International Journal of Bank Marketing

Emerald Article: Ethical reputation and value received: customer perceptions

Jay Prakash Mulki, Fernando Jaramillo

Ethical reputation and value received: customer perceptions

Jay Prakash Mulki
Northeastern University, Boston, Massachusetts, USA, and
Fernando Jaramillo
University of Texas at Arlington, Arlington, Texas, USA

Abstract

Purpose – This research seeks to explore the role played by ethical reputation in amplifying the positive impact of value received by the customer on satisfaction with the supplier and ultimately loyalty.

Design/methodology/approach – Survey responses derived from 299 customers, concerning two large financial institutions within Chile, are used to test relationships among ethical perceptions, customer value, satisfaction, and loyalty. Hypotheses are tested with a structural equation model.

Findings – Results show that ethical perceptions about the organization amplify the impact of customer value on customer satisfaction and eventually loyalty.

Research limitations/implications – This study contributes to the existing literature by showing that ethical perceptions from customers can help financial institutions achieve higher levels of satisfaction and loyalty. Study findings rely on customer survey responses collected in one country and one industry. Generalizability of findings is yet to be tested.

Practical implications – Ethical reputation helps financial institutions retain their customers.

Originality/value – This is the first study showing that customer perceptions about company ethics amplify the positive impact of customer value on customer satisfaction.

Keywords Ethics, Customer value, Satisfaction, Loyalty

Paper type Research paper

Global competition and technological developments have dramatically increased product knowledge and available alternatives to customers (Wagner and Hansen, 2004). Armed with information, customers have become more sophisticated and demanding. Customers, as a result, have rising expectations of firms and its products. In this set up, suppliers must provide compelling arguments and offerings to gain market share and retain customer loyalty. One obvious consequence is a greater emphasis on value addition in transactions with customers instead of just product information (Naylor and Frank, 2000). Increased focus on value creation is also driven by shifts in buyers' preferences. For instance, Capon and Senn (2010) report that today's business buyers prefer working with a smaller number of suppliers instead of committing resources to several vendors with unknown or questionable outcomes. Value creation has thus become an important criterion for seller-buyer transactions and for continuing business relations.

The purpose of this study is to explore whether a firm's ethical reputation plays a role in value creation and differentiation thus providing an edge over the competition. Research has shown that trust and commitment are strongly influential in developing customer loyalty (Palmatier *et al.*, 2006). A recent rash of business scandals and ponzi schemes has shaken customers' confidence and has made customers skeptical of

International Journal of Bank Marketing
Vol. 29 No. 5, 2011
pp. 358-372

0265-2323
DOI 10.1108/02652321111152891

company motives. There is growing awareness that customers who are wary of firms' questionable practices or socially irresponsible behaviors are willing to stop doing business with them (Farah and Newman, 2010). Noticing this trend, firms are beginning to explore whether an ethical reputation can be a value added or a differentiator to their business offerings. Financial institutions are paying more attention to communicating ethical practices to customers and stakeholders (Garcia de los Salmones *et al.*, 2009). Both academics and practitioners are interested in finding empirical evidence about the contribution of ethical reputation to value perceptions and finally customer satisfaction and loyalty; two critical predictors of business performance.

Customer satisfaction occurs when the person feels that the benefits received meet or exceed product expectations (Oliver, 1980). A consensus notion found in service literature is that value perceptions are a cognitively-oriented appraisal that precedes customer satisfaction (Cronin *et al.*, 2000). Value perceptions are thus critical to the firm given recent meta-analytic findings that demonstrate the significant impact of customer satisfaction on attitudinal loyalty and purchase intentions (Carrillat *et al.*, 2009). As Woodruff (1997) asserts, customer value is the next source for competitive advantage.

Piercy and Lane (2009) also posit that organizations can create strategic advantages by integrating social and environmental concerns in their operations. In spite of this, research linking customer value with ethics is sparse. Valenzuela *et al.* (2010) recently showed that customer evaluations of the firm's ethics were positively associated with customer value perceptions. Garcia de los Salmones *et al.* (2009) also showed that ethical aspects of social responsibility are positively related with customer loyalty. Engagement in socially responsible actions enhances buyers' perceptions about corporate reputation and brand performance (Lai *et al.*, 2010).

This study explores the relationship among firms' ethical reputation and customers' perceptions of value, satisfaction, and loyalty. Specifically, this research intends to find out:

(1) whether perceptions of value received can lead to satisfaction and ultimately to loyalty; and

(2) whether ethical reputation can enhance the relationship between value received and satisfaction.

Several studies have looked at satisfaction and loyalty relationships, as reported in Carrillat *et al.* (2009) and Szymanski and Henard's meta-analyses. However, to our knowledge, there has not been any research studying the role of ethical reputation in strengthening the impact of customer value perceptions on customer satisfaction. This study fills this gap in the literature and provides important ideas to suppliers about effective ways to attract and retain customers.

Theory and hypotheses

The customer satisfaction literature uses Oliver's (1980) disconfirmation theory to link satisfaction to differences in expected- and actual product performance. Attitudes formed from initial transactions lead to satisfaction and subsequent repurchase decisions (Oliver, 1980). Attitudinal loyalty is a commitment that fosters purchase intentions and word of mouth promotion about the supplier. This loyalty can be seen as a form of psychological contract in the exchange relationship between the customer and supplier. Repurchase intentions are thus based on the expectation of a reliable supply of value by the supplier. Implicit in this exchange is the understanding that value provided by the supplier exceeds the cost of procuring the supply.

