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RESEARCH ARTICLE

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The Effect of Win-Back Investment on Lost Consumers' Intention of Reinitiating Relationship

Abstract This research studies the effect of win-back strategy on reinitiating brand-consumer relationship (BCR) by examining three commonly adopted strategies, namely apology, tangible reward, and privilege. Empirical findings demonstrate that these strategies have different effects on consumers' intention of reinitiating relationship (CIRR). More specifically, whereas consumers will show positive CIRR if a transgression brand employs the strategies of apology, tangible reward and privilege, consumers' perception of apology has the most significant effect. In addition, this study also tests the moderating role of brand relationship quality on CIRR. Results show that if the brand-relationship quality prior to brand transgression is high, win-back strategies will have more positive effects on CIRR, and vice versa.

Keywords transgression brand, win-back investment, reinitiating relationship, brand relationship quality

1 Introduction

The rupture of consumer-brand relationship could have a significant impact on a company's profitability and brand image (Fajer and Schouten, 1995). For instance, the negative publicity of product quality problems and fake

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advertisement of SK-II in March 2005, and the "carcinogenic" toothpaste of Colgate in April 2005 both caused great damage to brand-consumer relationships. Can ruptured relationships be reinitiated? It has been suggested that brand relationship development is a dynamic process, including processes of building up, rupturing, and win-back (e.g., Aaker, Fournier and Brasel, 2001). If a company has adopted appropriate strategies, it is very likely to reinitiate ruptured relationship (Havila and Wilkinson, 2002). In addition, scholars have suggested that it is worth reacquiring lost consumers. Then, what should be done to make "yesterday once more" in terms of the ruptured brand-consumer relationship? Although there have been a considerable number of studies on the need of retrieving strategies of lost consumer, few have studied how to actually do it.

The aim of this paper is to explore the impact of different brand-consumer relationship (BCR) reinitiating strategies on consumers. In this paper, reinitiating BCR refers to an inter-behavior process between brands and brands-related consumers. In addition, we also try to find out whether the BCR quality prior to brand transgression affects consumers' intention of reinitiating relationship (CIRR).

2 Literature Review

2.1 Reinitiating of BCR

Aaker et al. (2001) proposed the concept of brand relationship re-initiation, but did not further study on the topic. Other researchers believed that there is possibility of resuming the relationship, since even though the relationship is totally broken, other forms of interaction will continue, such as the interaction of information and social bonds like commercial communication. Moreover, past memories would prolong in a certain amount of time. All the above provides a possibility to relationship win-back (Gadde and Mattsson, 1987). In other words, even both sides will not trade any more, BCR goes into a state of dormancy, waiting for being awaken again (Havila and Wilkinson, 2002). Therefore, most enterprises have regarded regaining lost consumers as the core of consumer management (Hunt, 2002; Rechiheld, Sasser and Earl, 1990; Tokman, Davis and Lemon, 2007).

2.2 Win-Back Investment of BCR

Re-initiation of BCR is different from the acquisition of BCR (Stauss and Christian, 1999; Thomas, Robert and Edward, 2004). Consumers will consider valuable dimensions, such as the price and service benefits, in their reinitiating of BCR (Tokman et al., 2007). In other words, lost consumers would not be won back until they can perceive potential benefits. Therefore, firms have to launch appropriate strategies in order to reinitiate BCR. Based on data from the electronic commerce industry, Helfert, Clemens and Gregor (2003) developed a five-step conceptual framework for consumer win-back management, including confirmation, subdivision, contact, win-back and control. Furthermore, Breivik and Thorbjornsen (2008) analyzed the traditional BCR investment model and improved it. This research, however, focused only on the possible steps of consumer win-back, rather than on the strategies of reinitiating BCR.

Berry (1995) identified three levels of relationship marketing tactics: the First level relies on pricing incentives to secure consumer loyalty, which is often referred to as level one relationship marketing; the second level of relationship marketing focuses on the social aspect of a relationship, exemplified by regularly communicating with consumers or addressing one's consumers by their first names during transactions; the third level of relationship marketing offers structural solutions to consumer problems by offering one's target consumers with more value added. As a useful framework for investing exchange relationships in relationship marketing, the reciprocity principle (Huppertz, Sidney and Richard, 1978) is the key theory in explaining the duration and stability of exchanging relationships (Larson, 1992).

