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## When Good Consumers Turn Bad: Psychological Contract Breach in Committed Brand Relationships


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## When Good Consumers Turn Bad: Psychological Contract Breach in Committed Brand Relationships

### Abstract

To better understand the conditions under which committed consumers continue to support their preferred brand after a transgression versus turn against the brand and the underlying theoretical process, we study the interplay between brand commitment and specific types of transgressions. Across three scenario-based and field studies, we show that consumers have psychological contracts with brands, which dictate the terms of the relationship, and for committed consumers, violations of any aspect in (out of) the contract results in a negative (indifferent) response. Furthermore, we demonstrate that consumer trust is the underlying mechanism: committed consumers exhibit more negative responses to in-contract transgressions as a result of their lower trust in the brand.

### Keywords

Branding, Loyalty and relationships, Attitudes and persuasion

### Disciplines

Business Administration, Management, and Operations | Marketing | Organizational Behavior and Theory | Sales and Merchandising

### Comments

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When Good Consumers Turn Bad: Psychological Contract Breach in Committed Brand Relationships

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#### ABSTRACT

To better understand the conditions under which committed consumers continue to support their preferred brand after a transgression versus turn against the brand and the underlying theoretical process, we study the interplay between brand commitment and specific types of transgressions.

Across three scenario-based and field studies, we show that consumers have psychological contracts with brands, which dictate the terms of the relationship, and for committed consumers, violations of any aspect in (out of) the contract results in a negative (indifferent) response. Further, we demonstrate that consumer trust is the underlying mechanism: committed consumers exhibit more negative responses to in-contract transgressions as a result of their lower trust in the brand.

Brand transgressions (i.e., “violations of rules guiding relationship performance”) often arise from managerial decisions pertaining to the brand and can have negative effects on consumer-brand relationships and, subsequently, brand performance outcomes (p. 2, Aaker, Fournier, and Brasel 2004; Grégoire, Tripp, and Legoux 2009). For example, in 2009 Tropicana redesigned its logo and packaging, which led to immense backlash from consumers and a 20% decline in sales (Elliott 2009). As such, past research has sought to understand consumers’ responses to transgressions and, in particular, how a consumer’s prior relationship with a brand affects her reactions to a transgression. In general, this work has found that consumers who are committed to a brand (i.e., those with a strong, emotional attachment to the brand) often continue to purchase from and otherwise support the brand following a transgression, in contrast to less committed consumers, making them more desirable customers (e.g., Ahluwalia, Burnkrant, and Unnava 2000; Ahluwalia, Unnava, and Burnkrant 2001; Raju, Unnava, and Montgomery 2009a). Yet, under some circumstances, consumers with strong brand relationships respond more negatively to transgressions than consumers with less emotional attachment (Aaker *et al.* 2004; Grégoire *et al.* 2009; Wan, Hui, and Wyer 2011). For instance, in the aforementioned example, the negative reaction to Tropicana’s logo change was not attributed to all customers, but rather only to a small group of core customers who were passionate about the brand (i.e., emotionally attached to Tropicana; Elliott 2009). Interestingly, these same committed customers responded with relative indifference when Tropicana changed its packaging design in 2011 (Esterl 2011).

Thus, committed consumers appear to exhibit ostensibly varied responses to brand transgressions, making it difficult for marketers to anticipate which transgressions may alienate its most committed consumers. This is of particular concern to marketing managers who strive to develop strong, committed relationships between their brands and consumers (Aaker *et al.* 2004). However, the seemingly mixed findings in prior research on brand relationships (i.e., close brand

relationships sometimes help and sometimes hurt brands) does not provide a clear answer to this issue. We address this critical gap by examining the interplay between consumers' reactions to transgressions as a function of their relationships with the brand and the nature of transgression, as compared to prior research which has focused only on consumer relationships (Aaker *et al.* 2004).

More specifically, we integrate the literature on brand relationships with the organizational behavior literature on psychological contracts between organizations and their employees. We suggest that consumers develop psychological contracts with brands. A psychological contract is an agreement that a consumer perceives exists with a brand, which outlines what each party owes the other in the relationship (Conway and Briner 2005); in this regard, it dictates the terms of the consumer-brand relationship. We suggest that a brand transgression will evoke sharp negative reactions from committed consumers only when it pertains to an aspect inside (vs. outside) the consumer's psychological contract, regardless of whether it appears minor or major from the brand's perspective. We assert that psychological contracts account for why committed consumers respond more positively than less committed consumers to some transgressions by the brand (e.g., Tropicana packaging change in 2011), and less favorably to others (e.g., Tropicana brand logo change in 2009).

Our research contributes to extant literature on brand relationships and marketing practice by investigating why a consumer with a committed brand relationship may react negatively to a brand's transgressions, and, with this, which transgressions elicit such a response. By addressing the important managerial concern of how consumers with more (vs. less) committed brand relationships respond to distinct types of transgressions, we also reconcile the seemingly contradictory findings in prior literature on brand relationships regarding whether or not committed consumers will exhibit a negative (vs. indifferent) response to a brand transgression. Finally, our research contributes by showing that changes in consumer trust in a brand account for our observed effects.

We begin by referencing key findings from the research on brand relationships, with a focus on brand commitment, and psychological contracts, to formulate our hypotheses. We then present three empirical studies, including a field study, which test our predictions and conclude with a summary of our findings and contributions.

