CHAPTER FOUR

THEORETICAL MODEL DEVELOPMENT

4.1 INTRODUCTION

This Chapter provides the explanation of the study's theoretical framework. All of the main variables of the study which include: (1) Product Quality, (2) Service Quality, (3) Perception of Price, (4) Ethical Brand, (5) Company Reputation and (6) Brand Loyalty and their potential relationships are discussed, from which the hypotheses of this study and the theoretical model are developed.

The next section will discuss the identification of constructs in the current study.

4.2 IDENTIFICATION OF THE STUDY'S CONSTRUCT

As a growing number of customers have become ethically conscious, they pay more attention to ethical branding (Fan, 2005; and Creyer & Ross, 1997). Customers may response to the brand that fulfils the ethical requirement. Customers are willing to pay higher price for the brands that are produced according to ethical standard. This will lead to the purchase decision of the industrial buyers. Therefore, ethical business practices are a vital aspect during the purchase evaluation and customers are willing to pay higher prices for the firm offering the ethical accountable (Creyer and Ross, 1997).

As discussed in the previous chapter, in ethical branding, a good brand must be a legal as well as an ethical one which reflects that ethical branding may contribute to enhance a long-term commitment (Fan, 2005). In other words, the ethical brand may be considered as a factor in the final selection of a supplier offering legality and ethicality to smooth the commitment. It is caused by the ethical brand having additional value for society, the environment, and economic responsibility to its stakeholders. It becomes an important factor to offer valuable benefit to the organization buyer as illustrated by Kennedy and Dawn (2001). Additionally, Paluszek (2006) states that ethics in the brand is core – as an integrated element, new paradigm, scalable business model, and environmental commitment – and may increase brand loyalty.

Moreover, Firth (1997) determines that a well known company has a brand usually sold at premium prices compared to a brand of the unwell-known companies. Thus, the willingness of customers to pay a premium price for the brands shows that brand equity exists in industrial buyers context as justified by Hutton (1997), where the buyer choose product/service from the famous brand. Thus, industrial buyers also consider a certain brand in their purchasing decision in order to get the greater value, even though it is sold at the higher price. Therefore, having a strong brand and its differentiation (i.e. the ethical brand) may be able to maintain and sustain the relationships with its customer; subsequently getting the loyalty of the buyers in the highly competitive market (Lynch & Chernatony, 2004; and Webster & Keller, 2004)

The theory behind the attitude and behaviour loyalty is empirically supported by Pritchard and Dennis (1997). Loyal customers are discovered to be most influenced by service and product quality that is perceived by most customers. Aaker (1996) points out that both products and services are important indicators of loyalty. In other words, the quality of the product and service can play a significant role in affecting loyalty. Thus, products and service quality can be viewed as rational or technical aspects and also play a significant function in building relationships between buyers and sellers. In addition, the role on emphasizing the technical or rational aspects (product and service quality) have more significant than emphasizing on the self-expressive and emotional benefits of brands (Wilson, 2000).

In addition, Greyser (1996) argues that there is a relationship between the ethical business practice and company reputation. Therefore, once again it can be stated that the systematic effort that can generate and sustain an ethical brand image can enhance not only the company (corporate) reputation (Fan, 2005), but also increase the business competitive advantage.

Based on the explanation above, product quality, service quality, perception of price, and the ethical brand as the additional construct, and corporate reputation and brand loyalty are very important constructs in the business-to-business market. In the previous chapter, it has even been discussed that product quality, service quality and price perception are antecedents of the ethical brand. Therefore, it is very necessary to conduct an in depth research on the ethical brand, especially to explore industrial buyers' responses. For a clearer picture, the next section will illustrate the relationships between antecedents (product quality, service quality, price perception) and industrial buyers' responses (i.e. company reputation).

4.3 ANTECEDENTS OF THE ETHICAL BRAND AND RELATIONSHIPS WITH COMPANY REPUTATION

One of the aims of the present study is to investigate the relationships between the antecedents of the ethical brand (e.g. quality of product and service, and the perception of price) and industrial buyers' responses (i.e. company reputation). The present section discusses these linkages. It has been discussed in the previous chapter that product and service quality, along with price perception, are not only limited to functional aspects (physical attributes, service attributes and price perception) of the offering but can also result in emotional components (Brady & Cronin, 2001; and Patterson & Spreng, 1997) in a business-to-business (B2B) context. According to Fan (2005) an ethically conscious brand is a superior value as an emotional component that may affect company reputation. Therefore, antecedents of the ethical brand (product quality, service quality and price perception) may also have a relationship with company reputation.

The above point of view is consistent with the recent study by Cretu and Brodie (2005), where cognitive (functional) constructs (product and service quality, and price) are antecedents of perception of customer value in a business-to-business perspective. Additionally, the customer value is claimed by Gundlach and Murphy (1993), and Kavali et al (1999) as the ethical foundation in marketing as discussed in the previous chapter. Cretu and Brodie (2005) also incorporate company reputation as an emotional factor in their model as it could play a significant role in the business-to-business context. Furthermore, the next section will discuss in more detail the relationships between these antecedents of the ethical brand and company reputation.

4.3.1 Product Quality, Service Quality and Company Reputation

"Product quality has been seen as overall excellence or superiority of product that are described as "performance", "feature", "reliability", "conformance", "durability", and "aesthetics" (Crosby et al., 2003, p. 19). While, according to Aaker (1997), service quality is determined by the ability to provide technical answers to all customers questions, including advising them. For a leading electronics company, quality of the product's characteristics can enhance customer confidence (Wall street Journal, 2000), and less consideration of the quality can break down company reputation (Lancaster & Allen, 1992).

Company (corporate) reputation has been seen as *'a particular type of feedback, received by an organization from its stakeholders, concerning the credibility of the organization's identity claims' (Whetten & Mackey, 2002, p. 401).* How is reputation evaluated by a company's stakeholders? When customers respect and have a good feeling about a company, then customers are willing to maintain and propose the company to colleagues (Greyser, 1999). This becomes the value of reputation. The strong support demonstrates and builds a favourable reputation for the company. One of its stakeholders is the customer; therefore, company reputation can be enhanced when a company makes customers feel secure about purchasing products and services offered by the company. Conversely, companies can damage their reputation because of poor service or a drop in product quality. In this context, company reputation is part of credibility, and this is consistent with Greyser (1999) who conceptualizes that credibility is the public confidence to establish the relationship due to the good company behaviour, and that good company action (behaviour) is reflected by actual product performance. Positive performance of the product and service may bring many benefits to a company; however, poor performance may produce negative actions from the users and other stakeholders (Greyser, 1999). Thus, the feeling of company reputation is its stakeholders' emotional beliefs about the excellence of its products and service offering.

