained to 1.0

Cognitive CBR was the only second-order construct (with two layers of latent constructs/dimensions) included in the study. Therefore, the measurement model involving three dimensions of cognitive CBR was evaluated separately in the first stage of CFA. The results for the evaluation of the measurement model (involving three dimensions of cognitive CBR) revealed an acceptable fitness-of-model, along with composite reliability, convergent validity and discriminant validity of the three dimensions. The following Section 5.4.2 presents the second stage of CFA. In the second stage, the measurement model involving six key constructs included in the study was evaluated.

#### **5.4.2. Evaluation of measurement model involving six key constructs**

This section reports the results for the evaluation of measurement model involving cognitive CBR, affective CBR, customer perceived risk, customer trust, customer commitment and intentional loyalty. These six constructs are the key constructs which

are included in conceptual model (Figure 3.5) of this study. All these constructs are first-order constructs (with one layer of latent construct only) except cognitive CBR, which is a second-order construct. The results for the evaluation of the measurement model involving these six constructs are presented in the following Sections 5.4.2.1-5.4.2.3.

#### ***5.4.2.1. Fitness of measurement model***

The proposed measurement model consisting of six key constructs was evaluated through AMOS. For this purpose, a bootstrap sample size of 5000 was used following the recommendations of Byrne (2010), Hair et al. (2011) and Zhao et al. (2010). The model achieved a good fit (GFI=0.90; CFI=0.93; TLI=0.92; IFI=0.93; RMSEA=0.06, and,  $\chi^2/d.f.=1487.32/359=4.14$  with p-value=0.000). However, three cases in the data were identified as outliers based on the *mahalanobis distance* (calculated through AMOS). Following the guidelines from Byrne (2010), these cases were deleted list-wise, and the measurement model was evaluated again for the sample size of 1053 responses. The model achieved a good fit for the revised sample size (GFI=0.90; CFI=0.93; TLI=0.92; IFI=0.93; RMSEA=0.06, and,  $\chi^2/d.f.=1514.49/359=4.22$  with p-value=0.000). The output from the evaluation of the measurement model (i.e., factor loadings/regression weights, correlation coefficients, and confidence intervals for correlation coefficients) was used further to assess the reliability and validity of six key constructs.

#### ***5.4.2.2. Composite reliability and convergent validity of constructs***

The standardized regression weights/factor loadings generated through the evaluation of the second-order measurement model were used to calculate the *composite reliability* and *average variance extracted* of the constructs to assess their convergent validity. In

this regard, Table 5.5 presents the results for evaluation of measurement model consisting of six key constructs.

**Table 5.5: Results for the evaluation of the measurement model involving six key constructs (composite reliability and convergent validity) <sup>a</sup>**

<b>Construct</b>	<b>Dimensions/ Scale Items</b>	<b>Standardized Regression Weights <sup>b</sup></b>	<b>Composite Reliability</b>	<b>Average Variance Extracted</b>
Cognitive CBR <sup>c</sup>	Customer orientation	0.69	0.86	0.68
	Financial strength	0.79		
	Product and service quality	0.98		
Affective CBR	AFF1	0.73	0.85	0.53
	AFF2	0.76		
	AFF3	0.74		
	AFF4	0.72		
	AFF5	0.70		
Customer Trust	TRU1	0.74	0.89	0.66
	TRU2	0.83		
	TRU3	0.86		
	TRU4	0.82		
Customer Perceived Risk	RIS1	0.65	0.80	0.51
	RIS2	0.69		
	RIS3	0.77		
	RIS4	0.74		
Customer Commitment	COM1	0.79	0.85	0.60
	COM2	0.76		
	COM3	0.71		
	COM4	0.83		
Intentional Loyalty	LOY1	0.71	0.81	0.59
	LOY2	0.79		
	LOY3	0.80		

<sup>a</sup> n = 1053; <sup>b</sup> All of the standardized factor loadings are significant ( $p \leq 0.001$ )

<sup>c</sup> For the calculation of average variance extracted and composite reliability of cognitive CBR, the standardized regression weights of respective first-order dimensions of cognitive CBR were used as suggested by MacKenzie, Podsakoff, and Podsakoff (2011).

The results revealed that all of the scale items and all of the first-order dimensions of cognitive CBR had significant regression weights ( $p \leq 0.001$ ) on their respective constructs, which exceeded 0.5, as recommended by Hair et al. (2010) and MacKenzie

et al. (2011). The composite reliabilities exceeded the theoretical benchmark of 0.7 for all of the constructs, as suggested by Malhotra (2010) and Hair et al. (2010). The average variance extracted for all of the constructs exceeded the theoretical benchmark of 0.5, as recommended by Malhotra (2010), and Bagozzi and Yi (1988). Therefore, the results reported in Table 5.5 reveal the composite reliability and convergent validity of all six key constructs included in the conceptual model (Figure 3.5) of this study.

#### ***5.4.2.3. Discriminant validity of constructs***

As discussed earlier in Section 5.4.1.3, there exist multiple techniques to assess the discriminant validity of the constructs (see e.g., Anderson & Gerbing, 1988; Malhotra, 2010; Walsh et al., 2014). These techniques were applied to assess the discriminant validity of six key constructs included in the second-order measurement model.

As suggested by Malhotra (2010), for discriminant validity, a construct's *average variance extracted* should exceed the squared correlation of that construct with every other analysed construct in the model. For this purpose, the inter-construct correlation coefficients, squared correlation coefficients, and average variances extracted of the six constructs are reported in Table 5.6. Using this technique, the discriminant validity of customer perceived risk was ensured. However, some issues were found for the discriminant validity of other five constructs (i.e., cognitive CBR, affective CBR, customer trust, customer commitment and intentional loyalty) in their association with each other. This study followed Walsh et al. (2014) to further investigate the discriminant validity of these five constructs by using two other statistical procedures, as recommended by Anderson and Gerbing (1988).

**Table 5.6: Discriminant validity analysis - Inter-construct correlation coefficients, squared correlation coefficients, and average variances extracted <sup>a, b, c</sup> (n=1053)**

Constructs	Cognitive CBR	Affective CBR	Perceived Risk	Customer Trust	Customer Commitment	Intentional Loyalty
<b>Cognitive CBR</b>	<b>0.68</b>	<i>0.68</i>	0.17	0.56	0.32	0.44
<b>Affective CBR</b>	0.82***	<b>0.53</b>	0.19	<i>0.62</i>	<i>0.57</i>	<i>0.62</i>
<b>Perceived Risk</b>	-0.41***	-0.43***	<b>0.51</b>	0.16	0.13	0.19
<b>Customer Trust</b>	0.75***	0.79***	-0.40***	<b>0.66</b>	0.51	0.49
<b>Customer Commitment</b>	0.56***	0.76***	-0.36***	0.71***	<b>0.60</b>	<i>0.69</i>
<b>Intentional Loyalty</b>	0.67***	0.79***	-0.44***	0.70***	0.83***	<b>0.59</b>

\*\*\* Correlation is significant at  $p < 0.001$

<sup>a</sup> The values on the diagonal are 'average variances extracted' (AVE), the values below the diagonal are correlation coefficients, and the values above the diagonal are squared correlation coefficients.

<sup>b</sup> The values written in *italics* and underlined represent the squared correlation coefficients, which are equal to or greater than any of the corresponding average variance extracted, and thus indicate some issue with the discriminant validity of the respective two constructs.

<sup>c</sup> The correlation coefficients were estimated using AMOS, Version 21.

*First*, using bootstrap procedures, 95% confidence intervals were calculated for inter-construct correlation coefficients of five constructs (i.e., cognitive CBR, affective CBR, customer trust, customer commitment and intentional loyalty). A bootstrap sample size of 5000 was selected for this purpose, as recommended by Byrne (2010) and Hair et al. (2011). The resulting confidence intervals are presented in Table 5.7. None of the confidence intervals included the value of 1.0. Therefore, following the guidelines of Anderson and Gerbing (1988), it was ensured that the analysed five constructs were not identical, but rather significantly distinct from each other at 95% confidence level.

*Second*, as recommended by Anderson and Gerbing (1988), the correlation coefficient for each pair of constructs was constrained to the value of 1.0, *one by one*, in the measurement model. In this way, for the five constructs being investigated for

discriminant validity, there were 10 correlation coefficients, which were constrained one by one. By doing this, 10 constrained measurement models were generated (i.e. one for each constrained coefficient) and further evaluated using AMOS. The chi-square value of each constrained model was compared with chi-square value of the unconstrained model, in order to test the statistical significance of their difference. The results in this regard are reported in Table 5.8.

The results reveal a significant rise in the value of chi-square of each constrained model when compared with that of the unconstrained model. Moreover, the fitness-of-model indices also worsened for constrained models in contrast to the unconstrained model (see Table 5.8). Therefore, following the guidelines of Anderson and Gerbing (1988), these results supported the discriminant validity of cognitive CBR, affective CBR, customer trust, customer commitment and intentional loyalty.

**Table 5.7: Discriminant validity analysis - Confidence intervals for correlation estimates <sup>a</sup>**

<b>Correlated constructs</b>	<b>Correlation estimate</b>	<b>95% Confidence Intervals</b>		<b>p-value</b>
		<b>Lower value</b>	<b>Upper value</b>	
Cognitive CBR-Affective CBR	0.82	0.77	0.87	0.000
Cognitive CBR-Customer trust	0.75	0.69	0.80	0.000
Cognitive CBR-Customer commitment	0.56	0.50	0.62	0.000
Cognitive CBR-Intentional loyalty	0.67	0.60	0.72	0.000
Affective CBR-Customer trust	0.79	0.74	0.83	0.000
Affective CBR-Customer commitment	0.76	0.71	0.80	0.000
Affective CBR-Intentional loyalty	0.79	0.74	0.83	0.000
Customer trust-Customer commitment	0.71	0.66	0.76	0.000
Customer trust -Intentional loyalty	0.70	0.65	0.75	0.000
Customer commitment-Intentional loyalty	0.83	0.79	0.87	0.000

<sup>a</sup> n=1053; Bootstrap sample of 5000



**Table 5.8: Discriminant validity analysis: Comparison of unconstrained model with constrained models ( $n=1053$ ; Bootstrap sample of 5000)**

Fitness-of-Model Indicators	Unconstrained Model	Constrained Model 1 <sup>a</sup>	Constrained Model 2 <sup>b</sup>	Constrained Model 3 <sup>c</sup>	Constrained Model 4 <sup>d</sup>	Constrained Model 5 <sup>e</sup>	Constrained Model 6 <sup>f</sup>	Constrained Model 7 <sup>g</sup>	Constrained Model 8 <sup>h</sup>	Constrained Model 9 <sup>i</sup>	Constrained Model 10 <sup>j</sup>
CMIN/DF	4.22	4.57	4.86	5.41	5.01	5.33	5.37	4.90	6.00	5.42	4.70
GFI	0.90	0.89	0.89	0.87	0.88	0.88	0.87	0.89	0.85	0.88	0.89
CFI	0.93	0.92	0.91	0.90	0.91	0.90	0.90	0.91	0.88	0.90	0.91
TLI	0.92	0.91	0.90	0.88	0.89	0.89	0.89	0.90	0.87	0.88	0.90
IFI	0.93	0.92	0.91	0.90	0.91	0.90	0.90	0.91	0.88	0.90	0.91
RMSEA	0.06	0.06	0.06	0.07	0.06	0.06	0.06	0.06	0.07	0.07	0.06
Chi-Square	1514.49	1645.25	1748.91	1947.67	1804.22	1917.83	1932.67	1762.82	2161.08	1949.28	1691.43
Degrees of freedom (d.f.)	359	360	360	360	360	360	360	360	360	360	360
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Difference in Chi-squares		130.76	234.42	433.18	289.73	403.34	418.18	248.33	646.59	434.79	176.94
Difference in d.f.		1	1	1	1	1	1	1	1	1	1
p-value of chi-square difference		<0.00001	<0.00001	<0.00001	<0.00001	<0.00001	<0.00001	<0.00001	<0.00001	<0.00001	<0.00001

Correlation coefficients were respectively constrained to the value of 1.0 for the relationships between:

<sup>a</sup> Cognitive CBR and affective CBR; <sup>b</sup> Cognitive CBR and customer trust; <sup>c</sup> Cognitive CBR and customer commitment; <sup>d</sup> Cognitive CBR and intentional loyalty; <sup>e</sup> Affective CBR and customer trust; <sup>f</sup> Affective CBR and customer commitment; <sup>g</sup> Affective CBR and intentional loyalty; <sup>h</sup> Customer trust and customer commitment; <sup>i</sup> Customer trust and intentional loyalty; <sup>j</sup> Customer commitment and intentional loyalty

## **5.5. Structural model evaluation and hypotheses testing**

The objective of structural model evaluation is to test the hypothesized relationships among the study constructs. For this purpose, bootstrap procedures were used to compute the inter-construct direct, indirect and total effects (Walsh et al., 2014; Byrne, 2010). Following the recommendations of Hair et al. (2011), Byrne (2010) and Zhao et al. (2010) a bootstrap sample size of 5000 was selected. Bootstrap procedures generate multiple sub-samples (e.g., 5000 in this study) from the original sample data to calculate the parameter estimates. The effects calculated through bootstrapping are, therefore, highly stable, and the reported results have greater accuracy (Byrne, 2010).

### **5.5.1. Direct effects**

Table 5.9 presents the results for the estimated direct inter-construct effects. These results reported the statistical significance of the following four direct relationships (as in the hypothesized directions) between: (1) cognitive CBR and affective CBR ( $\beta=0.83$ ;  $p= 0.001$ ); (2) affective CBR and customer trust ( $\beta=0.69$ ;  $p= 0.000$ ); (3) affective CBR and customer commitment ( $\beta=1.02$ ;  $p= 0.001$ ), and (4) affective CBR and customer perceived risk ( $\beta= -0.35$ ;  $p= 0.000$ ). The hypotheses H1, H5, H6 and H9, respectively, were therefore supported.

The hypothesized direct relationships of cognitive CBR with customer trust ( $\beta=0.16$ ;  $p= 0.143$ ), intentional loyalty ( $\beta=0.13$ ;  $p= 0.072$ ) and customer perceived risk ( $\beta= -0.12$ ;  $p= 0.241$ ) lacked statistical significance. The direct impact of affective CBR on intentional loyalty was also found to be non-significant ( $\beta= 0.21$ ;  $p= 0.077$ ). Similarly, the direct relationship of cognitive CBR with customer commitment was found to be significant, but negative ( $\beta= -0.28$ ;  $p= 0.017$ ), contrary to the hypothesized positive direction of this relationship. The hypotheses H2, H4, H8, H7 and H3, respectively, thus

lacked support. Figure 5.1 exhibits the results of all (hypothesized and non-hypothesized) direct effects included in the conceptual model (Figure 3.5).

**Table 5.9: Results for the evaluation of the structural model (Figure 3.5) - Standardized direct, indirect, and total effects <sup>a</sup>**

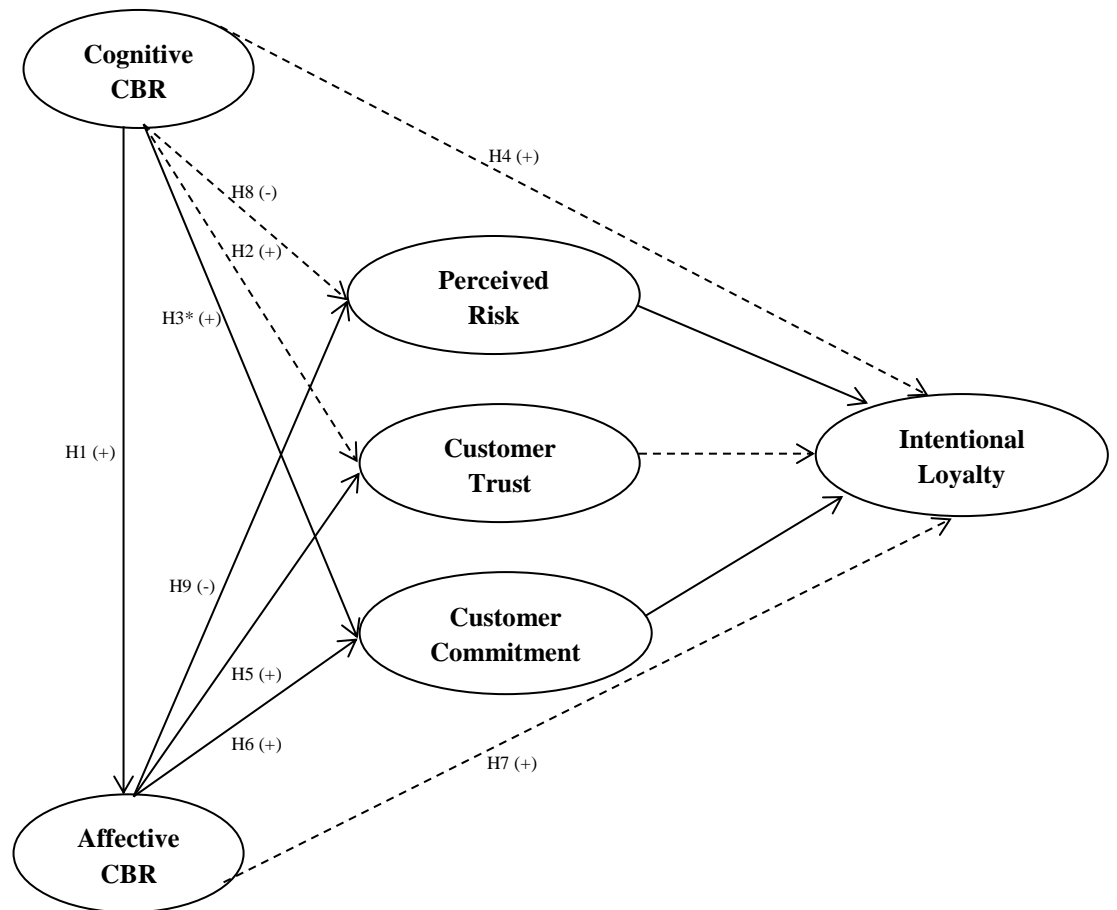
Inter-construct relationships	Direct effect (p-value)	Indirect effect (p-value)	Total effect (p-value)
Cognitive CBR → Affective CBR	0.83 (0.001)	0.00	0.83 (0.001)
Cognitive CBR → Perceived Risk	-0.12 (0.241) <sup>b</sup>	-0.29 (0.000)	-0.41 (0.000)
Cognitive CBR → Customer Trust	0.16 (0.143) <sup>b</sup>	0.58 (0.000)	0.74 (0.000)
Cognitive CBR → Customer Commitment	-0.28 (0.017)	0.84 (0.000)	0.57 (0.000)
Cognitive CBR → Intentional Loyalty	0.13 (0.072) <sup>b</sup>	0.54 (0.002)	0.67 (0.000)
Affective CBR → Perceived Risk	-0.35 (0.000)	0.00	-0.35 (0.000)
Affective CBR → Customer Trust	0.69 (0.000)	0.00	0.69 (0.000)
Affective CBR → Customer Commitment	1.02 (0.001)	0.00	1.02 (0.001)
Affective CBR → Intentional Loyalty	0.21 (0.077) <sup>b</sup>	0.60 (0.001)	0.81 (0.001)
Perceived Risk → Intentional Loyalty	-0.09 (0.005)	0.00	-0.09 (0.005)
Customer Trust → Intentional Loyalty	0.03 (0.608) <sup>b</sup>	0.00	0.03 (0.608) <sup>b</sup>
Customer Commitment → Intentional Loyalty	0.55 (0.001)	0.00	0.55 (0.001)

<sup>a</sup> (n=1053; Bootstrap sample size = 5000)

<sup>b</sup> Not significant

**Fitness-of-model indices:**

GFI= 0.90; CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.06; CMIN/d.f.= 4.32 ( $\chi^2=1563.76$ , d.f.=362 and p-value = 0.000)



Significant direct effects ———→  
 Non-significant direct effects - - - - -→  
 \* Significant negative effect was found

**Figure 5.1: Estimated model representing significant and non-significant direct effects only**

These results suggest the differential effects of cognitive CBR and affective CBR on the outcome variables of customer trust, customer commitment and customer perceived risk. Table 5.9 reports indirect effects and total effects also, for the respective relationships among the key constructs of this study. Indirect effects here refer to the mediated effects of independent variables on dependent variables. Indirect effects (if any) combined with the direct effects represent the total effects of independent variables on dependent variables (Zhao et al., 2010). These indirect and total effects are helpful to explain the unsupported hypothesized direct relationships among the constructs.

The indirect effects of cognitive CBR on customer trust and perceived risk were found to be significant ( $\beta = 0.58$ ,  $p = 0.000$ ;  $\beta = -0.29$ ,  $p = 0.000$ , respectively), although the direct effects in these relationships (as hypothesized in H2 and H8, respectively) were insignificant. The results (see Table 5.9 and Figure 5.1) suggest the possible mediating effects of affective CBR in this regard. This means cognitive CBR can influence customer trust and perceived risk indirectly through affective CBR. The significant direct effect of cognitive CBR on affective CBR ( $\beta = 0.83$ ;  $p = 0.001$ ), and the significant direct effects of affective CBR on customer trust and perceived risk ( $\beta = 0.69$ ,  $p = 0.000$ ;  $\beta = -0.35$ ,  $p = 0.000$ , respectively) supported the mediating role of affective CBR in the indirect relationships of cognitive CBR with the outcome variables.

The indirect effect of cognitive CBR on customer commitment was found to be *positive and significant* ( $\beta = 0.84$ ;  $p = 0.000$ ) in contrast with the significant *negative* direct relationship between both these constructs ( $\beta = -0.28$ ;  $p = 0.017$ ). A relatively larger *positive indirect effect*, in comparison to the *negative direct effect*, generated a significant *positive total effect* of cognitive CBR on customer commitment ( $\beta = 0.57$ ;  $p = 0.000$ ). It revealed an overall positive influence of cognitive CBR on customer commitment. Furthermore, affective CBR explained the indirect influence of cognitive CBR on customer commitment. The significant direct impact of cognitive CBR on affective CBR ( $\beta = 0.83$ ;  $p = 0.001$ ), and the significant direct impact of affective CBR on customer commitment ( $\beta = 1.02$ ;  $p = 0.001$ ) supported the mediating role of affective CBR in cognitive CBR-customer commitment relationship.

Although not hypothesized in this study, the results related to direct relationships of intentional loyalty with customer perceived risk, customer trust and customer commitment are reported in Table 5.9. These results are helpful for analysing the mediation-related hypotheses, as shall be done in the following Section 5.5.2. The direct effects of perceived risk and customer commitment on intentional loyalty were found to

be significant ( $\beta = -0.09$ ,  $p = 0.005$ ;  $\beta = 0.55$ ,  $p = 0.001$ , respectively). However, the relationship of customer trust with intentional loyalty was not found to be significant ( $\beta = 0.03$ ;  $p = 0.608$ ).

The significant indirect (mediated) effects of both CBR components on intentional loyalty are analysed in the following Section 5.5.2.

### **5.5.2. Mediating effects**

The results for the testing of mediation-related hypotheses (Hypotheses 10-17) are included in this section. The mediating effects for affective CBR-intentional loyalty relationship are reported in sub-section 5.5.2.1, whereas the mediating effects for cognitive CBR-intentional loyalty relationship are reported in sub-section 5.5.2.2.

#### ***5.5.2.1. Affective CBR-Intentional loyalty relationship***

The indirect relationship between affective CBR and intentional loyalty was found to be significant ( $\beta = 0.60$ ;  $p = 0.001$ ). The significance of this indirect relationship suggested the presence of some mediating factor/s, which could explain this relationship (Zhao et al., 2010). In this vein, the conceptual model (Figure 3.5) of this study proposed three possible mediators for the impact of affective CBR on intentional loyalty, which included customer trust, customer commitment and perceived risk.

This study follows the guidelines of Zhao et al. (2010) for testing the mediating effects. As they suggest, the significance of indirect effect is a sufficient condition for establishing the mediating effect. Indirect effect here refers to the product of (1) the direct impact of the independent variable on the mediator variable, and (2) the direct impact of the mediator variable on the dependent (outcome) variable. In this vein, the results in Table 5.9 report the significant direct effects of affective CBR (independent variable) on customer trust ( $\beta = 0.69$ ;  $p = 0.000$ ), customer commitment ( $\beta = 1.02$ ;  $p =$

0.001) and perceived risk ( $\beta = -0.35$ ;  $p = 0.000$ ). Two proposed mediators, including customer commitment and perceived risk, have significant direct effects on intentional loyalty (dependent variable) also ( $\beta = 0.55$ ,  $p = 0.001$  and  $\beta = -0.09$ ,  $p = 0.005$ , respectively). However, the effects of customer trust on intentional loyalty (dependent variable) are found to be insignificant ( $\beta = 0.03$ ;  $p = 0.608$ ). Therefore, following the guidelines of Zhao et al. (2010), the results did not support the mediating effects of customer trust in affective CBR-intentional loyalty relationship (Hypothesis 11). In contrast, customer commitment and perceived risk were found to mediate the impact of affective CBR on intentional loyalty.

As discussed earlier in Section 4.10.1, a limitation of using the SEM technique through AMOS is that in case of multiple mediators explaining a relationship, the individual effect of each mediator cannot be identified. Therefore, to assess the relative mediating effects of customer commitment and perceived risk in affective CBR-intentional loyalty relationship, this study used '*PROCESS*' (i.e., the SPSS-based macro, developed by Hayes, 2013).

Table 5.10 presents the results of the relative mediating effects of customer commitment and perceived risk. As recommended by Zhao et al. (2010) and Byrne (2010), a bootstrap sample size of 5000 was used while estimating the mediating effects and their respective 95% confidence intervals. Both the mediators were found to individually mediate the affective CBR-intentional loyalty relationship. Their respective 95% confidence intervals did not include the value of '0', which revealed the statistical significance of these mediating effects. Hypotheses 13 and 15 were thus supported.

**Table 5.10: Comparison of indirect paths for ‘Affective CBR-Intentional loyalty’ relationship <sup>a</sup>**

Indirect Path	Mediator	$\beta$ <sup>b</sup>	S.E. <sup>c</sup>	C.I. <sup>d</sup>
Affective CBR → Customer Commitment → Intentional Loyalty	Customer Commitment	0.29	0.02	(0.25; 0.33)
Affective CBR → Perceived Risk → Intentional Loyalty	Perceived Risk	0.04	0.01	(0.02; 0.06)

<sup>a</sup> n=1053; Bootstrap sample size = 5000

<sup>b</sup>  $\beta$  = Standardized effect coefficient for indirect effect

<sup>c</sup> S.E. = Standard error

<sup>d</sup> C.I. = 95% confidence interval

The results (Table 5.10) exhibit a relatively higher mediating effect of customer commitment ( $\beta=0.29$ ; S.E.=0.02) in comparison to that of perceived risk ( $\beta=0.04$ ; S.E.=0.01) in affective CBR-intentional loyalty relationship. This study used ‘*significance test for Z-scores*’ to examine the significance of difference in both mediating effects. Paternoster et al. (1998) have proposed this test to assess the significance of difference in two regression coefficients/effect sizes. The formula to calculate Z-score for this test is:

$$Z = \frac{b_1 - b_2}{\sqrt{(SEb_1)^2 + (SEb_2)^2}}$$

Here,  $b_i$  = Coefficient of effect size,

$SE_i$  = Standard error associated with a group,

p-value for the Z-score is then calculated to estimate the significance of difference between two effect sizes.

Using the ‘*significance test for Z-scores*’, the difference between both the mediating effects of customer commitment and perceived risk was found to be significant ( $Z=11.18$ ;  $p<0.01$ ). Therefore, the results suggest customer commitment as a stronger



mediator than customer perceived risk, for explaining the impact of affective CBR on intentional loyalty.

Zhao et al. (2010), and Baron and Kenny (1986) have suggested various types of mediating effects. When both the direct and indirect (mediated) effects of an independent variable on outcome variable are significant, it is referred to as the *partial mediating effects* of proposed mediator/s. However, if the direct effect of the independent variable on the outcome variable is not significant, while the indirect (mediated) effect in that relationship is found to be significant, it is referred to as the *full mediation* or *indirect only mediation* by the proposed mediator/s. In this study, the results (Table 5.9) suggest the significant indirect effect of affective CBR on intentional loyalty ( $\beta=0.60$ ;  $p= 0.001$ ), whereas the direct effect of affective CBR on intentional loyalty is found to be insignificant ( $\beta=0.21$ ;  $p= 0.077$ ). Therefore, the mediation by customer commitment and customer perceived risk (see Table 5.10) represents a *full mediation* or *indirect only mediation* of affective CBR-intentional loyalty relationship.

The joint mediating effects of customer trust, customer commitment and perceived risk are hypothesized for affective CBR-intentional loyalty relationship in Hypothesis 17 (Section 3.5.3). The results, as reported in this section, do not fully support Hypothesis 17, because customer trust was not found to mediate affective CBR-intentional loyalty relationship. However, the mediating effects of customer commitment and perceived risk were found to be significant in explaining this relationship. Therefore, Hypothesis 17 is partially supported. These results reveal that a positive (negative) affective CBR enhances (reduces) customer commitment and decreases (increases) customer perceived risk to further develop (diminish) intentional loyalty. However, customer trust does not play an effective role in explaining the impact of affective CBR on intentional loyalty.

### ***5.5.2.2. Cognitive CBR-Intentional loyalty relationship***

The indirect effect of cognitive CBR on intentional loyalty was found to be significant ( $\beta=0.54$ ;  $p= 0.002$ ). As recommended by Zhao et al. (2010), the significance of this indirect effect suggested the presence of some mediating factor/s in cognitive CBR-intentional loyalty relationship. In this vein, the conceptual model (Figure 3.5) of this study proposed four possible mediators including affective CBR, customer trust, customer commitment and perceived risk, which could explain the impact of cognitive CBR on intentional loyalty.

