

A qualitative study on perceived value and loyalty: A moderated-mediation framework

知覺價值與忠誠之質性研究－調節中介架構

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Abstract: This research conducts a qualitative study by proposing a conceptual framework that explains customer loyalty, as well as its mediators and moderator based on the signaling theory. The signaling theory was originally derived from information economics under conditions in which buyers and sellers possess asymmetric information during their interactions in the market. This study refers to perceived brand prestige as the underlying and unobservable signal that fulfills the needs or demands of consumers observing the signal. In the proposed framework of this study, loyalty is indirectly related to CSR disclosure quality and perceived brand prestige through the full mediation of customer satisfaction and desirable expectation of new products. Moreover, the relationship between customer satisfaction and loyalty and between desirable expectation of new products and loyalty are both moderated by perceived brand prestige. This study is a pioneer in proposing the desirable expectation of new products as a mediator and perceived brand prestige as a moderator in the loyalty formation. This study suggests that marketers successfully shaping brand prestige can reduce the mutable influence of customer satisfaction on loyalty, leading to stable loyalty. Lastly, managerial implications for marketers based on the propositions of this study are provided.

Keywords: CSR disclosure quality, Perceived brand prestige, Customer satisfaction, Loyalty, Signaling theory.

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1. Introduction

There is a consensus in the literature that business firms must learn in depth about what social and commercial values customers care the most about so as to strengthen customer loyalty in competitive markets (e.g. Slater and Narver, 2000; Vargo and Lusch, 2004; Woodruff, 1997). Disclosing their value of corporate social responsibility (e.g., CSR disclosure) and presenting their products' commercial value attached to a high position (e.g., prestige) have become important for firms. Developments in these areas have led to close attention being paid to what is now coined as *CSR disclosure quality* and *perceived brand prestige* (Baek, Kim, and Yu, 2010; Chang and Lee, 2002; DeTienne and Lewis, 2005; Said, Yuserrie, and Hasnah, 2009).

While CSR disclosure quality can be described as a firm's ongoing ex ante efforts to provide disclosure of its socially corporate benevolent behavior that aims to affect stakeholders positively and that go beyond its economic interest (Turker, 2009), brand prestige is defined as a relatively high status product/service positioning associated with a commercial brand (Steenkamp, Batra, and Alden, 2003). Previous literature has indicated that these two characteristics are critical during the communication and understanding between customers and their product/service providers (e.g., Becker-Olsen, Cudmore, and Hill, 2006; Berens, van Riel, and van Rekom, 2007; Sen and Bhattacharya, 2001).

According to the signaling theory, CSR is a key attribute that attracts customers by serving as a signal for a firm's codes of ethics, business standards, values, and norms (Turban and Greening, 1996). Customer loyalty can be enhanced if a firm is able to appropriately disclose its good deeds in the area of CSR (e.g., Chatman, 1989). Derived from the signaling theory, the concept of brand prestige suggests that firms use their brands as signals for conveying information about the use of their product/service (Baek *et al.*, 2010), consequently boosting customer loyalty. Although previous research provides abundant discussions regarding how customer loyalty is influenced by perceived brand prestige as a determinant, little attention has been paid to examine any potential mediators by simultaneously including CSR disclosure quality as an

equally important determinant. Moreover, whether the mediators possess some interaction effects in loyalty formation is also unknown. Consequently, the specific research questions explored in this paper are: (1) Through what mediators can customer loyalty be motivated?; and (2) Do interaction effects exist that are related to the mediators in loyalty formation?

The rest of this article proceeds as follows. The next section introduces the signaling theory and proposes a holistic theoretical framework by introducing two critical mediators and their moderator and then develops propositions based on the framework. The final section discusses the study's limitations and its implications for future research and practice.