Additionally, according Jayawardhena et al. (2004), service quality with visually appealing physical facilities, giving personal attention, sympathy and reassuring of the staff will enhance the company to be well managed with customer focus as expression of the company reputation. Moreover, information service as additional in service to express more quality offering is necessary in business-to-business market as most of the buyers use the digital technology as mentioned by Van Riel et al., (2005). Industrial buyers need information due to an increased use of Internet, impacting the change in business situation. Buyers are able to get more information not only from brochures or sales people, but also from online as Van Riel et al., (2005) justified. This type of service may encourage the performance of the company offering.

In terms of product and service performance, as the above explanation, in the Malaysian context and consistent with Osman (2002), there is a positive relationship between product/service mix activities regarding the product to the users' needs and customer service activities to sales. It indicates that high product performances supported by quality of service are important factors to the customer in the Malaysian scenario. Therefore, providing good quality of product and service can improve the firm's profitability because of positive customer responses (i.e. reputation). However, the promotion mix variables according to this result are not perceived by Malaysian firms as important.

Thus, reputation can play an important role in the business-to-business market; therefore it is a key factor to be successful and competitive (Cretu & Brodie, 2005). A good or bad company reputation is influenced by not only the quality of product, but also by the quality of the customer service as reported by McWilliams & Siegel (1997); and Alexander & Bucholz (1998). In other words, the better the ability to advise the customers, the higher reputation the firm will have. Moreover, according to Herbig and Milewicz (1995) who argue that even company reputation can improve profitability and that is established through the quality of product and service. Many researchers (e.g. Logsdon & Wood, 2002; Whetten &Mackey, 2002; Wartick, 2002; Greyser, 1999; and Chen & Dubinsky, 2003) have discovered that service quality with personal selling can also play an important role in the business markets and affect company reputation. Again, in order to sustain and improve company reputation, considering the quality level of products and services is a way to achieve it. Additionally, the performance of products and services (Abratt, 1986; Michell et al., 2001) are vital in business-to-business context; these variables may be the main drivers in establishing company reputation. Therefore, it can be stated that the companies or brands that provide good quality products and service, may increase company reputation. Based on the above theoretical and empirical evidence, this study proposes the hypotheses as below:

H1. ***Product quality will have a significant and positive direct effect on company reputation.***

H2. ***Service quality will have a significant and positive direct effect on company reputation.***

4.3.2 Price Perception and Company Reputation

In business markets, price has been defined as what a customer firm or business buyer pays a supplier firm for its product offering (Anderson et al., 2000). A company spends some budget in enhancing quality in order to gain more income (generated by either a higher per-unit price or greater volume of sales). A company needs to meet the cost, and consequently it increases the average price of production due to improving quality efforts (such as worker training, new equipment, and hiring new workers to use new operational equipment) (McWilliams and Siegel, 1997; Alexander and Bucholz, 1998). Therefore, it also considers that price has a significant role in the business market. Consistent with Mudambi (2002) who discovers that market responses are influenced by not only product attributes, service attributes and branding attributes, but also by price to support the good or bad image, in terms of reputation.

As mentioned above, company (corporate) reputation has been seen as *'a particular type of feedback, received by an organization from its stakeholders, concerning the credibility of the organization's identity claims' (Whetten & Mackey, 2002, p. 401).* To get a positive feedback, providing the high-engineered product is relatively special in the market; therefore, higher price for the high quality of product and service may have a positive effect on the company reputation.

Lowengart et al. (2003) determine that customers use a reference price (RP) in their purchasing decisions, and marketers occasionally use this opportunity to manipulate the reference price to increase a good image in the marketplace (i.e. reputation). This is in line with Bolton and Kannan (2000) who establishe that contradictory information concerning price can result in diminishing reputation. In addition, the business buyers are willing to pay the higher price for the brand provided by the highly reputation of the company (Kukar-Kinney et al., 2006) due to the higher price of a brand is equivalent to quality as explained by Lowengart, Mizrahi, and Yosef (2003).

The above point of view is consistent with Ambler et al. (2002) who justify that some buyers are willing to pay a premium price to purchase a quality product and service. A company producing high quality products and service has a strong brand and; therefore, enables it to charge a premium price (Starr & Robinson, 1978) as customers may perceive that a strong brand can enhance the trust or reduce the risk, especially for high technology products, such as computer servers, notebook computers, electronic white-boards, and other similar products.

Based on the above instances, a higher price is able to enhance credibility of company, and it is more valuable to customers than other competitive that is offered (Ambler, T. et al., 2002). Therefore, in the business-to-business context, price is also existed as a significant element in evaluation to purchase product and service, while others estimate that 70% of the final decision is influenced by price evaluation (Mudambi et al., 1997). As a consequence, quality of product and service may be a significant criteria as an expression of price equality (Alvarez & Galera, 2001). Thus, company reputations are influenced by not only the quality of the product and service, but also by price that may play another significant role in business-to-business context.

Moreover, Firth (1997) also discoveres that a brand of a well-known company is usually sold at premium prices compared to a brand of the unwell-known companies. Thus, the willingness of customers to pay a premium price for the brands shows that brand equity exists in industrial buyers context as justified by Hutton (1997) where the buyers choose product/service from the famous brand. Rationally, before affecting brand decision, reputation could be an antecedent because of price evaluation. In other words, customers may believe that each brand offering the higher price has a good reputation due to the company performance.

Additionally, in the Malaysian scenario, in spite of product and service performance, and consistent with Osman (2002) who discovers a significant positive relationship between the price mix activity-monitor cost element with sales, price is an important factor. This finding helps to explain the reason why Malaysian firms perform as though the price variable is indicated to be the most important marketing mix activity.

Based on the above explanation and empirical evidence, this study can propose the following hypothesis:

H3. Price perception will have a significant and positive direct effect on company reputation.

