

## **CHAPTER SEVEN**

### **DISCUSSION AND CONCLUSIONS**

#### **PART I**

#### **DISCUSSION OF RESULTS**

##### **7.1 INTRODUCTION**

This chapter consists of three parts. The first part will provide an interpretation and discussion of the results of the empirical study analyzed in Chapter Six. Specifically, the study's hypotheses testing explaining the role of constructs in the model and the overall research questions will be considered. The second part of this chapter will elaborate on the study's contribution in relation to the discussion of its findings presented in the first part of this chapter. The third part explains the limitations of this study and makes some recommendation for future research planning. In order to make the discussion easier on this study's findings, the following section will start by representing the important contentions of the research and its contribution.

##### **7.2 RESEARCH AIM, QUESTIONS, AND HYPOTHESES**

As highlighted earlier, the study's main aim is to incorporate the ethical aspects in branding, representing another aspect of the brand in the industrial buyers of electronic office equipment. In particular:

- (1) This study tries to further the understanding of the relationship between the already existing constructs (e.g. quality of product and service, and perception of price) and company reputation and brand loyalty, which are mediated by ethical brand as a new superior value or new paradigm like Fan

(2005) and Paluszek (2006) mentioned. This is represented by Hypotheses 1 – 9 as shown in Table 7.1, p. 217, and Hypotheses 10-16 as shown in Table 7.2, p. 232.

- (2) Whether or not the ethical brand has a significant role, and its effect on industrial buyers' responses. This is represented by the study's Research Questions 2 to 5.

### **7.3 DISCUSSION: OVERVIEW OF THE FINDINGS**

In order to facilitate the discussion and avoid an overlap in explanation, the findings based on the research questions will be presented. These will then be interpreted according to each variable (H1 to 16) investigated in this study. Research Question 1 is discussed in the first section, and followed by Research Question 2. Since Research Questions 3 and 4 are related, they will be discussed together in the one section. Research Question 5 will be presented in the last section.

#### **7.3.1 Discussion to Answer Research Question 1**

What are components/aspects of the ethical brand?

In response to the above research question, the following has been proposed:

The ethical brand aspects consist of economic, social, and environmental responsibilities as conceptualized by Fan (2005). Each aspect could be described as follows:

- Economic responsibility, as Fan (2005) argues, brand provides benefits for both shareholders and customers. Thus, both productive and distributive aspects are appropriate for considering the following items, which are: “Make/maximize

profit: in the short term and in the long term”, “Preserve/increase the wealth of owners/investors”, “Respect suppliers”, “Regard for employees via preserve/create jobs, pay fair wages, and provide social benefits” (Enderle & Tavis, 1998).

- Social responsibility as Enderle and Tavis (1998) expressed, refers to *what* the firm is responsible for in the political and sociocultural system of society. The matter of social responsibility being important to the brand reflecting ethicality. It makes sense that social responsibility can take this position when brand interacts with external stakeholders (Fan, 2005).
- Environmental responsibility is associated with the ‘environment’ and impacts in terms of both consuming natural resources (as inputs of the firm’s production process like raw materials, energy, etc.) and burdening the environment (as outputs such as waste and pollution of various types) as justified by Enderle and Tavis (1998). Additionally, having recycling, recovery, and disposal programmes are also expressions of environmental responsibility as explained by Nnorom and Osibanjo (2008).

‘Responsibility’, a key concept of current moral sensitivity, appears quite suitable to express the ethical dimension of brand action. This expression is similar with Stahl (2005) who indicates that responsibility is seen as a normative concept formulated by a moral statement that can deal with risk and uncertainty.

The above viewpoint is consistent with Fan (2005) who justifies that branding should be evaluated from a moral point of view. Thus, the ethical brand may be an actor entailing moral responsibility. As a moral actor, therefore, brand is understood to act in a manner reflecting moral responsibility in the same way as personal responsibility relates to the person as a moral actor. As a moral actor, according to Fan (2005), brand

should be evaluated not simply only by economics, but an ethical brand should not harm public good or the environment; instead it should contribute to community development.

In summary, the concept by Enderle and Tavis's (1998) emphasizes the issue of what the ethical standard must do in economic, social, and environmental terms. By addressing these different responsibilities directly, the scale has been characterized as make/maximize profit, increases the wealth, respect to its supplier, respect the laws and regulations of the country, prevent discrimination, respects social customs and cultural heritage, consuming less natural resources, monitoring the potential negative impacts, preserve the jobs, recycling the material, recover the valuable material, disposal for final disposition (Enderle & Tavis, 1998; and Nnorom & Osibanjo, 2008).

All the above listed items, performing the ethical brand with other variables, were analyzed by two main approaches – exploratory factor analysis (EFA) by principal factor analysis (PFA) and confirmatory factor analysis (CFA). The 12 items remaining in exploratory factor analysis were sent to the measurement model of structural equation modeling (SEM). The results indicated that 2 items were excluded, namely, ‘increase the wealth’, and ‘monitoring the potential negative impacts’. Therefore, based on the industrial buyers’ responses, the ethical brand is presented by 10 items consisting of ‘make/maximize profit’, ‘respect to its supplier’, ‘respect the laws and regulations of the country’, ‘prevent discrimination’, ‘respects social customs and cultural heritage’, ‘consuming less natural resources’, ‘preserve the jobs’, ‘recycling the material’, ‘recover the valuable material’, and ‘disposal for final disposition’. These items were derived from Enderle & Tavis (1998), and Nnorom & Osibanjo (2008).

Thus, this result has answered the above research question that there are ten items of the ethical brand representing the industrial buyers' responses. Explicitly, ten items have been found to perform the ethical brand based on industrial buyers' responses.

### 7.3.2 Discussion on Research Question 2

Does having better quality of product, service and price perception enhance a company reputation, perceive brand as ethical, and increase brand loyalty?

Research question 2 examines whether variables 'product quality', 'service quality', and 'price perception' relate to company reputation, the ethical brand and also brand loyalty based upon industrial buyers' responses. Table 7.1 lists Hypotheses 1-9 and summarizes the results of testing these relationships.

**Table 7.1 Summary of the Results Regarding the Hypothesized Relationships**

	<b>Hypotheses</b>	<b>Summary</b>
H1	<i>Product quality will have a significant and positive direct effect on company reputation.</i>	S
H2	<i>Service quality will have a significant and positive direct effect on company reputation.</i>	NS
H3	<i>Price perception will have a significant and positive direct effect on company reputation.</i>	S
H4	<i>Product quality will have a significant and positive direct effect on the ethical brand.</i>	S
H5	<i>Service quality will have a significant and positive direct effect on the ethical brand.</i>	S
H6	<i>Price perception will have a significant and positive direct effect on the ethical brand.</i>	S
H7	<i>Product quality will have a significant and positive direct effect on brand loyalty.</i>	S
H8	<i>Service quality will have a significant and positive direct effect on brand loyalty.</i>	S
H9	<i>Price Perception will have a significant and positive direct effect on brand loyalty.</i>	NS

S-Result is supported; NS-Results is not supported

The study has earlier hypothesised that product quality (H1), service quality (H2), and price perception (H3) will have a significant and positive direct effect on company reputation. The output regarding the previous chapter specifically discovered that product quality and price perception are positively significantly related to company reputation based on the industrial buyers' responses. These two predictors with the ethical brand significantly explain 53% of the variance (or squared multiple correlation) in company reputation. However, the result indicates that service quality is not significantly related to the company reputation. Even though this direct relationship is not significant, service quality has a positive and significant indirect effect on company reputation via the ethical brand (structural coefficient = .189). Service quality could still enhance the company reputation if the company provides the ethical brand or the brand does not result any negative effect for its stakeholders as a whole. In other words, the better the service quality, the higher the company reputation could be still achieved when brand considers ethical aspects. To compare this finding with previous studies is difficult as empirical studies on the ethical brand in the past are very limited. However, according to Gundlach and Murphy (1993) ethical standards in marketing activities have been discussed (e.g. value to customer, trust, and responsibility) as an ethical foundation in earlier studies. As a comparison to this study, this is in line with Cretu and Brodie (2005) who discovered that the role of value to the customer in the business market is a mediator between reputation and service quality. Even, the direct effect of service quality on company reputation was not discovered according to their study.

