Critical Incidents

in Customer-Firm Relationships

by

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ABSTRACT

When consumers find that something critically out of the ordinary has occurred, they direct attention to evaluate such a critical incident more closely. The results of this evaluation may put consumers on a switching path or it might lead them to engage in unfavorable behaviors from the perspective of the organization, such as engaging in negative word-or-mouth online. The negative consequences of some product (goods or services) failures go beyond simple product attribute defects, leading customers to terminate the relationship with the organization. This dissertation, which is composed of three essays, investigates how consumers engage in negative word-of-mouth on social media channels in response to their various product failures and explores an important relationship event of betrayal, which can be triggered by certain product failures. It investigates how betrayal is perceived by customers and influences a range of their behaviors across business-to-consumer and business-to-business contexts.

# DEDICATION

Mum, and Dad, thank you for always being there for me and supporting me in all my

pursuits.


BG, thank you for cheering and encouraging me along the way. Thank you for your love

and support.

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CHAPTER 1

OVERVIEW

When consumers find that something critically out of the ordinary has occurred, they direct their attention to understand and evaluate such a critical incident. The results of this evaluation can put consumers on a path to switch from one product to another, or it may lead them to engage in unfavorable behaviors from the perspective of the organization. The negative consequences of some product (goods or services) failures seem to go beyond simple product attribute defects, leading customers to terminate the relationship with the organization, to engage in negative word-of-mouth about the organization, and even to boycotts. This dissertation, which is composed of three essays, seeks to investigate consumers' negative word-of-mouth behaviors on social media in response to various product and service failures, and to explore an important relationship event of betrayal, which is triggered by certain product failures. It investigates how customers perceive betrayal and react in both business-to-consumer (B2C) and business-to-business (B2B) contexts.

The first dissertation essay investigates how a wide range of product failures may drive consumers to engage in negative word-of-mouth behavior (nWOM) on different social media channels: social networking sites (e.g., Facebook, Twitter), review sites (e.g., Yelp, FourSquare), and video-sharing sites (e.g., YouTube, Hulu). It models consumers' nWOM on a social media channel after a dissatisfying experience as a function of their coping motives, after controlling for the nature of the dissatisfying experience, such as the intensity of their anger. Multivariate probit regression analyses suggest that consumers' nWOM on social network sites is driven both by their desire for

the firm to respond with an apology or message of appreciation, and by their desire for revenge. In contrast, nWOM on review sites is driven by consumers' desire for an explanation and for revenge. Finally, nWOM on video-sharing sites is driven by consumers' desire for appreciation or financial compensation by the firm. It is also show that anti-SLAPP (Strategic Lawsuits against Public Participation) legislation has not increased the incidence of nWOM on social media as expected, suggesting that it has not achieved its legislative purpose. The results revealed underexplored differences in consumer usage of nWOM channels that might guide how firms can respond more effectively to consumers' online complaints.

The second essay investigates a particular type of relationship events, which is triggered by certain product failures, in a B2C domain – betrayal. When a consumer's trust is violated, they may feel betrayed, doubt their relationship with the service organizations, and even react destructively as they might do in their interpersonal relationships. This essay seeks to examine whether betrayal occurs in commercial contexts, and if so, how it can be defined, measured, and understood in terms of its impact on subsequent consumer relationship outcomes and behavioral intentions. Results from survey analyses suggest that betrayal occurs in commercial contexts. Furthermore, these results distinguish negative effects on relationship outcomes and behavioral intentions. A customer's experience of betrayal is defined as a customer's belief that the firm (i.e., service provider) has intentionally increases its benefit by taking advantage of the customer's willingness to take risks associated with potential harm. The betrayal scale is developed by treating betrayal as a second-order construct with its three factors: broken trust, opportunism, and potential harm. Together, these three factors clarify the risk of

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betrayal involved in trusted relationships. The results uncover the underexplored relationship event of betrayal that can help managers to avoid behaviors that constitute the three factors of betrayal, and to nullify specific factors when consumers are under the shadow of suspicion.

The third essay further investigates the impact of betrayal in a B2B context, with an emphasis on an individual buyer's behaviors. Extending the results of the second essay to B2B domain, it explores how a business customers' perceptions of betrayal influences their trust and their behavioral intentions which have important implications for the relationship with the supplier. Examples include intentions to repurchase from and recommend a supplier as well as intentions to decrease, to terminate, or to expand their relationships with a supplier. Ordinary least squares results using survey data of business buyers in a high-technology manufacturing industry show that perceived betrayal is negative related to trust, and intentions to repurchase, to expand the relationship, and to recommend the supplier, after controlling for the level of satisfaction and relationship-, firm-, and individual-level, and time covariates. The findings suggest the predictive value of customer perceptions of betrayal on their relational and behavioral outcomes, which have profit implications. A firm's ability to maintain trusted relationships is as important its ability to establish trust in their relationships, because trust is a critical source of successful relationships (Morgan and Hunt 1994). A pragmatic businessperson can attend to cognitive cues for each dimensions of customer betrayal and promote new practices to effectively maintain the business relationship, thereby increasing customer retention, customer lifetime value, and revenue potential.

CHAPTER 2

CONSUMER MOTIVES FOR NEGATIVE ELECTRONIC WORD OF MOUTH

ON SOCIAL NETWORKING, PRODUCT REVIEW, AND VIDEO-SHARING SITES

**Abstract**

Technological advances have enabled consumers to use multiple channels for negative

word of mouth (nWOM) after a dissatisfying experience. This paper investigates how

consumers use multiple nWOM channels, including social networking sites (e.g.,

Facebook, Twitter), product review sites (e.g., Yelp, Foursquare), and video-sharing sites

(e.g., YouTube, Hulu), and offline channels differently after a single product failure.

After conceptualizing consumers' nWOM after a dissatisfying experience as a form of

social coping behavior, a multivariate probit model describes how consumers' choices of

social media channels after a dissatisfying experience depends on their coping motives.

Using telephone survey data from 1,389 U.S. consumers, obtained from national

probability samples drawn biannually from 2011 to 2015, the results show that

consumers engage in nWOM on social media channels that best mitigate their underlying

damages from failures. On social networking sites, consumers' nWOM is driven by their

desire for the firm to respond with an apology or appreciation, and their desire for

revenge. By contrast, on product review sites, nWOM is driven by consumers' desire for

an explanation and for revenge. On video-sharing sites, nWOM is driven by the desire for

financial compensation or appreciation from the firm. These underexplored differences in

consumer usage of nWOM channels can help firms respond more effectively to

consumers' online complaints. The results also show that anti–strategic lawsuits against

public participation legislation has not increased the incidence of nWOM on social media, as expected, suggesting that it has not achieved its legislative purpose.

## Introduction

Marketing managers and researchers have acknowledged the importance of understanding and managing electronic word-of-mouth (eWOM) (Libai et al. 2010). The drivers of eWOM incidence are different for each channel and differ across consumers and industry sectors (Keiningham et al. 2018). However, research on why and how consumers use social media channels differently to post negative eWOM (nWOM) after a dissatisfying experience is lacking. For example, when consumers experience a product failure, why do some post their negative comments on Facebook and others on Yelp? Schweidel and Moe (2014) noted that research has paid little attention to the different types of channels consumers choose for their posting.

To fill this gap, this paper studies consumers' responses to product failures and analyzes how dissatisfied consumers engage in nWOM on social networking sites (SNSs), product review sites, and video-sharing sites, as well as offline. Drawing on coping theory, I develop a model on how consumers choose a particular social media channel to share their dissatisfying experiences depending on their coping motives. Coping refers to thoughts or behaviors used to manage a stressful situation (Folkman and Moskowitz 2004). In my context, coping motives capture consumers' desire for effective means of coping with or managing perceived damages arising from dissatisfying experiences with products (i.e., goods or services).

I consider seven coping motives reported by U.S. consumers: desire for an apology, desire for appreciation, desire for an explanation, desire for financial compensation, desire for future free products as compensation, desire for revenge, and desire for other means from the firm. Consumers develop coping motives based on their

perceptions of damages and then consider sharing their stories to gain informational or

social coping resources from others, such as members in their social network, strangers

with consumption knowledge, or even the mass public. Drawing on social aspects in

coping literature (Folkman 2009; Folkman and Moskowitz 2004), I conceptualize nWOM

on different social media and offline channels as distinct social coping behaviors of

consumers based on their perception of different primary audiences for nWOM. I argue

that different nature of underlying damages to consumers drive them to desire different

recovery means from the firm and to reach out to different audiences by using different

nWOM channels for coping resources. Many firms monitor social media so that they can

respond to consumers' posts appropriately (Kietzmann et al. 2011). If firms can better

understand consumers' motives for posting on different social media platforms, they may

be able to help consumers recover from product failures more effectively.

I estimate a multivariate probit model using two sets of survey data. The primary

data come from three national probability samples of U.S. consumers drawn biannually

from 2011 to 2015. Telephone surveys obtained responses from 1,389 consumers about

their most serious product problems (for either a good or a service) in the past year, the

social media and offline channels they used (if any) to share the problem, their coping

motives, and their demographics. As secondary data, I use state-level legislation that

protects consumers' right to free speech, such as nWOM. Prior work has investigated

consumer motives on specific platforms, such as product review sites (Chen and Kirmani

2015) or in general (Wetzer, Zeelenberg, and Pieters 2007). To my knowledge, my study

is the first large-scale, empirical investigation to explore the relationship between the

incidences of nWOM on different social media and offline channels and consumer motivational drivers.

This study makes four main contributions. First, I highlight the importance of distinguishing among social media channels and understanding their role as a means of coping. More precisely, my categorization of social media channels—based on theories of coping and media richness—provides systematic insights to manage nWOM. Second, my broader conceptualization of nWOM as social coping extends prior conceptualizations of nWOM as an indirect revenge behavior (Grégoire, Laufer, and Tripp 2010) or as the social sharing of emotion (Wetzer, Zeelenberg, and Pieters 2007). Third, I identify coping motives as significant and underexplored antecedents of channel-specific nWOM engagement. Last, I demonstrate the role of the legal environment by assessing the impact of anti-SLAPP (strategic lawsuits against public participation) legislation, whose goal is to reduce the legal burden of consumers who are sued because of their nWOM. Overall, my study offers useful insights to managers interested in using channel-specific communication strategies to manage nWOM.

I begin by classifying social media channels into three categories and providing a conceptual foundation for my model on consumers' nWOM given coping motives across different social media channels. For a complete illustration, I include the offline channel or traditional nWOM (tWOM) in my analysis of nWOM. Next, I describe my data and statistical model of nWOM incidences and provide the empirical results. I conclude by discussing the implications of the study for theory and practice.

**Background: Classifying Social Media Channels for nWOM Generation**

Interpersonal communication and WOM serve multiple functions, such as for managing relationships or for emotional or information support (Berger 2014). Social media platforms enable consumer-to-consumer interactions (Libai et al. 2010) and have evolved to facilitate specific communication goals, such as managing social networks, acquiring information, and personal broadcasting (Blazevic et al. 2013; Boyd and Ellison 2007; Cheng, Dale, and Liu 2007; Keiningham et al. 2018). You, Vadakkepatt, and Joshi (2015) conducted a meta-analysis that indicates that social media platforms, including community-based sites, blogs, and online review sites, differ in the extent to which they foster relationships between members. Babić Rosario et al. (2016) also conducted a meta-analysis that adds an "other" category to platforms other than social media. Both these meta-analyses underscore the importance of distinguishing among social media channels in assessing the impact of eWOM. These researchers also noted that prior studies of eWOM have typically focused on a single social media channel. In response, I examine multiple social media channels consumers use after a dissatisfying experience. In particular, I identify three types of social media channels for nWOM—SNSs (e.g., Facebook, Twitter), product review sites (e.g., Yelp, Foursquare), and video-sharing sites (e.g., YouTube, Hulu)—and briefly describe how these channels support users' different communication goals (Schweidel and Moe 2014). I also describe the typical users on each channel who are the primary audiences for nWOM from the perspective of consumers who post negative comments on social media.

First, consistent with prior research, I treat SNSs as a distinct social media category because they provide members with a platform on which to manage social

relationships. SNSs are "web-based services that allow individuals to construct a public or semi-public profile within a bounded system, articulate a list of other users with whom they share a connection, and view and traverse their list of connections and those made by others within the system" (Boyd and Ellison 2007, p. 211). Many of the large SNSs (e.g., Facebook) are specialized in helping users maintain and enhance their pre-existing social network, rather than interacting with strangers (Ellison, Steinfield, and Lampe 2007; Walther 2011). Social networks are frequently based on pre-existing offline relationships (Haythornthwaite 2005), including weak ties, such as classmates at school (Boyd and Ellison 2007). Therefore, I expect the primary audience of nWOM on SNSs to arise from offline relationships with varying degrees of tie strength.

Second, I treat product review sites as a distinct social media category because users are typically interested in sharing or obtaining useful information on products of interest (Babić Rosario et al. 2016; You, Vadakkepatt, and Joshi 2015), rather than in building or maintaining relationships with the sender or receiver of the message, as SNS users are. Many interpersonal interactions are made anonymously on product review sites. Therefore, I expect the primary audience of nWOM on product review sites to be those who are interested in product information, not the reviewers.

Third, I treat video-sharing sites as distinct social media because, similar to traditional media, many of the publishers aim to access the mass public and to enlarge their subscriber base by providing either functional (i.e., informative) or hedonic benefits through their videos. Since 2005, a new generation of video-sharing sites (e.g., YouTube) has enabled users to publish videos or to engage in personal broadcasting at a low cost (Cheng et al. 2007). These sites have gradually implemented social networking features

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to elicit audience feedback. However, publishers are often not interested in managing

their pre-existing offline relationships, as SNS users are. Moreover, publishers focused on

product reviews differ from reviewers on product review sites, who are typically not

interested in promoting themselves as sources of information for the mass public.

Therefore, I expect the primary audience of nWOM on video-sharing sites to be channel

subscribers or those who are interested in the usual content material the channel owner

has published.

I focus on video-sharing sites, rather than other content-sharing sites, such as

weblogs, for three reasons. Frist, video is one of the most powerful means to broadcast to

the mass public (D'Urso and Rains 2008; Walther 2011). For example, Dave Carroll's

YouTube music video (made for approximately $150) on how his guitar was broken on a

2008 United Airlines flight demonstrates the power of social media (Deighton and

Kornfeld 2010) by amassing over half a million views in three days (*The UPI* 2009).

Second, video-broadcasting platforms are specifically distinct from other types of

channels from the nWOM generator's perspective. Videos often involve high social risks

because the publishers are often identifiable from the rich visual and auditory cues

provided by appearance, vocal tone, usage of natural language, and other cues (D'Urso

and Rains 2008; Walther 2011). In addition, creating a video requires more time and

effort than posting on SNSs or product review sites. Third, high social and individual

costs result in a greater degree of communication asynchrony (more unidirectional or

asynchronous bidirectional interactions) than on other media (Walther 2011).

**Conceptual Framework: Consumer Coping Motives as Antecedents of nWOM**

This section provides a foundation for my model on consumers' nWOM on social media or offline channels after a dissatisfying product experience. I focus on four focal dependent variables that characterize whether or not consumers use social media or offline channels for nWOM. My model describes the effect of coping motives on nWOM incidence on each channel, after controlling for the nature of the dissatisfying experience (i.e., industry type, problem type, damage type, anger intensity, legal environment for sharing nWOM, and consumer characteristics). I do not propose formal hypotheses because the study is exploratory and descriptive. Instead, I discuss how consumers' desire for a variety of recovery activities from firms can be conceptualized as coping motives and, in turn, how these methods influence their decision on whether or not to share nWOM on social media.

*Consumers' Desire for Recovery Methods as Coping Motives*

In the context of product failures, recovery requests constitute coping because the resources firms provide to compensate for damages can help consumers cope with failures by mitigating or removing the source of stress. Studies of service failure and recovery have identified a range of recovery methods that firms use to offset consumers' perception of injustice arising from consumer damages from product failures (e.g., Smith, Bolton, and Wagner 1999; Davidow 2003). Consumers develop a desire for each means depending on their need for coping. I call such desires "coping motives" and examine seven motives in particular: desire for an explanation, an apology, appreciation, financial compensation, free products, revenge, and others. In labeling coping motives, I chose the term "desire" to be consistent with service recovery literature, which uses the terms

"desire," "motive," and "motivation" interchangeably (e.g., Grégoire, Laufer, and Tripp 2010; Wetzer, Zeelenberg, and Pieters 2007).

Specific coping motives associated with problem resolution include the desire for an explanation about the problem. The service failure and recovery, social coping, and WOM generation literature streams have explored functional benefits of an explanation. A firm's explanation about a failure can help consumers better understand their experience and situation (Rimé 2009; Tax, Brown, and Chandrashekaran 1998), aid consumer sense-making (Berger 2014), and decrease consumers' anger intensity (Gelbrich 2010). Informational support can enhance the effectiveness and efficiency of coping efforts (Berger 2014; Gross and John 2003). Another specific motives associated with financial resource damages from the product failure include the desire for financial compensation, or free products as compensation from the firm (Smith, Bolton, and Wagner 1999). The provision of a free product is different from financial compensation because it limits consumers' freedom to choose the form of economic benefits (Varian 2019). For example, a restaurant might offer a free dessert as a way to mitigate financial damages after a failure (e.g., poor service). For damages to their social resources, I also distinguish between consumers' desire for an apology and their desire for a statement of appreciation. Although both provide social resources that facilitate problem-focused coping, an apology applies to a particular transaction, while appreciation applies to the overall consumer–firm relationship (Bello et al. 2010). Appreciation involves "acknowledging the value and meaning of something – an event, a person, a behavior, an object – and feeling a positive emotional connection to it" (Adler and Fagley 2005, p. 81). It consists of two components: gratitude and feelings of indebtedness (Converse and

Fishbach 2012). Consumers who perceive the firm as gaining financially from their business may believe that the firm is in their debt and expect to receive expressions of gratitude (e.g., "Thank you for your business"). This affirmation allows consumers to anticipate favorable treatment by the firm in future interactions. Prior research suggests that people take revenge to restore distributive justice (Grégoire, Laufer, and Tripp 2010; Wetzer, Zeelenberg, and Pieters 2007). In the context of product failures, when the firm fails to provide sufficient or legitimate coping means, consumers may want to directly harm the firm to restore distributive justice. For example, consumers may engage in vandalism, trashing, stealing, or sabotage (Ambrose, Seabright, and Schminke 2002; Deffenbacher et al. 2002; Huefner and Hunt 1994, 2000) to offset their financial damages or to compensate their social resources. Still another specific coping motives may remain, which I capture as a distinct category of "other motives".

In summary, consumers' coping motives include the desire for a range of recovery methods in the form of monetary resources (financial compensation and free products), social resources (apology, appreciation, and revenge), information (explanation), and other resources. The coping literature indicates that stressed consumers may rely on more than one form of coping (Folkman and Lazarus 1980, 1985; Folkman et al. 1986), and my data confirm that consumers often desire multiple recovery means. For example, Table 2.2 shows that the two highest correlations in the data were for the desire for financial compensation and free products (0.32; p < .01) and the desire for financial compensation and revenge (0.28; p < .01).

***Effect of Coping Motives on nWOM on Social Media Channels***

When failures occur, consumers can cope by making recovery requests to the firm, given the underlying contractual relationship. However, when recovery requests are not deemed useful in rectifying damages from failure, consumers may further consider sharing their stories to gain coping resources from others. For example, drones were a popular holiday gift for consumers in 2017, but drones that are not equipped with certain features (e.g., a gimbal) do not fly well in high winds. Consumers who did not to receive an explanation for why their drones do not fly well in high winds may reach out to friends or others who purchased the same drone to identify their problem.

*NWOM as social coping behavior.* Most studies of stress and coping have focused on stressed people themselves (Folkman 2009). However, emerging work on the social aspects of coping (for a review, see Folkman and Moskowitz 2004) and social interdependency in emotional regulation (Rimé 2009) suggests that coping resources in the social domain include other people who can provide support in times of stress (Folkman 2009; Hammer and Marting 1988). Consistent with functional benefits of nWOM (Berger 2014), people are motivated to share their problems with others who can provide various social or informational coping resources. For example, consumers can seek emotional support by reaching out to friends, or ask knowledgeable friends or other consumer experts about a problem when there is a lack of information. In line with this perspective, I conceptualize nWOM as social coping and nWOM on different channels as distinct social coping behaviors depending on consumers' perception of different primary audiences of nWOM. As noted previously, SNSs, product review sites, and video-sharing

sites involve different primary audiences of friends, strangers with consumption knowledge, and the mass public with contents of interest, respectively.

*Role of coping motives in nWOM.* The literature on service failure and recovery theorizes that consumers prefer to receive recovery resources that match the types of justice damaged by failures (Smith, Bolton, and Wagner 1999). For example, consumers often prefer to receive an apology from the offending firm when they experience interactional injustice. This matching hypothesis implies that consumers' desire for an apology may serve as a proxy of underlying types of injustice or corresponding damages, such as damages to their social resources, rather than monetary damages.

Given my conceptualization of nWOM as social coping, I further extend the matching hypothesis to predict the audience of nWOM with which consumers might prefer to connect. In particular, I expect stressed consumers to prefer reaching out to nWOM audiences that can provide coping resources that match the types of damaged resources. Note that the matching hypothesis suggests the link between the types of perceived injustice from damages and the preferred recovery requests, while my extension suggests that the link between the types of damages and the preferred audiences of nWOM interacts through social media platforms.

Consumers can cope with underlying damages through the coping resources either from the offending firm or from others, such as friends, other consumers, or the mass public. For example, consumers who experience damages to their social resources, such as esteem, may prefer to ask for an apology, rather than financial compensation (Smith, Bolton, and Wagner 1999), and to reach out to friends, rather than strangers with expert product knowledge. Overall, my extension of the matching hypothesis implies that

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consumers' desire for recovery arises from damage to their resources, thereby predicting

consumers' decisions about whom to interact with on social media and share nWOM.

Thus, my conceptualization of nWOM as social coping enables me to identify

underexplored antecedents of nWOM. My discussion is summarized in Figure 2.1.

Figure 2.1: Conceptual Framework

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┌─────────────────────────────────────────────────────────────────────────────┐
│   Internal        Stress          Coping Goal                  Coping          │
│                  Response           Setting                     Goal           │
│  <───────────────────┬───────────────────────────────┬──────────────────────> │
│        Wave 1        │            Wave 2              │         Wave 3         │
│                                                                                │
│  ┌──────────┐   ╭────────╮   ┌──────────────────────┐   ┌──────────────────┐  │
│  │ Damaged  │─> │ Stress │─> │  Firm's Resource     │   │  nWOM Channels   │  │
│  │Resources │   ╰────────╯   │     Provision        │   │ ┌──────────────┐ │  │
│  └──────────┘               │ ┌──────────────────┐ │   │ │Product Review│ │  │
│                             │ │   Information     │ │──>│ │ Sites (REV)  │ │  │
│                             │ └──────────────────┘ │   │ └──────────────┘ │  │
│                             │ ┌──────────────────┐ │   │ ┌──────────────┐ │  │
│                             │ │ Social Resources │ │──>│ │  SNSs (SNS)  │ │  │
│                             │ │     Apology      │ │   │ └──────────────┘ │  │
│                             │ │   Appreciation   │ │   │ ┌──────────────┐ │  │
│                             │ └──────────────────┘ │   │ │ Video-Sharing│ │  │
│                             │ ┌──────────────────┐ │──>│ │  Sites (VID) │ │  │
│                             │ │Financial Resources│ │   │ └──────────────┘ │  │
│                             │ │Financial Compens. │ │   │ ┌──────────────┐ │  │
│                             │ │   Free Samples   │ │   │ │ Traditional  │ │  │
│                             │ └──────────────────┘ │   │ │    nWOM      │ │  │
│                             └──────────────────────┘   │ └──────────────┘ │  │
│                                                         └──────────────────┘  │
│  ┌──────────────────────────────────────────────────┐                        │
│  │ Situational/Contextual Variables                   │                        │
│  │ Anger Intensity, Problem Types, Industry Types, Legal                       │
│  └──────────────────────────────────────────────────┘                        │
└─────────────────────────────────────────────────────────────────────────────┘
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This conceptualization of nWOM on social media is consistent with prior

approaches in marketing and communication research. For example, according to Berger

(2014) and Wetzer, Zeelenberg, and Pieters (2007), WOM is goal driven. Consumers'

nWOM on social media is driven by their coping goals to achieve coping benefits to

recover damages from failures. My extension of Smith, Bolton, and Wagner's (1999)

matching hypothesis based on coping theory is also consistent with uses and gratification

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theory (UGT) in communication literature, which explains consumers' choice of media (Althaus and Tewksbury 2002). UGT suggests that people use the medium that gives them the most gratification (utility, satisfaction). In my context of product failures, given the different primary audiences of nWOM, UGT suggests that consumers would choose the medium that enables them to interact with those who can best gratify them by providing the coping resources that mitigate the experienced damages.

## Study Design

### Data Sources and Descriptions

My primary data come from three national telephone surveys of consumers with stratified sample that spans all 50 states and the District of Columbia. An independent research supplier conducted the survey biannually from 2011 to 2015, yielding 1,389 repeated cross-sectional observations. To minimize non-response, the supplier called consumers up to 12 times. my secondary data of anti-SLAPP legislation come from the Digital Media Law Project (http://www.dmlp.org/legal-guide/state-law-slapps) and Public Participation Project (https://anti-slapp.org/). For a robustness check, I added a legal climate score from the legal climate survey using the U.S. Chamber of Commerce survey database. This survey measures senior executives' perceptions of the fairness of the legal environment of each state.

### Measures and Descriptive Statistics

Respondents described their most serious product failure during the previous year and reported whether they had used any of the previously specified channels for nWOM. There were four questions each for SNSs, product review sites, video-sharing sites, and offline, coded as a binary variable. To ensure that my categorization of social media in

the survey matched consumers' perceptions of social media in real life, the respondents were asked to name the channels used if they reported engaging in nWOM. Of the SNSs, respondents reported using Facebook, Twitter, MySpace, LinkedIn, Bebo, Classmates, Tumblr, and Instagram, among others. They also reported using many different product review sites (e.g., Amazon, CNET, consumerSearch, Epinions, Foursquare, TripAdvisor, Yelp) and video-sharing sites (e.g., YouTube, Hulu, Dailymotion). Then, to capture consumers' coping motives, seven questions recorded as dichotomous measures (yes/no) asked whether the respondents wanted to receive any of the seven possible documented means to resolve their most serious product failure.

The survey measured many control variables including problem descriptors, demographic variables (e.g., age, gender) and the year of survey. The description of the problem includes industry types, problem types, the nature of damages incurred, and the respondents' emotional responses in terms of anger intensity. I measured anger intensity on a five-point scale and recorded the other problem descriptors as binary. For example, categorical variables of industry type and problem types were recoded as follows; if the problem occurred in the financial industry, I coded financial industry as 1 and the other industries as 0. Consumer durable industry and delivery problem served reference categories. Each type of damages was recorded as binary, as the respondents were able to report multiple types of damages incurred from the failure. The respondent's age was standardized. Questions about demographic variables, such as age, gender, and income level appeared at the end of the survey. I coded each year of the survey as a dichotomous variable, with 2011 serving as the reference year. I operationalized the legal environment of sharing nWOM with a dummy variable that indicates whether or not each respondent

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was protected by anti-SLAPP legislation in their state during the year of the survey.

Tables 2.1 and 2.2 report descriptive statistics with the corresponding survey items and

correlations among the nWOM channel usages, respectively. Respondents ranged in age

from 18 to 94 years, and 44.4% were male. In the following section, I briefly describe

why I included industry type, anger intensity, and legal environment of sharing nWOM.

*Types of service industries.* Consumers often have difficulty in assessing service

quality before purchase (Murray and Schlacter 1990; Zeithaml 1981), thus relying more

on eWOM (Murray 1991). Babić Rosario et al. (2016) have demonstrated the importance

of addressing characteristics, such as service, digital products, hedonic products, new

products, and products involving financial risks, in studying the effect of eWOM on

sales. They noted that prior studies have mostly relied on a single sample, resulting in one

platform and/or one product. Hence, I investigate differential consumer responses across

service sectors, namely, retail, durables, automobiles, television, telecommunications,

services, and the like. By controlling for the effect of industry type on consumers'

nWOM incidences, my study is able to examine whether service sectors play different

roles in consumers' usage of social media channels for nWOM.

*Consumers' anger intensity*. Negative emotions are a proximal antecedent of

coping (Duhachek and Kelting 2009). Consequently, I account for emotions or stress

from the product failure by focusing on anger, which is the predominant negative

emotion that consumers experience with product failures and that predicts nWOM (Nyer

1997). Anger tends to arise when consumers appraise a situation as goal relevant, goal

incongruent, and other attributed, and they perceive some possibilities to manage the

source of their stress (Oatley et al. 2011; Smith and Ellsworth 1985; Smith and Kirby

2009). In the context of product failures, consumers who deem the firm responsible for their undesirable outcomes often become angry, especially when they believe that they can fix the outcome (Nyer 1997). Prior WOM research suggests that anger intensity increases the likelihood of sharing nWOM, due to the activation it induces (Berger and Milkman 2012). Therefore, I control for the effect of consumers' emotional responses on nWOM incidences by adding anger intensity.

*Legal environment of sharing nWOM.* Babić Rosario et al. (2016) emphasized the importance of controlling for external environmental factors in WOM studies. I argue that the legal environment of sharing nWOM may influence nWOM incidence. For example, firms may take legal action, such as SLAPPs, to suppress potentially damaging nWOM. Twenty-eight states have enacted anti-SLAPP laws to protect consumers' public participation against these lawsuits. An example of public participation is consumer-to-consumer communication about negative marketplace experiences. In these states, consumers sued by firms can request the court to put the lawsuit on hold while it determines whether the right to free speech protects them. To control for this legal environmental factor for nWOM generation, I added information about anti-SLAPP legislation to my survey data.

### Model Development and Estimation

My modeling objective is to determine whether consumers use social media channels differently depending on their coping motives. The combinations of nWOM channels and the correlation between nWOM channels in Tables 2.2 show that consumers often use multiple nWOM channels after a single product failure. Therefore, I specify multivariate probit model as follows.