4.4 RELATIONSHIPS BETWEEN THE ANTECEDENTS AND THE ETHICAL BRAND

The assumption that most of the buying behaviour models of conventional organizational are based upon much more rational (e.g. Robinson et al, 1967; Sheth, 1973; and Webster & Wind, 1972); are no longer (Chisnall, 1995a; Wensley, 1997; Wilson, 2000). Instead of the rational factor considered by professional buyers, purchasing managers of an organization may also consider irrational or emotional factors (Brockner, 1992; Chisnall, 1995; Wensley, 1997). This indicates that when industrial buyers want to purchase product/services, then several attributes of an intangible factor might influence the selection process of suppliers (Abratt, 1986; Bendixen, et al., 2004). Therefore, rational factors (e.g. product quality, service quality, and price perception) may be considered first, afterwards the industrial buyers may then seek emotional factors (i.e. the ethical brand). The rational factors becoming antecedents may have relationships with irrational factors. In detail, the following section will illustrate these relationships.

4.4.1 Product Quality and The Ethical Brand

'A product is everything, both favourable and unfavourable, that people accept in an exchange, a product can be tangible or tangible, a thing or an idea, hardware or software, information or knowledge, a process or procedure, a service or function, or a concept of creation' (Kotler, 2003, p. 189). When a product carries out the customers' expectations, the buyers believe that the quality of product has satisfied them. If user expectations are not acheived, the user believes that it is caused by the low quality of product. As mentioned above, "product quality has been described as "performance", "feature", "reliability", "conformance", "durability", and "aesthetics" (Crosby et al., 2003, p.19). Therefore, the quality of a product may be defined as *'its capability to perform the customer's needs and expectations' (Crosby et al., 2003, p. 18)*. In terms of characteristic, product quality is required to be fulfilled first as there are several differentiation among products in the market. For example, performance, reliability,

and specification are the characteristic of an electronic equipment or automobile (Unido, 2004).

In terms of specification, quality of product has to fulfil a minimum requirement specification – consistent with the customers' needs; performing the regulatory requirements, such as product safety and health hazards, and requirements of the standard of environment (Whysall, 2000). These requirements should be specified in order to produce a high quality product when it is engineered. In other words, the clearer the specifications are, the better the quality of product could be offered to the industrial buyers.

Based on the above premise, the need for each company to incorporate ethical concerns regarding brand responsibility covering stakeholders as a whole into its business practices is also necessary, and even becomes the emerging relationship paradigm in marketing. In the past, the foundation of ethical consideration is "trust" as a very important antecedent (Morgan and Hunt, 1994), now some of the most important trends in current marketing thinking are the growing emphasis on ethical and socially responsible behaviours; for instance, ethical branding as Fan (2005), and Paluszek (2006) mentioned.

An ethical brand on the other hand, has been defined as a brand that recognizes environmental, social, and economic responsibilities and also commitment (Fan, 2005; and Paluzsek, 2006) to conduct the right thing and create added value for its stakeholders. In addition, the above picture is also supported by Kavali et al. (1999) who justify that the marketing activities can be justified by an ethical paradigm in which the quality of the product should achieve ethical dimensions. Moreover, according to Pava (1996), the social responsibility must be also considered. Pava (1996) further adds taht many managerial decisions have a direct effect on social responsibility, such as providing a superior product, and strengthening a community by providing funds.

It is also consistent with Singhapakdi's et al. (1999) study, as mentioned in the previous chapter which indicates that one of the perceived importance of ethics and social responsibility scale is quality that is significantly correlated to ethical intentions in marketing scenarios. As a result, the marketing professional's perception regarding the importance of ethics and social responsibility seems to influence positively a customer's perceived ethical problem. Even, in the recent study by Cretu and Brodie (2005), perception on customers value in business-to-business can be influenced by product quality, given that the customers value is claimed as an ethical foundation in marketing by Gundlach and Murphy (1993); and Kavali et al, (1999).

Rationally, customers of industrial market evaluate the rational attributes (Elfvengren et al., 2004) of the brand first, and before the decision to buy, they do other comparative advantages of the brand in product categories. They evaluate the value added provided by the product if they decide to buy it. This means that this next evaluation is about the emotional attribute (Siguaw et al., 2004) of the brand offering. This situation is in line with La et al. (2009) who argue that organizations could focus on what the value is for clients and how to make inter functional coordination in order to create superior value to get a strong brand.

Furthermore, increasing the customers to become ethical conscious, especially industrial buyers who believe that quality of life is necessary to be applied, affects the buying process decision. The customers focus on products providing benefit to stakeholders. This is relevant to the vision concerning corporate social responsibility, by which the company must have a social responsibility by providing the value or benefit not only to the customer but also to the environment.

Related to the context of a business-to-business perspective, and corporate social responsibility, the business buyers will consider buying the product/brand that has a social responsibility to the stakeholder. It can be concluded that business buyers take the rational consideration first, and then the emotional consideration by which they select the brand that provides an ethical value to the stakeholder. In addition, the highly-engineered product can be applied to anticipate the negative outcomes for the firm as mentioned by Anderson and Narus (1990), for which the company needs to offer superior value. Thus, the feeling of high quality product perceived by customers will also result in the feeling that the brand considers responsibility toward stakeholders by offering superior value. In other words, the better the quality of a product is perceived by industrial buyers, then this will affect the higher perception towards ethical value of the brand.

Therefore, from the above justification, the following hypothesis can be proposed to be tested:

H4. Product quality will have a significant and positive direct effect on the ethical brand.

4.4.2 Service Quality and The Ethical Brand

According to Farrell et al. (2001, p. 577), *'service quality represents a customer's assessment of the overall level of service offered by an organization'*, and this assessment should not result in a negative effect for stakeholders as a whole (Fan, 2005). Concerning on the quality of the product, in the higher competitive market, suppliers always try to offer better service quality than their competitors do (Jayawardhena et al., 2005; and Van Riel et al., 2005). As mentioned above, service quality is seen as a customer-oriented outcome. This outcome is produced when a firm acts upon performances that are as an effort to people or objects (Aaker, 1997). Therefore, competitive advantage could be formed by offering service quality along with the product's physical quality (Alvarez & Galera, 2001) through offering the value of service. This is consistent with one of the recent studies in business-to-business conducted by Cretu and Brodie (2005) where the result indicates that service quality has an impact on perceived customer value.