Ajzen and Fishbein's (1980) theory of reasoned action posited a causal link between attitude and behavioral intentions. Using Ajzen's (2002) theory of planned behavior, we can infer that attitudes and behavioral intentions are formed, based on the beliefs about the likely consequences or attributes of the behavior. Thus, when a customer develops the belief that his/her action may influence a firm's behavior, the customer is more willing to pursue this particular action. At the same time, when a customer sees that a firm is exhibiting actions that are in accordance with his/her expectations of behavior, positive attitudes towards the firm are developed.

Researchers have used institutional theory and stakeholder theory to explain customers' higher acceptance and positive perceptions of ethical firms (Luo and Bhattacharya, 2006). It has been suggested that individuals are not only customers of firms' products but also members of a community, and have a stake in firms' well being. This caring for the company as well as the community makes customers identify themselves with ethically responsible suppliers and their offerings.

Value received

Value is the ratio between perceived benefits received and the costs associated with receiving these benefits. Zeithaml (1988) defines perceived value as "a consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 14). Customers come to expect a certain level of core product or service as "must haves" in their dealings with the firm and often look for "extras" such as great service, special relationships, instant response to request, eagerness to satisfy needs, and innovation as value adders. To be able to differentiate themselves, firms have to add greater value to their products and services. While firms understand the need for additional benefits to stay as the preferred supplier, they also realize that there are limits to the monetary value that can be added to a product or service without hurting business performance.

Benefits and costs can have both monetary and non-monetary aspects. In a financial institution, monetary benefits can include interest earned and return on investment while non-monetary benefits could be emotional and mental states, such as: peace of mind, security and friendship. Firms also use non-monetary tools such as ability to remember names, provide advice, small gestures and unexpected concessions to create customer delight and also gain loyalty. At the same time, firms often work with monetary costs such checks, minimum deposit requirements and non-monetary costs, such as: waiting time, ease of use, convenience, and procedural requirements to vary their service offerings to their customers. A study of bank customers showed that when customers felt that they were receiving value in terms of knowledge and reliability they begin to trust the firm (Heffernan *et al.*, 2008). Following Oliver's (1980) disconfirmation paradigm, customer satisfaction is reached when the perception of benefits received meets or exceeds expectations. When the benefits received from the firm exceed the cost incurred, they are likely to feel that the firm has delivered over and above the contract and satisfied with the firm. However, to remain competitive, firms must constantly strive for opportunities to add customer value, as product evaluations from customers are a continuous process that involves rising comparison standards (Tse and Wilton, 1988).

Hammann et al.'s (2009) study of German managers demonstrates that when the customer believes that a firm is oriented towards providing value to them, they are willing to provide constructive feedback and are generally are satisfied with the supplier. Bhattacharya and Sen's (2003) study also showed a positive relationship between customer value and customer satisfaction. Value perceptions are typically viewed as cognitive assessments of a product or service that precede attitudinal reactions like customer satisfaction (Cronin *et al.*, 2000). Based on this, we state that:

H1 Customer perception of value received is positively related to satisfaction with the firm.

Ethical reputation

The recent financial crisis has shaken the faith of customers in firms and particularly financial firms. In response, customers are paying greater attention to ethical reputation of firms (Garcia de los Salmones *et al.*, 2009). Suppliers on the other hand are noticing that the negative image and bad publicity can hurt their business both in the short term and long term. Firms are aware of negative ethical image and socially irresponsible behavior that can turnoff customers to their product (Farah and Newman, 2010). Ethical image and engagement in ethical behaviors are captured in this study with the ethical reputation construct. Ethical reputation reflects the firm's commitment to ethics (Jaramillo *et al.*, 2009), which is typically judged as the incidence of ethical problems (Armstrong, 1996) and its treatment to employees and customers (Dawkins and Lewis, 2003).

From a marketing perspective, suppliers consider ethical behavior as a way of differentiating themselves as well as a means to gain competitive advantage. Recognizing this, Nike, GAP and Dell, to name a few firms, are setting ethical guidelines to increase their corporate and brand image. To buttress their ethical image, firms support popular social causes such as education, job creation, health, hunger eradication and protection of the environment. They are also placing greater emphasis on implementation of ethical codes in their domestic and international operations. This is consistent with the belief that measures of company success must go beyond revenue and profit and should also include intangible aspects like empathy, the ability to understand and relate to the needs of stakeholders and society at large (Natale and Sora, 2009).

Studies have also shown that a positive ethical climate promotes job attitudes and customer oriented behaviors in employees and eventually increases customer satisfaction (Mulki *et al.*, 2008; Kidwell and Valentine, 2009; DeConinck, 2010). At the same time, interactions with the firm providing ethical reputation can accentuate customers' feeling of self-esteem (Schneider and Bowen, 1999). Customers are also likely to see ethical reputation as a surrogate for reliability and quality of service in selecting providers. They are inclined to refer socially minded products and services to their friends and family members as a way of supporting causes important to them.

From another perspective, Szymanski and Henard's (2001) meta-analysis shows that equity is strongly related to customer satisfaction ($r = 0.50$). Equity theory posits that customers look for fairness in social exchanges. Ethical perceptions may be associated with satisfaction as customers will likely perceive that ethical firms are honest and fair. Research has shown that ethics is positively related to customer satisfaction with the organization and the salesperson. Garcia de los Salmones et al.'s (2009) study reports a strong and significant correlation between ethical responsibility and customer satisfaction with a bank ($r = 0.71$). Román and Ruiz's (2005) also show that ethical behaviors from salespeople have a positive impact on customer satisfaction with the salesperson. Since customers' perceptions of a supplier's ethical reputation are likely formed as an overall evaluation of both the organization and the salesperson (Valenzuela *et al.*, 2010), we state that:

H2 Customers' perception of suppliers' ethical reputation is positively related to satisfaction with supplier.