Product quality (H4), service quality (H5), and price perception (H6) have been hypothesized as having a significant and positive direct effect on the ethical brand. The outputs displayed that all the predictors are positively significantly related to the ethical brand regarding the industrial buyers' responses. The three predictors significantly

explain 42% of the variance (or squared multiple correlation) in the ethical brand, where service quality (.47 in structural coefficient) has the greatest effect. The findings indicate that industrial buyers consider quality of product as having a minimum requirement specification, which consists of: consistent with customer's needs; performing the regulatory requirements, such as product safety and health hazards. Moreover, industrial buyers believe that brand, together with true quality of service, must consider social life as its responsibility. In other words, the higher the quality, the higher the ethical brand will be perceived by industrial buyers. As a comparison, the recent study by Cretu and Brodie (2005) reported that these predictors have a positive and significant relationship with the customer value as the ethical foundation in marketing (Gundlach & Murphy, 1993) in a business-to-business perspective, in which the ethical brand is able to represent the value of trust by offering superior value with high integrity and concern for stakeholders. This is consistent with Kavali et al. (1999) who justify that ethical perspectives clearly contain the value of trust. Additionally, the discussion of ethical standards in marketing activities has been discussed as the ethical foundations of marketing exchange, including trust, customer value, and responsibility (Gundlach & Murphy, 1993).

According to Adamson et al (2003), trust is stated as an expression of confidence between two or more organizations in an exchange that will not be harmed by these organizations' actions. There is a sense that trust is also an expression of the ethical standard in marketing activities as Gundlach and Murphy (1993) mentioned. However, the understanding of the ethical expression of trust only reflects and considers the corporate responsibility of two parties (customers and stockholders) through having integrity in providing economic responsibility. By offering this responsibility it will also have an effect on the company reputation, which is an expression of its credibility

(Whetten & Mackey, 2002), in which company reputation is stated as an outcome of trust.

The above viewpoint is consistent with the findings of this study that confirm the theoretical framework that has been constructed from previous literature, where product quality, service quality and price perception are important aspects among industrial buyers (Fan, 2005; paluszek, 2006; Cretu & Brodie, 2005; and Van Riel et al., 2005). For example, the company always promises and guarantees their product and services along with price information to customers. Normally, customers want companies to fulfil all promises, guarantees and reasonable service expectations as part of brand/product ethical obligations (Peters, 1999). Therefore, product quality, service quality, and price perception are important criteria for a brand to be perceived as ethical.

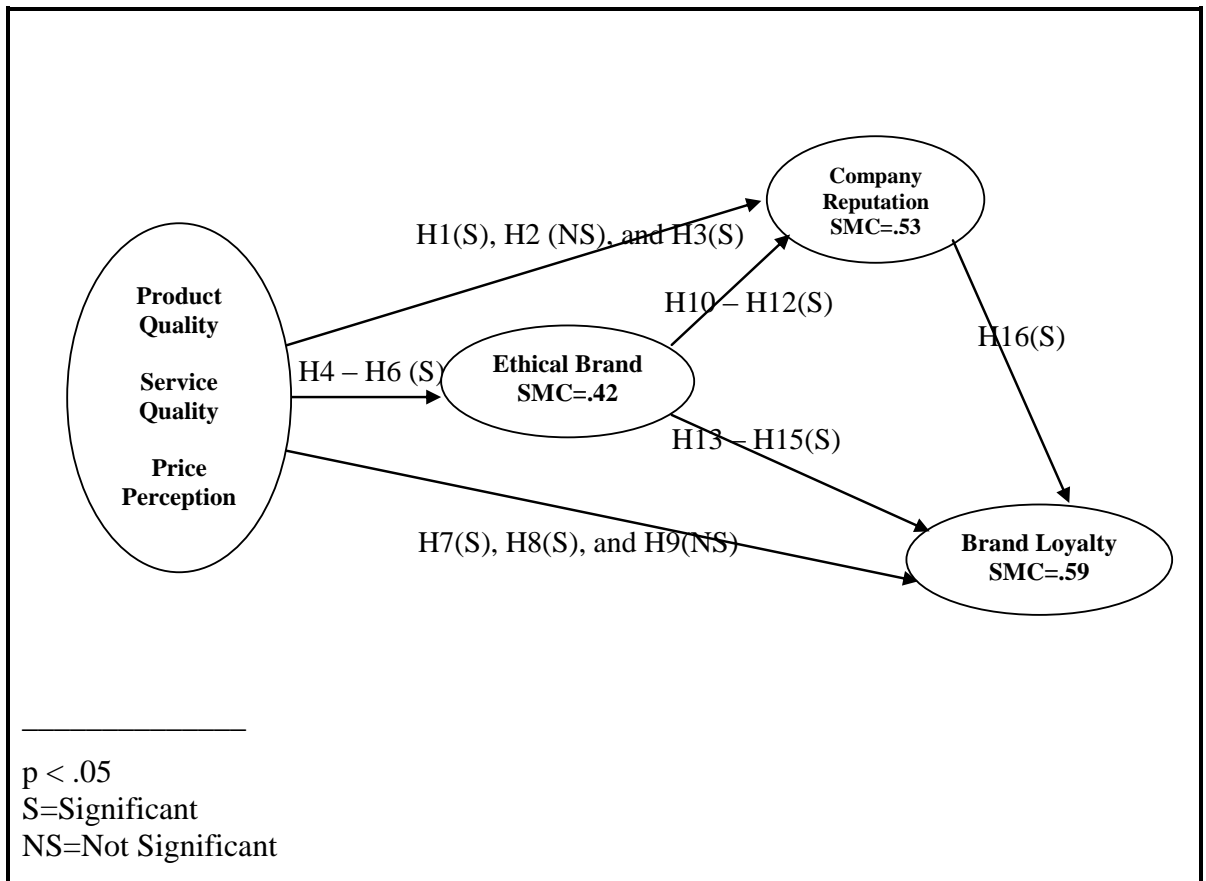
The above elaboration has not only answered Research Question 2, but is also consistent with the first issue highlighted in section 3.4 in Chapter Three. As Fan (2005) argues that a good brand contains an ethical standard. Thus brand value needs to be assessed by both financial and ethical measures. Therefore, brands need to satisfy stakeholders as a whole as they are impacted by the product.

On the other hand, product quality (H7), service quality (H8), and price perception (H9) have been hypothesized as having a significant and positive direct effect on brand loyalty. Based on the outputs, product quality and service quality have a positively significant effect on brand loyalty regarding the industrial buyers' responses. The two predictors along with company reputation and brand loyalty significantly explain 59% of the variance (or squared multiple correlation) in brand loyalty, where service quality (.36 in structural coefficient) has the greatest effect.



However, it has been indicated that price perception does not have a significant relationship with brand loyalty. This means that loyalty of the industrial buyer is not influenced by price, but the ethical brand mediates the relationship between price perception and loyalty. Therefore, the high price of a brand could result in the industrial buyer becoming loyal only if it is supported by offering the ethical brand. In other words, industrial buyers will respond by re-purchasing a brand that is a higher price when the company offers the ethical brand in consideration of its responsibility to its stakeholders. Significant relationships between product quality, service quality and loyalty intention in the business-to-business context have been reported by Van Riel et al. (2005) where product quality and service quality explain 56.0% of brand loyalty. Moreover, Cretu and Brodie (2005) also explain these relationships. Chaudhuri and Holbrook (2001) determine that brand differentiation (e.g., product and service quality) is not only highly correlated to market share; but also that brand loyalty increases the likelihood of greater market share. Thus, this study has empirically re-confirmed these relationships.

According to the results of the statistical analysis, the relationships among variables of the model are clearly shown as below.