Table 2.1. Descriptive Statistics and Measurement Items

| | Variable | Mean | SD | Measurement |
|---|---|---|---|---|
| Social Media Channels | SNSs (SNS) | 0.28 | 0.45 | "We would like to ask you some questions about using the Internet to tell people about this problem." |
| | Video-Sharing Sites (VID) | 0.02 | 0.15 | • SNSs. "Did you tell people about this problem on any websites where you can share information with a list of friends, followers, or contacts, for example, social networking sites like Facebook or Twitter?" [If YES, "Please tell me the names of these social networking sites."] |
| | Product Review Sites (REV) | 0.06 | 0.23 | • Product review sites. "Have you posted information about your most serious problem on any websites where people post reviews about their experiences with different products or services, for example, sites like TripAdvisor, Amazon, or Yelp?" [If YES, "Please tell me the names of these websites."] • Video-sharing sites. "Have you posted information about your most serious problem on any social media sites where people can post videos and pictures, for example, social media sites like YouTube?" [If YES, "Please tell me the names of these social media sites."] |
| | Traditional WOM | 0.88 | 0.32 | "I'm going to read you a list of some ways that you might have expressed your displeasure. Please tell me how you expressed your displeasure by answering yes or no to each of the following items" [after other items] • Traditional (offline) WOM. Shared the story with my friends/other people |
| Coping Motives | Explanation | 0.77 | 0.42 | "I'm going to read a list of things that you might have wanted to 'get' to resolve your most serious problem. Please tell me all of the things you wanted to get by answering yes or no for each of the following items." |
| | Apology | 0.70 | 0.46 | |
| | Appreciation | 0.75 | 0.43 | answering yes or no for each of the following items." |
| | Financial Comp. | 0.33 | 0.47 | • Explanation. An explanation of why the problem occurred • Apology. An apology; Appreciation. A thank you for my business |
| | Free Product | 0.38 | 0.49 | • Financial compensation. Financial compensation for my lost time, inconvenience or injury; Free samples. Free product or services in the future |
| | Revenge | 0.19 | 0.4 | • Revenge. Revenge – make the provider pay for the hassle and inconvenience |
| | Others | 0.79 | 0.41 | • "Is there anything else that I haven't mentioned" |
| Anger | Anger Intensity | 3.9 | 1.07 | "Which of the following statements best describes how upset you were? Would you say that you were: (1) not upset at all/ (5) extremely upset"? |

Table 2.1. (Continued)

| Category | Variable | Mean | SD | Description |
|---|---|---|---|---|
| Legal Env. | Anti-SLAPP Laws | 0.62 | 0.49 | Anti-SLAPP legislation was recorded as a dichotomous variable taking the value of 1 for observations in states with anti-SLAPP laws during the survey participation and 0 otherwise. This variable differs by year depending on when legislation was passed. |
| Damage Types Controls | Money | 0.40 | 0.49 | I'm now going to ask you what damages you might have suffered as a result of this problem. |
| | Time | 0.63 | 0.48 | |
| | Physical Injury | 0.04 | 0.20 | • Did you lose any money? Did you lose any time? Did you suffer any physical injury? Any other damages you can think of? |
| | Others | 0.12 | 0.33 | |
| Problem Types Controls | Quality | 0.31 | 0.46 | Can you briefly describe your MOST serious problem? |
| | Billing | 0.15 | 0.36 | Delivery is the base category. |
| | Delivery | 0.11 | 0.32 | |
| | Repair | 0.07 | 0.25 | |
| | Service | 0.21 | 0.41 | |
| | Others | 0.14 | 0.35 | |
| Industry Controls | Retail | 0.07 | 0.26 | I'd like to ask you a few questions about only one of these problems; That is, the most serious problem you experienced during the last year. What product or service caused this problem? Durable goods industry is the base category. |
| | Durable | 0.15 | 0.36 | |
| | Service | 0.17 | 0.38 | |
| | Auto | 0.09 | 0.28 | |
| | Television | 0.19 | 0.39 | |
| | Telecomm | 0.21 | 0.40 | |
| | Others | 0.11 | 0.32 | |
| Demo. Controls | Age | 45.01 | 16.62 | Measured as a continuous variable. Ranges from 18 to 94. |
| | Gender | 0.44 | 0.5 | Measured as 1 if the participant is male; as 0, otherwise. |
| | Level of Income | 3.45 | 1.69 | "What is your total annual household income? Is it…(1) Less than $20,000/ (6) $100,000 or more." Only 1,142 observations are available. |
| Year Controls | Year = 2011 | 0.30 | 0.46 | Base Category. |
| | Year = 2013 | 0.35 | 0.48 | Measured as 1 if the survey year is 2013; as 0, otherwise. |
| | Year = 2015 | 0.34 | 0.47 | Measured as 1 if the survey year is 2015; as 0, otherwise. |

Table 2.1. (Continued)

| | | | | |
|---|---|---|---|---|
| Used in | Consumer Complaint | 0.81 | 0.39 | Measured as 1 if the participant complained; as 0, otherwise. |
| Robust-ness | Firm's Response | 0.55 | 0.5 | Measured as 1 if the participant received any response from the firm; as 0, otherwise. Available for 1,083 observations. |
| Checks | Legal Climate Score | 66.64 | 4.91 | Measured as a continuous variable. Ranges from 56.6 to 75.3 |

Table 2.2: Correlation Table

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. SNS | 1 | | | | | | | | | | | | |
| 2. Yelp | .16*** | 1 | | | | | | | | | | | |
| 3. YouTube | .18*** | .21*** | 1 | | | | | | | | | | |
| 4. tWOM | .18*** | .06** | .06** | 1 | | | | | | | | | |
| 5. Explanation | .09*** | .07*** | .03 | .13*** | 1 | | | | | | | | |
| 6. Apology | .15*** | .06** | .01 | .13*** | .27*** | 1 | | | | | | | |
| 7. Appreciation | .12*** | .01 | .04 | .05* | .20*** | .27*** | 1 | | | | | | |
| 8. Compensation | .12*** | .04 | .10*** | .09*** | .15*** | .20*** | .12*** | 1 | | | | | |
| 9. Free Samples | .03 | -.05* | -.03 | .08*** | .14*** | .15*** | .16*** | .32*** | 1 | | | | |
| 10. Revenge | .11*** | .08*** | .06** | .05** | .10*** | .09*** | .01 | .28*** | .14*** | 1 | | | |
| 11. Other Motives | .13*** | .04 | .05* | .10*** | .19*** | .25*** | .17*** | .25*** | .19*** | .15*** | 1 | | |
| 12. Anger Intensity | .13*** | .04 | .06** | .16*** | .08*** | .17*** | -.06** | .16*** | .06** | .16*** | .15*** | 1 | |
| 13. Anti-SLAPP Laws | .04 | .00 | -.06** | .03 | .04 | .06** | .00 | .03 | .03 | .01 | .12*** | .02 | 1 |

Notes. *** p < .01, ** p < .05, * p < .1.

I observe each individual, i, making nWOM incidence decisions across a set of J nWOM channels. These decisions can be represented by a vector $\mathbf{y_i} = \{y_{i1}, y_{i2}, \ldots, y_{iJ}\}$, of binary dependent variables. I model this individual's observed behaviors in terms of latent utilities of nWOM engagement in the J channels as follows: For J = {Social networking sites (SNS), Product review sites (REV), Video-sharing sites (VID), Offline (tWOM)},

$$u_{i,SNS} = \beta_{i,SNS,o} + \boldsymbol{\beta_{i,SNS,1}}'\boldsymbol{Coping\ Motives_i} + \boldsymbol{\beta_{i,SNS,2}}'\boldsymbol{Controls_i} + \epsilon_{i,SNS}$$
$$u_{i,REV} = \beta_{i,REV,o} + \boldsymbol{\beta_{i,REV,1}}'\boldsymbol{Coping\ Motives_i} + \boldsymbol{\beta_{i,REV,2}}'\boldsymbol{Controls_i} + \epsilon_{i,REV}$$
$$u_{i,VID} = \beta_{i,VID,o} + \boldsymbol{\beta_{i,VID,1}}'\boldsymbol{Coping\ Motives_i} + \boldsymbol{\beta_{i,VID,2}}'\boldsymbol{Controls_i} + \epsilon_{i,VID}$$
$$u_{i,tWOM} = \beta_{i,tWOM,o} + \boldsymbol{\beta_{i,tWOM,1}}'\boldsymbol{Coping\ Motives_i} + \boldsymbol{\beta_{i,tWOM,2}}'\boldsymbol{Controls_i} + \epsilon_{i,tWOM},$$

or

$$\mathbf{u_i} = X_i \boldsymbol{\beta}_i + \boldsymbol{\epsilon}_i$$

where $\boldsymbol{\beta_{ij,1}}$ is a vector of coefficients for a vector of coping motives and $\boldsymbol{\beta_{ij,2}}$ is a vector coefficients for a vector of control variables for individual i in the jth channel; the jth row of the matrix $\mathbf{X_i}$ contains the predictors influencing the underlying utility of nWOM engagement in the jth channel and $\boldsymbol{\beta_i} = \{\boldsymbol{\beta_{i0}}, \boldsymbol{\beta_{i1}}, \boldsymbol{\beta_{i2}}\}$ contains the individual specific coefficients. Vectors or matrices are bolded. In this utility specification, the coefficients for coping motives represent the change in nWOM engagement utility of channel j in the presence of the coping motives. For example, the coefficient for the desire for an apology in the SNSs equation indicates how the utility of nWOM engagement on SNSs changes when the individual developed a desire for an apology after a produce failure. For each nWOM channel, I assume the effect of each predictor on nWOM utility is the same across individuals and the unobserved factors across channels are joint normally distributed. That is, for an individual i,

$$\mathbf{u_i} = X_i \boldsymbol{\beta} + \boldsymbol{\epsilon}_i$$

and

$$\epsilon_i \sim MVN[\mathbf{0}, \mathbf{\Sigma}],$$

where $\mathbf{\Sigma}$ is a J × J covariance matrix. This correlated error structure of the nWOM utilities

allows the unobserved channel-specific factors jointly influence the joint nWOM

incidences across multiple channels. The link between the observed incidence of nWOM

and the latent utility of nWOM for any jth channel can be represented as follows:

$$y_{ij} = \begin{cases} 1, & if\ u_{ij} > 0, \\ 0, & if\ u_{ij} \leq 0. \end{cases}$$

This formulation results in a multivariate probit model (Greene 1997; Chib and

Greenberg 1998). The multivariate probit model suit for my study because it allows

consumers to use the different social media channels as well as offline for nWOM

simultaneously after a product failure. The multivariate probit model is distinct from the

multinomial probit model (McCulloch and Rossi 1994) which allows the individual to

choose only one channel for nWOM from a set of mutually exclusive alternatives.

I identified four binary dependent variables, each of which indicates a consumer's

nWOM incidence on the given channel after a product failure. The probability of

observing a nWOM incidence profile $\mathbf{y_i} = \{y_{i1}, y_{i2}, \dots, y_{iJ}\}$ of an individual i is

$\Pr(\mathbf{Y}_i = \mathbf{y}_i | \mathbf{\beta}, \mathbf{\Sigma}) = \int_{s_1} \cdots \int_{s_J} \frac{1}{\sqrt{(2\pi) \det(\mathbf{\Sigma})^{1/2}}} exp\left(-\frac{1}{2} \epsilon_i' \mathbf{\Sigma}^{-1} \epsilon_i\right) d\epsilon_i$, where $\epsilon_\mathbf{i} = \mathbf{u_i} - X_i \mathbf{\beta}$,

and $S_j = (-\infty, 0)$ if $y_{ij} = 0$, and $(0, \infty)$ if otherwise. The unconditional likelihood for the

individual is $\int \int \cdots \int \Pr(\mathbf{Y}_i = \mathbf{y}_i | \mathbf{\beta}, \mathbf{\Sigma}) f(\mathbf{\beta}) d\mathbf{\beta}$. I estimate this multivariate probit model

using a simulated maximum likelihood estimation (Green 2012). I used the mvprobit

program developed by Cappellari and Jenkins (2003) to estimate my model within

STATA. This estimation procedure uses the Geweke-Hajivassiliou-Keane (GHK) smooth

Table 2.3: Multivariate Probit Results

| | | SNSs | | Review sites | | Video-sharing sites | | tWOM | |
|---|---|---|---|---|---|---|---|---|---|
| | | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. |
| Coping | Explanation | 0.09 | 0.396 | 0.43** | 0.018 | 0.08 | 0.753 | 0.32*** | 0.003 |
| Motives | Apology | 0.22** | 0.027 | 0.24 | 0.120 | -0.30 | 0.176 | 0.28** | 0.010 |
| | Appreciation | 0.27*** | 0.008 | -0.06 | 0.678 | 0.50* | 0.063 | 0.05 | 0.639 |
| | Financial Comp. | 0.09 | 0.311 | -0.01 | 0.946 | 0.49** | 0.014 | 0.09 | 0.453 |
| | Free Product | -0.17** | 0.047 | -0.40*** | 0.003 | -0.42** | 0.032 | 0.13 | 0.237 |
| | Revenge | 0.19* | 0.057 | 0.35** | 0.012 | 0.08 | 0.684 | 0.02 | 0.908 |
| | Other motives | 0.12 | 0.292 | -0.07 | 0.696 | -0.24 | 0.435 | 0.27** | 0.028 |
| Anger | Anger Intensity | 0.13*** | 0.002 | 0.03 | 0.603 | 0.16 | 0.108 | 0.19*** | 0.000 |
| Legal Env. | Anti-SLAPP Laws | 0.00 | 0.992 | -0.03 | 0.800 | -0.46** | 0.011 | 0.13 | 0.182 |
| Damage | Money | 0.10 | 0.203 | 0.25** | 0.043 | 0.31* | 0.094 | -0.04 | 0.715 |
| Types | Time | 0.06 | 0.492 | 0.14 | 0.281 | 0.06 | 0.748 | 0.12 | 0.213 |
| Controls | Physical Injury | -0.04 | 0.848 | 0.39 | 0.119 | -0.29 | 0.530 | 0.14 | 0.592 |
| | Other Damages | 0.08 | 0.496 | 0.01 | 0.940 | -0.04 | 0.863 | 0.14 | 0.388 |
| Problem | Quality | 0.16 | 0.248 | 0.11 | 0.571 | -0.27 | 0.355 | 0.39** | 0.011 |
| Types | Billing | 0.25 | 0.101 | -0.17 | 0.462 | -0.20 | 0.553 | 0.52*** | 0.006 |
| Controls | Repair | -0.04 | 0.842 | -0.86** | 0.025 | 0.07 | 0.844 | 0.40* | 0.083 |
| | Service | 0.14 | 0.314 | -0.03 | 0.902 | 0.00 | 0.997 | 0.31* | 0.059 |
| | Other Problems | 0.06 | 0.710 | -0.52** | 0.048 | -0.04 | 0.891 | 0.30* | 0.086 |
| Industry | Retail | 0.05 | 0.785 | -0.03 | 0.904 | -0.45 | 0.224 | 0.06 | 0.803 |
| Controls | Service | -0.04 | 0.795 | -0.35 | 0.115 | -0.87** | 0.013 | -0.03 | 0.835 |
| | Auto | -0.17 | 0.331 | 0.00 | 0.996 | -0.10 | 0.767 | -0.15 | 0.419 |
| | Television | -0.15 | 0.288 | -0.05 | 0.795 | -0.39 | 0.186 | 0.09 | 0.563 |
| | Telecomm | 0.11 | 0.386 | -0.28 | 0.174 | -0.42 | 0.131 | 0.11 | 0.483 |
| | Other Industries | -0.08 | 0.625 | 0.06 | 0.782 | -0.34 | 0.269 | -0.06 | 0.734 |

Table 2.3 (Continued)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Demo. | Age | -0.39*** | 0.000 | -0.10 | 0.111 | -0.29*** | 0.003 | -0.01 | 0.843 |
| Controls | Gender | -0.04 | 0.644 | 0.29** | 0.016 | 0.14 | 0.449 | 0.23** | 0.016 |
| Year | Year2012 | 0.31*** | 0.005 | 0.27 | 0.116 | 1.01*** | 0.004 | -0.32** | 0.018 |
| Controls | Year2013 | 0.23** | 0.041 | 0.27 | 0.142 | 1.02*** | 0.004 | -0.45** | 0.001 |
| | Constant | -2.04*** | 0.000 | -2.46*** | 0.000 | -3.26*** | 0.000 | -0.54** | 0.038 |
| | Error corr. (SNSs, REV) | | | | | | | 0.37*** | 0.000 |
| | Error corr. (SNSs, VID) | | | | | | | 0.46*** | 0.000 |
| | Error corr. (SNSs, tWOM) | | | | | | | 0.36*** | 0.000 |
| | Error corr. (REV, VID) | | | | | | | 0.51*** | 0.000 |
| | Error corr. (REV, tWOM) | | | | | | | 0.15 | 0.107 |
| | Error corr. (VID, tWOM) | | | | | | | 0.14 | 0.143 |
| AIC | | | | | | | | 3269.91 | |
| BIC | | | | | | | | 3908.75 | |
| N | | | | | | | | 1389 | |

recursive conditioning simulator, which has been shown to have desirable statistical

properties for multivariate normal limited dependent variable models (see Biaswas and

Kirmani 2017; Börsch-Supan and Hajivassiliou 1993 for details). The results in Table

2.3 show how an average consumer with distinct coping motives after a product failure

use the different social media channels as well as offline.

*Robustness Checks*

For a set of robustness checks, I started adding a legal climate score, the level of income,

and whether the participant received any organizational recovery effort in turn as

additional control variables. First, I included a legal climate score to control for any

potential differences in the litigation environments across states. For example, California

is notorious for its "sue first, ask questions later" environment. The legal climate score

was continuous, therefore, standardized for analysis. The estimates of coefficients were

qualitatively equivalent whether this term was included or not. Second, although I expect

the combination of age and gender to capture most of the individual demographic factors,

I repeated the analyses including the level of income. This specification captures the

consumer's cost of posting nWOM in terms of forgone income. Missing values of the

income variable take 18.80% of the sample. Therefore, I generated a new category for the

missing values, and treated this income variable as a categorical variable. The analysis

produced qualitatively equivalent results. Third, I included the information on whether

the respondents received any recovery effort from the firm. Missing values of this

variable take 22.05%. Therefore, I treated this variable as categorical variable by

generating a new category for the missing values. After controlling for the missing

values, whether the participants received the recovery effort from the firm did not change my result.

In addition to the inclusion of additional control variables, I further conducted the robustness of the results with subsamples. First, I considered only those who complained to the firm after their product failures. Given my conceptualization of nWOM behavior as a social coping, whether a consumer complained after a failure may influence my results. Next, I investigated only those who engaged in tWOM and studied their social media usage behavior. Coping theory suggests that choices of multiple nWOM channels can be interrelated. If such choices are sequential in nature (e.g., when consumers talk about product failures, they do so offline first, and then use social media channels), my estimation results would not robust. My estimation results for both subsamples suggest that my results are robust. Table 2.4 summarizes the results of five robustness checks. The details are displayed in the Appendix A.

**Results**

Table 2.3 summarizes the results of the multivariate probit models, in which the four dependent variables are nWOM incidences on SNSs, product review sites, video-sharing sites, and offline channels, respectively. The positive (or negative) sign of the multivariate probit estimate for an explanatory variable indicates an increase (or decrease) of the probability of the occurrence of the nWOM on the corresponding channel.

The statistically significant channel-specific estimates of coping motives meet my expectations. Overall, I find that nWOM incidences on social medial and offline channels differ depending on consumer coping motives. Moreover, each social media channel

Table 2.4: Robustness Checks Results

| | Main Model | Legal Climate | Income | Firm's Response | Complained | Engaged in tWOM |
|---|---|---|---|---|---|---|
| | | Inclusion of | | | Subsample: Those Who | |
| | | Alt. Model 1 | Alt. Model 2 | Alt. Model 3 | Alt. Model 4 | Alt. Model 5 |
| **SNSs** | | | | | | |
| Explanation | 0.09 | 0.08 | 0.11 | 0.09 | -0.03 | 0.08 |
| Apology | 0.22** | 0.23** | 0.21** | 0.17* | 0.21* | 0.18* |
| Appreciation | 0.27*** | 0.27*** | 0.28*** | 0.26*** | 0.33*** | 0.30*** |
| Financial Comp. | 0.09 | 0.07 | 0.07 | 0.05 | 0.05 | 0.06 |
| Free Product | -0.17** | -0.16* | -0.16* | -0.16* | -0.15 | -0.21** |
| Revenge | 0.19* | 0.19 | 0.17* | 0.17* | 0.22** | 0.18* |
| Other motives | 0.12 | 0.12 | 0.13 | 0.1 | 0.11 | 0.02 |
| **Product Review Sites** | | | | | | |
| Explanation | 0.43** | 0.40** | 0.45** | 0.44** | 0.39** | 0.38** |
| Apology | 0.24 | 0.28* | 0.27* | 0.24 | 0.13 | 0.18 |
| Appreciation | -0.06 | -0.08 | -0.06 | -0.08 | 0.05 | -0.08 |
| Financial Comp. | -0.01 | 0.02 | -0.01 | -0.01 | -0.04 | 0.03 |
| Free Product | -0.40*** | -0.43*** | -0.41*** | -0.42*** | -0.42*** | -0.42*** |
| Revenge | 0.35** | 0.33** | 0.33** | 0.33** | 0.37** | 0.38*** |
| Other motives | -0.07 | -0.07 | -0.07 | -0.08 | -0.03 | -0.11 |
| **Video-Sharing Sites** | | | | | | |
| Explanation | 0.08 | 0.03 | 0.02 | 0.00 | -0.06 | 0.05 |
| Apology | -0.3 | -0.28 | -0.27 | -0.29 | -0.26 | -0.35 |
| Appreciation | 0.50* | 0.53* | 0.44* | 0.44* | 0.42 | 0.49* |
| Financial Comp. | 0.49** | 0.52*** | 0.52*** | 0.50** | 0.52** | 0.56*** |
| Free Product | -0.42** | -0.43** | -0.50** | -0.47** | -0.49** | -0.48** |
| Revenge | 0.08 | 0.05 | 0.15 | 0.1 | 0.08 | 0.06 |
| Other motives | -0.24 | -0.19 | -0.18 | -0.13 | -0.22 | -0.31 |

Table 4 (Continued)

| | | Main Model | Inclusion of | | | Subsample: Those Who | |
|---|---|---|---|---|---|---|---|
| | | | Legal Climate | Income | Firm's Response | Complained | Engaged in tWOM |
| | | | Alt. Model 1 | Alt. Model 2 | Alt. Model 3 | Alt. Model 4 | Alt. Model 5 |
| tWOM | | | | | | | |
| | Explanation | 0.32*** | 0.32*** | 0.32*** | 0.32*** | 0.24* | |
| | Apology | 0.28** | 0.28** | 0.26*** | 0.23** | 0.33** | |
| | Appreciation | 0.05 | 0.05 | 0.08 | 0.06 | 0.10 | |
| | Financial Comp. | 0.09 | 0.11 | 0.08 | 0.06 | 0.04 | |
| | Free Product | 0.13 | 0.14 | 0.14 | 0.14 | 0.15 | |
| | Revenge | 0.02 | 0.03 | -0.02 | -0.01 | 0.10 | |
| | Other motives | 0.27** | 0.27** | 0.29** | 0.27** | 0.34** | |
| | AIC | 3269.91 | 3285.30 | 3305.53 | 3276.68 | 2733.82 | 2196.31 |
| | N | 1389 | 1389 | 1389 | 1389 | 1124 | 1226 |

involves a distinct consumer motive that is not associated with the other social media channels. These findings provide empirical support for the qualitative distinctiveness of the three social media channels. They also extend Godes and Mayzlin's (2004) key message that all types of eWOM are not generated in the same way.

*Unique Motives for Each Social Media Channel*

I find that the usage of each social media channel for nWOM is associated with distinctive consumer motives. First, I find that the activity of nWOM on SNSs is positively related to the presence of three motives: desires for an apology ($p < .05$), appreciation ($p < .01$), and revenge ($p < .1$). The desire for an apology significantly distinguishes SNSs from product review and video-sharing sites. This result suggests that SNSs are environments in which consumers seek support for their damaged social resources, such as emotional support. My model indicates that managers can respond to and possibly mitigate nWOM on SNSs by providing an apology (a social resource) rather than relying on compensation (an economic or utilitarian resource) as their primary service recovery strategy.

Second, the most important determinants of nWOM on product review sites are two motives: the desires for explanation ($p < .05$) and revenge ($p < .05$) are positively associated with the activity of nWOM on product review sites. These findings are consistent with Hennig-Thurau et al.'s (2004) view that online reviewers enjoy functional and social benefits from social media interactions. The desire for an explanation distinguishes the product review sites from other social media channels. My finding on the desire for revenge lends empirical evidence to Grégoire, Laufer, and Tripp's (2010) conceptualization of nWOM as an indirect revenge behavior.

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Third, the activity of nWOM with video-sharing sites is positively related to the desire for financial compensation (p < .05) and appreciation (p <.1). Creating a video entails more effort, time, and financial costs than posting a comment on SNSs or product review sites. To justify such effort, consumers likely have experienced a significant failure, which resulted in the desire for financial compensation. I find that financial compensation, an economic or utilitarian motive, is statistically significant only in explaining nWOM incidence on video-sharing sites. My results suggest managers to focus on financial motives for nWOM as well as their desires for non-monetary resources, such as appreciation.

*A Common Motive That Diminishes nWOM: A Desire for Free Products as Compensation*

Most of the motives that survey respondents expressed increased the likelihood of their usage of a social media channel for nWOM, with the exception of a desire for free products as compensation. The presence of this motive was negatively associated with the probability of engaging in nWOM on any channels and statistically significant (p < .05 for SNSs and video-sharing sites, p < .01 for product review sites). I infer that if consumers want free products as compensation, they are satisfied with the quality of the product and possibly to repurchase. I speculate that their implied favorable attitude toward the products decreased the probability of engaging in nWOM on any of the social media channels and that they are more likely to share positive eWOM than nWOM on social media, though I do not have the data to explore this possibility further.

### Types of Service Industries

My results suggest that the type of service industry plays a significant role in nWOM generation on video-sharing sites. Given the rich problem descriptors, I classified service industries as television, telecommunication, and other service industries. When the problem occurred in service industries other than television and telecommunication, the probability of nWOM incidence on video-sharing sites is lower than the case in which the problem occurred in consumer durable goods industries ($p < .05$ for service industries). Because service performance is often hard to assess (Murray and Schlacter 1990; Zeithaml 1981), consumers might face difficulty in sharing the problem especially via rich media such as video. While this nature of services encourages consumers to rely more on eWOM (Murray 1991) than for goods, it might suppress eWOM generation at the same time. These results on the impact of service industries extend Babić Rosario et al.'s (2016) demonstration of the importance of product characteristics, such as services versus goods.

### Anger Intensity

Anger intensity is a well-established driver of nWOM (Berger 2014; Rimé 2009). Consistent with prior literature, Table 3 shows that anger intensity is positively associated with the activity of engaging in nWOM on SNSs and offline (nWOM with SNSs and offline; $p < .01$) but not product review or video-sharing sites. Thus, my findings indicate that Wetzer, Zeelenberg, and Pieters's (2007) conceptualization of nWOM as a social sharing of emotions (for a review, see Rimé 2009) best applies to SNSs and offline channels. Moreover, in their study of the relationship of brand characteristics with eWOM, Lovett, Peres, and Shachar (2013) found that social and functional antecedents

were most important for eWOM while emotional drivers were most important for offline WOM. My findings confirm their findings on offline nWOM and extend the role of emotional drivers, namely anger intensity, to SNSs.

*Legal Costs of Sharing nWOM*

I find that the presence of anti-SLAPP legislation is negatively related to the relative probability of engaging in nWOM on video-sharing sites ($p < .05$). The effect was only statistically significant for video-sharing sites, distinguishing video-sharing from other social media channels. The intent of anti-SLAPP legislation is to decrease consumers' legal costs if a firm files a lawsuit against them. Therefore, I expected anti-SLAPP legislation to increase the likelihood of engaging in nWOM on each of the social media channels. However, I found the opposite result. Often, the goal of SLAPP legislation is not for firms to win a case but to put legal burdens on consumers until they delete their negative comments. Media discussion of the legislation might have heightened consumers' perceptions of the risks of a lawsuit, making the risk more salient. If so, though seeming counter-intuitive, video publishers who perceive a credible and salient threat of SLAPP may decrease nWOM in response to the enactment of anti-SLAPP laws.

*Other Control Variables*

Consumer age is negatively related to the activity of engaging in nWOM on SNSs and video-sharing sites ($p < .01$ for both). This implies that older consumers engage in less nWOM on these social media channels, but not necessarily on product review sites. Unlike younger generations or "digital natives" (Bolton et al. 2013), older cohorts may be less motivated to manage online social networks, to get revenge, or to attract the attention

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of the general public with videos. My model also shows that male consumers are more likely to engage in nWOM on product review sites and offline (p <.05 for both).

*Engaging in nWOM Offline*

Engaging in tWOM is likely to involve some coping motives that are distinct on social media channels. In line with my expectations, my results show that the probability of engaging in tWOM is positively related to consumers' desire for an explanation (p < .05), an apology (p < .01), and other motives (p < .05), and anger intensity (p < .01). This evidence supports the assumption in many studies that eWOM is an easy-to-use and cost-effective alternative to (traditional) offline WOM (Godes and Mayzlin 2004; Trusov, Bucklin, and Pauwels 2009). As noted previously, the desires for an apology and an explanation are the distinguishing motives for SNSs and product review sites, respectively.

## Discussion

This study reveals previously underexplored differences in consumers' usage of social media channels for nWOM. A small number of coping motives relate to nWOM in one channel but not another. For example, nWOM on SNSs is positively associated with consumers' desires for an apology. By contrast, nWOM on product review sites is positively associated with the desire for an explanation, and nWOM on video-sharing sites is positively associated with the desire for financial compensation. Experiencing problems in various service industries other than telecommunication or televisions can discourage nWOM on video-sharing sites. Anger intensity is positively related to nWOM incidence on SNSs. Anti-SLAPP legislation is negative associated with nWOM incidences on video-sharing sites, contrary to the legislative purpose. These findings have

implications for the generalizability of findings about the incidences of brand eWOM

(Lovett, Peres, and Shachar 2013) and the link between eWOM measures and product

sales (Babić Rosario et al. 2016; Floyd et al. 2014; You, Vadakkepatt, and Joshi 2015).

*Theoretical Contributions*

My conceptualization of nWOM as a social coping behavior extends prior perspectives

on nWOM as an indirect revenge behavior (Grégoire, Laufer, and Tripp 2010), the social

sharing of emotions (Rimé 2009; Wetzer, Zeelenberg, and Pieters 2007), and (more

broadly) activity in a virtual community (Hennig-Thurau et al. 2004). In addition, I

identified unique coping motives associated with three types of social media channels. I

also found that consumers' usage of different social media channels responds to changes

in the legal environment. Finally, I compared consumers' use of different social media

channels and their use of offline nWOM, thereby contributing to the broader stream of

research on eWOM and social networks.