Moderating impact of ethical reputation

Research suggests that customers generally have a negative perception of salespeople and view them as having low ethical standards (Chonko *et al.*, 1996). This is because customers believe that salespeople make false promises just to get a sale and thus, are often skeptical about the claims made by salespeople about their firm. However, when buyers perceive a firm as ethical, the relationship between value received and satisfaction is likely magnified because the product or service offered is coming from a reputable and reliable source. When the firms are involved with socially responsible actions and when their salespeople follow ethically accepted norms of behavior, buyers feel more secure and satisfied with their supplier.

A firm's ethical climate fosters positive attitudes and customer oriented behaviors in salespeople (Jaramillo *et al.*, 2006), and eventually results in higher customer satisfaction. During customer-employee interactions, when employees exhibit positive vibes, customer's positive feelings are also enhanced (Hennig-Thurau *et al.*, 2006). In addition, buyer's perception of high ethical reputation boosts the satisfaction because of the happiness derived from associating with a firm known for its socially accepted behaviors. Tajfel (1982) uses identity theory to suggest that customers derive their need for self-esteem by adopting socially acceptable behaviors and/or by supporting businesses with an ethical reputation. Customers who buy products from socially responsible firms may also believe that they are a playing a role, albeit indirect, in social programs that help the community. Accordingly, ethical reputation should strengthen the impact of value received on satisfaction with the supplier. Based on this, we state that:

H3 Ethical reputation positively moderates the relationship between value received by the customer and satisfaction with supplier.

Customer loyalty

Customer loyalty is important to firms since it lowers marketing costs and contributes to revenue growth by repeat and new business. Customer loyalty is often an emotional commitment to the firm and develops when customers' expectations are met fully. Pirsch *et al.* (2007) suggest that loyal customers are reluctant to switch suppliers and may even resort to providing feedback to improve by way of complaining rather than defecting. Customers have come to rely on the firm for their needs and wants and recommend the firm to others (Pirsch *et al.*, 2007). Numerous empirical studies summarized in Carrillat et al.'s (2009) meta-analysis demonstrate that customer satisfaction and customer loyalty have a very strong relationship. Research also suggests that satisfaction with the supplier can create emotional bonds based on pleasant memories as well as lower uncertainty (Chandrashekaran *et al.*, 2007; Olsen, 2007). Based on this we state that:

H4 Satisfaction with supplier is positively related to loyalty to the supplier.

Sample

This study uses survey responses from customers of two major banks in the province's Bio-Bio, Chile. The financial sector is an appropriate setting for studying ethics and its influence on trust and customer loyalty because the customer-salesperson interaction plays an important role in defining investment decisions. As the financial instruments become more complex, even the most reputed institutions are coming out from under a cloud of uncertainty. As front line employees, sales or service people can shape customers' impressions about the bank. If customers begin to distrust the bank or their salespeople, they are likely to be skeptical or suspicious of their advice. Ethical reputation can be a surrogate for the credibility of the bank and its ability to take care of customers' interests.

An English version of the questionnaire was developed and translated to Spanish and then back translated from Spanish to English. Content validity of the questions was tested with a small sample of customers. Data collection was done in the second half of 2008 by deploying a survey questionnaire to 500 customers of the banks. A total of 299 responses were received (59.8 per cent response rate). Respondents consisted of 123 females (41.1 per cent) and 152 males (50.8 per cent) and 24 without indication of any gender (8.1 per cent). The age of the respondents ranged from 20 to 60 years with a mean of 33.41 years (SD = 8.04). All the dimensions were measured by seven-point (ranging from "totally disagree" to "totally agree") multi-item scales.

Measures

All the measures used in the study were scales with psychometric validity and have been used in research studies before. Ethical reputation was measured with three items reported in Valenzuela *et al.*'s (2010) study. This measure was chosen because it captures customer judgments about the ethicality of both the organization and the salesperson. Two items are used to capture customers believes that the organization is ethical (Grisaffe and Jaramillo, 2007). The third item measures salesperson's honesty, an important aspect of buyers' assessment of the sellers' ethics (Babin *et al.*, 2004). Honesty is often regarded as one of the commandments of a salesperson's ethics, "Thou shalt be honest at all times about your service and what it does" (Rao and Singhapakdi, 1997, p. 426). Honesty been previously used as an indicator of a bank's ethical responsibility, "behaves ethically/honestly with its customers" (Garcia de los Salmones *et al.*, 2009, pp. 484). Loyalty to the service provider (three items) and value received by customer (three items) were measured by using scale items from Palmatier *et al.* (2007) study. Trust in service provider was measured with 3 items from Belonax *et al.* (2007). Satisfaction with service provider was measured with scale used by Ahearne *et al.* (2007).

Control variables

Several studies have shown that trust in the supplier is positively associated with customer satisfaction and loyalty (Spake *et al.*, 2003; Sichtmann, 2007; Kassim and Abdullah, 2008). Length of business relationship, age and gender are also known to influence value perceptions, satisfaction and loyalty (Liu and Leach, 2001; Wallace *et al.*, 2009). In view of this, the model used to test our hypotheses was controlled for the impact of trust in service provider, length of the relationship, age, and gender (see Figure 1).