In addition, the approach justified by Rust et al. (1995) and Gale (1994) cited in Zeithaml (1988, p. 14) assume that the customers' perceptions of the value of the firm's offering are derived from the trade-off between the benefits (i.e. perceptions of product and service quality) of the firm's offer. The perceptions of the ''benefits'' of product and service quality are not only limited to the functional aspects (physical attributes, service attributes and technical support) of the offering but can result in emotional components (Brady & Cronin, 2001; and Patterson & Spreng, 1997). Therefore, the cognitive influences the affective where the ethical brand can be incorporated (Fan, 2005), in which the ethical brand is as a superior value and a new paradigm (Paluszek, 2006).

Based on the above viewpoint, the buyer considers that to only provide the service quality is not enough, it must be followed up by providing the social responsibility as well. It is consistent with the concept of the ethical brand, which considers economic, social, and environmental responsibilities (Fan, 2005), and doing the right thing (Paluszek, 2006). In such an environmental consideration, consuming fewer natural resources, not harming the eco-system by considering recycling programmes within the firm might be respected as resources relationship benefits. Suppliers that are able to deliver superior value (i.e. the ethical brand) may be highly respected by their partners (Paluzsek, 2006).

In terms of economic consideration, the discussion above is consistent with Storbacka et al. (1994) who argue that service quality results in customer relationship profitability where the users can maximize their profit, in terms of providing economic responsibility as one of the considerations of the ethical brand.

According to the above explanation, industrial buyers that pay attention to social responsibility will select the quality of service of the brand by providing a service for social life as an expression of the ethical brand. They will choose the product/brand based on the quality of service provided when comparing with other brands in the market. Afterwards, sales service is more important for industrial buyers to know in terms of the commitment of the firm, especially for electronic products (e g. electronic office equipment, such as Computer Servers, Notebooks, Desktops, Printers, Photocopiers etc). The better quality of service provided by a certain brand than its other competitors; then the industrial buyers will perceive it to be more ethical.

Moreover, when the quality of service is able to form customer perceptions toward service positions provided by the company (c.f., Boulding et al., 1993), customers may respond whether the total service provided by a brand has performed ethically based on feedback from stakeholders (Fan, 2005). Therefore, the quality of service interactions between the customer and the brand plays a significant role in developing its service quality perceptions (Jayawardhena et al., 2005; Van Riel et al., 2005; Bitran & Lojo, 1993; Danaher & Mattsson, 1994; and Stauss & Mang, 1999). This is consistent with Storbacka et al. (1994), who argue that service quality results in customer relationship profitability where the users can maximize their profit, in terms of providing economic responsibility as one consideration of the ethical brand.

According to the above viewpoint, service quality is hypothesized to have influence on the ethical brand. In other words, industrial buyers will perceive a brand to be more ethical is influenced by the better service quality provided. It can be stated that there is an association between quality of service and the ethical brand. Therefore, the next hypothesis of this study can be tested as follows:

H5. Service quality will have a significant and positive direct effect on the ethical brand.

4.4.3 Price Perception and The Ethical Brand

As mentioned earlier in this chapter, price in business markets on the other hand, has been defined as what a customer firm pays a supplier firm for its product offering (Anderson et al., 2000). A company spends some budget in enhancing the quality in order to generate income.

Additionally, Hutton (1997) also justifies that the willingness of customers to pay a premium price for the brands shows that brand equity exists in the industrial buyers' context where the buyer choose product/service from the famous brand. Thus, industrial buyers also consider a certain brand in their purchasing decision in order to get the greater value, even though it is sold at a higher price. Therefore, having a strong brand and its differentiation will be able to maintain and sustain the relationships with its customer; subsequently getting the loyalty of the buyers in the highly competitive market (Lynch & Chernatony, 2004; and Webster & Keller, 2004).

Moreover, brand differentiation provides a new value creation as a benefit for customers so that they are willing to pay the higher price (Wood, 2000). In other words, the perception of a buyer of the higher price may affect the perception that the company offers the ethical brand in recognition of its environmental, social, and economic responsibilities and also commitment (Fan, 2005; and Paluzsek, 2006). This is consistent with Creyer and Ross (1997) who justify that ethical behaviour is a vital aspect to be considered during the product/brand evaluation and customers are willing to pay the premium price for the brand which is seen to be ethical.

In terms of price consideration in buying decision, the study on a comparison of marketing approaches used by high-tech firms, 1985 versus 2001, indicates that price competitiveness has emerged as more important in the 2001 survey for at least the large high-tech firms (Traynor and Traynor, 2003). According to Van Riel et al. (2005), in business-to-business context, price becomes the significant decision criterion in buying process. This is consistent with Lichtenstein et al. (1993), who argue that customers consider a source of price information for every type of product/brand and situation. Moreover, Lowengart et al. (2003) discover that customers use reference price in their purchasing decisions. Thus, to provide the price information fairly and honestly to customers (Lowengart et al., (2003) may increase the perception that the brand is ethically concerned (Fan, 2005).

Based on the above condition, when customers perceive a positive image towards the price of a brand, they also believe that the brand seems to be ethical. Consistent with McWilliams and Siegel (1997); Alexander and Bucholz (1998) who justify that a company needs the cost to develop a brand containing ethical concern, such as training, material, and labour costs, along with new process and equipment costs to support recycling or/and disposal programmes in order to cover stakeholders' responsibility as a whole. For example, according to Nnorom and Osibanjo (2008), the use of electronic products in general will produce hazards due to the waste. Referring to Nnorom and Osibanjo (2008), waste in this context is from the electrical and electronic assemblies containing chemical elements such as accumulators, mercury-switches, glass or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated by phenyls. According to Nnorom and Osibanjo (2008), all of these things will affect the environmental quality. Therefore, to reduce the negative effect of the waste on the environment, each company must have recycling, recovery and disposal programmes (Nnorom and Osibanjo, 2008), and investments are needed to support these programmes. These investments affect the average cost of production, consequently increasing the price. Thus, the higher price of the brand can be perceived as reasonable if the brand has responsibility to its stakeholder as expression of the ethical brand. As a consequence, there is a correlation between price perception and the ethical brand: the higher the price, the higher will be the perception of industrial buyers on the brand to be ethical. Therefore, the following hypothesis can be proposed to be tested in the current study:

H6. Price perception will have a significant and positive direct effect on the ethical brand.