According to the reciprocity theory, people would return good for good (Bagozzi, 1995) and actions taken by one party in an exchanging relationship will be reciprocated in kind by the other party. Therefore, the reciprocity principle is helpful in understanding consumer behavior in general (Huppertz et al., 1978). Bagozzi (1995) pointed out that the reciprocal phenomenon also exists in BCR. We therefore regard the concept of reciprocity as an appropriate framework for developing our conceptual model.

3 Research Model and Hypothesis Development

3.1 Win-Back Strategy of BCR

To reinitiate BCR, social value, as well as economic value is needed (Singh and Sirdeshmukh, 2000). Currently, most of the service recovery strategies stem from the service industry but lack of systematic assessment and consistent conclusions. In sum, service recovery strategies work at the psychological level and substance level, represented by apology (intangible compensation) and compensation (substantive compensation), respectively.

Apology. Apology is a positive response when a firm realizes the damage of BCR. Lewicki and Bunker (1996) assumed that if a mistake maker (a firm) confirms, admits and confesses its mistakes and offers to compensate the sufferer (consumers) in a certain way, it is easier to fix the ruptured BCR. This assumption has been supported by numerous empirical studies. For example, Ohbuchi, Kameda and Agarie (1989) found that the defendant's apology in court creates a better impression to the plaintiff and makes the latter less aggressive. Impression management experiments also show that offending firms would face a less severe "punishment" from annoyed consumers if they admit their mistakes and express their regrets (e.g., Schwartz, Kane, Joseph and Tedeschi, 1978). Apologies are an effective means to rebuild partnerships (Bottom, Gibson, Daniels and Murnighan, 2002).

Tangible Compensation. Tangible compensation is tangible incentives (such as money or gifts) that a brand offers to its consumers, in return for their forgiveness. Current research finds that the regular "come back" activities intending to reinitiate BCR, is offering a better reward than before (Stauss and Christian, 1999; Thomas, Robert and Edward, 2004). In service industry, lost consumers are especially sensitive to price and service benefits. Among many applied win-back strategies, tangible compensation is one of the main means of service remediation (Tokman et al., 2007).

Privilege. Privilege is defined as preferential treatments to lost consumers. Sheth and Parvatiyar (2001) proposed a proposition that a privilege treatment could effectively encourage consumers to continuously enhance business relationship with firms. A proper privilege treatment constructs long-term BCR, which leads to profitability. Thus, it is supposed that privilege treatment leads to a better perception of win-back investment.

We examine the situation of one brand's strategy to a series of consumers rather than to a specific consumer, for relationship marketing tactics are part of an overall marketing strategy, and are applicable to all consumers. Therefore, we define perceived resumption investment of a relationship as a consumer's perception of a brand's investments (i.e., resources, efforts, and attention) that aimed at maintaining or enhancing relationships with consumers, while these investments do not have outside value, and terminate after these relationships are recovered. Thus, we develop H1 as follows:

H1 Win-back strategies are positively related to consumer perceived investment.

Specifically:

H1a The higher the level of apology offered by an offending brand, the higher the value of consumer perceived investment;

H1b The higher the level of tangible compensation offered by an offending brand, the higher the value of consumer perceived investment;

H1c The higher the level of privilege offered by an offending brand, the higher the value of consumer perceived investment.

3.2 Consumers' Intentions of Reinitiating Relationship

The extent to which consumers wish to buy the product of a certain brand is an important indicator of reinitiating brand relationship. Fishbein and Ajzen (1975) defined intention as a subjective probability of individuals engaging in specific acts. By extending the same concept, intention of purchasing a brand's products means self-command of purchasing products or related purchasing actions of consumers (Bagozzi and Yi, 1989). Based on this definition, Dodds, Monroe and Grewal (1991) and Monroe and Krishnan (1998) redefined CIRR as the intention to buy a certain brand's products, which is converted into actual behavior under the effect of outside factors. According to the extant literature, from the perspective of consumer, we define brand relationship reinitiating as the process in return for perceiving reliable information of real reinitiating investment, consumers rebuild their trust in a transgressed brand and regain an intention to purchase the brand's products. Hence,

H2 Consumers' perception of investment in BCR is positively related to CIRR.