Analysis

Correlation matrix

Convergent validity was evaluated through standardized lambda coefficients for each latent variable. All the variables showed a standardized regression coefficient greater than 0.50 with a significance level of $\alpha = 0.05$ to guarantee the convergence of the measurement model (Hair *et al.*, 1998). Table I shows the correlation matrix and descriptive statistics for all the measures used in the model along with reliability statistics for the constructs. Hypotheses were supported at the correlation level as the correlations among the constructs were significant at $\alpha = 0.01$.

Measurement model

A Confirmatory factor analysis was conducted, used to assess the properties of the latent variables using the SAS CALIS 8.1 program. Results of measurement model showed adequate fit indices ($\chi^2 = 173.73$, df $= 64$, $p < 0.001$; GFI $= 0.92$; CFI $= 0.96$; Bollen's NNI $= 0.96$ and RMSEA 0.075, $CI_{90\%}$ 0.062 to 0.089). As shown in Table II, all standardized factor loadings were higher than 0.59 and significant at $\alpha = 0.01$. Reliability was assessed with Cronbach's α and the composite reliability (ρ_c). Both statistics are above 0.7, which provides evidence of adequate reliability (Gerbing and Anderson, 1988). In addition, average variance extracted statistics (ρ_v) were above the

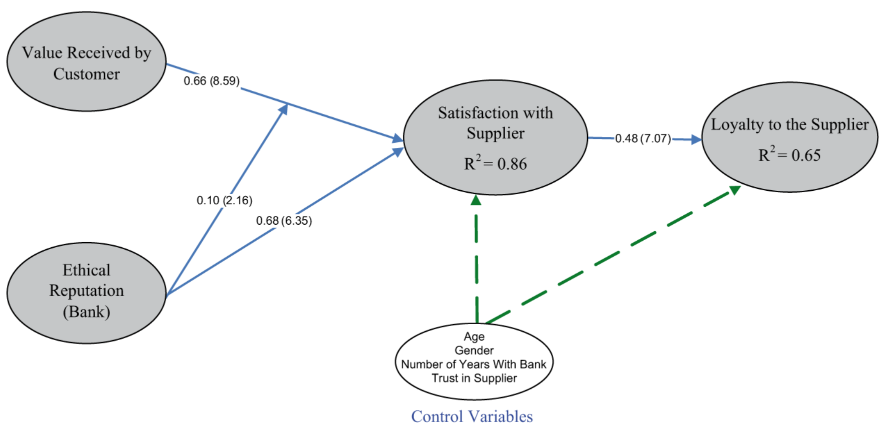

Figure 1.

Notes: Fit Indices: RMSEA 0.0709 ($C_{90\%}$ 0.0584 -0.0834); $\chi^2 = 234.01$, df = 109; CFI = 0.93; Bollen NNI = 0.93; GFI = 0.90; AGFI = 0.84

		VAL	ER	TRU	SAT	LOY	Age	Gen	Noyrs
VAL	Value received by customer	0.78							
ER	Ethical reputation perceptions	*0.48*	0.74						
TRU	Trust in supplier	*0.24*	*0.52*	0.83					
SAT	Satisfaction with supplier	*0.62*	*0.48*	*0.18*	0.77				
LOY	Loyalty to service provider	*0.59*	*0.53*	*0.50*	*0.46*	0.84			
Age	AGE	0.02	−0.08	0.05	0.01	0.02	1.00		
Gen	GENDER	0.08	0.03	0.10	0.03	*0.19*	*0.28*	1.00	
Noyrs	Years as customer with bank	−0.03	−0.02	0.09	−0.10	0.05	*0.36*	0.12	1.00
	Mean	4.72	4.84	5.25	4.57	5.09	41.18		7.26
	Standard deviation	1.13	1.03	1.01	1.25	0.94	9.97		7.13
	Composite reliability	0.85	0.81	0.79	0.79	0.86			
	Average variance extracted	0.65	0.60	0.56	0.65	0.67			

Note: Italic correlations significant at the 0.01 level. Cronbach's α are shown on the matrix diagonal

Table I.
Correlations and descriptive statistics

Construct name and items	Factor loading
Ethical reputation (Valenzuela *et al.*, 2010**)**	
I believe that my COMPANY NAME salesperson is honest with me	0.9262
Overall, I believe COMPANY NAME is a highly ethical organization	0.7699
Overall, I believe ethical problems do not occur at COMPANY NAME	0.5875
Satisfaction with supplier (Ahearne *et al.*, 2007)	
Overall, I am extremely satisfied with this firm	0.8241
Overall, I am extremely satisfied with this firm's salespeople	0.7834
Loyalty to service provider (Palmatier *et al.*, 2007)	
All else being equal, I plan to buy from COMPANY NAME in the future	0.6333
I say positive things about COMPANY NAME to my friends	0.8937
I would recommend COMPANY NAME to someone seeking my advice	0.9017
Value received by customer (Palmatier *et al.*, 2007)	
I would continue to do business with this COMPANY NAME, even if prices were increased somewhat	0.6696
COMPANY NAME's prices are reasonable considering the value I receive	0.8176
I feel that I am getting a good deal in my dealings with COMPANY NAME	0.9186
Trust in supplier (Belonax *et al.*, 2007)	
I trust the company	0.7306
The company makes truthful claims	0.7365
The company is honest	0.7706

Table II.
Scale items and scale statistics

acceptable value of 0.50 (Fornell and Larcker, 1981). Evidence of discriminant validity was found as the average variance extracted (AVE) for each of the factors was greater than squared correlations for all pairs of factors. In addition, test of confidence intervals of factor correlations showed that none of the 95 per cent confidence intervals of the factor correlations included one (Fornell and Larcker, 1981).