This study followed the guidelines of Zhao et al. (2010) for testing the mediating effects, as discussed in the preceding Section 5.5.2.1. Using their guidelines, customer trust was not found to mediate cognitive CBR-intentional loyalty relationship (Hypothesis 10). The insignificant effect of customer trust (mediator) on intentional loyalty (dependent variable) ( $\beta=0.03$ ;  $p= 0.608$ ) did not support the mediating effect of customer trust in this regard. However, affective CBR, customer commitment and perceived risk had significant relationships (either direct or indirect) with both cognitive CBR (independent variable), and intentional loyalty (dependent variable) (see Table 5.9). Therefore, these three constructs were expected to mediate cognitive CBR-intentional loyalty relationship.

Using the results presented in Table 5.9 and Figure 5.1, three possible indirect paths could be proposed for explaining cognitive CBR-intentional loyalty relationship:

- (1) Cognitive CBR → Customer commitment → Intentional loyalty (i.e., customer commitment as a mediator)
- (2) Cognitive CBR → Affective CBR → Customer commitment → Intentional loyalty (i.e., affective CBR and customer commitment as mediators in a serial)
- (3) Cognitive CBR → Affective CBR → Perceived risk → Intentional loyalty (i.e., affective CBR and perceived risk as mediators in a serial)

The testing of these three possible indirect paths was critical for determining the relative mediating effects of customer commitment, perceived risk and affective CBR. For this purpose, 'PROCESS' (the SPSS-based macro) developed by Hayes (2013) was used, because of the limitations of AMOS for examining multiple mediator effects. Based on the recommendations of Zhao et al. (2010) and Byrne (2010), a bootstrap sample size of 5000 was used while estimating the coefficients of indirect paths and their respective 95% confidence intervals.

The results for the relative mediating effects of customer commitment, perceived risk and affective CBR are presented in Table 5.11. Customer commitment did not individually mediate cognitive CBR-intentional loyalty relationship ( $\beta=0.02$ ; S.E.=0.016). The 95% confidence interval in this case (-0.01; 0.05) included the value of '0'. Therefore, this indirect effect coefficient ( $\beta=0.02$ ) was not found to be significant (i.e., different from '0') at 95% confidence level. However, the mediating effect of customer commitment was found to be significant when it was combined in serial with affective CBR ( $\beta=0.18$ ; S.E. =0.016). The 95% confidence interval for this indirect path did not include the value of '0'. Therefore, the joint mediating effect of affective CBR and customer commitment was found to be significantly different from '0'. This reveals that cognitive CBR has a positive influence on affective CBR, which makes customers committed, and customer commitment further generates the intentional loyalty of customers. Hypothesis 12, regarding the mediating effect of customer commitment in cognitive CBR-intentional loyalty relationship is therefore *partially* supported, because customer commitment did not individually mediate this relationship, rather it was done in combination with another mediator (i.e., affective CBR).

**Table 5.11: Comparison of indirect paths for ‘Cognitive CBR-Intentional loyalty’ relationship <sup>a</sup>**

<b>Indirect Path</b>	<b>Mediator/s</b>	<b><math>\beta</math><sup>b</sup></b>	<b>S.E.<sup>c</sup></b>	<b>C.I.<sup>d</sup></b>
Cognitive CBR → Customer Commitment → Intentional Loyalty	Customer Commitment	0.02	0.016	(-0.01; 0.05)
Cognitive CBR → Affective CBR → Customer Commitment → Intentional Loyalty	Affective CBR and Customer Commitment in serial	0.18	0.016	(0.15; 0.21)
Cognitive CBR → Affective CBR → Perceived Risk → Intentional Loyalty	Affective CBR and Perceived Risk in serial	0.01	0.004	(0.01; 0.02)

<sup>a</sup> n=1053; Bootstrap sample size = 5000

<sup>b</sup>  $\beta$  = Standardized effect coefficient for indirect effect

<sup>c</sup> S.E. = Standard error

<sup>d</sup> C.I. = 95% confidence interval

The mediating effect of customer perceived risk was also found to be significant when it was combined in serial with affective CBR ( $\beta=0.01$ ; S.E. =0.004). The 95% confidence interval for this indirect path did not include the value of ‘0’. Therefore, the joint mediating effect of affective CBR and perceived risk was found to be significantly different from ‘0’. This reveals that cognitive CBR has positive influence on affective CBR, which reduces perceived risks of customers, in order to make them loyal towards the service provider. It is important to mention here that customer perceived risk could not individually mediate the relationship between cognitive CBR and intentional loyalty, because cognitive CBR had insignificant direct impact on perceived risk

( $\beta = -0.12$ ;  $p = 0.241$ ). Therefore, Hypothesis 14, regarding the mediating effect of customer perceived risk in cognitive CBR-intentional loyalty relationship is *partially* supported.

The results (Table 5.11) exhibit a relatively higher joint mediating effect of affective CBR and customer commitment ( $\beta=0.18$ ; S.E.=0.016) in comparison to the joint mediating effect of affective CBR and perceived risk ( $\beta=0.01$ ; S.E.=0.004) in cognitive CBR-intentional loyalty relationship. As recommended by Paternoster et al. (1998), the ‘*significance test for Z-scores*’ was applied to examine the significance of the difference between both of these joint mediating effects. By doing this, the joint mediating effect of affective CBR and customer commitment was found to be significantly higher than that of affective CBR and perceived risk ( $Z=10.31$ ;  $p<0.01$ ). Therefore, the results suggest that customer commitment is a stronger mediator than customer perceived risk, for explaining the impact of cognitive CBR on intentional loyalty. However, the respective effects of both of these mediators are found in combination with the mediating effects of affective CBR, for cognitive CBR-intentional loyalty relationship.

The ‘*type of mediation*’ was determined for the mediating effects found in this section, by using the classification scheme proposed by Zhao et al. (2010), and Baron and Kenny (1986). The results (Table 5.9) suggest significant indirect effect of cognitive CBR on intentional loyalty ( $\beta=0.54$ ;  $p= 0.002$ ), whereas the direct effect of cognitive CBR on intentional loyalty is found to be insignificant ( $\beta=0.13$ ;  $p= 0.072$ ). Therefore, the mediation by customer commitment, customer perceived risk and affective CBR (see Table 5.11) represents a *full mediation or indirect only mediation* of cognitive CBR-intentional loyalty relationship.

The joint mediating effects of affective CBR, customer trust, customer commitment and perceived risk are hypothesized for cognitive CBR-intentional loyalty relationship in Hypothesis 16 (Section 3.5.3). Based on the results reported in this section,

Hypothesis 16 is partially supported because customer trust was not found to mediate cognitive CBR-intentional loyalty relationship. However, the effects of other mediators including affective CBR, customer commitment and perceived risk were found to be significant in explaining this relationship. These results reveal that a positive (negative) cognitive CBR causes positive (negative) affective CBR, which increases (decreases) customer commitment and reduces (increases) customer perceived risk to develop (lessen) intentional loyalty. However, customer trust does not play an effective role in explaining the impact of cognitive CBR on intentional loyalty.

## **5.6. Moderating effects**

This section consists of a moderation analysis for the relationships of CBR components with outcome variables included in the conceptual model (Figure 3.5). This study incorporates two moderators: relationship age and type of firm. The detailed results of moderation analysis are presented in the following Section 5.6.1 and Section 5.6.2, respectively for ‘relationship age’ and ‘type of firm’ as moderators.

### **5.6.1. Relationship age as a moderator**

To test ‘relationship age’ as a moderator, the dataset was divided into two sub-groups, including: customers with *short relationship age* (i.e. in business relationship with the service provider for up to a year), and customers with *long relationship age* (i.e. in business relationship with the service provider for more than a year). *Multigroup Structural Equation Modelling* technique was applied through AMOS for moderation analysis. For this purpose, the procedures suggested by Walsh et al. (2014), Hair et al. (2010), and Steenkamp and Baumgartner (1998) were followed. These procedures mainly consist of five stages of analysis, which are presented in the following Sections (5.6.1.1 – 5.6.1.5).

#### ***5.6.1.1. Multigroup CFA for testing of measurement model***

In the first stage, *multigroup confirmatory factor analysis (CFA)* was conducted for the testing of the measurement model, by using two groups of data (i.e., short relationship age and long relationship age). The results for multigroup CFA are reported in Table 5.12.

The measurement model achieved good fit (GFI=0.88<sup>17</sup>; CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/d.f.=1973.07/718=2.75$  with p-value = 0.000). All of the factor loadings were found to be significant (at  $p < 0.01$ ) for both groups of customers. Therefore, configural invariance was achieved for the multigroup measurement model (Walsh et al., 2014). Configural invariance ensures that there exists some basic factor structure in both the groups of data, and the constructs are congeneric across both the groups (Hair et al., 2010).

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<sup>17</sup> GFI was found marginally below 0.90 - the theoretical benchmark recommended by Hair et al. (2010). However, due to recent developments of other indices to test the fitness of model, the usage of GFI is declining. In comparison, indices such as CFI and RMSEA are more widely used in testing the fitness of models (Hair et al., 2010). GFI is also sensitive to sample size, as suggested in the existing literature (Byrne, 2010; Babakus, Ferguson, & Jöreskog, 1987).

**Table 5.12: Relationship age as moderator - Evaluation of multigroup measurement model****(Standardized factor loadings)<sup>a, b</sup>**

<b>Construct</b>	<b>Dimensions</b>	<b>Scale Items</b>	<b>Long relationship age</b>	<b>Short relationship age</b>
Cognitive CBR	<i>Customer orientation</i>	CUS1	0.59	0.64
		CUS2	0.78	0.83
		CUS3	0.69	0.71
	<i>Financial strength</i>	FIN1	0.71	0.70
		FIN2	0.60	0.63
		FIN3	0.67	0.73
	<i>Product and service quality</i>	PRO1	0.61	0.60
		PRO2	0.68	0.75
		PRO3	0.75	0.70
Affective CBR		AFF1	0.70	0.81
		AFF2	0.73	0.81
		AFF3	0.73	0.78
		AFF4	0.72	0.74
		AFF5	0.70	0.76
Customer Trust		TRU1	0.73	0.76
		TRU2	0.83	0.85
		TRU3	0.87	0.82
		TRU4	0.83	0.76
Customer Perceived Risk		RIS1	0.67	0.60
		RIS2	0.69	0.68
		RIS3	0.77	0.77
		RIS4	0.75	0.71
Customer Commitment		COM1	0.77	0.82
		COM2	0.75	0.79
		COM3	0.69	0.74
		COM4	0.83	0.83
Intentional Loyalty		LOY1	0.68	0.78
		LOY2	0.80	0.79
		LOY3	0.80	0.79

<sup>a</sup> n (Long relationship age) = 784; n (Short relationship age) = 265; Bootstrap sample size = 5000<sup>b</sup> All of the standardized factor loadings are significant ( $p < 0.01$ )



### 5.6.1.2. *Metric invariance analysis*

In the second stage, the multigroup measurement model was analysed for *full metric invariance*. The purpose was to test whether the constructs were associated with their respective scale items in the same way in both groups (Hair et al., 2010). In this vein, all of the factor loadings were constrained to be equal across both the groups. This resulted in two measurement models: the unconstrained model (i.e. without any constraints) and the constrained model (i.e. with equality constraints). Both models were simultaneously evaluated through AMOS. The results for the evaluation of the models are reported in Table 5.13. The constrained model achieved good fit (GFI=0.88; CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/d.f.=2006.06/739=2.72$  with p-value = 0.000). However, the chi-square value for constrained model increased significantly when compared to that of unconstrained model ( $\Delta\chi^2=32.99$ ;  $\Delta d.f.= 21$ ; p = 0.046). Therefore, full metric invariance was not supported.

Achieving full metric invariance is desirable in moderation analysis; however it may not be achieved for complex models (Hair et al., 2010; Walsh et al., 2014). An acceptable solution in this regard is to achieve *partial metric invariance* (Walsh et al., 2014). In achieving partial metric invariance, some equality constraints are released for each construct in the model (Hair et al., 2010). The unconstrained and constrained models are then evaluated to assess the significance of difference in the chi-square values of both models. In the case that the increase in chi-square value in constrained model is insignificant, the partial metric invariance is supported.

Following the guidelines of Hair et al. (2010), one equality constraint for each construct was removed. For this purpose, the factor loadings were identified which had relatively higher differences across both the groups (i.e., short relationship age and long relationship age). The equality constraints for those identified factor loadings were removed from the constrained model. The resulting partially constrained model and

**Table 5.13: Relationship age as moderator - Metric invariance analysis <sup>a</sup>**

<b>Multigroup Measurement Models</b>	<b><math>\chi^2</math></b>	<b>DF</b>	<b>p-value</b>	<b><math>\Delta\chi^2</math></b>	<b><math>\Delta DF</math></b>	<b>p-value for <math>\Delta\chi^2</math></b>	<b><math>\chi^2/DF</math></b>	<b>GFI</b>	<b>CFI</b>	<b>TLI</b>	<b>IFI</b>	<b>RMSEA</b>	<b>Equality Supported</b>
Configural invariance	1973.07	718	0.000				2.75	0.88	0.92	0.91	0.92	0.04	–
Full metric invariance	2006.06	739	0.000	32.99	21	0.046	2.72	0.88	0.92	0.91	0.92	0.04	NO
Partial metric invariance	1992.63	731	0.000	19.56	13	0.107	2.73	0.88	0.92	0.91	0.92	0.04	YES

<sup>a</sup> n (Long relationship age) = 784; n (Short relationship age) = 265

unconstrained model were evaluated simultaneously through AMOS. Table 5.13 reports the results for partial metric invariance analysis. The constrained model achieved a good fit (GFI=0.88; CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/d.f.=1992.63/731=2.73$  with p-value = 0.000). More importantly, the increase in the chi-square value of partially constrained model (in comparison with that of unconstrained model) was found to be insignificant ( $\Delta\chi^2=19.56$ ;  $\Delta d.f.= 13$ ;  $p = 0.107$ ). Therefore, partial metric invariance was supported. As recommended by Walsh et al. (2014) and Hair et al. (2010), achieving acceptable partial metric invariance is sufficient to move to the next stages of moderation analysis. The comparison of both relationship age-based groups of customers is thus meaningful.

#### ***5.6.1.3. Scalar invariance analysis***

When doing multigroup analysis through SEM, scalar invariance is tested to assess whether the differences in the mean scores of observable variables across the groups are because of the differences in means of their underlying constructs (Steenkamp & Baumgartner, 1998). In other words, scalar invariance analysis refers to test if intercepts of the observable scale items are invariant across the groups (Vandenberg & Lance, 2000). Such analysis should be conducted if full/partial metric invariance has already been achieved (Vandenberg & Lance, 2000; Steenkamp & Baumgartner, 1998). Therefore, this study tested the scalar invariance using the measurement model, in the *third* stage of multigroup analysis. Following the guidelines provided by Steenkamp and Baumgartner (1998), intercepts of all the observable scale items were constrained to be equal across both the groups of customers with respect to relationship age (i.e., customers with long relationship age and customers with short relationship age). For doing this, the same measurement model was constrained where partial metric invariance had already been achieved, as reported in the preceding Section 5.6.1.2.

The constrained model was evaluated through AMOS, to compare it with the model where partial metric invariance was already achieved. Table 5.14 reports the results of the evaluation of both models. The constrained model achieved good fit (CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/\text{d.f.}=2039.64/760=2.68$  with p-value = 0.000). However, a significant increase in the value of chi-square for constrained model when compared to that of partial metric invariance model ( $\Delta\chi^2=47.02$ ;  $\Delta\text{d.f.}= 29$ ; p = 0.019) did not support the full scalar invariance.

Not achieving full scalar invariance is not a surprising result in multigroup analysis (see e.g., Fischer, Völckner, & Sattler, 2010; Shukla & Purani, 2012). In this case, following the guidelines of Steenkamp and Baumgartner (1998), some constraints for the equality of intercepts across both the groups were released, to test for the partial scalar invariance. For this purpose, those equality constraints were released where intergroup differences of the intercept estimates were relatively higher. The resulting partially constrained scalar invariance model and the model with partial metric invariance were evaluated simultaneously through AMOS (see Table 5.14 for the results). The former model achieved a good fit (CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/\text{d.f.}=2008.75/752=2.67$  with p-value = 0.000). More importantly, an insignificant increase in the chi-square value of partially constrained scalar invariance model in comparison with that of partial metric invariance model was reported ( $\Delta\chi^2=16.13$ ;  $\Delta\text{d.f.}= 21$ ; p = 0.76). These results supported the achievement of partial scalar invariance. As recommended by Steenkamp and Baumgartner (1998), achieving acceptable partial scalar invariance is sufficient to move to the final stages of multigroup/moderation analysis, and it adds to the meaningfulness of the cross-group comparisons.

**Table 5.14: Relationship age as moderator - Scalar invariance analysis <sup>a</sup>**

<b>Multigroup Measurement Models</b>	<b><math>\chi^2</math></b>	<b>DF</b>	<b>p-value</b>	<b><math>\Delta\chi^2</math></b>	<b><math>\Delta DF</math></b>	<b>p-value for <math>\Delta\chi^2</math></b>	<b><math>\chi^2/DF</math></b>	<b>CFI</b>	<b>TLI</b>	<b>IFI</b>	<b>RMSEA</b>	<b>Equality Supported</b>
Partial metric invariance	1992.63	731	0.000	-	-	-	2.73	0.92	0.91	0.92	0.04	-
Full scalar invariance	2039.64	760	0.000	47.02	29	0.019	2.68	0.92	0.91	0.92	0.04	NO
Partial scalar invariance	2008.75	752	0.000	16.13	21	0.76	2.67	0.92	0.91	0.92	0.04	YES

<sup>a</sup> n (Long relationship age) = 784; n (Short relationship age) = 265

#### ***5.6.1.4. Evaluation of multigroup structural model***

In the *fourth* stage, the multigroup structural model was evaluated using AMOS. A bootstrap sample size of 5000 was used, as recommended by Byrne (2010) and Hair et al. (2011), to estimate inter-construct effects. The estimates of those direct, indirect and total effects for both the groups are reported in Table 5.15. The model fulfilled the theoretical benchmarks for fitness, as suggested by Bagozzi and Yi (1988) and Hair et al. (2010). The fitness-of-model indices were found as follows: GFI=0.88; CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04; and  $\chi^2/d.f.=2022.38/724=2.79$  with p-value=0.000.

**Table 5.15: Relationship age as moderator - Evaluation of multigroup structural model**

(Total, direct and indirect effects) <sup>a, b, c, d</sup>

Inter-construct relationships	LONG Relationship Age			SHORT Relationship Age		
	Effect	S.E.	p-value	Effect	S.E.	p-value
<b>Total Effects</b>						
COG-AFF	0.83	0.03	0.000	0.84	0.05	0.001
COG-RISK	-0.35	0.05	0.000	-0.57	0.08	0.000
COG-TRU	0.73	0.03	0.000	0.78	0.06	0.000
COG-COM	0.53	0.04	0.000	0.67	0.07	0.001
COG-LOY	0.65	0.03	0.000	0.73	0.07	0.001
AFF-RISK	-0.52	0.10	0.000	0.23	0.29	0.266
AFF-TRU	0.69	0.11	0.000	0.65	0.26	0.012
AFF-COM	1.09	0.17	0.000	0.77	0.32	0.008
AFF-LOY	0.84	0.11	0.001	0.77	0.32	0.004
RISK-LOY	-0.11	0.04	0.005	-0.06	0.07	0.394
TRU-LOY	0.02	0.07	0.799	0.05	0.13	0.566
COM-LOY	0.57	0.09	0.000	0.49	0.13	0.003
<b>Direct Effects</b>						
COG-AFF	0.83	0.03	0.000	0.84	0.05	0.001
COG-RISK	0.08	0.11	0.432	-0.76	0.29	0.005
COG-TRU	0.16	0.12	0.197	0.24	0.28	0.247
COG-COM	-0.37	0.18	0.002	0.02	0.35	0.964
COG-LOY	0.17	0.14	0.060	0.02	0.46	0.908
AFF-RISK	-0.52	0.10	0.000	0.23	0.29	0.266
AFF-TRU	0.69	0.11	0.000	0.65	0.26	0.012
AFF-COM	1.09	0.17	0.000	0.77	0.32	0.008
AFF-LOY	0.14	0.21	0.384	0.36	0.50	0.092
RISK-LOY	-0.11	0.04	0.005	-0.06	0.07	0.394
TRU-LOY	0.02	0.07	0.799	0.05	0.13	0.566
COM-LOY	0.57	0.09	0.000	0.49	0.13	0.003
<b>Indirect Effects</b>						
COG-RISK	-0.43	0.09	0.000	0.19	0.26	0.262
COG-TRU	0.57	0.11	0.000	0.55	0.25	0.010
COG-COM	0.90	0.17	0.000	0.65	0.31	0.007
COG-LOY	0.47	0.13	0.010	0.71	0.45	0.004
AFF-LOY	0.69	0.21	0.000	0.41	0.31	0.007

<sup>a</sup> n (Long relationship age) = 784; n (Short relationship age) = 265

<sup>b</sup> A bootstrapping sample size of 5000 was used to estimate standardized effects.

<sup>c</sup> p-values were estimated through 'bias-corrected percentile method' using bootstrapping procedures.

<sup>d</sup> S.E.=Standard error; COG=Cognitive CBR; AFF=Affective CBR; Risk=Customer perceived risk; TRU=Customer trust; COM=Customer commitment; LOY=Intentional loyalty.

### **5.6.1.5. Moderation analysis**

In the *final* stage, moderating effects were estimated. For this purpose, three models were simultaneously evaluated using *multiple group analysis* through AMOS:

**Model A: Unconstrained Model.** In this model, no equality constraint was imposed across both groups based on relationship age. This meant that all of the parameters to be estimated were kept free.

**Model B: Baseline Structural Model.** In this model, some of the factor loadings were constrained to be equal across both the groups. For this purpose, the equality constraints used to achieve partial metric invariance in Section 5.6.1.2 were retained here.

**Model C: Moderation Model/s.** In a moderation model, a specific inter-construct direct effect is constrained to be equal across both the groups. The equality constraints for factor loadings used in baseline structural model (Model B) are also retained in developing the moderation model. Each moderation model is separately evaluated in comparison with baseline structural model. The significance of difference in chi-square values of both models is then estimated to establish any moderating effect. A significant rise in the chi-square value of moderation model, when compared to that of baseline structural model, suggests the moderating effect on the inter-construct direct effect being analysed (Hair et al., 2010; Walsh et al, 2014).

Applying the procedures suggested by Walsh et al. (2014) and Hair et al. (2010), the moderating effects of relationship age were tested for each direct effect of CBR components on the outcome variables. For this purpose, the direct effects of both CBR components were, one by one, constrained to be equal across both the relationship age groups. Only one direct effect was constrained to equality in one moderator model. In this way, eight different moderator models were tested against baseline structural model, respectively for the four direct effects of cognitive CBR (Models C1-C4) and the



four direct effects of affective CBR (Models C5-C8). Testing of these models corresponds to the testing of hypotheses 18 and 19. Table 5.16 presents the results of the evaluation of these moderation models. All of the constrained models (i.e., baseline structural model and moderation models) achieved good fit (see Table 5.16, Models B, C1-C4 and C5-C8). The detailed results for this *fifth* stage of moderation analysis are reported in the following Sections (5.6.1.5.1 and 5.6.1.5.2), respectively for the effects of cognitive CBR and affective CBR on outcome variables.

Although not hypothesized in Chapter 3 (Section 3.6.1), the moderating effects of relationship age were estimated for the direct effects of perceived risk, customer trust and customer commitment on intentional loyalty, and for the direct effect of cognitive CBR on affective CBR (see Models C9-C12, respectively, in Table 5.16). These direct effects were included in the conceptual model (Figure 3.5) of this study. Therefore, the moderation analysis for these effects was conducted to better discuss the overall conceptual model. The results of this moderation analysis are reported in the following Section 5.6.1.5.3.

#### ***5.6.1.5.1. Moderation analysis for the effects of cognitive CBR on outcome variables***

The results (see Table 5.16) suggested significant moderating effects of relationship age for the direct effects of cognitive CBR on customer perceived risk ( $\Delta\chi^2=19.17$ ;  $\Delta d.f= 1$ ;  $p = 0.000$ ) and customer commitment ( $\Delta\chi^2=3.98$ ;  $\Delta d.f= 1$ ;  $p = 0.046$ ). Cognitive CBR was found to significantly reduce perceived risk of customers with a short relationship age ( $\beta= -0.76$ ;  $p= 0.005$ ). In contrast, no significant effect of cognitive CBR was found on customer perceived risk for customers with a long relationship age ( $\beta=0.08$ ;  $p= 0.432$ ).

**Table 5.16: Relationship age as moderator – Multigroup structural model comparisons** <sup>a, b, c, d</sup>

Models	$\chi^2$	DF	p-value	$\Delta\chi^2$	$\Delta DF$	p-value for $\Delta\chi^2$	$\chi^2/DF$	GFI	CFI	TLI	IFI	RMSEA	Equality Supported	Moderation Effect
(B) Baseline Structural Model	2042.63	737	0.000	-	-	-	2.77	0.88	0.92	0.91	0.92	0.04	-	
<b><i>Moderation Models</i></b>														
<b>Hypothesized moderating effects for direct effects of cognitive CBR</b>														
(C1) COG-RISK constrained	2061.79	738	0.000	19.17	1	0.000***	2.79	0.88	0.91	0.91	0.92	0.04	NO	YES
(C2) COG-TRU constrained	2043.10	738	0.000	0.47	1	0.492	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO
(C3) COG-COM constrained	2046.61	738	0.000	3.98	1	0.046**	2.77	0.88	0.92	0.91	0.92	0.04	NO	YES
(C4) COG-LOY constrained	2043.34	738	0.000	0.71	1	0.400	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO
<b>Hypothesized moderating effects for direct effects of affective CBR</b>														
(C5) AFF-RISK constrained	2062.09	738	0.000	19.46	1	0.000***	2.79	0.88	0.91	0.91	0.92	0.04	NO	YES
(C6) AFF-TRU constrained	2043.79	738	0.000	1.16	1	0.281	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO
(C7) AFF-COM constrained	2047.44	738	0.000	4.82	1	0.028**	2.77	0.88	0.92	0.91	0.92	0.04	NO	YES
(C8) AFF-LOY constrained	2043.50	738	0.000	0.87	1	0.351	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO
<b>Non-hypothesized moderating effects</b>														
(C9) RIS-LOY constrained	2043.16	738	0.000	0.53	1	0.466	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO
(C10) TRU-LOY constrained	2042.71	738	0.000	0.08	1	0.777	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO
(C11) COM-LOY constrained	2043.70	738	0.000	1.07	1	0.300	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO
(C12) COG-AFF constrained	2044.68	738	0.000	2.05	1	0.152	2.77	0.88	0.92	0.91	0.92	0.04	YES	NO

\*\* p<0.05; \*\*\* p<0.01

<sup>a</sup> n (Long relationship age) = 784; n (Short relationship age) = 265

<sup>b</sup> A bootstrapping sample size of 5000 was used to estimate standardized effects.

<sup>c</sup> p-values were estimated through 'bias-corrected percentile method' using bootstrapping procedures.

<sup>d</sup> COG=Cognitive CBR; AFF=Affective CBR; Risk=Customer perceived risk; TRU=Customer trust; COM=Customer commitment; LOY=Intentional loyalty.

The impact of cognitive CBR on customer commitment was found to be insignificant for customers with short relationship age ( $\beta=0.02$ ;  $p= 0.964$ ). In contrast, for customers with long relationship age, the impact of cognitive CBR on customer commitment was found to be significant and negative ( $\beta= -0.37$ ;  $p= 0.002$ ). No moderating effects of relationship age were found for the direct effects of cognitive CBR on customer trust and intentional loyalty ( $\Delta\chi^2=0.47$ ;  $\Delta d.f= 1$ ;  $p = 0.492$ ;  $\Delta\chi^2=0.71$ ;  $\Delta d.f= 1$ ;  $p = 0.400$ , respectively).

A limitation of AMOS is that it helps to estimate moderating effects only for the inter-construct *direct effects*, and not for the *indirect* or *total effects*. The earlier results about the direct effects and mediation analysis (Sections 5.5.1 and 5.5.2, respectively) in this study suggest the mediated/indirect effects of cognitive CBR on perceived risk, customer trust, customer commitment and intentional loyalty. Therefore, it was important to test any moderating effects of relationship age for mediated and total effects of cognitive CBR on outcome variables. For this purpose, a technique of *sub-group analysis* was found in the extant literature (see e.g., Rigdon et al., 1998; Edwards & Lambert, 2007).

Using the sub-group analysis technique, inter-construct indirect and total effects were estimated for each relationship age-based group separately. Bootstrap procedures were applied through SEM technique to estimate the standardized indirect and total effects, along with their p-values. The effects were then compared across both groups of customers to find any inter-group differences. A simple comparison of effect size coefficients and their p-values may not be sufficient to establish any moderating effects, as suggested by Edwards and Lambert (2007). Therefore, using the procedures recommended by Paternoster et al. (1998), *Z-scores* were calculated for respective differences between the corresponding effect size coefficients of both customer groups. The statistical significance of those *Z-scores* was then tested through the estimation of

p-values, to comment on the inter-group differences or moderating effects. Table 5.17 presents the results for moderation analysis of mediated and total inter-construct effects.

**Table 5.17: Relationship age as moderator for *total* and *mediated* inter-construct effects<sup>a,b,c,d</sup>**

Inter-construct relationships	LONG Relationship Age			SHORT Relationship Age			z	Moderating Effects
	Effect	S.E.	p-value	Effect	S.E.	p-value		
<b>Total Effects</b>								
COG-RISK	-0.35	0.05	0.000	-0.57	0.08	0.000	2.263**	YES
COG-TRU	0.73	0.03	0.000	0.78	0.06	0.000	-0.798	NO
COG-COM	0.53	0.04	0.000	0.67	0.07	0.001	-1.732*	YES*
COG-LOY	0.65	0.03	0.000	0.73	0.07	0.001	-1.078	NO
AFF-RISK	-0.52	0.10	0.000	0.23	0.29	0.266	-2.466**	YES
AFF-TRU	0.69	0.11	0.000	0.65	0.26	0.012	0.147	NO
AFF-COM	1.09	0.17	0.000	0.77	0.32	0.008	0.876	NO
AFF-LOY	0.84	0.11	0.001	0.77	0.32	0.004	0.204	NO
RISK-LOY	-0.11	0.04	0.005	-0.06	0.07	0.394	-0.693	NO
TRU-LOY	0.02	0.07	0.799	0.05	0.13	0.566	-0.260	NO
COM-LOY	0.57	0.09	0.000	0.49	0.13	0.003	0.481	NO
COG-AFF	0.83	0.03	0.000	0.84	0.05	0.001	-0.214	NO
<b>Indirect Effects</b>								
COG-RISK	-0.43	0.09	0.000	0.19	0.26	0.262	-2.231**	YES
COG-TRU	0.57	0.11	0.000	0.55	0.25	0.010	0.098	NO
COG-COM	0.90	0.17	0.000	0.65	0.31	0.007	0.710	NO
COG-LOY	0.47	0.13	0.010	0.71	0.45	0.004	-0.505	NO
AFF-LOY	0.69	0.21	0.000	0.41	0.31	0.007	0.764	NO

\* p < 0.10; \*\* p < 0.05

<sup>a</sup> n (Long relationship age) = 784; n (Short relationship age) = 265

<sup>b</sup> A bootstrapping sample size of 5000 was used to estimate standardized effects.