2. Signaling theory

The signaling theory is originally derived from information economics under conditions in which buyers and sellers possess asymmetric information during their interactions in the market (Boulding and Kirmani, 1993). While product or service providers understand their actual service or product quality, consumers seldom know about the quality before using the service or product. When consumers are not sure about the service or product quality of sellers, they demand important information that allows them to distinguish between specific providers of superior quality products or services and those with poor quality products or services. A critical approach to deal with this kind of information issue is for product or service providers to provide commercial signals about their product or service quality, including pricing, free trials, advertising, celebrity endorsements, and warranties.

To elaborate upon the signaling theory, Spence (1973) utilized the labor market to justify the signaling function of education. On one hand, as potential employers have insufficient information about the actual abilities of job applicants, they seek important information that signals the quality of the job applicants. On the other hand, the applicants do their best to complete their education to signal their personal capability and quality and to reduce information asymmetries for employers. In other words, quality education often represents a key and reliable signal for employers, because applicants with poor abilities are unlikely to withstand the rigors of quality education (Connelly *et al.*,

2011).

Although some signaling models include perceived brand prestige as the distinguishing characteristic, the notion of prestige can be viewed from various perspectives. This study refers to perceived brand prestige as the underlying and unobservable quality signal that fulfills the needs or demands of consumers observing the signal. Specifically, brand prestige denotes the unobservable quality of the brand to earn large cash flows in the long run, which can be signaled by marketing strategies, financial structure, or managerial efforts. The notion of perceived brand prestige shares similar traits with some terms such as reputation, image, association, and word-of-mouth, but we state that these terms are purely socially constructed and derive from the signaler's perceived prestige. Table 1 summarizes recent prominent articles on consumer behavior based on the signaling theory.

3. Development of propositions

Drawing upon the signaling theory, this study proposes a framework that explains the formation of customer loyalty, as well as its mediating and moderating mechanisms. In the proposed framework, customer loyalty is indirectly and positively related to CSR disclosure quality and perceived brand prestige via the full mediation of customer satisfaction and desirable expectation of new products. Moreover, the relationship between customer satisfaction and loyalty and between desirable expectation of new products and loyalty are both moderated by perceived brand prestige. Previous literature has clearly shown that loyalty is influenced by customer satisfaction and customer value anticipation (Flint, Blocker, and Boutin, 2011), indicating the necessity for assessing customer satisfaction and desirable expectation of new products that facilitates loyalty. The propositions of this study and their rationale are provided in detail below.

Customer satisfaction is defined as a pleasurable fulfillment response toward a brand, service, benefit, or reward (Oliver, 1997). Such customer satisfaction is likely driven by CSR disclosure quality and perceived brand prestige, leading to increased loyalty. According to the signaling theory, CSR disclosure quality helps the firm to signal its brand quality to satisfy customers' concerns,

Table 1
Recent prominent articles on consumer behavior based on the signaling theory

Authors	Study descriptions	Outcome variables	Data collection	Key findings
Pappu and Quester (2016)	Examined how consumers' perceptions of innovativeness affect consumer brand loyalty by including perceived quality as a mediator.	Brand loyalty	Data were collected using a mall-intercept approach from consumers at a major shopping precinct in a metropolitan city.	The test results provided compelling evidence by showing that perceived quality fully transmitted the impact of brand innovativeness on to brand loyalty.
Patterson and Patterson (2016)	Reflected on relationship marketing and suggested directions for further research and developments in the area.	Customer loyalty and relationships	Previous literature on relationship marketing and service failures.	Different points in the relationship lifecycle are associated with differing sets of relationship expectations and levels of tolerance to service failure.
Liu and Mattila (2016)	Examined the influence of a "green" loyalty program on members' and bystanders' service encounter satisfaction in light of preferential treatment.	Green loyalty and satisfaction	A 2×2×2 between-subjects experimental design.	Status perceptions mediated the impact of customer type on satisfaction. Status perceptions had a greater leveraging power in satisfaction when the observability of preferential treatment was high.
Ho and Wei (2016)	Examined experiences of an IS outsourcing service supplier as a signal of perceived service quality by considering the moderating effects of information asymmetries and signal credibility.	Service quality	Questionnaires were collected in Taiwan, and partial least-squares technique was employed to test the model.	Past experiences of an IS outsourcing supplier affected perceived service quality, which subsequently influenced positively the intention to purchase IS outsourcing services. Signal credibility moderated the relationship between the provider's past experiences and perceived service quality.
Ashley, Gillespie, and Noble (2016)	Consumers who paid for a loyalty program have more favorable attitudes and more positive evaluations of value for the money and benefits than non-paying members; and altering the wording of denominations of accrual affected the willingness to join fee-based programs.	Attitude, value, and behavioral loyalty	A national sample of 310 adults as survey participants. Two hundred and eighteen students were participants in a 3x2 between-subjects design.	The results indicated a boundary effect to the numerosity heuristic. Presenting reward credit accumulations in higher numbers might be advantageous when program fees are high, since it distracted the attention from the fee to the rewards.