More generally, my categorization of social media channels based on coping

theory and media richness theory contributes to the literature on consumer-to-consumer

interactions, interactive services, eWOM, and consumer coping. Libai et al. (2010)

emphasized that online media play different roles in consumer-to-consumer interactions.

My empirical work shows how consumers are connected through different types of social

media sites and how their motives influence the nature of these interactions. In addition,

it offers empirical support for Bolton and Saxena-Iyer's (2009) conceptualization of the

antecedents and consequences of consumer participation in interactive services by

showing that consumers' motives influence their nWOM, a participative behavior that in

turn influences other consumers in a social system. My study also provides insights into

how consumers are using computer-mediated environments to manage or cope with stressful situations.

*Managerial Implications*

Given the increase in consumer-to-consumer interactions on social media platforms, managers need to better understand how to engage with consumers. First, consumers' selection of the channel (alone) serves as a signal of their underlying motives, so managers can design channel-specific nWOM strategies that appeal to the distinct coping motives of dissatisfied consumers. For example, if a consumer posts negative content on an SNS, the firm should extend an apology and provide a message on how it appreciates his or her business. Otherwise, a dissatisfying experience with, for example, a cable television provider can quickly ripple across the consumer's social network. A reactive strategy makes sense even if a consumer communicates through other channels (online or offline) because the firm's response should decrease his or her subsequent nWOM.

Second, firms should also use proactive strategies (e.g., sharing information) to constructively engage with consumers. In this way, social networks can foster "interactive, value-cocreative experiences" between consumers and firms (Brodie et al. 2011, p. 253). Research on consumer engagement can help firms craft channel-specific social media strategies for managing nWOM. I also recommend that managers consider using apology and expressions of appreciation as proactive strategies on SNSs, even when consumers have not expressed a desire for an apology or appreciation. Their choice of using an SNS for posting nWOM is a signal that they likely want one or the other form. This approach is consistent with research showing that proactively offering these

social resources after a service failure (not after a complaint) can generate consumer "delight" (Oliver, Rust, and Varki 1997; Smith, Bolton, and Wagner 1999).

Third, firms should be aware that consumers who are angry (or feel another intense emotion) are more likely to post nWOM on Facebook (or another SNS) rather than on product review or video-sharing sites. As product review sites are only "the tip of the iceberg," firms should try to engage deeply with consumers through multiple channels. For example, despite Amazon Echo's popularity, some consumers have experienced difficulties when asking Alexa to accomplish different tasks. Amazon might consider responding to nWOM on SNSs with a sincere apology and a message of appreciation, while also sharing information on product review sites about Alexa's features and how to use them. As angry consumers often blame firms for their dissatisfying experiences (Oatley et al. 2011; Smith and Ellsworth 1985), firms should include details about the causes of the problem and its ultimate solution.

Fourth, consumers frequently express the desire for revenge on product review sites. In response, firms can articulate informative messages in depth, to signal their effort to provide a high level of instrumental value. An explanation or information displayed on the review sites may further influence other consumers who might consult these sites. For consumers who develop a desire for revenge, this investment may mitigate the perceived damage of the failure and thereby diminish their desire for revenge.

Fifth, because my findings show that video-sharing sites are the only channel associated with the desire for financial compensation, managers might promise compensation with a short explanation and expression of appreciation. Furthermore, consumers tend to believe that nWOM via video-sharing sites is most likely to lead to

being sued by a firm. Managers might take note that consumers posted these negative videos despite such risks and perhaps with legitimate claims (e.g., the famous "United Breaks Guitars" incident). While media coverage seems to have discouraged posting on video-sharing sites, public policy makers might try to better inform consumers about their free speech rights and appropriate ways for seeking redress from firms. Lastly, the best way for marketing managers to forestall nWOM is simply to provide excellent experiences. Consumers who have good experiences (indicated by an interest in free products) are less likely to spread nWOM on any social media channel. Consumer satisfaction has a buffering effect, so a free product may restore the relationship and preempt future nWOM.

### *Future Research Directions*

Future research might investigate how consumers use each type of social media for (broader) coping behaviors (Duhachek 2005; Stephens and Gwinner 1998), such as consumer complaints to the firm, consumer aggressions (e.g., abusing frontline employees by yelling, cursing, or threatening), and avoidant behavior (e.g., exiting the relationship). In addition, research could further explore the consequences of consumers' online nWOM, especially the role of coping effectiveness (Folkman and Moskowitz 2004). Are consumers' desires or subsequent behavior influenced by their perceptions of the effectiveness of posting on different social media channels to achieve a particular coping motive? For example, is a consumer's desire for revenge gratified after posting nWOM on product review sites?

Future studies might also measure each coping motive, to provide insights into the strength of the motive. For example, emotion scholars suggest that different emotions are

characterized by a distinct combination of appraisals and intensity (Johnson-Laird and

Oatley 2013; Oatley et al. 2011). As such, research might investigate whether distinct

emotions (e.g., anger, anxiety, frustration) are differently associated with my three types

of social media channels used for nWOM. The nWOM phenomenon in social media

could also be investigated in more depth for different cohorts or generations. Bolton et al.

(2013) proposed a framework that described how Generation Y's use of social media

differs from that of other cohorts. In my study, I found that consumers' age also plays a

significant role in nWOM engagement on social media; thus, an intensive study of how

such cohorts differ would be fruitful.

CHAPTER 3

THE RISK OF BETRAYAL IN CONSUMER-FIM RELATIONSHIPS

**Abstract**

Firms want to earn consumers' trust so that they can reap relational benefits, especially

consumer loyalty and advocacy. However, consumers who trust firms risk betrayal,

leading to unfavorable business outcomes, such as consumer dissatisfaction and churn,

when firms violate their trust. This paper develops a new scale to measure consumers'

perceptions of a betrayal as a second-order factor arising from their perceptions of broken

trust, and the firm's opportunism, and acknowledged harm. Using three consumer data

sets, this study establishes the convergent and discriminant validity of the betrayal

construct. It estimates a structural equation model that embeds betrayal within a

nomological network of relational constructs, including consumer satisfaction, trust, and

loyalty. Betrayal is negatively associated with consumer satisfaction, trust and loyalty.

The findings can help managers actively avoid behaviors that contribute to the three

components of betrayal. They also provide guidance on how to neutralize consumer

appraisals that may lead to assessments of betrayal: by denying the intentionality of the

action, denying self-motivation, or acknowledging the potential harm.


*Keywords:* betrayal, trust violation, opportunism, trust norm, relationship triggers.

## Introduction

Consumer trust in organizations, whether business, media, government, or other agencies, has fallen dramatically in many countries (Edelman 2018). Popular press has reported many trust-breaking incidents, such as Equifax's failure to protect confidential personal information (Bernard 2018), Facebook's mismanagement of user accounts (Frenkel and Metz 2018), and Volkswagen's false claims about clean diesel (Ewing 2018). Some consumers frame these events as betrayals and report feelings of being betrayed (*The Guardian* 2016; Lanford 2018; Meyer 2019). Research suggests that events evoking consumers' feeling of betrayal are theoretically different from mere product (goods or services) failures in terms of the impact on the consumer–firm relationship (Grégoire and Fisher 2008; Harmeling et al. 2015; Lewicki and Bunker 1996). Given its high practical relevance, research on when and why consumers feel betrayed is timely and important. However, despite a growing number of studies of consequences of trust-eroding incidents (e.g., Finkel et al. 2002; Kim et al. 2004; Wang and Huff 2007), there is little explicit discussion on what betrayal is or how it develops.

Marketing, management, and psychology research generally regards betrayal of trust or trust violation as occurring when specific expectations are unmet or relationship norms are violated. For example, in interpersonal relationships, betrayal may occur when trust expectations are disconfirmed (Jones and Burdette 1994) or when an important relationship norm is violated (Finkel et al. 2002). In buyer–seller relationships, betrayal may occur when confident favorable expectations are disconfirmed (Tomlinson, Dineen, and Lewicki 2004) or when a psychological contract is violated (Wang and Huff 2007). However, these definitions do not clarify what trust expectations or confident favorable

expectations are, what an important relationship norm is, or how a psychological contract applies to trusted relationships. Consequently, both academics and practitioners lack (1) a conceptually sound definition of betrayal incidents that are applicable across a broad range of products and industries, (2) an adequate measure of betrayal that is independent of product categories or types of industries, and (3) a systematic investigation of betrayal outcomes distinguishing its definitive components. For strategic cultivation of the consumer asset, which is a research priority of the Marketing Science Institute (2018–2020), identifying the incidents that shatter the relational foundation and hinder deeper and lasting consumer engagement with the firm is necessary.

Therefore, in an attempt to address the outlined gaps, this study makes three main contributions. First, I theoretically derive the definition of perceived betrayal and its components through an extensive literature review, which I validate through a qualitative pilot study with consumers. I find that relationship events provoking the feeling of betrayal have three key elements: consumers' *broken trust*, their attribution that the situation was caused by the firm's *opportunism*, and the firm's *acknowledgment* that its behavior caused *potential harm* to consumers. I suggest that betrayal incidents occur when consumers perceive that the firm (i.e., product provider) opportunistically caused the undesirable outcome by taking advantage of their willingness to take risks associated with the potential harm. My definition of betrayal illustrates how specific expectancy–disconfirmation goes against a relational governance of trust norm. Moreover, much of the theoretical literature on betrayal has focused on factors that encourage or discourage betrayal incidents and their implications for relationships (e.g., Elangovan and Shapiro 1998; Lewicki and Bunker 1996). My definition of betrayal and its definitive elements

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provides a foundation to understand how these factors interact with each element of betrayal, thereby influencing consumers' perceptions of betrayal incidents. Furthermore, my study provides a theoretical framework that explains how betrayal is distinct from ordinary product failures or expectancy-disconfirming incidents in consumer–firm relationships.

Second, I theoretically develop and empirically validate a product- or industry-independent scale to measure perceived betrayal as a three-dimensional construct. To do so, I followed established scale development procedures using three data sets within a general commercial context. Betrayal as a unitary construct has attracted limited academic attention (Couch, Jones, and Moore 1999), partially because relationship dissolution has been less studied than relationship development (Jap and Anderson 2007). Prior research has established that critical incidents during service encounters can lead to dissatisfaction and potentially erode consumer–firm relationships through significant disconfirmation of relational expectations or perceived injustice (Grégoire and Fisher 2008; Harmeling et al. 2015; Smith, Bolton, and Wagner 1999). My study provides a useful tool to directly measure perceived betrayal that goes beyond simple defects or errors, leading consumers to terminate the relationship with the firm or even to boycott the firm (Klein, Smith, and John 2004). Therefore, my study contributes to advances in research on betrayal and the dynamics of relationships.

Third, I apply the betrayal scale to investigate how betrayal and its three dimensions affect key relational outcomes, such as consumer satisfaction, trust, and loyalty. To the best of my knowledge, most empirical studies of betrayal have focused on its effects by employing scenario-based experimental methods (e.g., Basso and Pizzutti

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2016; Kim et al. 2004; Wang and Huff 2007). These studies assume that participants perceive the incident described in the scenario as betrayal and validate this assumption by checking whether the level of trust decreases after the incident. However, as Lewicki and Bunker (1996) note, some events might lead to decreased trust levels without shattering the relational foundation or terminating the relationship. To the extent that the betrayal construct is poorly manipulated, its potential outcomes remain ambiguous. Using my conceptually sound scale of betrayal, I reassess previous findings on the consequences of betrayal and integrate my study with previous works. A clear understanding of betrayal within a nomological network is necessary to investigate strategies for deterring the occurrence of betrayal in the future.

My work is useful for practitioners because it provides not only an understanding of what betrayal is and when and how it occurs but also a way to assess consumers' perception of betrayal. In practice, managers can use my scale to respond to various consumer trust-eroding events within trusted relationships. I discuss the risk of betrayal as a distinct feature of trusted relationships and clarify the nature of the trust norm. My discussion suggests that managers who want to maintain trusted relationships with consumers should proactively avoid actions that can be suspected as taking advantage of consumers' vulnerability or reliance on the firm. In addition, when consumers suspect a betrayal, managers can reactively attempt to nullify one of the dimensions of betrayal by denying the intentionality of the action, by denying self-motivation, or by acknowledging the potential harm.

In the following sections, I draw from literature in several disciplines to develop a conceptualization and definition of betrayal incidents in consumer–firm relationships.

Then, I distinguish perceived betrayal from related constructs, such as expectancy–

disconfirmation, perceived injustice, and severe product failures, that may arise in the

presence of product failures. Next, I develop and test a scale to measure betrayal

incidents within a general commercial context of trusted consumer–firm relationships.

Using the scale, I investigate consequences of betrayal on important relationship

outcomes, including consumer satisfaction, trust, and loyalty. Finally, I discuss the

significance of my findings for relationship marketing and conclude with managerial

implications and directions for further research.

## Theoretical Foundation

### *Clarifying Trust Norm and Trust Norm Violation*

Prior studies (e.g., Jones and Burdette 1994; Finkel et al. 2002; Tomlinson et al. 2004) on

betrayal have defined a betrayal incident as a violation of certain expectations or norms in

trusted relationships without explicating which behaviors are expected from or restricted

by the trust norm. Therefore, I carefully review relevant literature and discuss how the

risk of betrayal fits into relationships involving trust and how the trust norm governs the

risk of betrayal. After considering how consumers' perception of betrayal develops, I

conceptualize betrayal as a meta-construct comprising three key cognition-based

elements that reflect consumers' overall perception of the incident evoking the feeling of

betrayal. I also discuss the theoretical meaning of each dimension of betrayal and provide

my definition of betrayal.

### *Inherent Risk of Betrayal in Trusted Relationships*

Research typically defines trust as one party's psychological state in which he or she is

*confident* that his or her needs will be satisfied in the future by a partner having valuable

characteristics (Anderson and Weitz 1992; Morgan and Hunt 1994). In my case, whether the firm will satisfy consumers' needs as promised depends on both the firm's ability and its willingness to do so given its own integrity or good intentions toward consumers (Mayer, Davis, and Schoorman 1995; Morgan and Hunt 1994). When consumers do not know either the firm's true ability or its willingness to fulfill its promises, they perceive risk or the possibility of confronting unexpected negative outcomes. To further reduce perceived risk, consumers may try to predict or prevent the firm's possible deviation from its promises by collecting more information or employing costly safeguards, such as third-party monitoring or control mechanisms. For example, additional evidence for the firm's expertise, its principle of integrity and its genuine concern about consumers' best interest can further decrease consumer's perception of the risk. When the level of perceived risk is low enough, consumers may find it reasonable to trust or rely on the firm without making further efforts to reduce the perceived risk (Moorman, Deshpandé, and Zaltman 1993). In the presence of consumer trust, the firm may want to deliver undesirable outcomes for its profit. Therefore, trust involves the inherent risk of betrayal.

***Trust Norm Governs the Risk of Betrayal***

Research has widely used Macneil's (1980, 1985) relational contract theory to consider the role of relationships in which exchanges occur (e.g., Dant and Schul 1992; Dwyer, Schurr, and Oh 1987; Gundlach, Achrol, and Mentzer 1995; Heide and John 1990; Kaufman and Dant 1992). Macneil argues that relational contexts affect and intensify the nature of contractual norms. For example, his norm of role integrity "gauges the nature of requisite roles parties must enact to lend the necessary predictability" (Dant and Schul 1992, p. 43). When relationships serve a foundation on which the other parry relies and

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expects particular role performance, the norm of role integrity requires more than role honesty (Macneil 1980). The key feature of commercial relationships involving consumer trust is that consumers rely on the firm without further efforts to reduce perceived risk. In trusted relationships, the norm of role integrity incurs a distinct responsibility to afford the necessary predictability in exchanges; it prevents the firm from exploiting the state of trust. I refer to this distinct responsibility as trust norm, which governs the risk of betrayal.

### *How Trust Norm is Violated?*

In acknowledgment that trusted relationships governed by the norm of role integrity incur a distinct responsibility, I carefully discuss how the trust norm is violated and perceived by consumers by extending the expectancy–disconfirmation paradigm in the context of relational governance of trust. Informational asymmetry models in information economics provide useful frameworks to understand how the state of trust can be exploited. The risk of betrayal arises from information asymmetry when consumers rely on the firm without completely knowing the firm's true ability or its willingness to deliver the promised outcomes. The first class of hidden action models (e.g., Arrow 1963; Pauly 1968) considers the cases in which consumers (the trustors) do not know about the firm's (the trustee) action during the exchange relationships; therefore, the firm may want to increase consumers' risk for its profit. The situations involving so-called moral hazard problems are useful to investigate the perception of consumers who do not know about the firm's willingness to fulfill the promises. The second class of hidden information models (e.g., Akerlof 1970; Spence 1973; Stiglitz 1975) characterizes the situation in which consumers lack information about the exchange (e.g., the firm's true ability) and

the firm considers entering the exchange relationships with them and faces the incentive to increase its benefit at the expense of consumers. For example, the firm may choose not to provide information which might be useful for consumers, so that consumers can confidently enter the exchange relationships without codifying their beliefs in contracts.

In situations which hidden action models characterize, trust norm is violated when the firm deviates from an expected course of actions by the degree that it cannot lend the necessary predictability. From the consumer's perspective, consumers are likely to suspect its occurrence when unexpected negative outcomes are realized, because trust, by nature, enables them not to monitor the course of actions of the firm (Morrison and Robinson 1997). Of course, consumers can happen to detect such deviations before the negative outcomes are realized. For example, when the firm starts packing a product late knowing that doing so may increase the risk of late delivery against the guaranteed date, consumers may detect it while they shop other products online. In situations which hidden information models capture, trust norm is violated when the firm knowingly allows consumers to enter the exchange relationships which do not match their confident beliefs. Such situations can occur when the firm chooses not to provide important information, not to correct the misleading information that consumers hold, or to provide half-truths. Consumers who are unaware of such disagreement may confidently enter the exchange relationships without codifying their beliefs in contracts (Morrison and Robinson 1997). From the consumer's perspective, consumers are likely to suspect betrayal when the firm rejects unwritten responsibilities or claims unwritten rights against consumers' confident beliefs after entering the exchange relationships (Kim et al. 2004). Kim et al. (2004, p. 105) note that trust can be violated "by intentionally exploiting

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dependencies or by neglecting to fulfill expectations." By employing the two prototypical situations characterized by information asymmetry models, I further clarify how the state of trust can be exploited before and after entering the exchange relationships.

*How Trust Norm Violation is Perceived?*

The violation of the consumer's trust norm occurs with the firm's act of betrayal (Elangovan and Shapiro 1998). However, consumers perceive betrayal only after perceiving the triggering incidents and assessing the required elements of betrayal (Morrison and Robinson 1997; Wang and Huff 2007). In other words, for consumers' perception of betrayal, I need to consider how the triggering incidents activate the betrayal-detection mechanism in which consumers investigate the actual violation of the trust norm in "the shadow of suspicion" (Kim et al. 2004, p. 105) to conclude the occurrence of betrayal. The expectancy-disconfirmation paradigm applies to the triggering incidents (Harmeling et al. 2015), which make consumers suspect the occurrence of the act of betrayal. When the betrayal-detection mechanism is activated, consumers assess the suspicion of betrayal through the attribution (Kim et al. 2004) and appraisal processes to conclude the occurrence of betrayal, which I discuss below.

*Conceptualization of Betrayal*

The risk of betrayal starts playing a role when a consumer perceives an unexpected negative outcome that falls outside of the zone of indifference (Harmeling et al. 2015). Because the firm's ability and its willingness to satisfy consumers' needs determine the outcome, the consumer will place a hold on their previous estimates on the firm's ability, integrity, and good intentions toward consumers. I refer to this cognition-driven state as *broken trust* and capture it as the first element of betrayal. When consumers suspect the

occurrence of betrayal, they will assess whether the firm caused and intended their outcomes and foresaw the potential for consumer harm through the course of its action (Chan 2009; Elangovan, Auer-Rizzi, Szabo 2007; Jones and Davis 1965). I refer to the firm's underlying intention and acknowledgment of the causal link between its action and the resulting consumer harm as *opportunism* and *acknowledged harm* and capture them as the second and the third elements of betrayal.

## Hypotheses Development

### *Dimensions of Betrayal*

*Broken Trust.* Trust is characterized by a psychological state that involves a trustor's decision to be vulnerable without further effort to reduce perceived risk (e.g., Moorman, Deshpandé, and Zaltman 1993). Consistent with this characterization of trust, I define a consumer's broken trust as a psychological state that no longer involves his or her willingness to be vulnerable. It involves a trustor's decision not to be vulnerable in the presence of perceived risk, which is too high to be confident that the firm will satisfy his or her needs in the future. For example, when consumers' outcome is realized outside of the zone of indifference, thereby disconfirming relational expectations significantly (Harmeling et al. 2015), consumers will stop applying the previously confident beliefs to the exchange relationship because of the increase of perceived risk. "Shattered confidence" is one of key characteristics of being betrayed (Couch, Jones, and Moore 1999, p. 452). By definition, broken trust requires the preceding state of trust.

*Opportunism.* Research defines opportunism as "self-interest with guile" (Williamson 1975, p. 6) and guile as "taking advantage of opportunities with little regard for principles or consequences" (Macneil 1981, p. 1023). These definitions suggest that

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consumers perceive the firm's opportunism when the firm lacks regard for principles of the exchange or provides undesirable outcomes for its profit. I argue that consumers' perception of betrayal requires their perception of the firm's underlying intention of opportunism; otherwise, the causal party is not blamable. Antia and Frazier (2001, p. 68) note that "[contract] violations need not imply opportunism," because undesirable consequences can result from uncontrollable factors on the part of the firm or despite its good intentions toward consumers.

When the betrayal-detection mechanism is activated, consumers will reassess each dimension of the firm's ability, integrity, and good intentions toward consumers to identify the cause of the realized outcome (Kim et al. 2004). When consumers attribute their outcomes to the firm's lack of willingness given little regard for its principle of integrity or good intentions toward consumers, they will imply self-interest of the firm (Morrison and Robinson 1997). If the firm invested too little resources or effort for the outcomes by exploiting consumers' reliance, consumers will perceive opportunism of the firm (Wathne and Heide 2000). When consumers attribute their outcomes to the firm's lack of ability, they will further assess whether the firm influenced their confident beliefs on its ability. If the firm was not motivated by self-interest or its self-interested act fully regarded for principles of the exchange and consumers' outcome, the firm will not be blamable. If the firm was self-motivated with guile, for example, by providing misleading information for its profit before entering the exchange relationships, consumers will perceive the firm's opportunism (Wathne and Heide 2000). This feature excludes accidental betrayal incidents (Elangovan and Shapiro 1998), involuntary (coerced or forced) betrayal (Kaplan 1975; Robinson and Bennett 1995), and the violations caused by

different understanding about the exchange (Morrison and Robinson 1997) because in such cases the firm lacks the intention of violating consumers' confident expectations.

*Acknowledged Harm.* The firm's pursuit of profit may not, in itself, cause harm to consumers, especially if, for example, the situation is not characterized as a zero-sum game. Even when it does, psychology studies of betrayal suggest that self-motivated perpetrators often fail to acknowledge harm to the victim (e.g., Fitness 2001; Metts 1989). Therefore, I contend that consumers' perception of betrayal requires their perception of the firm's acknowledgment that its behavior caused potential harm to the consumer (Chan 2009; Finkel et al. 2002); otherwise, the firm's lack of such acknowledgement serves as the cause of immunity. This dimension captures if the firm foresaw the causal link between its act and consumer harm, while the opportunism dimension captures if the firm intended the outcome with guile for its profit. Therefore, I characterize the notion of betrayal in terms of three elements: *broken trust*, *opportunism*, and *acknowledged harm*, as shown in Figure 3.1.

### Definition of Betrayal

When the expectancy-disconfirmation occurs outside of the zone of indifference, consumers suspect betrayal, stop being vulnerable, assess if the firm caused and intended the outcome, and acknowledged that doing so may result in consumer harm through the attribution and appraisal processes. Building on the preceding discussion, I define a consumer betrayal incident as an incident in which consumers perceive that the firm (trustee) intentionally increases its benefit by taking advantage of their willingness to take risks associated with potential harm. This definition implies that a trusted firm's behavior should respect consumers' expectations that it will not increase its profit by taking

Figure 3.1: Results of CFA: The Three-Factor Model (H$_1$)



The problem shook my confidence in the — .78* — Broken Trust

My problem made me doubt the principles of — .82*

Due to the problem, I lost my faith in the — .83*

The problem made me rethink my expectations — .80*

.61*

I think the organization carried out all its duties — .74* — Opportunism

The organization had good intentions. [R] — .75*

The organization tried its best to keep its — .88*

In my situation, the organization acted — .83*

.35*

.45*

I think the organization knew that the problem — .74* — Acknowledged

I think the organization knew what my possible — .74*

I think the organization knew the problem — .85*

Notes: *: p < .01. R = reverse scored. All coefficients values are standardized and appear above the associated path. Dashed lines and numbers next to them represent correlations of factors. Circles represent the measurement errors for each of the items.

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advantage of their reliance, especially when doing so is against its expected role performance and puts consumers at risk of potential harm. My conceptualization of betrayal is formally stated as:

$H_1$: Betrayal is a higher-order construct composed of three dimensions: consumers' perceptions of (a) broken trust, (b) opportunism of the firm, and (c) the firm's acknowledgment of the potential for consumer harm.

### Differentiation from Related Constructs: Expectancy–Disconfirmation, Perceived Injustice, and Severe Service Failure

I discuss how betrayal is related but conceptually distinct from expectancy–disconfirmation, perceived justice, and severe service failures.

First, *expectancy–disconfirmation* is usually considered a key construct of satisfaction and other assessments of service. Thus, a consumer's expectation of a relationship can be unrealistic if it fails to take into account useful information such as the trustworthiness of the partner inferred through repeated exchange. Transformational relationship events, which are conceptualized as significant relational expectation–disconfirmation incidents, do not necessarily terminate the relationship but transform it, with antecedents related to relationship trajectory or velocity changes (e.g., Harmeling et al. 2015). Thus, relational expectation–disconfirmation is not the same as a betrayal.

Second, perceptions of *justice* or *equity* concerns do not require particular relational contexts or conditions to apply, unlike betrayal (Smith, Bolton, and Wagner 1999). A perceived injustice can occur without voluntary agreement of the exchange parties on a mutually beneficial outcome or the inferred reaffirmation of continuing interdependence (Macneil 1980). In addition, the occurrence of perceived injustice does

not require the firm's inferred responsibility not to take advantage of or exploit a particular condition when the consumer does not monitor its behavior with regard to fulfilling his or her needs. Furthermore, beliefs in the equity of exchange relationships do not necessarily involve a promise (Pritchard, Dunnette, and Gorgenson 1972; Robinson and Rousseau 1994) or role expectations. While betrayal is unjust behavior, justice is not equivalent to the trust norm.

Third, a *service failure* occurs when a firm does not fulfill some aspect of an exchange between itself and the consumer. This can be a process or outcome failure and can be significant or insignificant. It may also be a double deviation, or unsatisfactory service recovery (Basso and Pizzutti 2016). Usually, a service failure occurs when consumers' perceptions of the firm's service performance do not match their expectations (Michel, Bowen, and Johnston 2009). A service failure influences transaction-specific satisfaction and overall satisfaction but does not necessarily call the value of the relationship into question, as betrayal does. Moreover, a service failure can be due to uncontrollable factors, such as a natural disaster, whereas the causality of a betrayal needs to be attributed to the service provider. A severe service failure may or may not be viewed as a betrayal, while a betrayal is likely to be considered a severe relationship event. Consumers are likely to appraise the severity of the incident depending on personal importance. Rather than the established relationship knowledge or even self-concepts developed from the relationship, consumers can have other important goals that lead them to evaluate the failure as severe.

As an aside, the strategy literature also uses the term "perceived breach" to refer to the cognition that one firm has failed to meet one or more obligations promised in a

manner commensurate with other firms' contribution (Morrison and Robinson 1997, p.

230). A perceived breach does not necessarily involve the trustor's induced vulnerability.

As long as a situation involves promise, contribution, and implied obligation, unmet

obligation will lead to a perceived breach (Robinson and Rousseau 1994), regardless of

the trustworthiness of the trustee. I do not explore this topic specifically because it

applies primarily to firm-to-firm relationships.

*Consequence of Betrayal in Consumer-Firm Relationships*

Prior conceptual studies suggest betrayal incidents shatter the relational foundation (e.g.,

Lewicki and Bunker 1996). Empirical studies suggest the consequences of betrayal, such

as decline in trust levels and repurchase intention, and negative word-of-mouth (e.g.,

Basso and Pizzutti 2016; Wang and Huff 2007). However, most empirical research use

scenario-based experimental methods and assume that participants perceive the incident

described in the scenario as betrayal (e.g., Basso and Pizzutti 2016; Kim et al. 2004;

Wang and Huff 2007). Lewicki and Bunker (1996) note that some trust eroding incidents

might not shatter the relational foundation. To the extent that the manipulation of betrayal

is not consistent with its definition, my understanding of its consequences remains

ambiguous. To close this gap, I reassess previous findings on the consequences of

betrayal using my conceptually sound scale of betrayal. I develop hypotheses to embed

the construct of consumers' perception of betrayal within a nomological network of the

potential consequences of a betrayal incident. I focus on satisfaction, trust, and loyalty,

because consumers' perceptions of their relationships with product providers are often

measured by these relational outcome variables (e.g., Mende and Bolton 2011). Figure

3.2 summarizes the hypotheses.

*Satisfaction.* An extensive stream of research based on the expectancy–

disconfirmation paradigm has shown that satisfaction results from consumers'

comparison between perceived and expected service performance (Churchill and

Surprenant 1982; Oliver 2014). Consumers' assessment of potential betrayal begins when

they are not able to reconcile what they perceive with what they expected. Beyond the

effect of expectancy–disconfirmation, when disappointed consumers perceive that the

firm's betrayal occurred because of its opportunism, and despite its acknowledgment of

potential harm, the consumer will become further unsatisfied with the relationship. Thus:

> H2: Consumers' perceptions of betrayal are negatively related to their satisfaction
>
> with the firm, when controlling for expectancy–disconfirmation, three dimensions
>
> of perceived injustice, and severe product failures.