<sup>c</sup> p-values were estimated through 'bias-corrected percentile method' using bootstrapping procedures.

<sup>d</sup> S.E.=Standard error; COG=Cognitive CBR; AFF=Affective CBR; Risk=Customer perceived risk; TRU=Customer trust; COM=Customer commitment; LOY=Intentional loyalty.

The mediated (indirect) effect of cognitive CBR on perceived risk was found to be moderated by relationship age ( $z = -2.231$ ;  $p < 0.05$ ). However, the results contrasted with the moderated direct effect of cognitive CBR on perceived risk. The indirect effect of cognitive CBR on perceived risk was found to be insignificant for customers with a short relationship age ( $\beta = 0.19$ ;  $p = 0.262$ ), whereas, this effect was found to be

significant for customers with a long relationship age ( $\beta = -0.43$ ;  $p = 0.000$ ). The total effect of cognitive CBR on perceived risk was also found to be moderated by relationship age ( $z = 2.263$ ;  $p < 0.05$ ). In this case, cognitive CBR was found to significantly reduce perceived risk of both the groups of customers. However, such effect was significantly higher ( $p < 0.05$ ) for the customers with a short relationship age ( $\beta_{\text{short}} = -0.57$ ;  $\beta_{\text{long}} = -0.35$ ). The results on the moderating effects of relationship age on cognitive CBR-perceived risk relationship are summarized in the following paragraph:

Cognitive CBR directly reduces perceived risk of customers with a short relationship age, but not of customers with a long relationship age. In contrast, the indirect negative effect of cognitive CBR on perceived risk (mediated through affective CBR) is found to be significant for customers with a long relationship age, but not for customers with a short relationship age. In the same vein, the total effect (i.e. combination of direct and indirect effects) of cognitive CBR on perceived risk is found to be significant and negative for both groups of customers. However, this effect is significantly stronger for customers with a short relationship age. Hypothesis 18(i) is, therefore, not supported.

The indirect effect of cognitive CBR on customer commitment was not found to be moderated by relationship age ( $z = 0.710$ ;  $p = 0.478$ ). This indirect effect was found to be positive and significant for both groups of customers ( $\beta_{\text{short}} = 0.65$ ,  $p = 0.007$ ;  $\beta_{\text{long}} = 0.90$ ,  $p = 0.000$ ). However, the total effect of cognitive CBR on customer commitment was found to be marginally moderated by relationship age at  $p < 0.10$  ( $z = -1.732$ ;  $p = 0.083$ ). This effect was found to be stronger for customers with a short relationship age than for customers with a long relationship age ( $\beta_{\text{short}} = 0.67$ ;  $\beta_{\text{long}} = 0.53$ ). The results for the moderating effects of relationship age on cognitive CBR-customer commitment relationship are summarized in the following paragraph:

While the direct effect of cognitive CBR on customer commitment is found to be significant and negative ( $\beta = -0.37$ ;  $p = 0.002$ ) for customers with long relationship age,

the indirect effect of cognitive CBR on customer commitment is found to be significantly positive for the same group of customers ( $\beta= 0.90$ ;  $p=0.000$ ). Such indirect effect (mediated through affective CBR) is stronger than the corresponding direct effect of cognitive CBR on customer commitment ( $z= -5.143$ ;  $p<0.01$ ). Therefore, the total effect of cognitive CBR on customer commitment is significantly positive ( $\beta= 0.53$ ;  $p=0.000$ ) for long-term customers. However, the total effect in cognitive CBR-customer commitment relationship is found to be stronger for short term customers than for long term customers ( $z = -1.732$ ;  $p=0.083$ ). Hypothesis 18(iii) is, therefore, not supported.

The indirect and total effects of cognitive CBR on customer trust and intentional loyalty are not found to be moderated by relationship age (see Table 5.17), which is consistent with the non-moderated direct effects in these inter-construct relationships. Therefore, hypotheses 18(ii) and 18(iv) are also not supported.

#### ***5.6.1.5.2. Moderation analysis for the effects of affective CBR on outcome variables***

The results (see Table 5.16) suggested that relationship age significantly moderates the direct effects of affective CBR on customer perceived risk ( $\Delta\chi^2=19.46$ ;  $\Delta d.f= 1$ ;  $p = 0.000$ ) and customer commitment ( $\Delta\chi^2= 4.82$ ;  $\Delta d.f= 1$ ;  $p = 0.028$ ). Affective CBR significantly reduced perceived risk of customers with a long relationship age ( $\beta= -0.52$ ;  $p= 0.000$ ). In contrast, no significant effect of affective CBR was found on perceived risk of customers with a short relationship age ( $\beta=0.23$ ;  $p= 0.266$ ). Hypothesis 19(i) was thus supported. Similarly, the impact of affective CBR on customer commitment was found to be stronger for customers with a long relationship age ( $\beta=1.09$ ;  $p= 0.000$ ), in contrast to customers with a short relationship age ( $\beta=0.77$ ;  $p= 0.008$ ). This supported hypothesis 19(iii).

No moderating effect of relationship age was found for the direct effect of affective CBR on customer trust ( $\Delta\chi^2=1.16$ ;  $\Delta d.f= 1$ ;  $p= 0.281$ ). The effect of affective CBR on

customer trust remained significant for both customers with a short relationship age ( $\beta=0.65$ ;  $p= 0.012$ ) and customers with a long relationship age ( $\beta=0.69$ ;  $p= 0.000$ ). Hypothesis 19(ii) was thus not supported.

No moderating effect of relationship age was found for the direct effect of affective CBR on intentional loyalty ( $\Delta\chi^2=0.87$ ;  $\Delta d.f= 1$ ;  $p = 0.351$ ). An insignificant direct effect of affective CBR was found on intentional loyalty for both customers with a short relationship age ( $\beta=0.36$ ;  $p= 0.092$ ) and customers with a long relationship age ( $\beta=0.14$ ;  $p= 0.384$ ). However, affective CBR was reported to indirectly relate to intentional loyalty in the evaluation of the main structural model (see Section 5.5.2.1). Therefore, the moderating effects of relationship age were also tested for indirect and total effects of affective CBR on intentional loyalty (see Table 5.17 for results).

Using a sub-group analysis technique, relationship age was not found to moderate the indirect and total effects of affective CBR on intentional loyalty ( $z = 0.764$ ,  $p = 0.445$ ;  $z = 0.204$ ,  $p = 0.838$ , respectively). The indirect effect of affective CBR on intentional loyalty remained significant for customers with a short relationship age ( $\beta=0.41$ ;  $p= 0.007$ ) and for customers with a long relationship age ( $\beta=0.69$ ;  $p= 0.000$ ). Similarly, the total effect of affective CBR on intentional loyalty also remained significant for customers with a short relationship age ( $\beta=0.77$ ;  $p= 0.004$ ) and for customers with a long relationship age ( $\beta=0.84$ ;  $p= 0.001$ ). Hypothesis 19(iv) was thus not supported.

#### ***5.6.1.5.3. Moderation analysis for non-hypothesized moderating effects***

In addition to hypothesized moderating effects, some non-hypothesized moderating effects were also estimated. In this vein, no significant moderating effects of relationship age were found for the direct or total effects of perceived risk, customer

trust and customer commitment on intentional loyalty; and for the direct or total effects of cognitive CBR on affective CBR (see Table 5.16 and Table 5.17).

## **5.6.2. Type of firm as a moderator**

The procedures suggested by Walsh et al. (2014), Hair et al. (2010), and Steenkamp and Baumgartner (1998) were used to test the moderating effects of firm type. The same procedures have already been applied in the preceding Section 5.6.1 to test *relationship age* as a moderator. In this regard, the dataset was divided into the following two groups with respect to type of firm: foreign multinational restaurants (including McDonald's, KFC, and Subway) and local restaurants (represented by Fri-Chiks). The *Multigroup Structural Equation Modelling* technique was applied through AMOS for the moderation analysis, which consisted of five main stages. The results of these five stages of analysis are presented in the following Sections (5.6.2.1 – 5.6.2.5).

### **5.6.2.1. Multigroup CFA for testing of measurement model**

In the first stage, a *multigroup confirmatory factor analysis (CFA)* was conducted for testing the measurement model, by using two groups of data (i.e., MNEs and local firms). Results for multigroup CFA are reported in Table 5.18. The measurement model achieved good fit (GFI=0.88<sup>18</sup>; CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/d.f.=2030.91/718=2.78$  with p-value = 0.000). All of the factor loadings were found to be significant (at p <0.01) for both groups of customers. Therefore, configural invariance was achieved for the multigroup measurement model (Walsh et al., 2014).

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<sup>18</sup> GFI was found to be marginally below 0.90 - the theoretical benchmark recommended by Hair et al. (2010). However, due to recent developments of other indices to test the fitness of model, the usage of GFI is declining. In comparison, indices such as CFI and RMSEA are more widely used in testing the fitness of models (Hair et al., 2010). GFI is also sensitive to sample size, as suggested in the existing literature (Byrne, 2010; Babakus et al., 1987).



**Table 5.18: Type of firm as moderator - Evaluation of multigroup measurement model****(Standardized factor loadings)<sup>a, b</sup>**

<b>Construct</b>	<b>Dimensions</b>	<b>Scale Items</b>	<b>MNEs</b>	<b>LOCAL</b>
Cognitive CBR	<i>Customer orientation</i>	CUS1	0.62	0.59
		CUS2	0.81	0.76
		CUS3	0.66	0.77
	<i>Financial strength</i>	FIN1	0.70	0.72
		FIN2	0.62	0.58
		FIN3	0.70	0.67
	<i>Product and service quality</i>	PRO1	0.65	0.53
		PRO2	0.70	0.74
		PRO3	0.72	0.83
Affective CBR		AFF1	0.73	0.75
		AFF2	0.74	0.82
		AFF3	0.74	0.76
		AFF4	0.71	0.73
		AFF5	0.69	0.73
Customer Trust		TRU1	0.73	0.76
		TRU2	0.84	0.77
		TRU3	0.86	0.93
		TRU4	0.81	0.88
Customer Perceived Risk		RIS1	0.68	0.54
		RIS2	0.72	0.58
		RIS3	0.76	0.79
		RIS4	0.73	0.74
Customer Commitment		COM1	0.78	0.80
		COM2	0.76	0.76
		COM3	0.71	0.70
		COM4	0.83	0.85
Intentional Loyalty		LOY1	0.70	0.74
		LOY2	0.80	0.80
		LOY3	0.82	0.77

<sup>a</sup> n (MNEs) = 793; n (Local) = 251; Bootstrap sample size = 5000<sup>b</sup> All of the standardized factor loadings are significant (p < 0.01)

### **5.6.2.2. Metric invariance analysis**

In the second stage, the multigroup measurement model was analysed for *full metric invariance*, to test whether the constructs were associated with their respective scale items in the same way in both the groups (Hair et al., 2010). All of the factor loadings were constrained to be equal across both the groups. The resulting constrained model (with equality constraints) and unconstrained model (i.e. without any constraints) were simultaneously evaluated through AMOS. The results for the evaluation of the models are reported in Table 5.19. The constrained model achieved a good fit (GFI=0.87; CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/d.f.=2062.73/739=2.79$  with p-value =0.000). The chi-square value for constrained model did not increase significantly when compared with that of unconstrained model ( $\Delta\chi^2=31.82$ ;  $\Delta d.f.= 21$ ;  $p = 0.061$ ). Therefore, *full metric invariance* was supported, and the comparison of both groups of customers was found to be meaningful.

### **5.6.2.3. Scalar invariance analysis**

In the *third* stage, scalar invariance analysis was performed to test if intercepts of the observable scale items are invariant across the groups (Vandenberg & Lance, 2000). Following the guidelines provided by Steenkamp and Baumgartner (1998), intercepts of all the observable scale items were constrained to be equal across both the groups of customers with respect to type of firm (i.e., customers of MNEs and customers of local enterprise). For doing this, the same measurement model was constrained where full metric invariance had already been achieved, as reported in the preceding Section 5.6.2.2.

**Table 5.19: Type of firm as moderator - Metric invariance analysis <sup>a</sup>**

<b>Multigroup Measurement Models</b>	<b><math>\chi^2</math></b>	<b>DF</b>	<b>p-value</b>	<b><math>\Delta\chi^2</math></b>	<b><math>\Delta DF</math></b>	<b>p-value for <math>\Delta\chi^2</math></b>	<b><math>\chi^2/DF</math></b>	<b>GFI</b>	<b>CFI</b>	<b>TLI</b>	<b>IFI</b>	<b>RMSEA</b>	<b>Equality Supported</b>
Configural invariance	2030.91	718	0.000				2.78	0.88	0.92	0.91	0.92	0.04	–
Full metric invariance	2062.73	739	0.000	31.82	21	0.061	2.79	0.87	0.92	0.91	0.92	0.04	YES

<sup>a</sup> n (MNEs) = 793; n (Local) = 251

The constrained full scalar invariance model and full metric invariance model were simultaneously evaluated using AMOS. The results are reported in Table 5.20. The constrained full scalar invariance model achieved good fit (CFI=0.91; TLI=0.91; IFI=0.91; RMSEA=0.04;  $\chi^2/\text{d.f.}=2170.55/768=2.83$  with p-value = 0.000). However, a significant increase in the value of chi-square for constrained model when compared to that of full metric invariance model ( $\Delta\chi^2=107.82$ ;  $\Delta\text{d.f.}= 29$ ; p = 0.000) did not support the full scalar invariance.

Achieving partial scalar invariance is an acceptable solution, if full scalar invariance is not achieved, as recommended by Steenkamp and Baumgartner (1998). Therefore, some constraints for the equality of intercepts across both the groups were released, to test for the partial scalar invariance. For this purpose, those equality constraints were removed where inter-group differences of the intercept estimates were relatively higher. The resulting partially constrained scalar invariance model and the model with full metric invariance were evaluated simultaneously through AMOS (see Table 5.20 for the results). The former model achieved a good fit (CFI=0.92; TLI=0.91; IFI=0.92; RMSEA=0.04;  $\chi^2/\text{d.f.}=2087.08/757=2.76$  with p-value = 0.000). More importantly, the chi-square value of partially constrained scalar invariance model did not increase significantly in comparison with that of full metric invariance model ( $\Delta\chi^2=24.35$ ;  $\Delta\text{d.f.}= 18$ ; p = 0.144). These results supported the achievement of partial scalar invariance, and thus added to the meaningfulness of the cross-group comparisons.

**Table 5.20: Type of firm as moderator – Scalar invariance analysis <sup>a</sup>**

<b>Multigroup Measurement Models</b>	<b><math>\chi^2</math></b>	<b>DF</b>	<b>p-value</b>	<b><math>\Delta\chi^2</math></b>	<b><math>\Delta DF</math></b>	<b>p-value for <math>\Delta\chi^2</math></b>	<b><math>\chi^2/DF</math></b>	<b>CFI</b>	<b>TLI</b>	<b>IFI</b>	<b>RMSEA</b>	<b>Equality Supported</b>
Full metric invariance	2062.73	739	0.000	-	-	-	2.79	0.92	0.91	0.92	0.04	-
Full scalar invariance	2170.55	768	0.000	107.82	29	0.000	2.83	0.91	0.91	0.91	0.04	NO
Partial scalar invariance	2087.08	757	0.000	24.35	18	0.144	2.76	0.92	0.91	0.92	0.04	YES

<sup>a</sup> n (MNEs) = 793; n (Local) = 251

#### ***5.6.2.4. Evaluation of multigroup structural model***

In the *fourth* stage, the multigroup structural model was evaluated using AMOS. A bootstrap sample size of 5000 was used, as recommended by Byrne (2010) and Hair et al. (2011), to estimate the inter-construct effects. The estimates of those direct, indirect and total effects for both groups are reported in Table 5.21. The model fulfilled the theoretical benchmarks for fitness, as suggested by Bagozzi and Yi (1988) and Hair et al. (2010). The fitness-of-model indices were found as follows: GFI=0.87; CFI=0.91; TLI=0.90; IFI=0.91; RMSEA=0.04; and  $\chi^2/\text{d.f.}=2091.80/724=2.89$  with p-value = 0.000.

**Table 5.21: Type of firm as moderator - Evaluation of multigroup structural model**

**(Total, direct and indirect effects)<sup>a, b, c, d</sup>**

Inter-construct relationships	MNEs			LOCAL		
	Effect	S.E.	p-value	Effect	S.E.	p-value
<b>Total Effects</b>						
COG-AFF	0.81	0.03	0.000	0.90	0.05	0.000
COG-RISK	-0.40	0.05	0.001	-0.48	0.09	0.000
COG-TRU	0.74	0.03	0.001	0.66	0.06	0.001
COG-COM	0.52	0.04	0.000	0.67	0.06	0.001
COG-LOY	0.63	0.04	0.000	0.74	0.05	0.001
AFF-RISK	-0.40	0.09	0.000	-0.18	0.67	0.747
AFF-TRU	0.71	0.10	0.000	0.70	1.14	0.087
AFF-COM	1.05	0.15	0.000	1.01	1.69	0.047
AFF-LOY	0.84	0.11	0.000	0.97	1.09	0.007
RISK-LOY	-0.07	0.03	0.047	-0.09	0.08	0.225
TRU-LOY	0.11	0.07	0.138	-0.11	0.22	0.237
COM-LOY	0.58	0.08	0.000	0.37	0.40	0.143
<b>Direct Effects</b>						
COG-AFF	0.81	0.03	0.000	0.90	0.05	0.000
COG-RISK	-0.08	0.10	0.406	-0.32	0.68	0.269
COG-TRU	0.17	0.11	0.137	0.02	1.14	0.923
COG-COM	-0.33	0.17	0.003	-0.24	1.70	0.364
COG-LOY	0.13	0.09	0.122	-0.07	2.52	0.796
AFF-RISK	-0.40	0.09	0.000	-0.18	0.67	0.747
AFF-TRU	0.71	0.10	0.000	0.70	1.14	0.087
AFF-COM	1.05	0.15	0.000	1.01	1.69	0.047
AFF-LOY	0.13	0.14	0.345	0.66	2.69	0.076
RISK-LOY	-0.07	0.03	0.047	-0.09	0.08	0.225
TRU-LOY	0.11	0.07	0.138	-0.11	0.22	0.237
COM-LOY	0.58	0.08	0.000	0.37	0.40	0.143
<b>Indirect Effects</b>						
COG-RISK	-0.32	0.08	0.000	-0.17	0.65	0.734
COG-TRU	0.57	0.10	0.000	0.63	1.13	0.070
COG-COM	0.85	0.16	0.000	0.91	1.69	0.038
COG-LOY	0.51	0.08	0.001	0.81	2.53	0.047
AFF-LOY	0.71	0.15	0.000	0.31	2.09	0.065

<sup>a</sup> n (MNEs) = 793; n (LOCAL) = 251

<sup>b</sup> A bootstrapping sample size of 5000 was used to estimate standardized effects.

<sup>c</sup> p-values were estimated through 'bias-corrected percentile method' using bootstrapping procedures.

<sup>d</sup> S.E.=Standard error; COG=Cognitive CBR; AFF=Affective CBR; Risk=Customer perceived risk; TRU=Customer trust; COM=Customer commitment; LOY=Intentional loyalty.

### 5.6.2.5. Moderation analysis

In the *final* stage, moderating effects were estimated. For this purpose, three models were simultaneously evaluated using *multiple group analysis* through AMOS:

**Model D: Unconstrained Model.** In this model, no equality constraint was imposed across both the groups based on type of firm. This means that all of the parameters to be estimated were kept free.

**Model E: Baseline Structural Model.** In this model, all of the factor loadings were constrained to be equal across both the groups.

**Model F: Moderation Model/s.** In the respective moderation models, the direct effects of CBR components on outcome variables were, one by one, constrained to be equal across both the groups. The equality constraints for factor loadings used in the baseline structural model (Model E) were also retained when developing the moderation models. Only one direct effect was constrained to equality across both the groups in one moderator model. In this way, eight different moderator models were developed, respectively for four direct effects of cognitive CBR (Models F1-F4) and four direct effects of affective CBR (Models F5-F8). Applying the procedures suggested by Walsh et al. (2014) and Hair et al. (2010), each moderation model was then separately evaluated in comparison with baseline structural model (Model E) to establish any moderating effects. Testing these models corresponds to the testing of hypotheses 20 and 21. Table 5.22 presents the results of the evaluation of these moderation models. All of the constrained models (i.e., baseline structural model and moderation models) achieved good fit (see Table 5.22, Models E, F1-F4 and F5-F8). The detailed results for this *fifth* stage of moderation analysis are reported in the following Sections (5.6.2.5.1 and 5.6.2.5.2), respectively for the effects of cognitive CBR and affective CBR on outcome variables.



**Table 5.22: Type of firm as moderator – Multigroup structural model comparisons** <sup>a, b, c, d</sup>

Models	$\chi^2$	DF	p-value	$\Delta\chi^2$	$\Delta$ DF	p-value for $\Delta\chi^2$	$\chi^2/DF$	GFI	CFI	TLI	IFI	RMSEA	Equality Supported	Moderation Effect
(E) Baseline Structural Model	2123.71	745	0.000	-	-	-	2.851	0.87	0.91	0.90	0.91	0.04	-	-
<b><i>Moderation Models</i></b>														
<b>Hypothesized moderating effects for direct effects of cognitive CBR</b>														
(F1) COG-RISK constrained	2124.25	746	0.000	0.54	1	0.462	2.848	0.87	0.91	0.90	0.91	0.04	YES	NO
(F2) COG-TRU constrained	2124.31	746	0.000	0.60	1	0.438	2.848	0.87	0.91	0.90	0.91	0.04	YES	NO
(F3) COG-COM constrained	2123.95	746	0.000	0.25	1	0.621	2.847	0.87	0.91	0.90	0.91	0.04	YES	NO
(F4) COG-LOY constrained	2125.00	746	0.000	1.30	1	0.255	2.849	0.87	0.91	0.90	0.91	0.04	YES	NO
<b>Hypothesized moderating effects for direct effects of affective CBR</b>														
(F5) AFF-RISK constrained	2124.93	746	0.000	1.22	1	0.269	2.848	0.87	0.91	0.90	0.91	0.04	YES	NO
(F6) AFF-TRU constrained	2123.73	746	0.000	0.02	1	0.880	2.847	0.87	0.91	0.90	0.91	0.04	YES	NO
(F7) AFF-COM constrained	2123.73	746	0.000	0.02	1	0.876	2.847	0.87	0.91	0.90	0.91	0.04	YES	NO
(F8) AFF-LOY constrained	2126.98	746	0.000	3.27	1	0.070*	2.851	0.87	0.91	0.90	0.91	0.04	NO*	YES*
<b>Non-hypothesized moderating effects</b>														
(F9) RIS-LOY constrained	2123.84	746	0.000	0.13	1	0.719	2.847	0.87	0.91	0.90	0.91	0.04	YES	NO
(F10) TRU-LOY constrained	2128.58	746	0.000	4.87	1	0.027**	2.853	0.87	0.91	0.90	0.91	0.04	NO	YES
(F11) COM-LOY constrained	2127.34	746	0.000	3.63	1	0.057*	2.852	0.87	0.91	0.90	0.91	0.04	NO*	YES*
(F12) COG-AFF constrained	2124.73	746	0.000	1.02	1	0.312	2.848	0.87	0.91	0.90	0.91	0.04	YES	NO

\* p value <0.10; \*\* p<0.05

<sup>a</sup> n (MNEs) = 793; n (LOCAL) = 251

<sup>b</sup> A bootstrapping sample size of 5000 was used to estimate standardized effects.

<sup>c</sup> p-values were estimated through 'bias-corrected percentile method' using bootstrapping procedures.

<sup>d</sup> COG=Cognitive CBR; AFF=Affective CBR; Risk=Customer perceived risk; TRU=Customer trust; COM=Customer commitment; LOY=Intentional loyalty.

Although not hypothesized in Chapter 3 (Section 3.6.2), the moderating effects of type of firm were estimated for the direct effects of perceived risk, customer trust and customer commitment on intentional loyalty; and for the direct effect of cognitive CBR on affective CBR (see Models F9-F12, respectively, in Table 5.22). These direct effects were included in the conceptual model (Figure 3.5) of this study. Therefore, the moderation analysis for these effects was conducted to better discuss the overall conceptual model. The results of this moderation analysis are reported in the following Section 5.6.2.5.3.

#### ***5.6.2.5.1. Moderation analysis for the effects of cognitive CBR on outcome variables***

The results (see Table 5.22) suggested no significant moderating effects of type of firm for direct effects of cognitive CBR on any of the outcome variables included in the conceptual model (Figure 3.5). The chi-square value in each moderation model (Models F1-F4) did not significantly increase (at 95% confidence level) in comparison with that of baseline structural model (Model E). Therefore, following the guidelines of Hair et al. (2010) and Walsh et al. (2014), type of firm was not found to moderate the direct effects of cognitive CBR on customer perceived risk ( $\Delta\chi^2=0.54$ ;  $\Delta d.f.= 1$ ;  $p = 0.462$ ), customer trust ( $\Delta\chi^2=0.60$ ;  $\Delta d.f.= 1$ ;  $p = 0.438$ ), customer commitment ( $\Delta\chi^2=0.25$ ;  $\Delta d.f.= 1$ ;  $p = 0.621$ ) and intentional loyalty ( $\Delta\chi^2=1.30$ ;  $\Delta d.f.= 1$ ;  $p = 0.255$ ).

As discussed in Section 5.6.1, AMOS does not help to test the moderating effects for the *indirect (mediated)* or *total* inter-construct effects. Therefore, the technique of *sub-group analysis* was used to test the moderating effects of type of firm for the mediated and total effects of cognitive CBR on outcome variables (see e.g., Rigdon et al., 1998; Edwards & Lambert, 2007). In this vein, inter-construct indirect and total effects were estimated for each group of customers separately. Bootstrap procedures were applied through SEM to estimate the standardized indirect and total effects, along with their p-

values. The effects were then compared across both the groups of customers. *Z-scores* were calculated for respective differences between the corresponding effect size coefficients of both groups, as recommended by Paternoster et al. (1998). The statistical significance of those *Z-scores* was then tested through the estimation of *p-values*, to comment on the inter-group differences or moderating effects. Table 5.23 presents the results for the moderation analysis of the *mediated* and *total* inter-construct effects.

Using sub-group analysis, no significant moderating effects of type of firm were found for the mediated and total effects of cognitive CBR on any of the outcome variables, with one exception (see Table 5.23). Only the total effect of cognitive CBR on customer commitment was significantly moderated by type of firm ( $z = -2.105$ ;  $p=0.035$ ). In this regard, a stronger effect of cognitive CBR was found on commitment of local firm customers ( $\beta=0.67$ ;  $p=0.001$ ), in contrast to customers of MNEs ( $\beta=0.52$ ;  $p=0.000$ ). These results supported hypothesis 20(iii).

The results in Table 5.23, support a marginal moderating effect of type of firm for the total effect of cognitive CBR on intentional loyalty ( $z= -1.772$ ;  $p=.076$ ). In this case, a stronger effect of cognitive CBR on intentional loyalty was reported for the customers of local firm ( $\beta=0.74$ ;  $p=0.001$ ) than the customers of MNEs ( $\beta=0.63$ ;  $p=0.000$ ). However, using 95% confidence interval, this moderating effect lacked significance.

Combining the results of the moderation analysis (see Table 5.22 and Table 5.23), no significant moderating effects of type of firm were found for direct, indirect (mediated) and total effects of cognitive CBR on perceived risk, customer trust and intentional loyalty. Therefore, hypotheses 20(i), 20(ii) and 20(iv) were not supported.

**Table 5.23: Type of firm as moderator for *total* and *mediated* inter-construct effects<sup>a,b,c,d</sup>**

Inter-construct relationships	MNEs			LOCAL			z	Moderating Effects
	Effect	S.E.	p-value	Effect	S.E.	p-value		
<b>Total Effects</b>								
COG-AFF	0.81	0.03	0.000	0.90	0.05	0.000	-1.621	NO
COG-RISK	-0.40	0.05	0.001	-0.48	0.09	0.000	0.868	NO
COG-TRU	0.74	0.03	0.001	0.66	0.06	0.001	1.160	NO
COG-COM	0.52	0.04	0.000	0.67	0.06	0.001	-2.105**	YES
COG-LOY	0.63	0.04	0.000	0.74	0.05	0.001	-1.772*	YES*
AFF-RISK	-0.40	0.09	0.000	-0.18	0.67	0.747	-0.317	NO
AFF-TRU	0.71	0.10	0.000	0.70	1.14	0.087	0.008	NO
AFF-COM	1.05	0.15	0.000	1.01	1.69	0.047	0.025	NO
AFF-LOY	0.84	0.11	0.000	0.97	1.09	0.007	-0.121	NO
RISK-LOY	-0.07	0.03	0.047	-0.09	0.08	0.225	0.199	NO
TRU-LOY	0.11	0.07	0.138	-0.11	0.22	0.237	0.968	NO
COM-LOY	0.58	0.08	0.000	0.37	0.40	0.143	0.504	NO
<b>Indirect Effects</b>								
COG-RISK	-0.32	0.08	0.000	-0.17	0.65	0.734	-0.235	NO
COG-TRU	0.57	0.10	0.000	0.63	1.13	0.070	-0.053	NO
COG-COM	0.85	0.16	0.000	0.91	1.69	0.038	-0.036	NO
COG-LOY	0.51	0.08	0.001	0.81	2.53	0.047	-0.119	NO
AFF-LOY	0.71	0.15	0.000	0.31	2.09	0.065	0.190	NO

\* p <0.10; \*\* p<0.05

<sup>a</sup> n (MNEs) = 793; n (LOCAL) = 251

<sup>b</sup> A bootstrapping sample size of 5000 was used to estimate standardized effects.