3.3 The Moderating Role of Relationship Quality

The composition of BCR, both in reinitiating BCR and acquisition of BCR, are consumers, a brand and a firm. The BCR quality prior to re-initiation forms the basis of re-initiation of BCR. The reason that BCR is able to be reinitiated is the existence of relationship energy once a certain relationship is built up. This energy can be transferred but cannot be destroyed. Even though the bilateral transaction is no longer carried on, there is still relationship energy to wake up "sleeping" relationship (Havila and Wilkinson, 1997). Fournier (1998) thought that brand relationship quality is a measurement of brand assets from the consumers' side, reflecting the continually connected strength between consumers and brands and the ability of development. A good brand relationship quality will not only make it more difficult to break BCR, but also help reinitiate broken relationship (Tokman et al., 2007). In this article, we uses brand relationship quality as a mediating variable, aims to explore its mediating effect on the relationship between consumer perception of investment in BCR and CIRR.

Relationship quality can be seen as a comprehensive assessment to relationship strength (Garbarino and Mark, 1999; Smith, 1998). The main content of relationship quality is relationship satisfaction, trust and relationship commitment drawing on the current research: (1) Relationship satisfaction is regarded as an important outcome (Smith and Barclay, 1997) and a consumer's affective state (Anderson and Narus, 1992, 1990). (2) Trust is thought to be an important result of investing in dyadic buyer-seller relationships (Gundlach, Achrol and Mentzer, 1995). In brand relationship marketing, trust is defined as a consumer's confidence in a brand's reliability and integrity. Trust behaviors are related to the willingness to engage in risk-taking behavior (Smith and Barclay, 1997). (3) Commitment is generally regarded to be an important result of good relationship interactions. In our study, we define relationship commitment as a consumer's enduring desire to continue a relationship with a brand accompanied by this consumer's willingness to make efforts to maintain it (Morgan and Hunt, 1994).

H3 The relationship quality positively moderates the relationship between consumer perception of investment and CIRR.

In summary, the conceptual model of this paper is shown in Fig. 1.

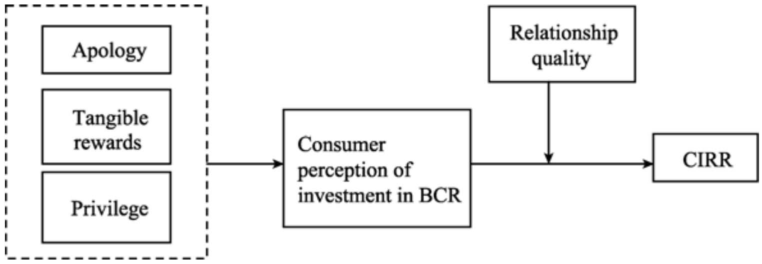

Fig. 1 The Conceptual Model

4 Research Design

Based on the above literature review and rationale, we compiled our trial questionnaire. The specific steps were as follows: Items for relationship investment and perception of reciprocity were based on Wulf, Odekerken-Schroder and Laccobuci's (2001) relevant study on relationship marketing investment. Modifications were made according to the purpose of this study. Three items for purchasing intention were adopted from relevant research conducted by Dodds, Monroe and Grewal (1991) and Grewal et al. (1998). One item for measuring relationship quality (i.e., I trust this brand) was adopted from Hennig-Thurau et al.'s (2000, 2002) study conclusion. Based on the trial questionnaire, we conducted a small-scale investigation (N = 38) and revised the expression of some items and formed the final questionnaire.

As our study involves all brand-consumer contacts (either service brands or product brands), there is no need for specific distinction of brand categories. In addition, we put the following instruction in our questionnaire: "Please recall the brand that you used to buy before it made transgression, and the transgression cost in terms of material, time or emotion losses that made you cease to purchase the brand." The questionnaire was divided into two parts: The first part was the main part of the questionnaire designed for hypothesis testing, which was a

5-point Likert-type scale. The second part was the personal information of the interviewees. Data were collected in Wuhan City in April 2008. We interviewed 350 consumers in five big shopping malls at random and obtained 278 valid questionnaires (valid response rate = 79.4%).

