

# *The effects of trust and peer influence on corporate brand—Consumer relationships and consumer loyalty*

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## The Effects of Trust and Peer Influence on Corporate Brand—Consumer Relationships and Consumer Loyalty --Manuscript Draft--

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<b>Abstract:</b>	Drawing on relational tie theory and theory of trust, this study examines the role of affective and cognitive trust in mediating the relationship between corporate brands and consumers, and in loyalty towards corporate brands of national dairy products in China. The study also investigates the moderating effect of peer influence on corporate brand and consumer relationships and the two trust types. Using survey data from 600 consumers, the study shows that while cognitive trust mediates the relationships between certain corporate brand and consumer constructs, including corporate brand competence and corporate brand communication and loyalty, affective trust mediates the effect of loyalty on corporate brand and consumer relationship constructs, including corporate brand communication, corporate brand liking and corporate brand similarity. Peer influence is found only to have a positive moderating effect on corporate brand communication regarding affective trust.

# **The Effects of Trust and Peer Influence on Corporate Brand—Consumer Relationships and Consumer Loyalty**

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# **The Effects of Trust and Peer Influence on Corporate Brand—Consumer Relationships and Consumer Loyalty**

## **Abstract**

Drawing on relational tie theory and theory of trust, this study examines the role of affective and cognitive trust in mediating the relationship between corporate brands and consumers, and in loyalty towards corporate brands of national dairy products in China. The study also investigates the moderating effect of peer influence on corporate brand and consumer relationships and the two trust types. Using survey data from 600 consumers, the study shows that while cognitive trust mediates the relationships between certain corporate brand and consumer constructs, including corporate brand competence and corporate brand communication and loyalty, affective trust mediates the effect of loyalty on corporate brand and consumer relationship constructs, including corporate brand communication, corporate brand liking and corporate brand similarity. Peer influence is found only to have a positive moderating effect on corporate brand communication regarding affective trust.

**Keywords:** Cognitive trust; affective trust; corporate brand relationships; loyalty; peer influence.

# **The Effects of Trust and Peer Influence on Corporate Brand—Consumer Relationships and Consumer Loyalty**

## **1. Introduction**

Corporate branding refers to a systematically planned and implemented process of managing and maintaining a favorable brand identity and image to eventually create a favorable reputation in consumers' eyes and with all stakeholders (Einwiller & Will 2002; Harris & de Chernatony, 2001). Failure of a corporate brand to meet consumer expectations may have severe repercussions, such as creating negative publicity about the brand and its associated sub-brands where consumers might switch to competitive brands or even boycott the original brand (Ahluwalia, Burnkrant & Unnava, 2000; Hsiao, Shen, & Chao, 2015; Sichtmann, 2007). Indeed, successful corporate brands are built by corporations able to make valuable positive connections with their customers, that is, their primary stakeholders (Kay, 2006). Thus, building trust through creating strong corporate brand and consumer relationships needs to be one of the main issues of concern for companies.

This study focuses on corporate brand and consumer relationships in the context of national Chinese dairy product brands that use a branded house approach (one brand name for the corporate brand and associated product brands). In particular, the study focuses on brands of powdered infant formula. This sector was shaken by the melamine scandal in 2008, which resulted in severe health issues in and deaths, and almost led to the collapse of China's dairy industry (Graham-Harrison, 2009; Jacobs, 2009).

Given the high importance assigned to having trust in the Chinese national brands of infant formula, the dairy market in China is an ideal setting in which to study trust in a corporate brand context, as well as to study consumer relationships. While product brands can be easily

replaced, corporate brands have a longer life span and therefore constitute a more reliable source of reference for product quality expectations (Sichtmann, 2007). Chinese consumers tend to have a long-term orientation (Hofstede, 2001; Makri & Schlegelmilch, 2017), and thus tend to assign ultimate importance to a corporate brand's reputation when choosing powdered infant formula or any other product.

Drawing on Granovetter's (1973) theory of relational ties and the theory of trust (Mayer et al., 1995; McAllister, 1995; Morgan & Hunt, 1994), this study examines how firms can enhance consumer loyalty by (re)building consumer relationships and trust in the national brands of infant formula products in the context of China. More specifically, this study examines the mediating role of cognitive and affective trust in the relationship between a corporate brand and consumers, as well as consumer loyalty. The study further examines the moderating effect of peer influence on corporate brand and consumer-relationship factors and trust in these brands. From a theoretical perspective, while previous studies have contributed to our understanding of the relationships among brand, trust and loyalty (Delgado-Ballester & Munuera-Aleman, 2001, 2005; Lau & Lee, 1999), several gaps remain in our understanding of how consumer loyalty develops through trust in a corporate brand and consumer-relationship context, offering avenues for future research.

First, previous studies in branding have predominantly focused on consumer trust perceptions in the context of product brands (e.g. Hong & Cha, 2013; Lau & Lee, 1999), despite the fact that consumers are increasingly looking for firm attributes beyond specific products, and consider the values, associations, skills and identities of corporate brands in their product evaluations (Berens, van Riel & van Bruggen, 2005; Palazzo & Basu, 2007). Indeed, as corporate brands have longer-term brand gestations than product brands (Balmer & Gray, 2003), the former may be more effective in building trust with consumers. In addition, studies that have examined the concept of trust in branding predominantly focus on a unidimensional

concept of trust (Hong & Cha, 2013; Lau & Lee, 1999; Rampl & Kenning, 2014). Such an approach is problematic, given that trust towards brands emerges through both a thinking (cognitive) and a feeling (affective) process (Morrow, Hansen, & Pearson, 2004; Srivastava, Dash, & Mookerjee, 2015). *Cognitive trust* is driven by knowledge and a rational thought process, whereas *affective trust* is driven by feelings and emotional exchanges (Albert & Merunka, 2013; Dowell, Morrison, & Heffernan, 2015; Johnson & Grayson, 2005). As studying a unidimensional concept of trust provides an incomplete understanding of the role of corporate brand and consumer relationships in building brand trust, this study employs both cognitive and affective trust to examine the subject.

Second, of the studies that have focused on cognitive and affective trust, few have examined the mediational effects of trust on brands (e.g. Chaudhuri & Holbrook, 2001; Wang et al., 2016). Some have focused merely on the direct effect of certain service-provider-related factors on different types of trust, and how these trust types can affect the anticipation of future consumer interactions, rather than the mediational or indirect effects of trust on consumer behavior in the context of corporate brand and consumer relationships (e.g. Johnson & Grayson, 2005; Alwi & Kitchen, 2014). Studying mediational effects is important because cognitive and affective trust may comprise a significant share of the relationship between diverse corporate brand and consumer-relationship-related antecedents and consumer behavior, including consumer loyalty (Johnson & Grayson, 2005; Wang et al., 2016).

Third, although most studies produce consistent results in terms of how certain factors affect the development of cognitive and affective trust (Dowell, Morrison, & Heffernan, 2015; Johnson & Grayson, 2005; Lee, Lee, & Tan, 2015; Sekhon et al., 2013), they give limited consideration to the role of other factors, and importantly, consumer-to-consumer relationships—such as peer influence—in this process. This limited focus is despite the important role played by peers in shaping consumer beliefs (Pechmann & Knight, 2002). In



other words, one of the main gaps in this field is that there is very limited understanding of how the recommendations of others, and the importance assigned to them, may influence a consumer's level of **cognitive and affective** trust towards brands, **especially when consumers are vulnerable due to information deficiency and negative prior experiences** (e.g. Frank, Enkawa, & Schvaneveldt, 2015; Hajli, 2014).

The following section (Section 2) presents the theoretical underpinnings and hypotheses of the study. Section 3 explains the research methodology and Section 4 describes the results. Finally, Section 5 discusses the study's theoretical and managerial implications, limitations and recommendations for future research.

## **2. Theory and hypotheses**

### *2.1. Relational ties in the context of brand-consumer relationships*

Relational ties represent the social glue connecting different actors in interpersonal communication and relationships (Berger, 2014). In a corporate branding context, brands are found to possess human characteristics and personality traits (i.e. anthropomorphization) (Balmer, 2008; Puzakova, Kwak & Rocereto, 2013), and thus have relationships as social actors, such as with consumers (Hatch & Schultz, 2003; Fetscherin & Heinrich, 2015; Melewar & Walker, 2003). Granovetter's (1973) theory of relational (social) ties is widely adopted to assess relational tie strength between social actors from the perspective of five dimensions: amount of time, intimacy, emotional intensity, reciprocity and homophily (Granovetter, 1973, 1983; Luarn & Chiu, 2015). Integrating these theoretical dimensions produces five key corporate brand and consumer relationship factors: communication, experience, competence, liking, and similarity.

The *amount of time* dimension is about the frequency and duration of interaction between social actors (Granovetter, 1973; Luarn & Chiu, 2015). According to the theory, when

social actors (such as corporate brands and consumers) have more frequent *communication* and *experience* with each other, there will be stronger sentiments of friendship and relational ties between them (Borgatti & Halgin, 2011; Granovetter, 1973, 1983).

*Intimacy* relates to deep affection between two social actors, providing a sense of reliability and security, which connects to the *competence* aspect of relational ties (Gilsing & Nooteboom, 2005). Intimate partnerships and strong relationships develop when a social actor (such as a corporate brand) demonstrates the *competence* to deliver its promises (MacInnis, 2011; Urde, 2003).