<sup>c</sup> p-values were estimated through 'bias-corrected percentile method' using bootstrapping procedures.

<sup>d</sup> S.E.=Standard error; COG=Cognitive CBR; AFF=Affective CBR; Risk=Customer perceived risk; TRU=Customer trust; COM=Customer commitment; LOY=Intentional loyalty.

#### **5.6.2.5.2. Moderation analysis for the effects of affective CBR on outcome variables**

The results (see Table 5.22) suggested no significant moderating effects of type of firm for the direct effects of affective CBR on any of the outcome variables included in the conceptual model (Figure 3.5). The chi-square value in each moderation model (Models F5-F8) did not significantly increase (at 95% confidence level) in comparison with that of baseline structural model (Model E). Therefore, following the guidelines of Hair et

al. (2010) and Walsh et al. (2014), type of firm was not found to moderate the direct effects of affective CBR on customer perceived risk ( $\Delta\chi^2=1.22$ ;  $\Delta d.f= 1$ ;  $p = 0.269$ ), customer trust ( $\Delta\chi^2=0.02$ ;  $\Delta d.f= 1$ ;  $p = 0.880$ ), customer commitment ( $\Delta\chi^2=0.02$ ;  $\Delta d.f= 1$ ;  $p = 0.876$ ) and intentional loyalty ( $\Delta\chi^2=3.27$ ;  $\Delta d.f= 1$ ;  $p = 0.070$ ).

A marginal moderating effect of type of firm was found for the direct relationship between affective CBR and intentional loyalty (i.e., at  $p<0.10$ ). In this case, a stronger direct effect of affective CBR on intentional loyalty was found for the customers of local firm ( $\beta=0.66$ ;  $p=0.076$ ) than the customers of MNEs ( $\beta=0.13$ ;  $p=0.345$ ). However, for both types of firm, this direct effect was not statistically significant at a 95% confidence level. Therefore, the moderating effect of type of firm for this direct effect of affective CBR can be considered to be marginal or negligible.

Using a sub-group analysis, the moderating effects of type of firm were assessed for the indirect (mediated) and total effects of affective CBR on outcome variables. However, no significant moderating effects were found in this regard, using a 95% confidence level (see Table 5.23). Combining the results of the moderation analysis (see Table 5.22 and Table 5.23), no significant moderating effects of type of firm were found for direct, indirect (mediated) and total effects of affective CBR on perceived risk, customer trust, customer commitment and intentional loyalty. Therefore, hypotheses 21(i), 21(ii), 21(iii) and 21(iv) were not supported.

#### ***5.6.2.5.3. Moderation analysis for non-hypothesized moderating effects***

Among the non-hypothesized moderating effects, the direct effect of customer trust on intentional loyalty was found to be moderated by type of firm ( $\Delta\chi^2=4.87$ ;  $\Delta d.f= 1$ ;  $p = 0.027$ ). This direct effect was positive ( $\beta=0.11$ ;  $p= 0.138$ ) for the customers of MNEs, in contrast to being negative for the customers of local firms ( $\beta= -0.11$ ;  $p= 0.237$ ). However, for both groups of customers this direct effect lacked significance (i.e.

$p > 0.10$ ). Therefore, the significant moderating effect of type of firm on customer trust-intentional loyalty relationship was found to be meaningless.

A marginal moderating effect of type of firm was found for the direct relationship between customer commitment and intentional loyalty ( $\Delta\chi^2=3.63$ ;  $\Delta d.f= 1$ ;  $p = 0.057$ ). In this case, a stronger direct effect of customer commitment on intentional loyalty was found for the customers of MNEs ( $\beta=0.58$ ;  $p=0.000$ ), than was found for the customers of local firm ( $\beta=0.37$ ;  $p=0.143$ ). Furthermore, no significant moderating effects of type of firm were found for the direct effect of perceived risk on intentional loyalty ( $\Delta\chi^2=0.13$ ;  $\Delta d.f= 1$ ;  $p = 0.719$ ); and for the direct effect of cognitive CBR on affective CBR ( $\Delta\chi^2=1.02$ ;  $\Delta d.f= 1$ ;  $p = 0.312$ ).

In the same vein, no significant moderating effects of type of firm were found for the total effects of perceived risk, customer trust and customer commitment on intentional loyalty; and for the total effect of cognitive CBR on affective CBR (see Table 5.23 for results).

## **5.7. Summarized results of testing hypotheses**

Table 5.24 summarizes the results of testing all of the hypotheses included in conceptual model (Figure 3.5). Hypotheses 1 to 9 represent the direct effects, Hypotheses 10 to 17 represent the indirect/mediated effects, whereas, Hypotheses 18 to 21 represent the moderated effects of CBR components on outcome variables.

**Table 5.24: Summarized results of testing hypotheses**

<b>Hypotheses</b>	<b>Result</b>
H1: Cognitive CBR has a positive direct impact on affective CBR.	<b>Supported</b>
H2: Cognitive CBR has a positive direct impact on customer trust.	<i>Rejected</i>
H3: Cognitive CBR has a positive direct impact on customer commitment.	<i>Rejected</i>
H4: Cognitive CBR has a positive direct impact on intentional loyalty.	<i>Rejected</i>
H5: Affective CBR has a positive direct impact on customer trust.	<b>Supported</b>
H6: Affective CBR has a positive direct impact on customer commitment.	<b>Supported</b>
H7: Affective CBR has a positive direct impact on intentional loyalty.	<i>Rejected</i>
H8: Cognitive CBR has a negative direct impact on customer perceived risk.	<i>Rejected</i>
H9: Affective CBR has a negative direct impact on customer perceived risk.	<b>Supported</b>
H10: Customer trust mediates the effect of cognitive CBR on intentional loyalty.	<i>Rejected</i>
H11: Customer trust mediates the effect of affective CBR on intentional loyalty.	<i>Rejected</i>
H12: Customer commitment mediates the effect of cognitive CBR on intentional loyalty.	<b>Partially Supported</b>
H13: Customer commitment mediates the effect of affective CBR on intentional loyalty.	<b>Supported</b>
H14: Customer perceived risk mediates the effect of cognitive CBR on intentional loyalty.	<b>Partially Supported</b>
H15: Customer perceived risk mediates the effect of affective CBR on intentional loyalty.	<b>Supported</b>
H16: Affective CBR, customer trust, customer commitment and customer perceived risk jointly mediate the effect of cognitive CBR on intentional loyalty.	<b>Partially Supported</b>
H17: Customer trust, customer commitment and customer perceived risk jointly mediate the effect of affective CBR on intentional loyalty.	<b>Partially Supported</b>
H18: The effects of cognitive CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers with longer relationship age than for customers with shorter relationship age.	(i) <i>Rejected</i> (ii) <i>Rejected</i> (iii) <i>Rejected</i> (iv) <i>Rejected</i>
H19: The effects of affective CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers with longer relationship age than for customers with shorter relationship age.	(i) <b>Supported</b> (ii) <i>Rejected</i> (iii) <b>Supported</b> (iv) <i>Rejected</i>
	<b>(Continued...)</b>

<b>Hypotheses</b>	<b>Result</b>
H20: The effects of cognitive CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers of local firms than for customers of foreign multinational firms.	(i) <i>Rejected</i> (ii) <i>Rejected</i> <b>(iii) Supported</b> (iv) <i>Rejected</i>
H21: The effects of affective CBR on (i) customer perceived risk, (ii) customer trust, (iii) customer commitment and (iv) intentional loyalty are stronger for customers of local firms than for customers of foreign multinational firms.	(i) <i>Rejected</i> (ii) <i>Rejected</i> (iii) <i>Rejected</i> (iv) <i>Rejected</i>

## 5.8. Testing the rival models

Following the recommendations from the existing literature regarding the application of SEM, this study developed and tested three rival (alternate) conceptual models (see Figures 3.6, 3.7 and 3.8 in Chapter 3). The aim of testing these rival models and comparing their results with those of the proposed conceptual model (Figure 3.5) was to evaluate the robustness of the latter. For this purpose, the procedures used by Walsh et al. (2014) and Morgan and Hunt (1994) were followed. The comparison of rival models with the conceptual model was made on the basis of the fitness-of-model indices and the significance of the change in the chi-square value. Table 5.25 presents the results of this comparison.

The proposed conceptual model (Figure 3.5) was found to have better fitness-of-model indices than the rival models (see Table 5.25). Rival model 2 achieved the worst fit ( $\chi^2/d.f=10.10$ ; GFI=0.76; CFI=0.78; RMSEA=0.09). This rival model was developed without incorporating any mediated effects, where intentional loyalty served as the only endogenous construct. The fitness indices of rival model 3 were also relatively poor ( $\chi^2/d.f=6.30$ ; GFI=0.87; CFI=0.87; RMSEA=0.07) in comparison with those of the proposed conceptual model. This rival model was also developed without incorporating any mediated effects, where cognitive CBR and affective CBR served as two exogenous constructs in the model. However, the fitness indices of rival model 1 ( $\chi^2/d.f=4.60$ ;



GFI=0.89; CFI=0.91; RMSEA=0.06) were in close proximity to those of the proposed conceptual model ( $\chi^2/d.f=4.32$ ; GFI=0.90; CFI=0.92; RMSEA=0.06). Rival model 1 was developed by conceptualizing CBR as a single construct with four dimensions. These four dimensions referred to the three dimensions of cognitive CBR, and one dimension representing the construct of affective CBR.

**Table 5.25: Comparison of proposed conceptual model with rival models 1, 2 and 3 <sup>a</sup>**

<b>Fitness-of-model indices</b>	<b>Proposed Conceptual Model</b>	<b>Rival Model 1 (CBR as a single construct)</b>	<b>Rival Model 2 (No mediation- Intentional loyalty as only endogenous construct)</b>	<b>Rival Model 3 (No mediation- CBR components as exogenous constructs)</b>
$\chi^2/d.f$	4.32	4.60	10.10	6.30
GFI	0.90	0.89	0.76	0.87
CFI	0.92	0.91	0.78	0.87
TLI	0.91	0.91	0.76	0.86
IFI	0.92	0.91	0.78	0.87
PNFI	0.80	0.81	0.69	0.77
RMSEA	0.06	0.06	0.09	0.07
$\chi^2$	1563.76	1684.05	3726.79	2303.81
Degrees of freedom (d.f.)	362	366	369	366
<i>p</i> -value	0.000	0.000	0.000	0.000
$\Delta \chi^2$ (Rival Model - Proposed Model)	-	120.29	2163.03	740.05
$\Delta$ Degrees of freedom	-	4	7	4
<i>p</i> -value for $\Delta \chi^2$	-	<0.01	<0.01	<0.01

<sup>a</sup>n=1053; Bootstrap sample size = 5000

Among the various fitness-of-model indices, the ‘parsimonious normed fit index (PNFI)’ indicates the parsimony of the tested model. PNFI is considered to be an important criterion for the comparison of any rival model with the conceptual model (Morgan & Hunt, 1994). The results for PNFI in this study suggested the proposed conceptual model to be the more parsimonious option (PNFI = 0.80) in comparison with rival model 2 and rival model 3 (PNFI = 0.69 and 0.77, respectively). However, the PNFI for the proposed conceptual model (0.80) was similar to that of rival model 1 (0.81). Thus, the comparison of fitness-of-model indices suggested the superiority of the proposed conceptual model to rival model 2 and rival model 3. However, the proposed conceptual model and rival model 1 were in close proximity.

Most importantly, the chi-square value of each rival model was compared with that of proposed conceptual model and the significance of difference in chi-square values was assessed. In this vein, the chi-square value of the proposed conceptual model (Figure 3.5) was found to be significantly lower than that of rival model 1 ( $\Delta\chi^2=120.29$ ;  $\Delta d.f= 4$ ;  $p < 0.01$ ), rival model 2 ( $\Delta\chi^2=2163.03$ ;  $\Delta d.f= 7$ ;  $p < 0.01$ ) and rival model 3 ( $\Delta\chi^2=740.05$ ;  $\Delta d.f= 4$ ;  $p < 0.01$ ). Therefore, the results supported the superiority of the proposed conceptual model to all of three rival models.

## **5.9. Summary**

This chapter has presented the results of the data analysis for this study. A step-by-step approach was adopted for this purpose. At first, internal consistency of the construct measures was ensured through the estimation of Cronbach’s alpha and item-to-total correlation coefficients. Following that, multicollinearity was assessed through an analysis of inter-construct correlation coefficients, and through estimation of variance inflation factors (VIFs). Both these techniques helped to ensure that there is no serious threat of multicollinearity in this study.

Confirmatory factor analysis (CFA) was conducted through the application of structural equation modelling (SEM), by using software package of AMOS 21.0. The purpose of conducting CFA was to evaluate the measurement models through the assessment of the composite reliability, convergent validity and discriminant validity of the key constructs included in the models. Fitness-of-model indices were also evaluated through CFA. In this regard, the first evaluated measurement model consisted of three dimensions of cognitive CBR. The second measurement model consisted of all six key constructs included in the conceptual model (Figure 3.5). The evaluation of both of these models fulfilled the theoretical benchmarks suggested by Malhotra (2010), Hair et al. (2010), Bagozzi and Yi (1988), and Fornell and Larcker (1981).

The structural model was evaluated using bootstrap procedures through SEM to test the hypothesized direct and indirect (i.e. mediated) inter-construct effects. The hypothesized moderating effects of relationship age and type of firm were tested through multigroup SEM and sub-group analysis techniques. The results of testing the hypotheses are summarized in Table 5.24.

The direct effects of affective CBR on outcome variables of perceived risk, customer trust and customer commitment are supported. In contrast, the hypothesized direct effects of cognitive CBR on these outcome variables are not supported. With respect to mediating effects, perceived risk and customer commitment both mediated the effect of affective CBR on intentional loyalty. In comparison, affective CBR, perceived risk and customer commitment all mediated the effect of cognitive CBR on intentional loyalty. The mediating effects of customer trust were not found to be significant in the relationships of both CBR components with intentional loyalty. Moreover, customer commitment was found to be a stronger mediator than customer perceived risk for the effects of CBR components on intentional loyalty.

The hypothesized moderating effects of relationship age were supported for the impact of affective CBR on perceived risk and customer commitment. Similarly, the hypothesized moderating effect of type of firm was supported for the impact of cognitive CBR on customer commitment. No other hypothesized moderating effects were supported.

Finally, the robustness of the proposed conceptual model (Figure 3.5) was tested through the development and evaluation of three rival models. The results in this regard, suggested the superiority of the proposed conceptual model to rival models.

## **Chapter 6**

### **Findings and Discussion**

#### **6.1. Introduction**

The purpose of this chapter is to highlight and discuss the key findings of the study. The results reported in the preceding chapter (Chapter 5) are interpreted here by referring to the reviewed literature. The discussion of key findings provides answers to the research questions derived from the rationale of this study. Moreover, the discussion has been organized in line with objectives of the research, as stated in Chapter 1 (Section 1.4).

#### **6.2. Overview of key findings of the study**

This study aimed to provide a more detailed understanding of the impact of CBR on business-to-customer relationships. For this purpose, the relative direct, mediated and moderated effects of both cognitive and affective components of CBR on business-to-customer relationships are investigated. The constructs of customer perceived risk, customer trust, customer commitment and intentional loyalty are adopted from the existing literature to represent business-to-customer relationships (Eastlick et al., 2006; Jeng, 2011; Morgan & Hunt, 1994; Palmer, 2011; Lacey et al., 2009). These constructs are hypothesized as outcomes of both CBR components in this study.

Corresponding to the first objective of this study (see RO 1 in Section 1.4), the direct effects of cognitive CBR and affective CBR on the outcome variables are examined. Both CBR components are found to have differential direct effects on business-to-customer relationships, where affective CBR has direct effects on customer trust, customer commitment and perceived risk, in comparison with, indirect effects of

cognitive CBR on these outcome variables. The detailed findings in this regard are discussed in the following Section 6.3.

Referring to the second objective of this study (see RO 2 in Section 1.4), the mediating effects of customer perceived risk, customer trust and customer commitment are investigated for the effects of CBR components on intentional loyalty. Customer perceived risk and customer commitment are found to mediate the effects of both the CBR components; customer trust however does not mediate. Moreover, affective CBR is also found to mediate the effect of cognitive CBR on intentional loyalty. The findings relating to mediating effects are discussed in detail in Section 6.4.

Corresponding to the third objective of this study (see RO 3 in Section 1.4), the moderating effects of relationship age are examined for the effects of cognitive CBR and affective CBR on business-to-customer relationships. Relationship age is found to moderate the effects of both CBR components on perceived risk and customer commitment. The detailed findings in this regard are discussed in Section 6.5.1.

Referring to the fourth objective of this study (see RO 4 in Section 1.4), the moderating effects of type of firm are investigated for the effects of cognitive CBR and affective CBR on business-to-customer relationships. In this regard, type of firm is found to moderate the effect of cognitive CBR on customer commitment. The detailed findings about the moderating effects of type of firm are discussed in Section 6.5.2.

### **6.3. The direct effects of cognitive CBR and affective CBR**

Differential direct effects of both CBR components on business-to-customer relationships are found in this study. By investigating the risk-reduction attribute of CBR, this study finds affective CBR, but not cognitive CBR to directly minimize customer perceived risk (supporting Hypothesis 9 and rejecting Hypothesis 8, respectively). This finding is consistent with the evidence from Kim et al. (2008), which

suggests that the affective aspects of CBR reduce the perceived risk of customers. However, this finding is not consistent with the evidence from Sun (2014) and Lacey et al. (2009), which favour the direct negative impact of CBR (as a whole), or of its cognitive component, on perceived risk. Therefore, this study enhances our understanding of which aspects of CBR are directly related to minimizing customer perceived risk.

The direct positive relationship of CBR with customer trust and customer commitment is found to be valid for the affective component of CBR only (supporting Hypotheses 5 and 6, respectively), and not for cognitive CBR (rejecting Hypotheses 2 and 3, respectively). This finding is not consistent with the existing literature. The literature in this regard provides evidence for the direct positive effects of CBR (conceptualized as a whole) on customer trust and customer commitment (see e.g., Johnson & Grayson, 2005; Jeng, 2011; Bartikowski & Walsh, 2011; Walsh et al., 2014). Moreover, cognitive CBR is relatively overweighted in comparison with affective CBR in such conceptualization of CBR as a single construct (see e.g., Bartikowski & Walsh, 2011; Jeng, 2011). This evidence of the direct effects of CBR from the relevant literature is theoretically supported by the key principle underlying the cognitive consistency theories, which suggests that people tend to maintain harmony and consistency in their attitudinal components (Eagly & Chaiken, 1993). This study used the same cognitive consistency principle to hypothesize the direct effects of cognitive CBR on customer trust and customer commitment. However, the results of this study deviate from the existing literature, by finding no significant direct effects of cognitive CBR in this regard. These findings are further discussed in the following paragraphs.

Insignificant and unsupported direct effects of cognitive CBR on customer trust, customer commitment and perceived risk were further investigated through the estimation of indirect and total effects of cognitive CBR on these outcome variables

(see results in Table 5.9 in the preceding chapter). These estimated indirect and total effects were found to be statistically significant (at  $p < 0.01$ ). The results in this regard suggest the mediating role of affective CBR in explaining the impact of cognitive CBR on outcome variables. This reveals that cognitive CBR may not directly, rather indirectly (i.e. through affective CBR) reduce perceived risk, and enhance customer trust and customer commitment.

The finding of the significant indirect effects and insignificant direct effects of cognitive CBR receives theoretical support from the standard leaning hierarchy model (Ray, 1973) and the attitude model proposed by Fishbein and Ajzen (1975: p. 15). These models suggest that the *affect* follows the *cognition*, and that behavioural intentions follow the *affect*. Such a hierarchical relationship among the attitudinal components theoretically explains the effects of cognitive CBR on outcome variables, which are not found to be direct, rather mediated through affective CBR. Consistent with this theoretical viewpoint, the results of this study (see Section 5.5.1) suggest the significant direct impact of cognitive CBR on affective CBR (supporting Hypothesis 1), whereas, affective CBR further has significant direct impacts on customer trust, customer commitment and perceived risk. These results support the indirect effects of cognitive CBR on outcome variables. In other words, inclusion of affective CBR as a distinct construct and its mediating effects can be the reason for the insignificant direct effects of cognitive CBR on outcome variables. In contrast, the existing literature largely fails to distinguish between the cognitive and affective components of CBR, while examining the effects of CBR on business-to-customer relationships (see e.g., Johnson & Grayson, 2005; Caruana & Ewing, 2010).

It is important to clarify that the findings about the insignificant direct relationships between cognitive CBR and outcome variables do not actually contradict, but rather extend and further elucidate, the application of cognitive consistency principle which



has been used to theorize such direct relationships (see e.g., Bartikowski & Walsh, 2011; Walsh et al., 2014). In this regard, this study explains the mechanism through which different attitudinal elements related to CBR are consistent, or in relationship, with each other. Therefore, the findings of this study provide a better understanding of the effects of cognitive CBR on business-to-customer relationships.

This study used the ‘*significance test for Z-scores*’ (Paternoster et al., 1998) to further investigate the significance of difference between the strength/size of the direct effects of affective CBR and cognitive CBR. The results of such comparison of strength of effect sizes are presented in Table 6.1. These results suggest that affective CBR has a stronger positive direct effect on customer trust ( $Z=3.47$ ;  $p<0.01$ ) and customer commitment ( $Z=5.60$ ;  $p<0.01$ ) when compared to those of cognitive CBR. The negative direct effect of affective CBR on customer perceived risk is found marginally stronger than that of cognitive CBR ( $Z= -1.71$ ;  $p<0.10$ ). Therefore, these results suggest that affective CBR has a stronger direct impact on outcome variables of customer trust, customer commitment and perceived risk, than cognitive CBR. The existing literature provides no evidence about the comparison of these direct effects of both CBR components.

**Table 6.1: Test of difference between the direct effects of cognitive CBR and affective CBR on outcome variables <sup>a</sup>**

Outcome Variables	Direct effects of Affective CBR			Direct effects of Cognitive CBR			z
	Effect	S.E. <sup>b</sup>	p-value <sup>c</sup>	Effect	S.E.	p-value	
Customer trust	0.69	0.10	0.000	0.16	0.11	0.143	3.47***
Customer commitment	1.02	0.16	0.001	-0.28	0.17	0.017	5.60***
Customer perceived risk	-0.35	0.09	0.000	-0.12	0.10	0.241	-1.71*

\*  $p < 0.10$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$  (Using two-tailed significance test)

<sup>a</sup>  $n = 1053$ ; A bootstrapping sample size of 5000 was used to estimate the standardized effects.

<sup>b</sup> S.E.= Standard error

<sup>c</sup> p-values were estimated through ‘bias-corrected percentile method’ using bootstrapping procedures.

The significant and relatively strong direct effects of affective CBR on customer trust, customer commitment and perceived risk support the tenets of social exchange theory. Social exchange theory implies an important role of affect or emotions in exchanges between a buyer and a seller (Lawler & Thye, 1999). The reciprocity in the buyer-seller relationship justifies the exchange of customers' positive feelings towards the organization with their supportive attitude and behaviour towards the same organization (Cropanzano & Mitchell, 2005; Chaudhuri, 2006). Therefore, the organizations that develop positive affective CBR are highly likely to win the trust and commitment of its customers, along with reducing customer perceived risks.

The differential direct effects of cognitive CBR and affective CBR on business-to-customer relationships offer some degree of support to Raithel and Schwaiger (2015) and Eberl and Schwaiger (2005). Both of these studies suggest the differential effects of cognitive CBR and affective CBR on shareholder value and corporate financial performance, respectively. Therefore, this study extends the efforts of researchers to disentangle the effects of corporate reputation on key outcome variables.

The positive direct impact of CBR on intentional loyalty has been documented by several researchers in the existing literature (see e.g., Bartikowski & Walsh, 2011; Caruana & Ewing, 2010; Cretu & Brodie, 2007). However, this study does not support the direct CBR-intentional loyalty relationship for any of cognitive CBR and affective CBR (rejecting Hypotheses 4 and 7, respectively). This finding supports the alternative stream of literature, which suggests the involvement of some intervening variables, which may explain the effects of CBR on intentional loyalty (see e.g., Walsh et al., 2014; Eastlick et al., 2006). In this regard, this study hypothesized the mediating effects of customer trust, customer commitment and perceived risk for the relationships between CBR components and intentional loyalty. The discussion on such possible mediating effects is included in the following Section 6.4.

In addition to the testing of hypotheses involving the direct effects of CBR components on outcome variables, this study also supports the direct positive impact of cognitive CBR on affective CBR. This finding is consistent with the implications of attitude-based models, including the standard leaning hierarchy model (Ray, 1973) and the attitude model proposed by Fishbein and Ajzen (1975: p. 15). Both of these models suggest that the affective component of attitude follows the cognitive component. In other words, the cognitive component influences the affective component of attitudes. Furthermore, the finding regarding the interrelationship of both CBR components receives support from the existing evidence within the areas of CBR management (e.g., Einwiller et al., 2010), business-to-customer relationships (e.g., Alwi & Kitchen, 2014; Johnson & Grayson, 2005) and corporate branding (e.g., De Chernatony, 2002).

#### **6.4. The mediated effects of cognitive CBR and affective CBR**

The mediating effects of customer trust, customer commitment and customer perceived risk for the relationships of CBR components with intentional loyalty are respectively discussed in the following Sections 6.4.1-6.4.3. Section 6.4.4 includes a discussion of multiple mediator effects.

##### **6.4.1. Customer trust as a mediator**

This study does not find customer trust to mediate the relationships of both CBR components with intentional loyalty (rejecting Hypotheses 10 and 11). Although affective CBR is found to have a direct effect on customer trust and cognitive CBR has indirect influence on customer trust, no significant impact of customer trust on intentional loyalty was found. Therefore, the mediation of customer trust for cognitive/affective CBR-intentional loyalty relationships could not be established. This finding contrasts with the literature, which suggests that customer trust plays an

important role as a mediator while studying the inter-construct relationships within the context of business exchanges (see e.g., Morgan & Hunt, 1994; Eastlick et al., 2006). In the commitment-trust theory of relationship marketing, Morgan and Hunt (1994) emphasized the inclusion of customer trust as an important mediator in the studies related to relationship marketing. Similarly, Eastlick et al. (2006) found customer trust (jointly with customer commitment) to mediate the effects of CBR on purchase intent. However, contrary to the suggestions and findings of these studies, customer trust is not found to play an important role in explaining the effects of CBR on intentional loyalty in this study.

The deviation of this study's findings from the existing literature can be attributed to the settings of this study. Morgan and Hunt (1994) investigated the role of customer trust in the context of business-to-business relationships. In comparison, this study examines the role of CBR in business-to-customer relationships. Similarly, Eastlick et al. (2006) used the settings of online business-to-customer relationships for their study. They investigated the mediating effects of customer trust in the relationship between CBR (as a whole) and intentions to purchase insurance services. In comparison, this study examines the mediating effects of customer trust for the impacts of both CBR components on intentional loyalty. For this purpose, this study uses the settings of fast food restaurant services, where customers have direct, face-to-face interaction with the service personnel.

Customer trust can be presumably more influential in business-to-business relationships than in business-to-customer relationships (Palmatier, Dant, Grewal & Evans, 2006). Even in consumer markets, trust can be more important for information-intensive or high-involvement services (e.g. financial services and online channels) in comparison to low-involvement services (e.g. fast food restaurant services) (see e.g., Eastlick et al., 2006; Johnson & Grayson, 2005). Moreover, building trust or

relationships with customers can be more critical for a business if business-to-customer exchanges take place through some channel or intermediary, rather than being direct (Palmatier et al., 2006). Therefore, the settings of this study (i.e. fast food restaurant services) are expected to be less exposed to the effects of trust on the behavioural intentions of customers, or to the mediation of trust in business-to-customer relationships. However, the significance of indirect relationships of CBR components with intentional loyalty (see Table 5.9) reveals that some other mediator/s may explain these relationships in such research settings.

#### **6.4.2. Customer commitment as a mediator**

This study finds that customer commitment mediates, but that its mediating role varies for both of the components of CBR in their relationships with intentional loyalty. This variance refers to the way customer commitment explains the respective relationships. Customer commitment is found to mediate the relationship between affective CBR and intentional loyalty (supporting Hypothesis 13). However, in the case of cognitive CBR-intentional loyalty relationship, customer commitment alone could not explain this relationship (at 95% confidence level). Instead, both affective CBR and customer commitment, in serial, mediated the effects of cognitive CBR on intentional loyalty (in partial support of Hypothesis 12). In other words, cognitive CBR is found to strengthen affective CBR, which enhances level of customer commitment, and a committed customer then exhibits intentional loyalty towards the service provider.

The variation in the mediating effects of customer commitment for the relationships of CBR components with intentional loyalty can have two possible reasons. *First*, the inclusion of underrated affective CBR (Raithel & Schwaiger, 2015) as a distinct component of CBR in the conceptual model (Figure 3.5). *Second*, *affective CBR* to follow *cognitive CBR* as drawn on the standard learning hierarchy model (Ray, 1973)

and other evidence from the literature (see e.g., Fishbein & Ajzen, 1975; Einwiller et al., 2010; Alwi & Kitchen, 2014). Both these reasons suggest that affective CBR may explain the effects of cognitive CBR on the outcome variables. There are implications of these reasons for both direct and indirect effects of cognitive CBR. Therefore, the mediating effect of customer commitment in the cognitive CBR-intentional loyalty relationship is also found to be explained through affective CBR. In this way, this study attempts to clarify the mechanism through which customer commitment mediates the effects of both CBR components on intentional loyalty.