Common method variance
Common method variance is an often cited concern in cross sectional data collection for studies of individuals' attitudes and behaviors. A test for common method variance (CMV) was conducted using Harmon's CFA method. The one-factor model yielded a χ^2 of 993.46 (df = 77), compared to $\chi^2 = 173.73$ (df = 64) for the measurement model. Comparison of key indices showed that the one-factor model is significantly worse than the measurement model ($\Delta\chi^2 = 819.73$, Δdf = 13 vs. critical $\chi^2 = 22.36$, $\alpha = 0.05$) thus indicating that CMV is not a serious threat to the findings of this study (Podsakoff *et al.*, 2003).

Hypotheses testing
The model parameters of the structural model were estimated with SAS 9.1 CALIS-maximum likelihood method with a covariance matrix. The moderating variable (MOD) was created by multiplying the standardized values of the two constructs, ethical reputation perceptions and value received by the customer (Wood and Erickson, 1998). For the hypothesized model, RMSEA value which is generally regarded as the most informative fit indices (Diamantopoulos and Siguaw, 2000) was in the acceptable range (RMSEA = 0.071, $CI_{90\%}$ 0.058-0.083). The acceptable level of fitness is also confirmed by other indices: $\chi^2 = 234.01$, df = 109, $p < 0.001$; GFI = 0.90, AGFI = 0.84, CFI = 0.93 and Bollen's NNI = 0.93. Taken together, results indicate that the model shown in Figure 1 is acceptable. In addition, the high statistical power of the structural model ($\pi > 0.99$) indicates a low likelihood of not rejecting a truly bad model and conceptualization (MacCallum *et al.*, 1996; McQuitty, 2004). Results also indicate that the model explains a significant variance of satisfaction with supplier ($R^2 = 0.86$) and loyalty ($R^2 = 0.65$). All hypotheses were supported. The results from SEM model show support for *H1* ($\beta_{VALSAT} = 0.66$, $t = 8.59$), *H2* ($\beta_{ERSAT} = 0.68$, $t = 6.35$), *H3* ($\beta_{MOD} = 0.10$, $t = 2.16$), and *H4* ($\beta_{LOYSAT} = 0.48$, $t = 7.07$).

As hypothesized, both value received and ethical reputation are positively related to customers' satisfaction with supplier. Results also show that the relationship between value received and satisfaction with the supplier is enhanced when the customer believes that the supplier has a higher ethical reputation. Finally, satisfaction with the supplier positively influences loyalty to the supplier.

Discussion of results
Value addition is an important antecedent of customer satisfaction and positive word-of-mouth (Palmatier *et al.*, 2007). Satisfied customers are more likely to be loyal and spread positive word of mouth leading to increased revenue by way of new business as well as from repeat purchases. Research shows that loyal customers are also willing to pay more, which when combined with additional revenues and lower marketing costs can increase the profit by about 90 per cent (Reichheld *et al.*, 1990). If customers stay loyal to suppliers who provide the best value, then firms have to continuously look for ways to enhance the effect of value perceptions in their dealings with customers. This study's results show that suppliers can count on their ethical reputation to be a value booster.

Customers are focused on getting the best value for their money and are relentlessly pursued by suppliers with promises of better value. Anderson *et al.* (2006) state that customers look for all benefits, favorable points of difference, and resonating focus as value propositions when choosing a supplier. The study results provide support for the current trend towards social responsibility and ethical behavior by the firms who hope to use their ethical reputation as a value adder to build and strengthen the emotional bond with customers.

Firms' ethical reputation can provide the point of difference and answer the customers' question of why they should pick a particular supplier among the various alternatives of similar or greater value (Anderson *et al.*, 2006). This may explain why the rate of adoption and implementation of codes of ethics is rising (Somers, 2001). Our findings bring support to Pirsch et al.'s (2007) claim that ethical reputation protects the firm from competitors as ethics is considered when customers choose among alternate suppliers.

Do customers care about ethics? Can doing good help businesses do better? Results of this study suggest that ethical behavior can help the bottom line by way of repeat purchases. Study findings also counter the perception that ethical and socially responsible behavior are fads and do not contribute to business performance (Doane, 2005). In the current environment of increased sensitivity to ethical reputation is a major advantage (Farah and Newman, 2010). Businesses are realizing that good ethics and social responsibility are good business practices and contribute to profitability and growth.

Firms are also paying attention to the "net generation" that represents a huge market potential. It is becoming clear that that net generation segment has a greater environmental consciousness, values transparency and considers a firms' ethical image in their decision making for buying products and as well as in choosing an employer. Net generation individuals are known to consider things that contribute to a meaningful job in their selection of profession or firm to work (Scroggins, 2008). In spite of their tendency for self-gratification, they are socially conscious and are less likely to surrender their souls to corporate goals (Boyd, 2010). Society, while recognizing the firms' obligation to create wealth for the stockholders, also considers contribution to the society as part of firms' responsibility.