*Emotional intensity* relates to the production of intrinsic emotions and thus the *liking* between social actors (Luarn & Chiu, 2015). For example, for *A* to be the philos of *B*, *A* must like *B*; *A* must feel affection for *B* (Krackhardt, 1992). Liking a corporate brand is a positive assessment of it, where consumers feel pleasant, friendly and agreeable towards the brand, and thus develop stronger ties with it.

Granovetter's (1983) theory of relational ties also points out that when social actors have *homophily*, they tend to have stronger ties, implying that when they have greater degrees of *similarity* they will have more intense relationships (Brown & Reingen, 1987). Thus, it is expected that the similarity of a corporate brand's "personality" to a consumer's own would motivate him or her to form stronger ties with the brand.

Finally, the theory suggests that when social actors have stronger friendship ties they tend to act more consistently with each other than when they have weaker ties, as with acquaintances. For example, if strong *reciprocal* ties exist between *A-B* and *A-C*, and if *B* and *C* are aware of each other, anything which is short of a positive tie between *B* and *C* would introduce a psychological strain into the situation because both *B* and *C* would want to have congruent thoughts and feelings with *A*. If ties between *A-B* and *A-C* are weak, consistency between *B* and *C* would be less crucial (Granovetter, 1973). Thus, in addition to the corporate

brand and consumer relationship dynamic, relational ties *between* or *among* consumers would be influential in the evaluation of corporate brand relationships (Balmer, 1998; Hudson et al., 2015). Based on this theory, it is expected that while weak ties with acquaintances may necessitate less consistency, strong ties with peers, such as friends and family, would require more-aligned evaluations.

## 2.2. Cognitive and affective trust

Trust relates to a trustee's willingness to engage in a vulnerable relationship by expecting positive behavior and intentions from the trustor (Melewar et al., 2017). Personal trust is grounded in personal relationships, such as with national brands, as opposed to system trust, which is embedded in institutions (Nuttavuthisit & Thøgersen, 2017). In this study, trust towards a corporate brand is examined at the personal level. Previous studies on trust have shown that overall trust towards a supplier is influenced positively by social bonding or ties with their consumers (Chang et al., 2012). As trust decisions usually involve both reasoning and feeling or emotional involvement, the current study examines the concept of trust through its cognitive and affective components (Komiak & Benbasat, 2006).

In cognitive trust, actors deliberately choose whom they will trust, and in which respects and under what circumstances (Lewis & Wiegert, 1985). Thus, cognitive trust is based on an actor's rational assessment (Wang et al., 2016). Chua, Ingram and Morris (2008) relates cognition-based trust to trust "from the head", a rational judgment based on evidence of another's reliability. It is an instrumental inference made from information about another's behavior under specific circumstances (Zhang, 2014). Dirks and Ferrin (2002) also suggest that the level of cognitive trust may reflect integrity factors including honesty and fairness of the referent.

The affective component of trust, on the other hand, includes an emotional bond among

actors who participate in the relationship (Lewis & Wiegert, 1985). In particular, in affective trust, the trustor trusts the trustee because the trustee exhibits genuine care and concern, and gives signals of benevolence for, the welfare of the trustor (Dirks & Ferrin, 2002; Riegelsberger, Sasse & McCarthy, 2003). Thus, affective trust relates to the extent to which one feels secure about and comfortable with relying on the trustee (Komiak & Benbasat, 2006; Zhang, 2014).

### **3. Hypothesis Development**

#### *3.1. Corporate brand relationships and consumer loyalty*

Loyalty towards a corporate brand can be evaluated in the context of a consumer's frequent and repeated purchases of its brands and products, and devotion of a larger share of category purchases to it than to competitor brands (Krystallis & Chrysochou, 2014; Romaniuk & Nenycz-Thiel, 2013). Creating loyalty for corporate brands has become more challenging due to minimal differentiation among their competitive offerings and similar corporate and organizational values among competitors (Anisimova, 2007; Dawes, Meyer-Waarden & Driesener, 2015). In this sense, building and maintaining effective relationships with consumers is crucial for gaining customer loyalty (Gbadamosi, 2015).

#### *3.2. The mediating role of cognitive and affective trust*

Corporations enhance the odds of loyalty if they gain consumers' trust in their competence (Anisimova, 2007; Chaudhuri & Holbrook, 2001). Corporate brand competence represents the qualifications, skills and knowledge required to deliver effective performance, quality and value (Sichtmann, 2007; Smith & Barclay, 1997). This study assumes that ensuring cognitive trust accounts for a significant proportion of the relationship between a corporate brand's competence and consumer loyalty. In particular, this study suggests that to gain or

enhance consumer loyalty (and the loyalty of wider stakeholders), corporate brands need to increase and develop cognitive trust by demonstrating their reliability, that is that product offerings and employees consistently deliver the brand's stated and expected quality and value. Such actions meet the ethical imperative for doing business with integrity (Knox & Bickerton, 2003; Zhang, 2014). For example, providing environmentally friendly, safe and quality offerings with a sense of corporate social responsibility is important to gain the cognitive trust of consumers. Importantly, when consumers experience information overload about several competitive offerings and have limited knowledge about the competence of related corporate brands or products, we suggest that cognitive trust would support mental shortcuts about a corporate brand's competence, enhancing the likelihood of consumer loyalty toward a brand they already know. Hence,

*H1: Cognitive trust mediates the effect of corporate brand competence on consumer loyalty with regards to associated brands.*

Corporate brand experience can occur through a consumer's direct experience with the brand, and through indirect experience by exposing consumers to the brand through advertising, public relations and virtual media experiences (Brakus, Schmitt & Zarantonello, 2009). To generate loyalty, corporate brands need to convince consumers to engage in direct experiences. Forming a mind-set with respect to a brand includes cognitive and affective states, and specifically what a consumer knows and how they feel about the brand (Morgan-Thomas & Veloutsou, 2013; Şahin et al., 2012). Thus, a positive brand experience would be more likely to develop consumer loyalty if it affects both reasoning and emotion. Further, repeated exposures to a brand and brand experiences create personalized brand information for consumers and increases their cognitive and affective abilities to analyze, evaluate and trust (or not) the brand (Weinberg, 2001; Kuhlmeier & Knight, 2005). According to Garbarino and

Johnson (1999), trust evolves from past experiences, and trust develops through an individual's experiential process of learning over time. In this context, corporate brands can improve consumers' rational assessments by showing their reliability and integrity through delivering repeatedly satisfactory corporate brand experiences (Conn, 2005). Similarly, to build affective trust, corporate brands and their employees need to show genuine care and concern through culturally and emotionally compatible experiences. This study assumes that if consumers hold positive accumulated knowledge and emotional exchanges due to their experiences with a corporate brand, they will improve their cognitive and affective trust in the brand and eventually develop loyalty towards it. Thus,

*H2: (a) Cognitive trust and (b) affective trust mediate the effect of corporate brand experience on consumer loyalty with regards to corporate brands.*

Corporate brand communication may inferentially be regarded as formal and/or informal interactive dialogue between a corporation's brand and its consumers and wider stakeholders. This study suggests that to create consumer loyalty, a corporation's communication activities need to build both cognitive and affective trust. Importantly, corporate brand communication can be assessed in terms of attributes such as quality, frequency and interactivity. When consumers perceive that the quality of information provided by a brand is reliable, unbiased and credible, they increase their awareness and knowledge of the brand, and positively increase their cognitive assessments of the brand's trustworthiness (Guenzi, Johnson & Castaldo, 2009; Yeh & Li, 2009). However, if a corporate brand shares inaccurate or out-of-date information, or falsifies consumer reviews, the evaluations of the brand's reliability and integrity through diminished cognitive trust would decrease loyalty among its consumers (Garbarino & Lee, 2003). Affective trust would also be reduced in such cases by the resulting negative opinions formed about the brand's benevolence and care and

concern towards its consumers' well-being.

However, some brands can weather reputational storms. Frequent communication between a corporate brand and its employees and consumers create a sense of closeness, familiarity, sincerity and ease. The social bonds developed through these interactions occur at an emotional level that results in relationships more resistant to intermittent failures (Sharma & Patterson, 1999). Indeed, when corporate brand communications include regular follow-ups to explore consumer satisfaction, it signals the brand's care for its consumers, which in turn develops affective trust and can eventually generate increased commitment to the relationship (Sharma & Patterson, 1999). In addition, a brand that gives frequent, accurate, timely and ongoing information, and responds quickly and satisfactorily to consumer concerns, can eliminate misunderstandings or doubts and diminish consumer anxiety or disputes, which in turn increases consumers' cognitive assessment of the brand's trustworthiness and consequently enhances brand loyalty (Mukherjee & Nath, 2007). Hence,

*H3: (a) Cognitive trust and (b) affective trust mediate the effect of corporate brand communication on consumer loyalty.*

When a consumer favors a corporate brand, he or she will generally want to find out more about it (Lau & Lee, 1999). Corporate brand choice shows the extent to which a brand is perceived by consumers as friendly, nice, and pleasant to experience (Doney & Cannon, 1997). In particular, such choices are based on consumers considering the brand less for its utilitarian characteristics than for its likeability as a 'person' (Palmer, 1997). Veloutsou (2015) shows that brand liking is akin to consumers having a causal relationship with the brand and is heavily related to positive brand outcomes. For example, previous studies establish brand liking as a precursor to both affective trust (Chai, Malhotra & Alpert 2015) and brand loyalty (Nguyen et al. 2015). Kumar et al. (2013) also show the positive effects of affective trust on building brand

loyalty. Brand liking is thus an important state to achieve for corporate brands, since it engenders a positive emotional response rather than a functional one, and as such creates an emotional basis from which to achieve affective trust and create brand loyalty.