The mediation of customer commitment is consistent with Morgan and Hunt's (1994) commitment-trust theory of relationship marketing, which proposes that customer commitment plays a central role as a mediator in the commercial exchanges, and for winning loyalty and cooperation of customers. They further cautioned that ignoring the mediating effects of customer commitment may generate flawed conclusions in understanding the effects on relationship outcomes. However, Morgan and Hunt (1994) studied such mediating effects in the context of business-to-business relationships, and they did not include corporate reputation in their conceptual model. In the same vein, Walsh et al. (2014) found a mediating role of customer commitment in the context of business-to-customer relationships. However, they did not incorporate affective CBR in their conceptual model. Rather, their conceptualization of CBR was mainly cognition-based. This study, in contrast, examined the mediating effects of customer commitment in business-to-customer relationships, while including both affective CBR and cognitive CBR as two distinct constructs in the conceptual model (Figure 3.5). In this way, this study advances the literature, which emphasizes the role of customer commitment as a mediator in social exchanges and exchanges between buyers and sellers.

The finding about the important mediating role of customer commitment follows the tenets of cognitive consistency theories, which suggest that an individual's commitment towards the attitude object is consistent with the other attitudinal and behavioural elements of the attitude (Eagly & Chaiken, 1993). Therefore, in coherence with cognitive consistency theories, this study finds customer commitment to be consistent with cognitive CBR and affective CBR (i.e. attitudinal components) on one hand, and with intentional loyalty (behavioural component) on the other hand.

#### **6.4.3. Customer perceived risk as a mediator**

Customer perceived risk is found to mediate the effects of both cognitive CBR and affective CBR on intentional loyalty in this study, although in a different way for both the components of CBR. The relationship between affective CBR and intentional loyalty is found to be mediated by perceived risk (supporting Hypothesis 15). However, perceived risk alone could not mediate the cognitive CBR-intentional loyalty relationship. Instead, both affective CBR and perceived risk, in serial, mediated the effects of cognitive CBR on intentional loyalty (in partial support of Hypothesis 14). Therefore, cognitive CBR is expected to reduce customer perceived risk through affective CBR, where reduced perceived risk may further generate the intentional loyalty of customers.

The variation in the mediation of customer perceived risk for the effects of both CBR components on intentional loyalty is similar to that found in the mediation of customer commitment in the preceding Section 6.4.2. Therefore, the earlier suggested reasons (in Section 6.4.2) for the differential mediating effects of customer commitment, also apply to the differential mediating effects of perceived risk. These reasons include: *first*, the inclusion of affective CBR as a distinct component of CBR in the conceptual model (Figure 3.5), by following the recommendations of Raithel and Schwaiger (2015), and

Eberl and Schwaiger (2005), and *second, affective CBR* to follow *cognitive CBR*, as drawn on the existing literature (see e.g., Ray, 1973; Einwiller et al., 2010; Alwi & Kitchen, 2014). Another reason in this regard can be the insignificant direct (and significant indirect) impact of cognitive CBR on perceived risk and the significant direct impact of affective CBR on perceived risk. The above three reasons seem to be sufficient to explain the difference in the mediating effects of perceived risk for the relationships of CBR components with intentional loyalty. This study thus attempts to clarify the mediating role of customer perceived risk in business-to-customer relationships and in the literature on corporate reputation.

Although the results support the mediating role of perceived risk in the relationships of both CBR components with intentional loyalty, such mediating effects were found to be significantly weaker than those of customer commitment. The research settings of low-risk services (i.e. fast food restaurants) may be a reason behind the weaker mediation of customer perceived risk in this study.

Services vary with respect to the features including supplier-selection-risk and tangibility, associated with them. Fast food services are characterized by lower selection risk and relatively higher tangibility when compared to some other services, such as retail banking and telecommunications (Walsh et al., 2014). Such lower risk for the selection of service provider is expected to be based on customers' assessment of other risks associated with the service product, which this study uses to conceptualize the construct of customer perceived risk. These other risks include physical, functional, financial and time risks (Schiffman et al., 2008). The results of this study also reflect a negative (low) value of overall customer perceived risk <sup>19</sup> (Mean = - 0.66; that is significantly different from '0' at 95% confidence level). In this regard, the existing

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<sup>19</sup> Measured on a seven point Likert scale, ranging from '-3 to +3', where '0' is the point of indifference, and '-3' represents the extreme negative value for customer perceived risk



literature suggests a relatively higher importance of customer commitment in low selection-risk services (Walsh et al., 2014). Therefore, customers are expected to develop their behavioural intentions towards service providers primarily through their commitment, in comparison with evaluating their perceived risks, in such a lower selection-risk service category. The findings regarding the relatively weaker mediation of perceived risk are thus consistent with Walsh et al. (2014), who suggest that firms offering low-risk services should focus more on the development of commitment based strategies to pursue the aim of winning customer loyalty.

#### **6.4.4. Multiple mediator effects**

The evidence from the literature largely neglects the possible existence of more than one intervening factor while exploring the effects of CBR on business-to-customer relationships (see e.g., Walsh et al., 2014, see Table 1.1 also). This study addresses this issue, and tests the multiple mediator effects for the relationships of both CBR components with intentional loyalty (see conceptual model, Figure 3.5). Analysis of multiple simultaneous mediators is an important aspect of this study, because it has helped to gain a better understanding of CBR-intentional loyalty relationship in several ways (as suggested by Preacher & Hayes, 2008).

*First*, it has indicated that both CBR components can transmit their impact on intentional loyalty in multiple ways (i.e. through multiple mediators). *Second*, such analysis has helped to compare the effects of multiple mediators in explaining CBR-intentional loyalty relationship. For this purpose, specific single mediator effects are teased apart from the respective total indirect effects of CBR components on intentional loyalty, by using a macro (i.e. ‘*PROCESS*’) developed by Hayes (2013). *Third*, from the methodological perspective, including the proposed multiple mediators in one model is a more precise and parsimonious option than using a separate simple mediation model

for each proposed mediator. In the latter option, some important mediator/s may be omitted from the analysis. Therefore, in such case, the estimates of the parameters may be biased. Testing multiple mediators simultaneously has helped to avoid this problem in this study.

The results, in this regard, suggest mediating effects of both customer perceived risk and customer commitment in affective CBR-intentional loyalty relationship. In this mediated relationship, both of the mediators explain the impact of affective CBR on intentional loyalty, while they function in parallel to each other. Thus, following the tenets of social exchange theory (Lawler & Thye, 1999), customers' positive feelings or affection towards the service provider are found to enhance customer commitment, while reducing customer perceived risk in parallel. The increasing customer commitment and declining perceived risk can then further improve the level of intentional loyalty. The favourable impact of reduced perceived risk and positive customer commitment on intentional loyalty is supported by the relevant literature (see e.g., Sun, 2014; Richard & Zhang, 2012; Bansal et al., 2004). However, this study has found customer commitment to be a stronger mediator than perceived risk in affective CBR-intentional loyalty relationship.

The indirect relationship between cognitive CBR and intentional loyalty has been found to be mediated through both perceived risk and customer commitment. However, in contrast to affective CBR-intentional loyalty relationship, affective CBR jointly with each of customer commitment and perceived risk mediates cognitive CBR-intentional loyalty relationship. Moreover, the joint mediating effect of affective CBR and customer commitment is found to be relatively stronger than the joint mediating effect of affective CBR and perceived risk in this indirect relationship. Cognitive CBR is, thus, found to have a positive impact on customers' feelings or emotions for the service

provider, which can then reduce customer perceived risk and increase customer commitment, to further enhance intentional loyalty of the customers.

Customer trust has not been found to mediate the effects of both cognitive CBR and affective CBR on intentional loyalty in this study. Therefore, Hypotheses 16 and 17, related to multiple mediation effects, are partially supported. Findings related to the mediation by customer trust are discussed in the preceding Section 6.4.1. Moreover, the mediating effects of affective CBR jointly with customer commitment and perceived risk, for explaining the impact of cognitive CBR on intentional loyalty is an important finding of this study. The mediating role of affective CBR for explaining the effects of cognitive CBR receives theoretical support from the standard learning hierarchy model (Ray, 1973), the attitude model proposed by Fishbein and Ajzen (1975) and the evidence from the existing literature (see e.g., Einwiller et al., 2010).

Including multiple mediator effects in the conceptual model (Figure 3.5) has improved the understanding of the causal relationships, the predictability of the hypothesized effects and the fitness of the proposed conceptual model. To further test the robustness of this finding, rival model 2 and rival model 3 (Figure 3.7 and Figure 3.8, respectively) were extracted from the conceptual model (Figure 3.5). Both of these rival models were conceptually developed without incorporating any mediating effects in the causal relationships. The evaluation of these rival models generated poor fitness-of-model indices, which did not fulfil the theoretical benchmarks recommended by Bagozzi and Yi (1988) and Hair et al. (2010) (see Table 5.25). The chi-square value also increased significantly in both rival models when compared to that of main conceptual model. Therefore, the conceptual model (Figure 3.5) was found to be superior to rival model 2 and rival model 3. This finding highlights the significant role of multiple mediators in explaining the impact of CBR components on intentional loyalty.

## **6.5. The moderated effects of cognitive CBR and affective CBR**

This section comprises a discussion of the moderating effects hypothesized in the main conceptual model (Figure 3.5). The effects of relationship age and type of firm (as moderators) on the relationships of CBR components with outcome variables are respectively discussed in the following Sections 6.5.1 and 6.5.2.

### **6.5.1. Relationship age as a moderator**

The moderating effects of relationship age for the effects of cognitive CBR and affective CBR on the outcome variables are examined in this study. The outcome variables include customer trust, customer perceived risk, customer commitment and intentional loyalty. The findings of moderation analysis can be classified into three categories:

- (1) Relationship age as a moderator for the effects of both CBR components on customer trust and intentional loyalty. These moderating effects were not found to be significant.
- (2) Relationship age as a moderator for the effects of cognitive CBR on customer perceived risk and customer commitment. These moderating effects were found to be significant, but in the opposite way to that hypothesized.
- (3) Relationship age as a moderator for the effects of affective CBR on customer perceived risk and customer commitment. These moderating effects were found to be significant, as hypothesized.

These three categories of findings of moderation analysis are discussed in the following Sections 6.5.1.1-6.5.1.3, respectively.

#### ***6.5.1.1. Relationship age as a moderator for the effects of CBR components on customer trust and intentional loyalty***

This study finds no significant moderation of relationship age for the direct or indirect effects of both CBR components on customer trust and intentional loyalty. The results reveal a significant indirect (mediated) relationship of both CBR components with intentional loyalty, for both the groups of customers (i.e., customers with long relationship age and customers with short relationship age). In the same vein, insignificant direct effects of both CBR components are found on intentional loyalty for both groups of customers. Moreover, insignificant direct effects of cognitive CBR; significant indirect effects of cognitive CBR; and significant direct effects of affective CBR are found on customer trust for both customer groups.

This finding contradicts the viewpoint found in the existing literature, which suggests an important role for relationship age in influencing the effects of CBR on relationship marketing constructs (see e.g., Bartikowski et al., 2011). The finding also contradicts an alternative viewpoint, which proposes a declining effect of relationship age on the strength of business-to-customer relationships, drawn from the honeymoon-hazard effect (Ranaweera & Menon, 2013). The honeymoon-hazard effect suggests that with the maturity of business-to-customer relationships, customers feel less motivated to talk (favourably) about their service providers. Such negative impact of relationship age on the strength of business-to-customer relationships could weaken the impact of CBR on outcome variables for customers with long relationship age. However, contrary to the above viewpoints, the moderation results in this section receive theoretical support from the studies of Seiders et al. (2005) and Raimondo et al. (2008), which suggest insignificant effects of relationship age on some key constructs representing the business-to-customer relationships. Such a lack of significance of the effects of relationship age on key relational constructs may be a reason behind the lack of

moderation of relationship age for CBR-customer trust and CBR-intentional loyalty relationships. There can be several explanations in this regard.

*First*, in the context where customers enjoy low exit barriers, their repurchase intentions may not be influenced by relationship age (Seiders et al., 2005). Customers of fast food restaurants also have no contractual obligation to continue their relationship with a specific service provider. They can easily switch to any other market player, or continue purchases from multiple service providers in this category. Therefore, their repurchase intentions may not be affected by the amount of time for which they have been purchasing from a specific service provider. Instead, the other factors, such as, customer commitment (Bansal et al., 2004), corporate reputation (Bartikowski & Walsh, 2011), customer satisfaction (Seiders et al., 2005) or customer perceived risk (Sun, 2014) may play more important role for developing the repurchase intentions of fast food customers.

*Second*, relationship age may affect the ‘actual repurchase behaviour’ of the customers (e.g., repurchase visits and actual spending) instead of their repurchase intentions or intentional loyalty (Seiders et al., 2005). Actual repurchase behaviour is different from the intended repurchase behaviour, as customers may not be able or willing to incorporate certain contingency factors while making predictions about their future purchases (Shugan, 1980). However, such factors (e.g., expected changes in income level, marital status, or location of customer) and relationship age may influence the actual repurchase behaviour exhibited by the customers (Seiders et al., 2005). Therefore, this may be a reason behind the lack of moderating effects of relationship age for the impacts of CBR’s components on intentional loyalty.

*Third*, the researchers who suggest a positive role of relationship age in strengthening the relationship with customers, base their argument on increasing level of trust and intimacy between the exchange partners over a period of time (Verhoef et

al., 2002; Swann & Gill, 1997). However, such high trust level is important for those customers' decisions, where the consequences are critical and direct for the customers (Verhoef et al., 2002). Fast food services, in this study, represent a relatively lower selection risk (Walsh et al., 2014), and thus reflect a lower importance of consequences (or trust on service providers) for their buyers. Therefore, relationship age may not exert a significant influence on the relationships of CBR components with customer trust.

#### ***6.5.1.2. Relationship age as a moderator for the effects of cognitive CBR on perceived risk and customer commitment***

In this study, relationship age has significantly moderated the effects of cognitive CBR on customer perceived risk and customer commitment (although not as hypothesized). Stronger direct and total effects of cognitive CBR on customer perceived risk (negative effects) are found for customers with short relationships age, when compared to customers with long relationship age. However, the relatively stronger indirect (negative) effect of cognitive CBR on perceived risk, mediated through affective CBR, is supported for customers with long relationship age.

The findings about the moderating effects of relationship age for the relationship between cognitive CBR and perceived risk provide some meaningful insights. The findings suggest that in the early age of relationship with service providers (i.e. short relationship age) cognitive CBR directly reduces perceived risk of customers. In the later relationship age (i.e. long relationship age), the direct effect of cognitive CBR on perceived risk loses its significance. Cognitive CBR, then, has an indirect impact on perceived risk, mediated through affective CBR. Therefore, it can be deduced that the effects of cognitive CBR on perceived risk remain negative for customers with short or long relationship age, although the nature of these effects (i.e. direct or indirect) varies across both customer groups. Moreover, in total, the negative impact of cognitive CBR on perceived risk is found to be stronger for customers with a short relationship age.

The direct relationship between cognitive CBR and customer commitment is found to be significantly moderated by relationship age in this study. This relationship is negative for customers with a long relationship age, and it is positive but insignificant for customers with a short relationship age. In contrast, the indirect relationship between cognitive CBR and customer commitment is found to be positive and significant for both groups of customers. Importantly, such a positive indirect effect is significantly stronger than the corresponding negative direct effect of cognitive CBR on customer commitment, for customers with a long relationship age. Therefore, the total (i.e., total of direct and indirect) impact of cognitive CBR on customer commitment is found to be positive and significant for both groups of customers. However, such a total impact is relatively stronger for customers with a short relationship age.

Overall, the impact of cognitive CBR on perceived risk and customer commitment is found to be relatively stronger for customers with a short relationship age. With the increasing relationship age, such impact gets weaker and indirect (i.e. mediated through affective CBR). This finding is somehow consistent with the '*honeymoon-hazard effect*' reported by Ranaweera and Menon (2013). Drawing on the honeymoon-hazard effect, customers may perceive their relationships with service providers more favourably in the initial stages (*honeymoon effect*). Therefore, they may receive a stronger influence from cognitive CBR for reducing their perceived risks and enhancing their commitment with service providers. However, with the maturity of the relationship, their perceived favourability of the relationship and the direct influence of cognitive CBR on perceived risk and commitment level may be reduced (*hazard effect*). Then, the reduced impact of cognitive CBR on perceived risk or customer commitment may be better explained through likeability or emotional appeal (i.e. affective CBR) of the service provider.



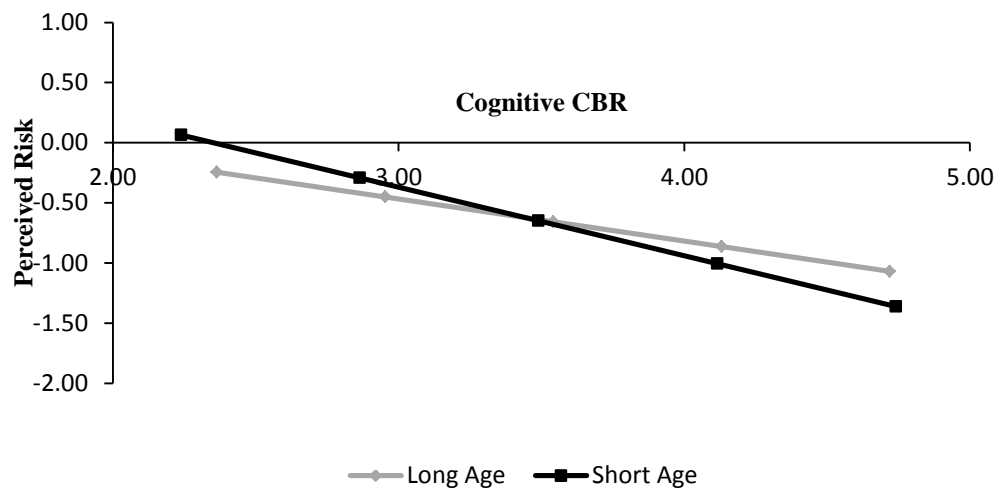
### ***6.5.1.3. Relationship age as a moderator for the effects of affective CBR on perceived risk and customer commitment***

This study finds relationship age to significantly moderate the impact of affective CBR on customer perceived risk and customer commitment, as hypothesized in Section 3.6.1. Affective CBR reduces perceived risk of customers with a long relationship age. However, no significant impact of affective CBR on perceived risk is found for customers with a short relationship age. Similarly, affective CBR increases the commitment level of both customer groups. However, such a positive impact is relatively stronger for customers with a long relationship age.

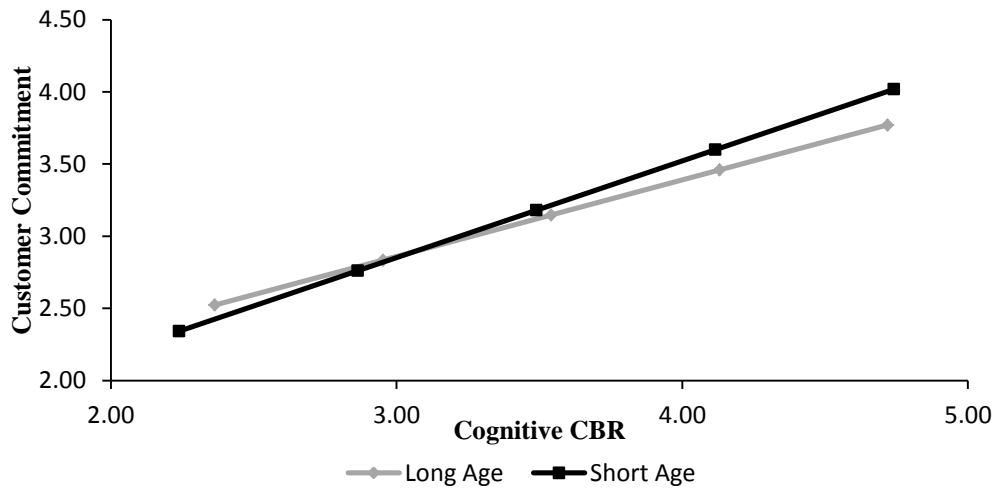
The findings are consistent with the tenets of social exchange theory, which suggest that commitments in the relationships evolve over time (Cropanzano & Mitchell, 2005). A key characteristic of successful social exchanges is the reciprocity or interdependence of exchange partners for mutual benefits (Cropanzano & Mitchell, 2005; Lawler, 2001). Such reciprocity between the exchange partners may gradually reduce their perceived risks and motivate them for mutual cooperation over time (Cropanzano & Mitchell, 2005). The intimacy among the exchange partners may also increase with increasing relationship age (Verhoef et al., 2002). Therefore, the relatively stronger impact of affective CBR on the perceived risk and commitment level of customers with a longer relationship age seems to be justified.

The discussion in Section 6.5.1.2 and Section 6.5.1.3 reveals differential moderating effects of relationship age for the impact of cognitive CBR and affective CBR on outcome variables including customer perceived risk and customer commitment. In this regard, the impact of cognitive CBR on the outcome variables is relatively stronger for customers with a short relationship age. In comparison, the impact of affective CBR on the outcome variables is relatively stronger for customers with a long relationship age. Figures 6.1-6.4 exhibit these differential moderating effects of relationship age through the presentation and comparison of the slopes for the respective effects of CBR

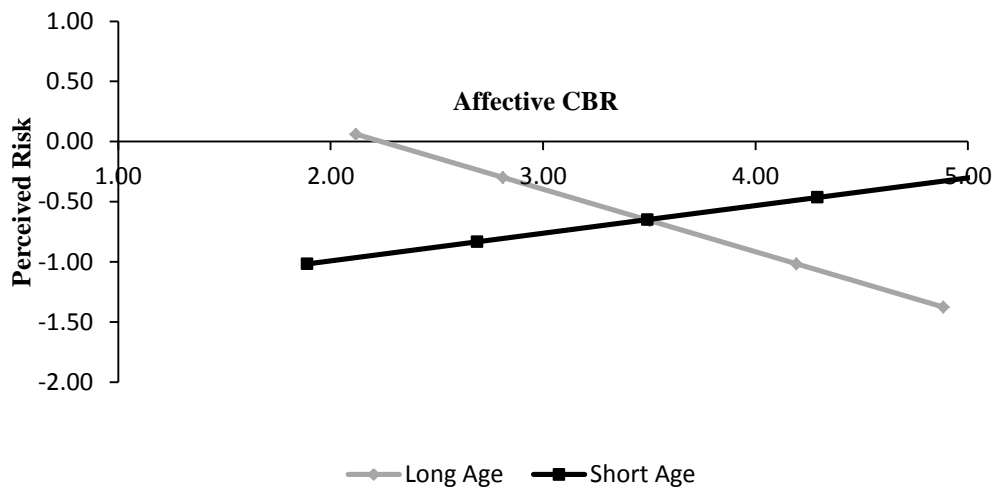
components on outcome variables across both the customer groups. The steeper slopes in these figures represent the stronger effects. These findings suggest useful implications for managers or practitioners. They may use cognitive CBR-based strategies to manage relationships with customers with a short relationship age. However, affective CBR-based strategies can be more beneficial for managing relationships with customers with a long relationship age. The managerial implications are discussed in detail in Section 7.3.



**Figure 6.1: Moderating effect of relationship age for the total effect of cognitive CBR on customer perceived risk**

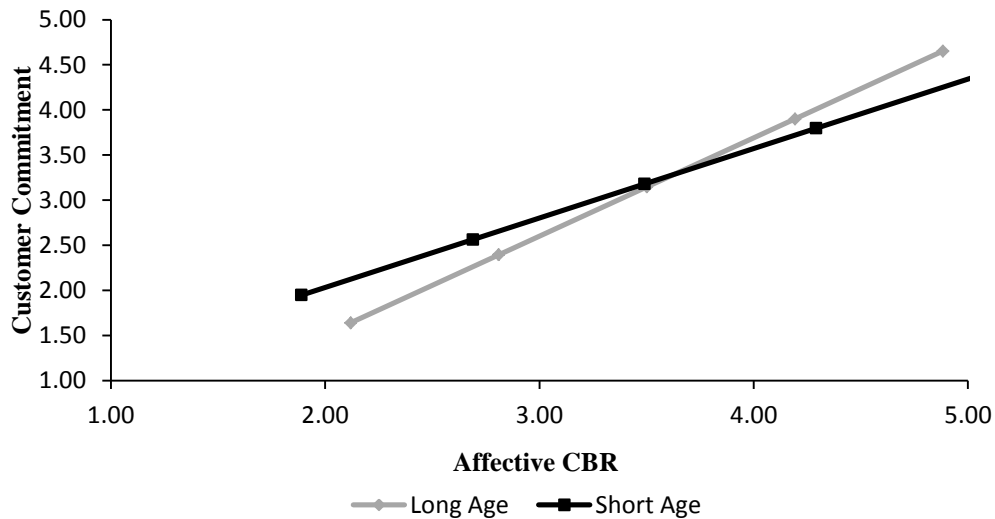


**Figure 6.2: Moderating effect of relationship age for the total effect of cognitive CBR on customer commitment**



**Figure 6.3: Moderating effect of relationship age for the direct effect of affective CBR on customer perceived risk \***

*\*(The affective CBR-perceived risk relationship is not significant for customers with a short relationship age)*



**Figure 6.4: Moderating effect of relationship age for the direct effect of affective CBR on customer commitment**

### 6.5.2. Type of firm as a moderator

The results of this study support the moderating effect of firm type (MNE or local) on the relationship between cognitive CBR and customer commitment. A stronger total effect of cognitive CBR on customer commitment is found for the customers of local firm than for customers of MNEs. In the same vein, marginally significant (at  $p < 0.10$ ) moderating effects of type of firm are found for total effect of cognitive CBR and direct effect of affective CBR on intentional loyalty. In both of these moderated effects, the relationships of CBR components with intentional loyalty are found to be stronger for customers of local firm than for customers of MNEs.

The findings related to the significant (or marginally significant) moderating effects of firm type are consistent with the international business perspective, which suggests that local firms enjoy comparative domestic market advantages in contrast to foreign MNEs (Zaheer, 1995; Hymer, 1976). Such comparative advantages for local firms arise from their better familiarity with the sociocultural and institutional factors of domestic

market, better information about the characteristics of local customers and lower operational costs (Asmussen, 2009; Hymer, 1976; Zaheer, 1995). Local firms are therefore expected to perform better in the domestic markets and provide better value to the customers in terms of perceived benefit-to-perceived cost ratio, as compared to MNEs. For instance, a general comparison of the prices of a core product being offered by selected fast food restaurants in Pakistan indicates the ability of the local restaurant chain (i.e. Fri-Chiks) to offer a standard product at lower prices than its competitors<sup>20</sup>. In this regard, the association of better performance with corporate reputation (Fombrun & Shanley, 1990) and relationship marketing activities (Hunt et al., 2006), helps to explain the stronger impact of CBR components on customer commitment and intentional loyalty, for the local firms.

Furthermore, customers' expectations of foreign companies are likely to be higher than their expectations of local companies operating in the developing markets (Gamble, 2006). The same trend was generally observed during the data collection activity for this study. Customers expected the US-based fast food chains to offer better services and products, and provide a better customer experience. Drawing on the theories of organizational legitimacy, MNEs also face more difficulties in establishing and maintaining their legitimacy in the foreign markets, due to their higher scrutiny, and more demanding legitimacy standards applied to them, as compared to local firms (Kostova & Zaheer, 1999). In the same vein, MNEs have been considered to be more vulnerable to the attacks from the local pressure groups/mobs in the host countries (Kostova & Zaheer, 1999). For example, the multinational US-based fast food chains of McDonald's and KFC have faced attacks in different parts of the world, including France, Greece, Russia, Italy, India and Pakistan (Usunier & Lee, 2009).

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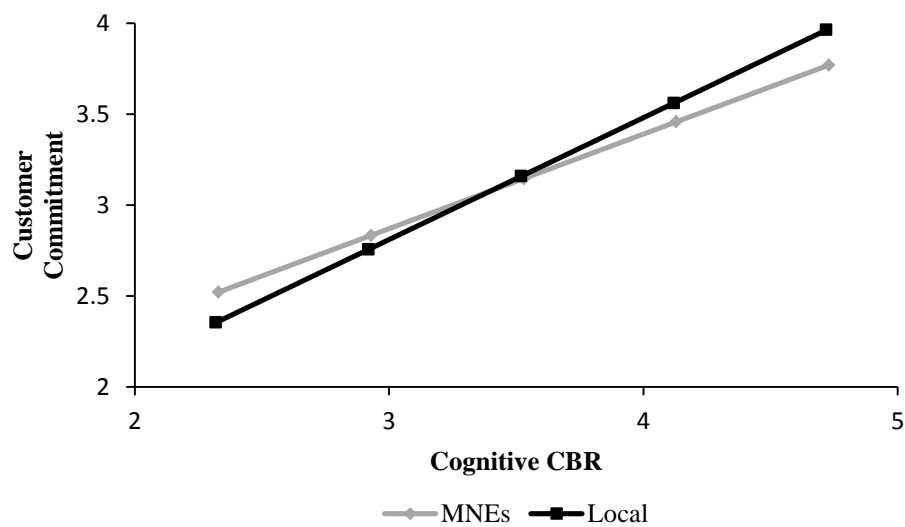
<sup>20</sup> For example, following is the comparison of the prices of a core product that the fast food restaurants are offering in Pakistan (as on June 03, 2014): McDonald's Medium McChicken Burger @ PKR 445; KFC Zinger Burger @ PKR 300; Subway 6-inch Sub Chicken Fajita @ Rs. 230; and, Fri-Chiks Value Burger @ PKR 200 (<http://www.mcdonalds.com.pk/products/view/menu-pricelist>; <http://www.kfcpakistan.com/zinger.html>; <https://www.facebook.com/subwaypakistan>; <http://fri-chicks.com/index.html>, respectively).

The higher expectations of customers and the difficulties in the development of legitimacy put more pressure on the MNEs. Therefore, MNEs are supposed to put in more effort than local restaurant chains, to earn or maintain the same level of cognitive CBR, affective CBR, and the resulting customer commitment or intentional loyalty. In other words, the relationships between CBR components and the outcome variables of customer commitment and intentional loyalty are presumably more elastic for local firms. This means that a lower increase in the cognitive/affective CBR of local firms (as compared to MNEs) is expected to have a higher impact on the relationship constructs of customer commitment and intentional loyalty, due to customers' earlier lower expectations from and the better legitimacy of the local organizations. This may be another reason behind the significant (or marginally significant) moderating effects of firm type for the impact of CBR components on customer commitment and intentional loyalty.