Table 1
Recent prominent articles on consumer behavior based on the signaling theory (continued)

Authors	Study descriptions	Outcome variables	Data collection	Key findings
Chen, Huang, and Davison (2016)	Investigated how sellers' website quality affected the development of social capital between buyers and sellers, which in turn improved buyers' loyalty in the C2C online shopping context.	Perceived quality and loyalty	Data collected from 307 buyers on TaoBao, China's largest C2C online shopping platform, were used to empirically test the research model.	Cognitive and relational capital was positively related to buyers' loyalty. The results suggested that online sellers should strategically offer appropriate website quality dimensions to build social capital with buyers in order to maintain buyers' loyalty.
Xiao <i>et al.</i> (2016)	Examined the relationships between trust dimensions and e-loyalty, interactions among trust dimensions, as well as antecedents of different trust dimensions.	E-loyalty	Data were collected through a web-based survey in Chinese markets, and PLS was used to analyze the data.	Three trust dimensions all had significant impacts on e-loyalty. Information quality and security protection were important factors determining institutional trust, while store reputation was the most salient factor determining interpersonal trust.
Zhang <i>et al.</i> (2016)	Examined the signaling influence of two components of return policy, return window—short return window vs. long return window and return depth—full refund vs. partial refund, on product quality and service quality.	Purchase intention and perceived product quality	Data were collected using an online survey and analyzed using structural equation modeling.	Both a long return window and a full refund signaled high service quality, which then positively affected purchase intention. In terms of product quality, return window did not have a signaling effect, while the signaling effect of return depth was moderated by service quality.

strengthening their judgment that the consumption of a product or service will provide a pleasurable level of fulfillment of their needs (i.e., increased customer satisfaction), goals, and desires (i.e., increased desirable expectation) (e.g., Sen, Bhattacharya, and Korschun, 2006). When customers are better impressed with a firm's disclosed CSR quality, they are more likely to be satisfied with the firm and consequently become more loyal customers. For example, Starbucks finds that customers prefer to do business with a company they believe to be socially

responsible, when their other key buying criteria are met (Starbucks Coffee Company, 2007). Thus, Starbucks puts forth great efforts at improving its CSR disclosure quality through various media channels, because of its influence on customer satisfaction and loyalty (McGowan, 2013). Collectively, the first proposition is developed below.

P1: Loyalty is positively and indirectly related to CSR disclosure quality via the mediation of customer satisfaction.

Following the above justification on the direct relationship between customer satisfaction and loyalty, this study further proposes that customer satisfaction mediates the relationship between perceived brand prestige and loyalty. Brand prestige is defined as the relatively high status of product positioning linked to a brand (McCarthy and Perreault, 1987; Steenkamp *et al.*, 2003). An inherent value, a unique know-how, or a luxurious image may be a key characteristic by which a brand is thus judged to be prestigious (e.g. Dubois and Czellar, 2002; Hwang and Hyun, 2012). A brand perceived by consumers as being prestigious can provide not only tangible benefits, but also intangible benefits such as a signal of high-level social status (Hwang and Hyun, 2012). Many consumers are attracted by a prestigious brand and thus satisfied with such a brand, because of the values that these brands signal (Dubois and Czellar, 2002).