Affective trust in a brand depends on the strength of the emotional bonds between the consumer and the brand, and thus represents the level of confidence attached to the brand. Compared then, to brand liking, trust is a much more stable state to achieve (Triff, 2013). That is, brand liking may change easily in response to a corporation's actions, but affective trust will persist even if cognitive trust towards the brand diminishes, creating a 'blind faith' state (Jones & George, 1998; McAllister, 1995; Webber & Klimoski, 2004). Corporate brands that have progressed in their relationships with consumers from brand liking to affective trust will achieve higher levels of brand loyalty due to the deeper state of the relationship. For instance, if consumers equally like two different brands, the brand that has achieved affective trust will have a more loyal following due to consumers' trust for the brand's genuine intentions of care and concern. Further, affective trust through consumer liking of the brand will usually result in high consumer forgiveness of corporate mishaps, hence creating further loyalty towards the brand (Xie & Peng, 2009; Choi & Choi 2014). Thus, we posit that corporate brand liking must build affective trust to generate brand loyalty. We formulate that

*H4: Affective trust mediates the effect of brand liking on consumers' brand loyalty.*

Corporate brand similarity represents the extent to which one perceives the characteristics and personalities of a brand as similar to one's own (Lau & Lee, 1999; Walczuch & Lundgren, 2004). Research in the services marketing area shows that if a trust-based relationship fails to develop, similarity with the service provider may not be enough to generate consumer loyalty (Auh, 2005). In certain circumstances, corporate brand similarity may not follow affective trust, such as when there is lower preference for consistency of similar values



and lower switching costs (Marin & Ruiz, 2007; Zhang & Bloemer, 2011). When there is a certain level of fit between the values of a corporate brand and consumer values, there is a greater likelihood of developing affective trust relationships, and in turn, consumer loyalty. Similarities between individuals promote interpersonal attraction and liking, thus enhancing trust-based relationships, which are driven by affective motives and ties. Thus, when consumers detect elements of similarity in a seller, an affective response may lead to a cooperative and accommodating attitude toward the seller (Johnson & Grayson, 2005). Previous studies suggest that people may attribute benevolent intentions to salespeople whom they believe share their values; these benevolent intentions may then be reciprocated through affective trust and eventually build consumer loyalty (Johnson & Grayson, 2005; Mukherjee & Nath, 2007; Wu & Tsang, 2008). Therefore, we posit that

*H5: Affective trust mediates the effect of brand similarity on consumers' brand loyalty.*

### *3.3. The moderating role of peer influence*

Peer influence refers to recommendations and support obtained from social network members such as family members and friends (Thoits, 2011). As suggested by Granovetter's (1973) theory on relational ties, such close tie sources strongly affect consumer evaluation of brands (De Bruyn & Lilien, 2008). Relational ties are built on social bonds and are less easily replicated by corporate brands than cognitive aspects are (Sheth & Parvatiyar, 2002), which lends the former further credence. Indeed, even in virtual environments, peers are found to heavily influence consumers' perceptions (Smith, Menon & Sivakumar, 2005), such as by giving advice and directions or by negative feedback, which can, in the extreme, lead to banning or boycotting (Harridge-March & Quinton, 2009).

Friends and family members who influence informational and normative beliefs about a brand's competence may also prevent harm caused by trust-based breaches (Hodges et al.,

1999). For instance, Aladwani and Dwivedi (2018) show that word-of-mouth information from a close circle of consumers reduces uncertainties related to brand performance and quality deliverance and create an anticipation of quality. In parallel, Kim, Shin and Koo's (2018) study indicates that functional information provided by peers positively influences the perception of brand fairness by building a perception of brand competence, leading to cognitive trust. Hence, by disseminating information of a brand's competence-related attributes such as performance, quality deliverance and effective problem-solving skills, people create similar assumptions in their peers. As an indicator of a brand's ability to the reliably deliver quality offerings consistently and with integrity, brand competence is based on rationality, which endorses cognitive trust. That is, when met with peers' opinions of a brand's competence, a positive experience will add to people's already-formed perceptions, and the level of cognitive trust attached to the brand will be based on this overall perception of competence (Johnson & Grayson, 2005). Particularly, when a consumer's opinion about a brand's competence is aligned with his or her peers' opinion of it, the effect on cognitive trust in the brand will be heightened. When they are contradictory, consumers may struggle to resolve this conflict and cognitive trust might be diminished. As a result, we argue that consumer perception of corporate brand competence on cognitive trust will be stronger if peer influence is present. Hence,

*H6. Peer influence moderates the effect of corporate brand competence on cognitive trust with regards to corporate brands.*

Consumer experiences with corporate brands are social in nature and influenced by peers (Lemon & Verhoef, 2016; Kim & Hanssens, 2017). Wang and Yu (2015) argue that this influence can be seen in two different forms of interaction. The first form is through opinion-based communication, when peer referents disseminate their own knowledge of and

experiences with a corporate brand. Peers are regarded as credible sources, therefore consumers integrate this information into their own decision making. Second, peer influence occurs when consumers observe others' behavior in an attempt to gather information to reduce the risk associated with a relationship scenario with a corporate brand (Bandura, 1977). With observational learning, it is known that consumers regard others' information more heavily than their own (Banerjee, 1992). That is, whilst brand experience contains affective and cognitive elements to induce affective and cognitive trust, respectively, information from peer experiences will have the same effect, reinforcing consumers' own brand experiences.

The above type of social interaction with peers usually involves opinions on a brand's reliability, fairness, honesty and benevolence. When peers communicate a brand's altruistic motives to others, it demonstrates positive perceptions of the brand's honesty and benevolence, and in turn generates affective trust through indirect brand experience (Bigne-Alcaniz et al., 2008). When a peer's experience is similar to that of one's own, an affective trust link will be reinforced. Similarly, when a peer has had a negative experience with a brand, affective trust diminishes or does not occur. For example, if a peer thinks that the corporate brand has not offered enough promotional deals considering the amount of time and effort he or she had put in researching the brand, this would likely create a similar negative opinion of the brand's fairness for the consumer who observes or is told about this situation (Chen, Nguyen & Klaus, 2013). Thus, these social interactions not only develop a deeper knowledge of a brand but also build expectations of the brand's ability in delivering similar experiences or in dealing with problems that may arise in experiencing the brand. Such interactions affect consumers' cognitive evaluations of a brand's trustworthiness (Lobschat et al., 2013). Consumers' own experience and trust attainment of the corporate brand would be strengthened when peers' accounts are in parallel with their own, however when they are contradicting, this would weaken the effect of corporate brand experience over cognitive trust. When peers' positive

accounts are in contradiction with an individual's negative experiences, a conflict is likely to be created that consumers may try and resolve by mitigating their own experiences.

Peer information also influences affective dimensions related to consumers' brand experiences (Trudeau & Shobeiri, 2016). For instance, a peer's experience with a financial adviser who had saved him or her money would create positive perceptions of the brand's benevolence through an associated positive reputation regarding the brand (Johnson & Grayson, 2005). Further, agreeing with peer referents heightens feelings and emotions of belongingness, and based on others' experiences, consumers create an imagined personal experience for themselves that results in (for positive experiences) similar emotions such as feelings of security and care and concern for the corporate brand (Lobschat et al., 2013). Based on the above results, we assert that the influence of a corporate brand experience on affective trust in the brand will be stronger if peer influence is a factor. Hence, we suggest that

*H7. Peer influence moderates the effect of the corporate brand experience on (a) cognitive trust and (b) affective trust.*

Consistent with our earlier arguments, peers in social networks will impact each other's judgements of brands through disseminating brand-related information and opinions, and through exerting pressure on the circle to hold similar feelings and dispositions toward the corporate brand (Nitzan & Libai, 2011). Furthermore, as Hoffman, Novak and Peralta (1999) discuss, peer-based information about a brand will be more likely to result in consumer trust than the brand's own communication efforts, as peers are regarded to have benevolent motives for sharing information as opposed to brands, which are seen to be profit seeking.

If there is an extensive existing relationship with the consumer when a brand communicates a message, the consumer will evaluate the credibility based on the level of trust it has with the brand and determine it to be a low-credibility or high-credibility message.

However, if there is limited precedence of a relationship with the consumer, any message will most likely be regarded as a low-credibility message, and therefore unlikely to generate cognitive or affective trust (Azize, Cemal & Hakan, 2012). When peers reiterate aspects of a corporate brand's message and relay an opinion on it, this is treated as a credible source, and is highly likely to form affective and/or cognitive trust in the brand in the peers' social circle. In other words, information, emotions and predispositions related to the brand will be reinforced if the consumer's interpretation is confirmed by his or her peers. For instance, communication about a brand's free advice for its consumers could create feelings of genuine care and concern. If this message is interpreted in the same way by the consumer's peers, this would reinforce that the brand's communication is credible, and thus enable it to increase or gain consumer trust. Peers sharing positive opinions of a brand's messages increases the brand's potential to attain cognitive consumer trust. Similarly, when peers confirm a message indicating a brand's benevolence or genuine care, it enhances affective trust (Raven, 1992). These results show that cognitive and affective trust are enhanced (or diminished) through brand communication if peer influence is present. As a result, we hypothesize that

*H8. Peer influence moderates the effect of corporate brand communication on (a) cognitive trust and (b) affective trust.*

As discussed above, the amount a corporate brand is liked by a consumer depends not only on a consumer's internalized psychological processes but also on social influences (Rindfleisch & Inman, 1998). In a social circle, consumers make social comparisons to evaluate the fit of their own behavior with the group (Lennox & Wolfe, 1984). These comparisons are a way of self-enhancement through assigned membership with significant reference groups (Phua, Jin & Kim, 2017). Thus, for example, when peers develop a liking for a brand, they are more likely to share this information within their social circle (Kim, Sung & Kang, 2014).