Firm type is not found to be a moderator for the effects of both CBR components on customer perceived risk and customer trust, in this study. Although, by looking into the results (see Table 5.23), the total effects of affective CBR on perceived risk and customer trust were found to be significant for MNEs, but not for local firms. However, the firm type did not significantly moderate these inter-construct effects. Moreover, no significant moderating effect of firm type is found for the effect of affective CBR on customer commitment.

In summary, using a 95% confidence level, only the total effect of cognitive CBR on customer commitment is found to be moderated by firm type, in a way that local firms enjoyed a relatively stronger impact of cognitive CBR on customer commitment. Figure 6.5 exhibits this moderating effect of type of firm, where the difference between respective effect size coefficients ( $\beta$ s) from both MNEs and local enterprises is found to be statistically significant ( $Z = -2.105$ ;  $p < 0.05$ ). The finding is supported by the

international business perspective, which reveals the competitive advantages of local firms over MNEs. However, other hypothesized moderating effects of firm type for the respective relationships of CBR components with outcome variables are not found significant (using 95% confidence level). Therefore, overall findings do not suggest firm type as a strong moderator for the effects of CBR components on business-to-customer relationships.



**Figure 6.5: Moderating effect of type of firm for the total effect of cognitive CBR on customer commitment**

## 6.6. Summary

This chapter discusses the key findings of this study. The underrated affective component of CBR has been found to play an influential role in business-to-customer relationships. Moreover, the differential effects of cognitive CBR and affective CBR are found on outcome variables, including customer perceived risk, customer trust, customer commitment and intentional loyalty.

The hypothesized direct effects of affective CBR on perceived risk, customer trust, and customer commitment are supported by the results, whereas the corresponding

direct hypothesized effects of cognitive CBR on these outcome variables are not supported. The finding regarding the influential role of affective CBR in business-to-customer relationships is consistent with the tenets of social exchange theory, which highlight the importance of affect and emotions in relational exchanges (Lawler & Thye, 1999; Cropanzano & Mitchell, 2005). The other finding about the differential effects of both CBR components is somehow supported by the evidence from the existing literature, where the differential effects of both CBR components have been found on financial aspects of the organization (see e.g., Eberl & Schwaiger, 2005; Raithel & Schwaiger, 2015).

With respect to mediating effects, this study finds customer commitment and perceived risk to mediate the effect of affective CBR on intentional loyalty. In comparison, the effect of cognitive CBR on intentional loyalty is mediated by affective CBR, customer commitment and perceived risk. For mediated effects of both CBR components, customer commitment has been found to be a stronger mediator than perceived risk. The important mediating role of customer commitment in commercial exchanges is already reported in the literature (see e.g., Morgan & Hunt, 1994; Walsh et al., 2014). However, this study has examined the mediating effects of customer commitment for the separate effects of both CBR components on business-to-customer relationships. Moreover, the mediating effects of customer commitment have been compared with those of other mediators (i.e. perceived risk and customer trust) proposed in the conceptual model (Figure 3.5).

In the discussion of moderation analysis, relationship age and type of firm are discussed as moderators for the effects of CBR components on business-to-customer relationships. Relationship age is found to moderate the effects of cognitive CBR on perceived risk and customer commitment, in a way that such effects are stronger for customers with a short relationship age. This finding is consistent with *honeymoon-*



*hazard effect* reported by Ranaweera and Menon (2013), which suggests the declining strength of commercial relationships over time. On the other hand, the effects of affective CBR on perceived risk and customer commitment are also found to be moderated by relationship age, but in a way that such effects are stronger for customers with a long relationship age. This finding receives support from the tenets of social exchange theory, which suggest a decline in perceived risk and an increase in the commitment level of exchange partners in social exchanges, over time (Cropanzano & Mitchell, 2005).

Type of firm is found to moderate the effect of cognitive CBR on customer commitment. In this case, cognitive CBR has stronger impact on the commitment of local firm's customers in comparison with customers of MNEs. This finding is supported by the literature on international business, which reveals competitive advantages of local firms over MNEs (see e.g., Zaheer, 1995).

## **Chapter 7**

### **Research Contributions and Conclusions**

#### **7.1. Introduction**

This study investigates and compares the separate effects of cognitive CBR and affective CBR on the representative constructs of business-to-customer relationships. For this purpose, the direct, mediated and moderated effects of both CBR components are examined on outcome variables including customer perceived risk, customer trust, customer commitment and intentional loyalty. The mediating role of customer perceived risk, customer trust and customer commitment has been analysed in the relationships of CBR components with intentional loyalty. Moreover, the moderating effects of relationship age and type of firm are assessed for the impact of CBR components on business-to-customer relationships. These direct, mediated, and moderated effects appear in the proposed conceptual model (Figure 3.5). For the testing of such hypothesized effects, data were collected through an intercept-survey of fast food restaurant customers in Pakistan. Building on the discussion of the results (see Chapter 6), this chapter presents the theoretical contributions and managerial implications of this research. The contextual contributions, limitations of this study and corresponding opportunities for future research follow the managerial implications. The chapter ends with the conclusions of the study.

#### **7.2. Theoretical contributions**

The existing literature provides a limited understanding of the impact of CBR on business-to-customer relationships. This is because the previous research has largely neglected to examine the separate effects of cognitive CBR and affective CBR on

business-to-customer relationships. Moreover, most of the researchers in this area focus on testing only the direct effects of CBR on the customer-outcome variables. Against this background, this study significantly contributes towards a better understanding of the effects of CBR on business-to-customer relationships by investigating and comparing the separate effects of both CBR components, and examining the underlying mechanisms and boundary conditions of such effects. By doing this, this study makes the following major theoretical contributions.

*First*, this study reveals that cognitive CBR and affective CBR have differential effects on business-to-customer relationships. The hypothesized direct effects of affective CBR on perceived risk, customer trust and customer commitment receive support from the results of this study. However, the hypothesized direct effects of cognitive CBR on the same outcome variables lack support. Similarly, differences are found in the mediated and moderated effects of both CBR components on customer outcome variables, which are discussed in Chapter 6 (Section 6.4 and Section 6.5, respectively).

*Second*, this study extends the application of social exchange theory into the areas of corporate reputation and business-to-customer exchanges by identifying that the underrated affective component of CBR has a strong impact on business-to-customer relationships. Affective CBR, representing customers' feelings or emotions towards a firm, directly reduces perceived risks and enhances the trust and commitment levels of customers. By reducing perceived risks and enhancing customer commitment, affective CBR also increases intentional loyalty (i.e., customers' intentions to repurchase and spread positive word-of-mouth). Adding further strength to the role of affective CBR, the effects of cognitive CBR on the representative constructs of business-to-customer relationships are found to be mediated through affective CBR. The finding of the indirect (not direct) effects of cognitive CBR elucidates the application of cognitive

consistency theories, which have been used to theorize the direct effects of cognition-based CBR on customer outcome variables, in the literature.

Both the first and the second contribution of this study expand the existing literature on the role of CBR in business-to-customer relationships, which is dominated by evidence relating to cognition-based CBR. The finding of the differential effects of both CBR components supports a more balanced conceptualization of CBR, where affective CBR and cognitive CBR are two distinct components of CBR. The robustness of this finding was further tested through the conceptualization of rival model 1 (Figure 3.6), and comparing that with the main conceptual model (Figure 3.5) of this study. Cognitive CBR and affective CBR were combined into a single CBR construct in rival model 1, in comparison with their conceptualization as two distinct constructs in the proposed conceptual model. The evaluation of the rival model revealed a significant increase in its chi-square value ( $p < 0.01$ ), as compared with that of the main conceptual model. Therefore, the main conceptual model was found to be superior to the rival model 1. The superiority of the main conceptual model suggested that cognitive CBR and affective CBR should be considered as two distinct constructs in any attempt to better explain the effects of CBR on business-to-customer relationships.

*Third*, this study explicates the mechanism through which CBR affects business-to-customer relationships, by incorporating mediating factors, which explain such effects of CBR. The literature in this regard is found deficient, as most of the researchers neglect to investigate the underlying mechanism of the causal relationships (Walsh et al., 2014; see also Table 1.1). This study responds to such deficiency of the literature and improves the understanding of the effects of CBR components on business-to-customer relationships in several ways (see Points 1-4 in the following paragraphs). Intentional loyalty is selected as the dependent variable and the representative construct of business-to-customer relationships for examining mediating effects in this study,

because intentional loyalty represents the ultimate desired outcome of relationship marketing activities (Hennig-Thurau et al., 2002; Yim et al., 2008; see Section 1.3.2.1 for more detailed discussion).

(1) This study contributes to the existing literature by suggesting that the mediation of customer trust in commercial exchanges may vary across different contexts and research settings. Although the commitment-trust theory of relationship marketing (Morgan & Hunt, 1994) advocates customer trust as an important mediator in business exchanges, this study finds that customer trust does not explain the effects of any of CBR components on intentional loyalty. This finding can be attributed to the context or settings of this research. This study was conducted in the context of business-to-customer relationships, within the setting of fast food restaurant services. This research setting represents low-involvement services (Walsh et al., 2014), which are less information-sensitive, and where service providers have direct interaction with customers. Previous research reflects that customer trust can be more influential in a business-to-business context (see e.g., Morgan & Hunt, 1994), in information-sensitive or high-involvement services settings (see e.g., Eastlick et al., 2006), or where business-to-customer exchanges are through some channel or intermediary (Palmatier et al., 2006). Therefore, customer trust may not explain the effects of CBR on intentional loyalty in the case of low-involvement, less information-sensitive services, where customers have direct interaction with service providers.

(2) This study advances the current literature by suggesting that the important mediating role of customer commitment varies for both components of CBR in CBR-intentional loyalty relationship. Customer commitment is found to independently mediate affective CBR-intentional loyalty relationship. However, in cognitive CBR-intentional loyalty relationship, customer commitment does not independently mediate, rather it mediates jointly (in sequence) with affective CBR. In other words, cognitive

CBR has direct impact on affective CBR, which increases customer commitment, which further enhances intentional loyalty.

By investigating the mediating effects of customer trust and customer commitment, this study makes an important theoretical contribution with respect to the application of the commitment-trust theory of relationship marketing for studying the role of CBR in business-to-customer relationships. In this regard, researchers should be cautious about the differences in contexts and research settings. Customer commitment may be a potential mediator in the case of low involvement, less information-sensitive services, where customers have direct contact with the service provider. In comparison, customer trust may potentially mediate the effects of CBR in the case of high-involvement, more information-sensitive services, where customers do not have direct contact with the service providers. Moreover, customer commitment may explain the respective effects of both CBR components on intentional loyalty in different ways.

(3) The literature provides little understanding about the mediating effect of perceived risk in CBR-intentional loyalty relationship. This study improves such understanding by revealing that customer perceived risk explains the effects of both cognitive CBR and affective CBR on intentional loyalty. Moreover, the mediating effects of perceived risk vary for both components of CBR. Perceived risk is found to individually mediate affective CBR-intentional loyalty relationship. In comparison, in cognitive CBR-intentional loyalty relationship, perceived risk does not individually mediate, rather it mediates jointly (in sequence) with affective CBR. In other words, cognitive CBR reduces perceived risk through affective CBR, and the reduced perceived risk then positively affects intentional loyalty.

(4) The prior literature largely neglects the possible existence of multiple intervening constructs, which may simultaneously explain the effects of CBR on business-to-customer relationships. Responding to this opportunity, this study conceptualizes and

finds multiple mediator effects in the relationships of CBR components with intentional loyalty. In the same vein, another contribution of this study is to compare the effects of multiple mediators in such relationships. Customer trust has been found not to mediate, whereas customer perceived risk and customer commitment have mediated the effects of both CBR components on intentional loyalty. However, customer commitment has been found to be a stronger mediator than customer perceived risk. The setting of fast food restaurant services for this research may justify the relatively stronger mediating impact of customer commitment. Fast food restaurant services represent a relatively lower supplier-selection risk and higher tangibility (Walsh et al., 2014). Therefore, customer commitment may play a more important role than perceived risk in such industry settings.

*Fourth*, a major contribution of this study is to find relationship age as an influential moderator or boundary condition for the effects of CBR on business-to-customer relationships. More importantly, the moderating effects of relationship age are found to vary across both components of CBR, and across the four representative constructs of business-to-customer relationships.

Relationship age is found not to moderate the effects of cognitive CBR and affective CBR on both customer trust and intentional loyalty. In contrast, the effects of both CBR components on perceived risk and customer commitment are found to be moderated by relationship age. However, the impact of cognitive CBR on perceived risk and customer commitment is found to be relatively stronger for customers with short relationship age; whereas, the impact of affective CBR on perceived risk and customer commitment is found to be relatively stronger for customers with long relationship age.

The tenets of social exchange theory and the literature on commercial exchanges suggest the influential role of age of relationship for the strength of relationship and intimacy between the exchange partners (Cropanzano & Mitchell, 2005; Bartikowski et

al., 2011; Ranaweera & Menon, 2013). However, relationship age as a moderator has received little attention in the literature on the role of CBR in business-to-customer relationships. Only Bartikowski et al. (2011) have studied the moderating effect of relationship age on the relationship between CBR (as a single construct) and customer loyalty. This study, therefore, makes an important contribution by investigating the moderating effects of relationship age for the separate effects of cognitive CBR and affective CBR on customer trust, customer commitment, intentional loyalty and perceived risk.

*Fifth*, drawing on the international business literature, a distinctive contribution of this study is to hypothesize and test the moderating effects of firm type (local versus MNEs) for the impact of CBR components on business-to-customer relationships. In this regard, the impact of cognitive CBR on customer commitment has been found to be moderated by firm type, where such impact is stronger for local enterprises than for MNEs. Such a moderating effect can be attributed to the comparative advantages of local firms over foreign multinationals (Zaheer, 1995; Hymer, 1976) and higher expectations of customers from MNEs (Gamble, 2006).

The moderation of type of firm for the impact of cognitive CBR on customer commitment extends the application of the international business perspective into the corporate reputation literature. It suggests that reputational researchers should carefully analyse and incorporate the differences between MNEs and local enterprises while developing theoretical frameworks in the relevant research contexts.

In contrast to the above, type of firm is not found to moderate the effects of cognitive CBR on other outcome variables. Similarly, the effects of affective CBR on business-to-customer relationships are also not found to be moderated by type of firm. Therefore, the overall findings do not suggest type of firm as a strong moderator for the effects of CBR components on business-to-customer relationships.



By investigating the moderating influences of relationship age and type of firm, this study attempts to address the issue of the dearth of studies investigating the boundary conditions of CBR-outcome relationships. The findings in this regard significantly contribute towards a better understanding of the impact of CBR on business-to-customer relationships.

### **7.3. Managerial implications**

Corporate reputation (whether positive or negative) influences the strategic actions of an organization (Gupta, Czinkota, & Melewar, 2013; Musteen, Rhyne, & Zheng, 2013). When considering the value of reputation for an organization, it is important for managers to understand the formation of corporate reputation (Sarstedt, Wilczynski, & Melewar, 2013). At present, the managerial implications stemming from the literature on CBR are primarily restricted to the cognitive aspects of CBR (Raithel & Schwaiger, 2015). Nevertheless, findings of this study suggest that managers should take affective CBR into consideration as a *distinct* construct, along with cognitive CBR, while developing their reputation management policies. They should also understand the differential roles that both of these reputational components may play in managing organizational relationships with customers.

In the real world, customers do not always behave like thinking machines. Their decision-making may not be purely cognition or knowledge-based; instead, affect can play a prominent role in their marketing decisions (Shiv & Fedorikhin, 1999). For example, customers' decisions to maintain a relationship with a service provider, to revisit a service, or to recommend a service to others, might be based on their feelings or emotions. In this situation, affective CBR can be an essential component for practitioners to understand the consumer decision-making process. This, in turn, will help managers to formulate effective strategies in different areas of marketing, such as,

consumer segmentation, the development of customer relationship management (CRM) solutions and the designing of the communication-mix for customers. For instance, measuring CBR into separate cognitive and affective components can facilitate more effective corporate communications, as advertising agencies can then easily decide about the nature of message appeal (rational or emotional) in future advertising campaigns (Schwaiger, 2004).

Within the context of fast food restaurants, the findings of this study demonstrate that the important role of affective CBR may have some other useful implications for developing relationships with customers. It can be observed that some fast food restaurants are already including both cognitive and affective elements of CBR in developing their current marketing strategies. However, the findings of this study suggest that managers should preferably emphasize affect-based appeals or messages when designing their integrated marketing communication strategies in particular. This recommendation supports the proposed higher relevance of affect-based marketing strategies for the services characterised with low selection-risk, in comparison to high selection-risk services (Walsh et al., 2014). Therefore, it is recommended that managers add more emotions-based elements or affect-based incentives (based on customers' preferences) to their promotion mix; for example, discount coupons on important anniversaries, and incentives through loyalty cards. Training of front-line employees to focus the affective component of customers' attitudes can also improve the overall visit experience of customers (Martin, O'Neill, Hubbard, & Palmer, 2008). By developing emotional bonds in this way, customer loyalty will increase (Ranganathan et al., 2013). Moreover, understanding the distinctive affect-based customers' evaluation can help in improving the design and delivery process of services, and in achieving the marketing objective of exciting the customers (Bigne & Andreu, 2004).

Winning loyal customers is considered to be the ultimate desired objective of organizations' relationship marketing efforts (Hennig-Thurau et al., 2002; Yim et al., 2008). Therefore, knowing about the determinants of intentional loyalty should be of significant importance to managers. The literature in this regard suggests CBR as a major driver for developing loyalty among the customers (Bartikowski & Walsh, 2011; Caruana & Ewing, 2010; Eastlick et al., 2006). However, the relationship between CBR and intentional loyalty may not be straightforward; rather it may involve potential mediators, which can explain the effects of CBR on intentional loyalty (see e.g., Eastlick et al., 2006; Johnson & Grayson, 2005). The existing literature provides a limited understanding of such mediator influences, and offers an opportunity for the further explication of CBR-intentional loyalty relationship. This study, therefore, investigates the effects of multiple mediators to provide managers an improved comprehension of the relationship between CBR and intentional loyalty. The recommendations for managers, based on mediation analysis, are as following (see Points 1-3 in the following paragraphs):

(1) Both cognitive CBR and affective CBR do not directly influence intentional loyalty. Rather, affective CBR enhances intentional loyalty by increasing the level of customer commitment and reducing customer perceived risks. In the same vein, cognitive CBR develops affective CBR to reduce customer perceived risks and increase customer commitment, which ultimately lead to intentional loyalty. Therefore, managers should adopt a well-integrated approach, where they need not only develop the cognitive and affective aspects of CBR, rather they also emphasize the enhancement of customer commitment and the reduction of perceived risks to win the loyal customers.

(2) This study compares the mediating influences of customer commitment, perceived risk and customer trust for the effects of CBR components on intentional

loyalty. The findings, in this regard, reveal customer commitment to be the strongest mediator, the relatively weaker mediating effects of customer perceived risk, and no mediation of customer trust. Moreover, affective CBR is found to mediate cognitive CBR-intentional loyalty relationship, jointly (in serial) with each of customer commitment and customer perceived risk.

The research settings of fast food restaurant services justify these findings of the mediation analysis. Fast food restaurant services are characterized by low supplier-selection risk, low customer involvement, low information intensity and direct interaction of employees with customers. For managing business-to-customer relationships in such a research setting, customer commitment is expected to play a more important role than perceived risk and customer trust (Walsh et al., 2014; Palmatier et al., 2006; Johnson & Grayson, 2005). The findings of this comparative mediation analysis recommend that managers prioritize their efforts and investments for reputation management and relationship marketing activities. In this regard, they should pay more attention to, and spend more resources on, enhancing affective CBR and customer commitment, as compared to reducing perceived risk or building customer trust.

This recommendation can also be generalized for managers in those industries, which possess characteristics similar to those of fast food restaurant services (e.g. retailing services). By following this recommendation, concerned managers are expected to use their reputation management activities more effectively for winning loyal customers.

(3) This study finds that affective CBR plays a critical role in explaining the effects of cognitive CBR on intentional loyalty and other outcome variables including customer commitment, perceived risk and customer trust. Accordingly, the findings recommend to managers that the primary objective of managing the cognitive component of CBR

should be to develop positive feelings and emotions (i.e. affective CBR) of customers towards the service provider, which in turn will reduce their perceived risks and enhance their commitment, which in turn will increase their loyalty. It is therefore important for managers to understand that cognitive aspects of CBR may not be able to earn relationship outcomes without building positive emotions or feelings of customers, at first.

By testing the moderating effects of relationship age, this study provides some useful implications for managers. Relationship age is found to moderate the effects of both CBR components on customer commitment and on customer perceived risk. However, such moderating effects vary for both components of CBR. Cognitive CBR has a relatively stronger positive impact on customer commitment, and a relatively stronger negative impact on perceived risk of customers with a short relationship age. In contrast, affective CBR has relatively stronger effects on customer commitment and perceived risk, for the customers with a long relationship age. Accordingly, it is recommended that managers prioritize the cognitive aspects of CBR, while managing relationships with customers with a short relationship age. In contrast, for managing relationships with customers with a long relationship age, affective CBR should be prioritized. Using a differentiated reputation management strategy for customers with short and long relationship age can enhance organizational efficiency and effectiveness in developing successful relationships with both the customer segments.

The findings about the moderating effects of relationship age can also be interpreted in another way. In the early age of business-to-customer relationships, the cognitive aspects of CBR (i.e., customer orientation; financial strength; and product and services quality of service provider) may play a more crucial role (compared to affective CBR) for successful relationships. However, with the increasing age of relationships, customers may take those aspects of cognitive CBR for granted. Then, their affect or

emotional attachment with the service provider may have stronger influence (compared to cognitive CBR) on their commitment levels and the reduction of their perceived risks. Therefore, with the increasing age of relationship, affective aspects of CBR should receive more attention from the managers, for the continuity of successful business-to-customer relationships.

This study also examines how the effects of both CBR components on business-to-customer relationships vary across two types of firms (i.e. MNEs and local firms). The existing literature on CBR provides a very limited understanding about such moderating effects of type of firm. Therefore, the findings of this study have some useful implications for the managers of both MNEs and local enterprises.

This study reports type of firm to moderate the effect of cognitive CBR on customer commitment, in a way that a stronger effect of cognitive CBR on customer commitment is found for the customers of local enterprises, than for the customers of MNEs. Accordingly, it is recommended that the managers of MNEs put in greater efforts than those at local enterprises, to develop customer commitment through the management of cognitive CBR. On the other hand, local service providers may capitalize on their comparative advantage of better familiarity with the domestic markets (Zaheer, 1995) and further strengthen their relationships with the customers. However, no significant moderation of firm type is found in this study for the effects of cognitive CBR on customer trust, perceived risk and intentional loyalty. Similarly, the impact of affective CBR on any of the outcome variables included in the conceptual model (Figure 3.5) is not found to be moderated by type of firm. Therefore, no other recommendations can be made about the differences in reputation management and relationship marketing strategies of MNEs and local enterprises.

#### **7.4. Contextual contributions**

Along with its theoretical contributions and managerial implications, this study also adds to the contextual diversity of research in the areas of corporate reputation, CBR and business-to-customer relationships. Some possible explanations for the key findings of this study emerge from the context of this research. Therefore, the findings, on one hand, highlight the importance of context, and on the other hand, identify some potential context-related areas of future research, for studying the role of CBR in business-to-customer relationships.

Research in the areas of corporate reputation, CBR and business-to-customer relationships is mainly skewed towards the developed countries, such as, the United States, The United Kingdom, Germany and France (Walker, 2010; see also Table 2.2). It leaves a potential opportunity for researchers to study emerging markets for the theoretical development of these research areas. Therefore, in this study, the fast food customers were surveyed in the emerging market of Pakistan. The selection of the research setting of Pakistan has been justified in Section 4.3.1. Moreover, there are certain global trends in consumption and consumer markets that do not support to restrict the research on CBR and business-to-customer relationships to the developed markets. Increasing fast food consumption has become such a global phenomenon that can be observed in both developed and developing markets.

This study finds significant and distinctive effects of affective CBR (an underrated component of CBR in comparison with cognitive CBR) on business-to-customer relationships. A possible explanation for this finding emerges from the context of this study. Pakistan scores high on the cultural dimensions of collectivism and uncertainty avoidance (Hofstede, 2012). High collectivism represents the desire of customers to develop and maintain relationships, whereas a high score for uncertainty avoidance suggests a higher reliance of customers on the reputation of service providers

(Bartikowski et al., 2011). Both of these cultural characteristics of the Pakistani consumer market support a significant role of affective CBR in business-to-customer relationships (as explained in the following paragraph).

Drawing on social exchange theory, affect or emotions play a central role in social exchanges (Lawler & Thye, 1999). A positive affective CBR (i.e. liking for, and emotional attachment with, the service provider) can reduce the uncertainty of buyers in their transactions and relationships with the sellers (Kim et al., 2008). The affective component of CBR is also expected to play a more important role for business-to-customer relationships in collectivist cultures than in individualistic cultures. This is because people in collectivist cultures place a high value on relationships (Hofstede, 2012), and affect plays a central role in strengthening or weakening the relationships (Lawler, 2001). Therefore, the context of a collectivist and uncertainty avoiding culture is found to be relevant with, and supportive to, the findings of this study. In this regard, future researchers are encouraged to test the findings of this research in cultures with low scores on collectivism and/or uncertainty avoidance. This will help to examine the role of cultural characteristics for the effects of CBR components on business-to-customer relationships.

Another key contribution of this study is to test the relative influence of multiple mediators in the effects of CBR components on business-to-customer relationships. The results suggest that customer commitment is a stronger mediator than perceived risk and customer trust. This finding is also of relevance to the context of this study. This finding emerges from the study of business-to-customer relationships in a service industry (i.e. fast food restaurant services), which is characterized by high tangibility and a low supplier-selection risk of customers (Walsh et al., 2014). Fast food services are presumably a low-involvement service for customers, where customers have direct interaction with service providers. These industry characteristics suggest a more



important role of customer commitment than of customer perceived risk and customer trust, for explaining the effects of CBR on business-to-customer relationships (see e.g., Palmatier et al., 2006; Walsh et al., 2014).

This study, therefore, invites attention of future researchers to consider the industry effects while studying the role of CBR in commercial exchanges. Such industry effects may originate from the differential nature of commercial exchanges (i.e. business-to-customer relationships or business-to-business relationships), customer involvement in making purchase decisions (high or low), the supplier-selection risk of customers (high or low), the level of tangibility of services (high or low) and/or the nature of customers' interaction with the service provider (direct or through some channel/intermediary). A varying role of the proposed mediators is expected across different industry settings. For example, customer trust may be more influential in business-to-business exchanges, whereas, customer perceived risk might have relatively stronger effects on high-risk services (e.g. financial services).

## **7.5. Limitations and future research**

There are some limitations in this study, which indicate potential avenues for future research. *First*, it is not only *customers*, but also other stakeholder groups such as investors, employees, regulatory authorities, communities and suppliers, which hold strategic importance for an organization. It can be useful for researchers to investigate, and for managers to understand, how different stakeholder groups develop reputational evaluations; and how cognitive and affective components of those evaluations contribute to relationship marketing activities. The results of such inquiries can help practitioners to make more effective reputation management policies.

*Second*, as discussed in the preceding Section 7.4, the relative effects of cognitive CBR and affective CBR on business-to-customer relationships should also be tested in

industry settings other than fast food restaurants. Restaurants are classified as experience-based services, which are moderately difficult to be evaluated (Hsieh et al., 2005). However, in comparison, there are certain services where customers face a higher selection risk and more difficulty in evaluation, such as financial services (Hsieh et al., 2005; Walsh et al., 2014). While developing business-to-customer relationships, it is expected that the roles of affective CBR (compared to that of cognitive CBR) and customer outcome variables may vary for high risk services, in contrast to experience-based services. In this regard, cognitive CBR, customer trust and customer perceived risk may play a more significant role than affective CBR and customer commitment in high-risk services, such as, retail banking, insurance services and healthcare services.

*Third*, this study is somewhat biased in the selection of the largest fast food chains, for conducting customer survey. The shortlisted restaurants, including KFC, Subway, McDonald's and Fri-Chiks, respectively represent the four largest fast food chains operating in Pakistan (in terms of the number of operating outlets). However, the fast food industry in Pakistan includes several smaller chains (e.g., Domino's, Nando's and Hardee's) along with other medium, small and micro level market players. As firm size is considered to be an established antecedent of corporate reputation (Fombrun & Shanley, 1990; Brammer & Pavelin, 2004; Love & Kraatz, 2009), surveying the customers of both smaller and larger market players in a study, may help to control the firm size effects in testing hypothesized relationships.

*Fourth*, the data for this study is collected from the fast food customers in Pakistan. While Pakistan provides an appropriate setting for this research (see Section 4.3.1), changes in cultural characteristics may affect the relationships of CBR components with outcome variables (Bartikowski et al., 2011). Therefore, this study's proposed conceptual model (Figure 3.5) should be tested in other culture or country settings, in order to clarify the moderating influences of culture (if any) on the examined effects.

This proposed opportunity for future research has been discussed in detail in the preceding Section 7.4.

*Fifth*, this research has collected survey data related to all of the constructs from a single source, that is, customers' responses. The data collected in this way may suffer from the common method bias (Podsakoff et al., 2003). Therefore, this study has taken several procedural and statistical measures to minimize the impact of common method bias (see Section 4.9). However, any future attempt to collect and use the data from different sources, for testing the interrelationships hypothesized in this study, may further strengthen the validity of results (Walsh et al., 2014; Podsakoff et al., 2003). For instance, an alternative assessment of CBR can be based on customers' written feedback collected by restaurants either from within the premises or through their corporate websites.

*Sixth*, the findings of this research are based on cross-sectional data. Therefore, there are limitations to this study's ability to suggest how relationships among the constructs of its conceptual model (Figure 3.5) will change/have changed over time. A longitudinal research, preferably involving a panel of customers, can serve this purpose. Such an inquiry may facilitate an understanding of the changing patterns of customers' attitudes and behavioural intentions in different stages of business-to-customer relationships. This information can further serve as a useful input to the development of strategies related to customer segmentation, integrated marketing communications, reputation management and relationship marketing.

