What to Say and What to Do: Determinants of Corporate Hypocrisy and Its Negative Consequence for Customer Retention Intentions

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Keywords: corporate hypocrisy, distrust, customer retention, switch, resilience

When a firm claims to be something that it is not, consumers will perceive the firm to be hypocritical, which often leads to negative attitudes and beliefs toward the firm and its activities (Wagner, Lutz, & Weitz, 2009). In this light, researchers have argued that a firm's misalignment between its stated sustainability goals and what it actually does to achieve these goals creates perceptions of corporate hypocrisy among consumers (Goswami & Ha-Brookshire, 2016). However, it remains uncertain whether or not this relationship is always true across all types of sustainability-related claims and activities. To fill this gap in the research, our study aimed to empirically locate the determinants of perceived corporate hypocrisy by manipulating corporate mission statements (i.e., saying) and corporate activities (i.e., doing) in the experimental design, and test the role of perceived corporate hypocrisy on consumer distrust and retention intentions such as switching and resilience (Bhattacharya & Sen, 2003).

Regarding types of firms' claims and activities, this study employed Jung and Ha-Brookshire's (2017) the moral responsibility spectrum of corporate sustainability from a perfect duty to an imperfect duty in consumers. That is, consumers had different expectations toward various types of corporate sustainability activities, such that some activities were regarded as those that must be done under any circumstances (perfect duty), while others were thought of as more discretionary (imperfect duty). In this regard, we posited that consumer responses would differ according to whether the firm's activities were seen as a perfect duty or an imperfect duty, even if the firm operated under the same sustainability-related mission. Moreover, when consumers find out the truth behind the words, they may perceive corporate hypocrisy and feel betrayed, leading to the loss of credibility and feelings of distrust towards the corporation (Morgan & Hunt, 1994; Wagner et al., 2009). According to the commitment-trust theory, trust plays a pivotal role in allowing a firm to maintain relationships with its customers (Morgan & Hunt, 1994). Therefore, distrust would be detrimental to sustaining customer retention, resulting in behaviors such as increased switch intention and decreased resilience to negative information about the firm (the extent to which consumers forgive the firm). Moreover, as forgiveness should be related to trust (Bhattacharya & Sen, 2003), resilience would be affected through distrust. Therefore, the following hypotheses were developed: H1. The interaction between a firm's mission and activities affects consumers' perceptions of corporate hypocrisy; H2. Corporate hypocrisy increases consumers' distrust; H3. Consumers' distrust increases their switch intentions; H4. Consumers' distrust reduces their resilience intentions; and H5. Corporate hypocrisy increases consumers' switch intentions.

A 2 (mission: no, sustainability) X 3 (activity: perfect, imperfect, and no duty) experimental study was designed by creating a static webpage for a fashion firm. The company's mission statements were manipulated as: for the 'no sustainability mission' condition, the firm's sustainability goal was not mentioned and only its economic goal (i.e., 'being the most successful clothing business,' or 'making financial success a fundamental mission') was clearly stated. For the 'sustainability mission' condition, the sustainability mission was explicitly stated (i.e., 'being the most sustainable clothing business,' or 'making sustainability a fundamental mission'). The sustainability-related activities were manipulated at three levels: perfect (i.e., working condition support), imperfect (i.e., transparency support), and no duty (i.e., no activity related to sustainability), following Jung and Ha-Brookshire's (2017) findings. All stimuli were checked for effective manipulation through pre-tests. Using these stimuli, an online survey was developed and distributed to U.S. general consumers by an online survey company. They were randomly assigned to one of six conditions, and responded to questions to measure *corporate hypocrisy*, *distrust, switch* and *resilience intentions*, and to gather demographic information. All measurements were borrowed from the literature. A total number of 807 samples were returned in the spring of 2018, and the 548 responses which understood the stimulus messages correctly were finally analyzed. Each cell had a comparable sample size (88-98 samples).

Analysis was conducted in two parts (Figure 1). First, the two-way ANOVA result showed that corporate hypocrisy levels differed by mission (F= 66.47, $p<.001$) and the interaction between mission and activities (F= 3.21, $p<.05$), but not by activities (F= 1.60, $p>.05$), supporting H1. Specifically, when the company's sustainability goals were not articulated in the mission statement (i.e., no sustainability mission), irrespective of the type of its activities, consumers tended to perceive higher levels of hypocrisy than that in sustainability mission (Figure 2). Also, whilst no sustainability mission with imperfect activity showed the highest level of perceived hypocrisy (M= 4.14), sustainability mission with perfect activity revealed the lowest (M= 2.93). Second, a path analysis was conducted to test the consequences of corporate hypocrisy (χ^2= 2.63, $p>.05$, CFI= .99, GFI= .99, RMSEA= .03). The results revealed that corporate hypocrisy increased distrust (β_{11}= .77, $p<.001$), which in turn increased switch intentions (γ_{21}= .38, $p<.001$), but reduced resilience (γ_{31}= -.49, $p<.001$) intentions. Perceptions of corporate hypocrisy also increased switch intentions (β_{21}= .32, $p<.001$). Thus, H2, H3, H4 and H5 were supported. The bootstrapping method confirmed the mediating role of distrust in the relationship between hypocrisy and switch and resilience intentions, respectively.

By filling the gap in the literature, the findings of this study further suggested not only the interaction of sustainability claims and activities, but also the type of claim itself could change consumers' perceptions of hypocrisy. U.S. consumers were less likely to perceived hypocrisy when the firm explicitly and clearly included sustainability goals in its mission statement. Moreover, the findings showed negative customer retention as a consequence of hypocrisy, and the differential mediating role of distrust on switch and resilience intentions. These findings may provide management with a guideline to formulate and communicate firms' sustainability goals, and managers should recognize the ripple effect on customer retention created by the relationship between their claims and their actions.

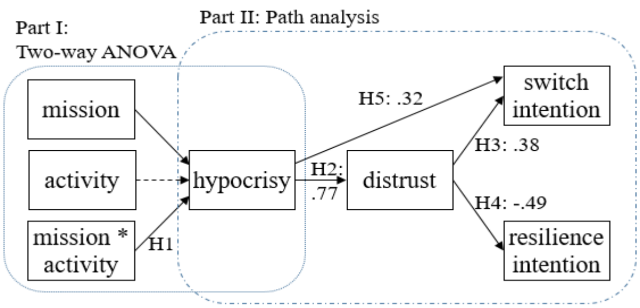

Figure 1. Research Model and Results

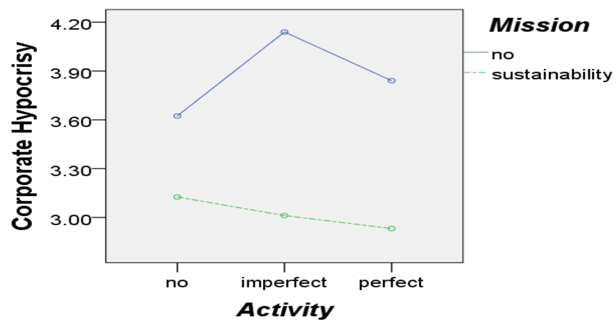

Figure 2. The level of Corporate Hypocrisy

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