While this study is based on bank employees, the study results have important implications for suppliers of other products and services. Ethical reputation plays an important role in this connected world where internet is fast replacing traditional modes of business exchanges. Web based transactions are fast becoming the norm for most businesses in the USA and in many other countries. Customers use web sites as they provide options for buying products while also giving access to information on products and suppliers. Given numerous alternatives, buyers are likely to be looking for features that distinguish suppliers from one another and firms' ethical reputation can be a major differentiator by way of quality and reliability.

Limitations and future research

This study has several limitations that future research can address. First, we used responses from customers of national banks. This study could be replicated in other settings such as retail shops, business to business sales as well as with customers who buy products on the web. Second, our findings rely on self-reported data which may be affected by common method bias (Cote and Buckley, 1987). Although we conducted a Harmon's one-factor test and found no evidence that CMB significantly impacted results of our conceptualization, this possibility cannot be ruled-out. Further studies could evaluate the impact of experienced meaningfulness on objective measures of performance and turnover from company records. Third, survey-based research imposes time limitations as customers are unwilling to spend too much time answering questions. Thus the model tested left out other constructs that may mediate or moderate the impact of value on satisfaction with the supplier. Fourth, SEM models can have numerous statistically equivalent models with equal fit using the same constructs (MacCallum and Browne, 1993). Although we used theory and prior research to justify the hypothesized links between constructs, other plausible conceptualizations cannot be ruled out. It should also be noted that since the data comes from a cross sectional design we cannot assure causality. Future research should test models that include other customer factors such as values and beliefs, income levels, and profession. This could also include customer perception of salesperson personality, customer orientation, and service quality.

Research also recognizes that managers play a fundamental roll in instilling an ethical climate. For instance, servant leaders who are truly concerned about the wellbeing of others can help create an organizational culture that operates at a high ethical level (Jaramillo *et al.*, 2009). Conversely, managers with dysfunctional leadership styles like the corporate psychopath can compromise organizational ethics since they advance their own aims and objectives by manipulating others and by engaging in unethical actions (Boddy, 2004). Research linking leadership styles with customer value perceptions and loyalty is thus warranted.

Finally, study findings rely on customer data from Chile which is known as a collectivistic country that places greater value on aspects like group benefits. It may be worthwhile testing this model in individualistic societies to check whether the value placed on firm's ethical and social responsibilities influence satisfaction to a lesser or greater degree. This is critical because ethical perceptions are associated with individualism/collectivism ratings. For example, Armstrong (1996) reports a positive association between the individualism index and ethical perception ratings. This implies that customers from an individualistic country like the United States are more likely concerned about the occurrence of unethical issues. Cross country validation is also importance since individual priorities about ethics can vary. For instance, Chinese consumers prioritize issues related with product safety and quality while UK and Canadian consumers are mostly concerned about environmental protection (Piercy and Lane, 2009).

References

Ahearne, M., Jelinek, R. and Jones, E. (2007), "Examining the effect of salesperson service behavior in a competitive context", *Journal of the Academy of Marketing Science*, Vol. 35 No. 4, pp. 603-16.

Ajzen, I. (2002), "Perceived behavioral control, self-efficacy, *locus* of control, and the theory of planned behavior", *Journal of Applied Social Psychology*, Vol. 32 No. 4, pp. 665-83.

Ajzen, I. and Fishbein, M. (1980), *Understanding Attitudes and Predicting Social Behavior*, Prentice Hall, Englewood Cliffs, NJ.

Anderson, J.C., Narus, J.A. and van Rossum, W. (2006), "Customer value propositions in business markets", *Harvard Business Review*, Vol. 84 No. 3, pp. 90-9.

Armstrong, R.W. (1996), "The relationship between culture and perception of ethical problems in international marketing", *Journal of Business Ethics*, Vol. 15 No. 11, pp. 1199-208.

Babin, B.J., Griffin, M. and Boles, J.S. (2004), "Buyer reactions to ethical beliefs in the retail environment", *Journal of Business Research*, Vol. 57 No. 10, pp. 1155-63.

Belonax, J.J.J., Newell, S.J. and Plank, R.E. (2007), "The role of purchase importance on buyer perceptions of the trust and expertise components of supplier and salesperson credibility in business-to-business relationships", *Journal of Personal Selling & Sales Management*, Vol. 27 No. 3, pp. 247-58.

Bhattacharya, C.B. and Sen, S. (2003), "Consumer-company identification: a framework for understanding consumers' relationships with companies", *Journal of Marketing*, Vol. 67 No. 2, pp. 76-88.

Boddy, C.R. (2011), "The corporate psychopath's theory of the global financial crisis", *Journal of Business Ethics* (forthcoming).

Boyd, D. (2010), "Ethical determinants for generations *x* and *y*", *Journal of Business Ethics*, Vol. 93 No. 3, pp. 465-9.

Capon, N. and Senn, C. (2010), "Global customer management programs: how to make them really work", *California Management Review*, Vol. 52 No. 2, pp. 32-55.

Carrillat, F.A., Jaramillo, F. and Mulki, J.P. (2009), "Examining the impact of service quality: a meta-analysis of empirical evidence", *Journal of Marketing Theory and Practice*, Vol. 17 No. 2, pp. 95-110.

Chandrashekaran, M., Rotte, K., Tax, S.S. and Grewal, R. (2007), "Satisfaction strength and customer loyalty", *Journal of Marketing Research*, Vol. 44 No. 1, pp. 153-63.

Chonko, L.B., Tanner, J.F. Jr and Weeks, W.A. (1996), "Ethics in salesperson decision making: a synthesis of research approaches and an extension of the scenario method", *Journal of Personal Selling & Sales Management*, Vol. 16 No. 1, pp. 35-52.