4.5 ANTECEDENTS OF THE ETHICAL BRAND AND RELATIONSHIPS WITH BRAND LOYALTY

The relationships between product quality, service quality, and price and brand loyalty in a business-to-business context have been reported by some researchers, such as: Lam et al., 2004; Oliver, 1999; Bendixen et al. 2004; Van Riel et al., 2005; and Cretu & Brodie, 2005. Therefore, this study also investigates these relationships. For a clearer viewpoint, the next section will illustrate these relationships.

4.5.1 Product Quality, Service Quality and Brand Loyalty

In the present study, brand loyalty of industrial buyers will be investigated through discovering the relevance of the new value creation in marketing perspective. In the industrial buyer context, brand loyalty has been seen as the commitment of the buyer to continue stability in a long-term affiliation with its supplier/firm (Lam et al., 2004; Oliver, 1999). Based on the above point of view, antecedents of industrial brand loyalty, such as product and service need to be identified in order to maintain the relationships. In previous studies, quality performance has been discovered as the significant factor in influencing the industrial brand equity (Bendixen et al., 2004; and Mudambi et al., 1997). It means that evaluation of the product, and other elements become the main drivers in the purchasing process and use of the product (Gordon et al., 1993).

Business buyers' commitment to continue the relationships is exist when the company considers and maintains its quality of product and service as Davis (2003) justifies. Inspired by Morgan and Hunt (1994), brand loyalty as expressing the relationship that consists of "very committed to", "intend to maintain indefinitely", "deserves our maximum effort to maintain", "do almost anything to keep", "care a great deal about long term", and "take very little effort to end" are influenced by quality of product and service offered by the company as Davis (2003) argues. Good quality of product and service may result in the industrial buyers to recommend and intent to use and to continue the relationship as an expression of industrial brand loyalty (Van Riel et al. (2005).

Moreover, According to Chaudhuri and Holbrook (2001), brand differentiation (e.g., product and service quality) does not really influence the market share; however, to increase brand loyalty is likely to increase market share. It indicates that these constructs are more stable as rational elements compared to the social responsibility which is seen more abstract (Keller, 1993).

In line with Crosby et al. (2003) who identify that the most critical component for the customer of an organization is quality. Therefore, the authors recommend that the management of an organization must have a competitive edge in order to successfully obtain a customer's business. The positive and significant relationships between product and service quality and repeated buying behaviour of industrial buyers are also reported by Bliemel & Eggert (1998), Bozzo (2001), Reicheld (1996); Kim & Frazier (1997); and Geyskens et al. (1996).

In Malaysia, Osman et al. (2002) also discover that customer service activities and quality product are significantly correlated with a successful company. They also suggest that Malaysian companies need to be customer oriented in order to be successful. According to Jayawardhena (2007), service quality has an important managerial implication to get customer loyalty. Customers will evaluate the quality of service provided by a company. The successful interaction between professional service and its customers will result in a higher perception of the quality of service, as a consequence it will increase brand loyalty. In other words, the higher the perception of overall service is more customers will engage to the brand as an expression of brand loyalty. This is consistent with Paulin et al. (2000) who justify that providing a professional service to a customer is likely to enhance customer loyalty. Similarly, Liljander & Mattsson (2002), Oliver et al. (1997), and Winsted (2000) indicate that customers' perception of service quality has been considered as one of the important determinants for loyalty.

In addition, Parasuraman et al. (1988, 1991, and 1993) indicate that there is positive and significant effect of service quality on their willingness to recommend the brand to their colleagues. The significant effect of overall service quality on customers' intention to repeat purchase has also been found by Cronin et al. (2000), and on general customer loyalty (c.f., Too et al., 2001). Additionally, high service performance affect repurchase intentions in equity theory as reported by Kelley and Davis (1994), this also exist in business-to business context (Bendapudi & Leone, 2002).

Thus, quality service is an important factor to lead the loyalty of customer because they will remain loyal to a quality of service if the value of what they receive is determined to be relatively greater than that expected from competitors (Zeithaml & Bitner, 1996).

Physical product attributes, supply chain services, and supported by services quality are vital criteria influencing brand loyalty in past studies. Therefore, the performance of products and services (Abratt, 1986; Michell et al., 2001) are vital in business-to-business context; these variables may be the main drivers in establishing brand loyalty. Thus, it could be stated that the companies or brands that give good quality of product and service will get brand loyalty. In other words, the better product and service they provide to the buyers, the higher brand loyalty they will get. Thus, product and service quality are the antecedents of brand loyalty in business-to-business.

Referring to the explanations above, the hypotheses can be derived as below:

H7. ***Product quality will have a significant and positive direct effect on brand loyalty.***

H8. ***Service quality will have a significant and positive direct effect on brand loyalty.***

4.5.2 Price Perception and Brand Loyalty

According to Anderson et al. (2000), as mentioned above, price in business has been defined as what a customer firm pays a supplier firm for its product offering. A company spends some budget in enhancing quality in order to gain more income from greater volume of sales. Because of the quality enhancement efforts (such as training of workers, the new technology equipment, and recruitment new labour costs, and maintenance cost of new equipment), the company needs to meet the cost and, consequently, it affects an increase in the average price of production (McWilliams and Siegel, 1997; Alexander and Bucholz, 1998). Therefore, a brand offering a high quality product and service is reasonable in charging at a higher price. In addition, Mudambi (2002) includes not only product attributes, service attributes and branding attributes, but also price to support the quality of the working relationship.

In an industrial context, Mudambi et al. (1997) identify that price is also viewed as an important variable in the purchasing decision, while others estimate that 70% of the final decision is influenced by price evaluation. In addition, price could express the quality as also reported by Alvarez and Galera (2001). Moreover, Dick & Basu (1994), Uncles & Douling (1997), Costabile (1996), and Holbrook (1999) have included factored price as one of various independent variables to predict brand loyalty.

In addition, Firth (1997) determines that product and service from a well known company are charged at a higher price compared to less famous companies. Hutton (1997) also justifies that brand equity exists in the business-to-business market when buyers are ready to pay with a premium price for their favourite brand. In other words, to have a new creation of value and the opportunity to charge at a premium price may effect on enhancing brand loyalty through sustaining differentiation in the complicated market; thus, brand has a significant role in business-to-business context (Lynch & Chernatony, 2004; and Webster & Keller, 2004).