## LITERATURE REVIEW

### Brand Relationships

Much of the brand relationship literature has sought to understand why consumers are loyal purchasers of brands, with some work in this domain focusing on brand commitment (i.e., emotional attachment to a brand) as an indicator of such behavior (Aaker 1991; Ahluwalia *et al.* 2001; Assael 1998; Jacoby and Chestnut 1978). More specifically, past research has identified various ways by which commitment shields a brand from competitive activities and transgressions. This work has shown that more (vs. less) committed consumers evaluate competitive brands less positively because they contrast competitive brands away from their preferred brand (vs. assimilate competitive brands into their consideration set; Raju *et al.* 2009a). Relatedly, committed consumers are more likely to ‘forgive’ the object of their preference (President Clinton), and blame other factors for negative events (Ms. Lewinsky; Ahluwalia 2000). They dismiss or argue against negative publicity about their preferred brand and stand by it, whereas less committed consumers desert the brand more readily (Ahluwalia *et al.* 2000). In this regard, commitment leads to biased processing of information; committed consumers generate more counterarguments and fewer supportive arguments when exposed to information inconsistent with their prior preferences (Jain and Maheshwaran 2000). Taken together, this research suggests that committed consumers are highly

desirable for brands because of their inclination to stay with the brand even through tough times, highlighting the primary benefit of cultivating close consumer-brand relationships.

Despite the apparent benefits of brand commitment, recent research has shown that close brand relationships may also carry a cost. For example, Grégoire *et al.* (2009) find that consumers with strong brand relationships are slower to forgive errors and quicker to withdraw themselves from future interactions with a brand after a service failure. Germann *et al.* (2014) show that high levels of brand commitment attenuate negative consumer responses in low severity product recalls but augment them in high severity recalls. Finally, Fedorikhin, Park, and Thomson (2008) demonstrate that consumers with higher (vs. lower) brand attachment may react more negatively to low fitting brand extensions. Combined, these studies suggest there are limits to the protection provided by brand commitment. Of greater concern is that consumers with a strong brand relationship seem to react more negatively to a brand's transgressions in some cases than even consumers with a weak brand relationship, suggesting there is a potential dark side to close brand relationships.

Recent work has sought to better understand these negative outcomes of close consumer-brand relationships (Park, Eisingerich, and Park 2013). More specifically, this work proposes the Attachment-Aversion (AA) model, whereby brand relationships exist along a continuum with attachment and aversion as the endpoints, with attachment characterized by close self-distance with the brand. While this model is useful in explaining how a personal connection with a brand might turn to aversion, it is difficult to discern from the AA model which transgressions might incur the wrath of committed consumers. Thus, there has been a call for additional research investigating factors that could impact the valence of brand relationships (Fournier and Alvarez 2013). We seek to answer this call by developing a theoretical account of committed consumers' disillusionment with brands, following specific types of transgressions. In doing so, we build on the AA model by



showing that attachment comes with additional baggage by way of a perceived agreement between a consumer and a brand regarding specific aspects of the relationship (i.e., psychological contract), and when a committed consumer believes that the brand has broken any aspect of this agreement, the relationship turns into aversion.

In sum, we add to the brand relationship literature by showing that brand commitment, one type of close consumer-brand relationship, interacts with a brand transgression on a *specific* aspect of the relationship (vs. a general transgression) to impact consumer responses. Put differently, while past work has shown that consumer responses to brand transgressions are dependent on the nature of the relationship between the consumer and the brand, we show that it is both the brand relationship (i.e., commitment) and perceptions of a specific feature of the relationship (e.g., product logo) that affect how consumers react. Thus, committed customers may be willing to defend a brand following one type of transgression but not another. Overall, our contribution to the brand relationship literature lies in providing a way to classify the seriousness of brand transgressions to more (vs. less) committed consumers, so that we may elucidate their responses to them. Our theoretical framework suggests that committed consumers develop psychological contracts with brands, and so we now turn to a discussion of literature on psychological contracts.

#### Psychological Contracts and the 'Dark Side' of Brand Relationships

The term psychological contract has been widely used in the organizational behavior literature to refer to the perceived agreement which exists in the mind of an employee about the employee-employer relationship (Rousseau 1989, 1995). The aspects of the agreement are inferred by an employee as having been made by the employer in return for the employee's contributions to the organization. In a brand context, a psychological contract consists of a consumer's perceptions about the promises made by a brand. These perceived features of the agreement are often unspoken

promises that go beyond the tangible and intangible products involved in the exchange. The terms and conditions of the contract may be explicitly articulated (e.g., cell phone service contract), but they can also be inferred from the context or various situations (e.g., fast and reliable cell phone service), making the contract psychological and idiosyncratic (Robbins, Ford, and Tetrick 2012). Accordingly, the features of the agreement are not necessarily shared by the organization; they are simply perceptions of the consumer.

Importantly, psychological contracts are *not* mere expectations (Rousseau 1989). Expectations carry with them a likelihood of occurring or not occurring, and they arise from (consumer-brand) relationship norms (Heide and John 1992). Thus, all brand transgressions are violations of consumers' expectations of the brand. For example, consumers did not anticipate Tropicana's logo change; therefore, this change constitutes a violation of an expectation. However, a psychological contract is different in that consumers believe that the company has promised that the logo will not change, whether or not the brand made such promises. As a consequence, any action by the company in this regard is viewed as breach of this perceived agreement (Conway and Briner 2005) and, hence, a severe violation by the brand. Thus, expectations elucidate whether or not a transgression has occurred, whereas psychological contracts carry with them the sense of severity of the transgression should it occur (Robinson 1996).

