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Labovitz School of Business & Economics, University of Minnesota Duluth, 11 E. Superior Street, Suite 210, Duluth, MN 55802

Brand Transgressions: Measuring the Influence of Relationship Marketing Strategies in Customer Forgiveness Behaviour

Shubhomoy Banerjee, O.P. Jindal Global University, India

Sunitha Ratnakaram, O.P. Jindal Global University, India

The study seeks to establish the role of relationship marketing orientation (RMO) on bank customers' forgiveness, post a transgression. The results suggest positive and significant roles of RMO on the intentions of relationship continuation and forgiveness by customers. This varies by customers' beliefs about bank's active role in the transgression.

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EXTENDED ABSTRACT

Bank frauds worth INR 18170 crores have been reported in the fiscal year 2016-17 in India (Bandyopadhyay 2018; PTI 2018). These frauds often happen in active collusion of the bank employees (PWC 2015), and are also due to deviations from the standard operating procedures (Deloitte 2015), the latter being the cause of 22% of bank frauds (Deloitte 2015). Such frauds have been considered in service branding literature as brand transgressions (Ahn, Sung, and Drumwright 2016).

While transgressions may affect the strength of relationships between customers and service providers (Aaker, Fournier, and Brasel 2004; Paulssen and Bagozzi 2008), do continued efforts by banks to retain their customers play a role in customer forgiveness after a transgression? This is the main question which this research seeks to address. The research further examines whether customer forgiveness is affected by the extent to which customers perceive the banks' active involvement in the fraud. The research was conducted in India, among 312 bank customers after an actual transgression.

Relationship marketing (RM) is an important strategy followed by banks in building long-term relationships with their customers (Mishra and Vaithianathan 2015), and such strategies show a positive relationship with the relationship strength between customers and banks or other service providers (Dalziel, Harris, and Laing 2011). The RM strategies also show positive relationships with customer satisfaction (Odekerken-Schröder, De Wulf, and Schumacher 2003), customer loyalty and positive word of mouth (Kinard and Capella 2006), and brand equity (Yoganathan, Jebarajakirthy, and Thaichon 2015). They also show indirect positive effects on cross-buying (Padmavathy, Balaji, and Sivakumar 2012) and overall firm performance (Kwan and Carlson 2017; Sin et al. 2006). The strategy followed by banks with intentions to retain existing customers is known as Relationship Marketing Orientation (RMO) (Odekerken-Schröder et al. 2003; Sin et al. 2005); RMO has been found to contribute to the strengthening of brand names of banks (Yoganathan et al. 2015).

Conflicts among customers and service providers may manifest through transgressions (Ahn et al. 2016) which assume importance because inferences and conclusions about relational partners are often made with the occurrence of negative acts (Paulssen and Bagozzi 2008). They also have the potential to decrease overall customer satisfaction (Monga et al. 2012) and to affect the strength of customer-brand relationships (Aaker et al. 2004). In fact, the grudges which customers hold following brand transgressions may be long-lasting (Grégoire, Tripp, and Legoux 2009). Strong relational bonds among customers and service providers, however, act as buffers in times of service failures and brand transgressions (Sajtos, Brodie, and Whittome 2010), in addition to the discounting of negative brand information among committed customers (Ahluwalia, Unnava, and Burnkrant 2001). Therefore, although transgressions can be potentially damaging for customer relationships, the perceived efforts by firms for continuing the relationships (Sajtos et al. 2010), and customers' own beliefs regarding the relationships (Park and John 2018) may prevent customers from altogether exiting the relationship. In an environment of transgression there tends to be a certain amount of cognitive dissonance among customers (Sayin and Gürhan-Canlı 2015). RMO may play an important role in decreasing the cognitive dissonance of customers (Sharifi and Esfidani 2014) and increase

perceptions of the reliability of the service provider (De Wulf and Odekerken-Schröder 2003; Sharifi and Esfidani 2014).

The strength of commitment in these relationships lies in customers' perceptions of banks' efforts in customer retention (Bennett 1996). Further, in a transgression situation, customer forgiveness can take the form of an intention to continue the relationship with the service provider (Chung and Beverland 2006). This intention of continuance of the relationship is manifested in positive word-of-mouth (WOM) and buying other products offered by the banks (Padmavathy et al. 2012), and these consequences can also be the results of RMO (Sayil et al. 2016; Tam and Wong 2001) as well as the reliability of the customer on the service provider (Morgan and Hunt 1994; Sayil et al. 2016). In the context of a transgression, this study therefore hypothesized that RMO is positively correlated with reliability, relationship commitment, positive WOM, and cross-buying (H1 to H4); that relationship commitment is positively correlated with positive WOM and cross-buying (H5 to H6); and that reliability is positively correlated with positive WOM and cross-buying (H7 to H8). We further hypothesized that the extent of one's belief in the banks' complicity in the frauds will moderate the paths between RMO and relationship commitment, positive WOM, cross-buying (Folkes 1984).

Data were collected from 312 banking customers in India through a survey questionnaire sent in the mail. Various constructs were measured using reliable and valid scales from the literature.

The hypothesized paths were tested using Structural Equation Modeling. The results suggested positive and significant effects between RMO and reliability, relationship commitment, positive WOM, and cross-buying; between relationship commitment and positive WOM, and relationship commitment and cross-buying, and reliability and positive WOM. The path between reliability and cross-buying was, however, found to be insignificant. Additionally, the strength of attribution was found to moderate the paths between RMO and relationship commitment, positive WOM, and cross buying.

The study sought to establish the role of relationship marketing orientation (RMO) on bank customers' forgiveness intentions after a transgression. In cases of brand transgression, though the customers may not immediately sever the relationship with the service provider, feelings of revenge may lead to toned down or minimum required interactions with the service provider. In this backdrop, this research suggests that the customer's perception of efforts by the service providers in maintaining customer relationships may actually lead to increased reliability and forgiveness, even after a transgression. The forgiveness may, however, be dependent upon the customer's perception of the active role of the bank in the transgression, as shown by the moderation results.

Because this study was conducted after an actual transgression, the future behavioural intentions of customers may be more robustly measured after a real-life transgression (Leunissen, De Cremer, and Folmer 2012).

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