Furthermore, Neslin and Gedenk (1999) also discuss price as another criterion in brand loyalty, by which it affect the future brand purchase probabilities. According to Neslin and Gedenk (1999), price perception could affect the business buyers to be loyal towards a brand. Another previous study conducted by Lowengart et al. (2003) explains the influence of reference price on customer loyalty. Bolton and Kannan (2000) discover that contradictory information on internal Reference Price (RP) could result in diminishing loyalty. Therefore, better price information is needed by customers in the buying decision process as it affects brand loyalty.

Brand loyalty, on the other hand, is seen as a commitment of the buyers to sustain the long-term relationship with the brand's manufacturer (Lam et al., 2004; and Oliver, 1999). According to Lam et al. (2004), using a sensitivity analysis, the perception of price changes the influence level of loyalty, sensitivity to quality and the level of competition in a given industry. Buyers are ready to pay a higher price for the product/brand with high-engineering design that offers superior value compared to its competitors. This is consistent with Hutton (1997) who justifies that *'branding influences buyers' willingness to pay a premium price, and to recommend and to buy other products with the same brand name' (cited in Cretu and Brodie, 2005, p. 232)*. Consistent with the Malaysian scenario, Osman et al., (2002), discovered that the variable price is found to be an important marketing mix activity, showing that companies need to control the price in order to remain competitive and to be relevant with the quality.

Based on previous researches, it could be stated that the perception of price can positively influence brand loyalty. In other words, the industrial buyers are willing to pay the higher price for it. This performs the feeling of the buyer that the more positive perception of the price, the higher brand loyalty the company will get.

Based on the explanation above, the following hypothesis can be proposed:

H9. Price perception will have a significant and positive direct effect on brand loyalty.

4.6 MEDIATING EFFECT OF THE ETHICAL BRAND

One of the aims of the present study is to investigate the indirect effect (via both the ethical brand and company reputation) on brand loyalty of the industrial buyers. According to Fan (2005) and Paluszek (2006), the concept of 'the ethical brand', which is a new creation of value is an additional variable included in this study's model as affective element. Furthermore, Fan (2005) argues that the ethical brand might improve company reputation. On the other hand, inspired by Cretu and Brodie's (2005) study, customer value also affect brand loyalty of industrial buyers. As discussed in the previous sections, antecedents of the ethical brand are product quality, service quality, and price perception. Therefore, this point of view consists of the core value (i.e. the ethical brand) and loyalty process where customers' trade-off between benefits of product quality, service quality and price to determine the perceptions of the ethical brand, which then determines industrial buyers' responses (company reputation, and subsequently brand loyalty). Thus, the role of the ethical brand is as a mediator. The next section will illustrate the effect of antecedents on industrial buyers' responses (company reputation, subsequently brand loyalty).

4.6.1 The Effect of Antecedents (Product Quality, Service Quality, and Price Perception) on Company Reputation via the Ethical Brand

The influence of company reputation, or what is often referred to as corporate reputation, can be expected to become more important when there are higher levels of service (Cretu and Brodie, 2005). In many business markets there is a large service component because of the technical nature of the products. Hence, the seller's reputation is an important influence. Company reputation has been broadly described as the long-term combination of the stakeholders' assessment about ''what the firm is'', ''how well the firm meets its commitments and conforms to stakeholders' expectations'', and ''how well the firm's overall performance fits with its socio-political environment'' (Logsdon & Wood, 2002). Consequently, company (corporate) reputation has been defined as *'a particular type of feedback, received by an organization from its stakeholders, concerning the credibility of the organization's identity claims' (Whetten & Mackey, 2002, p. 401).*

While company reputation is based upon perceptions of all stakeholders, Wartick (2002) suggest that marketers should not only focus its activities on their customers because a wider stakeholder is the greatest group to influence. Moreover, Greyser (1996) discovers company reputation will have an attractive relationship with corporate performance based upon its social and environmental responsibilities (Fan, 2005).

Thus, related to the ethical brand, which promises not only social performance, but also economic and environmental performance (Fan, 2005), it is clear that there is a close link between ethical branding and corporate reputation. According to Fan (2005), company reputation could be influenced by offering an ethical brand. According to the previous suggestion, it indicates that a highly-engineered product can be applied to anticipate the negative outcomes for the firm as mentioned by Anderson and Narus (1990), and a company needs to offer superior value. Thus, the feeling of high quality product as perceived by customers will also result in the feeling that the brand considers responsibilities toward stakeholders by offering superior value (Paluszek, 2006). In other words, the better the quality that a product is perceived by the industrial buyers the higher is the perception that the brand has ethical value.

On the other hand, quality of service interactions between customer and company plays an important action in developing its service quality perceptions (Bitran & Lojo, 1993; Danaher & Mattsson, 1994; and Stauss & Mang, 1999). As explained by Farrell et al. (2001), service quality based on customer assessment of the entire services components provided by the organization should not result in a negative effect for stakeholders as a whole (Fan, 2005). Thus, service quality is also an antecedent of the ethical brand and company reputation.

In terms of price perception, the buyers are willing to pay the higher price for the brand offering the greater value as the product differentiation (Wood, 2000). Brands play the strategic point in encouraging the value of products and this product/brand value can not be imitated by competitors (Aaker, 1991). Therefore, the valuable asset (i.e. ethical brand) may strengthen the brand's position in the competitive market (Fan, 2005). Thus, as a growing number of customers have become ethically conscious as they pay serious attention to ethical branding. This will insist on branding to behave ethically. Ethical behaviour is a vital aspect during the purchase evaluation and customers are willing to pay higher prices for the firm offering the ethical account (Creyer and Ross, 1997). In addition, Lichtenstein et al. (1993) argue that customers consider a source of price information for every type of product and situation, and furthermore Lowengart et al. (2003) establish that customers use reference price (RP) in their purchasing decisions. Thus, providing the price information fairly and honestly for customers may increase their perception that the brand is ethically concerned. Thus, price perception is also viewed as an antecedent of the ethical brand.

Based on the above view point, product quality, service quality, and price perception are antecedents of the ethical brand and also company reputation. On the other hand, according to Cretu and Brodie (2005), "innovation orientation" represents the company reputation. Therefore, this viewpoint indicates that this responsibility can enhance the scales of a company reputation as "successful company" and "being innovative" regarding customer perception. Furthermore, to provide the great value for gaining benefit, responsibility to the buyers, and providing good image as mentioned by

Greyser, S.A., (1999) express economic responsibility as the customer focus. “Having customer focus” is also an expression of company reputation (Cretu and Brodie, 2005). Thus, the ethical brand will affect company reputation as argued by Fan (2005).