Several marketplace examples support the existence of consumers' psychological contracts with brands and suggest that there are severe negative implications for organizations who violate such agreements. Similar to the Tropicana example, in the mid-eighties consumers exhibited an extreme negative reaction to the launch of New Coke as a result of their belief that they "owned" the brand as much as the company, which forced Coca-Cola to bring back the Old Coke and label it as Coke Classic. Netflix was sued from a change to its service and price structure because a consumer believed it had promised to hold prices "for life" for existing customers (Cullins 2016).

These examples provide some evidence that consumers perceive that brands make promises to them (i.e., form psychological contracts).

Yet, more work is needed to better understand how consumer relationships which vary in commitment interact with contract violations to affect consumer responses to brand transgressions. To the best of our knowledge, only one paper in marketing (Malhotra, Sahadev, and Purani 2017) has investigated service failure through the lens of psychological contract theory. Consistent with our theorizing, the results revealed that a contract violation impacted intention to reuse an online shopping website, but these results were restricted to investigating failures without an examination of prior consumer-brand relationship. In contrast, the goal of our research is to integrate the literatures on brand relationships and psychological contracts to better understand why close brand relationships can have negative consequences for brands.

We propose that consumers not only develop psychological contracts with the brands they use (and companies that make them) over time via multiple interactions, but the impact of a breach of this contract is dependent on whether the individual is in a committed relationship with the brand or not. This assertion is based on past work in organizational behavior which has shown that the outcome of a psychological contract breach depends on the commitment of an employee. Brockner, Tyler, and Cooper-Schneider (1992) find that individuals with high prior commitment to the organization react negatively to being laid off only when it violates their psychological contract, and not otherwise, because contract violations are perceived to be more unfair than those pertaining to out-of-contract items. Individuals with low prior commitment do not make this distinction; they are uniformly negative in their response to fair (i.e., out-of-contract) and unfair (i.e., in-contract) decisions.

Relatedly, past work that has shown that strong (vs. weak) consumer-brand relationships amplify the negative effects of fairness violations on consumer responses (Grégoire and Fisher

2008). Accordingly, such transgressions are more damaging to the relationship quality, operationalized as consumers' trust in the brand (i.e., confidence in a brand's dependability). Taken together, this research suggests that high commitment consumers should report less trust in the brand following an in-contract (vs. out-of-contract) transgression, resulting in more negative responses. On the other hand, for less committed consumers who do not make distinctions based on transgression fairness, in-contract and out-of-contract transgressions will result in equivalent brand trust and, hence, will evoke the same negative reaction.

Our framework can therefore explain why committed consumers appear to behave randomly, reacting negatively to certain actions of a company while showing minimal reaction to others. Traditional marketing theories have attributed defection of customers to their dissatisfaction with a brand, a response driven by disconfirmation of expectations. Yet, committed consumers exhibit a willingness to ignore many transgressions of their favorite brand, exhibited in their thoughts about the brand (Ahluwalia 2000), and stay with a company even when their expectations are not met. Rather than defecting for every disconfirmed expectation, only actions by a company which violate its committed consumers' psychological contracts are likely to provoke decreased trust in a brand and, correspondingly, a negative outcome for the consumer-brand relationship. Thus,

**H1a:** High commitment consumers react negatively to those brand transgressions which violate their psychological contract but not otherwise.

**H1b:** Low commitment consumers react negatively to any brand transgression which violates an expectation, regardless of whether or not it pertains to attributes included in a psychological contract.

**H2:** Brand trust mediates the effects in H1.

We conducted three studies to examine our predictions related to psychological contracts and consumer-brand relationships. Study 1 examines the interactive effect of brand commitment

and psychological contracts on consumers' responses to brand transgressions (H1), and study 2 replicates the effects in the context of a real company failure in a field study setting. Finally, study 3 examines brand trust as the underlying mechanism (H2).

### STUDY 1

The primary objective of this study is to demonstrate the role of brand commitment and psychological contracts on consumers' responses to brand transgressions. A 2 (commitment: high vs. low) x 2 (brand transgression: in vs. out of contract) between-subjects design was implemented. Two hundred eleven undergraduate students at a large Midwestern university participated in the study in exchange for course credit.

Prior to the main study, forty-five undergraduate students from the same population as respondents from the main study participated in a pretest to determine the target attribute to be used for the transgression in the main study. They were provided 10 attributes at the beginning of the semester and were asked to indicate the extent to which each item was promised to them (referred as "In contract") or not promised to them (referred as "Out of contract") by their preferred brand (hair salon or barber). The extent to which each item was perceived as a promise was measured using a four-point scale obtained from Conway and Briner (2005): (1 = No promise made, 2 = Suggestion of a promise, nothing actually said or written down, 3 = Strong suggestion of a promise, nothing actually said or written down, 4 = Written or verbal promises have been made). Next, they ranked each "promised" item on how important that attribute was to them. Importance rankings were added to ensure that any comparisons we make between low and high commitment consumers on items in their contracts were not confounded with their importance to them.

Based on those responses, the attribute '*competitive prices*' was chosen as the item that was subjected to our transgression manipulation. This attribute was equally important to both high and

low commitment consumers, ensuring that the manipulation was not confounded with its importance. By manipulating a transgression on the same attribute, we will be able to show that high commitment consumers react differently to it depending on whether the attribute is in their psychological contract or not.