Cote, J.A. and Buckley, M.R. (1987), "Estimating trait, method, and error variance: generalizing across 70 construct validation studies", *Journal of Marketing Research*, Vol. 24 No. 3, pp. 315-19.

Cronin, J.J., Brady, M.K. Jr and Hult, G.T.M. (2000), "Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments", *Journal of Retailing*, Vol. 76 No. 2, pp. 193-218.

Dawkins, J. and Lewis, S. (2003), "CSR in stakeholders' expectations: and their implication for company strategy", *Journal of Business Ethics*, Vol. 44 Nos 2/3, pp. 185-93.

DeConinck, J.B. (2010), "The influence of ethical climate on marketing employees' job attitudes and behaviors", *Journal of Business Research*, Vol. 63 No. 4, pp. 384-91.

Diamantopoulos, A. and Siguaw, J.A. (2000), *Introducing LISREL*, Sage, London.

Doane, D. (2005), "The myth of CSR", *Stanford Social Innovation Review*, Fall, pp. 22-9.

Farah, M.F. and Newman, A.J. (2010), "Exploring consumer boycott intelligence using a socio-cognitive approach", *Journal of Business Research*, Vol. 63 No. 4, pp. 347-55.

Fornell, C. and Larcker, D.F. (1981), "Evaluating structural equation models with unobservable variables and measurement error", *Journal of Marketing Research*, Vol. 18 No. 1, pp. 39-50.

Garcia de los Salmones, M.M., Perez, A. and Rodriguez del Bosque, I. (2009), "The social role of financial compaines as a determinant of consumer behavior", *International Journal of Bank Marketing*, Vol. 27 No. 6, pp. 467-85.

Gerbing, D.W. and Anderson, J.C. (1988), "An updated paradigm for scale development incorporating unidimensionality and its assessment", *Journal of Marketing Research*, Vol. 25 No. 2, pp. 186-92.

Grisaffe, D.B. and Jaramillo, F. (2007), "Toward higher levels of ethics: preliminary evidence of positive outcomes", *Journal of Personal Selling & Sales Management*, Vol. 27 No. 4, pp. 355-71.

Hair, J.F., Anderson, R. Jr, Tatham, R.L. and Black, W.C. (1998), *Multivariate Data Analysis*, Prentice Hall, Englewood Cliffs, NJ.

Hammann, E.M., Habisch, A. and Pechlaner, H. (2009), "Values that create value: socially responsible business practices in SMEs – an empirical evidence from German companies", *Business Ethics: A European Review*, Vol. 18 No. 1, pp. 37-51.

Heffernan, T., O'Neill, G., Travaglione, T. and Droulers, M. (2008), "Relationship marketing: the impact of emotional intelligence and trust on bank performance", *International Journal of Bank Marketing*, Vol. 26 No. 3, pp. 183-99.

Hennig-Thurau, T., Groth, M., Paul, M. and Gremler, D.D. (2006), "Are all smiles created equal? How emotional contagion and emotional labor affect service relationships", *Journal of Marketing*, Vol. 70, July, pp. 58-73.

Jaramillo, F., Mulki, J.P. and Solomon, P. (2006), "The role of ethical climate on salespersons' role stress, job attitudes, turnover intention, and job performance", *Journal of Personal Selling & Sales Management*, Vol. 26 No. 3, pp. 271-82.

Jaramillo, F., Grisaffe, D.N., Chonko, L.B. and Roberts, J.A. (2009), "Examining the impact of servant leadership on salespersons' turnover intention", *Journal of Personal Selling & Sales Management*, Vol. 29 No. 4, pp. 351-65.

Kassim, N.M. and Abdullah, N.A. (2008), "Customer loyalty in e-commerce settings: an empirical study", *Electronic Markets*, Vol. 18 No. 3, pp. 275-90.

Kidwell, R. and Valentine, S. (2009), "Positive group context, work attitudes, and organizational misbehavior: the case of withholding job effort", *Journal of Business Ethics*, Vol. 86 No. 1, pp. 15-28.

Lai, C., Chiu, C., Yang, C. and Pai, D. (2010), "The effects of corporate social responsibility on brand performance: the mediating effect of industrial brand equity and corporate reputation", *Journal of Business Ethics*, Vol. 95 No. 3, pp. 457-69.

Liu, A.H. and Leach, M.P. (2001), "Developing loyal customers with a value-adding sales force: examining customer satisfaction and the perceived credibility of consultative salespeople", *Journal of Personal Selling & Sales Management*, Vol. 21 No. 2, p. 147.

Luo, X. and Bhattacharya, C.B. (2006), "Corporate social responsibility, customer satisfaction, and market value", *Journal of Marketing*, Vol. 70 No. 4, pp. 1-18.

McQuitty, S. (2004), "Statistical power and structural equation models in business research", *Journal of Business Research*, Vol. 57 No. 2, pp. 175-83.

MacCallum, R.C. and Browne, M.W. (1993), "The use of causal indicators in covariance structure models: some practical issues", *Psychological Bulletin*, Vol. 114 No. 3, pp. 533-41.

MacCallum, R.C., Browne, M.W. and Sugawara, H.M. (1996), "Power analysis and determination of sample size for covariance structure modeling", *Psychological Methods*, Vol. 1 No. 2, pp. 130-49.

Mulki, J.P., Jaramillo, J.F. and Locander, W.B. (2008), "Effect of ethical climate on turnover intention: linking attitudinal and stress theory", *Journal of Business Ethics*, Vol. 78 No. 4, pp. 559-74.