Therefore, it may be reasonable for this study to investigate some indirect effects of product and service quality, and price perception on company reputation via the ethical brand.

Regarding the above reasons, the associations can be hypothesized as follows:

H10. ***Product quality will have a positive relationship with company reputation via the ethical brand (indirect effect).***

H11. ***Service quality will have a positive relationship with company reputation via the ethical brand (indirect effect).***

H12. ***Price perception will have a positive relationship with company reputation via the ethical brand (indirect effect).***

4.6.2 The Effect of Antecedents (Product Quality, Service Quality, and Price Perception) on Brand Loyalty via the Ethical Brand

Brand loyalty has been seen as the commitment of the buyer to continue stability in a long-term affiliation with its supplier/firm (Van Riel et al., 2005; Lam et al., 2004; and Oliver, 1999). According to Lindgreen and Wynstra (2005) and Davis (2003), when a brand loyalty is as a repeated purchasing and commitment, the value concept is an emotional criterion. In this context, it is necessary to emphasize offering that creates value to customers. Even though it is costly, firms could still reach maximum profit because markets are always changing, production resources are scarce; however, providing value is not only increasingly relevant in the marketing concept, but also interesting from the perspective of purchasing decision. Therefore, in relation to relevant purchasing decisions with emphasizing on concepts, such as the ethical value of branding (Fan, 2005; and Paluszek, 2006), it may be a more strategic perspective on the purchasing function and process.

Additionally, Cretu and Brodie (2005) use the customer value methods developed by Gale (1994) and Rust et al. (1995). Cretu and Brodie (2005) extend their work by paying explicit attention to the influences of brand value and loyalty. The model is made up of the core value and loyalty process where customers' trade-off between benefits (quality) and sacrifices (price and costs) that determines the perceptions of customer value, which then determines customer loyalty.

This is consistent with Anderson and Narus (1998), and Doyle (2000) who justify that the creation of value is a key success factor in a competitive market. Therefore, the role of marketing is to create value for its customers in order for the brand to be superior in competition (Tzokas & Saren, 1999). Thus, incorporating the ethical brand (Paluszek, 2006), a company can deliver superior value to its shareholders (Doyle, 2000; Rust et al., 2000). This is a key for the company to encourage brand loyalty, by providing brand as an ethical value for its customers who will then respond positively on product, service, and price perception offered to them by the value (Van Riel et al., 2005; Cretu & Brodie, 2005; Mudambi, 2002; Michell et al., 2001; and Bolton & Kannan, 2000).

As a superior value and a new paradigm, the ethical brands that recognize environmental, social, and economic responsibilities and also commitment (Fan, 2005; and Paluzsek, 2006) to do the right thing, provide a new creation of value to its stakeholders. Brands have the significant role in enhancing the value of products and protecting them from being copied by other brands (Aaker, 1991). Therefore, a valuable asset (i.e. the ethical brand) strengthens the company position in the competitive market (Fan, 2005).

Moreover, the brand differentiation from others provides the customers value for which they are willing to pay at a premium price (Wood 2000). Through incorporating ethical aspects (Fan, 2005) as brand differentiations (Wood, 2000), competitive advantages can be achieved to maintain the buyer-seller relationship. Therefore, the ethical brand is one construct (Fan, 2005) by which the already existing variables (product quality, service quality and price perception) affect the ethical brand, and then it may enhance loyalty (Van Riel et al., 2005; and Davis, 2003).

Based on the above view point, product quality, service quality, and price perception are antecedents of the ethical brand and brand loyalty as well. On the other hand, according to Fan (2005) the ethical brand will affect brand loyalty. Therefore, it may be reasonable for this study to investigate some indirect effects of product and service quality, and price perception on brand loyalty via the ethical brand.

Based on the above scenario, the associations can be hypothesized as follows:

H13. Product quality will have a positive relationship with brand loyalty via the ethical brand (indirect effect).

H14. Service quality will have a positive relationship with brand loyalty via the ethical brand (indirect effect).

H15. Price perception will have a positive relationship with brand loyalty via the ethical brand (indirect effect).

4.7 MEDIATING EFFECT OF COMPANY REPUTATION ON BRAND LOYALTY VIA THE ETHICAL BRAND

Corporate reputation can be defined as *'a cognitive representation of a company's actions and results that crystallizes the firm's ability to deliver valued outcomes to its stakeholders' (Fombrun et al., 2000, p. 87)*. According to Fombrum et al. (2000), good corporate reputation is admitted by buyers when a company offers some tangibles and intangibles advantages of the product/brand for them. Therefore, managing reputation is essential for a company to gain a good buyer's response (i.e. brand loyalty).

Related to brand competition, according to Paluszek (2006) the ethical brand can be a strategic differentiation to provide the greater value to its stakeholders through highly standards of business integrity as an expression of its responsibility. Accordingly, a company can provide *long-term corporate value* to enhance the commitment of the customers through reputation.

The ethical brand with its responsibility may have a positive impact on the success of an organization. This is because ethical judgments are made by customers, and these judgments are likely to influence the consumers' acceptance or rejection of a company's products (Singhapakdi et al., 1999). In other words, an ethical brand with responsible actions is instrumental for business success to express a company reputation. The long-term success of the company depends on its integrity, tradition of honesty, and fair dealing as an ethical responsibility towards its stakeholders. Additionally, in terms of social responsibility, a company that considers the laws and regulations of the country, preventing discrimination, and respecting social customs and cultural heritage (Enderle & Tavis, 1998) may affect its reputation as a good corporate citizen (Cretu and Brodie, 2005).

Moreover, according to Mazzanti and Zoboli (2006), company responsibility in waste and recycling policy can influence innovation when the relationships between various manufacturing industries with different interests about innovation are involved. A company that has a recycling programme may be perceived as environmentally responsible. Such responsibility may influence the perception of the customer to believe that the company is innovation oriented. According to Cretu and Brodie (2005), being innovation oriented is a representative of the company reputation. Therefore, this viewpoint indicates that this responsibility may enhance a company reputation as being innovation oriented in the perception of customers.