The design of the study and assignment of participants to each of the conditions was done as follows. Participants whose commitment to their self-identified preferred brand was either high or low were further divided into two sub-groups based on their classification of the targeted item as a perceived promise. Each promise item was coded as being “in contract” if it was rated a three or four on the four-point psychological contract scale and as “out of contract” if it was rated a one or two (results were similar if 1 was treated as out contract and 2, 3, and 4 were treated as in contract).

### Procedure

The study took place in two parts. In the first part, all participants in an undergraduate business subject pool completed a prescreening survey in which they indicated their commitment to their preferred hair salon/barber in addition to in other product categories not connected with this study. Brand commitment was measured using a four-item scale adapted from prior research (Ahluwalia *et al.* 2000; Raju *et al.* 2009a): (1) If (brand) were not available at the store, it would bother me to choose another brand; (2) I consider myself to be highly loyal to (brand); (3) I would be very happy to use (brand) every time I have a need for (product category); (4) I enjoy talking about (brand) with my friends. Participants expressed their disagreement/agreement with each statement using a nine-point scale. A mean commitment score was calculated ( $\alpha = .83$ ). In addition, brand attitude was measured using five, seven-point bipolar scales (bad/good, unfavorable/favorable, awful/nice, undesirable/desirable, low quality/high quality;  $\alpha = .95$ ). Brand attitude was used as a covariate in subsequent analyses to rule out the alternative explanation that the results are due to

differences in attitude.

Five weeks later, respondents who were in the 66<sup>th</sup> percentile and above on commitment scores (high commitment respondents;  $M = 5.05$ ), and respondents who were in the 33<sup>rd</sup> percentile and below on commitment scores (low commitment respondents;  $M = 3.33$ ) were invited to participate in the main study via an online survey. This procedure precludes the examination of commitment as a continuous variable in this study, but we address this in the remaining studies.

Study participants read a description indicating that they would be evaluating a variety of consumption situations faced by consumers like themselves. They were then asked to read three consumption scenarios – two fillers and the target scenario (placed in the second spot). All respondents read the same scenarios. The three scenarios, similar in format, described consumption situations for different product categories. Each scenario was preceded by an instruction for respondents to list their favorite brand from the product category being described, and think of the brand and themselves while reading the description. The target scenario described a consumption experience with a barbershop/hair salon that included a transgression (i.e., unexpected price increase; see Methodological Detail Appendix). Respondents were given 45 seconds to read each description (to rule out an elaboration explanation), which was found to be adequate time based on pretest findings. After reading the three scenarios, participants were told that due to time constraints, they would evaluate only one randomly selected scenario. They were then instructed to consider their experiences with the barbershop/salon that they listed previously, as well as the consumption scenario that they read, while completing the subsequent measures.

#### Dependent Measures

Participants first wrote down their thoughts reflecting their reactions to the transgression by the preferred brand on the target item followed by their attitude towards a competitor brand to the

salon/barber. Prior research shows that a contract violation for high commitment individuals will potentially undermine their commitment to their preferred brand (Dulac *et al.* 2008). As such, participants' commitment to their preferred brand following the transgression was not measured directly. This precaution was taken so participants would not relate the first part of the study that measured their commitment to the second, and more critical, part of the study. Instead, we used the results of prior research that showed that competitive brand advertising is appealing to consumers whose commitment is low; at higher levels of commitment, competitive brand advertising is viewed negatively (Raju, Unnava, and Montgomery 2009b). These results suggest that low commitment consumers will evaluate a competitive barber shop/salon ad positively, assuming it makes strong arguments. For high commitment consumers, their commitment should be undermined only in the In-contract condition because a contract violation has occurred. For the out-of-contract condition, individuals should ignore the violation, and their commitment should stay high. Thus, if the commitment in the in-contract condition decreased, these participants should evaluate the competitive brand more favorably than those in the out-of-contract condition. In other words, the contract condition participants, whose commitment might have been affected by the transgression, should behave more like low commitment participants.

For this measure, participants were exposed to an advertisement, presumably as part of another study, for a fictitious competitive barbershop/salon (Smart Styles Hair Shop) for 45 seconds, after which they were asked to report their attitude towards it using the same five seven-point scale items as in the pretest ( $\alpha = .92$ ). We expected high commitment, in-contract brand transgression participants to rate the competitor brand more favorably than the out-of-contract participants. Low commitment participants were expected to rate the competitor brand relatively favorably, irrespective of the nature of the transgression.



## Results

*Thoughts.* Two raters, who were unaware of our hypotheses, coded the reactions expressed by participants into three categories: positive (e.g., “I like the shop so much I will continue going there no matter what;” “I would probably continue to go to the barbershop”); negative (e.g., “I thought it was unfair of the shop that I had visited for so long;” “I would probably not return as they obviously felt no connection me as a loyal customer”); and neutral (e.g., “I was thinking of an upcoming haircut”). Coder interrater reliability was high (.83), and disagreements were resolved through discussion. An index of overall favorability of reactions was created by calculating the difference between favorable and unfavorable reactions expressed by individuals. A positive number for this index indicates greater number of favorable thoughts, and a negative number indicates more unfavorable thoughts.