*Trust.* Trust reflects consumers' confidence that a firm will satisfy their needs in

the future (Anderson and Weitz 1992; Morgan and Hunt 1994). When betrayal occurs,

the relationship knowledge on which confidence in the relationship outcome is based is

nullified. Therefore, in light of betrayal, the betrayed partner is induced to reevaluate the

partner's true characteristics in the current standing. Thus:

> H3: Consumers' perceptions of betrayal are negatively related to their trust in the
>
> firm, when controlling for expectancy–disconfirmation, three dimensions of
>
> perceived injustice, and severe product failures.

*Loyalty.* Oliver (1999, p. 34) defines loyalty as "a deeply held commitment to

rebuy or repatronize a preferred product or service consistently in the future, thereby

causing repetitive same brand or same brand-set purchasing, despite situational

influences and marketing efforts having the potential to cause switching behavior."

Betrayal brings doubts about any prior evaluations of the product provider. Accordingly, loyalty is likely to invalidate the foundation of the underlying commitment, which is part of relationship knowledge. Specifically, Lewicki and Bunker (1996, p. 127) note that betrayal in relationships with knowledge-based trust makes the aggrieved party "reorganize his or her knowledge base and perceptions of the other in the fact of this event" and "redefine the relationship in light of this event." Especially when the offended parties (i.e., consumers) identify him/herself with the relationship, betrayal "go[es] against [their] common interests or agreements" and "tap[s] into values that underlie the relationship," thereby even creating "a sense of moral violation" (Lewicki and Bunker 1996, p. 127–28). Therefore, I predict that betrayal will be negatively associated with loyalty to the firm.

Previous studies of loyalty (Johnson, Herrmann, and Huber 2006; Oliver 1999) suggest two related aspects: behavioral and attitudinal. Behavioral loyalty captures repeated purchases or visits to the stores, and attitudinal loyalty refers to the degree of dispositional commitment. Consistent with the literature, I measure loyalty with both behavioral and affective measurement items, including intention to revisit the store, positive word of mouth, and the feeling of being loyal.

> H₄: Consumers' perceptions of betrayal are negatively related to their loyalty to the firm, when controlling for expectancy–disconfirmation, three dimensions of perceived injustice, and severe product failures.

**Development of a Betrayal Scale**

*Review of Existing Scales*

Before I operationalize my new construct of betrayal, I review how betrayal has been

measured in prior research. Many studies of topics related to betrayal are theoretical in

nature (e.g., betrayal of trust in organizations [Elangovan and Shapiro 1998];

psychological contract

breach [Robinson 1996]; psychological contract violation [Morrison and Robinson 1997];

distrust [Lewicki, McAllister, and Bies 1998]). For example, Elangovan and Shapiro

(1998) examine betrayal of trust in employee–employee relationships from the

perpetrator's perspective, and Robinson (1996) explores psychological contract breaches

in employee–firm relationships. Most empirical works have employed scenario-based

experimental methods by manipulating rather than measuring betrayal to study (e.g.,

Basso and Pizzutti 2016; Kim et al. 2004; Wang and Huff 2007). These studies assume

that participants perceive the incident described in the scenario as betrayal and validate

this assumption by checking whether the level of trust decreases after the incident. In

other words, researchers have calculated changes in trust levels and treated them as

measures of betrayal. However, as Lewicki and Bunker (1996) note, some events might

lead to decreased trust levels without shattering the relational foundation or terminating

the relationship. To the extent that the betrayal construct is poorly manipulated, its

potential outcomes remain ambiguous. In addition, exploring hypothetical acts of betrayal

is relatively artificial and limited in its implications (Kim et al. 2004). In a notable

exception, Finkel et al. (2002, Study 2) ask respondents to describe betrayal incidents and

their responses and train research assistants to code their descriptions of betrayal on three

dimensions of interest: severity of betrayal, victim distress, and potential for relationship harm. These elements capture respondents' cognitive and affective responses to betrayal incidents. Therefore, after reviewing the literature on betrayal and trust violation, I concluded that there is no promising scale to measure my new construct of betrayal.

*Overview of the Scale-Development Process*

Because I are interested in consumers' perception of betrayal incidents, I develop a new scale of betrayal by employing Finkel et al.'s (2002) approach to capture required elements for consumers to perceive betrayal incidents in consumer–firm relationships. I followed established procedures of developing scales (e.g., Anderson and Gerbing 1988; Bearden, Hardesty, and Rose 2001; Netemeyer, Bearden, and Sharma 2003). I started by conducting an extensive literature search to select initial items along the three elements of betrayal (broken trust, opportunism, and acknowledged harm). Second, in light of Finkel et al. (2002), I conducted a pilot study using the critical incident technique (CIT) to investigate a situation in which consumers found product providers undeserving of their trust in real life. I asked the respondents to share their stories of marketplace incidents that eroded their trust, and I focused on the stories involving the feeling of betrayal. The CIT enabled me to examine how my conceptualization of betrayal based on the literature matched the themes that emerged from consumers' descriptions of the situation involving the feeling of betrayal. After generating an initial pool of 31 items through an extensive literature review and the pilot study, I pretested the items in seven interviews, employing the think-aloud technique (Bolton 1993) which removed one item. Third, I conducted empirical studies to draft, refine, and finalize the self-report scale of betrayal using the 30 betrayal items. For the empirical studies, I conducted exploratory factor analyses (EFAs)

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to identify the underlying factors of consumers' perception of betrayal using a sample of 200 Amazon Mechanical Turk workers, and confirmatory factor analyses (CFAs) to evaluate the fit between the data and the specified factors of consumers' perception of betrayal using a sample of 288 undergraduate students. To avoid misinterpretation of structural relationships (Anderson and Gerbing 1988), I established the measurement model by estimating the structural equation model (Figure 1) and confirmed convergent and discriminant validity of the constructs. Lastly, I tested my hypotheses using CFA. I provide a brief overview of this scale development process here and describe the process in detail in the Appendices B and C.

### Pilot Study: Item Development Using the CIT

I conducted a survey of consumers using the CIT and structured questions about betrayal. Because the construct of betrayal in consumer–firm relationships contexts is understudied, the CIT is appropriate to explore, identify, and refine key themes, core concepts, and important relationships (Gremler 2004).

*Sample.* I collected data from a convenient sample of 191 students taking online classes offered by a large southwestern university in the United States. The age of the respondents ranged from 18 to 53 years (M = 23, SD = 5.32), and 42% were women.

*Interview questions*. First, I asked respondents to recall a memorable situation in which they, as a consumer, found a product (goods or services) provider to be undeserving of their trust. They were asked to share their stories of the incident. Second, I asked respondents a battery of open-ended and close-ended questions about the details of the incident, including (1) the situational context (e.g., type of organization, how long ago the incident happened, strength of relationship with organization), (2) the specific

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circumstances surrounding the incident (e.g., what led up to the encounter, exacerbating factors), (3) their thoughts and feelings after the encounter, (4) changes in trust levels, (5) if any act of the organization's employees could have lessened the detrimental impact of the experience of the betrayal, and (6) the duration of the specific emotions they felt.

*Content analysis of CIT data*. Emotion theory suggests that consumer emotions are highly associated with cognitive evaluations of the situation (Bagozzi et al. 1999). Therefore, in the open-ended questions, I focused on the description of the situation involving the feeling of betrayal. By doing so, I intended to discover whether the feeling of betrayal occurs in the consumer–firm relationship context and, if so, which perceptions characterize such an emotional situation and whether the event involving such perceptions differs from mere product failures that led respondents to adjust their trust level. Following the procedures Strauss and Corbin (1998) suggest, one of the authors conducted a content analysis with the data from the CIT survey questionnaire using open, axial, and selective coding.

*Findings*. The most common types of organizations reported by the respondents were service (51.31%), which I further divided into airlines (20.94%), financial service (11.52%) and other service industries (14.66%). In addition, 74.87% of respondents reported on an incident that occurred within the year, and 95.29% reported certain degree of relationship with the product supplier. The duration of the emotions the respondents felt ranged from one day to years. Several important themes emerged from the content analysis, providing valuable insights into consumers' experiences of betrayal. First, Lewicki and Bunker (1996) note that some trust erosion incidents may not shatter the relational foundation. Consistent with this conjecture, in total, 35.07% of respondents

reported negative changes in trust levels but no feeling of betrayal. In addition, after the incidents in which they found product providers to be undeserving of their trust, 22.51% of participants reported a strong feeling of betrayal.

Next, in their stories, respondents described how they started to suspect the occurrence of betrayal; for example, by being asked to pay more than what they think they should (e.g., "I noticed [the store] had charged me a few times for something I didn't authorize," "[the supplier] charged me a major price hike for the [minor] adjustment."). In response to such expectancy-disconfirming incidents, they investigated how it occurred (e.g., "I called them and they tried to tell me that I did order those products," "The supplier adjusted my product slightly without notifying me") and why (e.g., "If I hadn't looked over my receipt, I would have thought that they amount due was correct. It was like they did this on purpose, seeing as though as I [am] a young kid that probably does not pay attention to this kind of detail," "I feel they took advantage of the fact that I was a frequent customer"). When they detected that the firm intended the outcome for its profit, they further investigated the underlying rationale for the intent. Consistent with Elangovan, Auer-Rizzi, Szabo (2007), they reported more frustration when they attributed the intent to the firm's unwillingness to fulfill the promise relative to its inability (e.g., "Nothing was more frustrating than going down the development path only to find out the supplier had no ability (or worse) willingness to consistently meet my desired quality demands"). They sometimes explicitly indicated how the act of the firm violated their confident expectations toward the firm (e.g., [M]inor adjustments in formulation tweaking or packaging should not result in the price soaring through the roof."). They also indicated the firm's acknowledged that its act may cause consumer

harm (e.g., "The manager did not cancel my membership, so I got charged the next month"). Given a series of assessments, consumers concluded the nature of the act of the firm which caused their initial expectancy-disconfirming incidents (e.g., "I was cheated, I think they lied to me"). In response, they reported a wide range of feelings (e.g., "betrayed," "angry," "sad"), along with behavioral intentions (e.g., "I will never order from them again."). Overall, key themes emerging from consumers' description of the incidents involving the feeling of betrayal suggest that were consistent with my conceptualization of betrayal based on the literature (for more details, see Appendix B). Consistent with the previous literature on betrayal (e.g., Chan 2009; Elangovan and Shapiro 1998; Finkel et al. 2002), I generated an initial set of 31 items in light of the findings of the pilot study.

*Pretest*

I pretested the initial pool in seven think-aloud interviews (Bolton 1993), which yielded a 30-item scale (11 items for broken trust, 10 items for opportunism, and 9 items for acknowledged harm). Participants were asked to verbalize all their thoughts while responding to each item in the initial set. Each interview lasted approximately 45 minutes and was conducted with undergraduate student volunteers at a larger southwestern university. From the interviews, I removed 1 item in opportunism dimension because participants considered it to be rarely used in daily life. Participants particularly reported difficulty in understanding for reversed items for acknowledged harm dimension. Accordingly, I reworded them to better reflect consumer–firm relationships and to help respondents understand them and retrieve the relevant information from memory more easily (Bolton 1993).

*Study 1: EFA*

In the context of general consumer–firm relationships, I examined the pretested 30 betrayal items through an EFA. I chose this general commercial context, because I intended to develop a measure that is independent of product categories or types of industries. The goal was to identify the underlying factors of consumers' perception of betrayal.

*Sample*. I administered the initial set of betrayal items to workers on Amazon Mechanical Turk, a crowdsourcing system in which tasks are distributed to a population of anonymous workers for completion and respondents are recruited. This population is diverse across age, gender, and income (Ross et al. 2010), though it consists of mostly U.S.-based respondents (Stewart et al. 2015); more than half the population (57%) holds at least a bachelor's degree (Ross et al. 2010). I collected 200 usable questionnaires. The respondents were 49.5% female and ranged in age from 21 to 71 years, with a median age of 36 years (M = 38.5, SD = 10.4). Their tenure as consumers of the firm ranged from less than 1 year to 40 years, with a median tenure of 3.17 year (M = 5.70, SD = 7.27).

*Scale refinement*. I conducted an EFA using principal components analysis with oblique rotation. To determine the number of factors to be retained, I eliminated items with low loadings (<.35) or higher-than-moderate cross-loadings (Worthington and Whittaker 2006) of .40 (Chin, Gopal, and Salisbury 1997). This approach resulted in a three-factor solution consisting of 17 consumer betrayal items (7 for broken trust, 6 for opportunism, and 4 for acknowledged harm). These results are consistent with the central paradigm proposed in betrayal literature (e.g., Elangovan and Shapiro 1998; Finkel et al. 2002). Appendix C reports the EFA results. Because scale brevity encourages consumers

to cooperate and reduces fatigue during the survey participation (Netemeyer, Bearden, and Sharma 2003), I further shortened the scale by eliminating the items with smaller loadings. Table 3.1 displays the resulting consumer betrayal items given the scale brevity, including the factor loadings and Cronbach's alphas.

Table 3.1: The 11-Item Consumer Betrayal Measurement Scale (Study 1)

| Betrayal Measures | Factor Loadings | M | SD |
|---|---|---|---|
| **Broken Trust** (BRKN; AVE = .69, CR = .90) | | 5.50 | 1.22 |
| The problem shook my confidence in the organization's practices. | 0.85 | 5.38 | 1.50 |
| My problem made me doubt the principles of the organization. | 0.88 | 5.59 | 1.40 |
| Due to the problem, I lost my faith in the organization's honesty. | 0.73 | 5.35 | 1.48 |
| The problem made me rethink my expectations toward the organization. | 0.85 | 5.67 | 1.29 |
| **Opportunism** (OPP; AVE = .71, CR = .91) | | 4.61 | 1.37 |
| I think the organization carried out all its duties in good faith. [R] | 0.81 | 4.82 | 1.62 |
| The organization had good intentions. [R] | 0.84 | 4.36 | 1.52 |
| The organization tried its best to keep its promises. [R] | 0.84 | 4.57 | 1.64 |
| In my situation, the organization acted faithfully. [R] | 0.87 | 4.69 | 1.64 |
| **Acknowledged Harm** (HARM; AVE = .69, CR = .87) | | 4.64 | 1.35 |
| I think the organization knew that the problem would cause me harm somehow | 0.87 | 4.52 | 1.66 |
| I think the organization knew what my possible damages would be due to the problem. | 0.71 | 4.88 | 1.48 |
| I think the organization knew the problem would hurt me somehow. | 0.90 | 4.52 | 1.60 |

Notes. R = reverse scored. I measured all items on a seven-point Likert scale (1 = "strongly disagree," 7 = "strongly agree.").

*Results and discussion*. The refinement yielded a three-factor solution consisting of 11 items—4 items for broken trust, 4 items for opportunism, and 3 items for acknowledged harm. The three factors were moderately correlated: the correlation between broken trust and opportunism was .48, the correlation between opportunism and

acknowledged harm was .25, and the correlation between broken trust and acknowledged

harm was .59. Factor loadings on the three factors range from .75/.76/.74 to .87/.87/.86.

Cronbach's alphas are .90/.89/.86, the factors' average interim correlations are

.69/.68/.61, and the corrected item-to-total correlations range from .75/.74/.74 to

.80/.81/.78. The final rotated solution explains 74.07% of the total variance of the items.

The factors of broken trust, opportunism, and acknowledged harm accounted for 49.32%,

14.66%, and 10.10% of the total variance, with eigenvalues of 5.42, 1.61, and 1.11,

respectively. Therefore, the scale exhibits convergent validity and reliability according to

standard assessment criteria (i.e., factor loadings >.60, Cronbach's αs >.80, average

interim correlations >.3, corrected item-to-total correlations >.5 for each factor (Bearden,

Hardesty, and Rose 2001; Chin, Gopal, and Salisbury 1997; Netemeyer, Bearden, and

Sharma 2003; Robinson, Shaver, and Wrightsman 1991). Appendix C describes this scale

development in detail.

### *Study 2: CFA: Measurement Model (H$_1$)*

In the same context of commercial consumer–firm relationships, I conducted CFA using

structural equation modeling (SEM). The goal was to establish the measurement model

by evaluating the fit with the data and the prespecified three dimensions of consumers'

perception of betrayal. Establishing a valid and reliable measurement model before

testing the structural model for hypotheses is useful to avoid misinterpretation of

structural relationships (Anderson and Gerbing 1988).

*Sample*. To examine the original measurement model, my sample comprised 288

undergraduate students attending a large southwestern university in the United States.

The respondents were 44.5% female, and ranged in age from 18 to 56 years, with a

median age of 21 years (M= 23.01, SD = 5.18). Their tenure as consumers of the firm

ranged from less than 1 year to 20 years, with a median tenure of 1.17 year (M = 2.67,

SD = 3.72). Table 3.2 describes the variables, their measures, and sources in the

literature. It also shows the measurement properties

for each scale. Table 3.3 reports the means, standard deviations, and correlations of the

focal variables based on the measurement model. The betrayal construct was negatively

associated with satisfaction with the firm, trust and loyalty to the firm.

   *Results and discussion*. I estimated this model using maximum likelihood

estimation and judged the overall model fit according to the robust Satorra–Bentler (S-B)

scaled chi-square, the comparative fit index (CFI), the root mean square error of

approximation (RMSEA), the standardized root mean square residual (SRMR), and the

Akaike information criterion (AIC). The S-B scaled chi-square test is robust to

nonnormality of the data (Curran, West and Finch 1994). Kline (2005) suggests reporting

the chi-square statistic, CFI, RMSEA, and SRMR at a minimum. A model fit is deemed

good if CFI is greater than .95, RMSEA is less than .06, and SRMR is less than.08

(Hooper et al. 2008; Hu and Bentler 1999; Kline 2005). The CFA results indicated that

the initial measurement model involving the three latent variables fit the data well. ($\chi^2$(41;

N = 288) = 86.33, $p$ > .01; S-B CFI = .97; S-B RMSEA = .04; SRMR = .04; AIC =

10005.57.). In addition to the model fit, I examined the reliability, convergent validity,

and discriminant validity of the scale. Factor loadings on the three factors range from

.78/.74/.74 to .83/.88/.85. The composite reliabilities (CRs) ranged from .87 to .90 and

the average variances extracted (AVEs) from .69 to .71. A scale is deemed reliable if CR

is greater than .70 and AVE is greater than .50 (Bagozzi and Yi 1988). Convergent

validity is established, as all item loadings are equal to or above the recommended cutoff level of .60 (Chin, Gopal, and Salisbury 1997). Discriminant validity captures the extent to which an item is not relevant to the measures of other constructs and is established when the square root of the AVE is larger than the correlation coefficients (Chin 1998; Fornell and Larcker 1981). The square roots of the AVEs of the three factors are .83/.84/.83, and the absolute values of the correlation coefficients with other constructs range from .38/.35/.23 to .64/.68/.37. Figure 3.1 and Tables 3.2 and 3.3 show that my scale achieved these criteria. Therefore, my measurement model supports the first hypothesis and is appropriate for testing the structural model.

**Using the Scale to Analyze Relational Outcomes of Betrayal**

*Research Design and Model Estimation and Further Hypotheses Tests (H₂-H₄)*

My measurement model describes how the second-order construct of betrayal is related to its first-order factors of broken trust, opportunism, and acknowledged harm. I estimate the causal model in Figure 3.2 which demonstrates the relationship between consumers' perception of betrayal and key relational outcome measures (i.e., satisfaction, trust, and loyalty) after controlling for other relational events, such as expectancy–disconfirmation, three dimensions of perceived injustice, and severe product failures. Figure 3.2 displays the estimation results from my SEM analysis.

*Results and Discussion*

The results of the CFA show that the fit of the model was satisfactory (model vs. saturated $\chi^2$(331; N = 288) = 630.96 [S-B $\chi^2$(331) = 508.48], $p < .01$; CFI = .95 [S-B CFI = .96]; RMSEA = .056 [S-B RMSEA = .04]; SRMR = .045). I report the mediation analysis based on the CFA results in Table 4. H₄. The control variables include

Table 3.2: Measures, Scale Reliabilities, Principal Components Analysis, and Descriptive Statistics (Study 2)

| Construct and Measurement Items | Factor Loading | Mean | SD |
|---|---|---|---|
| **Consumer Satisfaction** (CS; AVE = .93, CR = .97) | | 2.50 | 1.52 |
| I am satisfied with the firm. | 0.97 | 2.49 | 1.57 |
| I am content with the firm. | 0.96 | 2.56 | 1.6 |
| I am happy with the firm. | 0.96 | 2.44 | 1.55 |
| **Trust** (AVE = .80, CR = .94) | | 2.50 | 1.52 |
| Now, I think that this organization is… | | | |
| Very undependable (1)/Very dependable (7) | 0.91 | 2.85 | 1.52 |
| Very incompetent (1)/Very competent (7) | 0.91 | 3.05 | 1.51 |
| Of very low integrity (1)/Of very high integrity (7) | 0.90 | 3.05 | 1.51 |
| Very unresponsive to customers (1)/Very responsive to customers (7) | 0.85 | 3.09 | 1.69 |
| **Loyalty**[a] (AVE = .83, CR = .94) | | 2.68 | 1.62 |
| I feel loyal to this organization. | 0.85 | 2.30 | 1.60 |
| I intend to visit this organization again. | 0.96 | 2.80 | 1.85 |
| I intend to do business with this organization even though I experienced the problem. | 0.92 | 2.95 | 1.89 |
| **Expectancy-Disconfirmation** (DISCF) | | | |
| My experience with the organization was … Much Worse than Expected (1)/As Expected (4)/Much Better than Expected (7) [R] | | 5.53 | 1.38 |
| **Distributive Injustice** (DJUST; AVE = .71, CR = .88) | | 4.94 | 1.42 |
| The outcome I received was fair. [R] | 0.80 | 4.82 | 1.69 |
| I did not get what I deserved. | 0.84 | 5.10 | 1.68 |
| The outcome I received was not right. | 0.88 | 4.90 | 1.71 |
| **Procedural Injustice** (PJUST; AVE = .63, CR = .84) | | 4.72 | 1.39 |
| The organization had procedures that ensure customers' problems will be resolved in a timely manner. [R] | 0.86 | 4.74 | 1.70 |
| The employee showed adequate flexibility in dealing with my problem. [R] | 0.76 | 4.83 | 1.66 |
| The organization had procedures for customers to express their concerns regarding their business. [R] | 0.76 | 4.58 | 1.75 |
| **Interactional Injustice** (IJUST; AVE = .73, CR = .89) | | 4.95 | 1.46 |
| The employee did not give me the courtesy I deserved. | 0.90 | 4.97 | 1.70 |
| The employees did not put the proper effort into my problem. | 0.88 | 5.11 | 1.71 |
| The employees' communications with me were appropriate. [R] | 0.78 | 4.76 | 1.73 |
| **Severity of the Failures** (SVRT) | | | |
| The severity of the problem with products or services was … Not serious (1)/Very serious (7) | | 4.78 | 1.57 |

Table 3.2 (Continued)

| Construct and Measurement Items | Factor Loading | Mean | SD |
|---|---|---|---|
| **Initial Trust Level [b]** (Range: 0-100%) | | | |
|   Please indicate the level of your trust toward the organization. Before the problem occurred, my trust level toward the organization was … | | 78.57 | 19.08 |
| **Time since event[b]** (Range: 0-20 years) | | | |
|   Approximately when did the incident happen? (Measured in years) | | 1.67 | 2.61 |
| **Relationship Tenure [b]** (Range: 0-20 years) | | | |
|   At the time of the incident, about how long had you been a customer of this organization or service provider? (Measured in years) | | 2.67 | 3.72 |
| **Gender** (Female = 0 [reference category]; Male = 1) | | 0.55 | 0.50 |
| **Age** (Range: 19-52; Standardized in the analyses) | | 23.01 | 5.18 |

Notes. [R] = Item reverse-keyed. Standardized in the analyses. I measured all items on a seven-point Likert scale (1 = "strongly disagree," 7 = "strongly agree."), if not mentioned differently.

Figure 3.2: Proposed Model and Results of SEM Analysis



Notes. *** p < .01, ** p < .05, * p < .1.

74
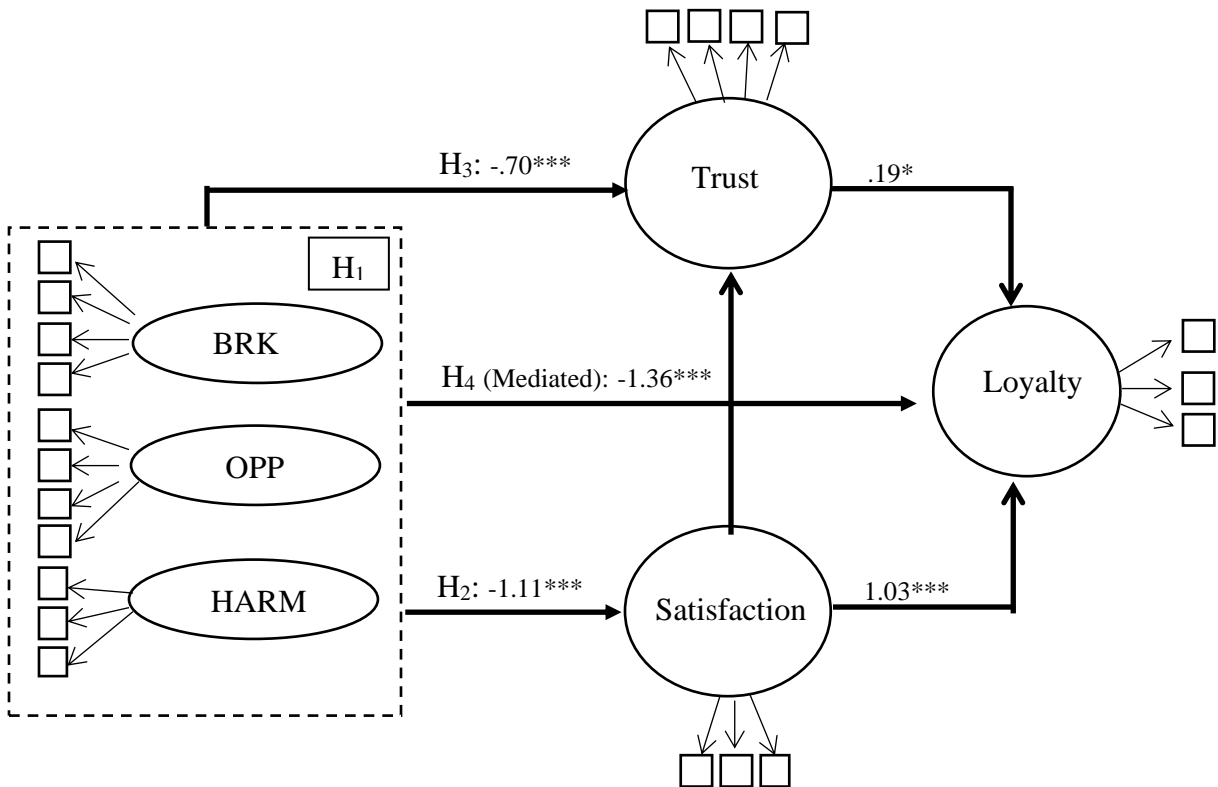
Table 3.3: Correlation Matrix (Study 2)

| | M | SD | Bet. | BRKN | OPP | HARM | DJUST | PJUST | IJUST | DISCF | SVRT | CS | Trust | Loyalty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Betrayal | 4.92 | 1.06 | 1 | | | | | | | | | | | |
| BRKN | 5.50 | 1.22 | .85* | .83 | | | | | | | | | | |
| OPP | 4.61 | 1.37 | .82* | .62* | .84 | | | | | | | | | |
| HARM | 4.64 | 0.14 | .75* | .46* | .35* | .83 | | | | | | | | |
| DJUST | 4.94 | 1.42 | .59* | .55* | .61* | .28* | .84 | | | | | | | |
| PJUST | 4.72 | 1.39 | .54* | .47* | .61* | .23* | .55* | .79 | | | | | | |
| IJUST | 4.95 | 1.46 | .54* | .51* | .56* | .23* | .65* | .67* | .85 | | | | | |
| DISCF | 5.53 | 1.38 | .51* | .53* | .48* | .23* | .51* | .44* | .50* | | | | | |
| SVRT | 4.78 | 1.57 | .43* | .38* | .34* | .33* | .27* | .27* | .34* | .28* | | | | |
| CS | 2.50 | 1.52 | -.66* | -.64* | -.61* | -.36* | -.52* | -.47* | -.49* | -.53* | -.28* | .96 | | |
| Trust | 3.01 | 1.39 | -.70* | -.63* | -.68* | -.37* | -.59* | -.59* | -.59* | -.57* | -.34* | .79* | .89 | |
| Loyalty | 2.68 | 1.62 | -.55* | -.56* | -.52* | -.27* | -.44* | -.41* | -.44* | -.49* | -.28* | .88* | .72* | .86 |

Notes. * $p < .01$, BRKN = Broken Trust, OPP = Opportunism, HARM = Acknowledged harm, DJUST = Distributive justice, PJUST = Procedural justice, IJUST = Interactional justice, DISCF. = Disconfirmation, SVRT = Severity of the failure, CS = Consumer Satisfaction. Value on the diagonal = the square root of AVE. The value on the diagonal are the square root of AVE.

expectancy–disconfirmation, distributive injustice, procedural injustice, interactional injustice, severity of the incident, relationship tenure (the length of the relationship), time since the incident, and the level of trust before the incident. In summary, betrayal is negatively associated with consumer satisfaction, trust, and loyalty ($p < .01$), providing support for $H_2$, $H_3$, and $H_4$. The effect of betrayal on loyalty was only indirect. The nomological validity refers to "the degree to which predictions from a formal theoretical network containing the concept under scrutiny are confirmed" (Venkatraman 1989, p. 951). Therefore, as Table 3.4 suggests, nomological validity is established.

## General Discussion

A substantial stream of research has established that trust forms a foundation that provides many relational benefits to both consumers and firms. However, this stream has advanced to a stage in which there is a need to examine the trust erosion mechanism in more depth. The current research proposes a new construct, betrayal, and provides new insights into how betrayal leads to relationship dissolution. Given that relationship marketing is "first and foremost a perspective of how the firm can relate to its customers" (Grönroos 2000, p. 39), it is important to further understand consumers' concerns about betrayal within trusted relationships. In response, my study demonstrates how specific relationship events lead consumers to terminate trusted relationships, unlike other negative relationship events that simply decrease the level of trust. For example, when consumer concerns about issues such as data misuse (Martin et al. 2017), my construct of betrayal can explain why consumers lose confidence in the benefits of being in a relationship with a firm (Gwinner, Gremler, and Bitner 1998) and feel violation (Martin et al. 2017).