Previous literature has suggested that perceived brand prestige greatly affects customer satisfaction (Steenkamp *et al.*, 2003), leading to the general assumption that prestigious brands are purchased more (i.e., a part of loyalty) due to a higher level of interest and customer satisfaction (Ergin and Akbay, 2010; Hwang and Hyun, 2012; Kirmani, Sood, and Bridges, 1999). For instance, prestige brand companies such as Louis Vuitton, BMW, and Audi have similarly reported increased loyalty customers and annual sales in recent years, in spite of the unstable world economy (Baek *et al.*, 2010; Pfanner, 2007). It was reported that hundreds of millions of dollars are invested by these firms to enhance their brand prestige so as to continuously improve customer satisfaction (Naik, Prasad, and Sethi, 2008). Collectively, the next proposition is developed and stated as follows.

P2: Loyalty is positively and indirectly related to perceived brand prestige via the mediation of customer satisfaction.

The desirable expectation of a new product (one that has yet to be released) is defined as consumers' state of felt expectation, visualizing their future possession and/or consumption of said product (Houston *et al.*, 2008). Such anticipation is likely driven by CSR disclosure quality and perceived brand prestige, leading to increased loyalty. According to the signaling theory, firms may disclose their efforts on CSR, and this CSR disclosure quality represents a signal of them being socially responsible, which motivates consumers' desire to anticipate new product/service launches (e.g., Bagnoli and Watts, 2003; Deselnicu, Costanigro, and Thilmany, 2012; Podner, 2008), thus increasing loyalty (Karadeniz, 2010; Lemon, White, and Winer, 2002). For example, the Body Shop company carefully reports its efforts on CSR in public (i.e., CSR disclose quality), which often helps secure the loyalty of customers who support those CSR causes and enhances their interests in knowing more about potential new products that will be launched by the firm (Sirsly and Lamertz, 2008). Similarly, some stores donate money to local school playground funds - parents are thus often keen to learn about a new service/product from these stores and eventually become their loyal customers.

A well-known CSR brand in the footwear category, Timberland, has integrated a set of CSR principles into every aspect of its business (e.g., environmental consciousness, fair and humane labor practices). Since 2005, many customers proactively anticipating Timberland's new products with a "nutritional label" (i.e., informing consumers of their social and environmental impact) have turned into loyal customers in the long run. This business case shows the importance of CSR disclosure quality, which has resulted not only in the company's top ten ranking among Business Ethics' 100 Best Corporate Citizens, but also in the unwavering loyalty of its customers (Du, Bhattacharya, and Sen, 2007). Consequently, the next proposition is derived.

P3: Loyalty is positively and indirectly related to CSR disclosure quality via the mediation of desirable expectation of new products.

Previous literature indicated that the expressions of consumer anticipation can create network effects in which individuals' desirable expectation is both heightened and spread to others through contagion and informational cascades (e.g., word-of-mouth) (Houston *et al.*, 2008), strengthening their personal favorable attitude toward a particular firm (e.g., increased loyalty). Consumers

oftentimes anticipate emotional outcomes (i.e., anticipation of new products) and thus behave loyally based on these outcomes so as to pursue the emotions they prefer (Baumeister *et al.*, 2007). As consumers proactively anticipate future new products (e.g., new smartphone models) from a firm, they may constructively alter their intention and behavior to be loyal to the firm they like. In other words, behavioral choices can be substantially swayed by the anticipation of feeling good or bad sometime in the future (Baumeister *et al.*, 2007). This study considers desirable expectation as crucial for understanding pre-release consumer perception and as an anticipatory psychological state that is needed to explain such a behavioral outcome as loyalty (Houston *et al.*, 2008). If consumers do not possess a strong desirable expectation regarding a company's new products, then they are less likely to exhibit repeat patronage and positive word-of-mouth, and thus they may switch to new products of other companies (i.e., decreased loyalty).