Analysis of covariance results, with prior brand attitude as a covariate, showed a significant main effect of commitment with low commitment participants reporting more negative thoughts than high commitment participants ( $M_{Low} = -.62$ ,  $M_{High} = 0.11$ ,  $F(1, 206) = 8.63$ ,  $p < .01$ ). The greater negativity in the reaction of low commitment participants is expected, given prior research in this area (Ahluwalia 2000). Importantly, the results also revealed a significant two-way interaction between commitment and brand transgression ( $F(1, 206) = 4.39$ ,  $p < .05$ ). The covariate was not significant ( $p > .1$ ). To test the hypotheses, planned contrasts were conducted. The first contrast revealed that the index of overall favorable thoughts did not differ for low commitment consumers, regardless of whether the transgression was in or out of contract ( $M_{In\ contract} = -.74$ ,  $M_{Out\ of\ contract} = -.50$ ,  $t(206) = .79$ ,  $p > .1$ ). However, high commitment participants exhibited a significant difference in the index of overall favorable thoughts depending on whether the transgression pertained to an item that was in versus out of contract ( $M_{In\ contract} = .41$ ,  $M_{Out\ of\ contract} = -.20$ ,  $t(206) = 2.02$ ,  $p < .05$ ). Consistent with our hypothesis, high commitment individuals continued to react positively to their

preferred brand after a transgression pertaining to an item that was not part of the contract.

However, when the brand transgression pertained to an item that was part of the contract, their reaction was more negative, much like low commitment consumers.

*Competitive brand attitude.* A similar analysis with competitive brand attitude as the dependent variable revealed a significant interaction between commitment and brand transgression ( $F(1, 206) = 5.64, p < .05$ ; see Figure 1). The prior brand attitude covariate was not significant ( $p > .1$ ).

Contrasts revealed that high commitment participants evaluated the competitive brand less favorably ( $M = 4.78$ ) when the brand failure involved an item that was not part of the contract than when the transgression pertained to a contract item ( $M = 5.39; t(206) = 2.58, p < .05$ ) supporting H1a.

However, low commitment participants evaluated the competitive brand equally positively regardless of whether the item was in versus out of contract ( $M = 5.38$  and  $5.24$  respectively,  $t(206) = .59, p > .1$ ) supporting H1b. In other words, when a contract violation occurred, the pattern of data for high commitment participants resembled that of the low commitment participants.

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## Discussion

We proposed that consumers develop psychological contracts with brands, and the implications of such perceived agreements vary by consumers' brand commitment. The findings from study 1 demonstrate that high commitment consumers respond differently to brand transgressions on items that are within the contract versus not, whereas low commitment consumers seem not to differentiate between the two types of transgressions, consistent with our expectations and H1a and H1b. For transgressions on items that are not included in the contract, high commitment participants behaved much like what has been reported in prior literature (Ahluwalia *et al.* 2000) – they forgave the violation and continued to react positively to the brand. When the brand transgression pertained to an item in the contract, the reaction of high commitment consumers was

negative, and similar to that of low commitment consumers.

Interestingly, the different reactions we obtained in study 1 were all based on a brand transgression on the same attribute, which was rated equally important by all study participants. The only difference was that the attribute was either part of the contract or not. Prior research on psychological contracts has typically compared in-contract attribute violations with different out-of-contract attribute violations. Our study keeps the violated attribute the same by selecting participants for whom the attribute is in the contract versus not.

Study 2 offers additional support for the interplay between brand commitment and psychological contracts in the context of a real brand transgression, conducted in the context of a field study in collaboration with an organization. A second objective of study 2 was to increase the external validity of the findings by examining both brand commitment and psychological contracts as continuous measures, consistent with actual consumer variations the marketplace.

## STUDY 2

A commitment (continuous) x brand transgression contract (continuous) between-subjects design was implemented, with both variables measured. The same brand transgression (i.e., elimination of dining discounts with an annual pass) was used for all respondents. Respondents varied in the extent to which this transgression violated a contract item. One hundred twenty-three current museum customers participated in the study in exchange for a small payment (approximately 40% male, primarily between 45-64 years<sup>a</sup>). This study was conducted in partnership with the museum, and consisted of two parts. In the first part, customers randomly selected by the museum were asked to provide their attitude towards the museum using a 5-item scale ( $\alpha = 0.95$ ) and

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<sup>a</sup> For customer anonymity, the museum only permitted us to ask for an age range.

commitment to the organization using the same 4-item scale as previous studies ( $\alpha = 0.85$ ). They were also asked to indicate the extent to which each of a series of items was promised to them by the museum as part of the annual pass, which included the attribute that we used for our transgression manipulation – ‘discounts on dining’. Dining discounts had recently been removed as a benefit of the annual pass, but had not yet been communicated to customers. We also assessed importance of each attribute on a single-item scale (1= not at all important, 7= very important). An analysis of this measure revealed no differences by commitment to the museum on perceived importance of dining discounts ( $b = -0.03, t(136) < 1, p > .7$ ).

In the second part of the study, the same customers were asked to complete an additional survey in which the new benefit structure for the annual pass was communicated to them. Next, they reported their attitude towards the annual pass on the same 5-item scale used previously to assess attitudes towards the museum ( $\alpha = .98$ ).