Table 3.4: Mediation Analysis for the Effect of Betrayal on Loyalty ($H_4$)

| Mediation Test | Type of Effect | Coefficient |
|---|---|---|
| **Betrayal Mediated by Satisfaction for Trust** | | |
| Betrayal => Satisfaction | a | -1.11*** |
| Betrayal => Satisfaction => Trust | a*b | -0.41*** |
| Betrayal => Trust | c | -1.11*** |
| *Conclusion: Complementary Mediation* | | |
| **Satisfaction Mediated by Trust for Loyalty** | | |
| Satisfaction => Trust | a | 1.03*** |
| Satisfaction => Trust => Loyalty | a*b | 0.07 |
| Satisfaction => Loyalty | c | 1.11*** |
| *Conclusion: No Effect* | | |
| **Betrayal Mediated by Satisfaction and Trust for Loyalty** | | |
| Betrayal => Satisfaction | a | -1.11*** |
| Betrayal => Trust | a | -0.70*** |
| Betrayal => Satisfaction/Trust => Loyalty | a*b | -1.36*** |
| Betrayal => Loyalty | c | -1.15*** |
| *Conclusion: Indirect Only* | | |

I contribute to marketing theory and practice in five ways. First, I clarify the trust norm and investigate how the risk of betrayal involved in trusted relationships may evoke perceived betrayal for consumers. In addition, I compare betrayal with related constructs, such as expectation–disconfirmation, violation of perceived justice, and severe service failures. Moving beyond these associations, I show that betrayal is distinct from these constructs in terms of its impact on consumer satisfaction, trust, and loyalty. My findings provide a theoretical explanation for situations in which consumers react strongly to critical incidents in their relationship with a service provider.

Second, scholarly effort directed at exploring the phenomenon of betrayal (e.g., Chan 2009; Elangovan and Shapiro 1998) has largely focused on clarifying the conceptual ambiguities surrounding trust-related relationships. However, my study takes

a fresh approach to explaining how relationship events influence the relational governance of trust norm, and in turn, the foundation of trusted consumer–firm relationships. My conceptualization of betrayal can serve as a starting point for future studies of the trust–distrust framework.

Third, my study provides evidence that commercial relationships are subject to the risk of betrayal just as interpersonal relationships are. Aaker, Fournier, and Brasel (2004) suggest that consumers form commercial relationships in ways that are similar to interpersonal relationships. My empirical evidence supports these notions. Moreover, my focus on trusted relationship-specific aversive incidents adds an analytical layer to prior research on negative relationship events (e.g., Harmeling et al. 2015).

Fourth, my empirical findings emphasize the importance of managing the risk of betrayal in trusted relationships. They suggest a distinguished role of betrayal in the consumer–firm relationship in terms of important relational constructs. Because betrayal differs from other aversive relationship events (e.g., mere service failures), trusted relationships also require special caution despite the strong relationship bond. Moreover, my discussions on the nature of trust, trust norm and betrayal suggest that trusted relationships that suffer a betrayal might require differentiated treatment for potential recovery, consumer forgiveness (e.g., Finkel et al. 2002), and consumers' rebuilding intentions.

Fifth, opportunism is one of the key constructs in the literature on transaction cost theory. In their review of transaction cost theory, Rindfleisch et al (2010) call for further research on the moderating role of opportunism to better understand the nature of this construct. Previous studies have focused on the positive aspect of trust, such as its

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interaction with opportunism. For example, Jap and Anderson (2003) show that the positive relationship between trust and interorganizational performance is strengthened when perceived opportunism is low. In the presence of trust, my study further explores the role of opportunism by investigating how it comprises betrayal with other components. My discussion on the nature of a trust norm and the inherent risk of betrayal helps further clarify the nature of opportunism.

*Managerial Implications*

Firms attempt to maintain trusted relationships with their consumers to continue enjoying the provision of relational benefits. However, many firms unwittingly cause both minor and major betrayals in their efforts to serve consumers. To avoid the risk of betrayal, firms can improve their understanding of what constitutes betrayal incidents and incorporate my self-reported consumer betrayal scale into their studies of consumer experience. By doing so, they can better understand the cause of the problem and associated harms in the occurrence of negative relationship events of betrayal. For example, firms can conduct annual interviews with their clients regarding the overall perception of their relationship with the firm and their risk of betrayal. Firm managers can administer the betrayal scale as part of the interview process, to improve their understanding of the risk of dissolution of trusted relationships and ensure they respond proactively rather than reactively. Insofar as developing relationships with consumers and building reputations are important, managing a reputation as a trusted provider of products and services is equally or even more important. Often, how the trusted relationship is dissolved or terminated is not known in detail. My work offers useful

implications for managers, especially those who design and analyze consumer experience and train and empower employees.

*Future Research Directions*

This study takes a first step toward understanding negative relationship events. In this section, I discuss three ways that research can extend my study. First, research could investigate the role of frontline employees in the phenomenon of betrayal. Iacobucci and Ostrom (1996) note that different processes might operate for consumer–employee and consumer–firm relationships. In line with this insight, Mende and Bolton (2011) empirically demonstrate the compensation hypothesis on the target of attachment: Consumers who have high levels of attachment anxiety (avoidance) toward the employee are likely to compensate for this deficiency by forming a relatively more secure attachment to the firm instead. In this research, I focus on betrayal in consumer–firm relationships. Further research could investigate how employees can independently contribute to the occurrence of betrayal or whether they can be an effective means of mitigating the detrimental impact of betrayal as a different target of commercial relationships.

Second, Aaker, Fournier, and Brasel (2004) show how the occurrence of brand transgressions influences the strength of consumer-brand relationships. The authors operationalized the transgression by the accidental erasure of digital print by an inexperienced employee. Huber et al. (2010) consider the brand's intentional use of very young female workers with very old-fashioned machine and show that such a brand misconduct does not change the nature of the self-congruence—relationship quality—repurchase intention linkage. Research might further investigate whether consumers

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would exhibit the phenomenon of betrayal in their relationship with the brand and whether betrayal in the consumer–brand relationship differs from that in consumer–firm relationships. For example, when companies are sued over the alleged use of child labor in soccer ball factories contracted by Adidas, Nike, and Puma (Huber et al. 2010), in chocolate factories by Kellogg, Nestlé, and Unilever, leading them to doubt the integrity of the brand. Moreover, research might consider the role of brand personality in the consumers' experience of betrayal.

Third, betrayal as a negative relationship event can serve as a signal that consumers are no longer valued by a service provider. The prominent feeling of sadness suggests that consumers who feel betrayed may derive the self-implication of rejection from their trusted relationship as they typically would in an interpersonal relationship (Finkel et al. 2002). This insight suggests the need for further investigation that incorporates both betrayal and consumer identity into theoretical frameworks in the realm of relationship marketing.

# CHAPTER 4

## BETRAYAL: A TURNING POINT IN BUYER-SELLER RELATIONSHIPS

**Abstract**

This paper investigates how business customers' perceptions of betrayal influence their trust and intentions to repurchase from and recommend a supplier, as well as their intentions to decrease, terminate, or to expand their relationships with a supplier. It develops six hypotheses and builds a six equation-model of a business customer's evaluation of and intentions toward its supplier. The model was estimated in the context of a high-technology manufacturing industry using survey data from 157 business customers of a cooperating firm. Ordinary least squares results show that perceived betrayal is negatively associated with trust, and intentions to repurchase, to expand the relationship, and to recommend the supplier, after controlling for the level of satisfaction and relationship-, firm-, and individual-level variables, as well as time covariate. The findings demonstrate the predictive value of customer perceptions of betrayal on four relational and behavioral outcomes: trust, repurchase intentions, expansion intentions and recommendation intentions. These behaviors all have downstream implications for the suppliers' profits. By attending to cognitive cues for each dimension of customer betrayal, managers can promote new practices to effectively maintain the business relationship, thereby increasing customer retention, customer lifetime value, and revenue potential.


*Keywords:* betrayal, trust violation, opportunism, trust norm, turning points

**Introduction**

Customer defection, defined as the customer-initiated "reduction of a business relationship," (Hollmann, Jarvis, and Bitner 2015, p. 258), remains high for many firms despite more than two decades of academic research on relationship marketing. Although customer retention is important to business success, systematic investigation of the factors which motivate business customers to defect is still sparse (Hollmann, Jarvis, and Bitner 2015; Keaveney 1995). In the business-to-customer (B2C) context the literature on betrayal and trust violation suggests that a betrayal incident demolishes the foundation of the relationship, thereby, motivating the victim to defect (e.g., Kim et al., 2004). However, the effect of betrayal on the business relationship remains unknown. In the remainder of this chapter, all references to "customer" refer to the buying organization.

The literature on customer defection in the business-to-business (B2B) context has primarily focused on factors which contribute to relationship development, longevity of the relationship, customer loyalty, or retention (e.g., Bolton 1998; Keaveney 1995; Dwyer, Schurr, and Oh 1987; Ping Jr. 1993). Examples include favorable contractual factors such as superior perceived quality and relational outcomes such as customer satisfaction and trust. Many studies have shown that these factors contribute to relationship continuity by increasing customer retention and decreasing defection (e.g., Geyskens, Steenkamp, and Kumar 1999; Ulaga and Eggert 2006). Although these factors reflect the stage of the relationship or perceived value in *past* exchanges, they are limited in their power to predict *future* relationship value when perceived value or governance mechanisms have changed. For example, when customers perceive a supplier's

opportunism and re-assess the trustworthiness of their partner, perceived value in the past period is likely to be a poor predictor of the value of future exchanges.

A second literature stream has focused on factors which influence customers' defection motivations, such as alternative suppliers' attractiveness and switching costs (Lam et al. 2004; Ping 1993; Wagner and Friedl 2007). These factors are useful in understanding the link between customers' defection motivations and their actual defection decisions. However, factors which mediate customers' defection motivations might be different from the underlying events which motivate them to defect. A few studies suggest that critical incidents can trigger relationship changes but most studies in this domain are conceptual in nature and employ qualitative research methods (e.g., Halinen and Törnroos 2005; Halinen, Törnroos, and Elo 2013; Hollmann, Jarvis and Bitner 2015). A notable exception is a study of business customers' decisions to renew service contracts; Bolton, Lemon and Bramlett (2006) find that a few extremely favorable experiences in a given contract with a supplier are positively related to a customer's likelihood of contract renewal, after controlling for average service levels across all contracts with the supplier.

The purpose of this chapter is to study the effect of betrayal on business customers' behavioral intentions, focusing on those that have implications for the future supplier-customer relationship. Specifically, I attempt to locate perceived betrayal within a nomological net of B2B relational outcomes, especially trust and defection behaviors. This chapter has three specific aims. First, it draws on the B2B defection literature to develop hypotheses about how business customer perceptions of betrayal are related to their trust in the supplier. Second, it develops hypotheses about how perceived betrayal

influences business customers' intentions to repurchase from the supplier, to decrease the volume of purchase, to terminate the relationship or to expand the relationship. Third, it explores how perceptions of betrayal influence business customers' intentions to recommend the supplier to other business associates.

I develop six theory-based regression equations and estimate them with data from a cross-sectional survey of business customers of a supplier of high-technology products and services. The cooperating firm sent emails to their customers who had experienced a service encounter within the past six months. The emails solicited participation in a web survey, ultimately obtaining responses from 157 business professionals about their problems and overall relationships with the supplier. This chapter empirically explores the relationships among business customer perceptions of betrayal, satisfaction, trust, intentions to repurchase and intentions to recommend.

This study of the effects of betrayal on business customers' trust and defection intentions makes five contributions to the marketing literature. First, it contributes to the literature on trust and betrayal by providing empirical evidence that customer perceptions of betrayal are negatively associated with trust levels in the business context. My finding that the effect of betrayal on trust is significant after controlling for satisfaction extends the literature on the distinct roles of trust and satisfaction in the business context (Selnes 1998; Venetis and Ghauri 2004). For example, in food manufacturer and industrial buyer relationships, Selnes (1998, p. 396) find trust plays a key role in relationship expansion, whereas satisfaction plays a key role in relationship continuity. Second, I find that customer perceptions of betrayal influence their intentions to repurchase, to expand the relationship, and to recommend the partner in business context. Studies contend that

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customers strategically choose these behaviors based on cumulated defection motivation until the relationship terminates (Doz 1996; Hollman, Jarvis and Bitner 2015; Zeithaml, Berry and Parasuraman 1996). My findings identify the foundation of relationship dynamics at the individual customer level by focusing on a range of behaviors which have implications for relationship discontinuity. Betrayed customers are less likely to repurchase, expand the relationship or recommend the supplier to other business associates, after controlling for satisfaction levels.

Third, my findings are significant only for favorable behaviors after controlling for satisfaction, relationship-, firm-, and individual-level variables, and time covariates. Ulaga and Eggert (2006) find different mechanisms for the effect of relationship value on purchase managers' intention to expand and terminate the relationship. My findings are consistent with the claim that the antecedents of business customers' intentions for favorable behaviors might be qualitatively different from those for unfavorable behaviors. In addition, the findings on differences in how betrayal influences a range of customer defection behaviors reinforce the benefits of studying business relationship dynamics at the level of individual customers. Fourth, my empirical work regarding betrayal events provides a foundation for further work on customer defection, switching behavior, loyalty, and retention as well as relationship development, relationship dissolution, relationship termination, and relationship dynamics. For example, Dwyer, Schurr, and Oh (1987) conjecture that relationship dissolution is likely to be initiated unilaterally, whereas relationship development is mainly based on bilateral efforts. My findings provide empirical evidence for their conjecture. Last, my study undertakes an

empirical examination of the impact of betrayal on individual business customers; prior empirical studies of defection are sparse in a business-to-business context.

This chapter is organized as follows. I begin by reviewing the literature on factors that explain relationship discontinuity or customer defection in the business context. Then, based on the theoretical ideas about business customers' buying patterns, I offer a conceptual framework to understand the effect of betrayal on customers' behavioral intentions which have relational implications. Next, I develop six linear regression models to explain trust, intentions to repurchase, to reduce, to terminate or to expand the business relationship with a supplier or to recommend the supplier to other business customers. After this, I describe the study's research design, the data, and the estimation of ordinary least squares (OLS) equations that model business customers' defection decisions. I conclude by describing the results, discussing their implications for relationship marketing theory and practice, before outlining an agenda for future research.

**Literature Review of Betrayal, Trust, and Defection of Business Customers**

*Service Quality, Satisfaction and Trust*

In an industrial buying context, many empirical studies have shown that business customers' perceptions of service quality, satisfaction and trust are positively related to their intention to continue a relationship with a supplier and their loyalty (Geyskens, Steenkamp, and Kumar 1999; Gounaris 2005; Rauyruen and Miller 2007; Selnes 1998; Venetis and Ghauri 2004). For example, in advertising agency-client relationships Venetis and Ghauris (2004) showed that clients' perception of service quality is positively related to their intention to stay in the relationship. Customers who perceive

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high service quality are likely to perceive high levels of relationship value (Bolton and

Drew 1992). In the context of a business courier service, Lam et al. (2004) show that

customer satisfaction mediates the effect of customers' perceptions of value on their

willingness to recommend and loyalty. Customers' satisfaction in the current period often

serve as a good proxy for their satisfaction or for favorable outcomes in a future

exchange (Geyskens, Steenkamp, and Kumar 1999; Ulaga and Eggert 2006). In this

literature stream, researchers widely accept the link between customer satisfaction and

customer retention (Geyskens, Steenkamp, and Kumar 1999; Selnes 1998). Trust occurs

when customers become confident in their supplier's reliability and integrity (Morgan

and Hunt 1994). In the relationship between a food manufacturer and industrial buyers,

Selnes (1998) finds that trust is positively related to customers' motivations to expand the

scope of the relationship, whereas satisfaction is positively related to their motivation to

continue the relationship with the supplier. Consistent with this finding, in the context of

a client-service provider relationship, Gounaris (2005) find that trust is positively related

to clients' affective commitment, which in turn is positively related to their intentions to

remain and invest in the relationship with their suppliers.

This stream of studies suggests that favorable contractual factors (e.g., service

quality) and relational outcomes (e.g., customer satisfaction, trust) are good predictors of

relationship continuity and customer retention. Given the perception of value, which

represents the raison d'être of business relationships (Anderson 1995), customers attempt

to reduce their perceived risk by selectively working with a supplier whom they can be

satisfied with and trust in a series of transactions (Ulaga and Eggert 2006). However, the

predictive power of the aforementioned factors is limited when factors outside the

relationship change the relationship's fundamental value (Doz 1996; Seabright,

Levinthal, and Fichman 1992). For example, when a new attractive supplier enters the

market, this external factor can influence customers' perceptions of the relational benefits

for future exchanges despite their satisfaction with the last transaction with the supplier.

Since contractual factors and relational outcomes arise from the appraisal of *past*

exchange outcomes (Geyskens, Steenkamp, and Kumer 1999; Ulaga and Eggert 2006),

they can predict *future* behaviors of customers only when relative benefits and underlying

governance mechanisms remain valid.

### *Situational Factors and Switching Costs*

Both conceptual and empirical studies identify factors which can influence relationship

discontinuity and customer defection (Lam et al. 2004; Ping 1993; Wagner and Friedl

2007). For example, in a study of a supplier and its retail customers, Ping (1993) find that

retailers' defection is positively related to the attractiveness of the alternative supplier,

whereas it is negatively related to their overall satisfaction with the current relationship.

The explanation is that the degree of attractiveness of alternative suppliers has

implications for the relationship's relative value. In support of this idea, Doz (1996)

proposes that successful strategic alliances involve an iterative process in that one party

learns and reevaluates the environment, the mutual definition of task, the partner's skills,

and the governing process and adjusts the level of commitment to the alliance over time.

He notes that the degree of the alternative suppliers' attractiveness is an example of

environmental factors that customers evaluate before they make a retention or defection

decision. These two studies indicate that factors outside the relationships can influence

customers' decisions to defect when they influence the relative value of the focal relationship.

In general, customers make a defection decision by assessing the costs and the benefits of defection. Although factors, such as an alternative attractiveness increase benefits of defection, there are switching costs involved when customers defect. Switching costs are the monetary and non-monetary costs involved in changing from one supplier to another (Heide and Weiss 1995). Nonmonetary costs include the time and effort required to search for and evaluate alternative suppliers, established routines or procedures for dealing with the current supplier, irreversible investments that have already made and any benefits lost or earmarked as useless when the current relationship terminates (Lam et al. 2004; Ping 1993). Empirical studies have reported that switching costs are positively related to customer loyalty (e.g., Lam et al. 2004). "Discouraged defection" (in which the relationship is not completely terminated) can take the form of decreasing the volume of purchase from the current supplier, or that of partial switching followed by initiating a business relationship with a new supplier. For example, when information asymmetry prevents the customer from identifying the cost structure of the alternative supplier, complete switching may be too risky, and the customer will remain in the current relationship. Wagner and Friedl (2007) build an analytical model that shows that B2B switching can take place along a continuum of "no", "partial" and "complete" switching, depending on the business customer's belief about the uncertain cost structure of the alternative supplier.

This stream of literature suggests that factors inside and outside of the relationship can influence customer defection when they influence customers' perceptions of the

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relative value of the relationship. These include factors which influence the benefits of the relationships with the current supplier or alternative suppliers or the costs of defection can influence relationship dynamics. These studies are useful in understanding factors which moderate the defection motivation and defection link. However, they have limited ability to explain what motivates customers to defect.

*Relationship Events That Trigger Relationship Dissolution*

Marketing scholars widely agree that the development of business relationships is an evolutionary process wherein each stage of the relationship is characterized by certain relationship outcomes, such as trust and commitment (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994; Ping and Dwyer 1992). However, the process of relationship dynamics is relatively underexplored (Åkerlund 2005; Edvardsson and Roos 2003; Hollmann, Jarvis and Bitner 2015). For example, how customers' motivations to disengage from a supplier arises and unfolds over time have received scant attention. In a notable exception, Hollmann, Jarvis, and Bitner (2015, p. 258) discuss how relationship events may arise within and outside of the relationship and dissolve the relationship over time. They illustrate how one party is motivated to defect and how such defection motivation becomes stronger as the other party repeatedly violates goals, practices, and values at either the organizational or individual level. They propose that relationship events move customers from "relationship status quo" to defection and that defection occurs when cumulated defection motivation surpasses a threshold. Consistent with this idea, both conceptual and empirical studies have suggested that relationship events can influence one party's decision to continue the relationship (e.g., Bolton, Lemon and Bramlett 2006; Halinen, Törnroos, and Elo 2013). For example, Halinen and Törnroos

(2005, p. 170) proposed a process model of relationship dissolution in which

"precipitating events" motivate one party to assess the meaning of events, choose

appropriate response behaviors, and communicate their decision at both dyad- and

network-levels.

Insights from these studies suggest that critical relationship events trigger

relationship changes by motivating one party to assess the meaning of events and to

choose their response behaviors accordingly (Doz 1996; Halinen and Törnroos 2005;

Hollmann, Jarvis and Bitner 2015). Their response behaviors, such as repeat purchase

decisions, have important implications for relationship dynamics (Selnes 1998; Zeithaml,

Berry and Parasuraman 1996). Many studies in this domain are conceptual in nature and

employ qualitative techniques (e.g., Halinen and Törnroos 2005; Halinen, Törnroos, and

Elo 2013; Hollmann, Jarvis and Bitner 2015). However, in a study of B2B service

contract renewal decisions, Bolton, Lemon and Bramlett (2006) find that a customer who

has a few extremely favorable experiences for a given service contract with a supplier is

more likely to renew that contract, after controlling for average service levels across all

contracts with the supplier.

### *Perceived Betrayal as a Triggering Event*

As shown in the preceding chapter, studies of betrayal in a B2C context indicate that

betrayal or trust violation shatters the foundation of the relationship, thereby, motivating

the victim to terminate the relationship (e.g., Kim et al., 2004). However, the impact of

betrayal on the relationship in a B2B context has received little attention. Therefore, in

the next section, I develop hypotheses on how a betrayal incident can influence aggrieved

business customers' response behaviors, which can be indicative of a change in the nature of the underlying relationship with the supplier.

A defection decision is often protracted (Ping 1993). Therefore, until the time when the aggrieved party terminates the relationship or completely switches to another suppliers, the customer's cumulated defection motivation will be manifested in terms of their intermediate response behaviors (Hollman, Jarvis and Bitner 2015; Wagner and Friedl 2007; Zeithaml, Berry and Parasuraman 1996), such as repeat buying or recommendation intentions. My study will add knowledge in this regard by undertaking an empirical examination of the impact of betrayal on behavioral intentions at the individual business customer level.

## Hypotheses Development

Recall that Chapter 3 showed that *customers* perceive betrayal when they discover that their supplier intentionally increased profit by taking advantage of their willingness to take risks within the relationship despite the potential for harm. It also showed that the three key components of customer perceptions of betrayal are their broken trust, the supplier's opportunism, and the supplier's acknowledgment of the potential harm caused to the customer. Drawing on these insights, this section develops theory-based hypotheses about how the relationship event of betrayal affects business customers' trust and their intentions toward future purchases and recommendations. Figure 4.1 depicts a conceptual framework which summarizes my hypotheses.

### *Consequences of Betrayal on Customer Trust*

Business customers develop trust when they are confident in their partner's reliability and integrity (Morgan and Hunt 1994). Their intention to take risks within the buyer-seller relationship arises from the trustors' perception that their partner is competent, holds

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Figure 4.1: Conceptual Model



**Perceived Betrayal**
- Broken Trust
- Opportunism
- Acknowledged Harm

**Other Exchange Events**
- Disconfirmation
- Severe Events
- Other-Attributed Events

Relationship / Business Outcomes

**Partner Information Update**
- Trust (H1, -)

**Business Behavioral Intentions**
- Intention to Repurchase (H2, -)
- Intention to Decrease Purchase (H3, +)
- Intention to Terminate the Relationship (H4, +)
- Intention to Expand the Relationship (H5, -)
- Intention to Recommend the Supplier (H6, -)

integrity, and cares about their interest (Mayer, Davis, and Schoorman 1995; Morgan and

Hunt 1994). When customers are betrayed, their relationship knowledge, including the

evaluation of the supplier who perpetrated the betrayal, is cast into doubt. In particular,

when a customer perceives a supplier's lack of integrity or care about their interest, the

risk of the supplier's opportunistic behaviors prevents this customer from maintaining the

assumption that their needs will be satisfied in a future exchange with the supplier

(Ganesan et al. 2010; Morgan and Hunt 1994; Seggie and Griffith 2013). Betrayal occurs

when customers perceive their broken trust as being a result of their partner's

opportunism despite their acknowledgment of a potential for harm. Therefore, in the

presence of betrayal, customers' reassessment of the self-motivated business partner's

virtuous characteristics, such as competence, integrity and/or care about customers is

likely to suggest a decrease in *each* trustworthiness factor, and in turn, trust (Mayer,

Davis, and Schoorman 1995; Morgan and Hunt 1994). Thus, I propose the following

hypothesis, after controlling for level of satisfaction, relationship-, firm-, and individual-

level variables and time covariates.

H₁: Customer perceptions of betrayal are negatively related to their trust in the supplier.

### *Business Customers' Intentions to Defect*

Customers can withdraw from the business relationship in many ways, including by not repurchasing, decreasing the volume of exchange with the supplier in a given product category, or terminating the business relationship (Roo 1999; Wagner and Friedl 2007; Zeithaml, Berry and Parasuraman 1996). Betrayal is likely to influence the range of customers' decisions because customers who perceive increased probability of the supplier's opportunistic behaviors are likely to reassess the fundamental value of continuing the relationship with the perpetrator. A customer's perception of the relationship value influences their intentions to terminate or expand the relationship (Ulaga and Eggert 2006; Venetis and Ghauris 2004).

*Repurchase intention.* In terms of industrial buying patterns, customers' decisions to repurchase correspond to a straight rebuy. A straight rebuy means purchasing the same volume as in the past in a straightforward manner and is characterized as routinized buying behavior (Robinson, Faris, and Wind 1967). An example is procurement of a continuing or a recurring requirement of a product. A routinized straight rebuy occurs when customers require little or no information about the product or the supplier to make a repeated purchase decision. In other words, a routinized repurchase decision is possible only when economic efficiency allows customers to bear the level of perceived risk (Ring and Van de Ven 1994; Selnes 1998). When customers perceive betrayal, the level of their perceived risk is likely to be sufficiently high to offset the assessment costs they can save by engaging in straight rebuy. To make a repurchase decision in the presence of betrayal,

customers must re-assess the supplier's virtuous characteristics, such as its integrity and the degree of caring for the partners and the likelihood that their needs will be fulfilled by the supplier who perpetrated the betrayal. A decrease in trustworthiness and an increase in perceived risk are likely to decrease customers' intentions to repurchase from the opportunistic supplier. Thus, I propose the following hypothesis, after controlling for level of satisfaction, relationship-, firm-, and individual-level variables and time covariates.

H$_2$:     Customers' perceptions of a betrayal are negatively related to their intention to repurchase.

*Intention to decrease the volume of purchase*. The literature suggests that partial switching can be optimal in some situations (Roos 1999; Wagner and Friedl 2007). Customers' decisions to decrease the volume of purchase are examples of a modified rebuy behavior. Modified rebuy situations occur when customers need to incorporate new information about the product or the supplier (Robinson, Faris, and Wind 1967). Betrayed customers acknowledge the supplier's opportunism which implies that customers need to reassess the supplier's trustworthiness and corresponding relational governance. In the context of the telecommunication industry, Bolton, Smith, and Wagner (2003) find that the social bond established by the exchange of social resources delivered by employees has a greater influence on perceived value than the structural bond created by the exchange of economic resources. Since betrayal is likely to demolish the social bond with the supplier who perpetrated the betrayal, the impact of betrayal on perceived value is likely to make aggrieved customers perceive alternative suppliers as relatively more attractive. Therefore, betrayed customers are likely to incorporate the

implications of betrayal and to decrease the volume of purchase. Thus, I propose the following hypothesis, after controlling for level of satisfaction, relationship-, firm-, and individual-level variables and time covariates.

H3:    Customers' perceptions of betrayal are positively related to their intention to

       decrease purchase.

*Intention to terminate the relationship.* Studies report that complete withdrawal from the relationship or complete switching (Roos 1999; Wagner and Friedl 2007) can be "made over many months or even years" (Hollman, Jarvis, and Bitner 2015, p. 258) and are often protracted (Ping 1993). When customers perceive relational instability (Das and Teng 2000; Good and Evans 2001; Holmlund-Rytkönen and Strandvik 2005), as too high to maintain the business relationship by any degree, they may decide to opt-out of the relationship and to switch to an alternative partner, if possible. Conceptual models for relationship dissolution and anecdotal evidence suggest that when customers' motivations are strong enough, thereby surpassing a threshold, they internally start searching for alternative suppliers, start collecting information about their virtuous characteristics as business partners, and start estimating the potential relationship value with possible governance before they make a decision to defect or not (Doz 1996; Hollmann, Jarvis, and Bitner 2015; Halinen and Törnroos 2005). In this regard, switching costs or costs that switching customers need to bear include costs required for a modified rebuy or a new task with alternative suppliers unless they do not procure products (Lam et al. 2004; Ping 1993; Robinson, Faris, and Wind 1967). In support of these ideas, empirical studies have reported that switching costs discourage customer defection (e.g., Lam et al. 2004). Therefore, complete switching is desirable only when attractive alternatives can provide

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superior value which can offset customers' complete switching costs. In the context of the manufacturing industry, Ulaga and Eggert (2006) find that relationship value is negatively associated with purchase managers' intention to terminate the relationship. Betrayed customers perceive decreased value because they perceive the supplier's opportunism which invalidates a relational governance of trust. Thus, I propose the following hypothesis, after controlling for level of satisfaction, relationship-, firm-, and individual-level variables and time covariates.

$H_4$:    Customer perceptions of betrayal are positively related to their intention to terminate the relationship.

*Intention to expand the relationship.* Many studies have implicitly assumed that customers' intentions for unfavorable behaviors are the opposite of their intentions for favorable behaviors (e.g., Venetis and Ghauris 2004; Zeithaml, Berry and Parasuraman 1996). However, in their study of purchase managers in the manufacturing industry, Ulaga and Eggert (2006) find that relationship value positively influences their intention to expand the relationship with the main supplier both directly and indirectly, while it influences their intention to terminate the relationship only indirectly via relationship quality. They conceptualized relationship quality as a second-order construct consisted of satisfaction, trust and commitment. Their findings suggest that customers' intentions to expand the relationship might not be the opposite of their intention to terminate the relationship.