*Seventh*, the findings of this study should not be misinterpreted as undervaluing the significance of cognitive CBR (in comparison to affective CBR) in managing business-to-customer relationships. Rather, this study has attempted to clarify the paths through which cognitive CBR influences customer perceived risk, customer trust, customer commitment and intentional loyalty. Future research may further explore such

relationships, through conceptualizing and testing other mediators and moderators in this regard.

*Eighth*, the proposed conceptual model (Figure 3.5) in this study does not incorporate the actual behaviour, but rather the behavioural intentions (i.e. intentional loyalty) of customers. However, actual behaviour can be different from behavioural intentions to repurchase or spread positive word of mouth. While expressing their intentions, customers may not be able to consider contingency or situational factors, which may influence their actual behaviours (Shugan, 1980; Seiders et al., 2005). Studying actual behaviour is important, as it may provide a key input for evaluation and further improvement of existing marketing/management strategies (Carrington, Neville, & Whitwell, 2010). Future research, therefore, may extend this study's proposed conceptual model by including the actual behaviour component also. Examining the intentions-behaviour gap in this way is expected to provide better insights for understanding the effectiveness of CBR components in business-to-customer relationships.

*Finally*, this research investigated and compared the separate effects of cognitive CBR and affective CBR on customer perceived risk, customer trust, customer commitment and intentional loyalty. However, several other outcomes of CBR have been studied in the existing literature (see Table 2.2), where examining and comparing the separate effects of both CBR components could have provided valuable theoretical and managerial implications for managing business-to-customer relationships through CBR. Future researchers are therefore encouraged to investigate the relative effects of cognitive CBR and affective CBR on the outcome variables, such as, customer satisfaction (Loureiro & Kastenholz, 2011; Walsh et al., 2006); customer citizenship or support behaviour (Bartikowski & Walsh, 2011; Newburry, 2010; Coombs & Holladay, 2001); and customers' willingness to pay (Graham & Bansal, 2007).

## **7.6. Conclusions**

This study provides a better understanding of how CBR relates to business-to-customer relationships. Finding the significant impact of affective CBR and the differential effects of both CBR components on business-to-customer relationships are the major contributions of this empirical investigation. Affective CBR is found to directly enhance customer trust and customer commitment, and reduce perceived risks of customers. In comparison, no direct effects of cognitive CBR are found on these outcome variables representing business-to-customer relationships. This study also contributes by explicating the mechanisms through which CBR components affect business-to-customer relationships. In this regard, this study finds that the relationship between affective CBR and intentional loyalty is explained by customer commitment and perceived risk, whereas cognitive CBR transmits its effects on intentional loyalty through affective CBR, customer commitment and perceived risk. Another important contribution of this study is to examine the boundary conditions of the effects of CBR components on business-to-customer relationships. The findings in this regard reveal a stronger impact of affective CBR on customer commitment and perceived risk for customers with a long relationship age, whereas the impact of cognitive CBR on these outcome variables is found to be stronger for customers with a short relationship age. In the same vein, a stronger impact of cognitive CBR on customer commitment is found for the customers of local enterprises when compared to the customers of MNEs.

Theoretically, this research extends the application of social exchange theory (Lawler & Thye, 1999), cognitive consistency theories (Eagly & Chaiken, 1993), the theory of customer perceived risk (Taylor, 1974) and the commitment-trust theory of relationship marketing (Morgan & Hunt, 1994) into the study of the impact of CBR on business-to-customer relationships. The findings offer new insights for marketing managers on the development of policies for reputation management and relationship

marketing. It is anticipated that future researchers will continue to explore the relative effects of affective CBR and cognitive CBR, multiple mediators, and multiple moderators, while investigating the relationships between CBR and outcome variables.

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## **Appendices**

Appendix 1: Survey questionnaire for pilot study

Appendix 2: Results of pilot study

Appendix 3: Final questionnaire for major survey

Appendix 4: Assessment of multivariate normality

Appendix 5: Meta-analysis based study by Ali et al. (2015).

## **Appendix 1: Survey questionnaire for pilot study**

This appendix presents the survey questionnaire that was used in the pilot study. The version of the questionnaire presented here is the final version, which was developed in response to revisions suggested by respondents in various pretesting stages (see Section 4.6).

The questionnaires were customized for each shortlisted restaurant, including McDonald's, Subway, KFC, and AFC. However, all the content, apart from the restaurant name, was the same across all of the questionnaire versions. The questionnaire included in this appendix was prepared for the customers of KFC.

**Dear Customer,**

I am a marketing research scholar at Middlesex University, London, UK. I am working on my research thesis that is related to fast food restaurants. The information collected through this questionnaire will be of great help to complete this research. You are therefore requested to kindly fill this simple questionnaire that will take just a few minutes from your valuable time.

The information provided by you will be kept anonymous and confidential. You have the right to withdraw from this research at any time. There are no right or wrong answers, so feel free to answer the questions. I am grateful for your kind cooperation in this regard.

**Raza Ali**

PhD Scholar (Marketing)

Middlesex University Business School

Hendon, London, UK

Email ID: [R.Ali@mdx.ac.uk](mailto:R.Ali@mdx.ac.uk)

**Please specify your age group by using the tick (✓) mark:**

<b>Less than 15</b>	<b>15-17</b>	<b>18-25</b>	<b>26-34</b>	<b>35-49</b>	<b>50-64</b>	<b>Over 64</b>
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**If you are 15 or above, please continue to answer the following questions, and, if you are less than 15, please do not proceed further. I am highly thankful for your valuable time.**

**Part (A):** This part includes some questions related to KFC and other fast-food restaurants. Please tick (✓) the most appropriate answer box given against each question:

1- Have you also visited other outlet/s of KFC?

NO

YES

2- For how long you have been purchasing from KFC?

Less than or equal to a month

More than a month to 6 months

More than 6 months to a year

More than a year to 3 years

More than 3 years

3- In the last four weeks, how many times have you visited KFC (including your current visit)?

0-1 times

2-4 times

5-7 times

More than 7 times

Occasional

Regular

Frequent

Very Frequent

4- Do you know to which country KFC belongs to?

NO

YES

(If yes, please specify): \_\_\_\_\_

5- Which other fast food restaurants, have you purchased from? (*For this question, you may select more than one restaurant*)

AFC

Domino's

Hardee's

McDonald's

Nando's

Subway

Any Other

(Please specify): \_\_\_\_\_

**Part (B):** All the following statements are related to KFC. Please indicate the extent, to which you agree or disagree with the following statements by ticking (✓) the most appropriate answer box given against each statement.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1- Employees of KFC are courteous.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2- KFC has employees who are concerned about customer needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3- KFC is concerned about its customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 KFC looks like a good company to work for as an employee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5- KFC seems to treat its employees well.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6- KFC seems to have excellent leadership.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7- KFC tends to perform better than competitors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8- KFC seems to recognize and take advantage of market opportunities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9- KFC looks like it has strong prospects for future growth.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10- KFC develops innovative services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11- KFC offers high quality products and services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
12- KFC seems to make an effort to create new jobs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13- KFC seems to be environmentally responsible.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14- KFC would reduce its profits to ensure a clean environment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15- You have good feeling about KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16- You have admiration for KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17- You have respect for KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18- You can better identify yourself with KFC as compared with other fast food restaurants.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19- You are enthusiastic about KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20- KFC can be relied on for keeping its promises.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21- KFC would be honest.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22- KFC would be truthful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23- You have great confidence in KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24- <i>KFC cannot be trusted.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25- Your relationship with KFC means a lot to you.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
26- If KFC would not exist any longer, it would be a hard loss for you.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27- You are willing to put effort into helping KFC be successful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28- <i>You do not feel a strong sense of belonging to KFC.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29- You intend to purchase from KFC again or remain a customer of KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30- You will consider KFC your first choice to buy fast food.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31- You will gladly recommend KFC to other people that you know.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Part (C):** All the following statements are related to KFC and the food you purchase from here. Please indicate the extent, to which you agree or disagree with the following statements by ticking (✓) the most appropriate number (1-7) given against each statement.

	Very Strong Dis-agreement	Strong Dis-agreement	Dis-agreement	Neutral	Agreement	Strong Agreement	Very Strong Agreement
1-There are chances that food would not taste good.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Very Strong Dis-agreement	Strong Dis-agreement	Dis-agreement	Neutral	Agreement	Strong Agreement	Very Strong Agreement
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2- There are chances that food would contain ingredients, which are harmful for health and fitness.

1	2	3	4	5	6	7
---	---	---	---	---	---	---

3- There are chances that food would not provide good value for money spent.

1	2	3	4	5	6	7
---	---	---	---	---	---	---

4- There are chances that it would be wastage of time to purchase from KFC.

1	2	3	4	5	6	7
---	---	---	---	---	---	---

**Part (D):** Following are some questions related to your personal details. Please tick

(√) the most appropriate answer box against each question.

1- Gender:

FEMALE	MALE
--------	------

2-Highest Qualification:

Less than Matriculation	Matriculation/ O-Level	Intermediate/ A-Level	Diploma/ Certificate	B.A./B.Sc. OR Equivalent	M.A./M.Sc. OR Equivalent	Other Higher Qualification
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3- Marital status:

SINGLE	MARRIED	OTHERS
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**This is the end of the questionnaire.**

**Thanks a lot for sparing your valuable time.**

**Restaurant Name: KFC**

*(To be filled by surveyor)*

Name of Surveyor: \_\_\_\_\_

Outlet: \_\_\_\_\_

Date/Day of survey: \_\_\_\_\_

Time of customer visit: \_\_\_\_\_

Customer with family/friends:  No  Yes

## **Appendix 2: Results of pilot study**

### **A2.1. Introduction**

This appendix reports the key results of the pilot study. The detailed implications of these results have been discussed in Section 4.7. It is important to specify that all the key features of research design, as discussed in Chapter 4, were implemented for the pilot study. For example, systematic sampling was used to approach respondents within the premises of selected fast food restaurants. For this purpose, every fifth customer who was being served from the service counter was targeted by the surveyors. Similarly, the structural equation modelling (SEM) technique was applied through *AMOS* to evaluate the measurement models. The following Sections (A2.2 – A2.5) present the key results of the pilot study.

### **A2.2. Misresponse issue**

Following Fombrun et al. (2000), the responses with the issue of *misresponse* were deleted list-wise from the dataset (see Section 4.7.1 for details about misresponse issue). After deleting those self-contradictory responses, the resulting sample consisted of 137 cases. Applying the *z-test for independent proportions* (Sheskin, 2004), no significant differences were found (*at*  $p \leq 0.05$ ) between the original (n=174) and filtered (n=137) datasets, with respect to restaurant surveyed and customer demographic variables (e.g., customer age, gender, qualification and marital status) (see Table A2-1 for results).

**Table A2-1: Significance of percentage differences between the original sample and the sample without misresponse (i.e. self-contradictory responses)**

Variable	Response options	Original sample (n=174)		Sample after eliminating self-contradictory responses (n=137)		Significance of % differences <sup>a</sup>
		Frequency	%	Frequency	%	
Restaurant	KFC	58	33.3	48	35.0	n.s. <sup>b</sup>
	McDonald's	56	32.2	37	27.0	n.s.
	Subway	60	34.5	52	38.0	n.s.
Customer Age	15-17 years	14	8.0	11	8.0	n.s.
	18-25 years	66	37.9	55	40.1	n.s.
	26-34 years	54	31.0	42	30.7	n.s.
	35-49 years	30	17.2	21	15.3	n.s.
	50-64 years	9	5.2	7	5.1	n.s.
	Over 64 years	1	0.6	1	0.7	n.s.
Gender	Female	80	46.0	65	47.4	n.s.
	Male	94	54.0	72	52.6	n.s.
Marital Status	Single	97	55.7	78	56.9	n.s.
	Married	68	39.1	52	38.0	n.s.
	Others	9	5.2	7	5.1	n.s.
Customer with Friends or Family	No	27	15.6	20	14.7	n.s.
	Yes	146	84.4	116	85.3	n.s.
Highest Qualification	Less than Matriculation	2	1.1	2	1.5	n.s.
	Matriculation/O-Level	12	6.9	8	5.8	n.s.
	Intermediate/A-Level	21	12.1	16	11.7	n.s.
	Diploma/Certificate	17	9.8	13	9.5	n.s.
	B.A., B.Sc. or equivalent	75	43.1	61	44.5	n.s.
	M.A., M.Sc. or equivalent	39	22.4	30	21.9	n.s.
	Other higher qualification	8	4.6	7	5.1	n.s.

<sup>a</sup> At 95% confidence level.

<sup>b</sup> n.s. refers to 'Not Significant'

### A2.3. Construct measures and descriptive statistics

Table A2-2 presents the construct measures used in the pilot survey. These measures were initially adapted from the existing literature through exploratory research. However, some of the selected measures were revised through various pretesting stages (see Section 4.6 for details).

Table A2-3 reports the descriptive statistics of the key constructs of this study. These statistics include construct means and inter-construct correlation coefficients.

**Table A2-2: List of construct measures for pilot study**

<b>Constructs/ Dimensions</b>	<b>Measures</b>	<b>Sources</b>
<b>Cognitive CBR</b> <i>Customer orientation</i>	CUS1- The restaurant has employees who treat customers courteously.	Walsh et al.(2009b)
	CUS2- The restaurant has employees who are concerned about customer needs.	Walsh et al.(2009b)
	CUS3- The restaurant is concerned about its customers.	Walsh et al.(2009b)
<i>Good employer</i>	EMP1- The restaurant looks like a good company to work for as an employee.	Walsh et al.(2009b)
	EMP2- The restaurant seems to treat its employees well.	Walsh et al.(2009b)
	EMP3- The restaurant seems to have excellent leadership.	Walsh et al.(2009b)
<i>Financial strength</i>	FIN1- The restaurant tends to outperform competitors.	Walsh et al.(2009b)
	FIN2- The restaurant seems to recognize and take advantage of market opportunities.	Walsh et al.(2009b)
	FIN3- The restaurant looks like it has strong prospects for future growth.	Walsh et al.(2009b)
<i>Product and service quality</i>	PRO1- The restaurant develops innovative services.	Walsh et al.(2009b)
	PRO2- The restaurant offers high quality products and services.	Walsh et al.(2009b)
<i>Corporate social and environmental responsibility</i>	CSR1- The restaurant seems to make an effort to create new jobs.	Walsh et al.(2009b)
	CSR2- The restaurant seems to be environmentally responsible.	Walsh et al.(2009b)
	CSR3- The restaurant would reduce its profits to ensure a clean environment.	Walsh et al.(2009b)
<b>Affective CBR</b>	AFF1- You have good feeling about the restaurant.	Fombrun et al. (2000)
	AFF2- You have admiration for the restaurant.	Fombrun et al. (2000)
	AFF3- You have respect for the restaurant.	Fombrun et al. (2000)
	AFF4- You can better identify yourself with this restaurant as compared with other fast food restaurants.	Schwaiger (2004)
	AFF5- You are enthusiastic about the restaurant.	Einwiller et al. (2010)

(Continues on next page..)

<b>Constructs/ Dimensions</b>	<b>Measures</b>	<b>Sources</b>
<b>Customer Perceived Risk</b>	RIS1- There are chances that fast-food would not taste good.	Lacey et al. (2009); Schiffman et al. (2008)
	RIS2- There are chances that fast-food would contain ingredients which are harmful for health and fitness.	Lacey et al. (2009); Schiffman et al. (2008)
	RIS3- There are chances that fast-food would not be a good value for money spent.	Lacey et al. (2009); Schiffman et al. (2008)
	RIS4- There are chances that it would be wastage of time to purchase from this restaurant.	Lacey et al. (2009); Schiffman et al. (2008)
<b>Customer Trust</b>	TRU1- The restaurant can be relied on for keeping its promises.	Larzelere and Huston (1980); Eastlick et al. (2006)
	TRU2- The restaurant would be honest.	Larzelere and Huston (1980); Eastlick et al. (2006)
	TRU3- The restaurant would be truthful.	Larzelere and Huston (1980); Eastlick et al. (2006)
	TRU4- You have great confidence in this restaurant.	Larzelere and Huston (1980); Morgan and Hunt (1994)
	<i>TRU5- The restaurant cannot be trusted.</i>	Larzelere and Huston (1980); Morgan and Hunt (1994); Eastlick et al. (2006)
<b>Customer Commitment</b>	COM1- Your relationship with this restaurant means a lot to you.	Morgan and Hunt (1994); Bartikowski and Walsh (2011)
	COM2- If this restaurant would not exist any longer, it would be a hard loss for you.	Morgan and Hunt (1994); Bartikowski and Walsh (2011)
	COM3- You are willing to put effort into helping this restaurant be successful.	Mowday, Steers, and Porter (1979); Eastlick et al. (2006)
	<i>COM4- You do not feel a strong sense of belonging to this restaurant.</i>	Allen and Meyer (1990); Bansal et al. (2004)
<b>Intentional Loyalty</b>	LOY1- You intend to purchase from this restaurant again or remain a customer of this restaurant.	Chaudhuri and Holbrook (2001); Bartikowski et al. (2011)
	LOY2- You will consider the restaurant your first choice to buy fast food.	Zeithaml, Berry, and Parasuraman (1996); Mattila (2004)
	LOY3- You will gladly recommend this restaurant to other people that you know.	Zeithaml, Berry, and Parasuraman (1996); Methlie and Nysveen (1999)



**Table A2-3: Descriptive statistics (Means and inter-construct correlation coefficients)**

(n=137)

Constructs	No. of Scale Items	Mean	Cognitive CBR	Affective CBR	Perceived Risk	Customer Trust	Customer Commitment	Intentional Loyalty
Cognitive CBR	14	3.47	1					
Affective CBR	5	3.60	.61**	1				
Perceived Risk	4	2.89 <sup>a</sup>	-.42**	-.42**	1			
Customer Trust	5	3.57	.60**	.70**	-.52**	1		
Customer Commitment	4	3.13	.54**	.67**	-.51**	0.59**	1	
Intentional Loyalty	3	3.39	.42**	.68**	-.37**	0.51**	.73**	1

\*\*Correlation is significant at the 0.01 level (2-tailed).

<sup>a</sup> Scale items for perceived risk are measured on a seven point Likert scale, ranging from '1 to 7', where '4' is the point of indifference, and '1' represents the extreme negative value for customer perceived risk.

#### **A2.4. Exploratory factor analysis and Reliability analysis**

The sample adequacy for exploratory factor analysis (EFA) was tested through the application of KMO-test, measures of sample adequacy on anti-image matrix and Bartlett's test of sphericity, as recommended by Malhotra (2010) and Hair et al. (2010). The results (see Table A2-4) revealed the adequacy of the sample to conduct EFA for each construct/dimension included in this study.

EFA was conducted for each key construct and each dimension of cognitive CBR separately. For this purpose, the *principal component analysis* extraction method and *varimax* rotation technique were used, by following Fombrun et al. (2000). The EFA revealed a one-component solution for each of the constructs/dimensions incorporated in the study. For each scale item, communality exceeded 0.5 (as recommended by Hair et al., 2010) except for two items (i.e. TRU5 and COM3), where communalities were reported as 0.21 and 0.38, respectively (see Table A2-5). Moreover, no cross-loading was found, due to one-component solutions.

For assessing the reliability of key constructs, Cronbach's Alpha statistics and item-to-total correlation coefficients were estimated (see Table A2-5 for results). As suggested by Hair et al. (2010), Cronbach's Alpha should not be less than 0.7, whereas, an item-to-total correlation coefficient should not be less than 0.5. The results (Table A2-5) fulfil these theoretical benchmarks, but with some exceptions. The Cronbach's Alpha statistics for the two dimensions of cognitive CBR (i.e. *product and service quality*; and *corporate social and environmental responsibility*) were found to be less than 0.7 (i.e. 0.67 and 0.60, respectively). Similarly, item-to-total correlation coefficients were found to be less than 0.5 for the following scale items: CUS1 (0.48), EMP1 (0.44), EMP3 (0.47), CSR1 (0.41), CSR2 (0.44), CSR3 (0.38), TRU5 (0.33) and COM3 (0.38). Such deviation of results from the theoretical benchmarks particularly supported the respondents' concerns, which were raised in various pretesting stages (see Section 4.6) regarding the two cognitive CBR dimensions of *good employer* and *corporate social and environmental responsibility*.

**Table A2-4: Sample adequacy tests for exploratory factor analysis (n=137)**

Sample adequacy tests (Theoretical benchmarks)				
Constructs	Dimensions	KMO-Test	Measures of sample adequacy on anti-image matrix (MSA) <sup>a</sup>	Bartlett's test of sphericity
		This measure should exceed 0.5 (Malhotra, 2010)	All elements on diagonal of this matrix should exceed 0.5 (Hair et. al., 2010)	The test should be significant (Malhotra 2010; Hair et. al., 2010)
Cognitive CBR	<i>Customer orientation</i>	0.64	0.59	122.82***
	<i>Good employer</i>	0.59	0.56	90.96***
	<i>Financial strength</i>	0.70	0.66	128.89***
	<i>Product and service quality</i>	0.50	0.50	39.41***
	<i>Corporate social and environmental responsibility</i>	0.64	0.62	42.13***
Affective CBR		0.79	0.75	317.67***
Perceived Risk		0.85	0.82	358.31***
Customer Trust		0.80	0.73	352.14***
Customer Commitment		0.74	0.70	105.01***
Intentional Loyalty		0.67	0.63	124.43***

\*\*\* Significant at 0.1%

<sup>a</sup> Measure of sample adequacy (MSA) for each scale item/measure of a construct was available in the SPSS output. Only the smallest value of such MSAs for each construct/dimension has been reported in the table.

**Table A2-5: Items' communalities in exploratory factor analysis, and Reliability analysis <sup>a</sup>**

<b>Constructs</b>	<b>Dimensions</b>	<b>Scale Items</b>	<b>Communalities</b>	<b>Cronbach's Alpha</b>	<b>Item-to-Total Correlation</b>
Cognitive CBR	<i>Customer orientation</i>	CUS1	0.53	0.76	<u>0.48</u>
		CUS2	0.80		0.71
		CUS3	0.73		0.62
	<i>Good employer</i>	EMP1	0.54	0.70	<u>0.44</u>
		EMP2	0.78		0.67
		EMP3	0.59		<u>0.47</u>
	<i>Financial strength</i>	FIN1	0.65	0.80	0.59
		FIN2	0.76		0.69
		FIN3	0.73		0.65
	<i>Product and service quality</i>	PRO1	0.75	<u>0.67</u>	0.50
		PRO2	0.75		0.50
	<i>Corporate social and environmental responsibility</i>	CSR1	0.56	<u>0.60</u>	<u>0.41</u>
CSR2		0.60	<u>0.44</u>		
CSR3		0.51	<u>0.38</u>		
Affective CBR		AFF1	0.55	0.85	0.60
		AFF2	0.69		0.70
		AFF3	0.69		0.71
		AFF4	0.59		0.64
		AFF5	0.67		0.71
Customer Perceived Risk		RIS1	0.77	0.91	0.78
		RIS2	0.83		0.84
		RIS3	0.82		0.82
		RIS4	0.72		0.74
Customer Trust		TRU1	0.70	0.83	0.70
		TRU2	0.63		0.63
		TRU3	0.83		0.80
		TRU4	0.77		0.74
		TRU5	<u>0.21</u>		<u>0.33</u>
Customer Commitment		COM1	0.66	0.71	0.60
		COM2	0.58		0.53
		COM3	<u>0.38</u>		<u>0.38</u>
		COM4	0.56		0.52
Intentional Loyalty		LOY1	0.68	0.78	0.60
		LOY2	0.64		0.57
		LOY3	0.78		0.70

<sup>a</sup> The statistics which do not fulfil the theoretical benchmarks have been written in *italics* and underlined.

Cronbach's Alpha for the cognitive CBR dimension of *product and service quality* was reported to be lower (i.e. 0.67) than the theoretical benchmark of 0.70 as recommended by Hair et al. (2010). However, one scale item (PRO2) measuring this dimension was considered to be double-barrelled by some respondents in the pilot study. In fact, this item was measuring the quality of products and services together. Therefore, it was decided to split this measure into two measures for the major survey: one measuring product quality and the other measuring service quality; where 'product' refers to tangible offering/s from the firm.

As reported in Table A2-5, some deviations from the theoretical benchmarks were found for the scale items including: CUS1 (measuring the customer orientation dimension of cognitive CBR), COM3 (measuring customer commitment) and TRU5 (measuring customer trust). However, respondents did not share any concerns verbally (or in writing) for CUS1 and COM3 in any of pretesting stages, or in the pilot study.

The scale item TRU5 consisted of a negatively worded statement measuring customer trust. Its lower communality (0.21) and item-to-total correlation coefficient (0.33) can be associated with the customers' feedback received from this pilot study. In fact, some customers verbally reported that negatively worded or reversed statements were causing complexity, confusion and difficulty for them to answer. Therefore, TRU5 was deleted from the questionnaire used for the major survey (see Section 4.7.1 for details).

## **A2.5. Measurement model evaluation**

The key objectives of the measurement model evaluation were to assess the convergent validity, composite reliability and fitness of model indices. For this purpose, confirmatory factor analysis was used through structural equation modelling (SEM). At first, the first-order measurement model was tested, which consisted of five dimensions

of cognitive CBR (Section A2.5.1). Following that, the second-order measurement model was tested (Section A2.5.2), which involved six key constructs (i.e. cognitive CBR, affective CBR, perceived risk, customer trust, customer commitment and intentional loyalty) included in the conceptual model (Figure 3.5). Such model is called the second-order measurement model because it includes ‘two layers of latent constructs’ (Hair et al., 2010). For instance, the latent construct of cognitive CBR in the second-order measurement model further consisted of five latent dimensions, where each dimension was measured through observable scale items.

#### ***A2.5.1. Evaluation of the first-order measurement model involving five dimensions of Cognitive CBR***

Table A2-6 presents the standardized factor loadings of scale items, along with average variance extracted and composite reliability of five dimensions of cognitive CBR. As suggested by Malhotra (2010) and Bagozzi and Yi (1988), composite reliability should exceed ‘0.7’, whereas, average variance extracted should exceed ‘0.5’ to ensure the convergent validity of a construct included in the measurement model. Moreover, all of the factor loadings should exceed 0.5 as suggested by Hair et al. (2010).

The results (Table A2-6) reflect that two dimensions of cognitive CBR (i.e. *good employer* and *corporate social and environmental responsibility*) did not meet the theoretical benchmark requirement of 0.5 for average variance extracted (i.e. 0.46 and 0.34, respectively). The composite reliability for *corporate social and environmental responsibility* was also less than 0.70 (i.e. 0.60). These results indicated the possibility of some issues with the convergent validity of both CBR dimensions. The results for fitness of model indices (Table A2-7) also suggested a poor fit of measurement model (CMIN/DF=2.52; IFI=0.86; TLI=0.80; CFI=0.85; GFI=0.85; RMSEA=0.11).

**Table A2-6: First-order measurement model evaluation (Five dimensions of Cognitive CBR) <sup>a</sup>**

Dimensions/Constructs	Scale Items	Standardized factor loadings	Average variance extracted	Composite reliability
<i>Customer orientation</i>	CUS1	0.56	0.55	0.78
	CUS2	0.83		
	CUS3	0.82		
<i>Good employer</i>	EMP1	0.51	<u>0.46</u>	0.72
	EMP2	0.74		
	EMP3	0.76		
<i>Financial strength</i>	FIN1	0.76	0.57	0.80
	FIN2	0.75		
	FIN3	0.76		
<i>Product and service quality</i>	PRO1	0.76	0.51	<u>0.67</u>
	PRO2	0.67		
<i>Corporate social and environmental responsibility</i>	CSR1	0.66	<u>0.34</u>	<u>0.60</u>
	CSR2	0.64		
	CSR3	<u>0.42</u>		

<sup>a</sup> The statistics which do not fulfil the theoretical benchmarks have been written in *italics* and underlined.

**Table A2-7: Fitness-of-model indices – First-order measurement model evaluation (Five dimensions of Cognitive CBR)**

Fitness-of-Model Indices	Description	Results	Theoretical Benchmarks (Bagozzi & Yi, 1988; Hair et al., 2010)	Model Fitness Achieved
CMIN/DF	Minimum value of the discrepancy/degree of freedom	2.52	Low (Not exceeding 5)	Yes
IFI	Incremental fit index	0.86	0.90 or greater	No
TLI	Tucker-Lewis coefficient	0.80	0.90 or greater	No
CFI	Comparative fit index	0.85	0.90 or greater	No
GFI	Goodness-of-fit index	0.85	0.90 or greater	No
RMSEA	Root mean square error of approximation	0.11	Low (Less than 0.08)	No
Chi-square		169.08, df=67, p=0.000		

Considering the issues with convergent validity, fitness of measurement model, reliability (as discussed in preceding Section A2.4), and more importantly, the problems with face validity (as suggested by respondents in various pretesting stages; see Section 4.6), the two dimensions of cognitive CBR (i.e. *good employer* and *corporate social and environmental responsibility*) were removed from the questionnaire. It is important to mention here that the composite reliability for the dimension of *product and service quality* (0.67) was also marginally below 0.7. However, as discussed in the preceding Section A2.4, one item 'PRO2' measuring this dimension was found to be double barrelled. It was therefore decided to split PRO2 into two measures in the major survey. Doing this was expected to change/improve the composite reliability of this dimension. Moreover, this dimension fulfilled the benchmark requirement of 0.5 for the average variance extracted (i.e., 0.51). Therefore, the dimension of *product and service quality* was retained in the questionnaire for further data collection in the major survey.

After removing two dimensions of cognitive CBR, the revised measurement model consisting of remaining three cognitive CBR dimensions, was again tested through confirmatory factor analysis using SEM technique. The revised measurement model performed better than the measurement model consisting of five CBR dimensions. The results for the evaluation of the revised first-order measurement model are reported in Tables A2-8 and A2-9.