The reassurance consumers derive from a prestigious brand (e.g., of tradition, of authenticity) increases the value they derive from the use of one of its new products. They feel a heightened desirable pleasure of anticipation long before they use the new product (McEwen, 2005; Vigneron and Johnson, 1999). In other words, the more prestigious a brand is perceived by consumers, the stronger a desirable expectation is likely to be fostered, consequently leading to higher levels of loyalty. For instance, due to its highly prestigious brand, customers of Apple Inc. remain highly loyal as shown by waiting in long lines around Apple Stores in anticipation of a new product (Coach, 2012), suggesting a potential mediating role of desirable expectation of new products between perceived brand prestige and loyalty. Hence, the next proposition is described below.

P4: Loyalty is positively and indirectly related to perceived brand prestige via the mediation of desirable expectation of new products.

To complement previous studies that discussed the main effects of perceived brand prestige, this study examines the moderating effects of perceived brand prestige. This study qualitatively proposes that the moderating effects can increase the generalizability of the results by providing inferences relating to specific conditions (i.e., different levels of perceived brand prestige) in which customer satisfaction and desirable expectation of new products may work

inconsistently to affect loyalty.

According to the signaling theory, brand prestige may decrease information costs, because of the signal (e.g., regarding quality) sent by a prestigious brand. A signal like perceived value will reduce consumers' efforts to acquire the necessary information or to have a global evaluation for making purchase decisions, because they may think that the brand must be good without any doubts if so many people in society desire to have it (Baek *et al.*, 2010), thus lessening the effect of their personal and subjective customer satisfaction on loyalty. Previous literature considered customer satisfaction to be a global evaluation or a state of feeling toward a product or service (Espejel, Fandos, and Flavián, 2008). When the need for consumers to make an overall evaluation towards a product is reduced due to a relatively high status of product/service positioning associated with a brand, the relationship between customer satisfaction and loyalty becomes weak (given this strong brand prestige). Indeed, customer satisfaction is a spontaneous evaluative response to a product that is largely based on prior perceptions about the product, but is rather unstable, being consistently updated by more recent experiences or perceptions related to brand prestige (Suh and Yi, 2006). Therefore, a proposition can be stated as follows.

P5: The relationship between customer satisfaction and loyalty is negatively moderated by perceived brand prestige.

Consumers who consider a specific brand as prestigious often perceive its strong value and/or image benefits (Phau and Teah, 2009), which consequently increase the relational strength between desirable expectation of a new product and customer loyalty. The signaling theory suggests that brand prestige facilitates brand charm, which manipulates consumer expectations to obtain the new product and to provide loyalty (Flint *et al.*, 2011). An example can be seen from the popular phenomenon that Apple enthusiasts (i.e., loyal customers) line up early just to buy an anticipative new product from their perceived prestigious IT product company, Apple Inc. (Mickalowski, Mickelson, and Keltgen, 2008). If consumers do not see a brand as necessarily beneficial for their reputable social status, then their loyalty towards a specific brand can turn weaker, because they feel less interested in expecting or waiting for one of its new products (e.g., Henard and Dacin, 2010; Kapferer, 2012). In other words, when consumers recognize a brand has a high status meaning for them, the relationship between

desirable expectation of its new products and loyalty becomes stronger. Therefore, a proposition is derived as follows.

P6: The relationship between desirable expectation of a new product and loyalty is positively moderated by perceived brand prestige.

4. Discussion

This study is a pioneer to propose the desirable expectation of new products as a mediator and perceived brand prestige as a moderator in the formation of loyalty. Extending from previous studies that focus on customer satisfaction as a major mediator that leads to loyalty, this study further establishes a bridge between CSR disclosure quality and loyalty by simultaneously examining the moderation of perceived brand prestige and the full mediation of customer satisfaction and desirable expectation of new products.