Betrayal casts doubt on "deeply held intuitions about the integrity, even sanctity" of the relationship (McGraw, Tetlock, and Kristel 2003, p. 221). When customers are betrayed by an opportunistic supplier, previous relationship knowledge (now cast in

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doubt) is unlikely to predict favorable outcomes in future exchanges. To engage in future

interactions, betrayed customers need to reassess the relationship knowledge, such as the

virtuous characteristics of the supplier, the supplier's value as a business partner, the

possible nature of the relationship and the possible governance mechanisms in the future

(Doz 1996; Halinen and Törnroos 2005; Jones and George 1998). To the extent that prior

relationship knowledge is nullified, the uncertainty in achieving the business outcome

and corresponding transaction costs increase (Rindfleisch and Heide 1997), and in turn

relationship value decreases. In the context of the business support service industry,

Bolton, Smith and Verhoef (2008) find that business customers' decisions to upgrade

service contracts given they have decided to renew the contract are influenced by service

quality, price, and satisfaction, where modest improvements in service quality for a focal

contract can increase their likelihood of upgrade. Their findings suggest the importance

of the role of updated assessments of value in business expansion decisions from

customers' perspective. In addition, new relationship knowledge will be tentative and

fragile in nature and will lack the important relationship benefits of confidence or

reduced risk (Berry 1995); such knowledge is not likely to be strong enough to support

business expansion. Thus, I propose the following hypothesis, after controlling for level

of satisfaction, relationship-, firm-, and individual-level variables and time covariates.

$H_5$:     Customer perceptions of betrayal are negatively related to their intention to

expand their relationship with the supplier.

*Intention to recommend the supplier*. Even after successful recovery, previous

negative events are not necessarily forgotten but influence subsequent defection decisions

(Bolton 1998). Information implied by the occurrence of a failure becomes part of the

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customer's knowledge base for distrust and the information implied by a successful

recovery contributes to the customer's knowledge base regarding the trustworthiness of

the firm and its employees (Lewicki, McAllister, and Bies 1998). Wilson (1971) suggests

that customer need for certainty influences their business decisions. In my context, this

need will likely determine whether they recommend the supplier to other business

associates. Betrayed customers are likely to base their decision regarding whether to

recommend the perpetrator on their new relationship knowledge. Thus, I propose the

following hypothesis, after controlling for level of satisfaction, relationship-, firm-, and

individual-level variables and time covariates.

$H_6$:     Customer perceptions of betrayal are negatively related to their intention to

recommend the supplier.

*Relationship-, firm-, individual-level variables and time covariates*. I examine the

effect of betrayal after controlling for other factors that prior research has shown

influence these six behavioral outcomes. These control variables describe the

relationship, firm, and individual decision-maker at a specific point in time. First,

relationship tenure, or the length of the business relationship between the customer and

the supplier, serves as a relationship-level control variable (Bolton, Smith, and Wagner

2003). Second, firm-level control variables include firm size and switching cost.

Switching cost is the perceived cost for the buying firm to switch from one supplier to

another supplier. Patton, Puto, and King (1986) suggest that the degree of joint and

individual buying decision making is related to the size of the firm. Third, an individual's

propensity to trust captures people's dispositional trust and forgiveness (Wang and Huff

2007). McKnight, Cummings, and Chervany (1998) report that people may exhibit

surprisingly high levels of trust in others, even without a history of interaction. In such

cases, trust propensity or dispositional trust is an important factor, especially at the

beginning of the relationship. Moreover, trust propensity may influence the way a

customer views a betrayal incident, thereby influencing his or her response. For example,

customers who believe that their business partners are trustworthy in general may exhibit

high levels of trust (Mayer, Davis, and Schoorman 1995), resulting in a weak tendency to

develop an intention to defect. Personality research suggests that people differ in their

propensity to trust (Rotter 1967). Such a propensity is formed depending on individuals'

native personalities, and their environmental and life experiences (Bowlby 1982; Erikson

1968). In this way, trust propensities may develop depending on customers' industry and

their history of previous interactions, and it may vary across organizations (Mayer, Davis,

and Schoorman 1995).

## Research Design

### *Sample*

With the cooperation of a global supplier of high technology products and services, I

carried out a survey. The sample came from the supplier's list of email addresses of

purchasing managers in buying firms in the United States who had a service encounter

with the supplier in the past four to six months. The request for cooperation stated that

the survey was for doctoral dissertation research and identified the university research

team in the hope of increasing cooperation rates. Of the 157 respondents who completed

the survey, 44 (28%) reported a problem during the last service encounter.

*Questionnaire Items*

In consultation with the cooperating supplier, I designed a web-based questionnaire to elicit information from respondents about their most recent service encounter, including betrayal (if any) and their behavioral intentions. Since I was interested in the effect of betrayal on business customers' behavioral intentions in relation to defection, the survey questionnaire focused on the cases in which customers were not fully satisfied and experienced a problem during a recent transaction. If respondents reported a problem, they were asked to describe the problem in detail, including their perception of betrayal, the severity of the problem, and the extent to which the problem could be attributed to the supplier.

In addition, respondents provided evaluations of their trust in the supplier as a business partner. They also rated their behavioral intentions to repurchase from the supplier, to decrease purchase, to terminate the relationship, to expand the relationship and to recommend the supplier. Finally, they indicated their personal information, such as demographics, their propensity to trust, and how strongly they identified themselves as a business partner or a business friend of the supplier. The survey also collected detailed classification information about the buying firm (e.g., firm size, switching cost) and the business relationship, including its length.

*Measures and Descriptive Statistics*

The questionnaire used well-established measurement scales for model constructs, as well as my newly developed scale of betrayal. Tables 4.1a and 4.1b report the key model constructs and measures for the dependent and explanatory variables, respectively. Appendix D provides the survey questionnaire. I pretested the survey with seven

undergraduate and two graduate students and subsequently with a group of managers from the cooperating firm.

*Dependent variables*. Respondents described their level of trust in the supplier and their behavioral intentions to repurchase from the supplier, decrease volume, terminate the relationship, expand the relationship, or recommend the supplier. I measured all six dependent variables on seven-point scales. Table 4.1a shows that, on average, intention to repurchase (M = 5.22) was the highest, followed by intention to recommend (M = 5.06) and intention to expand (M = 4.87). The means were 3.79 for decreasing the volume of purchase, and 2.22 for terminating the relationship. Intention to

Table 4.1a. Dependent Variables: Descriptive Statistics and Measurement Items

| Dependent Variable | M | SD | Survey Item (Scale Source) |
|---|---|---|---|
| Trust ($\alpha$ = .92) | 5.15 | 1.61 | [The supplier] is trustworthy. Our firm trusts that [the supplier] keeps our best interests in mind. [The supplier] keeps promises it makes to our firm. (Adapted from Ulaga and Eggert 2006) |
| Intention to Repurchase | 5.22 | 1.68 | Our firm will definitely purchase from [the supplier] again. |
| Intention to Terminate the Relationship (Intent. to Terminate) | 2.22 | 1.67 | Our firm will not terminate our relationship with [the supplier] within the next year. (R) (Adapted from Ulaga and Eggert 2006) |
| Intention to Decrease Purchase (Intent. to Decrease) | 3.79 | 1.69 | Our firm will decrease our purchases from [the supplier] in the next two years. (Based on Hollmann, Jarvis and Bitner 2015) |
| Intention to Expand the Relationship (Intent. to Expand) | 4.87 | 1.70 | [The supplier] will win our firm's business if additional opportunities exist in the next two years. (Based on Ulaga and Eggert 2006) |
| Intention to Recommend the Supplier | 5.06 | 1.85 | I will recommend [the supplier] to other business associates. |

Notes. R = reverse scored. Intention to terminate the relationship variable was reverse-scored to calculate the mean and standard deviation. N = 157. Each variable is measured with a seven-point scale (1 = "strongly disagree," 7 = "strongly agree"). $\alpha$ indicates Cronbach's alpha.

Table 4.1b. Explanatory Variables: Descriptive Statistics and Measurement Items

| Explanatory Variable | M | SD | Obs | Survey Item (Scale Source) |
|---|---|---|---|---|
| **Perceived Betrayal†** | 4.18 | 1.34 | 44 | |
| *Broken Trust* (α = .96) | 4.77 | 1.69 | 44 | My experience made me rethink my expectations toward [the supplier]. My experience made me doubt the principles of [the supplier]. My experience made me lost faith in the honesty of [the supplier]. |
| *Opportunism* (α = .91) | 3.74 | 1.62 | 44 | In my situation, [the supplier] acted faithfully. [The supplier] tried its best to keep its promises. [The supplier] carried out all its duties in good faith. |
| *Acknowledged Harm* (α = .96) | 4.03 | 1.69 | 44 | I think [the supplier] knew the problem would cause our firm harm somehow. I think [the supplier] knew what my possible damages would be due to the issue. I think that [the supplier] knew that the outcome of my experience would hurt our firm. |
| **Other Problem Nature Descriptors** | | | | |
| Expectancy-Disconfirmation (Disconf.)†† | 3.59 | 1.68 | 157 | My most recent experience with [Company Name] was … Much worse than expected (1), Much better than expected (7). (R) |
| Severity | 5.22 | 1.84 | 44 | The severity of the problem with products or services was … Not at all serious (1), Very serious (7). |
| Attribution | 5.17 | 1.62 | 44 | [The supplier] was responsible for what happened. |
| *Negative Emotions* (α = .87) | 2.96 | 1.65 | 44 | For each of the following items, please indicate your feelings when the service experience occurred. (rage) I felt outraged; (anger) I was angry; (anxiety) I was anxious; (embarrassment) I was embarrassed; (uneasiness) I was uneasy, (distress) I was distressed. |
| **Problem Type†** | | | 44 | |
| Installation | 0.09 | 0.29 | | Which of the following categories best describes your service experience? Installation; Training; Maintenance; Parts delivery; Repair; Other request or communication. (This categorical variable was converted to the vector of dichotomous variables to compute means and standard deviations.) |
| Training | 0.02 | 0.15 | | |
| Maintenance | 0.20 | 0.41 | | |
| Parts Delivery | 0.27 | 0.45 | | |
| Repair | 0.34 | 0.48 | | |
| Other request or communication | 0.07 | 0.25 | | |

Table 4.1b (Continued)

| Explanatory Variable | M | SD | Obs | Survey Item (Scale Source) |
|---|---|---|---|---|
| **Damage Type†** | | | 44 | The impact to my company was … (Please choose all that apply) |
| Financial | 0.23 | 0.42 | | |
| Ease of Doing Business | 0.39 | 0.49 | | Financial; Ease of doing business our company; Control of the situation; Unfair outcome; Affected |
| Control of the Situation | 0.39 | 0.49 | | my ability to do my job; Affected others in our company; Affected our customers; Others. (This |
| Fairness | 0.09 | 0.29 | | categorical variable was converted to the vector of dichotomous variables to compute means and |
| My Ability | 0.55 | 0.50 | | standard deviations.) |
| Coworkers | 0.39 | 0.49 | | |
| Customers | 0.41 | 0.50 | | |
| Others | 0.05 | 0.21 | | |
| **Missing Data Indicators†††** | | | | |
| Missing Data Indicator 1 | 0.35 | 0.48 | 157 | Missing Data Indicator 1 is coded as 1 if the following transactional satisfaction question was answered with 7 and 0 otherwise: (Transactional satisfaction) I am satisfied with the recent service encounter. |
| Missing Data Indicator 2 | 0.37 | 0.48 | 157 | Missing Data Indicator 2 is coded as 1 if the transactional satisfaction question was not answered with 7, and the following problem indication question was answered with 2. (Problem Indication: asked only when Transaction satisfaction is less than 7) We see that you were not very satisfied with your most recent encounter with [the supplier]. We are sorry. We'd like to understand why. Did you experience any problems during the encounter? Yes (1), No (0). |
| **Relationship Covariate** | | | | |
| Relationship Tenure | 3.96 | 1.29 | 157 | How long has your company been a customer of [the supplier]? Less than 1 year (1), 1–3 years (2), 3–5 years (3), 5–10 years (4), More than 10 years (5). |
| **Firm Covariates** | | | | |
| Firm Size | 2.35 | 1.57 | 157 | Please indicate the size of your company. Small (fewer than 100 employees) (1), Small–medium (100–999 employees) (2), Medium-sized (1,000–2,499 employees) (3), Medium-sized (2,500–9,999 employees) (4), Large (more than 10,000 employees) (5). |
| Switching Cost | 4.17 | 1.85 | 157 | It would be difficult for our firm to switch from [the supplier] to other suppliers. |

Table 4.1b (Continued)

| Explanatory Variable | M | SD | Obs | Survey Item (Scale Source) |
|---|---|---|---|---|
| **Individual Covariate** | | | | |
| Propensity to Trust (Prop. to Trust) | 5.13 | 1.41 | 157 | I think, in general, people can be trusted to do what they said they would do. (Adapted from Wang and Huff 2007) |
| Business Partner Identification (Bus. Partner ID) | 3.38 | 1.62 | 157 | When some praises [the supplier], it feels like a personal compliment. (Adapted from Mael and Ashforth 1992) |
| Business Friend Identification (Bus. Friend ID) | 4.51 | 1.83 | 157 | I have developed a friendship with [the supplier]'s service provider. (Based on Heide and Wathne 2006) |
| **Time Covariate** | | | | |
| Time Since Event | 2.38 | 1.46 | 157 | When (approximately) did your service interaction take place? Less than 1 month ago (1), 1–2 months ago (2), 2–4 months ago (3), 4–6 months ago (4), more than 6 months ago (5), Don't recall (6) |

Notes. R = reverse scored. Expectancy-disconfirmation was reverse-scored to calculate the mean and standard deviation. The factors are in *italics*. Each variable is measured with a seven-point scale (1 = "strongly disagree," 7 = "strongly agree") if the scale is not stated. α indicates Cronbach's alpha. † The survey was designed to ask questions about the problem (i.e., problem nature questions, problem type controls, and damages type controls) only when the respondents indicated that they were less than fully satisfied in the recent encounter and experienced any problem. The resulting censored values were coded as zeros for analyses. †† To check the validity of the answers for satisfaction in the recent encounter, the expectancy–disconfirmation question was asked to all respondents. ††† According to the survey design, the follow-up questions were not asked if the respondent was fully satisfied (Missing Data Indicator 1) or the respondent was less than fully satisfied but reported that he or she experienced no problem (Missing Data Indicator 2).

recommend had the largest standard deviation (SD = 1.85), while the standard deviations

of the other dependent variables ranged from 1.61 to 1.70. As Table 4.2a shows, the

correlations of customers' behavioral intentions after a negative experience indicate that

customers often develop multiple intentions after a single encounter.

*Perceived betrayal*. Respondents who reported being less than fully satisfied with the

product and also experiencing a problem during the recent encounter, responded to the

perceived betrayal items on seven-point scales. Respondents who had a negative experience in the recent encounter reported a moderate degree of broken trust (M = 4.77), the supplier's acknowledgment of harm (M = 4.03), and the supplier's opportunism (M = 3.74). Standard deviations ranged from 1.62 to 1.69. Low levels of the means of the three factors of betrayal are consistent with the idea that betrayal incidents occur rarely. Table 4.2a shows that customer perceptions of betrayal are related to multiple behavioral intentions; the two highest correlations in the data were for the correlation between betrayal and the intention to expand (-.53, p < .01) and for that between betrayal and the intention to decrease purchase volume (.52, p < .01).

*Other covariates describing a negative experience*. I coded each construct that described the problem as a categorical variable. To describe the problem in terms of each category, I transformed these variables into a set of binary variables. Problem-type variables indicated that respondents experienced problems related to repair (34%), parts delivery (27%), maintenance (20%), installation (9%), training (2%) or other requests or communication (7%). Similarly, damage-type variables indicated that respondents suffered financially (23%) or reflected factors such as the ease of doing business (39%), controllability of the situation (39%), sense of fairness (9%), the ability to conduct the task (55%), coworkers (39%), other customers (41%), and other types of damages (5%). On average, the recent service interaction occurred about one to two months previously.

I measured each customer perception of the problem on seven-point scales. A measure of expectancy—disconfirmation was anchored by "much worse than expected"/ "as expected"/ "much better than expected;" it was reverse-scored to calculate the mean

Table 4.2a. Correlation Table: Dependent Variables and Perceived Betrayal

| | Trust | Repurchase | Intent. to Decrease | Terminate | Expand | Recommend | Perceived Betrayal |
|---|---|---|---|---|---|---|---|
| Trust | 1 | | | | | | |
| Intent. to Repurchase | .67*** | 1 | | | | | |
| Intent. to Decrease | .67*** | -.44*** | 1 | | | | |
| Intent. to Terminate | .67*** | -.55*** | .25*** | 1 | | | |
| Intent. to Expand | .67*** | .81*** | -.45*** | -.48*** | 1 | | |
| Intent. to Recommend | .76*** | .83*** | -.44*** | -.48*** | .83*** | 1 | |
| Perceived Betrayal | .67*** | -.52*** | .53*** | .32** | -.52*** | -.62*** | 1 |

*** $p < .01$, ** $p < .05$, * $p < .1$. Notes. The sample size is 157. For perceived betrayal variable, the pairwise correlations were calculated with 44 observations. Perceived betrayal is measured as a mean of three-factor scores of 11 items, with a range of means of factor scores from 3.74 to 4.77.

and standard deviation. Its mean value of 3.59 indicates that disconfirmation was slightly positive (favorable). Respondents reported high severity (M = 5.22) and other attribution (M = 5.17) but did not report many negative emotions (M = 2.96). I measured negative emotions by averaging six emotion items: anger, rage, uneasiness, anxiety, embarrassment, and distress; these item means ranged from 2.07 to 3.48.

*Preliminary Analyses*

Recall that respondents only answered the problem-related questions if they had a negative experience (were less than fully satisfied) and also indicated a problem during the recent transaction. Missing data indicators capture these two conditions. I coded the missing data indicator 1 as 1 if respondents reported that they were less than fully satisfied and 0 otherwise. Similarly, I coded the missing data indicator 2 as 1 if respondents indicated that they experienced a problem and 0 otherwise. These two indicators show that 35% of the respondents were fully satisfied and 37% were less than fully satisfied and reported a problem. Table 4.2b shows that these two missing data indicators are negatively correlated (-0.56, p < .01).

Since only 44 respondents had a negative experience, there were insufficient observations to model the antecedents of perceptions of betrayal (as I did in Chapter 3). However, it is possible to calculate simple correlations between customers' perceptions of betrayal and their perceptions of other aspects of the problem. Tables 4.2b and 4.2c show that perceived betrayal is negatively correlated with satisfaction (-0.55, p < .01), and positively correlated with negative expectancy-disconfirmation (0.64), severity (0.49), and other attribution (0.51) at p < .01 for all problem descriptors. The correlation

between perceived betrayal and the negative emotions factor was high (0.52, p < .01), while the mean of the negative emotions factor was 2.96.

*Relationship-, firm-, and individual-level variables and time covariate.* On average, relationship tenure was 5–10 years, firm size was medium (1,000–2,499 employees), and switching cost was moderately high (M = 4.17). Customers' mean propensity to trust was moderately high (M = 5.13), indicating that they tended to believe that people can be trusted to do what they say they will do. Average customers identified themselves as a business friend of the supplier (M = 4.51) rather than a business partner (M = 3.38). I measured business partner constructs with two measures, adopted from Mael and Ashforth (1992) and from Aron, Aron, and Smollan (1992), respectively. The first measure involved two items; however, Cronbach's alpha was .59, which is lower than the recommended threshold (Bearden, Hardesty, and Rose 2001; Netemeyer, Bearden, and Sharma 2003). The first item measured how much the respondent was interested in what others think about the supplier. I contend that such interest is not necessarily related to customers' identification with the supplier. For example, customers may pay attention to the thoughts of others to glean pertinent information.

For the second measure, several participants in the pretests reported difficulty in understanding the question. Therefore, I decided to rely solely on the second item of the first measure, which captured personal and affective features (i.e., whether the respondent takes it as a personal compliment when someone praises the supplier). Table 4.2b shows the correlations between predictor variables. Perceived betrayal is highly correlated with disconfirmation (.59, *p* < .01), as expectancy–disconfirmation serves to trigger customers' perceptions of betrayal, and is moderately correlated with switching cost and

Table 4.2b. Correlation Table of Predictor Variables

| | Satisfac-tion | Perceived Betrayal | Discon-firm | Rel. Tenure | Firm Size | Switch-ing Cost | Prop. to Trust | Bus. Partner ID | Bus. Friend ID | Time Since Event | Missing Indic. 1 | Missing Indic. 2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Satisfaction | 1 | | | | | | | | | | | |
| Perceived Betrayal | -.61*** | 1 | | | | | | | | | | |
| Disconf. | -.52*** | .64*** | 1 | | | | | | | | | |
| Rel. Tenure | .03 | -.31** | -.09 | 1 | | | | | | | | |
| Firm Size | .12 | .24 | -.08 | .05 | 1 | | | | | | | |
| Switch. Cost | .36*** | -.10 | -.24*** | .19** | -.02 | 1 | | | | | | |
| Prop. to Trust | .33*** | -.44*** | -.29*** | .23*** | -.05 | .25*** | 1 | | | | | |
| Bus. Partner ID | .23*** | .05 | -.20** | .02 | .19** | .33*** | .24*** | 1 | | | | |
| Bus. Friend ID | .35*** | -.31** | -.34*** | .15* | -.03 | .48*** | .45*** | .47*** | 1 | | | |
| Time Since Event | .05 | -.05 | .03 | .02 | -.22*** | -.15 | .03 | -.08 | -.23*** | 1 | | |
| Missing Indic. 1 | .55*** | . | -.46*** | -.04 | .06 | .21*** | .22*** | .15* | .26*** | .06 | 1 | |
| Missing Indic. 2 | -.13* | . | -.00 | -.03 | -.00 | -.03 | -.11 | .06 | -.06 | -.05 | -.62*** | 1 |

*** p < .01, ** p < .05, * p < .1. Notes. The sample size is 157. For perceived betrayal and negative emotions variables, the pairwise correlations were calculated with 44 observations, respectively. Perceived betrayal is measured as a mean of three-factor scores of 11 items, with a range of means of factor scores from 3.74 to 4.77. Missing Data Indicator 1 indicates respondents who were fully satisfied with their recent encounters with the supplier. Missing Data Indicator 2 indicates respondents who were less than fully satisfied but reported no problem.

Table 4.2c. Descriptive Statistics and Correlation Table for People Who Had a Negative Experience.

| | | | Correlations | | | | |
|---|---|---|---|---|---|---|---|
| | Mean | SD | Perceived Betrayal | Disconf. | Severity | Attribution | Negative Emotions |
| Perceived Betrayal | 4.20 | 1.36 | 1 | | | | |
| Disconf. | 5.05 | 1.45 | .64*** | 1 | | | |
| Severity | 5.25 | 1.79 | .49*** | .18 | 1 | | |
| Attribution | 5.16 | 1.63 | .51*** | .32** | .41*** | 1 | |
| Negative Emotions | 2.96 | 1.65 | .52*** | .26* | .30** | .40*** | 1 |

*** $p < .01$, ** $p < .05$, * $p < .1$. Notes. Means, standard deviations, and correlations were calculated with 44 observations for those who had a negative experience. Perceived betrayal is measured as a mean of three-factor scores of 11 items, with a range of means of factor scores from 3.74 to 4.77. Negative emotions factor is measured as a mean of 6 items, with a range of means of items from 2.07 to 3.48.

a person's propensity to trust ($-.20$, $p < .05$ for both). The two missing data indicators suggest that betrayal is negatively correlated with the case when customers are fully satisfied ($-.41$, $p < .01$) and the case when customers are less than fully satisfied and experienced a problem ($-.43$, $p < .01$).

Table 4.3 shows the results of three chi-square tests based on a cross-tabulation of perceived betrayal with three customer assessments: satisfaction, business partner identification, and business friend identification. The Pearson chi-square values indicate that two null hypotheses are rejected ($p < .10$). Therefore, business partner identification and business friend identification are independent of perceived betrayal. However, the null hypothesis of independent distributions cannot be rejected for the relationship

Table 4.3: Cross–Tab Results between Perceived Betrayal and Satisfaction and Perceived Betrayal and Business Partner and Friend Identifications

| Cross–Tab between Betrayal and … | Pearson $\chi^2$ Value | p-value |
|---|---|---|
| Satisfaction | Pearson $\chi^2$ (162) = 166.75 | .383 |
| Business Partner Identification | Pearson $\chi^2$ (162) = 195.67 | .037 |
| Business Friend Identification | Pearson $\chi^2$ (162) = 189.91 | .066 |

between satisfaction and perceived betrayal ($p > .10$). A possible reason for this result is that satisfaction is a retrospective evaluation of the whole relationship, so the recent betrayal event is incorporated to a degree. By contrast, business partner identification and business friend identification represent evaluations of the current status of the relationship with the supplier.

*Model Specification*

My modeling objective is to investigate the impact of customer perceptions of betrayal on their trust level and behavioral intentions, after controlling for other antecedents reported in prior research, such as customer satisfaction. Table 4.2a shows that customers often develop multiple intentions after a single encounter. Therefore, I specify a separate regression model for each of the following dependent variables: customers' trust, intention to repurchase, intention to decrease purchases, intention to expand the relationship, and intention to recommend. These six variables can be represented by vector $\mathbf{y_i} = [y_{i,1}, y_{i,2}, y_{i,3}, y_{i,4}, y_{i,5}, y_{i,6}]$ for individual i. I estimate the model with cross-sectional data, so the subscript denoting individual i is omitted for notational convenience.

The six equations describe how each of the six dependent variables depends on perceived betrayal and other control variables. They take the following general form (the vectors are in bold):

$$y_j = \beta_{j,o} + \beta_{j,1}'Betrayal_i + \boldsymbol{\beta_{j,2}}'\boldsymbol{Controls_i} + \epsilon_j,$$

where $j = 1, ..., 6$. In this specification, the coefficient of the betrayal variable captures the direct effect of perceived betrayal, after controlling for other antecedents. I include eight explanatory variables in addition to betrayal variable in each equation, providing a

reasonably comprehensive set of control variables. In the customer relationship management literature, customer satisfaction is a well-established antecedent of trust, as are behavioral intentions, such as intention to repurchase (e.g., Bolton, Lemon, and Verhoef 2004; Geyskens, Steenkamp, and Kumar 1999; Selnes 1998). Therefore, I include a measure of satisfaction, as well as the relationship-, firm-, and individual-level and time covariates. Relationship- and firm-level covariates include relationship tenure, firm size, and perceived switching costs (Antia and Frazier 2001; Bolton, Smith, and Wagner 2003; Ping 1993). The individual-level covariates include purchasing managers' propensity to trust and their identification with the supplier as a business partner or a business friend (Harmeling et al. 2015). This specification ─ which controls for many factors ─ serves as a conservative test of the predictive ability of betrayal.

*Model Estimation and Findings*

I estimate each of these equations using OLS. System estimation will provide no gains in efficiency, because the predictor variables are the same in every equation. Table 4.4 summarizes the results from the OLS estimation of five equations: trust, intentions to repurchase, intentions to decrease purchase, intention to terminate the relationship, and intention to expand the relationship. Table 4.5 summarizes the results from the OLS estimation of the equation for customers' intentions to recommend. The F-statistic for all six equations is statistically significant ($p < .01$). All six equations have reasonably good explanatory power, with an average R-square of 56%. The R-square values range from .26 (intention to decrease purchase) to .80 (trust). In addition, the variance inflation factors indicate little multicollinearity in the six equations. The variance inflation factor is less than 5, which is below the cut-off level of 10 (Chatterjee and Price 2015). All six

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equations also demonstrate good face validity because satisfaction is statistically significant and has the expected sign.

The effect of perceived betrayal is statistically significant in four of the six equations: trust ($-.28$, $p < .01$), intention to repurchase ($-.28$, $p < .05$), intention to expand the relationship ($-.27$, $p < .01$), and intention to recommend the supplier ($-.43$, $p < .01$). Therefore, $H_1$ (trust), $H_2$ (intention to repurchase), $H_5$ (intention to expand), and $H_6$ (intention to recommend) are supported, while $H_3$ (intention to decrease purchase) and $H_4$ (intention to terminate the relationship) are not. The results show that business customers' perceptions of betrayal are negatively associated with level of trust and with their intention to repurchase, to expand, and to recommend. In other words, perceived betrayal is negatively related to customers' intentions to behave in ways that are favorable to the supplier.

The effects of perceived betrayal on customers' intentions to decrease purchase ($.32$, $p = .104$) and their intention to terminate ($.12$, $p = .525$) were not statistically significant, after controlling satisfaction and other factors at relationship-, firm-, and individual-levels and time covariates. Therefore, betrayal incidents do not necessarily influence customers' intentions to behave in ways that are unfavorable to the supplier, such as decreasing purchase volume or terminating the relationship when satisfaction is controlled.

Overall, the effects of business customers' perceptions of betrayal differ across various defection-related behaviors. These findings provide empirical support for the qualitative distinctiveness of the various decisions that are likely involved in the defection process.