**Figure 7.1 Condition of Significant Relationships among Constructs in the Model**

### 7.3.2.1 Product Quality, Service Quality, and Price Perception and Its Relationships

In this study, the retained labels of product quality were: (1) good performance; (2) good features; (3) good specification; (4) good durability; (5) high quality product; (6) innovative (Crosby et al., 2003; and Van Riel et al., 2005). The product quality appears to have a strong role in the constructed model of this study. The testing of the direct relationship between “product quality” and “company reputation” (hypothesis 1) indicates that it is positive and significant. This means that the higher the “product quality”, the higher the “company reputation” will be perceived by industrial buyers.

This finding is in line with previous studies in marketing, in which credibility is the central relationship between the behaviour of companies and public trust, and a

company's action (behaviour) is reflected by the actual company's performance of the product (Greyser, 1999). A positive performance of the product may bring many benefits to the company; however, poor performance may result in negative actions from users and other stakeholders as justified by Greyser (1999). Company reputation can be enhanced by making the buyer feel secure when buying a product from the company offer.

On the other hand, "product quality" also has a positive and significant relationship with "the ethical brand" (hypothesis 4). It means that the better quality of product, the better the ethical brand is perceived by industrial buyers. The feeling of a high quality product as perceived by industrial buyers will result in the feeling that the brand considers stakeholders responsibilities by offering an ethical brand. The industrial buyer will trust the brand if a company offers a high quality of product. This is consistent with Kavali et al. (1999) who justify that ethical perspectives clearly contain the value of trust (Gundlach & Murphy, 1993). It is also supported by Sweeney et al. (1999), Dodds et al. (1991), and Rangaswamy et al. (1993). They found that the "product quality" has a positive effect on the "value", and it is the key role in maintaining the customers' perceptions towards product quality. Perceived value and trust, according to Gundlach and Murphy (1993), have been discussed as an ethical foundation in marketing concept as an expression of responsibility to customers and the firm.

The positive and significant direct effect was viewed between "product quality" and "brand loyalty" (hypothesis 7). It means that the better the product quality, the higher the loyalty intention of industrial buyers that will be received by the company. Many researchers have reported that product quality is a main driver in the industrial market (e.g. Bendixen et al., 2004; Mudambi et al., 1997; Chaudhuri & Holbrook, 2001;

Bliemel & Eggert, 1998; Bozzo, 2001; and Reicheld, 1996). Positive and significant relationships between product quality and repeated buying behaviour of industrial buyers were also reported by Bliemel & Eggert (1998), Bozzo (2001), and Reicheld (1996). Therefore, the findings of the current study re-confirmed previous findings.

Thus, product quality is a useful predictor in explaining company reputation, the ethical brand, and brand loyalty. It means that the functional aspect of brand may also directly influence the emotional reaction of the brand, such as company reputation. In the past, company reputation has been measured as an emotional construct (see: Cretu & Brodie, 2005). In other words, good or bad company reputation is influenced by the quality of the product, and that the higher the product quality indicates that the product has reflected the ethical aspect as a brand, and, subsequently, it can also influence the repeated buying behaviour of the business market.

On the other hand, service quality is a customer-oriented result. This result is produced when an organization performs activities that are an effort to people or objects (Aaker, 1997). The retained labels of service quality in this study are reflected by (1) promise to do something by a certain time; it does so; (2) sympathetic and reassuring staff; (3) trust employees; (4) polite employees; (5) providing good online information; and (6) providing quickly supplementary information. “Service quality” has a positive and significant relationship with “the ethical brand” (hypothesis 5). In other words, good quality service provided by a company will result in the brand being perceived as ethical. Specifically, a brand offered on the market with good quality service will result in a good feeling by the industrial buyer who will perceive that the brand has ethical responsibility. Therefore, better service will enhance the ethical brand. Hence, this study’s finding confirms that the better the service, the higher the ethical brand will be perceived by industrial buyers. As a comparison, this finding is in line with Cretu and

Brodie (2005) who discovered that service quality has a positive and significant direct effect on customer value as an expression of an ethical foundation in marketing as explained by Gundlach and Murphy (1993). Because past research on the ethical brand is very limited, comparison with previous studies is difficult.

On the other hand, service quality could influence the brand loyalty of industrial buyers. It means that the better the “service quality”, the higher the “brand loyalty” of industrial buyers. In other words, companies offering good services in selling electronic office equipment will get a commitment from the industrial buyer to be loyal. The finding is consistent with Sweeney et al. (1999), Crosby et al. (2003), who signified that “service quality” influences behavioural-intention.

This study’s findings, in terms of the role of service quality, re-confirm some previous studies. For example: Paulin et al. (2000) 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. This connotes that the higher the service quality, the higher the brand loyalty of industrial buyers. This is also consistent with Van Riel et al. (2005).

This finding indicates that including “information service”, which was adopted from Van Riel et al. (2005), into the service quality, becomes a focal point in the current industrial buyers’ behaviour. It is consistent with Jeong and Lambert (2001) who found that customers’ perceived quality of information for products and services is the most salient factor for predicting their decision behaviour. This is in line with Kennedy et al. (2001) who reported that the revolution in information services opened up different ways of communicating with customers, and potentially offers a great opportunity to serve the customers better.

While, price in the business markets is what a customer firm pays a supplier firm for its product offering. The retained labels of the price perception are scaled by (1) price is higher than average market price; (2) higher price is equivalent to the quality; (3) acceptable price (Kukar-Kinney et al., 2006; Lichtenstein et al, 1993; and Bolton & Kannan, 2000). The findings indicate that the perception on “price” has a positive and significant relationship with “company reputation” (hypothesis 4). This implies that the better perception about the “price”, the higher the “reputation of the company”. This means that prices have an important role in the business market. The effort for companies to increase the quality (such as training, materials, labour and costs, together with the process and equipment costs), needs the cost, and the consequences are the impact on the price increase in average production (McWilliams and Siegel, 1997; and Alexander & Bucholz, 1998). All efforts for increasing the performance impact on the management improvement of the company, and how well the innovation is used is an expression of the company reputation (Mazzanti & Zoboli, 2006) that can be perceived by customers. However, the efforts require the costs, which impacts on increasing the price of the product/brand. Thus, there is a link between high prices and a better company reputation. In other words, the higher the price, the better the reputation of the company will be perceived by the industrial buyer.

This is in line with Mudambi (2002) who discovered that the market’s responses are influenced by not only product attributes, service attributes and branding attributes, but also cost of supporting the good or bad image, in terms of reputation. Similarly, Hutton (1997) justifies that in the business-to-business market there is a customers’ willingness to pay a price premium for their favourite brand. This study confirms that for each brand offering the higher price, the customer believes that it has a higher reputation in the market place.

The findings also indicate that price perception has a positive and significant effect on the ethical brand. It means that because of the higher price, the more the brand is perceived as ethical by the industrial buyer because its brand considers the ethical responsibilities. This is in line with the above explanation from McWilliams & Siegel (1997); and Alexander & Bucholz (1998) who justify that a company needs the cost to develop the brand containing ethical concerns, such as training, material, and labour costs, along with new processes and equipment costs to support recycling or/and disposal programmes. The consistency finding is also similar with Lichtenstein et al. (1993) who argue that customers consider a source of price information for every type of product and situation, and, moreover, Lowengart et al. (2003) who suggest that customers use a reference price (RP) in their purchasing decisions. Thus, this study confirms buyers' willingness to pay a premium price for a brand that is ethically conscious.

#### **7.3.2.2 The Ethical Brand and Its Effect on Industrial Buyers' Responses (Company Reputation and Brand Loyalty)**

The ethical brand has been defined as a moral actor that recognizes environmental, social, and economic responsibilities and has the integrity and commitment (Fan, 2005; and Paluzsek, 2006) to do the right thing, and creates added value for its stakeholders. From this viewpoint, in the present study, ten elements have remained to conceptualize the ethical brand: (1) maximizes profit, (2) always respects its supplier, (3) respecting the laws and regulations, (4) preventing discrimination, (5) respecting social customs and cultural heritage, (6) consuming less natural resources, (7) preserves the jobs at a reasonable profit margin and helps its employees to engage in community work, (8) having a recycling programme, (9) having a recovery programme, (10) having a disposal programme (Enderle & Tavis, 1998; and Nnorom, & Osibanjo, 2008).