Descriptive statistics of our research participants were as follows: 49% were male, 51% female; 53.6% of the participants were 21–25 years old, 24.5% were under 20, 11.9% were between 26 and 30, and 10% were over 30. 79.3% of the participants are above college education level. 52.5% of them had distributable income of 501–999 Yuan per month, 25.9% had less than 500 Yuan, 12.8% between 1 000 Yuan and 1 999 Yuan, 6.7% between 2 000 Yuan and 2 999 Yuan and 2.1% over 3 000 Yuan.

5 Data Analysis

5.1 Reliability and Validity Analysis

In the reliability analysis, the Cronbach's α of measured variables are: brand relationship investment, 0.632; apology, 0.612; tangible reward, 0.614; privilege, 0.605; perception reciprocation, 0.665; relationship quality, 0.802; CIRR, 0.738. All the Cronbach's α are over the acceptable level.

All measurements for brand investment, perception reciprocation, purchasing intention, and relationship quality were adopted from existing scales with high content reliability.

Factor analysis is used to test the structure validity of the questionnaire. Firstly, we conducted Bartlett's spherical detection and KMO measure of sampling adequacy, and adopted the principle component analysis to extract the factors whose eigenvalue is bigger than 1, with the varimax factor extraction method. As the results, all variables explain over 50% of the total variance. Therefore, we can infer that our questionnaire has high structure validity.

5.2 Model Testing

We then use simple regression analysis to step-test the three resumption investment strategies' influence on consumers' perception of investment. The results of regression analysis are: The regression coefficient of apology on consumers' perception is 0.260, $p < 0.001$, the standardized explanation coefficient is $R^2 = 0.654$, which means higher the level of brand apology, higher level the consumers' perception of the investment, and H1a is thus supported; the regression coefficient of tangible rewards on consumers' perception is 0.102, $p < 0.05$, the standardized explanation coefficient is $R^2 = 0.286$, which means that the higher the level of tangible compensation, the higher the level of consumers' perception of the investment, and H1b is supported; the regression coefficient of preference treatment on consumers' perception is 0.054, $p<0.05$, the standardized explanation coefficient is R^2 = 0.533, which means higher the level of preference treatment, higher the level of consumers' perception of the investment, and H1c is also supported. Thus, H1 is also supported.

It is necessary to test the impact of consumers' perception of investment on CIRR. The correlation test shows: Pearson coefficient is 0.294, p < 0.001, and the adjusted explanation coefficient is $R^2 = 0.085$. Thus, it is reasonable to believe that the influence of consumers' perception of brand relationship resuming investment on CIRR is positive. H2 is supported.

5.2.1 Mediation Test

We used Baron and Kenny's (1986) method to test and evaluate the mediating effect. Its steps are as follows: First, calculating the regression coefficient of mediator on independent variables; second, calculating the regression coefficient of the dependent variable on independent variable; third, calculating the regression coefficient of dependent variable on mediator (including independent variable). Following these steps, Table 1 presents the testing results of the mediation role of consumers' perception of investment on CIRR.

Table 1 Test of Mediation Role of Consumers' Perception on Investment

Condition	Regression	Regression coefficient (β)	Result
Condition 1	Mediator variable and independent variable	0.129^{***}	Supported
Condition 2	Dependent variable and independent variable	0.122^{**}	Supported
Condition 3	Dependent variable and mediator variable	0.289^{***}	Supported
	Dependent variable and independent variable	0.042^{***}	

Note: *** indicates significant at 0.001 level, ** indicates significant at 0.005 level, * indicates significant at 0.05 level.

Table 1 shows that every variable's regression coefficient is significant. In addition, the independent variable's effect on dependent variable is weakened in the third regression equation. Therefore, consumers' perception of brand relationship resuming investment partly mediates the effect of brand relationship resuming investment on CIRR.

5.2.2 Moderation Test

The moderation effect was tested by hierarchical regression. Firstly, taking consumers' perception of investment, relationship quality as independent variables and CIRR as dependent variable (Model 1); then, putting consumers' perception of investment and relationship quality into the regression equation to test the moderation role of relationship quality.

As shown in Table 2, the regression coefficient of consumers' perception of relationship investment × relationship quality is significant ($p<0.001$), that is, the relationship quality before brand making transgression influences consumers' perception of the investment on brand and relationship. Namely, the higher the level of the relationship quality before brand transgression, the more significant the consumers' perception of brand investment affects their relationship resuming intentions.