Table 4.4: OLS Regression Results for Customers' Trust and Behavioral Intentions.

|  |  | Trust | | Intent. to Repurchase | | Intent. to Decrease Purchase | | Intent. to Terminate | | Intent. to Expand | |
|---|---|---|---|---|---|---|---|---|---|---|---|
|  |  | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. |
|  | Betrayal | -0.28*** | 0.004 | -0.28** | 0.037 | 0.32 | 0.104 | 0.12 | 0.525 | -0.27* | 0.054 |
|  | Satisfaction | 0.52*** | 0.000 | 0.62*** | 0.000 | -0.26** | 0.015 | -0.29*** | 0.004 | 0.55*** | 0.000 |
| Relationship- | Rel. Tenure | -0.07 | 0.177 | -0.08 | 0.268 | -0.02 | 0.827 | 0.20** | 0.044 | -0.08 | 0.271 |
| & Firm- | Size of the Firm | -0.01 | 0.831 | 0.03 | 0.607 | -0.01 | 0.861 | 0.000 | 0.977 | -0.02 | 0.721 |
| & | Switching Cost | -0.10** | 0.014 | 0.12** | 0.032 | 0.11 | 0.161 | -0.03 | 0.655 | 0.08 | 0.179 |
| Individual- | Prop. to Trust |  |  |  |  |  |  |  |  |  |  |
| Level |  | 0.26*** | 0.000 | 0.01 | 0.927 | 0.02 | 0.807 | -0.24** | 0.016 | 0.07 | 0.353 |
| & | Bus. Partner ID | 0.05 | 0.264 | 0.10 | 0.120 | 0.14 | 0.132 | 0.04 | 0.631 | 0.02 | 0.744 |
|  | Bus. Friend ID | 0.15*** | 0.002 | -0.08 | 0.199 | -0.20** | 0.030 | -0.02 | 0.805 | 0.00 | 0.997 |
| Time | Time Since |  |  |  |  |  |  |  |  |  |  |
| Covariates | Event | -0.05 | 0.303 | -0.11* | 0.081 | -0.04 | 0.651 | -0.01 | 0.955 | -0.06 | 0.337 |
| Missing | Indicator 1 | -0.48 | 0.238 | -0.75 | 0.186 | 0.49 | 0.552 | -0.03 | 0.975 | -0.35 | 0.550 |
| Indicators | Indicator 2 | -1.02** | 0.017 | -0.95 | 0.108 | 0.85 | 0.321 | 0.39 | 0.632 | -0.80 | 0.196 |
|  | Constant | 1.95*** | 0.002 | 2.95*** | 0.001 | 4.35*** | 0.001 | 4.03*** | 0.001 | 2.52*** | 0.006 |
|  | N | 157 | | 157 | | 157 | | 157 | | 157 | |
|  | F(11, 145) | 52.33 | | 23.71 | | 4.55 | | 5.41 | | 21.04 | |
|  | p-value | < .01 | | < .01 | | < .01 | | < .01 | | < .01 | |
|  | R2 | 0.80 | | 0.64 | | 0.26 | | 0.29 | | 0.61 | |
|  | Adj. R2 | 0.78 | | 0.62 | | 0.20 | | 0.24 | | 0.59 | |
|  | RMSE | 0.75 | | 1.04 | | 1.51 | | 1.46 | | 1.10 | |
|  | SSR | 323.32 | | 283.21 | | 114.01 | | 126.49 | | 277.55 | |
|  | SSE | 81.45 | | 157.43 | | 330.06 | | 308.15 | | 173.90 | |
|  | SST | 404.77 | | 440.64 | | 444.06 | | 434.64 | | 451.45 | |

*** $p < .01$, ** $p < .05$, * $p < .1$. Notes. SSR = Regression Sum of Squares, SSE = Error Sum of Squares. † Missing Data Indicator 1 indicates respondents who were fully satisfied with their recent encounters with the supplier. Missing Data Indicator 2 indicates respondents who were less than fully satisfied but reported no problem.

Table 4.5: OLS Regressions Result for Customers' Intention to Recommend the Supplier.

| | | Intent. to Recommend | |
| | | Coef. | p-val. |
|---|---|---|---|
| | Betrayal | -0.43*** | 0.001 |
| | Satisfaction | 0.62*** | 0.000 |
| Relationship- | Relationship Tenure | -0.06 | 0.329 |
| & Firm- | Size of the Firm | 0.04 | 0.505 |
| & | Switching Cost | 0.05 | 0.321 |
| Individual-Level | Prop. to Trust | 0.07 | 0.302 |
| & | Bus. Partner ID | 0.13** | 0.027 |
| | Bus. Friend ID | -0.06 | 0.359 |
| Time Covariates | Time Since Event | -0.02 | 0.766 |
| Missing Indicators | Indicator 1 | -0.73 | 0.174 |
| | Indicator 2 | -1.30** | 0.021 |
| | Constant | 2.47*** | 0.003 |
| | N | 157 | |
| | F(11, 145) | 36.56 | |
| | p-value | < .01 | |
| | R2 | 0.74 | |
| | Adj. R2 | 0.71 | |
| | RMSE | 0.99 | |
| | SSR | 391.38 | |
| | SSE | 141.10 | |
| | SST | 532.48 | |

*** p < .01, ** p < .05, * p < .1. Notes. SSR = Regression Sum of Squares, SSE = Error Sum of Squares. † Missing Data Indicator 1 indicates respondents who were fully satisfied with their recent encounters with the supplier. Missing Data Indicator 2 indicates respondents who were less than fully satisfied but reported no problem.

## Discussion

This chapter studies the effect of betrayal on business customers' behavioral intentions which have implications for their future relationship with supplier. The findings show that customers' perceptions of betrayal are negatively associated with trust and with intentions for favorable behaviors, such as repurchase, expansion, and recommendation. Interestingly, the effects of betrayal on customers' intentions for unfavorable behaviors — specifically, partial and complete switching — were insignificant after controlling for

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satisfaction. These findings are consistent with prior research that distinguishes between favorable and unfavorable behaviors. In a study of relationship expansion and contraction, Ulaga and Eggert (2006) find that relationship value is positively related to customers' intentions to directly and indirectly *expand* the relationship, whereas it influences their intentions to *terminate* the relationship only indirectly via relationship quality. They also find ─across three dimensions of relationship quality─ that the direct effect of value on satisfaction (.57, $p < .05$) is stronger than that on trust or commitment (.06 and .15, $p < .05$ for both). Taken together, their findings indicate that (1) relationship quality mediates the effect of value on customers' intentions to defect and (2) the effect of value on satisfaction is the very strong. In my study context, they suggest that satisfaction may act as a partial mediator of the link between betrayal and customers' switching intentions. Unfortunately, my sample size is too small to conduct mediation analysis. However, future research might explore the role of satisfaction on business customers' intentions to partially and completely switch suppliers.

Trust has received an extensive amount of academic attention as a key factor for relationship development, but *how* trust is broken or nullified has been underexplored. In response, Chapter 3 discusses the mechanism by which customers' motivations to defect arise from their perception of betrayal. In contrast, this chapter explores the predictive validity of betrayal for customers' behavioral intentions which have relationship implications in a business context. To my knowledge, it is the first study to show that betrayal influences business customers' defection intentions and willingness to recommend.

## *Theoretical Contributions*

My study of the effects of betrayal on business customers' trust and their behavioral intentions contribute to multiple literature streams. First, I find that business customer perceptions of betrayal are negatively related to their trust. My finding contributes to the literature on trust and betrayal by extending the findings from a B2C context to a B2B context. Since my empirical analyses controlling for satisfaction and other predictor variables, the evidence for the effects of betrayal is very strong. Moreover, by distinguishing between the effects of betrayal and satisfaction on defection intentions, this chapter extends previous findings on the distinct roles of trust and satisfaction in a B2B context (Selnes 1998; Venetis and Ghauri 2004).

Second, my study contributes to research on relationship dynamics by showing that customers' perceptions of betrayal influence their intentions to repurchase, to expand the relationship, and to recommend the supplier, *rather than* their intentions to switch ─ after controlling for satisfaction. Zeithaml, Berry, and Parasuraman (1996) argue that the impact of service quality on customer retention at an aggregate level (e.g., company, industry) is manifested at the individual customer level. They identified five categories of individual customer behaviors that signal customer retention or defection, where the impact of service quality differs across category. Consistent with their arguments, my findings provide micro foundations for relationship dynamics by conducting analyses at the individual customer level (Zeithaml, Berry and Parasuraman 1996). Different effects of betrayal on customers' behavioral intentions suggest the possibility that each behavior has a distinct role in relationship dynamics.

Third, I find that the effect of betrayal is significant only for favorable behaviors after controlling for satisfaction and other covariates. My findings extend prior work by Ulaga and Eggert (2006) suggesting different mechanisms create favorable and unfavorable behavioral intentions. Fourth, I contribute to the literature on relationship dissolution by investigating a specific type of relationship event, betrayal. My results highlight the important role of betrayal and thereby provide support for Dwyer, Schurr, and Oh's (1987) conjecture of a unilateral initiation of relationship dissolution. In doing so, my conceptual arguments concerning the process of betrayal and relationship dissolution provides a foundation that can help integrate two literature streams. My study links the literature on customer defection, switching, termination with the literature on relationship dissolution, termination, and relationship dynamics.

Finally, my empirical analyses on the role of betrayal contribute to the sparse literature on empirical evidence for the roles of relationship-ending events.

### *Managerial Implications*

My findings suggest that when business customers perceive betrayal, such perceptions negatively influence their evaluation of their partner in terms of trust, as well as their intentions to engage in favorable behaviors, such as repurchase, relationship expansion, and recommendation of the supplier. Therefore, when customers report their concern regarding betrayal or particular dimensions of betrayal, managers can take action understanding that their effort can prevent future detrimental effects on customers' favorable behaviors. Chapter 3 discussed how managers might win back customers by addressing the three underlying dimensions of betrayal: broken trust, opportunism and acknowledged harm. To cultivate the sensitivity to detect when customers feel betrayed,

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firms should train purchasing managers and frontline employees to pay attention to identifiable cognitive cues of betrayal.

### *Limitations and Future Research Directions*

This study collected data from purchasing managers to explore betrayal in a well-defined B2B decision context. The selection of purchasing managers as key informants is well-established in B2B research. However, purchasing managers tend to handle more routine buying decisions whereas a buying center may handle the selection of a new supplier (Patton, Puto, and King 1986; Sheth 1996). Hence, future research might study relationship dissolution in more complex decision-making contexts.

Second, this chapter provides insights into how *cognitive* dimensions of betrayal predict business customers' decision to defect. However, recent theoretical and empirical studies have explored how *emotions* arise in business relationships (e.g., Andersen and Kumar 2006; Tähtinen and Blois 2011). For example, Tähtinen and Blois (2011) find that basic and social emotions arise in B2B relationships, but that social emotions play a limited role. In contrast, Harmeling et al. (2015) find that a social emotion of betrayal influences both business performance and relational dynamics. Since this study found a positive correlation between betrayal and negative emotions, future research could explore the emotional consequences of betrayal in B2B relationships. In general, the link between business customers' emotion, business relationships and business performance has been underexplored. Future studies could extend my findings by investigating the range of business customers' emotions in response to betrayal incidents. In this study, betrayal was associated with negative emotions – but the scale values were low compared to other self-report variables. However, emotions need not be extreme to have an effect

on behavioral intentions. A better understanding of these issues requires additional theoretical and empirical work beyond the scope of this study.

Third, betrayal may affect the betrayer; in other words, employees of suppliers that betray their customers may experience emotions of shame, embarrassment, anxiety, or guilt, which in turn may influence their behaviors. Therefore, future studies of emotions in business relationship could examine, for example, whether ashamed suppliers exhibit avoidance or whether those who feel guilty increase positive types of behavior toward betrayed customers.

Fourth, from the perspective of suppliers outside the relationship with betrayal incidents, future studies could determine the optimal window for approaching aggrieved customers to mitigate the detrimental effect of betrayal. The models explored in this chapter do not consider changes in defection behavior that arise from the actions of competing suppliers.

Fifth, I conducted this study with a high-technology manufacturing company. Since each industry context is unique, research in other contexts would be useful for generalizability. For example, switching costs tend to be higher in high-technology industries, so business customers in this study may have been reluctant to completely terminate their relationship with the supplier. However, in some industries, firms have a primary and secondary supplier and can – if needed – switch their business to another supplier at relatively low cost. In contrast, it is also possible that there are differences between customers of goods versus service-oriented suppliers. Switching costs would be higher in service industries (Bolton, Lemon, and Bramlett 2006), so that the mechanism for relationship dissolution after a betrayal might be more abrupt (or more protracted).

Sixth, future research could explore whether my findings extend to B2C contexts.

Last, the dark side of trusted relationships remains of interest. Harmeling et al. (2015) show that suppliers that have strong relationships with customers experience higher defection rates after a significant relational disconfirmation. Seggie, Griffith, and Jap (2013) suggest that trustors in trusted relationships are vulnerable because they must rely on their partners. Extending this stream of research, future studies could determine whether relationships with high levels of trust suffer more from betrayal incidents than new relationships that have not yet developed high levels of trust.

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APPENDIX A

SUPPLEMENT TO CHAPTER 2 – ROBUSTNESS CHECK

Table A.1. Robustness Check: Inclusion of Legal Climate Score

| | | SNSs | | Review sites | | Video-sharing sites | | tWOM | |
|---|---|---|---|---|---|---|---|---|---|
| | | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. |
| Coping Motives | Explanation | 0.08 | 0.441 | 0.40** | 0.026 | 0.03 | 0.893 | 0.32*** | 0.003 |
| | Apology | 0.23** | 0.018 | 0.28* | 0.076 | -0.28 | 0.203 | 0.28** | 0.010 |
| | Appreciation | 0.27*** | 0.007 | -0.08 | 0.607 | 0.53* | 0.053 | 0.05 | 0.626 |
| | Financial Comp. | 0.07 | 0.444 | 0.02 | 0.854 | 0.52*** | 0.008 | 0.11 | 0.365 |
| | Free Product | -0.16* | 0.054 | -0.43*** | 0.002 | -0.43** | 0.028 | 0.14 | 0.194 |
| | Revenge | 0.19 | 0.160 | 0.33** | 0.017 | 0.05 | 0.830 | 0.03 | 0.837 |
| | Other motives | 0.12 | 0.309 | -0.07 | 0.722 | -0.19 | 0.568 | 0.27** | 0.031 |
| Anger | Anger Intensity | 0.13*** | 0.002 | 0.02 | 0.753 | 0.16 | 0.105 | 0.19*** | 0.000 |
| Legal Env. | Anti-SLAPP Laws | 0.01 | 0.897 | -0.03 | 0.840 | -0.44** | 0.028 | 0.16 | 0.107 |
| Damage Types Controls | Money | 0.10 | 0.206 | 0.26** | 0.039 | 0.28 | 0.122 | -0.03 | 0.792 |
| | Time | 0.05 | 0.523 | 0.14 | 0.278 | 0.07 | 0.726 | 0.14 | 0.149 |
| | Physical Injury | -0.02 | 0.907 | 0.40 | 0.103 | -0.25 | 0.570 | 0.16 | 0.563 |
| | Other Damages | 0.08 | 0.477 | 0.00 | 0.991 | 0.00 | 1.000 | 0.15 | 0.343 |
| Problem Types Controls | Quality | 0.14 | 0.297 | 0.12 | 0.536 | -0.25 | 0.397 | 0.41*** | 0.008 |
| | Billing | 0.24 | 0.122 | -0.17 | 0.455 | -0.17 | 0.605 | 0.54*** | 0.005 |
| | Repair | -0.04 | 0.845 | -0.92** | 0.019 | -0.01 | 0.978 | 0.41* | 0.078 |
| | Service | 0.14 | 0.343 | -0.04 | 0.833 | -0.06 | 0.847 | 0.31* | 0.058 |
| | Other Problems | 0.05 | 0.752 | -0.50* | 0.054 | -0.08 | 0.801 | 0.32* | 0.066 |
| Industry Controls | Retail | 0.05 | 0.767 | -0.04 | 0.875 | -0.45 | 0.228 | 0.04 | 0.874 |
| | Service | -0.03 | 0.805 | -0.38* | 0.090 | -0.88** | 0.012 | -0.05 | 0.771 |
| | Auto | -0.17 | 0.310 | -0.01 | 0.982 | -0.12 | 0.727 | -0.15 | 0.422 |
| | Television | -0.15 | 0.299 | -0.04 | 0.838 | -0.37 | 0.208 | 0.08 | 0.604 |
| | Telecomm | 0.12 | 0.369 | -0.26 | 0.197 | -0.44 | 0.112 | 0.10 | 0.541 |
| | Other Industries | -0.10 | 0.540 | 0.08 | 0.710 | -0.23 | 0.456 | -0.08 | 0.650 |

Table A.1 (Continued)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Demo. | Age | -0.40*** | 0.000 | -0.11* | 0.084 | -0.30*** | 0.002 | -0.01 | 0.854 |
| Controls | Gender | -0.02 | 0.760 | 0.32*** | 0.008 | 0.17 | 0.339 | 0.26*** | 0.008 |
| Year | Year2012 | 0.31*** | 0.005 | 0.27 | 0.121 | 1.01*** | 0.005 | -0.35*** | 0.009 |
| Controls | Year2013 | 0.22* | 0.053 | 0.29 | 0.121 | 1.04*** | 0.005 | -0.45*** | 0.001 |
| | Legal Climate | 0.02 | 0.664 | -0.02 | 0.796 | -0.02 | 0.801 | 0.05 | 0.305 |
| | Constant | -2.04*** | 0.000 | -2.44*** | 0.000 | -3.39*** | 0.000 | -0.59** | 0.025 |
| | Error corr. (SNSs, REV) | | | | | | | 0.34*** | 0.000 |
| | Error corr. (SNSs, VID) | | | | | | | 0.43*** | 0.000 |
| | Error corr. (SNSs, tWOM) | | | | | | | 0.31*** | 0.000 |
| | Error corr. (REV, VID) | | | | | | | 0.60*** | 0.000 |
| | Error corr. (REV, tWOM) | | | | | | | 0.22** | 0.022 |
| | Error corr. (VID, tWOM) | | | | | | | 0.30*** | 0.001 |
| AIC | | | | | | | | 3285.30 | |
| BIC | | | | | | | | 3916.13 | |
| N | | | | | | | | 1389 | |

Table A.2. Robustness Check: Inclusion of the Level of Income Dummies

| | | SNSs | | Review sits | | Video-sharing sites | | tWOM | |
|---|---|---|---|---|---|---|---|---|---|
| | | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. |
| Coping | Explanation | 0.11 | 0.304 | 0.45** | 0.015 | 0.02 | 0.922 | 0.32*** | 0.003 |
| Motives | Apology | 0.21** | 0.029 | 0.27* | 0.087 | -0.27 | 0.241 | 0.26*** | 0.016 |
| | Appreciation | 0.28*** | 0.006 | -0.06 | 0.705 | 0.44* | 0.087 | 0.08 | 0.467 |
| | Financial Comp. | 0.07 | 0.428 | -0.01 | 0.941 | 0.52*** | 0.009 | 0.08 | 0.486 |
| | Free Product | -0.16* | 0.060 | -0.41*** | 0.002 | -0.50** | 0.011 | 0.14 | 0.200 |
| | Revenge | 0.17* | 0.081 | 0.33** | 0.019 | 0.15 | 0.470 | -0.02 | 0.910 |
| | Other motives | 0.13 | 0.269 | -0.07 | 0.725 | -0.18 | 0.579 | 0.29** | 0.019 |
| Anger | Anger Intensity | 0.13*** | 0.002 | 0.02 | 0.755 | 0.17 | 0.108 | 0.18*** | 0.000 |
| Legal | | | | | | | | | |
| Env. | Anti-SLAPP Laws | -0.01 | 0.888 | -0.03 | 0.841 | -0.45** | 0.016 | 0.14 | 0.159 |
| Damage | Money | 0.11 | 0.188 | 0.27** | 0.030 | 0.27 | 0.145 | -0.04 | 0.735 |
| Types | Time | 0.07 | 0.436 | 0.18 | 0.181 | 0.15 | 0.458 | 0.17* | 0.089 |
| Controls | Physical Injury | -0.02 | 0.928 | 0.43* | 0.088 | -0.37 | 0.434 | 0.16 | 0.545 |
| | Other Damages | 0.08 | 0.522 | 0.03 | 0.843 | -0.05 | 0.848 | 0.17 | 0.282 |
| Problem | Quality | 0.16 | 0.262 | 0.13 | 0.495 | -0.27 | 0.367 | 0.35** | 0.022 |
| Types | Billing | 0.24 | 0.122 | -0.16 | 0.472 | -0.14 | 0.675 | 0.49** | 0.010 |
| Controls | Repair | -0.03 | 0.893 | -0.83** | 0.031 | 0.01 | 0.986 | 0.35 | 0.129 |
| | Service | 0.15 | 0.314 | 0.02 | 0.935 | -0.01 | 0.970 | 0.30* | 0.069 |
| | Other Problems | 0.07 | 0.653 | -0.50* | 0.058 | -0.09 | 0.790 | 0.29 | 0.101 |
| Industry | Retail | 0.05 | 0.762 | -0.04 | 0.885 | -0.29 | 0.439 | 0.09 | 0.680 |
| Controls | Service | -0.04 | 0.789 | -0.37* | 0.097 | -0.89** | 0.014 | -0.04 | 0.799 |
| | Auto | -0.18 | 0.296 | -0.05 | 0.854 | -0.17 | 0.618 | -0.14 | 0.459 |
| | Television | -0.14 | 0.312 | -0.04 | 0.826 | -0.25 | 0.404 | 0.13 | 0.441 |
| | Telecomm | 0.11 | 0.401 | -0.29 | 0.158 | -0.43 | 0.135 | 0.10 | 0.540 |
| | Other Industries | -0.07 | 0.654 | 0.09 | 0.685 | -0.31 | 0.326 | -0.05 | 0.790 |

Table A.2. (Continued)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Demo. | Age | -0.38*** | 0.000 | -0.09 | 0.154 | -0.31*** | 0.002 | 0.01 | 0.869 |
| Controls | Gender | -0.02 | 0.771 | 0.31** | 0.011 | 0.15 | 0.420 | 0.23** | 0.018 |
| Year | Year2012 | 0.28** | 0.012 | 0.26 | 0.146 | 1.02*** | 0.007 | -0.37*** | 0.007 |
| Controls | Year2013 | 0.22* | 0.053 | 0.26 | 0.169 | 1.05*** | 0.005 | -0.47*** | 0.000 |
| | Income = 2 | 0.01 | 0.933 | -0.06 | 0.782 | -0.71** | 0.036 | -0.11 | 0.573 |
| | Income = 3 | -0.06 | 0.696 | -0.13 | 0.576 | -0.25 | 0.377 | -0.22 | 0.266 |
| | Income = 4 | -0.01 | 0.956 | -0.05 | 0.807 | -0.34 | 0.256 | -0.26 | 0.154 |
| | Income = 5 | -0.33* | 0.060 | -0.21 | 0.426 | -0.42 | 0.260 | -0.35* | 0.092 |
| | Income = 6 | -0.10 | 0.527 | -0.01 | 0.955 | -0.34 | 0.288 | 0.03 | 0.889 |
| | Income = Missing | -0.05 | 0.717 | -0.09 | 0.682 | -0.26 | 0.389 | -0.41** | 0.021 |
| | Constant | -2.00*** | 0.000 | -2.42*** | 0.000 | -3.07*** | 0.000 | -0.35 | 0.245 |
| | Error corr. (SNSs, REV) | | | | | | | 0.28*** | 0 |
| | Error corr. (SNSs, VID) | | | | | | | 0.53*** | 0 |
| | Error corr. (SNSs, tWOM) | | | | | | | 0.33*** | 0 |
| | Error corr. (REV, VID) | | | | | | | 0.49*** | 0 |
| | Error corr. (REV, tWOM) | | | | | | | 0.25*** | 0.003 |
| | Error corr. (VID, tWOM) | | | | | | | 0.17* | 0.063 |
| AIC | | | | | | | | 3305.53 | |
| BIC | | | | | | | | 3896.36 | |
| N | | | | | | | | 1389 | |

Table A.3: Robustness Check: Inclusion of the Firm's Response Dummies

| | | SNSs | | Review sites | | Video-sharing sites | | tWOM | |
|---|---|---|---|---|---|---|---|---|---|
| | | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. |
| Coping | Explanation | 0.09 | 0.370 | 0.44** | 0.016 | 0.00 | 0.988 | 0.32*** | 0.004 |
| Motives | Apology | 0.17* | 0.087 | 0.24 | 0.120 | -0.29 | 0.180 | 0.23** | 0.038 |
| | Appreciation | 0.26*** | 0.009 | -0.08 | 0.614 | 0.44* | 0.082 | 0.06 | 0.561 |
| | Financial Comp. | 0.05 | 0.604 | -0.01 | 0.961 | 0.50** | 0.011 | 0.06 | 0.614 |
| | Free Product | -0.16* | 0.062 | -0.42*** | 0.002 | -0.47** | 0.015 | 0.14 | 0.190 |
| | Revenge | 0.17* | 0.087 | 0.33** | 0.020 | 0.10 | 0.636 | -0.01 | 0.955 |
| | Other motives | 0.10 | 0.395 | -0.08 | 0.675 | -0.13 | 0.688 | 0.27** | 0.030 |
| Anger | Anger Intensity | 0.11*** | 0.009 | 0.01 | 0.814 | 0.16 | 0.127 | 0.17*** | 0.000 |
| Legal Env. | Anti-SLAPP Laws | 0.00 | 0.995 | -0.01 | 0.944 | -0.47** | 0.010 | 0.15 | 0.122 |
| Damage | Money | 0.11 | 0.186 | 0.27** | 0.032 | 0.26 | 0.150 | -0.03 | 0.785 |
| Types | Time | 0.05 | 0.531 | 0.16 | 0.220 | 0.12 | 0.549 | 0.14 | 0.151 |
| Controls | Physical Injury | -0.02 | 0.922 | 0.43* | 0.088 | -0.30 | 0.519 | 0.20 | 0.470 |
| | Other Damages | 0.08 | 0.486 | 0.03 | 0.853 | -0.07 | 0.777 | 0.17 | 0.289 |
| Problem | Quality | 0.16 | 0.259 | 0.12 | 0.546 | -0.23 | 0.430 | 0.39** | 0.011 |
| Types | Billing | 0.21 | 0.167 | -0.18 | 0.435 | -0.14 | 0.679 | 0.51*** | 0.007 |
| Controls | Repair | -0.07 | 0.745 | -0.85** | 0.026 | 0.07 | 0.859 | 0.37 | 0.108 |
| | Service | 0.17 | 0.251 | 0.04 | 0.862 | 0.06 | 0.832 | 0.33** | 0.042 |
| | Other Problems | 0.06 | 0.701 | -0.49* | 0.063 | -0.05 | 0.877 | 0.31* | 0.071 |
| Industry | Retail | 0.04 | 0.826 | -0.06 | 0.802 | -0.42 | 0.254 | 0.06 | 0.799 |
| Controls | Service | -0.04 | 0.796 | -0.38* | 0.089 | -0.87** | 0.012 | -0.05 | 0.788 |
| | Auto | -0.19 | 0.271 | -0.05 | 0.839 | -0.16 | 0.622 | -0.14 | 0.469 |
| | Television | -0.20 | 0.149 | -0.09 | 0.668 | -0.36 | 0.221 | 0.07 | 0.664 |
| | Telecomm | 0.08 | 0.535 | -0.30 | 0.144 | -0.47* | 0.092 | 0.09 | 0.583 |
| | Other Industries | -0.08 | 0.595 | 0.09 | 0.665 | -0.30 | 0.318 | -0.04 | 0.823 |

Table A.3. (Continued)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Demo. | Age | -0.40*** | 0.000 | -0.10 | 0.112 | -0.30*** | 0.002 | 0.00 | 0.936 |
| Controls | Gender | -0.05 | 0.564 | 0.30** | 0.014 | 0.15 | 0.413 | 0.23** | 0.019 |
| Year | Year2012 | 0.33*** | 0.003 | 0.29 | 0.105 | 0.96*** | 0.007 | -0.33** | 0.013 |
| Controls | Year2013 | 0.27** | 0.019 | 0.30 | 0.112 | 1.02*** | 0.005 | -0.42** | 0.001 |
| | Firm's Response = y | -0.38*** | 0.001 | -0.35* | 0.053 | -0.02 | 0.946 | -0.19 | 0.114 |
| | Firm's Response = Missing | -1.83*** | 0.000 | -2.30*** | 0.000 | -3.33*** | 0.000 | -0.45 | 0.100 |
| | Constant | 0.03 | 0.749 | -0.16 | 0.222 | 0.18 | 0.362 | 0.06 | 0.592 |
| | Error corr. (SNSs, REV) | | | | | | | 0.28*** | 0 |
| | Error corr. (SNSs, VID) | | | | | | | 0.52*** | 0 |
| | Error corr. (SNSs, tWOM) | | | | | | | 0.33*** | 0 |
| | Error corr. (REV, VID) | | | | | | | 0.51*** | 0 |
| | Error corr. (REV, tWOM) | | | | | | | 0.25*** | 0.003 |
| | Error corr. (VID, tWOM) | | | | | | | 0.17* | 0.053 |
| AIC | | | | | | | | 3276.68 | |
| BIC | | | | | | | | 3899.51 | |
| N | | | | | | | | 1389 | |

Table A.4: Robustness Check: Only for Participants Who Complained

| | | SNSs | | Review sites | | Video-sharing sites | | tWOM | |
|---|---|---|---|---|---|---|---|---|---|
| | | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. |
| Coping | Explanation | -0.03 | 0.783 | 0.39** | 0.046 | -0.06 | 0.812 | 0.24* | 0.059 |
| Motives | Apology | 0.21* | 0.051 | 0.13 | 0.456 | -0.26 | 0.285 | 0.33** | 0.010 |
| | Appreciation | 0.33*** | 0.004 | 0.05 | 0.776 | 0.42 | 0.137 | 0.10 | 0.441 |
| | Financial Comp. | 0.05 | 0.620 | -0.04 | 0.770 | 0.52** | 0.017 | 0.04 | 0.774 |
| | Free Product | -0.15 | 0.100 | -0.42*** | 0.004 | -0.49** | 0.022 | 0.15 | 0.233 |
| | Revenge | 0.22** | 0.039 | 0.37** | 0.013 | 0.08 | 0.701 | 0.10 | 0.501 |
| | Other motives | 0.11 | 0.404 | -0.03 | 0.886 | -0.22 | 0.563 | 0.34** | 0.022 |
| Anger | Anger Intensity | 0.13*** | 0.004 | 0.01 | 0.887 | 0.22* | 0.069 | 0.21*** | 0.000 |
| Legal Env. | Anti-SLAPP Laws | 0.02 | 0.820 | 0.03 | 0.848 | -0.33* | 0.093 | 0.11 | 0.321 |
| Damage | Money | 0.08 | 0.346 | 0.26* | 0.058 | 0.25 | 0.211 | -0.12 | 0.308 |
| Types | Time | 0.03 | 0.784 | 0.21 | 0.139 | 0.02 | 0.937 | 0.13 | 0.283 |
| Controls | Physical Injury | -0.03 | 0.886 | 0.48* | 0.069 | -0.32 | 0.535 | 0.49 | 0.183 |
| | Other Damages | 0.06 | 0.617 | 0.11 | 0.553 | 0.01 | 0.962 | 0.02 | 0.925 |
| Problem | Quality | 0.20 | 0.183 | 0.14 | 0.500 | -0.16 | 0.595 | 0.38** | 0.030 |
| Types | Billing | 0.30* | 0.073 | -0.15 | 0.525 | -0.17 | 0.631 | 0.57*** | 0.007 |
| Controls | Repair | -0.08 | 0.719 | -1.07** | 0.023 | -0.08 | 0.846 | 0.21 | 0.413 |
| | Service | 0.15 | 0.336 | -0.02 | 0.945 | -0.07 | 0.833 | 0.26 | 0.156 |
| | Other Problems | 0.06 | 0.728 | -0.62** | 0.033 | -0.06 | 0.851 | 0.35* | 0.087 |
| Industry | Retail | 0.01 | 0.959 | -0.22 | 0.456 | -1.01* | 0.060 | 0.00 | 0.998 |
| Controls | Service | 0.00 | 0.986 | -0.38 | 0.111 | -0.85** | 0.024 | -0.08 | 0.670 |
| | Auto | -0.18 | 0.360 | -0.09 | 0.741 | -0.21 | 0.569 | 0.05 | 0.821 |
| | Television | -0.17 | 0.269 | -0.10 | 0.639 | -0.47 | 0.134 | 0.25 | 0.195 |
| | Telecomm | 0.06 | 0.683 | -0.33 | 0.138 | -0.51* | 0.095 | 0.18 | 0.358 |
| | Other Industries | -0.04 | 0.825 | -0.05 | 0.829 | -0.34 | 0.299 | 0.05 | 0.801 |