The results (Table A2-8) revealed that all of three dimensions of cognitive CBR fulfilled the theoretical benchmark requirements for factor loadings, average variance extracted and composite reliability, as recommended by Hair et al. (2010), Malhotra (2010), and Bagozzi and Yi (1988). The only exception was the composite reliability for the dimension of *product and service quality* (0.68), which was marginally below 0.7. The fitness-of-model indices (Table A2-9) also reported a relatively better fit of the revised measurement model consisting of three cognitive CBR dimensions



(CMIN/DF=2.77; IFI=0.93; TLI=0.87; CFI=0.92; GFI=0.92; RMSEA=0.11). Moreover, the chi-square value of the revised model ( $\chi^2=47.13$ , DF=17) reduced significantly (at 99% confidence level) in comparison with that of the measurement model consisting of five dimensions of CBR ( $\chi^2=169.08$ , DF=67). These results supported the decision to carry forward the revised first-order measurement model for further second-order measurement model analysis.

**Table A2-8: Revised first-order measurement model evaluation (Three dimensions of Cognitive CBR) <sup>a</sup>**

<b>Dimensions/ Constructs</b>	<b>Scale Items</b>	<b>Standardized factor loadings</b>	<b>Average variance extracted</b>	<b>Composite reliability</b>
<i>Customer orientation</i>	CUS1	0.56	0.55	0.78
	CUS2	0.83		
	CUS3	0.82		
<i>Financial strength</i>	FIN1	0.76	0.57	0.80
	FIN2	0.75		
	FIN3	0.76		
<i>Product and service quality</i>	PRO1	0.76	0.52	<u>0.68</u>
	PRO2	0.67		

<sup>a</sup> The statistics which do not fulfil the theoretical benchmarks have been written in *italics* and underlined.

**Table A2-9: Fitness-of-model indices – Revised first-order measurement model evaluation**  
**(Three dimensions of Cognitive CBR)**

<b>Fitness-of-Model Indices</b>	<b>Description</b>	<b>Results</b>	<b>Theoretical Benchmarks (Bagozzi &amp; Yi, 1988; Hair et al., 2010)</b>	<b>Model Fitness Achieved</b>
CMIN/DF	Minimum value of the discrepancy/degree of freedom	2.77	Low (Not exceeding 5)	<b>Yes</b>
IFI	Incremental fit index	0.93	0.90 or greater	<b>Yes</b>
TLI	Tucker-Lewis coefficient	0.87	0.90 or greater	No
CFI	Comparative fit index	0.92	0.90 or greater	<b>Yes</b>
GFI	Goodness-of-fit index	0.92	0.90 or greater	<b>Yes</b>
RMSEA	Root mean square error of approximation	0.11	Low (Less than 0.08)	No
Chi-square		47.13, d.f.=17, p=0.000		

#### ***A2.5.2. Evaluation of the second-order measurement model***

The results for the evaluation of the second-order measurement model are presented in Table A2-10 and Table A2-11. All of the constructs/their first-order dimensions fulfilled the theoretical benchmarks (suggested by Hair et al., 2010; Malhotra, 2010; and Bagozzi & Yi, 1988) for factor loadings, average variance extracted and composite reliability, but with the following three exceptions (see Table A2-10).

(1) The composite reliability for the *product and service quality* dimension of cognitive CBR was found to be less than 0.7 (i.e. 0.68), which has already been discussed in the preceding Section A2.5.1.

(2) The average variance extracted for customer commitment was found to be below 0.5 (i.e. 0.40). However, no concerns regarding the construct measures of customer commitment were reported by respondents in any of pretesting stages or in the pilot study, except for a negatively worded scale item (COM4) which was positively worded for the major survey (see Section 4.6 and Section 4.7.1 for details).

(3) The standardized factor loading for TRU5 was found to be below 0.5 (i.e. 0.34). As discussed in the preceding Section A2.4, this scale item was removed from the questionnaire that was developed for the major survey.

**Table A2-10: Second-order measurement model evaluation (Six key constructs) <sup>a</sup>**

<b>Constructs</b>	<b>Dimensions</b>	<b>Scale Items</b>	<b>Standardized factor loadings</b>	<b>Average variance extracted</b>	<b>Composite reliability</b>
Cognitive CBR	<i>Customer orientation</i>	CUS1	0.55	0.55	0.78
		CUS2	0.84		
		CUS3	0.81		
	<i>Financial strength</i>	FIN1	0.73	0.57	0.80
		FIN2	0.75		
		FIN3	0.79		
<i>Product and service quality</i>	PRO1	0.77	0.51	<u>0.68</u>	
	PRO2	0.65			
Affective CBR		AFF1	0.69	0.55	0.86
		AFF2	0.77		
		AFF3	0.75		
		AFF4	0.72		
		AFF5	0.77		
Customer Perceived Risk		RIS1	0.83	0.72	0.91
		RIS2	0.90		
		RIS3	0.86		
		RIS4	0.79		
Customer Trust		TRU1	0.76	0.57	0.86
		TRU2	0.73		
		TRU3	0.91		
		TRU4	0.88		
		TRU5	<u>0.34</u>		
Customer Commitment		COM1	0.74	<u>0.40</u>	0.73
		COM2	0.60		
		COM3	0.56		
		COM4	0.63		
Intentional Loyalty		LOY1	0.70	0.56	0.79
		LOY2	0.72		
		LOY3	0.83		

<sup>a</sup> The statistics which do not fulfil the theoretical benchmarks have been written in *italics* and underlined.

**Table A2-11: Fitness-of-model indices – Second-order measurement model evaluation (Six key constructs)**

<b>Fitness-of-Model Indices</b>	<b>Description</b>	<b>Results</b>	<b>Theoretical Benchmarks (Bagozzi &amp; Yi, 1988; Hair et al., 2010)</b>	<b>Model Fitness Achieved</b>
CMIN/DF	Minimum value of the discrepancy/degree of freedom	2.03	Low (Not exceeding 5)	Yes
IFI	Incremental fit index	0.85	0.90 or greater	No
TLI	Tucker-Lewis coefficient	0.82	0.90 or greater	No
CFI	Comparative fit index	0.84	0.90 or greater	No
GFI	Goodness-of-fit index	0.74	0.90 or greater	No
RMSEA	Root mean square error of approximation	0.09	Low (Less than 0.08)	No
Chi-square		728.23, df=359, p=0.000		

The fitness-of-model indices are reported in Table A2-11. Many of these indices did not meet the theoretical benchmarks as suggested by Bagozzi and Yi (1988) and Hair et al. (2010) (CMIN/DF=2.03, IFI=0.85, TLI=0.82, CFI=0.84, GFI=0.74, RMSEA=0.09). While searching for the reasons for the poor fit of the measurement model, three observations (cases) were found as outliers based on the *mahalanobis distance* as presented in Table A2-12. The guidelines from Byrne (2010) were used for this purpose. After removing those outlier cases and one scale item measuring customer trust (i.e. TRU5) the second-order measurement model was tested again. However, with the revised sample size of 134 respondents, the evaluation of the model did not provide an admissible solution due to some negative variance associated with the *product and service quality* dimension of cognitive CBR.

One possible reason behind that inadmissible solution could be the insufficiency of the sample size for the application of SEM, as suggested by Jöreskog and Sörbom (1984). Moreover, Hair et al. (2010) have recommended having at least three scale items or measures for each latent construct/dimension included in the measurement

model, while using SEM through AMOS. In contrast to their recommendation, the *product and service quality* dimension of cognitive CBR had only two measures in this pilot study. However, as discussed in the preceding Sections A2.4 and A2.5.1, one double-barrelled scale item (PRO2) was decided to be split into two items for further research activity. Therefore, three scale items were available for the dimension of *product and service quality* in the major survey. Moreover, a larger target sample size in the major survey (i.e. n=1200, see Section 4.5 for details) was expected to resolve any issue of insufficiency of sample size for the application of SEM. Hence, it was decided to carry forward the second-order measurement model in its present form for the major survey, after adding one scale item for the cognitive CBR's dimension of *product and service quality* and making some more revisions as mentioned in this appendix (see Section 4.7 for details).

**Table A2-12: Observations farthest from the centroid (Mahalanobis distance): Second-order measurement model evaluation (n=137)**

Observation Number	Mahalanobis d-squared	p1	p2
82	84.374	.000	.000
90	78.962	.000	.000
67	76.352	.000	.000
54	60.161	.001	.000
88	60.145	.001	.000
71	58.172	.001	.000
80	55.797	.002	.000
87	51.857	.006	.000
84	51.543	.006	.000

The first three observations were identified as outliers based on the *Mahalanobis distance*.

No further formal analysis was conducted in the pilot study, due to poor fitness of second-order measurement model, and proposed revisions for the major survey based

on the feedback received from pretesting stages and pilot study. However, techniques and procedures for the structural model evaluation, mediation analysis, and moderation analysis (as discussed in Section 4.10) were practiced by using the pilot study data.

### **Appendix 3: Final questionnaire for major survey**

This appendix exhibits the final questionnaire that was used in the major survey of this study. The final questionnaire has gone through various pretesting stages and a pilot study to take this form (for detailed discussion, see Sections 4.6 and 4.7, respectively).

As stated earlier in Appendix 1, questionnaires were customized for each shortlisted restaurant. The questionnaire included in this appendix was prepared for the customers of KFC.

**Dear Customer,**

I am a marketing research scholar at Middlesex University, London, UK. I am working on my research thesis that is related to fast food restaurants. The information collected through this questionnaire will be of great help to complete this research. You are therefore requested to kindly fill this simple questionnaire that will take just a few minutes from your valuable time.

The information provided by you will be kept anonymous and confidential. You have the right to withdraw from this research at any time. There are no right or wrong answers, so feel free to answer the questions. I am grateful for your kind cooperation in this regard.

**Raza Ali**

PhD Scholar (Marketing)

Middlesex University Business School

Hendon, London, UK

Email ID: [R.Ali@mdx.ac.uk](mailto:R.Ali@mdx.ac.uk)

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**Please Turn To The Questionnaire**

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### Survey Questionnaire for Fast-Food Customers

**Part (A):** This part includes some questions related to KFC and other fast-food restaurants. Please tick (✓) the most appropriate answer box given against each question:

1- Have you also visited other outlet/s of KFC?  NO  YES

2- For how long you have been purchasing from KFC?

- Less than or equal to a month
- More than a month to 6 months
- More than 6 months to a year
- More than a year to 3 years
- More than 3 years

3- In the last four weeks, how many times have you visited KFC (including your current visit)?

0-1 times  2-4 times  5-7 times  More than 7 times

4- Do you know to which country KFC belongs to?  NO  YES

(If yes, please specify): \_\_\_\_\_

5- Which other fast food restaurants, have you purchased from? (*For this question, you may select more than one restaurant*)

AFC  Domino's  Fri-Chiks  Hardee's  McDonald's  Subway

Any Other

(Please specify): \_\_\_\_\_

**Part (B):** All the following statements are related to **KFC**. Please indicate the extent, to which you agree or disagree with the following statements by ticking (√) the most appropriate answer box given against each statement.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1- Employees of KFC are courteous.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2- KFC has employees who are concerned about customer needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3- KFC as an organization is concerned about its customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4- KFC tends to perform better than competitors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5- KFC seems to recognize and take advantage of market opportunities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6- KFC looks like an organization with strong prospects for future growth.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7- KFC develops innovative services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8- KFC offers high quality food.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9- KFC offers high quality customer services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10- I have good feeling about KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11- I have admiration for KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12- I have respect for KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
13- I can better identify myself with KFC as compared with other fast food restaurants.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14- I am enthusiastic about KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15- KFC can be relied on for keeping its promises.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16- I have great confidence in KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17- KFC is truthful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18- KFC is honest.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19- My relationship with KFC means a lot to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20- If KFC would not exist any longer, it would be a hard loss for me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21- I am willing to put effort into helping KFC be successful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22- I feel a strong sense of belonging to KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23- I intend to purchase from KFC again or remain a customer of KFC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24- I will consider KFC my first choice to buy fast food.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25- I will gladly recommend KFC to other people that I know.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Part (C):** All the following statements are related to **KFC** and the food you purchase from here. Please indicate the extent, to which you agree or disagree with the following statements by ticking (✓) the most appropriate number (-3 to +3) given against each statement.

	Very Strong Dis-agreement	Strong Dis-agreement	Dis-agreement	Neutral	Agreement	Strong Agreement	Very Strong Agreement
1-There are chances that food at KFC would not taste good.	<input type="checkbox"/> -3	<input type="checkbox"/> -2	<input type="checkbox"/> -1	<input type="checkbox"/> 0	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
2- There are chances that food at KFC would contain ingredients which are harmful for health and fitness.	<input type="checkbox"/> -3	<input type="checkbox"/> -2	<input type="checkbox"/> -1	<input type="checkbox"/> 0	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
3- There are chances that food at KFC would not provide good value for money spent.	<input type="checkbox"/> -3	<input type="checkbox"/> -2	<input type="checkbox"/> -1	<input type="checkbox"/> 0	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
4- There are chances that it would be wastage of time to purchase from KFC.	<input type="checkbox"/> -3	<input type="checkbox"/> -2	<input type="checkbox"/> -1	<input type="checkbox"/> 0	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3

**Part (D):** Following are some questions related to your personal details. Please tick (✓) the most appropriate answer box against Question No. 1, 2, 3 and 4. To answer Question No. 5 and 6, please use the space provided against them.

1- Gender:

Female	Male
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2- Age (in years):

15-17	18-29	30-39	40-49	50-59	60 or above
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3-Highest qualification:

Less than Matriculation	Matriculation/ O-Level	Intermediate/ A-Level	Diploma/ Certificate	B.A./B.Sc. OR Equivalent	M.A./M.Sc. OR Equivalent	Other Higher Qualification
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4- Current marital status:

Single (Never- Married)	Married	Others
----------------------------	---------	--------

5- City of origin: \_\_\_\_\_

6- Primary (mother) language: \_\_\_\_\_

**This is the end of the questionnaire.**

**Thanks a lot for sparing your valuable time.**

*(To be filled by surveyor)*

**Restaurant Name:** KFC

Name of Surveyor: \_\_\_\_\_ Outlet: \_\_\_\_\_

Date/Day of survey: \_\_\_\_\_ Time of customer visit: \_\_\_\_\_

Customer with family/friends:  No  Yes

Questionnaire No. KFC-V1-

## Appendix 4: Assessment of Multivariate Normality

This appendix includes the histograms and normal P-P plots of regression standardized residuals, which are prepared for the assessment of multivariate normality, as discussed in Chapter 4, Section 4.10.

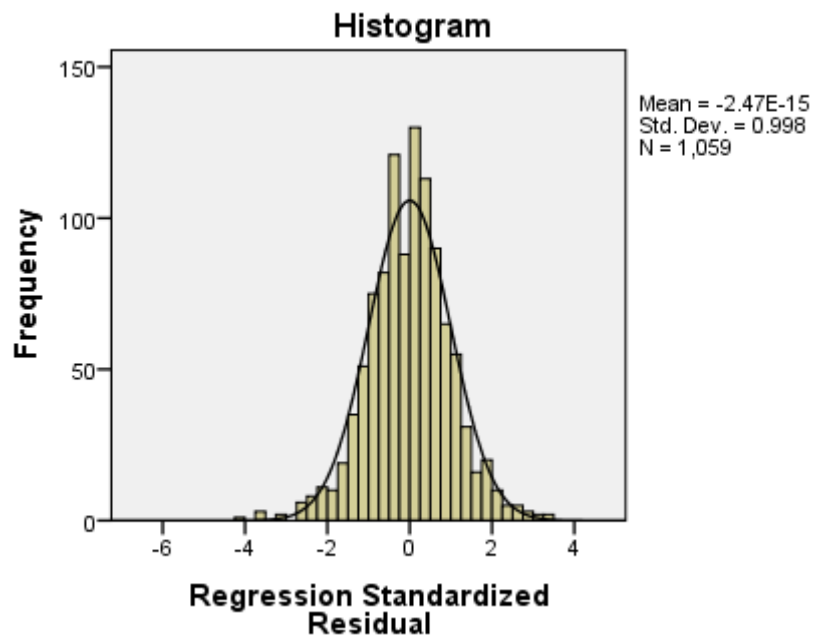


Figure A4-1: Histogram of regression standardized residuals  
Dependent variable: Affective CBR

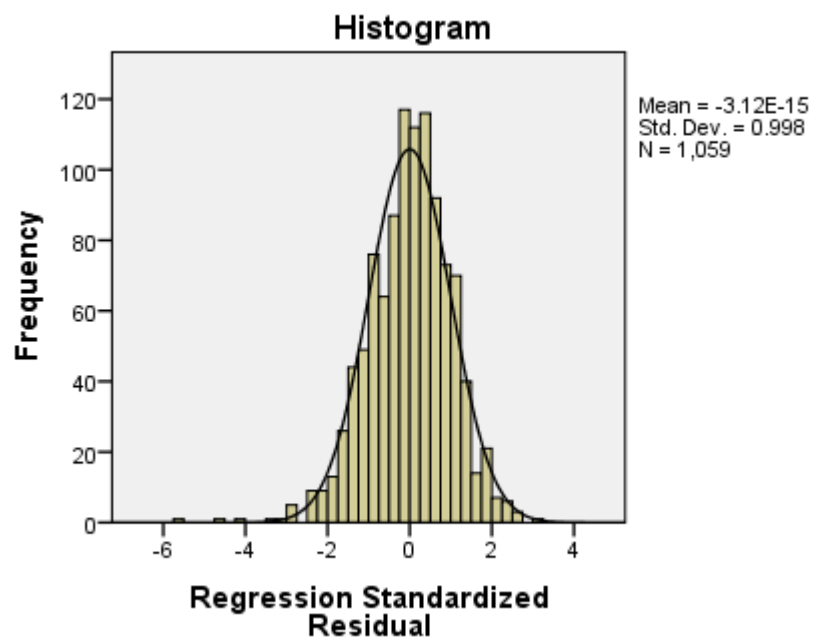
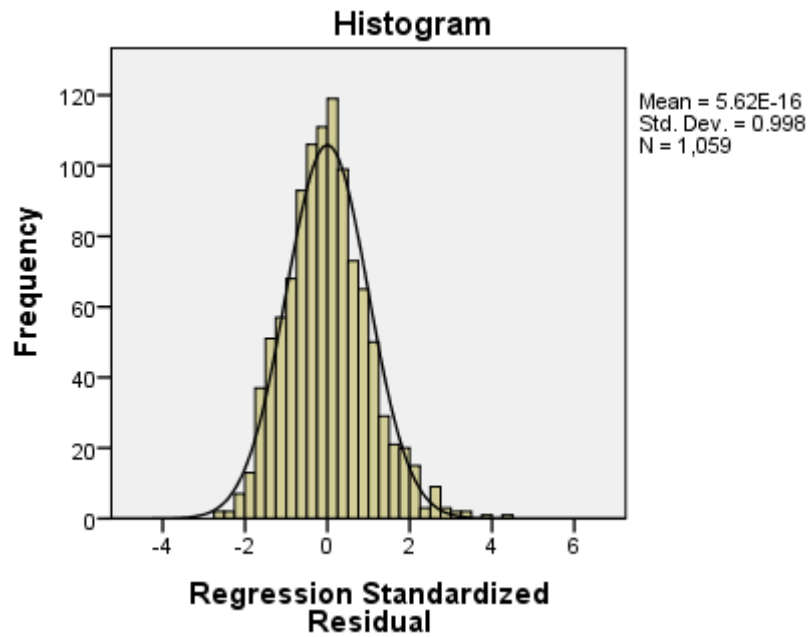
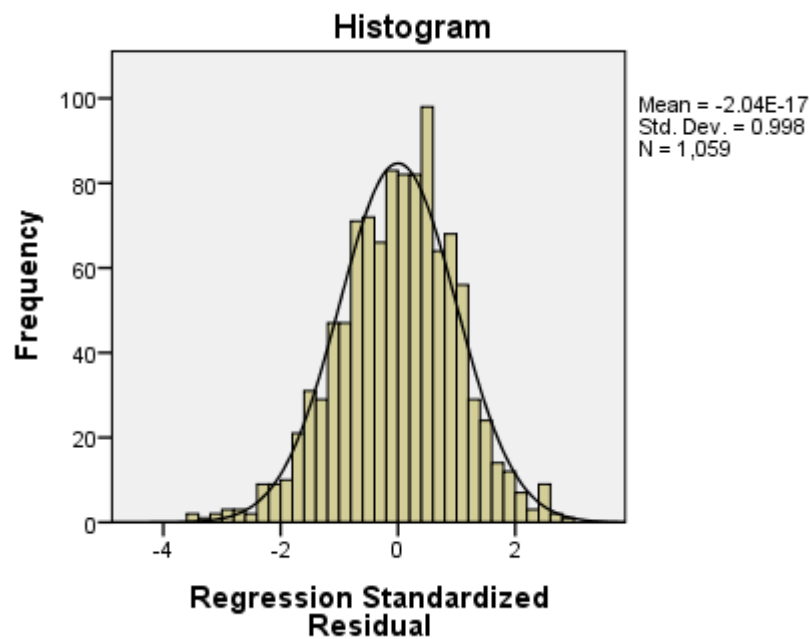


Figure A4-2: Histogram of regression standardized residuals  
Dependent variable: Customer Trust

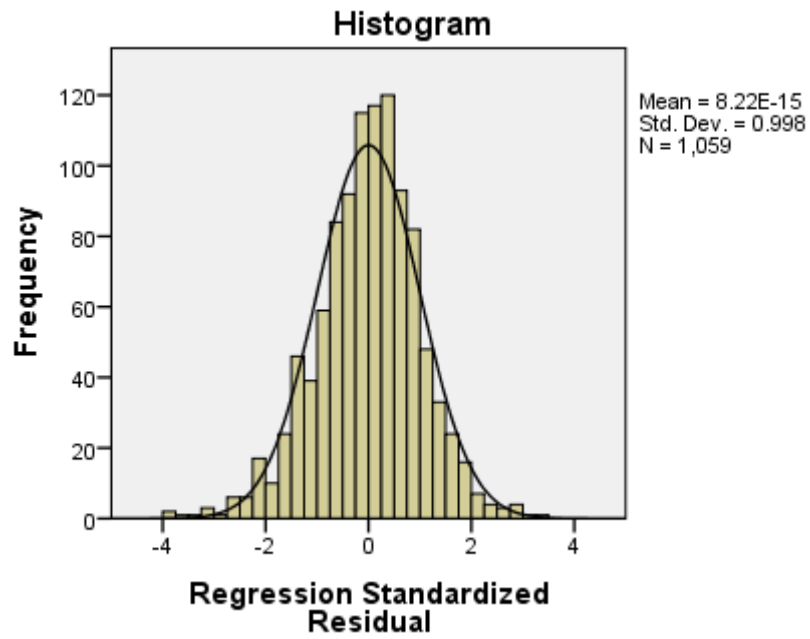


**Figure A4-3: Histogram of regression standardized residuals**  
**Dependent variable: Customer Perceived Risk**

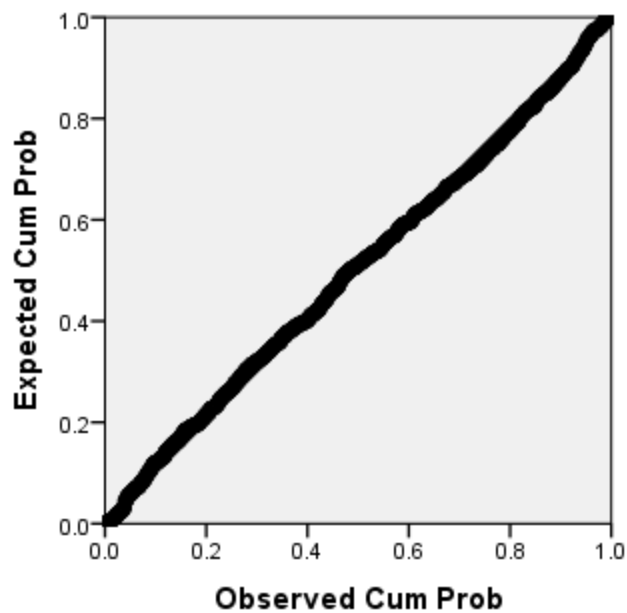


**Figure A4-4: Histogram of regression standardized residuals**  
**Dependent variable: Customer Commitment**

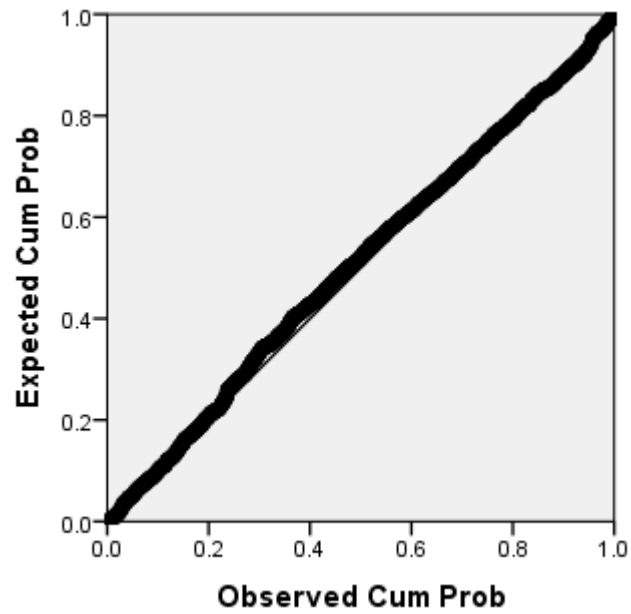




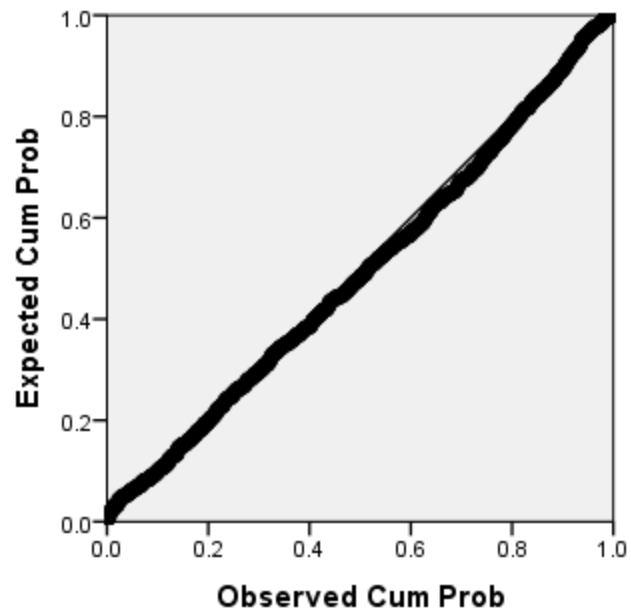
**Figure A4-5: Histogram of regression standardized residuals**  
**Dependent variable: Cognitive CBR**



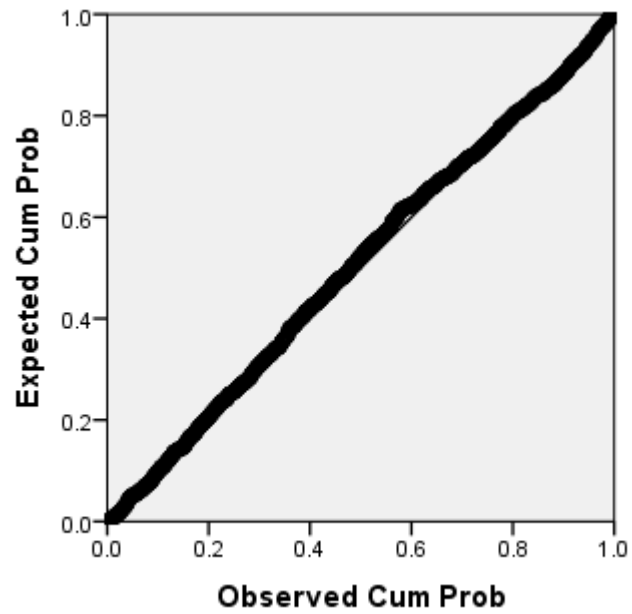
**Figure A4-6: Normal P-P Plot of Regression Standardized Residual**  
**Dependent variable: Affective CBR**



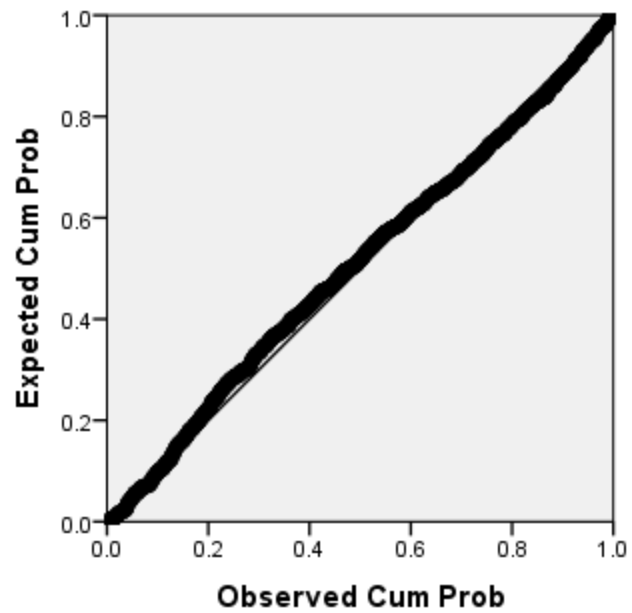
**Figure A4-7: Normal P-P Plot of Regression Standardized Residual**  
**Dependent variable: Customer trust**



**Figure A4-8: Normal P-P Plot of Regression Standardized Residual**  
**Dependent variable: Customer Perceived Risk**



**Figure A4-9: Normal P-P Plot of Regression Standardized Residual**  
**Dependent variable: Customer Commitment**



**Figure A4-10: Normal P-P Plot of Regression Standardized Residual**  
**Dependent variable: Cognitive CBR**

## **Appendix 5: Meta-analysis based study by Ali et al. (2015).**

This appendix includes the meta-analysis based study by Ali et al. (2015). This study has been referred to in Section 2.4 and Section 4.6.1 of this PhD thesis. Author of this PhD thesis is the first author of this study (please see attached).

This study can also be accessed through the following web-link:

<http://www.sciencedirect.com/science/article/pii/S0148296314003439>