Frequent interaction within the group creates similarity among members, and individuals who identify or aspire to identify with the group will assign high credibility to the source and develop a similar liking (Hung, Li & Tse, 2011). That is, consumers are more likely to like the brands that their peers like (John et al. 2017). A conflicting view from one's peers would again be an issue for the consumer and would likely to be solved by amending one's own liking to match the group's in order to retain group affiliation and reach self-enhancement. Therefore, peers create a direct link to affective trust through vicariously created brand liking. Thus, we infer that the effect of brand liking on affective trust will be stronger if peer influence is present.

Moreover, consumer interaction with social ties not only influence brand adoption and negotiation (Hogg, Banister & Stephenson, 2009) but also consumer perception of corporate brand similarity (Reingen et al., 1984). When peers disseminate their perception of brand similarity, others in the group, as noted above, will develop a similar attainment due to social actors attempting to avoid emotional inconsistencies with their peers (Granovetter, 1973) and as a result of their efforts to fit in (Berger, 2014). Further, when the members of a social group have deemed a brand to have similarity with the group, it creates a community-like structure (Liu et al. 2018), in which emotions of genuine care for one another will be reinforced. Such references add credibility to members' opinions. As a result, increased emotional responses and, consequently, affective trust transfer, will be highly likely via this information exchange, social interaction and reputation. In this sense, we argue that there is a greater chance for brand similarity to develop into affective trust if peer referents support the similarity of the brand with the social group. Based on the previous arguments, it can be asserted that peer influence would reinforce group support of both corporate brand liking and corporate brand similarity on building affective trust. Hence, we posit that

*H9: Peer influence moderates the effect of (a) corporate brand liking and (b) corporate brand similarity on affective trust.*

– INSERT FIGURE 1 ABOUT HERE –

## 4. Method

### 4.1. Data collection and sample

We selected the face-to-face survey approach to data collection for this study, which focuses on consumer perceptions of the best-known and best-selling Chinese powdered infant formula brands. These companies use a *branded house* approach, which refers to a monolithic brand name for the corporate brand and product brands (i.e. brand names of product or service offerings, including manufacturer brands, retailer brands and generic brands). Thus, we study corporate brands that have been using the product brand names associated with their corporate brand names. The previous research suggests that when firms use ‘a branded house approach, the corporate brands are so closely related to the individual product brands that consumers take in the corporate message and retrieval cues (e.g., the corporate name or logo) before the product brand messages (Biehal & Sheinin, 2007).

Given the demographic of this study, data were collected from children’s parks, children’s hospitals and children’s care centers in first-tier cities of mainland China. The respondents were selected using a purposeful sampling method; were parents who were Chinese nationals with one or more children of up to three years of age who had used Chinese infant formula brands at least once. A total of 623 questionnaires were collected by two researchers. Twenty-three of these were incomplete or unusable, resulting in a usability rate of 96 per cent. Thus, this study is based on 600 survey responses. The sample profile is identified on Table 1.

– INSERT TABLE 1 ABOUT HERE –

#### *4.2. Measures*

We developed a structured survey instrument based on items from the literature and from face-to-face interviews with the managers of some Chinese dairy firms, following the procedures recommended by Churchill (1979) and DeVellis (2003). After generating an item pool, we evaluated the scaling and formatting options. We used a five-point Likert scale to elicit responses for all items (from 5 = strongly agree to 1 = strongly disagree), except for some corporate brand-experience-related questions asking respondents to indicate how frequently they purchased or used powdered infant formula associated with a particular brand name. We developed a draft survey in English, which was then translated into Mandarin by a native speaker. As recommended by Brislin (1970), the survey was eventually translated back into English. To check the clarity of the questions, we pilot tested the draft survey through face-to-face interviews with a group of 20 respondents recruited in a children's park. All measurement items of the final version of the survey are given in Appendix A.

Our exogenous variables are corporate brand and consumer-relationship concepts drawn from several studies. In particular, the corporate brand competence scale, which includes four items, was based on studies by Johnson and Grayson (2005), Lau and Lee (1999) and Sichtmann (2007), while the corporate brand experience scale includes five items adapted from Lau and Lee (1999) and Ganesan (1994)'s studies. Corporate brand communication was measured through 11 scale items drawn from several studies, including Fisher, Maltz and Jaworski (1997), Massey and Kyriazis (2007) and Mukherjee and Nath (2007). The corporate brand liking scale includes six items adapted from Doney and Cannon (1997) and Lau and Lee (1999). Finally, the corporate brand similarity scale includes three items adapted from Johnson and Grayson (2005).

Our mediating variables, which are cognitive and affective trust concepts, includes five



items for each scale, drawn from studies by Johnson and Grayson (2005), McAllister (1995), Massey and Dawes (2007), Massey and Kyriazis (2007) and Wang et al. (2016). Our endogenous variable, consumer loyalty and its associated scale items, is based on previous studies such as those by Chaudhuri and Holbrook (2001) and Yi and Jeon (2003). The construct was measured using four scale items. The measurement items of our moderating variable, the concept of peer influence, includes three scale items adapted from Lau and Lee's (1999) study. Finally, our control variables included the propensity to trust, income and education. The propensity to trust concept included three scale items adapted from Mayer and Davis' (1999) study. Including income as a control variable enabled us to control the effect of purchasing power on consumer loyalty, which had to be considered due to the price discrepancies in the market (e.g. between national and foreign brands).

## **5. Results**

### *5.1. The measurement model*

We initiated our analysis by applying confirmatory factor analysis (CFA) using MPlus 7.0. As shown in Table 2, the results demonstrate that our CFA model fitted the data satisfactorily:  $\chi^2/df = 2.7$ , CFI = 0.92, TLI = 0.92, RMSEA = 0.05, SRMR = 0.05, PCLOSE = 0.07 (Bagozzi and Yi, 1988; Wheaton et al., 1977; Byrne, 1998).

– INSERT TABLE 2 ABOUT HERE –

In this study, the discriminant validity of the constructs (or scales) which were included as first-order latent factors was assessed by considering the square root of the average variance extracted (AVE) for each construct, which should be greater than the correlation between that construct and other constructs (Fornell & Larcker, 1981; Espinoza, 1999). Table 3 lists the

correlations between constructs, with the square root of the AVE on the diagonal. All diagonal values exceed the inter-construct correlation, which is evidence of sufficient discriminant validity. Based on the recommendations of Voorhees et al. (2016) and Henseler, Ringle & Sarstedt (2015), we have conducted additional tests to assess discriminant validity using the AVE-SV test and the heterotrait-heteromethod and monotrait-heteromethod (HTMT)<sub>85</sub>. The HTMT results shown in Table 4 indicate that the ratio of HTMT correlations is less than the 0.85 cutoff value, which supports the testing result from AVE-SV. Furthermore, we assessed potential multicollinearity issues by investigating the correlation between each independent variable, which should not be larger than 0.7 (Field, 2009). As shown in Table 3, most values of the correlation coefficients between the independent variables are about 0.6, which is below the cut-off value of 0.7 (Pallant 2007; Field 2009).

– INSERT TABLE 3 ABOUT HERE –

– INSERT TABLE 4 ABOUT HERE –

Composite reliability constitutes the shared variance among a set of observed variables measuring an underlying construct (Fornell & Larcker, 1981). As listed in Table 1, all our constructs have composite reliabilities above 0.60, as recommended by Bagozzi and Yi (1988), meaning that all our constructs (or scales) demonstrate a sufficient level of reliability. The internal consistency of our constructs (or scales) is also evident from Cronbach's  $\alpha$  values, which are above 0.70, as recommended by Nunnally and Bernstein (1994). All factor loadings for different constructs are also significant and well above 0.50, which verifies the convergent validity of the constructs (Bagozzi, Yi & Phillips, 1991; Hair et al., 2010).

## 5.2. Common method bias

Correlations between variables measured using the same methods are inflated due to common method bias (CMB), also called common method variance (Bagozzi, Yi, & Phillips, 1991; Spector, 2006). One of the most widely-used techniques to assess and reduce the problem of CMB is Harman's single factor test (Podsakoff et al., 2003; Limpanitgul, 2009). For instance, Mossholder et al. (1998) assesses CMB based on Podsakoff and Organ's (1986) *single factor procedure* by loading all indicators on one factor. They argue that if method variance is largely responsible for covariation between measures, CFA should indicate that a single (method) factor fits the data. Following this recommendation, in our study all 36 scale items (indicators) were loaded on one latent variable (cognition-based trust). The single factor model did not fit well with the data ( $\chi^2/df = 8.38$ , CFI = 0.64, TLI = 0.62, RMSEA = 0.11, SRMR = 0.08 and PCLOSE = 0.00), indicating that this study has no CMB issues.