Table 2 Results of Hierarchical Regression

Model		Standardized regression coefficients	F	ΔF	R^2	ΔR^2
Model 1	Perception of investment	0.191***	91.868***	91.868***	0.276	0.276
	Relationship quality	451***				
Model 2	Perception of investment	0.035	70.532***	20.368***	0.304	0.028
	Relationship quality	0.394***				
	Perception of investment × relationship quality	0.300***				

Note: Dependent variable is CIRR; *** indicates significant at 0.001 level.

Table 2 also shows that the F values of R^2 of these two models are significant (significance level is 0.001), so is the F value of ΔR^2. It means that the overall regression effect of Model 1 and 2 is acceptable. Model 2 has added an interaction item of perception of investment and relationship quality based on Model 1, and the result shows that this item can properly explain CIRR (β = 0.300, $p < 0.001$; $\Delta R^2 = 0.028$, $\Delta F = 20.368$). Hence H3 is supported.

6 Conclusion and Managerial Implication

First, BCR win-back investment positively affects CIRR, regardless of the specific strategies adopted (such as "apology," "tangible rewards" or "preferential treatment"). Among these strategies, consumers are significantly affected by "apology," and that is why when lost consumers, apologies are important and necessary. Next, apologies are followed by "privilege" and "tangible rewards" strategies, as lost consumers pay more attention to social value than substantive material compensation.

After apology, substantive compensation strategy is also necessary. "Privilege" strategy is very helpful in reinitiating BCR, since it makes lost consumers feel that attention has been paid to their complaints and will therefore accept apology from an offending brand.

Second, consumers' perception of win-back investment positively affects CIRR. This hypothesis is partly proved, which means that firms must invest in reinitiating relationship, in return for reacquiring BCR. CIRR is based on win-back investment; meanwhile, consumers' perception of investment and the perception of the investing firm directly affect CIRR. This conclusion gives a better understanding of win-back investment.

We also find that relationship quality before a brand makes transgression moderate the effect of win-back investment on consumers' perception of investment. Namely, the better the relationship quality prior to transgression, the stronger the investment consumers perceive, and the easier to create CIRR. Otherwise, the win-back investment will have less impact on CIRR. This conclusion implies that establishing a stable relationship quality is an important means to retain consumers, even if any possible transgression occurs.

7 Limitations and Directions for Future Research

The limitations of this research are: First, the total number of survey participants was relatively small and most of whom were students (since this survey was conducted at shopping malls, most of the participants willing to participate in the test were college students). These limitations might somehow affect the applicability of our conclusions to other people.

Second, this paper is a preliminary study of reinitiating brand relationship. In reality, brand marketing practice is affected by many different and complex factors. As a result, more studies should be conducted to gain a more in-depth understanding of the issue.

Further studies from the consumer's perspective should be conducted. Since different kinds of consumer will have different perception of investment, we need to divide consumer into different types to further measure their personalized perception of investment. Then, under the background of Chinese culture, whether the so-called "*mianzi*" (personal dignity) would have impacts on BCR is another topic that needs to be studied further.

Studies at brand-levels are also need to be expanded. Since different kinds of brand has differentiated strategies, more attention will be drawn to this aspect, such as dividing brand transgression types into functional transgression, emotional transgression, single brand transgression and multi brand transgression.

Finally, future studies can also be concentrated on brand transgression from a dynamic perspective. According to the information process theory, consumers have different perceptions of information extracted at different phase of information processing process. Generally, consumers pay more attention to details in exacting recent information and previous information as well. Therefore, different win-back strategies are needed at the early and last phases of relationship re-initiation. And the time should also be considered when choosing the appropriate strategies to reinitiate ruptured BCR.

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Appendix

In our survey, we applied the following scenario:

Please look back on some certain brands that you used to buy a lot, which could be a product brand, such as mobile phone, or a service brand, like certain barbershop. You used to love this brand, because it could bring you not only substantive joy, and mental delights as well, even the life style you have always tried to express. However, due to the transgression this brand has made (e.g., product quality, service quality or service attitude), you have suffered tangible loss, time waste or even emotional hurt, and finally cause a distrust of the brand, and you may never buy it again.