Natale, S.M. and Sora, S.A. (2009), "Ethics in strategic thinking: business processes and the global market collapse", *Journal of Business Ethics*, Vol. 94 No. 3, pp. 309-16.

Naylor, G. and Frank, K.E. (2000), "The impact of retail sales force responsiveness on consumers' perceptions of value", *Journal of Services Marketing*, Vol. 14 Nos 4/5, pp. 310-22.

Oliver, R.L. (1980), "A congitive model of the antecedents and consequences of satisfaction decisions", *Journal of Marketing Research*, Vol. 17 No. 4, pp. 460-9.

Olsen, S.O. (2007), "Repurchase loyalty: the role of involvement and satisfaction", *Psychology and Marketing*, Vol. 24 No. 4, pp. 315-41.

Palmatier, R.W., Scheer, L.K. and Steenkamp, J.B.E.M. (2007), "Customer loyalty to whom? Managing the benefits and risks of salesperson-owned loyalty", *Journal of Marketing Research*, Vol. 44 No. 2, pp. 185-99.

Palmatier, R.W., Dant, R.P., Grewal, D. and Evans, K.R. (2006), "Factors influencing the effectiveness of relationship marketing: a meta-analysis", *Journal of Marketing*, Vol. 70 No. 4, pp. 136-53.

Piercy, N.F. and Lane, N. (2009), "Corporate social responsibility: impacts on strategic marketing and customer value", *The Marketing Review*, Vol. 9 No. 4, pp. 335-60.

Pirsch, J., Gupta, S. and Grau, S.L. (2007), "A framework for understanding corporate social responsibility programs as a continuum: an exploratory study", *Journal of Business Ethics*, Vol. 70 No. 2, pp. 125-40.

Podsakoff, P.M., MacKenzie, S.B., Lee, J.Y. and Podsakoff, N.P. (2003), "Common method biases in behavioral research: a critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.

Rao, P.P. and Singhapakdi, A. (1997), "Marketing ethics: a comparison between services and other marketing processionals", *Journal of Services Marketing*, Vol. 11 No. 6, pp. 409-42.

Reichheld, F.F., Earl, J. and Sasser, W. (1990), "Zero defections: quality comes to services", *Harvard Business Review*, Vol. 68 No. 5, pp. 105-11.

Román, S. and Ruiz, S. (2005), "Relationship outcomes of perceived ethical sales behavior: the customer's perspective", *Journal of Business Research*, Vol. 58 No. 4, pp. 439-45.

Schneider, B. and Bowen, D.E. (1999), "Understanding customer delight and outrage", *MIT Sloan Management Review*, Vol. 41, Fall, pp. 35-45.

Scroggins, W. (2008), "The relationship between employee fit perceptions, job performance, and retention: implications of perceived fit", *Employee Responsibilities & Rights Journal*, Vol. 20 No. 1, pp. 57-71.

Sichtmann, C. (2007), "An analysis of antecedents and consequences of trust in a corporate brand", *European Journal of Marketing*, Vol. 41 Nos 9/10, pp. 999-1015.

Somers, M.J. (2001), "Ethical codes of conduct and organizational context: a study of the relationship between codes of conduct, employee behavior and organizational values", *Journal of Business Ethics*, Vol. 30 No. 2, pp. 185-95.

Spake, D.F., Beatty, S.E., Brockman, B.K. and Crutchfield, T.N. (2003), "Consumer comfort in service relationships: measurement and importance", *Journal of Service Research*, Vol. 5 No. 4, pp. 316-42.

Szymanski, D.M. and Henard, D.H. (2001), "Customer satisfaction: a meta-analysis of empirical evidence", *Journal of the Academy of Marketing Science*, Vol. 29 No. 1, pp. 16-35.

Tajfel, H. (Ed.) (1982), *Social Identity in Intergroup Relations*, Cambridge University Press, New York, NY.

Tse, D.K. and Wilton, P.C. (1988), "Consumer satisfaction formation: an extension", *Journal of Marketing Research*, Vol. 25 No. 2, pp. 204-12.

Valenzuela, L., Mulki, J.P. and Jaramillo, J. (2010), "Impact of customer orientation, inducements and ethics on loyalty to the firm: customers' perspective", *Journal of Business Ethics*, Vol. 93 No. 2, pp. 277-91.

Wagner, E.R. and Hansen, E.N. (2004), "A method for identifying and assessing key customer group needs", *Industrial Marketing Management*, Vol. 33 No. 7, pp. 643-55.

Wallace, D., Walker, J., Lopez, T. and Jones, M. (2009), "Do word of mouth and advertising messages on social networks influence the purchasing behavior of college students?", *Journal of Applied Business Research*, Vol. 25 No. 1, pp. 101-9.

Wood, P.K. and Erickson, D.J. (1998), "Estimating interaction and nonlinear effects with SAS", in Schumacker, R.E. and Marcoulides, G.A. (Eds), *Interaction and Nonlinear Effects in Structural Equation Modeling*, Lawrence Erlbaum Publishers, Mahwah, NJ.

Woodruff, R.B. (1997), "Customer value: the next source for competitive advantage", *Journal of the Academy of Marketing Science*, Vol. 25 No. 2, pp. 139-54.

Zeithaml, V.A. (1988), "Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence", *The Journal of Marketing*, Vol. 52 No. 3, pp. 2-22.

Corresponding author
Fernando Jaramillo can be contacted at: jaramillo@uta.edu