To test CMB another way, we also calculated the changes in **Variance Inflation Factors (VIFs)** of different latent variables in our models by using smart PLS 3.0. When the occurrence of a VIF is greater than 3.3, it is an indication of pathological collinearity, and also an indication that the model may be contaminated by CMB. Thus, if all factor-level VIFs resulting from a full collinearity test are equal to or lower than 3.3, the model can be considered free of CMB (Kock, 2015, p.7).

## 5.3. Hypothesis testing

### 5.3.1. Mediation effects

Our hypotheses about the mediating effects were tested through a structural equation modelling (SEM) technique using bootstrapping procedures with Mplus 7.0 (Hur, Kim, & Kim, 2014; Preacher & Hayes, 2008; Wen & Ye, 2014). The bootstrapping method, which allows the estimation of multiple mediators conditional on the presence of other mediators, reveals the

relative magnitudes of the specific indirect effects associated with all mediators in the model and reduces the likelihood of parameter bias due to omitted variables (Preacher & Hayes, 2008).

In Table 5, we provide estimates of the indirect effects hypothesized in this study, as well as 95 per cent bias-corrected bootstrapped CIs for the path estimates between different constructs of the study, which were included as first-order latent factors in the analysis. The structural mediation model has an acceptable fit with the data ( $\chi^2/df = 3.19$ ,  $P\text{-value} = 0.00$ ,  $CFI = 0.90$ ,  $TLI = 0.90$ ,  $RMSEA = 0.06$ ,  $SRMR = 0.06$  and  $PCLOSE = 0.00$ ). Overall, the variance is well explained in the hypothesized structural model ( $R^2_{(\text{cognitive trust})} = 68\%$ ;  $R^2_{(\text{affective trust})} = 62\%$ ;  $R^2_{(\text{brand loyalty})} = 72\%$ ).

– INSERT TABLE 5 ABOUT HERE –

As shown in Table 5, cognitive trust mediates the path between corporate brand competence and loyalty ( $CBC \rightarrow CT \rightarrow LO$ ;  $b = 0.24$ , 95% CI 0.01–0.05), supporting H1. On the other hand, cognitive trust is not found to mediate relationships between corporate brand experience and loyalty ( $CBE \rightarrow CT \rightarrow LO$ ;  $b = -0.03$ , 95% CI -0.05–0.01), rejecting H2a. Moreover, affective trust has no mediational effect between corporate brand experience and loyalty ( $CBE \rightarrow AT \rightarrow LO$ ;  $b = -0.01$ , 95% CI -0.02–0.01), providing no support for H2b. On the other hand, cognitive trust mediates the effect of corporate brand communication on loyalty ( $CBCM \rightarrow CT \rightarrow LO$ ;  $b = 0.41$ , 95% CI 0.02–0.09) and affective trust mediates the effect of corporate brand communication on loyalty ( $CBCM \rightarrow AT \rightarrow LO$ ;  $b = 0.22$ , 95% CI 0.04–0.14), fully supporting H3. In addition, the effect of corporate brand liking on loyalty is mediated through affective trust ( $CBL \rightarrow AT \rightarrow LO$ ;  $b = 0.03$ , 95% CI 0.003–0.04), providing support for H4; and the relationship between corporate brand similarity and loyalty is also mediated by

affective trust (CBS→AT→LO;  $b = 0.06$ , 95% CI 0.01–0.08), supporting H5.

### 5.3.2. Moderation effects

The latent interaction between peer influence, corporate brand and consumer relationship constructs, and affective and cognitive trust was estimated using the latent moderated structural equations (LMS) approach with Mplus 7.0 (Klein & Moosbrugger, 2000). For this reason, in this analysis we also used first-order latent factors to produce the path estimates.

The LMS approach to latent interactions on Mplus produces only Akaike's information criterion (AIC; Akaike, 1973) and the Bayesian information criterion (BIC; Schwarz, 1978) as SEM fit indices. When comparing non-nested models, both AIC and BIC are used, where smaller values of AIC and BIC indicate less discrepancy between the hypothesized model and the true model, showing which model is better in terms of both model fit and model parsimony (Little, Bovaird, & Widaman, 2006; West, Taylor, & Wu, 2012).

Although the baseline model demonstrates an acceptable model fit ( $\chi^2/df = 2.69$ , CFI = 0.92, TLI = 0.91, RMSEA = 0.05, SRMR = 0.06, PCLOSE = 0.04), as shown in Table 6, the information criterion indices of the moderation effects models (H6 to H8) are lower than the baseline model (AIC = 49474.007; BIC = 50124.753). Thus, it can be concluded that the moderation effects models (Hypotheses 6 to 9) have better model fit and parsimony.

– INSERT TABLE 6 ABOUT HERE –

Table 7 presents the path coefficients for the moderating effects models testing Hypotheses 6 to 9. Peer influence is not found to moderate the effect of corporate brand competence ( $b = 0.01$ ,  $t\text{-value} = 0.18$ ) on cognitive trust, rejecting H6. Similarly, peer influence is not found to moderate the effect of corporate brand experience ( $b = 0.06$ ,  $t\text{-value} = 1.50$ ) on

cognitive trust and ( $b = -0.01$ ,  $t\text{-value} = -0.22$ ) affective trust, rejecting H7. Moreover, while peer influence is not found to moderate the effect of corporate brand communication ( $b = 0.03$ ,  $t\text{-value} = 0.48$ ) on cognitive trust, it is found to moderate the effect of corporate brand communication ( $b = 0.09$ ,  $t\text{-value} = 2.33$ ) on affective trust, partially supporting H8. There is no support for the moderating role of peer influence in the relationship between corporate brand liking ( $b = 0.05$ ,  $t\text{-value} = 1.46$ ) and affective trust, rejecting H9a. On the other hand, the moderating effect is supported for the influence of corporate brand similarity ( $b = 0.11$ ,  $t\text{-value} = 3.40$ ) on affective trust, thus H9b is supported.

– INSERT TABLE 7 ABOUT HERE –

## **6. Conclusions and Implications**

### *6.1. Discussion of findings*

The results of this study show that cognitive trust mediates the relationships between certain corporate brand and consumer relationship constructs, including brand competence and brand communication, and loyalty towards a brand. Affective trust, on the other hand, mediates the effects of corporate brand relationship constructs, including corporate brand communication, corporate brand liking and corporate brand similarity on consumer loyalty.

Our findings regarding the effect of corporate brand communication on consumer loyalty via cognitive trust are in line with Melewar et al. (2017), who examine the direct effect of corporate brand communication on trust and loyalty, and that of trust on loyalty. Our study builds on those findings by evidencing an indirect effect, which implies that a corporate brand's communication messages need to build cognitive trust to convince consumers that the firm is reliable and has the integrity to generate brand loyalty. Our findings also build on studies that examine how brand communication influences a unidimensional concept of trust and resulting

behaviors (Alam & Yasin , 2010; Zehir et al., 2011; Laroche et al., 2012). These studies mainly focus on how brand communication influences loyalty through cognitive trust in a brand's reliability and integrity beliefs. In this sense, our findings show that corporate brand communication has an influence not only on cognitive trust but also on affective trust through a caring attitude. Therefore, our study confirms one of the main tenets of Granovetter's (1973) theory on relational ties **in the sense** that increased communication produces stronger ties and more committed relationships between and among social actors.

Previous studies have also shown the direct effects of corporate brand competence on cognitive trust (Johnson & Grayson, 2005; Lau & Lee, 1999). However, there have been some empirical inconsistencies about the effect of competence on consumer loyalty (Valta, 2013). Our findings address these inconsistencies by evidencing an indirect effect of corporate brand competence on consumer loyalty via cognitive trust. Thus, our study emphasizes the importance of developing cognitive trust in fully exploiting the benefits of corporate brand competence to generate consumer loyalty. The indirect effect of corporate brand competence on loyalty through cognitive trust is aligned with Granovetter's (1973) theory on relational ties in the sense that intimate and committed relationships develop when social actors are able to demonstrate the competence to deliver their promises (MacInnis, 2011; Urde, 2003).

Furthermore, we have empirically shown the mediating effect of affective trust on the relationship between brand similarity and consumer loyalty. This finding implies that the effect of corporate brand similarity on loyalty declines if the brand fails to convince consumers about its care and concern for its stakeholders and to establish emotional bonds with them through affective trust. Although Lau and Lee (1999) demonstrate that similarity between a consumer's self-concept and brand personality is not positively associated with trust in a brand, their study focuses only on the cognitive dimension of trust.

Our findings confirm Johnson and Grayson's (2005) study, which provides evidence

on the effect of brand similarity on affective trust. However, our study builds on their research by showing that the effect of corporate brand similarity on consumer loyalty is contingent on affective trust. Similarly, our finding extends Granovetter's (1983) theory on relational ties to the corporate branding context by confirming its tenet that when consumers have greater homophily with a corporate brand they will develop stronger ties with it through affective trust and become more loyal to it.