The findings of this study imply that “the ethical brand” has a positive and significant effect on “company reputation” in the industrial buyers’ context. A company that offers the ethical brand is perceived by industrial buyers as paying good attention to its stakeholders; therefore, the company has a good reputation because it is ethically conscious. In other words, the better the ethical brand offered by a company, the higher the company reputation will be perceived by industrial buyers. This finding is in line with the study of Whetten and Mackey (2002), in which company reputation is derived from the perceptions of all stakeholders, and Wartick (2002, p. 377) who suggests that *‘it is pragmatic to focus on just the immediate customers as they are usually the group that have the major influence’*. This study discovers an interesting finding, in which there is a relationship between company reputation and corporate performance, especially from the social performance represented by the ethical brand. This result is strongly consistent with Fan (2005) who argues that a good brand provides the brand power, but that it must also contain a legal as well as ethical standard in order to get its company reputation.

The findings also indicate that the ethical brand has a positive and significant relationship with brand loyalty. This means that the better the ethical brand provided by the company, the more the brand loyalty of the industrial buyer will be gained. Industrial buyers might consider re-purchasing a brand that practices ethical responsibility to its stakeholders.

Furthermore, as explained earlier, the antecedents of the ethical brand are product quality, service quality, and price perception. The findings confirm that all the antecedents have positive and significant relationships with the ethical brand. It means that the higher the quality of the product and service, the better the ethical brand will be perceived by industrial buyers. The higher the price and better information concerning



the price provided by the company, the more the ethical brand will be perceived by the industrial buyer as a brand that has a commitment and considers its responsibility to its wider stakeholders.

The findings of this study have also investigated some indirect effects of product and service quality, and price perception on industrial buyers' responses (e.g. company reputation, and brand loyalty) via the ethical brand. The results indicate that the role of the ethical aspect is a mediator between antecedents and the relationships with the industrial buyers' responses (company reputation, and brand loyalty).

Additionally, 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). In this study, the retained labels of company reputation have been conceptualized by: (1) keeping us well informed about what is happening with the company, (2) being a good corporate citizen, (3) being product driven, and (4) being innovative (Cretu & Brodie, 2005).

As the above explained, company reputation is influenced by product quality and the ethical brand. The findings also indicate that company reputation has a positive and significant effect on brand loyalty. Company reputation enhances brand loyalty of industrial buyers. In the buying decision process, industrial buyers might list the company/provider as having a good reputation in the market. In the final selection process, the buyers buy the product/brand from the company with the greatest reputation to avoid risk, especially when buying high-tech/electronic products. Thus, reputation plays an important role in the business-to-business market; therefore, it is a key factor for competitive success (Cretu & Brodie, 2005). By this strategic point, as described by Paluszek (2006), a company can enhance the commitment of buyers through its reputation.

While, brand loyalty has been defined as a commitment of the buyer to maintain stability in a long-term relationship with a brand's manufacturer (Lam et al., 2004; and Oliver, 1999). Based on the study's findings, the retained scale items were (1) the relationship with brand X is very committed to, (2) caring of long-term relationship with brand X (Morgan & Hunt, 1994 cited in Davis, 2003), (3) recommending brand X, and (4) Intend to use brand X in the future (Van Riel et al., 2005).

The role of brand loyalty is the last point focused on by many companies. A company provides a *long-term corporate value* to enhance the industrial buyer's commitment through its marketing strategy. The findings of this study indicate that commitment as an expression of brand loyalty is influenced by product quality, service quality and company reputation. In other words, brand loyalty of the industrial buyer could be achieved through providing product quality, service quality, and company reputation. Even though perception on price is not directly related to brand loyalty, the findings indicate that this variable still has an indirect effect on brand loyalty via the ethical brand. It means that price perception could still increase brand loyalty but only if the company provides the ethical brand, recognizing economic, social, and environmental responsibilities. Without providing the ethical brand that considers these responsibilities, price perception has no effect on increasing the brand loyalty of industrial buyers.

A detailed discussion about the indirect effect among the variables of this study will be discussed in the section 7.3.4. The next section will discuss the findings based upon research question 3 of this study.

### **7.3.3 Discussion on Research Question 3**

Does the ethical brand enhance a company reputation?

Research question 3 examines whether the ethical brand enhances company reputation or not. The findings indicate that the ethical brand has a positive and significant effect on company reputation. It means the more the brand is as to be ethical, the higher the company reputation will be perceived by industrial buyers. This finding is in line with Fan (2005) who argues that a good brand not only provides the brand power, but it must also have the ethical standards as expression of its responsibility for not only the buyers, but also community and environment. It means that brands must contribute positively to society by inserting ethical values, especially in the broader social context. Through considering being ethically conscious in branding, a company will receive a positive reputation from industrial buyers. The finding is also consistent with Narver and Slater (1990) who emphasize that the marketer's responsiveness to stakeholder issues includes market oriented concepts. Consequently, a proactive response to stakeholders is part of maintaining and upholding the ethical responsibilities in marketing activities. From that viewpoint an ethical brand that has been seen as a brand that recognizes environmental, social, and economic responsibilities (Fan, 2005; and Paluzsek, 2006) can increase company reputation. Therefore, this finding has confirmed that the ethical brand enhances company reputation.

### **7.3.4 Discussion on Research Question 4 and 5 (Hypotheses 10 – 16)**

Are there any indirect relationships between antecedents (product and service quality, and price perception) and a company reputation, and subsequently its brand loyalty via the ethical brand?

Finally, can a company reputation mediate the relationship between the ethical brand and loyalty?

The Hypotheses regarding the above research question are clearly displayed in Table 7-2 below:

**Table 7.2 Summary of the Results Regarding the Hypothesized Relationships**

	Hypotheses	Summary
H10	<i>Product quality will have a positive relationship with company reputation via the ethical brand (indirect effect).</i>	S (PM)
H11	<i>Service quality will have a positive relationship with company reputation via the ethical brand (indirect effect).</i>	S (FM)
H12	<i>Price perception will have a positive relationship with company reputation via the ethical brand (indirect effect).</i>	S (PM)
H13	<i>Product quality will have a positive relationship with brand loyalty via the ethical brand (indirect effect).</i>	S (PM)
H14	<i>Service quality will have a positive relationship with brand loyalty via the ethical brand (indirect effect).</i>	S (PM)
H15	<i>Price perception will have a positive relationship with brand loyalty via the ethical brand (indirect effect).</i>	S (FM)
H16	<i>The the ethical brand will have a positive relationship with brand loyalty via company reputation (indirect effect).</i>	S (PM)

S-Results are supported; NS-Results are not supported  
 PM= Partially Mediated, and FM= Fully Mediated

As explained earlier, company reputation is derived from the perceptions of stakeholders, moreover, Greyser (1996) believes that the core component of corporate reputation is corporate performance, especially from social performance that is represented by the ethical brand. Therefore, an ethical brand enhances a firm's reputation (Fan, 2005); and, in turn, such a reputation reinforces the brand. It indicates that the better the quality of the product and service are perceived by the industrial buyer the higher the perception towards the ethical brand. Also there is a correlation between price perception and the ethical brand, therefore, quality of product and service as well as price perception are antecedents of the ethical brand. By investigating the effect of the ethical brand on company reputation, the present study also investigated

the indirect effect of the predictors (product quality, service quality, and perception on price) on company reputation via the ethical brand.

The findings indicate that product quality has a positive and significant indirect effect on company reputation via the ethical brand. This indirect effect exists as partial mediation. There was a positive and significant relationship between product quality and company reputation; and the ethical brand could strengthen the relationship. A good company reputation will be perceived by the industrial buyer if the company offers high quality products. However, the company reputation will be better if the ethical brand is considered in the marketing activity of the company. Therefore, the role of the ethical brand is a partial mediator in this relationship. Specifically, product quality had a direct and indirect effect on company reputation, in which the direct effect (.47) and the indirect effect via the ethical brand was (.121) (H10). This indicates that the direct effect was stronger than the indirect effect.