Based on the above viewpoint, offering a brand as ethically concerned is utilized to seek the credibility of its company because the ethical brand does not only consider economic responsibility for its customers and the owner, but also social and environment responsibilities for stakeholders as a whole (Fan, 2005). The value of the ethical brand may be measured in terms of the lifetime value of the company's stakeholder's relationships. Through this strategic point, brand is able to create the confidence of various stakeholders' relationships with the company, and increase the company reputation. As mentioned above company reputation has been defined as *'a particular type of feedback, received by an organization from its stakeholders, concerning the credibility of the organization's identity claims' (Whetten & Mackey, 2002, p. 401).*

While, company reputation is derived from the perceptions of all stakeholders as justified by Wartick (2002, p. 377), this is consistent with the notion of the ethical brand and company reputation, both of which seek to build on the value of their relationships to achieve brand loyalty. Reputation can play an important role in the business-to-business market; therefore, it is a key factor for competitive success (Cretu and Brodie, 2005). Through the strategic point described by Paluszek (2006), a company can enhance the commitment of the customers through reputation. Consequently, the feeling of the ethical brand with the energy brand is expected to enhance customer loyalty via company reputation. Based on the above explanation, the ethical brand will lead to a long-term commitment. Thus, an indirect effect of the ethical brand on loyalty via company reputation is suggested to be hypothesized as follows:

H16. The ethical brand will have a positive relationship with brand loyalty via company reputation (indirect effect).

4.8 THEORETICAL MODEL OF THE STUDY

4.8.1 Direct Effect

According to the above explanation, it is discovered that there are three marketing factors (constructs: product quality, service quality, and price perception) that have a direct effect on corporate reputation. The three constructs also have a direct effect on the ethical brand. These constructs are also discussed to have a direct effect on brand loyalty.

4.8.2 Indirect Effect

According to Elmes et al. (1999), an intervening or mediating variable is an abstract concept that links independent variables to dependent variables. It is based on the theoretical framework that there are two mediating variables towards brand loyalty. The following model diagrammatically explains the theoretical propositions for the context of the current study:

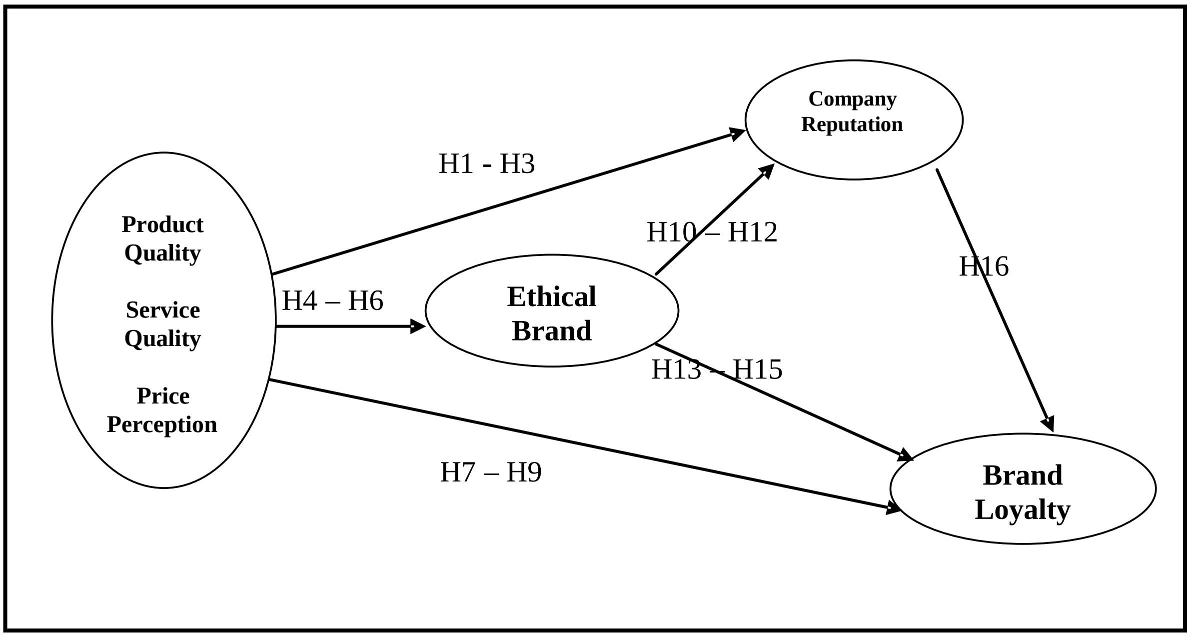

Figure 4.1 Theoretical Framework on the Role of 'The ethical brand' and its Effect on Industrial Buyers' Responses

Based the above theoretical framework of this study, the following is the summary of the study's hypotheses as shown in Table 4.1:

Table 4.1 Summary of the Proposed Study's Hypothesized Relationships

	Hypotheses
H1	***Product quality will have a significant and positive direct effect on company reputation.***
H2	***Service quality will have a significant and positive direct effect on company reputation.***
H3	***Price perception will have a significant and positive direct effect on company reputation.***
H4	***Product quality will have a significant and positive direct effect on ethical brand.***
H5	***Service quality will have a significant and positive direct effect on ethical brand.***
H6	***Price perception will have a significant and positive direct effect on ethical brand.***
H7	***Product quality will have a significant and positive direct effect on brand loyalty.***
H8	***Service quality will have a significant and positive direct effect on brand loyalty.***
H9	***Price Perception will have a significant and positive direct effect on brand loyalty.***
H10	***Product quality will have a positive relationship with company reputation via ethical brand (indirect effect).***
H11	***Service quality will have a positive relationship with company reputation via ethical brand (indirect effect).***
H12	***Price perception will have a positive relationship with company reputation via ethical brand (indirect effect).***
H13	***Product quality will have a positive relationship with brand loyalty via ethical brand (indirect effect).***
H14	***Service quality will have a positive relationship with brand loyalty via ethical brand (indirect effect).***
H15	***Price perception will have a positive relationship with brand loyalty via ethical brand (indirect effect).***
H16	***Ethical brand will have a positive relationship with brand loyalty via company reputation (indirect effect).***

4.9 CONCLUSION

The present chapter has discussed the constructs that both directly or indirectly (via the ethical brand) affect both corporate reputation and brand loyalty of the industrial buyer. The following chapter is the explanation of the methodology issues and describes various steps that are commonly taken in the research. The explanation emphasizes (1) how the hypotheses developed in this study are tested; (2) How the research design is applied in this study; and (3) how each variable is operationalized in this study.