Moreover, our study adds to previous research that demonstrates the importance of brand liking in forming committed relationships (Belaid & Behi, 2011; Matzler, Grabner-Kräuter & Bidmon, 2008). In particular, our findings show that the influence of corporate brand liking on consumer loyalty decreases if consumers do not have affective trust or if they believe that the brand lacks a caring attitude and a genuine interest in their well-being. We add to the research on social power by showing that although a brand may have referent power over consumers who want to identify with the brand (Crosno, Freling & Skinner, 2009), this power may not be able to affect consumer behavior when there is limited affective trust towards the brand. In addition, our findings are consistent with Granovetter's (1983) theory on relational ties in the sense that when consumers have greater emotional intensity in terms of corporate brand liking through affective trust, they are more likely to form stronger connections with corporate brands in the form of consumer loyalty.

In contrast to some previous studies (Chen et al., 2010; Delgado-Ballester & Munuera-Alemán, 2001; 2005; Hsu, Chiang, & Huang, 2012), we find that corporate brand experience fails to generate consumer loyalty with or without building cognitive and affective trust. However, our findings are consistent with Ganesan (1994) and Lau and Lee (1999), who show that consumer experiences do not result in cognitive and affective trust towards sellers. Our findings, however, might be attributed to the possibility that the consumers we surveyed may, for example, believe that they do not receive the best product experience from the national



dairy producers compared to their experiences with imported products.

Our results also show that peer influence is not found to moderate the effect of corporate brand competence, corporate brand experience or corporate brand communication on cognitive trust. This means that peer or social influences may not sway a consumer's cognitive evaluations of a corporate brand's reliability and integrity when the brand effectively communicates with consumers and convinces them about its competence. Similarly, direct experiences with corporate brands may indeed be more influential than others' observations or peer recommendations. Though previous studies show an association between peer recommendations and trust (de Matos & Rossi, 2008), our findings reveal that such associations vary under different corporate brand and consumer-relationship states. In this sense, our findings contradict to the studies that suggest that consumers from collectivist cultures such as China are less likely to deviate from the opinions of others when making a brand decision (Melewar et al., 2004; St-Maurice, Süßmuth-Dyckerhoff, & Tsai, 2008; Yau, 1988).

The research findings further show that while peer influence is not found to moderate the effect of corporate brand experience and corporate brand likeability on affective trust, it is shown to moderate the effect of corporate brand similarity and corporate brand communication on affective trust. These findings imply that if consumers enjoy the corporate brand experience and like the brand, considerations such as the effect of social influences on consumer self-enhancement and self-image would be less important (Escalas & Bettman, 2003). Our findings on peer influence are not totally consistent with Granovetter's (1973) theory of relational ties because, as opposed to the main tenet of the theory, our research shows that strong ties with friends and family may not necessarily lead to alignment in evaluating corporate brand relationships.

## *6.2. Theoretical implications*

This study adds to the previous literature on corporate brand and consumer relationships by focusing on a multidimensional rather than a unidimensional concept of trust. The latter provides an incomplete understanding of the role of trust in explaining corporate brand and consumer relationships and associated behaviors (Chaudhuri & Holbrook, 2001, 2002; Matzler, Grabner-Kräuter, & Bidmon, 2008). Similarly, the study adds to previous studies (e.g. Parayitam & Dooley, 2007; 2009; Yang, Mossholder, & Peng, 2009) by examining the indirect effects of cognitive and affective trust in corporate brands on the relationship between corporate brands and consumers, and consumer loyalty. In particular, our findings contribute to these studies by empirically analyzing how certain corporate brand and consumer relationship factors may influence loyalty via not only cognitive trust but also affective trust, the latter of which is driven by emotional evaluations arising from the mutual exhibition of genuine care and concern (McAllister, 1995). Finally, our study advances the literature on corporate branding by studying the effectiveness of peer influence in affecting the cognitive evaluations *and* affective beliefs of consumers.

## *6.3. Managerial implications*

Our study's findings suggest that managers need to enhance corporate brand communication to build consumers' cognitive and affective trust and loyalty. Firms need to communicate their competence in production, product quality standards and safety, and demonstrate the expertise to solve issues in after-sales service and delivery. In addition, consumers who see how the brand and product promotes, for example, a healthy lifestyle, uses recycled product packaging, and exhibits ethical business practices will develop favorable impressions through affective trust. For example, supporting consumers in a healthy lifestyle enables corporate brands to display genuine care and concern for their stakeholders' well-

being.

Our findings also show that firms should be aware that positive peer influence may strengthen the effect of corporate brand communication on affective trust. Thus, the firms can use social media to create positive publicity about their brands and offerings. For instance, they could promote their commitment to environmental and ethical marketing or communicate how they support consumer well-being by producing offerings with safe and high-quality components. Moreover, to build stronger emotional bonds between a corporate brand and consumers, managers need to increase consumer liking for their brands. For instance, in China, managers could promote their national brand or national corporation label to evoke Chinese consumer's ethnocentrism. Importantly, previous studies in branding show consumer ethnocentrism and ethnocentric personalities constitute major determinants for positive judgements about brands in the Chinese context (Eng, Ozdemir, & Michelson, 2016). Thus, we expect that positive judgments based on ethnocentric motives of corporate brands would improve their likeability among Chinese consumers.

Further, our findings show that corporate brand similarity can increase consumer loyalty through affective trust. For example, brands may convince consumers that their corporate values align with consumer desire for a healthy lifestyle. Firms can display their benevolence by communicating the health, social and environmental benefits that can be gained from buying and consuming their products. When consumers buy into this messaging and they feel there is no self-interest on the part of the brand, they develop affective trust towards it (Lassoued & Hobbs, 2015).

Finally, managers in domestic dairy corporations in China need to know that peer influence is only important in terms of supporting the role of corporate brand communication and corporate brand similarity in building affective trust. In particular, firms need to monitor word-of-mouth communications and reference group suggestions about their brands. Firms

could consider developing tools to stimulate positive discussions and evaluations of their brands on social media. Further, social media can facilitate interactions among peers in geographically diverse locations. Thus, the intensity of favorable communications about corporate brands on social media would enhance the effectiveness of peer influence. To reduce any negative impact of potentially harmful messages disseminated among peers and third parties on social media, brands need to actively respond to messages that include negative publicity.

#### *6.4. Limitations and future research directions*

The limitations of this study promise fruitful avenues for future research. First, this study focuses on only a few corporate brand and consumer-relationship factors. Future studies could consider additional antecedents to investigate the mediating role of cognitive and affective trust, such as country-of-origin effects, corporate brand image and/or corporate social responsibility factors (Srivastava, Dash, & Mookerjee, 2015). Similarly, building on this paper's context, the attitudes of Chinese consumers towards imported infant formula producers and foreign brands could be used as mediators for the proposed relationships.

Second, this study only focuses on the moderating effect of the influence of family and friends on the relationships in this study. Social media and the internet provide access to extensive information from named and anonymous information sources, some of whom may share their positive and negative opinions about the products, corporations and their brands. Thus, future studies can also consider how social influences through online communication (i.e. e-word of mouth) from different types of social influences may affect corporate brand and consumer relationships as well as trust and loyalty relationships.

This research has been conducted in the Chinese dairy industry, but future research could apply this model to other industries. In China, awareness of corporate brands in high-

value products might be more significant than in low-value products, and therefore this model might give different results in high-value markets. In addition, selecting respondents using purposeful sampling for data collection was mainly based on the researchers' bias, and thus future studies could employ random sampling strategies to investigate the subject. Future studies could also employ a more comprehensive model by using a hierarchical linear model (HLM) approach to examine how consumers' perceptions towards organizational-level impacts such as corporate brand attributes or relationships, and individual-level impacts such as consumers' risk perceptions, may affect their trust perceptions and consequently behavior. Lastly, future research could segment the market and assess how consumer perception of different market segments may affect the role of diverse corporate brand and consumer-relationship factors on cognitive and affective trust, and eventually on consumer loyalty.