## Results

We conducted an ANOVA with commitment and transgression contract as the independent factors. We also included attitude towards the museum as a covariate to account for differences in attitude to the organization by commitment; this covariate was significant in the analysis ( $F(1, 118) = 25.64, p < .05$ ). Consistent with our expectations, the analysis revealed a significant interaction between commitment and transgression ( $F(1, 118) = 7.70, p < .05$ ; see Figure 2). The main effects were not significant ( $p$ 's  $> .05$ ). We conducted a planned spotlight analysis at  $\pm 1$  SD from the mean brand commitment level ( $M = 5.28$ ) using the PROCESS macro (Model 1, Hayes 2013). For each level of brand commitment, we contrasted the change in brand attitudes at  $\pm 1$  SD from the mean contract level of the attribute ‘dining discounts’ ( $M = 1.68$ ). Our findings show that high commitment respondents reported less favorable attitudes towards the annual pass when the

transgression pertained to an in-contract item ( $M = 6.25$ ) than an out-of-contract item ( $M = 6.73$ ,  $t(118) = -2.10$ ,  $p < .05$ ). However, low commitment participants reported marginally higher attitudes towards the annual pass when the transgression pertained to an in-contract versus out-of-contract item ( $M = 6.31$  vs.  $5.83$ ,  $t(118) = 1.87$ ,  $p > .064$ ). In other words, a contract violation had a greater negative effect on evaluations of the annual pass for high commitment respondents.

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 Insert Figure 2 here  
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## Discussion

Study 2 offers additional support for our observed effects in the context of a real organization. More specifically, we surveyed customers that varied in their relationships with a brand (i.e., different commitment levels) and their perceived psychological contracts. Importantly, we replicated our observed pattern for high commitment and low commitment consumers, respectively (H1a and b), following a transgression pertaining to a product offering (i.e., museum pass).

Studies 1 and 2 consistently show that high commitment consumers react more negatively to brand transgressions that violate a perceived agreement with the brand versus pertain to an item that is not part of their psychological contract. However, low commitment consumers do not exhibit differences by perceived contract; they respond equally negatively whether or not they perceive a contract violation. We contend that these effects are attributed to differences in brand trust (H2). That is, high commitment consumers should be more likely than low commitment consumers to decrease their trust in a brand when they perceive that a transgression is unfair (i.e., contract violation; Grégoire and Fisher 2008). Accordingly, contract violations should lower committed consumers' trust in the brand (as compared to transgressions unrelated to the contract), resulting in a negative response to the transgression. In contrast, fairness violations should not affect brand trust for low commitment consumers, resulting in equally negative responses to transgressions. We test this account in study 3 by investigating the mediating role of brand trust.

### STUDY 3

#### Design and Procedure

A commitment (continuous) x brand transgression contract (continuous) between-subjects design was implemented, with both variables measured. Respondents varied in the extent to which a brand failure (i.e., price increase) violated a contract item (i.e., competitive prices). One hundred forty undergraduate students from an introductory business class participated in the study in exchange for course credit (approximately 55% male, average age = 19.1 years, SD = 2.1 years). At the beginning of the semester, students completed a prescreening survey that assessed attitudes towards a preferred salon/barbershop using a 3-item scale ( $\alpha = .95$ ) and commitment to the brand using the same 4-item scale as previous studies ( $\alpha = .82$ ). They were also given a list of items and asked to indicate the extent to which each item was promised to them by their preferred salon/barbershop, which included the target manipulation attribute – ‘*competitive prices*’.

At the end of the semester, students were recruited to participate in the main study where they were asked to read a consumption scenario for a salon/barbershop which included a transgression (i.e., price increase for a service). The same scenario was used as in study 1 (see Methodological Detail Appendix). After reading the scenario, participants reported their attitude toward the salon on the same 3-item scale used previously ( $\alpha = .93$ ). Our main dependent variable was attitude change, which we calculated by subtracting the pre-scenario brand attitude assessed at the beginning of the semester from the post-scenario attitude assessed at the end of the semester. Thus, larger negative numbers indicated a more negative response to the brand following the scenario. To better understand the process underlying our proposed effects, we also measured respondents’ trust in the brand in the main study using a 3-item, 7-point scale from previous research (very undependable/very dependable, very incompetent/very competent, of low

integrity/of high integrity;  $\alpha = .86$ ; Grégoire and Fisher 2008).

## Results

*Attitude change.* We conducted an ANOVA with commitment and transgression contract as the independent factors. Consistent with our expectations, this analysis revealed a significant interaction between commitment and transgression contract ( $F(1, 136) = 5.27, p < .05$ ; see Figure 3). Neither the main effect of commitment, nor the main effect of contract was significant (both  $F$ -values  $> 3.42, p > .05$ ). We conducted a planned spotlight analysis at  $\pm 1$  SD from the mean brand commitment level (+1 SD = 6.00, -1 SD = 3.09) using the PROCESS macro (Model 1, Hayes 2013). For each level of brand commitment, we contrasted the change in brand attitudes at  $\pm 1$  SD from the mean contract level of the attribute ‘competitive prices’ (+1 SD = 3.58, -1 SD = 1.48). Our findings show that high commitment respondents exhibited a greater negative change in brand attitudes when the transgression pertained to an in-contract item ( $M = -1.34$ ) than an out-of-contract item ( $M = -.59, t(136) = -2.44, p < .05$ ). However, low commitment participants did not differ in their attitude change as a function of transgression contract ( $M = -.59$  vs.  $-.88, t(136) = .89, p > .1$ ). In other words, a contract violation had a greater negative effect on evaluations of the preferred brand for high commitment respondents.