Moreover, there was an insignificant direct effect of service quality on company reputation, where the direct effect was (-.06) and the indirect effect (H11) via the ethical brand was (.189). The results indicate that the indirect effect was stronger than the direct effect. It means that company reputation cannot be directly achieved when a company only offers quality of service without the ethical brand. Service quality can still enhance company reputation but only if the company also considers offering the ethical brand. In other words, company reputation can be enhanced by quality of service when the company also offers an ethical brand that considers its responsibility to its stakeholders. Therefore, the role of the ethical brand in this relationship is a full mediator.

The findings indicate that there was a direct effect and indirect effect of price perception on company reputation (H12), where the direct effect was (.22) and

indirect effect via the ethical brand was (.07). These findings indicate that the direct effect was stronger than the indirect effect. It means that price perception can enhance company reputation. However, company reputation could be improved by offering the ethical brand. In other words, the ethical brand can strengthen the relationship between price perception and company reputation. Thus, the role of the ethical brand in this relationship is a partial mediator.

Based upon the above discussion, all hypotheses (from H10-H12) as displayed in Table 7.1 are supported.

On the other hand, there was a direct and indirect effect of product quality on brand loyalty, where the direct effect was (.35) and the indirect effect via the ethical brand was (standardized coefficient = .192) (H13). This result indicates that the direct effect was stronger than the indirect effect. It means that product quality can directly enhance brand loyalty; however, high brand loyalty can still be enhanced if the company also provides the ethical brand to industrial buyers. Thus, the ethical brand can strengthen the relationship between product quality and brand loyalty. Therefore, the role of the ethical brand in this relationship is a partial mediator.

Similarly, there were direct and indirect effects between service quality and brand loyalty, where the direct effect was (.36) and the indirect effect via the ethical brand was (.121) (H14). The direct effect was stronger than the indirect effect. This means that the industrial buyer will respond positively by re-buying the brand when the company offers a high quality of service. However; the positive response of industrial buyers to be brand loyalty can be increased if the brand has responsibility to its stakeholders as an expression of the ethical brand. Thus, the ethical brand can strengthen the relationship between service quality and brand loyalty. The role of the ethical brand is a partial mediator in this relationship.

Additionally, there was insignificant direct effect of price perception on brand loyalty, where the direct effect was (-.034); however, there was an indirect effect of (.099) via the ethical brand (H15). This indicates that the indirect effect was stronger than the direct effect. The acceptable price and the higher price as an expression of price perception cannot enhance the brand loyalty of industrial buyers. However, price perception can indirectly influence brand loyalty but only if the brand is ethically conscious. In other words, industrial buyers are willing to pay the higher price but only if the activity of the company considers the responsibility to its stakeholder as an expression of the ethical brand, and subsequently loyalty. Thus, the role of the ethical brand is a full mediator in this relationship.

Based upon the above discussion; therefore, all hypotheses (from H13-H15) as displayed in Table 7.2 are supported.

Furthermore, the findings indicate that the ethical brand has a direct and indirect effect (via company reputation) on brand loyalty, in which the ethical brand has a direct effect (.18) and an indirect effect (.082) on brand loyalty via company reputation (H16). This indicates that the direct effect was stronger than the indirect effect. It means that company reputation has a significant role in strengthening the relationship between the ethical brand and brand loyalty. In other words, the industrial buyer will respond by loyalty towards a certain brand due to its responsibility to stakeholders as an expression of the ethical brand. Higher brand loyalty can be achieved when a company has a higher company reputation. Thus, the role of company reputation is a partial mediator between the ethical brand and brand loyalty. Therefore, hypothesis 16 as shown in the Table 7.2 above is supported.

This finding has confirmed that reputation can play an important role in the business-to-business market; therefore, it is a key factor for competitive success as mentioned by Cretu and Brodie (2005). This is also in line with Paluszek (2006) who suggest that 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 of industrial buyers.

Based on the above results, it indicates that product quality and price perception have a positive and significant effect on company reputation. However, service quality is not significantly related to company reputation, but is significant via the ethical brand. This shows that industrial buyers will respond to a company providing service quality together with the ethical brand that can enhance company reputation. Without considering the responsibility to the stakeholders as an expression of the ethical brand, but only providing a good quality of service, may not enhance company reputation. On the other hand, by incorporating the ethical brand, as suggested by Fan (2005), as an additional value of branding, this study discovered that all predictors (PQ, SQ, and Pr) have positive and significant effects on the ethical brand. This study also confirmed that the ethical brand has a positive and significant effect on company reputation. In summary, the role of the ethical brand between product quality, price perception and company reputation is as a partial mediator. While the role of the ethical brand between service quality and company reputation is as a full mediator. This situation is in line with La et al. (2009) who argue that organizations should focus on what the value is for clients and how to make inter functional coordination to create superior value and achieve a strong brand. Furthermore, to increase the customers, industrial buyers believe that quality of life is necessary as it affects the buying process decision. Customers focus on the product or brand providing benefit to stakeholders. Related to



the context of the business-to-business perspective, and corporate social responsibility, the business buyers will consider buying the product/brand if it has social responsibility to the stakeholder. On the other hand, after sales service is more important for industrial buyers to know the commitment of the firm, especially for electronic products (e.g. electronic office equipments, such as Computer Server, Notebook, Desktop, Printer, Photocopier and so on). If the brand provides a better quality of service than its competitor do, it will be perceived that the brand has a positive image of ethical value, as Fan (2005) mentioned.

In terms of perception on price, this finding is in line with Creyer and Ross (1997) who argue that ethical behaviour is an important consideration during the purchase decision and buyers are willing to pay higher prices for that firm's product. As an increasing number of buyers become ethically conscious, they do take ethical issues in branding seriously. Therefore, customers are willing to pay a higher price for a brand that is ethically conscious, as justified by Fan (2005).

While company reputation is derived from the perceptions of all stakeholders, Wartick (2002, p. 377) suggests that *'it is realistic to focus on just the immediate customers, as they usually are the group that has the major influence'*. Thus, related to the ethical brand, which promises not only social performance, but also economic and environmental performance (Fan, 2006; Paluszek, 2006), this study confirms that there is a close link between the ethical branding and corporate reputation. An the ethical brand enhances the firm's reputation. Therefore, quality of product and service as well as price perception is an antecedent to the ethical brand. Thus, there is an indirect effect between product and service quality, price perception and company reputation via the ethical brand.

As already mentioned, an ethical brand recognizing stakeholder responsibilities can increase the reputation of a company (Fan, 2005). Understanding that a company has a brand that is ethically conscious is different from understanding the product as a brand. At this stage, the ethical brand has become more than brand value, even trust (Wood, 1998). As highlighted earlier, to anticipate the negative outcomes for the firm as Anderson and Narus (1990) explain, a company must offer superior value. The company offering the ethical brand, recognizing social, economic and environmental responsibilities, will have superior value to stakeholders (Fan, 2006; and Paluszek, 2006). By providing an ethical brand, the company will perform actions that will result in positive outcomes for the firm and buyers and avoid negative outcomes for stakeholders (Anderson & Narus, 1990). Thus, an ethical brand offering superior value with high integrity and concern for stakeholders can enhance a positive response from buyers (i.e. company reputation). This is consistent with Kavali et al. (1999) who justify that ethical dimensions clearly contain the value of trust.