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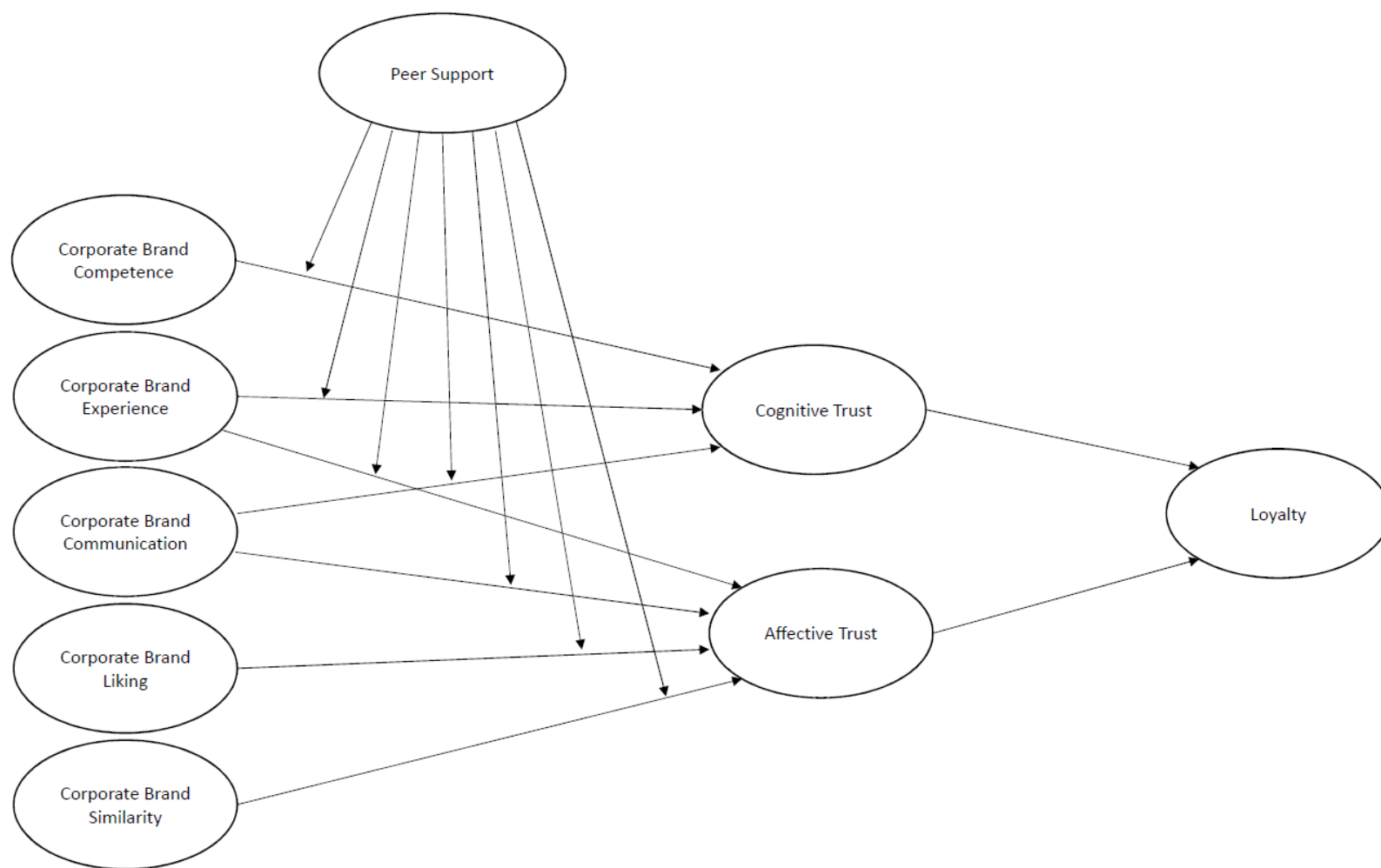
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**Figure 1.** Conceptual model



**Table 1.** Sample profile

Gender	Female 67%	Male 33%			
Age	≤35yeas 88.7%	>35years 11.3%			
Education	SSL 42.3%	SSH 25%	UD 27.7%	MD 5%	
NMI	≤¥2000 25.3%	¥2001 to ¥4000 40.3%	¥4001 to ¥6000 16.8%	>¥6000 17.6%	
Occupation	UNE 13.2%	OPFs 13.3%	GO 5.2%	EW 7%	OPWs 61.3%

SSL: Secondary School (ow); SSH: Secondary School (high); UD: Undergraduate degree; MD: Master degree; NMI: Net Monthly Income; UNE: Unemployed; OPFs: Owners of Private Firms; GO: Government Officers. EW: Education workers; OPWs: Other Professional Workers.

**Table 2.** Results for reliability and convergent validity in CFA

Constructs /Items	Cronbach's alpha	Standardised Factor loading in CFA	Composite Reliability (CR)	T- value in CFA	Average Variance Extracted (AVE)
CBE	0.72		0.84		0.64
CBE1		0.78		14.75	
CBE2*					
CBE3*					
CBE4		0.89		20.61	
CBE5		0.72		12.31	
CBCM	0.85		0.90		0.51
CBCM1		0.68		22.36	
CBCM2		0.77		27.21	
CBCM3		0.75		23.97	
CBCM4*					
CBCM5		0.68		21.92	
CBCM6		0.67		21.53	
CBCM7		0.68		22.95	
CBCM8*					
CBCM9		0.70		23.10	
CBCM10		0.76		26.31	
CBCM11		0.73		23.77	
CBL	0.93		0.93		0.72
CBL1		0.87		73.77	
CBL2		0.87		75.17	
CBL3*					
CBL4		0.83		55.29	
CBL5		0.82		54.24	
CBL6		0.84		60.04	
CBS	0.84		0.84		0.64
CBS1		0.79		41.96	
CBS2		0.78		39.44	
CBS3		0.82		46.34	
CBC	0.87		0.87		0.64
CBC1		0.71		22.20	
CBC2		0.79		31.20	
CBC3		0.87		47.87	
CBC4		0.81		36.67	
PT	0.91		0.91		0.78
PT1		0.85		45.81	
PT2		0.93		100.06	
PT3		0.86		67.54	
CT	0.75		0.79		0.55
CT1		0.72		25.72	
CT2*					
CT3		0.73		25.94	
CT4*					
CT5		0.78		27.39	
AT	0.77		0.77		0.53
AT1*					
AT2		0.70		26.96	
AT3		0.77		33.96	
AT4		0.70		27.02	
AT5*					
LO	0.94		0.94		0.85
LO1		0.92		113.29	
LO2		0.93		120.83	
LO3		0.91		99.64	

LO4*					
PS	0.93		0.87		0.70
PS1		0.88		46.76	
PS2		0.77		30.42	
PS3		0.85		43.92	

Model Fit                     $\chi^2/df = 2.7$ , CFI=0.92, TLI=0.92, RMSEA=0.05, SRMR=0.05, PCLOSE=0.07  
Statistics

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Notes: CBE: Corporate brand experience; CBCM: Corporate brand communication; CBL: Corporate brand liking; CBS: Corporate brand similarity; CBC: Corporate brand competence; PT: Propensity to trust; CT: Cognitive trust; AT: Affective trust; LO: Loyalty towards a corporate brand; PS: Peer support.

Standardised loading value from the STDYX standardised in CFA (p-value = 0.00).

\*Deleted scale items

**Table 3.** Correlation matrices and the square root of AVE

**Table 4. HTMT result**

Variables	1	2	3	4	5	6	7	8	9	10
1 CBE	0.80									
2 CBC	0.09*	0.71								
3 M										
4 CBL	0.09**	0.48**	0.85							
5 CBS	0.02**	0.53**	0.60**	0.80						
6 CBC	0.08**	0.46**	0.61**	0.63**	0.80					
7 PT	0.04**	0.43**	0.56**	0.59**	0.61**	0.88				
8 CT	0.12**	0.37**	0.44**	0.52**	0.40**	0.47**	0.74			
9 AT	0.04**	0.54**	0.46**	0.55**	0.55**	0.56**	0.43**	0.73		
10 LO	0.04**	0.39**	0.72**	0.56**	0.67**	0.59**	0.45**	0.49**	0.92	
10 PS	0.04**	0.38**	0.65**	0.54**	0.60**	0.57**	0.43**	0.48**	0.70**	0.85

Notes: CBE: Corporate brand experience; CBCM: Corporate brand communication; CBL: Corporate brand liking; CBS: Corporate brand similarity; CBC: Corporate brand competence; PT: Propensity to trust; CT: Cognitive trust; AT: Affective trust; LO: Loyalty towards a corporate brand; PS: Peer support.

\* and \*\*: correlation is significant at the 0.05 and 0.01 level (2-tailed) respectively.

Variables	1	2	3	4	5	6	7	8	9	10
1 CBE										
2 CBCM	0.138									
3 CBL	0.097	0.533								
4 CBS	0.1	0.614	0.678							
5 CBC	0.117	0.533	0.684	0.734						
6 PT	0.071	0.481	0.612	0.668	0.689					
7 CT	0.194	0.622	0.705	0.842	0.664	0.756				
8 AT	0.092	0.661	0.551	0.683	0.669	0.667	0.77			
9 LO	0.08	0.412	0.778	0.603	0.733	0.619	0.698	0.546		
10 PS	0.066	0.46	0.763	0.664	0.728	0.676	0.746	0.621	0.823	

Notes: CBE: Corporate brand experience; CBCM: Corporate brand communication; CBL: Corporate brand liking; CBS: Corporate brand similarity; CBC: Corporate brand competence; PT: Propensity to trust; CT: Cognitive trust; AT: Affective trust; LO: Loyalty towards a corporate brand; PS: Peer support.

**Table 5.** Path coefficients and indirect effects for the mediation model (H1–H5)

Hypothesis	Path	Value	CI low	CI high	Conclusion
H1	CBC→CT→LO	.24*	.01	.05	Supported
H2a	CBE→CT→LO	-.03 <sup>a</sup>	-.05	.01	Not supported
H2b	CBE→AT→LO	-.01 <sup>a</sup>	-.02	.01	Not supported
H3a	CBCM→CT→LO	.41*	.02	.09	Supported
H3b	CBCM→AT→LO	.22*	.04	.14	Supported
H4	CBL→AT→LO	.03*	.003	.04	Supported
H5	CBS→AT→LO	.06*	.01	.08	Supported

Notes:  $\chi^2/df = 3.19$ , P-value = 0.00, CFI = 0.90, TLI = 0.90, RMSEA = 0.06, SRMR = 0.06 and PCLOSE = 0.00

CBE: Corporate brand experience; CBCM: Corporate brand communication; CBL: Corporate brand liking; CBS: Corporate brand similarity; CBC: Corporate brand competence; PT: Propensity to trust; CT: Cognitive trust; AT: Affective trust; LO: Loyalty towards a corporate brand

CI: 95% confidence intervals; \* and \*\*: is significant at the 0.05 and 0.01 level (2-tailed) respectively, a: insignificant.