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 Insert Figure 3 here  
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*Mediating role of trust.* We conducted a moderated mediation analysis with brand trust as the mediator, the brand commitment X contract level as the independent variable, and attitude change as the dependent variable, using PROCESS (Hayes 2013; Model 8), with 5000 bootstrap samples. The analysis reveals that the direct path of the effect of brand commitment X contract level on attitude change is no longer significant, ( $c = -.10, t(135) = -1.41, p > .1$ ). The path of brand

commitment X contract level on brand trust is negative and significant,  $a = -.17$ ,  $t(136) = -2.51$ ,  $p < .05$ . The path of the mediator on attitude change is positive and significant,  $b = .41$ ,  $t(135) = 4.79$ ,  $p < .01$ . Importantly, the indirect effect of brand commitment X contract level on attitude change through brand trust is negative and significant, with the 95% confidence interval excluding zero,  $a \times b = -.07$ ;  $-.1519$  to  $-.0135$  (see Methodological Detail Appendix). Thus, brand trust fully mediates the interactive effect of brand commitment and contract level on the attitude change, supporting H2.

## Discussion

Study 3 shows support for our contention that changes in brand trust account for the interactive effects of brand commitment and psychological contract violations. More specifically, high commitment consumers report lower trust in the brand when a transgression pertains to an in-contract (vs. out-of-contract) item, which facilitates larger decreases in attitudes towards the brand following the transgression. In contrast, low commitment consumers' brand trust does not differ by whether or not the transgression pertained to an in-contract or out-of-contract item, resulting in an equivalent reduction in brand attitudes.

## GENERAL DISCUSSION

While past work has generally shown the positive impact on brands of establishing close relationships with consumers, recent research has also supported the idea that there is a dark side to fostering such relationships. For example, brand commitment appears to be beneficial to the brand because committed consumers stand by their brand and resist the negative impact of unfavorable information on their attitudes toward the brand (Ahluwalia 2000; Ahluwalia *et al.* 2000; Raju *et al.* 2009b). Yet, consumers who have a close relationship with a brand also seem to exhibit the most negative affective reactions and feelings of betrayal following a brand failure (Aaker *et al.* 2004;



Grégoire *et al.* 2009). This research focuses on why and when consumers turn against a brand with which they have a close relationship, to enhance our understanding of the interplay between consumer-brand relationships and the nature of brand transgressions on consumers' responses.

Our findings show that committed consumers' differential responses to transgressions may be accounted for by differences in the extent to which they believe that such actions violate their psychological contracts with brands (i.e., perceptions about promises the brand has made to them in return for their patronage). While low commitment consumers' brand attitudes seem to be negatively impacted by all brand transgressions, high commitment consumers' brand attitudes and appear to be negatively impacted only when the brand fails to adhere to the perceived psychological contract that high commitment consumers have created. We attribute this finding to the differences in brand trust that occur for high and low commitment consumers following a brand transgression. That is, fairness violations affect committed consumers' trust in the brand, increasing negative responses following a contract violation, whereas fairness violations do not affect less committed consumers' brand trust, resulting in equivalent negative responses regardless of whether or not a contract violation occurs.

Importantly, our work contributes to a growing body of research that has examined the negative aspects of close consumer-brand relationships (Aaker *et al.* 2004; Wan *et al.* 2011). Researchers have sought to better understand the downstream implications of consumer-brand relationships following a brand transgression. Our findings contribute to extant literature and marketing practice by better elucidating the circumstances under which particular brand transgressions facilitate a more versus less negative consumer response, thereby allowing brand managers to anticipate situations which could potentially alienate core committed consumers. In addition, we demonstrate the pervasiveness of the psychological contracts theory by showing that it guides organizations' relationships with consumers, as well as its employees.

Our work augments prior work in other notable ways. Park *et al.* (2013) focused largely on the endpoints of the AA continuum (relationships characterized by attachment vs. aversion), whereas we investigate relationships of consumers who have low commitment to the brand and moderate to high brand knowledge and those who have a moderate connection to the brand, consumer groups not easily categorized by the AA model. While Aaker *et al.* (2004) operationalize brand transgression as the presence versus absence of a general service failure, we investigate brand transgressions which vary in terms consumers' psychological contracts. Similarly, Wan *et al.* (2011) focused on ascertaining the conditions under which the negative reaction of any consumer to a service transgression will be mitigated, but our interest is in ascertaining *which* transgressions are likely to have serious consequences for consumers varying in their commitment to a brand.

Although past research on brand relationships has not measured the existence of psychological contracts in studies, a closer examination of the nature of the transgressions in both Aaker *et al.* (2004) and Grégoire *et al.* (2009) seems to suggest that participants in those studies likely faced violations related to a psychological contract attribute. For example, in Aaker *et al.* (2004), participants were led to believe that the online photograph developing company (target brand) that was to process and upload photographs they had taken as part of the study had lost their pictures. This failure to process and upload participant's pictures relates to the core benefit that the photograph developing company offered to participants in that study, potentially making it a contract violation. Similarly, in Grégoire *et al.* (2009, study 2), the restaurant (target brand) with which participants had a prior strong relationship failed to honor a table reservation (an explicit promise) and later did not have some menu items when ordered (an implicit promise). These features are core features of a restaurant, making the failures potentially contract violations. Given that both studies dealt with strong brand relationship participants potentially experiencing psychological contract failures, it is not surprising that both report negative reactions from high

commitment consumers following the brand failures. In contrast, in Ahluwalia *et al.* (2000) the features pertaining to the brand failure are usually not the core features (e.g., shock absorption in shoes), suggesting that these features are more likely to be excluded from the psychological contract. Consistent with this idea, high commitment consumers exhibited a defensive reaction following news of the brand failure on those attributes.