The present study has thus confirmed that the ethical brand is very important in the context of electronic equipment used by industrial buyers, and that company reputation and brand loyalty may increase because of the ethical brand. Marketers can thus apply this finding by communicating their ethical brand to their stakeholders. For example, companies such as IBM Corp., Dell Computer Corp., Gateway Inc. and Hewlett-Packard Co. can direct their efforts to recycle their products by removing or using the materials from the manufactured equipment as part of the raw materials for new products or components. Being seen as responsible to the environment will help to enhance the company reputation. Therefore, this study not only confirms that there is a need for brand value (i.e. the ethical brand) to be incorporated in the branding model (Keller & Webster, 2004), but also its effect on industrial buyers responses. In the past, investigating the direct and indirect effect of the ethical brand has been very limited due

to the term the ethical brand being a new concept (Paluszek, 2006). Thus, these findings have significant implications as it not only identifies the experiences of industrial buyers, but also confirms the effects of the ethical brand on industrial buyers' responses (e.g. company reputation and brand loyalty).

On the assumption that the path analysis approach is applied in this current model, the direct and indirect effect of a variable on other variables will be recognized clearly. By using this analysis, the amount of external contribution towards internal can be identified, and compared for each variable effect. As a result, the most important variable in the model can be found.

**Table 7.3 Total Effect of Independent Variables on Company reputation, the Ethical Brand and Brand Loyalty**

Construct	Direct Effect	Indirect Effect	Total Effect
PQ → CR	.47		
PQ → EB → CR		.12	
<b>Total effect of PQ → CR</b>			<b>.59</b>
SQ → CR	-.06		
SQ → EB → CR		.19	
<b>Total effect of SQ → CR</b>			<b>.13</b>
Pr → CR	.22		
Pr → EB → CR		.07	
<b>Total effect of Pr → CR</b>			<b>.29</b>
PQ → EB	.33		<b>.33</b>
SQ → EB	.52		<b>.52</b>
Pr → EB	.19		<b>.19</b>
PQ → BL	.35		
PQ → EB → BL		.19	
<b>Total effect of PQ → BL</b>			<b>.54</b>
SQ → BL	.36		
SQ → EB → BL		.12	
<b>Total effect of SQ → BL</b>			<b>.48</b>
Pr → BL	-.04		
Pr → EB → BL		.10	
<b>Total effect of Pr → BL</b>			<b>.06</b>
EB → CR	.36		<b>.36</b>
CR → BL	.23		<b>.23</b>
EB → BL	.18		
EB → CR → BL		.08	
<b>Total effect of EB → BL</b>			<b>.26</b>

Source: Data Analysis, 2008

Note: PQ = Product Quality  
 SQ = Service Quality  
 Pr = Price Perception

EB = Ethical Brand  
 CR = Company reputation  
 BL = Brand Loyalty

The total direct effect produced by “product quality” was the biggest in the model, where its effect on company reputation was .59, on brand loyalty .54, and on the ethical brand .33. Thus, the role of “product quality” in this study model of industrial buyers’ responses is very essential. It is followed by “service quality” the total effect of which on the ethical brand was .52, on brand loyalty s .48, and it contributed .13 of the effect to company reputation. This caused the role of this variable to be the second most important in this model. “the Ethical brand” was the third most important role in the model as its total effect on company reputation was .36 without indirect effect. The fourth significant variable was “price perception”. This variable contributed .29 of the total effect on company reputation, .19 of its total effect on the ethical brand, and .06 on brand loyalty. The last important role in this model was “company reputation”, which contributed .23 of the total effect on brand loyalty.

The above results indicate that the ethical brand is not the most important construct to influence industrial buyers’ responses (e.g. company reputation, and brand loyalty); however, this construct is the influencing criterion in this study’s model as a mediator of the relationships between the antecedents (PQ, SQ, and Pr) and company reputation, and subsequently brand loyalty. The ethical brand is a full mediator of the relationships between service quality and company reputation, and between price perception and brand loyalty. It means that without offering the ethical brand, service quality cannot enhance company reputation, and price perception cannot influence brand loyalty of industrial buyers. Thus, this study confirms that the ethical brand has a significant role in the model. The next part will discuss the conclusions of this study

**PART II**  
**CONCLUSION: THE CONTRIBUTIONS OF THE RESEARCH**

**7.4 ACADEMIC CONTRIBUTION**

**7.4.1 The Ethical brand as a Construct**

The ethical brand is seen as a brand that acts morally and considers three aspects – economic, social and environment responsibilities – covering all stakeholders and having a commitment to do the right thing. This understanding is as perceived by academics in the conceptual study introduced by Fan (2005) and Paluszek (2006) and it has a similarity with the concept of responsibility as mentioned by Erlende and Tavis (1998), both of which were discussed in Chapter three.

In addition, the finding indicated that the ethical brand is an important aspect in enhancing reputation, and subsequently resulting customer loyalty. Commitment to do the right thing and having integrity, as reflected in the ethicality of branding becomes an important element that might be considered in strengthening the company's position in the competitive market. Thus, this is consistent with Fan (2005) where the ethical brand can be a strategic differentiation to provide superior value to buyers through providing high standards of business integrity and responsibility for wider stakeholders. Therefore, this study's finding confirms that the ethical brand as a construct.

Furthermore, the importance of being ethically conscious has been discussed by some researchers, such as Whysall (2000), Kavali et al. (1999), when examining the globalization of industry, which is caused by many factors and affected by the changing of the marketing environment. According to Whysall (2000) and Kavali et al. (1999) many marketers believe that the specific marketing dynamics will be addressed over time due to the changes. They also argue that marketing's characteristics can be justified by an ethical nature with growing concern regarding nature. Thus, marketers

need to emphasize their marketing strategy, incorporating the ethical dimension in branding to achieve a competitive advantage through differentiating their product and service (Wood, 2000). These competitive advantages can be achieved by the ethical brand as an additional construct. The next section will discuss the effect of the predictors in explaining the ethical brand.

#### **7.4.2 The Effect of the Predictors in Explaining the Ethical Brand**

Although there are limited previous studies explaining the ethical brand in the industrial buyers' context, from this quantitative finding, the already existing predictors (product and service quality, and perception on price) can help explain the ethical brand with 42% in total variance. This is important for academics and practitioners, as they can assist in appreciating which ethical aspects of branding are more significant in the buyers evaluation in the business-to-business context. Specifically, not only can they learn that product quality, service quality, and perception on price are all important in influencing the industrial buyers' responses but also that ethical aspects in branding (such as economic, social, and environmental responsibilities) appear to explain the impact in this context.

The study found that certain predictors are more important than others in predicting the ethical brand in the business-to-business area. Past research has illustrated that product quality, service quality, and price (i.e. Cretu & Brodie, 2005) have been the important factors influencing customer value as an expression of the ethical aspect as Gundlach and Murphy (1993) justified. This research incorporated the ethical brand among the already existing variables in order to understand the role of the ethical brand in the business market, in which ethical consciousness is very crucial today (Fan, 2005). Moreover, while interrelationships of the ethical brand with other factors has been

considered an important determinant in the past, most of the studies examining the interrelationship with branding are mainly conceptual rather than empirical (Fan, 2005; and Paluszek, 2006).

Therefore, this study provides further understanding of the relationship between the predictors (e.g. quality of product and service, and perception of price) and the ethical brand as a new superior value, a new paradigm as mentioned by Fan (2005) and Paluszek (2006). Hence, it becomes a comprehensive value in empirical study to include the ethical brand issues in the marketing literature and marketing strategy of the company. This is in line with Sheth (2000) who suggests that a company must adjust its traditional model by adopting some studies that address new phenomena, and include them in their marketing strategy.

#### **7.4.3 The Ethical Brand Effect on Company reputation and Brand Loyalty**

As mentioned above, studies that investigate the effect of the ethical brand on industrial buyers' response in the past are very limited, however, some empirical studies have investigated the effect of customer value on company reputation and loyalty (i.e. Cretu & Brodie, 2005), in which customer value or responsibility has been a foundation of ethical standards in marketing activities (Gundlach & Murphy, 1993). When some predictors are mediated by customer value, it also appears to have an indirect effect on the loyalty intention (Cretu & Brodie, 2005), and company reputation appears to have a direct effect and indirect effect on customer value and customer loyalty.