**Table 6.** Comparison of information criterion indices for the baseline model and moderation effects models (H6–H9) Baseline Model

Model Types	Akaike (AIC)	Bayesian (BIC)
<b>Baseline Model</b>	49474.007	50124.753
<b>Moderation Effects models (H6-H9)</b>		
H6 CBC→CT	24720.744	25050.514
H7a CBE →CT	31566.984	34955.323
H7b CBE→AT	35435.213	34212.235
H8a CBCM→CT	32249.585	32645.309
H8b CBCM→AT	32232.554	32628.277
H9a BL→AT	24151.97	24481.74
H9b BS→AT	23854.686	23942.685

Note: 2/df = 2.69, CFI = 0.92, TLI = 0.91, RMSEA = 0.05, SRMR = 0.06, PCLOSE = 0.04. CBE: Corporate brand experience; CBCM: Corporate brand communication; CBL: Corporate brand liking; CBS: Corporate brand similarity; CBC: Corporate brand competence; CT: Cognition-based trust; AT: Affect-based trust; LO: Loyalty towards a corporate brand



**Table 7.** Path coefficients of the moderating effects models (H6-H9)

Hypothesis	Path	Independent variables	Moderating variable	Product items	Control variables	R <sup>2</sup>	Conclusion
H6	CBC→CT	CBC: 0.07 <sup>a</sup> (1.72)	PS: 0.15**(3.29)	CBCXPS: 0.01 <sup>a</sup> (0.18)	PT: 0.22**(5.18) Ed: -0.04 <sup>a</sup> (-1.39) In: -0.007 <sup>a</sup> (-0.04)	27%	Not supported
H7a	CBE →CT	CBE: -0.08**(2.89)	PS: 0.17**(4.08)	CBEXPS: 0.06 <sup>a</sup> (1.50)	PT: 0.25**(6.27) Ed: -0.03 <sup>a</sup> (-1.27) In: 0.004 <sup>a</sup> (8.36)	28%	Not supported
H7b	CBE →AT	CBE: -0.03 <sup>a</sup> (-1.0)	PS: 0.22**(5.39)	CBEXPS: -0.01 <sup>a</sup> (-0.22)	PT: 0.36**(9.51) Ed: -0.03 <sup>a</sup> (-1.07) In: 0.03 <sup>a</sup> (1.62)	36%	Not supported
H8a	CBCM→CT	CBCM: 0.17**(3.75)	PS: 0.15**(3.48)	CBCMXPSP: 0.03 <sup>a</sup> (4.86)	PT: 0.20**(5.12) Ed: -0.04 <sup>a</sup> (-1.41) In: -0.002 <sup>a</sup> (-0.13)	28%	Not supported
H8b	CBCM→ AT	CBCM: 0.39**(9.85)	PS: 0.16 **(4.33)	CBCMXPSP: 0.09*(2.33)	PT: 0.27**(7.40) Ed: -0.03 <sup>a</sup> (-1.08) In: 0.03 <sup>a</sup> (1.41)	45%	Supported
H9a	CBL→AT	CBL: 0.11**(2.73)	PS: 1.17**(3.85)	CBLXPSP: 0.05 <sup>a</sup> (1.46)	PT: 0.33**(8.38) Ed: -0.02 <sup>a</sup> (-0.81) In: 0.03 <sup>a</sup> (1.49)	37%	Not supported
H9b	CBS→AT	CBS: 0.27**(7.20)	PS: 0.15**(4.04)	CBSXPSP: 0.11**(3.40)	PT: 0.26**(6.45) Ed: -0.02 <sup>a</sup> (-0.65) In: 0.02 <sup>a</sup> (1.00)	42%	Supported

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Note: CBE: Corporate brand experience; CBCM: Corporate brand communication; CBL: Corporate brand liking; CBS: Corporate brand similarity; CBC: Corporate brand competence; PT: Propensity to trust; CT: Cognitive trust; AT: Affective trust; PS: Peer support; LO: Loyalty towards a corporate brand; Ed: Education; In: Income  
a: Nonsignificant; \*  $p < 0.05$ ; \*\*  $p < 0.01$ .

## Appendix A. Item statements

Constructs	Item Statements	Sources
<i>Corporate brand experience</i>		Lee and Lau (1999) ; Ganesan (1994).
CBE1	I have used the national baby milk powder brands** (NBMPBs) for _____ months.	
CBE2*	I have bought the NBMPBs _____ times per month; or _____.	
CBE3*	I have used the NBMPBs many times before.	
CBE4	I use the NBMPBs often.	
CBE5	I feel satisfied in using the NBMPBs.	
<i>Corporate brand communication</i>		Fisher et al. (1997); Massey and Kyriazis (2007); Morgan and Hunt (1994); Mukherjee and Nath (2007)
CBCM1	The NBMPBs always respond to my information requests.	
CBCM2	The NBMPBs provide me with a lot of product information.	
CBCM3	There is much two-way communication between the NBMPBs and myself.	
CBCM4*	The information provided by the NBMPBs is useful for my choice of national dairy brand for my baby, e.g. information through advertising, packaging, etc.	
CBCM5	I am satisfied with the content of the information provided by the NBMPBs, e.g. information through advertising, packaging, etc.	
CBCM6	The information provided by the NBMPBs is credible to me, e.g. information through advertising, packaging, etc.	
CBCM7	The information provided by the NBMPBs is highly relevant to my purchase of the national dairy brand for my baby, e.g. information through advertising, packaging, etc.	
CBCM8*	The form and presentation of the information provided by the NBMPBs is very satisfactory, e.g. information through advertising, packaging, etc.	
CBCM9	The NBMPBs keep their consumers informed about the latest developments.	
CBCM10	The NBMPBs respond immediately to my queries.	
CBCM11	The NBMPBs regularly seek feedback from me.	
<i>Corporate brand liking</i>		Doney and Cannon (1997); Lee and Lau (1999)
CBL1	I like the NBMPBs.	
CBL2	The NBMPBs are my favourite brands.	
CBL3*	I prefer foreign brands to the NBMPBs. <sup>R</sup>	
CBL4	The NBMPBs are friendly.	
CBL5	The NBMPBs are nice.	
CBL6	I like the NBMPBs to be available.	
<i>Corporate brand similarity</i>		Johnson and Grayson (2005)
CBS1	The NBMPBs and I have similar interests, e.g. on product quality, product safety.	
CBS2	The NBMPBs and I have similar values, e.g. social, ethical and economic values.	
CBS3	The NBMPBs and I are similar in many ways, e.g. frank toward others, responsible, honest.	
<i>Corporate brand competence</i>		Johnson and Grayson (2005); Lee and Lau (1999); Sichtmann (2007)
CBC1	I think that the NBMPBs are leaders in the Chinese baby milk powder business.	
CBC2*	I think that the NBMPBs have sufficient experience in the Chinese baby milk powder business.	
CBC3	I think that the NBMPBs are very competent in the Chinese baby milk powder business.	

CBC4*	I think that the NBMPBs have outstanding performance in the Chinese baby milk powder business.	
<i>Loyalty</i>		
LO1	I will buy from the NBMPBs next time I buy a baby milk powder product	Chaudhuri and Holbrook (2001); Yi and Jeon (2003)
LO2	I intend to keep purchasing the NBMPBs.	
LO3	I am committed to the NBMPBs.	
LO4*	I would be willing to pay a higher price for the NBMPBs over other foreign brands.	
<i>Peer support</i>		
PS1	My friends/family members recommend that I should buy the NBMPBs.	Lee and Lau (1999)
PS2	My friends/family members would not support my decision to buy the NBMPBs. <sup>R</sup>	
PS3	My friends/family members would be happy if they knew that I buy the NBMPBs.	
<i>Cognitive trust</i>		
CT1	Based on the NBMPBs' past record, I have no reservations about acting on their advice.	Johnson and Grayson (2005); McAllister (1995); Massey and Dawes (2007); Massy and Kyriazis (2007); Wang et al. (2016)
CT2*	Based on the NBMPBs' past record, I have good reason to doubt their competence. <sup>R</sup>	
CT3	I can rely on the NBMPBs to undertake a thorough analysis of powdered baby milk products.	
CT4*	I have to be cautious about acting on the advice of the NBMPBs because their advice might be questionable. <sup>R</sup>	
CT5	I cannot confidently depend on the NBMPBs since they may be careless in the production of powdered baby milk products. <sup>R</sup>	
<i>Affective trust</i>		
AT1*	I would feel a sense of personal loss if I could no longer use the NBMPBs.	Johnson and Grayson (2005); McAllister (1995); Massey and Dawes (2007); Massy and Kyriazis (2007); Wang et al. (2016)
AT2	I feel the NBMPBs would respond caringly to my problems in general.	
AT3	The NBMPBs display a warm or caring attitude towards me.	
AT4	I can complain freely to the NBMPBs about my problems regarding their products and know that my complaint will be attended to.	
AT5*	The NBMPBs are only interested in selling me products. <sup>R</sup>	
<i>Propensity to trust</i>		
PT1	Most of the NBMPBs are trustworthy.	Mayer and Davis (1999)
PT2	Most of the NBMPBs can be relied upon to tell the truth.	
PT3	In general, the NBMPBs can be trusted to do what they say they will do.	

Notes: \*deleted scale items, <sup>R</sup>reverse coded scales

\*\* the national baby milk powder brands identified in the questionnaire also referred to their monolithic corporate brand names