The finding that psychological contracts exist in the consumer brand context, and is observed in the context of real brand transgressions (study 2), is exciting for future research. In this research, we focus on the moderating effect that psychological contracts have on brand commitment in service-related settings. However, the nature of psychological contracts (derived from explicit sources versus implicit sources), and why and how psychological contracts are formed in consumer-brand settings are important areas for future research. In addition, focusing on how psychological contracts in a branding context differ from those in an employer-employee relationship, particularly contracts classified as transactional versus relational, would contribute to our enhanced understanding.

Additional research may also address how marketers can influence the contents of consumers' psychological contracts for preferred brands, as well as for competitive brands. An interesting area of investigation would be to determine the extent to which consumers incorporate into their psychological contracts attributes that are common to the product category versus brand-specific attributes, and how such contracts play a role in differentiating one brand from one another in consumers' minds. Finally, future research may examine how the differential effects of psychological contracts on high versus low commitment consumers dictate the types of recovery efforts necessary to win back those consumers after a transgression.

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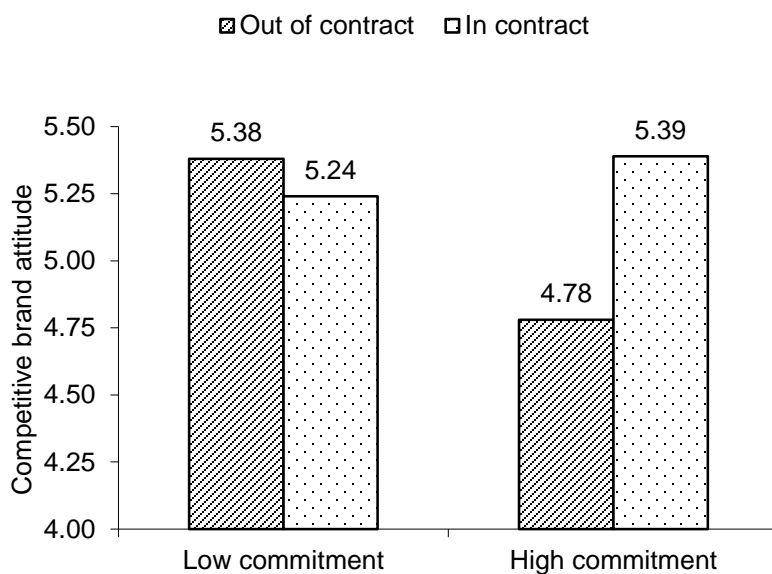
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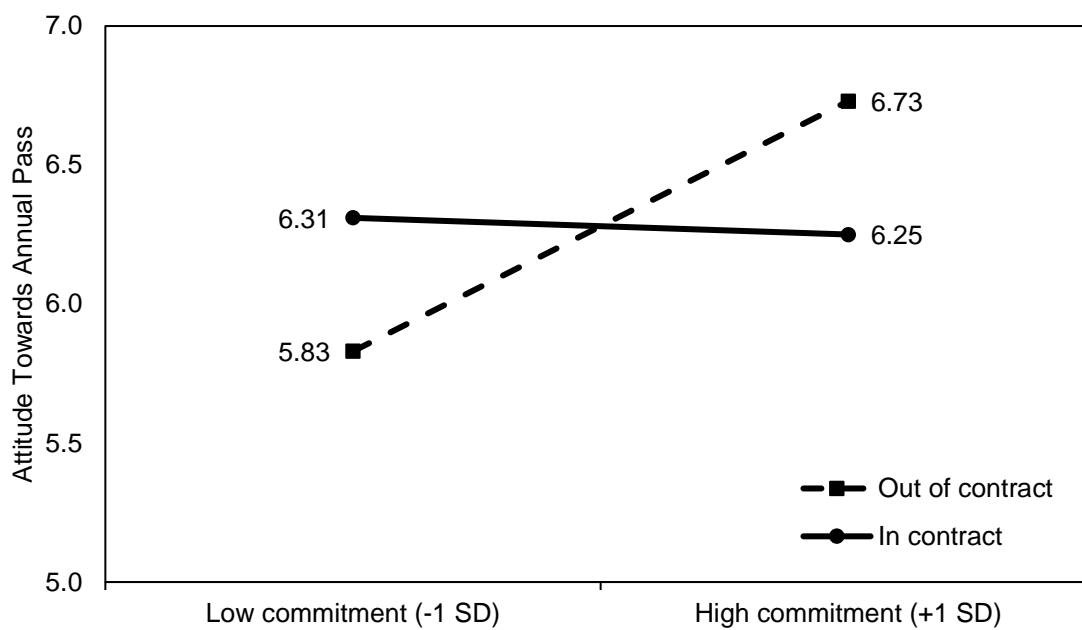
**FIGURE 1**

In-contract Transgressions Increase Competitor Attitudes for  
High Commitment Consumers in Study 1



**FIGURE 2**

Contract Failures Reduce Attitudes Towards Museum Annual Pass  
for High Commitment Consumers in Study 2





**FIGURE 3**

In-contract Transgressions Reduce Brand Attitudes for  
High Commitment Consumers in Study 3