On the other hand, in the study of Van Riel et al. (2005), product brand and corporate brand equity, which are expressions of customer value, mediated product and service quality. Therefore, the effect of customer value on company reputation and brand

loyalty as an empirical result in the past is still unclear. Even, the ongoing debate on branding still exists due to the lack of empirical studies on the current issue in the business-to-business market.

When the effect of the ethical brand, as suggested by Fan (2005), is included in the model in this study, the finding is consistent with Fan's (2005) assumption, in which the ethical brand can play an important role in determining company reputation and has an effect on brand loyalty. Further, the ethical brand has an indirect effect on brand loyalty via company reputation. Therefore, this finding may represent the most significant theoretical contribution, especially where less information is available on how to scale the ethical brand and its effect on company reputation, and subsequently brand loyalty.

#### **7.4.4 Testing the Theoretical Model Regarding the Industrial buyer's Responses**

As mentioned earlier, studies on the effect of product and service quality among industrial buyers have been commonly conducted (e.g. Bendixen et al., 2004; Mudambi et al., 1997; Chaudhuri & Holbrook, 2001; Bliemel & Eggert, 1998; Bozzo, 2001; and Reicheld, 1996). Bendixen et al. (2004) and Mudambi et al. (1997) notify that quality of product and service has been identified as the main driver in the industrial branding context. Even, price is also viewed as the most important purchasing decision criterion (e.g. Mudambi et al., 1997; and Alvarez & Galera, 2001). Therefore, this study has tested the model based on the industrial buyers' responses related to the branding context.

This tested model is encouraged by the conceptual study of Fan (2005), claiming that research on branding in the past is useful in explaining brand power, however, it has a number of deficiencies when it is related to stakeholders in the market environment.



Fan (2005) also argues that a good brand does not only provide the brand power, but also it must contain a legal as well as ethical standard. Therefore, the study further extends the branding framework in order to investigate the relationships between the already existing predictors and ‘the Ethical Brand’, and industrial buyers’ responses (such as company reputation, and loyalty). Therefore, incorporating the ethical brand and analyzing its effect on industrial buyer’s behaviour becomes a creation in the area of business-to-business brand representation. From this viewpoint, through the new proposed theoretical model as displayed in [Figures 4.1](#) in Chapter Four, the study has contributed theoretically to the current literature.

Based upon the above point of view, the theoretical contribution can be summarized as follows:

1. This study has confirmed that the ethical brand is a construct that consists of three aspects: economic, social, and environmental responsibilities.
2. This study has confirmed the effect of the ethical brand as a mediator of the relationships between predictors (product quality, service quality, and price perception) and industrial buyers’ responses (e.g. company reputation, and brand loyalty).
3. This study has confirmed the effect of company reputation as a mediator of the relationship between the ethical brand and brand loyalty.
4. This study has confirmed the overall understanding that the ethical brand has a significant role and its effect on industrial buyers’ responses.

The next section will discuss the methodological contribution of this study.

## **7.5 METHODOLOGICAL CONTRIBUTION**

As there are limited previous studies explaining the ethical brand, due to this being a new area with many complicated issues (Fan, 2005), there is limited argument in earlier studies explaining how to scale or measure the ethical brand. Encouraged by this situation, this study conducted an exploration of the main issues based upon the theory that has the closest meaning to the ethical brand as a moral actor, considering certain responsibilities (e.g. economic, social, and environmental). From the ethical branding issues, this study developed an ethical brand scale regarding the basic theory of balance concept by Erlende and Tavis (1993), and environmental responsibility by Nnorom and Osibanjo (2008).

In terms of economic responsibility, the ethical brand is conceptualized by (1) maximizes profit, (2) continually increases the wealth of stakeholders, (3) always respects its supplier. As social responsibility, the ethical brand is conceptualized by (4) respecting the laws and regulations, (5) preventing discrimination, (6) respecting social customs and cultural heritage, and (7) preserves the jobs at a reasonable profit margin and helps its employees to engage in community work. In terms of environmental responsibility, the ethical brand is conceptualized by (8) consuming less natural resources, (9) monitoring the potential negative impacts on community, and (10) having a recycling programme, (11) having a recovery programme, (12) having a disposal programme (Enderle & Tavis, 1998; and Nnorom, & Osibanjo, 2008). Therefore, this finding may represent the most significant methodological contribution, especially where less information is available on how to scale the ethical brand.

On the other hand, as mentioned earlier, one of the main focuses in this study is to explore the effects of the ethical brand construct among industrial buyers in Malaysia towards the purchase of electronic office equipment. Electronic office equipment was

chosen as the product selection of this study as the product category has environmental issues resulting from product disposal, which is quite relevant to the ethical brand issue. However, studies on electronic equipment related to the ethical brand in the past are limited. Therefore, this study may be considered as a methodological contribution.

In addition, using structural equation modeling (SEM) to test the effect of the ethical brand on industrial buyers' response in the current study is also a methodological contribution due to the lack of earlier studies using statistical tools to test the effect of ethical brand.

The next section will discuss the practical contribution of this study.

## **7.6 PRACTICAL CONTRIBUTION**

The primary duty of marketers is to increase total customers and to make them become loyal. To increase customers of industrial buyers towards certain brands of electronic office equipment is a challenge, especially in persuading them to ensure the "quality of product and service", "price", and "fairness of branding". In terms of brand loyalty (behavioural intention), this study is consistent with previous empirical studies, in which it agrees that "product quality" is the important variable in enhancing "brand loyalty".

By claiming that product quality of electronic office equipment is the first important factor based upon industrial buyers' responses, items or indicators measuring the "product quality" need to be considered by marketers in developing a marketing strategy. There were six items of product quality remaining in this study. The items were (1) good performance; (2) good features; (3) good specification; (4) good durability; (5) high quality product; and (6) innovative.

Based on the discovery above, related to the ethical brand, it can be concluded that the higher the “product quality”, the higher the “ethical brand” of industrial buyers. Marketers have to create a reliable marketing strategy through the ethical brand to enhance the “company reputation” of industrial buyers responses by: (1) providing them quality guaranteed to every item of electronic equipment ordered; (2) every item has to be innovative; (3) if a product is not suitable for a customer’s need, it can be returned without any charge; and (4) providing the brand that recognizes economic, social, and environmental responsibilities.

The “service quality” variable is also important in this model. The items remaining from this construct consisted of (1) if it promises to do something by a certain time, it does so; (2) sympathetic and reassuring staff; (3) polite employees; (4) personal attention; (5) providing good online information; and (6) providing quickly supplementary information. This factor can affect both “the ethical brand” and “brand loyalty”. So, marketers have to organize their companies by providing highly skilled staff and online services before and after sales to address any complaint from customers in the market place. This is also to supply more information for customers to easily interpret any information of product development, which can provide a service guarantee for customers. By focusing on these items, “the ethical brand image” can increase, and this directly and indirectly affects the “brand loyalty” of industrial buyers. Interestingly, the findings indicate that the role of the ethical brand is a full mediator in the effect of service quality on brand loyalty. It means that service quality can enhance brand loyalty only via the ethical brand. Without providing the ethical brand, a company cannot enhance its brand loyalty by offering quality of service. Therefore, the role of the ethical brand is very important to mediate the effect of service quality and brand loyalty. Thus, the marketing strategy of the marketer is to enhance the ability of

the staff properly, and improve their commitment in serving, which can affect and increase the ethical value of the brand. Based on the significant role of service quality in the model, the appropriate marketing activity is to provide an information service centre for customers, which can organize the information by a two-way relationship between the companies and the customers. Providing this centre to encourage the trust/confidence (ethical foundation as justified by Gundlach and Murphy, 1993) of the customer is also suggested by researchers, such as Chen et al. (2002); Gefen et al. (2003); Grabner-Kraeunter (2002)); Kim et al. (2004), McKnight & Chervany (2002); and Pavlou (2003). They also report that building online information with highly skilled staff is a factor that must be considered by companies to increase the trust of the potential customers and the repeat buyers.