The desirable expectation of new products is important in a global economy where an inspired future and creative anticipation are required to fulfill customers' needs of imagination (Johnston and Bate, 2013). Given customers' strong desirable expectation, they are more likely to possess loyalty towards the brand. For example, many firms use new product preannouncements as strategic market signaling tools to trigger customers' desirable expectation of new products in order to maintain the length of the buying process and customer loyalty (Su and Rao, 2010). For that reason, management can make good use of CSR disclosure to increase customers' desirable expectation of new products. Previous literature suggested that the CSR-related process may result in product innovations that are valued by many customers. For instance, "organic, pesticide-free" production indicates the innovative use of organic methods, thus constituting a process innovation and the creation of a new product category (McWilliams and Siegel, 2001) as well as fostering customers' desirable expectation of new products.

The proposed positive effects of CSR disclosure quality on customer satisfaction and the desirable expectation of new products suggest that management may use different media channels to disclose CSR activities more actively in order to achieve higher levels of customers' satisfaction and desirable expectation of new products, consequently resulting in enhanced loyalty. On the

contrary, if CSR activities are not effectively disclosed and customers are not aware of the activities, then efforts from the CSR activities taken up by a company become underestimated, and its loyalty program can turn out to be very ineffective.

The proposed full mediation of customer satisfaction and desirable expectation of new products indicate that business firms can observe that the levels of customers' satisfaction and their desirable expectation are two critical check points to accurately predict level of loyalty. A firm should conduct periodical market surveys to learn about customers' overall evaluation of its products (or services) and customers' expectation regarding its directions in new product development. Based on the results of the market surveys, marketers will be able to forecast customers' loyalty and then come up with appropriate business plans to strengthen that loyalty.

The proposed negative moderating effect of perceived brand prestige on the relationship between customer satisfaction and loyalty suggests that marketers successfully shaping brand prestige can reduce the effect of customer satisfaction on loyalty, leading to stable loyalty. Given high brand prestige perceived by customers, marketers can minimize any business loss following customer dissatisfaction caused by an unexpected service failure (e.g., Hess, Ganesan, and Klein, 2003). Putting it differently, when low customer satisfaction occurs due to, for example, an unanticipated technical difficulty, a company with good brand prestige will have more time to resolve the difficulty and communicate with consumers efficaciously before their loyalty is affected by any subsequent low customer satisfaction.

Limitations of the study and future research

This study has two limitations associated with the interpretations of the empirical results. The first limitation is its qualitative research method. The propositions justified in this study may be empirically tested in future research. Second, because the main focus of this study is on the moderating role of perceived brand prestige, this study did not address personal characteristics as moderators of the relationship between customer satisfaction and loyalty (e.g., Homburg and Giering, 2001). Future scholars may try to improve these limitations by discussing control variables (e.g., involvement), empirically

surveying samples across various countries or cultures, and observing research subjects over time so that the genuine moderating influences of perceived brand prestige on loyalty formation can be verified from a quantitative point of view.

In view of the overlapping conceptual definitions of the different forms of brand prestige in the literature, it is necessary for future scholars to empirically test for the discriminant validity of various factors and their measures related to brand prestige for the purpose of obtaining accurate measures of perceived brand prestige. In addition, as the high relevance of the Internet in fostering and enhancing customer relationships increases, and as more and more customers are conducting online transactions via the Internet, a better understanding of these customer-to-company dynamics in the online setting is warranted. More research on online brand prestige and perceived value in virtual contexts is obviously needed to shed light on the growing phenomenon of innovation applications in this information technology society (e.g., Chang, Tsay, and Lin, 2016; Chou, Yang, and Chiu, 2016; Liou and Tsai, 2016; Wang, Cheng, and Chou, 2016).

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