Table A.4 (Continued)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Demo. Controls | Age | -0.40*** | 0.000 | -0.04 | 0.583 | -0.26** | 0.018 | 0.01 | 0.890 |
| | Gender | -0.03 | 0.738 | 0.30** | 0.022 | 0.12 | 0.527 | 0.27** | 0.019 |
| Year Controls | Year2012 | 0.38*** | 0.002 | 0.34* | 0.078 | 1.15*** | 0.008 | -0.34** | 0.031 |
| | Year2013 | 0.35*** | 0.005 | 0.40* | 0.050 | 1.18*** | 0.008 | -0.44*** | 0.005 |
| | Constant | -1.99*** | 0.000 | -2.43*** | 0.000 | -3.39*** | 0.000 | -0.68** | 0.031 |
| | Error corr. (SNSs, REV) | | | | | | | 0.36*** | 0.000 |
| | Error corr. (SNSs, VID) | | | | | | | 0.44*** | 0.000 |
| | Error corr. (SNSs, tWOM) | | | | | | | 0.37*** | 0.000 |
| | Error corr. (REV, VID) | | | | | | | 0.45*** | 0.001 |
| | Error corr. (REV, tWOM) | | | | | | | 0.16* | 0.087 |
| | Error corr. (VID, tWOM) | | | | | | | 0.15 | 0.135 |
| AIC | | | | | | | | 2733.82 | |
| BIC | | | | | | | | 3372.65 | |
| N | | | | | | | | 1124 | |

Table A.5: Robustness Check: Only for Participants Who Engaged in tWOM.

| | | SNSs | | Review sites | | Video-sharing sites | |
|---|---|---|---|---|---|---|---|
| | | Coef. | p-val. | Coef. | p-val. | Coef. | p-val. |
| Coping | Explanation | 0.08 | 0.476 | 0.38** | 0.044 | 0.05 | 0.857 |
| Motives | Apology | 0.18* | 0.087 | 0.18 | 0.262 | -0.35 | 0.123 |
| | Appreciation | 0.30*** | 0.004 | -0.08 | 0.6 | 0.49* | 0.072 |
| | Financial Comp. | 0.06 | 0.491 | 0.03 | 0.853 | 0.56*** | 0.006 |
| | Free Product | -0.21** | 0.016 | -0.42*** | 0.003 | -0.48** | 0.015 |
| | Revenge | 0.18* | 0.087 | 0.38*** | 0.009 | 0.06 | 0.775 |
| | Other motives | 0.02 | 0.864 | -0.11 | 0.585 | -0.31 | 0.363 |
| Anger | Anger Intensity | 0.10** | 0.016 | 0.000 | 0.954 | 0.15 | 0.156 |
| Legal | Anti-SLAPP | | | | | | |
| Env. | Laws | -0.01 | 0.871 | -0.07 | 0.616 | -0.48** | 0.010 |
| Damage | Money | 0.10 | 0.237 | 0.25* | 0.059 | 0.27 | 0.152 |
| Types | Time | 0.05 | 0.574 | 0.21 | 0.127 | 0.11 | 0.595 |
| Controls | Physical Injury | -0.02 | 0.926 | 0.46* | 0.073 | -0.35 | 0.467 |
| | Other Damages | 0.09 | 0.444 | 0.05 | 0.762 | -0.03 | 0.912 |
| Problem | Quality | 0.05 | 0.727 | 0.01 | 0.965 | -0.32 | 0.282 |
| Types | Billing | 0.18 | 0.253 | -0.21 | 0.366 | -0.22 | 0.510 |
| Controls | Repair | -0.20 | 0.347 | -1.03** | 0.011 | -0.04 | 0.922 |
| | Service | 0.10 | 0.495 | -0.05 | 0.807 | -0.05 | 0.873 |
| | Other Problems | -0.03 | 0.877 | -0.71** | 0.013 | -0.13 | 0.702 |
| Industry | Retail | 0.04 | 0.809 | -0.08 | 0.754 | -0.47 | 0.213 |
| Controls | Service | -0.12 | 0.423 | -0.51** | 0.029 | -0.97*** | 0.007 |
| | Auto | -0.14 | 0.438 | 0.00 | 0.994 | -0.14 | 0.693 |
| | Television | -0.20 | 0.170 | -0.15 | 0.455 | -0.40 | 0.173 |
| | Telecomm | 0.09 | 0.500 | -0.33 | 0.122 | -0.49* | 0.087 |
| | Other Industries | -0.10 | 0.534 | -0.04 | 0.85 | -0.35 | 0.263 |
| Demo. | Age | -0.41*** | 0.000 | -0.08 | 0.201 | -0.30*** | 0.003 |
| Controls | Gender | -0.07 | 0.412 | 0.35*** | 0.006 | 0.14 | 0.436 |
| Year | Year2012 | 0.43*** | 0.000 | 0.32* | 0.084 | 1.17*** | 0.002 |
| Controls | Year2013 | 0.39*** | 0.001 | 0.38** | 0.049 | 1.24*** | 0.002 |
| | Constant | -1.72*** | 0 | -2.17*** | 0.000 | -3.13*** | 0.000 |
| | Error corr. (SNSs, REV) | | | | | 0.31*** | 0.000 |
| | Error corr. (SNSs, VID) | | | | | 0.52*** | 0.000 |
| | Error corr. (REV, VID) | | | | | 0.46*** | 0.000 |
| AIC | | | | | | 2196.31 | |
| BIC | | | | | | 2899.14 | |
| N | | | | | | 1226 | |

APPENDIX B

SUPPLEMENT TO CHAPTER 3 – DATA

The study involves human subjects. Therefore, the survey questionnaire used for data collection was reviewed by the University Human Subjects Institutional Review Board under the code: STUDY00006704.

APPENDIX C

SUPPLEMENT TO CHAPTER 3 – PILOT STUDY

**Pilot Study:**

**Conceptualized Betrayal Versus Consumer Description of Betrayal in Real Life**

*Emerging Themes: Critical Incident Analysis Results*

Findings from the content analysis were structured around important themes that emerged across individuals and contexts. Several emerging themes provide valuable insights into consumer betrayal perception. Participants provided descriptions of particular opportunism (e.g., "they overcharged me for an item… I feel they took advantage of the fact that I was a frequent customer."), and a wide range of feelings (e.g., "betrayed," "sad"), analytical and imaginative thoughts (e.g., "I was cheated, I think they lied to me."), and behavioral intentions ("I decided never go there").

First, consumers developed certain conclusive perceptions or suspicions about the organization's opportunism. The narratives included statements about passive hiding of necessary information and active lying: "They were hiding costs and assuming that I wouldn't notice," "They could have told me it from the beginning," "They felt that they could get away by falsely advertising their inventory," "I have been attending this convention for 8 years, and this is the first year that I felt lied to. They drastically changed their practices after I'd already purchased my pass. They didn't deliver on what they initially promised." Consumers also attributed this intentionality to the self-motivation of the organization: "They made a promise and they broke it just to make extra money," "They were trying to add costs and were very shady," "The organization didn't seem to take issue with their employees lying to customers in favor of higher profits."

Second, consumers also reported the organization's possibility of acknowledging the potential harming of consumers caused by the organization's behavior: "They had already accepted my reservation. I had already put down the down payment. Time had gone by and other vacation rentals had mostly all already been rented. Then, a month before, they cancelled because of restrictions they did not initially ask me about or even say existed."

Third, the list of feelings associated with relationship events that influence the level of trust did not change much over time. Immediately after the product or service failure, consumers typically reported feelings of anger (21%), frustration (20.6%), disappointment (8%), betrayal (7.8%), sadness (7.3%), confusion (7%), or none (4%). After receiving the organization's response to their problem, consumers reported feelings of anger (21%), frustration (16%), feeling good (12%), feeling bad (10%), disappointment (7%), none (7%), sadness (5%), feeling of being betrayed (4%), and fury (2%). A few days after the problem, some consumers still felt anger (15%), frustration (12%), disappointment (4%), sad (3%), feeling of being betrayal (2.4%), feeling of being mistreated (2%), while almost half of the consumers reported no longer having feelings.

Fourth, the consumers evaluated the organization's behavior and concluded the nature of the transaction to be akin to cheating or taking advantage: "I was cheated out of money," "I was a frequent consumer and they took advantage of that," "I was lied to, then treated as if my complaint was not their problem," "We were told different than what we were given," "The claims of the company and cleanliness of their cars hides the poor mechanics beneath the surface. Anyone who is not a mechanic was being taken advantage of."

The consumers' remarks often involved the distributive justice perception: "I paid for something that wasn't given to me." "I booked a hotel I wasn't able to check into."

*Discussion*

This qualitative pilot study using CIT shows that the feeling of betrayal occurs in the consumer-firm relationship context. More importantly, it also shows that consumers' description of the situation in which they found firms undeserving of their trust and experienced feelings of betrayal was consistent with my characterization of betrayal based on prior literature. The language that consumers used for the feeling associated with betrayal incidents in a consumer-firm relationship was consistent with the language that consumers used to describe betrayal incidents in romantic relationships (Study 2, Finkel et al. 2002, p. 964). From the pilot study outcomes and the literature review, I constructed the initial inventory of 31 items to refer to broken trust (11 items); opportunism (11 items); potential harm (9 items). Then I included the items on a questionnaire in a random order.

APPENDIX D

SUPPLEMENT TO CHAPTER 3 – STUDY 1: EFA

*Data analysis*

Table C.1: Rotated Factor Matrix: Consumer Betrayal Toward the Organization.

| Betrayal Measures | Factor Loading | Cronbach |
|---|---|---|
| **Broken Trust** | | 0.93 |
| **The problem shook my confidence in the organization's policies.** | **0.81** | |
| The problem made me lose faith in the integrity of the organization. | 0.78 | |
| **Due to the problem, I lost my faith in the organization's honesty.** | **0.78** | |
| The problem damaged my faith that the organization will do the right thing. | 0.74 | |
| **The problem made me to rethink my expectations toward the organization.** | **0.80** | |
| **My problem made me doubt the principles of the organization.** | **0.80** | |
| My problem made me doubt the organization's promises. | 0.76 | |
| **Opportunism** | | 0.91 |
| **The organization had good intentions. [R]** | **0.80** | |
| **The organization was primarily motivated by my interest.** | **0.73** | |
| **In my situation, the organization acted faithfully. [R]** | **0.81** | |
| In my situation, the organization was trustful. | **0.76** | |
| **I think the organization carried out all its duties in good faith. [R]** | **0.81** | |
| **The organization tried its best to keep its promises. [R]** | **0.85** | |
| **Acknowledged Harm** | | 0.86 |
| **I think the organization knew the problem would hurt me somehow.** | **0.88** | |
| **I think the organization knew the problem would cause damage.** | **0.84** | |
| **I think the organization knew that the problem would cause me harm somehow.** | **0.94** | |
| I think the organization knew the hassle I had to undergo because of the problem. | 0.50 | |

Note. The final items are bolded. [R] = Item reverse-keyed.

I conducted an EFA using principal component analysis (PCA) as the extraction method with an oblique rotation (direct oblimin). During this analysis, I eliminated items with low loadings (< .35) or higher than moderate cross-loadings (> .40) (Worthington and Whittaker 2006). The EFA results with this approach suggested a three-factor solution consisting of consumer perception of betrayal (7 broken trust, 6 opportunism, 4 potential harm). The results are reported with the factor loadings and Cronbach's α in Table C. Table C presents the final rotated factor matrix from EFA.

*Discussion*

The exploratory factor analyses identified a stable three-factor structure of consumer betrayal. Scale brevity suggests 11 consumer betrayal items, 4 items measuring consumers' perceptions of broken trust and opportunism, and 3 items of the perception of the perpetrator's acknowledgment of potential harm. The three dimensions achieved reliability, convergent validity, and discriminant validity. The EFA results were consistent with the central paradigm proposed in betrayal literature (e.g., Finkel et al. 2002; Elangovan and Shapiro 1998). This set of items given the scale brevity are reported with the factor loadings and scale reliabilities in Table 3.1.

APPENDIX E

SUPPLEMENT TO CHAPTER 4 – DATA

The study involves human subjects. Therefore, the survey questionnaire used for data collection was reviewed by the University Human Subjects Institutional Review Board under the code: STUDY00008241.

# APPENDIX F

## SUPPLEMENT TO CHAPTER 4 – SURVEY QUESTIONNAIRE

## CUSTOMER EXPERIENCE SURVEY
(Company name is masked).

The Center for Services Leadership at Arizona State University and [Company Name] are conducting an academic research study to better understand **your opinions about** [Company Name] **products and services**.

We welcome your participation in answering a few survey questions about **your recent experiences with** [Company Name].

Participation in this study is voluntary and will take **approximately 10 to 15 minutes**. You can choose to withdraw from the study at any time. Your participation will help us better understand customer experience in business markets and will help support a doctoral dissertation.

All responses are confidential, and the data will be stored securely. If you want a [Company Name] representative to contact you regarding your survey answers, please leave your contact information at the end of the questionnaire. Then, the research team will store it only for a week and deliver it to [Company Name]. Otherwise, you, the participant, will be anonymous to [Company Name] and Arizona State University. The results of the study may be used in reports, presentations, or academic publications, but your name will not be known. Results will only be shared in the aggregate form.

**We ask that you personally complete as much of the survey as you can. However, if there are sections that are best completed by a specialist in your office, please share this survey with him/her.**

Thank you for your participation. The survey can also be completed on a mobile phone. Completion of the questionnaire will be considered your consent to participate. If you have any questions concerning the research study, please contact the research team: Ruth N. Bolton, faculty researcher or Noelle Chung, doctoral researcher at the Department of Marketing at Arizona State University (480-965-3621).

## SURVEY FORMAT

In the first section of the survey, you will be asked about **your most recent service encounter** with [Company Name]. In the next part of the survey, you will be asked to answer a series of questions about **your firm's overall relationship with** [Company Name]. In the final section, you will be asked to answer some questions about yourself that will be used only for **classification** purposes.

## PART I [OPINIONS ABOUT MOST RECENT ENCOUNTER]

Please think about your most recent service experience with [Company Name]. Answer the following questions based on your experience.

1.      When (approximately) did your most recent service interaction take place?
        1 _____ Less than 1 month ago        4 _____ 4 – 6 months ago
        2 _____ 1 – 2 months ago             5 _____ Don't recall
        3 _____ 2 – 4 months ago

For the following questions, please choose the option that most closely corresponds to your response.

2.      a. The appearance of [Company Name] personnel, tools, and equipment was visually appealing.
                1 _____ Disagree             2 _____ Agree
        b. [Company Name] service was provided in the agreed-upon time.
         Strongly Disagree                              Strongly Agree
                        1       2       3       4       5       6       7
        c. [Company Name] employee(s) spent the required time to fully address my needs.
                Strongly Disagree                       Strongly Agree
                        1       2       3       4       5       6       7
        d. I felt confident in our transactions with [Company Name].
                Strongly Disagree                       Strongly Agree
                        1       2       3       4       5       6       7
        e. [Company Name] understood our company's specific requirements.
                Strongly Disagree                       Strongly Agree
                        1       2       3       4       5       6       7
3.      I am satisfied with the recent service encounter.
                Strongly Disagree                       Strongly Agree
                        1       2       3       4       5       6       7
4.      My most recent experience with [Company Name] was …
                Much worse than expected                Much better than expected
                        1       2       3       4       5       6       7

**PART IA [OPINIONS ABOUT MOST RECENT ENCOUNTER: PROBLEMS, TRUST VIOLATION, EMOTIONS]**
A1.     **[For people who rated 1—6 for Satisfaction (Q7) only]:** We see that you were **not very satisfied** with your most recent encounter with [Company Name]. We are sorry. We'd like to understand why. Did you experience any problems during the encounter?
                1 _____ Yes                  2 _____ No

**[For people answered Yes to A1 only]:**
A2.     Which of the following categories best describes your most recent service experience?
                1 _____ Installation                 5 _____ Re-installation
                2 _____ training                      6 _____ Repair
                3 _____ Maintenance                   7 _____ Other request or
                4 _____ Parts delivery                            communication
                                                        _____

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A3.　The severity of the problem with products or services was …
　　　　Not at all serious　　　　　　　　　　　　　Very serious
　　　　　　　1　　2　　3　　4　　5　　6　　7
A4.　The impact to my company was …　(Please choose all that apply)
　　　　1 _____ Financial　　　　　　　5 _____ Affected my ability to do
　　　　my job
　　　　2 _____ Ease of doing business　　6 _____ Affected others in
　　　　our company
　　　　3 _____ Control of the situation　7 _____ Affected our customers
　　　　4 _____ Unfair outcome　　　　　8 _____ Others
　　　　　　　　　　　　　　　　　　　　　_____

A5.　[Company Name] was responsible for what happened.
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7

We're interested in learning more details about your experience. Please indicate how strongly you agree or disagree with each of the following statements.

A6.　a. In my situation, [Company Name] acted faithfully.
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7
　　　b. I think [Company Name] knew the problem would cause our firm harm somehow.
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7
　　　c. My experience made me rethink my expectations toward [Company Name].
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7
　　　d. [Company Name] tried its best to keep its promises.
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7
　　　e. My experience shook my confidence in [Company Name]'s practices.
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7
　　　f. My experience made me doubt the principles of [Company Name].
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7
　　　g. I think [Company Name] knew what my possible damages would be due to the issue.
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7
　　　h. My experience made me lose faith in the honesty of [Company Name].
　　　　Strongly Disagree　　　　　　　　　　Strongly Agree
　　　　　　　1　　2　　3　　4　　5　　6　　7

i. I think that [Company Name] knew that the outcome of my experience was not
   what I expected.
   Strongly Disagree                                    Strongly Agree
            1        2        3        4        5        6        7
j. I think [Company Name] knew my experience would hurt our firm somehow
   Strongly Disagree                                    Strongly Agree
            1        2        3        4        5        6        7
k. [Company Name] carried out all its duties in good faith.
   Strongly Disagree                                    Strongly Agree
            1        2        3        4        5        6        7
l. I was confident that [Company Name] would be consistent in its actions.
   Strongly Disagree                                    Strongly Agree
            1        2        3        4        5        6        7
m. [Company Name] was primarily motivated by its own interest.
   Strongly Disagree                                    Strongly Agree
            1        2        3        4        5        6        7
n. The recent service experience or its handling negatively affected my reputation
   within our company
   Strongly Disagree                                    Strongly Agree
            1        2        3        4        5        6        7


Now, for each of the following items, please indicate your feelings when the service
experience occurred.

|       |    |                          | Not at all |   |   |   |   |   | Very much |
|-------|----|--------------------------|:--:|:-:|:-:|:-:|:-:|:-:|:--:|
| A7.   | a. | I was disappointed.      | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | b. | I was alarmed.           | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | c. | I was lied to.           | 1  | 2 | 3 | 4 | 5 | 6 | 7  |

|       |    |                          | Not at all |   |   |   |   |   | Very much |
|-------|----|--------------------------|:--:|:-:|:-:|:-:|:-:|:-:|:--:|
|       | d. | I felt angry.            | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | e. | I was annoyed.           | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | f. | I was betrayed.          | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | g. | I felt confused.         | 1  | 2 | 3 | 4 | 5 | 6 | 7  |

|       |    |                          | Not at all |   |   |   |   |   | Very much |
|-------|----|--------------------------|:--:|:-:|:-:|:-:|:-:|:-:|:--:|
|       | h. | I was uneasy.            | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | i. | I felt outraged.         | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | j. | I was frustrated.        | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | k. | I felt like I was not important. | | | | | | | |
|       |    |                          | 1  | 2 | 3 | 4 | 5 | 6 | 7  |

|       |    |                          | Not at all |   |   |   |   |   | Very much |
|-------|----|--------------------------|:--:|:-:|:-:|:-:|:-:|:-:|:--:|
|       | l. | I was anxious.           | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | m. | I was cheated.           | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | n. | I was embarrassed.       | 1  | 2 | 3 | 4 | 5 | 6 | 7  |
|       | o. | I was sad.               | 1  | 2 | 3 | 4 | 5 | 6 | 7  |

## PART IB [OPINIONS ABOUT ORIGINAL PROBLEM: PROBLEMS, TRUST VIOLATION, EMOTIONS]

B1.     Just to check, was this service encounter a follow-up to a prior visit by a [Company Name] representative?

           1 _____ Yes                      2 _____ No

**[For people who answered Yes to B1. only]** Now, please think about the original service encounter that led to this follow up appointment. **[The questions from Q1-4 (Time since encounter, Evaluation of the original service encounter), A1-A5 (Problem descriptor), A6 (Trust violation items), A7 (Emotions) are asked again]**.

B2.     Which of the following categories best describes your original service experience?

| | | | |
|---|---|---|---|
| 1 _____ | Installation | 5 _____ | Re-installation |
| 2 _____ | training | 6 _____ | Repair |
| 3 _____ | Maintenance | 7 _____ | Other request or |
| 4 _____ | Parts delivery | | communication |

                                           _____

B3.     When (approximately) did your original service interaction take place?

| | |
|---|---|
| 1 _____ Less than 1 month ago | 4 _____ 4 – 6 months ago |
| 2 _____ 1 – 2 months ago | 5 _____ more than 6 months ago |
| 3 _____ 2 – 4 months ago | 6 _____ Don't recall |

B4.     I was satisfied with the original service encounter.

      Strongly Disagree                        Strongly Agree
           1     2     3     4     5     6     7

B5.     **[For people who rated 1—6 for Satisfaction (B5) only]:** We see that you were **not very satisfied** with your original service encounter with [Company Name]. We are sorry. We'd like to understand why. Did you experience any problems during the encounter?

           1 _____ Yes                      2 _____ No

B6.     The severity of the problem with products or services was …

      Not at all serious                        Very serious
           1     2     3     4     5     6     7

B7.     The impact to my company was … (Please choose all that apply)

| | | | |
|---|---|---|---|
| 1 _____ | Financial | 5 _____ | Affected my ability to do my job |
| 2 _____ | Ease of doing business | 6 _____ | Affected others in our company |
| 3 _____ | Control of the situation | 7 _____ | Affected our customers |
| 4 _____ | Unfair outcome | 8 _____ | Others |

                                           _____

B8.   [Company Name] was responsible for what happened.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7


We're interested in learning more details about your experience. Please indicate how strongly you agree or disagree with each of the following statements.

B9.   a. In my situation, [Company Name] acted faithfully.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      b. I think [Company Name] knew the problem would cause our firm harm
         somehow.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      c. My experience made me rethink my expectations toward [Company Name].
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      d. [Company Name] tried its best to keep its promises.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      e. My experience shook my confidence in [Company Name]'s practices.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      f. My experience made me doubt the principles of [Company Name].
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      g. I think [Company Name] knew what my possible damages would be due to the
         issue.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      h. My experience made me lose faith in the honesty of [Company Name].
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      i. I think that [Company Name] knew that the outcome of my experience was not
         what I expected.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      j. I think [Company Name] knew my experience would hurt our firm somehow
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      k. [Company Name] carried out all its duties in good faith.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7
      l. I was confident that [Company Name] would be consistent in its actions.
          Strongly Disagree                            Strongly Agree
              1       2       3       4       5       6       7

m. [Company Name] was primarily motivated by my interest.
        Strongly Disagree                                    Strongly Agree
                1       2       3       4       5       6       7
n. The original service experience or its handling negatively affected my
        reputation within our company
        Strongly Disagree                                    Strongly Agree
                1       2       3       4       5       6       7

Now, for each of the following items, please indicate your feelings when the service experience occurred.

|       |    |                              | Not at all |   |   |   |   |   | Very much |
|-------|----|------------------------------|------------|---|---|---|---|---|-----------|
| B10.  | a. | I was disappointed.          | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | b. | I was alarmed.               | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | c. | I was lied to.               | 1          | 2 | 3 | 4 | 5 | 6 | 7         |

|       |    |                              | Not at all |   |   |   |   |   | Very much |
|-------|----|------------------------------|------------|---|---|---|---|---|-----------|
|       | d. | I felt angry.                | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | e. | I was annoyed.               | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | f. | I was betrayed.              | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | g. | I felt confused.             | 1          | 2 | 3 | 4 | 5 | 6 | 7         |

|       |    |                              | Not at all |   |   |   |   |   | Very much |
|-------|----|------------------------------|------------|---|---|---|---|---|-----------|
|       | h. | I was uneasy.                | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | i. | I felt outraged.             | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | j. | I was frustrated.            | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | k. | I felt like I was not important. |        |   |   |   |   |   |           |
|       |    |                              | 1          | 2 | 3 | 4 | 5 | 6 | 7         |

|       |    |                              | Not at all |   |   |   |   |   | Very much |
|-------|----|------------------------------|------------|---|---|---|---|---|-----------|
|       | l. | I was anxious.               | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | m. | I was cheated.               | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | n. | I was embarrassed.           | 1          | 2 | 3 | 4 | 5 | 6 | 7         |
|       | o. | I was sad.                   | 1          | 2 | 3 | 4 | 5 | 6 | 7         |

5. Please indicate how confident you are about your opinion.
        Not at all confident                        Very much confident
                1       2       3       4       5       6       7

## PART II [OPINIONS ABOUT BUSINESS OUTCOMES AND OVERALL RELATIONSHIP]

Now, we'd like to know about your firm's overall relationship with [Company Name]. Please indicate how strongly you agree or disagree with each of the following statements.

6.      Our firm will definitely purchase from [Company Name] again.
        Strongly Disagree                                    Strongly Agree
                1       2       3       4       5       6       7
7.      I will recommend [Company Name] to other business associates.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

8.      [Company Name] will win our firm's business if additional opportunities exist in the next two years.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

9a.    Our firm will not terminate our relationship with [Company Name] within the next year.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

9b.    Our firm will decrease our purchases from [Company Name] in the next two years.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

10a.   [Company Name] keeps promises it makes to our firm.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

10b.   Our firm trusts that [Company Name] keeps our best interests in mind.

        Strongly Disagree                        Strongly Agree
               1      2      3      4      5      6      7

10c.   [Company Name] is trustworthy.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

11.      I am satisfied with [Company Name]'s products and services.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

12.      Our firm does not regret the decision to do business with [Company Name].

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

13.      It pays off economically to be a customer of [Company Name].

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

14a.   I enjoy discussing [Company Name] with people outside of our firm.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

14b.   I do not feel emotionally attached to [Company Name].

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

15.      Compared with other suppliers, [Company Name] creates more value for us when comparing all the costs and benefits of our relationship.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

16.      As a business partner, [Company Name] is easy to do business with.

        Strongly Disagree                        Strongly Agree
              1      2      3      4      5      6      7

## Part III [CLASSIFICATION]

For classification and comparative purposes only, please indicate how strongly you agree or disagree with each of the following statements.

17a.   I am very interested in what others think about [Company Name].
        Strongly Disagree                            Strongly Agree
               1     2     3     4     5     6     7

17b.   When someone praises [Company Name], it feels like a personal compliment.
        Strongly Disagree                            Strongly Agree
               1     2     3     4     5     6     7

18.    It would be costly for our firm to switch from [Company Name] to other suppliers.
        Strongly Disagree                            Strongly Agree
               1     2     3     4     5     6     7

19.    I know [Company Name]'s products and services well.
        Strongly Disagree                            Strongly Agree
               1     2     3     4     5     6     7

20.    I think, in general, people can be trusted to do what they said they would do.
        Strongly Disagree                            Strongly Agree
               1     2     3     4     5     6     7

21.    I think I can easily forgive even when the offender has not apologized.
        Strongly Disagree                            Strongly Agree
               1     2     3     4     5     6     7

For classification and comparative purposes only, please provide the following information about yourself.

22.    How long has your company been a customer of [Company Name]?
        1 _____ Less than 1 year         4 _____ 5 – 10 years
        2 _____ 1 – 3 years            5 _____ More than 10 years
        3 _____ 3 – 5 years

23.    Is [Company Name] your primary (>70%) [Product] supplier Yes or No
23a    If no please check one of the following
        1___   [Product] business is equally split between vendors
        2___   [Company Name] is a secondary supplier (<30%)
        3___   [Company Name] is the supplier of last resort

24.    When a [Company Name] product fails, what impact does it have on your business?
        Not at all serious                            Very serious
               1     2     3     4     5     6     7

25.    Please indicate the size of your company.
       1___    Small (less than 100 employees)
       2___    Small-medium (100-999 employees)
       3___    Medium-sized (1,000-2,499 employees)
       4___     Medium-sized (2,500-9,999 employees)
       5___     Large (more than 10,000 employees)

26.    How long have you worked for your company?
              1 _____ Less than 1 year         4 _____ 5 – 10 years
              2 _____ 1 – 3 years              5 _____ More than 10 years
              3 _____ 3 – 5 years

27.    a. Please indicate the degree of influence you have on decisions about purchasing
       from [Company Name]. "I have some influence but so do others in my company
       "(1) -- "I make the decision" (7)
       b. Please write your job title:

       _____

28.    Age _____

29.    Gender
              1 _____ Male                        2 _____ Female

We thank you for your time spent taking this survey. Your response has been recorded.

If you want a [Company Name] service representative to contact you regarding your survey answers, please leave your contact information at the end of the questionnaire. Then, the research team will store it only for a week, and deliver it to [Company Name]. Otherwise, you, the participant, will be anonymous to [Company Name] and Arizona State University.

Company name: _____ _____
Your name: _____
Contact email: _____
Service Reference No. _____
Comments: _____
_____

If you have any additional thoughts about [Company Name], please write them here.

_____
_____
_____

If you have any questions concerning the research study, please contact the research team: Ruth N. Bolton, faculty researcher or Noelle Chung, doctoral researcher at the Department of Marketing at Arizona State University (480-965-3621). If you have any questions about your rights as a participant in this research, or if you feel you have been placed at risk, you can contact the Chair of the Human Subjects Institutional Review Board, through the ASU Office of Research Integrity and Assurance, at (480) 965-6788.