On the other hand, the factor 'perception of price' can indirectly influence 'brand loyalty' via 'the ethical brand'. Thus, the role of the ethical brand is a full mediator. It indicates that the role of the ethical brand is very necessary to mediate the effect of price perception on brand loyalty. In other words, without the ethical brand, industrial buyers are not willing to pay a premium price to buy their favourite brand. Perception of price can also influence 'company reputation' in this study. Thus, the marketing programme of a company must be planned properly by involving "price information" in order to create a good reputation in the market place. As a consequence, customers become loyal towards a certain brand of products. The items remaining from this construct consisted of (1) prices are higher than average market price; (2) higher price is equivalent to the quality; and (3) the acceptable price.

To summarize, constructing the right marketing programme will enhance the positive effect of customers' perceptions on brand loyalty. Incorporating the ethical brand in the marketing programme is necessary to enhance the reputation and brand loyalty

behaviour. Therefore, marketers have to provide not only quality of product and service through providing innovative products, good information service and staff service, relevant price, but also incorporate the ethical brand in their marketing effectively.

Furthermore, a company must encourage ethical decision-making in ethically ideal marketing programmes by providing a commitment to ethical analysis using moral philosophy. This is relevant with Bowen (2004) who addresses some factors encouraging ethical decision-making to achieve a good image of the organization. It is also in line with Caza, and Cameron (2004) who note that business ethics help create and facilitate self-reinforcing positive outcomes and can help protect individuals and corporations from attack.

On the other hand, in the digital era where not every company can avoid using technological products, the ethical aspects of branding are required by many customers, especially for online transactions, and using credit cards, which are more popular today. This is supported by Martin and Freeman (2004) who conducted research on technology and ethics in business ethics. The authors found that there were similarities between technology and ethics, meaning that ethical perspectives play a more significant role in the information era. Using technology products, it is very possible for an organization to make a decision or act in an unethical way that may help some stakeholders while at the same time harm others. This condition is similar with Mugan, et al. (2005) who reported that there are significant unethical issues that are highly sensitive for clients. Moreover, Rosana and Velilla (2005) stress that developing moral and technological standards is essential for modern business survival. It can increase the value to the clients to make them trust the company. Schnebel and Bienert (2004), who conducted a study on implementing ethics in business organizations, give a

detailed description of how businesses can produce and conduct management practices involving ethical ideas.

Based on the findings of this study and supported by some researchers above, it can be concluded that ethical business practices (i.e. the ethical brand) must be applied by the companies in the technology era. Gaining more brand loyalty through providing an ethical brand is essential for business survival in the challenging markets.

The next section will discuss the limitations of this study and recommendations for the future.

### **PART III CONCLUSION: LIMITATIONS AND RECOMMENDATIONS FOR THE FUTURE**

#### **7.7 THE STUDY'S LIMITATIONS AND RECOMMENDATIONS**

##### **7.7.1 Limitation of Findings**

In general, a certain theory is not universally applicable in any area (Sheth et al., 1991) and this is also true in the case of the brand behaviour model. This model may only be applied for industrial buyers' behaviour to their brand selection behaviour. In a compulsory condition, where the customers really need a product, this model will not be applicable as to whether he/she likes or dislikes the product, or he/she has to buy it.

Even though the study has confirmed the validity of the model in the business-to-business perspective arena, the generalization of this model must be addressed within the context of the study. It is due to the fact that the present study examines the industrial buyers' choices of electronic office equipment and conducted in Malaysia. Thus, the findings of this study cannot be generalized to other industries and countries.

Cross-validation to other industries and countries could not be performed as it is out of the scope of this study. It is reasonable to assume that access to and sharing of information varies between companies who are using electronic office equipment in today's digital era, therefore, there is a need to standardize some indicators according to the current environment.

On the other hand, this study has developed a scale for ethical brand using the closest meaningful existing theory; however, the ethical brand scale may not be perfect. The questionnaires concerning ethical brand in this study may still have weaknesses and need to be replicated to ensure the scale is applicable elsewhere.

Moreover, the ethical brand is still a new concept, thus, the current definition is based on the conceptual study conducted by Fan (2005) considering moral, economic, social, and environmental as a point of view of ethical brand. This study explored the existing relevant theories in order to confirm Fan's (2005) viewpoint. However, it still needs to explore more sources related to a brand being ethical to provide a clearer picture of brand in terms of an ethical definition for the future. The next section will explain the other potential factors that may be included in future research.

### **7.7.2 To Include Other Potential factors**

This study found that there are three predictors related to ethical brand. However, these predictors appear to explain 41.8% on the Ethical brand construct. It means that there may be other potential factors that may explain the ethical brand from the business-to-business perspective that were not identified in this study. Therefore, future researchers may investigate other potential factors that may affect the ethical brand.



Moreover, Hawkins et al. (2004) enquired about the post purchase processes that produce customer satisfaction. Customer satisfaction or dissatisfaction can be categorized into five levels, which comprise: committed customers, repeat purchases, higher usage, brand switching, and discontinued use. Brand loyalty behaviour is committed customers, repeat purchases, and higher usage, while non brand loyalty behaviour is brand switching, and discontinued use. The constructed model of this study tested the first category; in terms of “brand loyalty” of industrial buyers of electronic office equipment. Replicating this research similar to other categories of the post purchase or other industries is, therefore, essential in generalizing the findings of this study. Future researchers may add new constructs into this constructed model, which may lead to a more sophisticated model. The next section will explain the practical recommendations that may be considered by practitioners.

### **7.7.3 Practical Recommendation**

This theoretical framework consists of three independent variables, namely: “product quality”, “service quality”, and “price”, and with two mediating variable: “the ethical brand”, and “company reputation” and one independent variable: “brand loyalty”. By adding “the ethical brand” as an additional variable into this branding model, the analysis has confirmed that it does contribute to the knowledge in the marketing theories, especially concerning industrial buyers’ behaviour through providing a better or more comprehensive model of branding.

In practice, it is recommended that marketing managers who sell electronic office equipment to industrial buyers pay attention to “the ethical brand” as a factor in addition to the others in this model to enhance “company reputation” and “brand loyalty” of industrial buyers in the Malaysian market. In other words, the marketing

strategy of companies can be formulated by emphasizing not only the “product quality”, “service quality”, and perception of “price”, but also the aspect of “the ethical brand”, which is becoming more popular and crucial today. This strategy should be applied to obtain a positive response from industrial buyers.

#### **7.7.4 Future Research Planning**

The constructed model of this study has created a testing toward the first category; in terms of “the ethical brand” and its affect on industrial buyers’ responses of electronic office’s equipments in Malaysia. Therefore, in the future, researchers who are interested in testing this model are suggested to investigate the effect of the ethical brand on individual consumers or other product categories and in other area of research.

This study does not identify whether respondents bought the product through direct or indirect purchases. Nowadays, many customers would also prefer to buy products by internet (e-marketing). In the future, it is also possible for researchers to test this model toward customers who are interested in buying brand/products through internet. Subsequently, it is requested to do the same study with double or triple of data collection by using the same respondents. In order to provide the more sophisticated model, adding new constructs into this constructed model is requested as well. Using Structural Equation modeling (SEM) with a bigger sample size to confirm this model in the future research planning is strongly suggested to get a simultaneous and powerful result.

Further, there are some other important ideas that may need to be included in the ethical band scale; for example, in terms of ecological, new social responsibility, and religious values. According to this study plan, religious values need to be adapted in measuring the ethical brand. Because of the certain limitations; thus, the religious aspect would

become the planning for the future research to enrich the concept of the ethical brand. For example, some scales from the religious perspective may still have a potential issue to be adopted. For instance, avoid promotional materials that are indecent and may inflict emotional distress on people; justice and equity are virtuous; management should not abuse its power by violating the trust of stockholders; invest stockholders' money wisely; avoid monopoly; don't charge unreasonable prices; etc (see: Singhapakdi et al., 2000; Razzaque & Hwee, 2002 as cited in Fraedrich & Iyer, 2007; Ali & Gibbs,1998; Jackson,1999; Beekun,1997; and Beekun & Badawi, 2005) .