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NEGATIVE PAST EXPERIENCE, IMAGE INCONGRUENCE, CORPORATE WRONGDOING AND BRAND FORGIVENESS AMONG ISLAMIC BANKING CUSTOMERS

Muhammad Hafiz Abd Rashid[1]*, Amirul Afif Muhamat[1], Muhammad Iskandar Hamzah[1], Aida Azlina Mansor[1]

[1]*Faculty of Business and Management, Universiti Teknologi MARA, 42300 Puncak Alam, Selangor, Malaysia*

Corresponding author e-mail: hafiz.rashid@uitm.edu.my

ABSTRACT

Research on the relationship between brand transgression and brand forgiveness is notably limited, especially in the context of Southeast Asian customers. Therefore, this study aims to contribute insights to existing literature by examining how brand transgression, represented by negative past experience, image incongruence, and corporate wrongdoing, influences brand forgiveness among Islamic banking customers in Malaysia. The increasing interest in negative brand relationships has prompted questions about their impact on brand forgiveness. Thus, this theoretical argument, lacking empirical evidence, requires statistical validation. This study utilized a non-probability purposive sampling technique to survey customers who had negative experiences with Islamic banking services in the Klang Valley area. Analysis of 211 usable responses included descriptive statistics, exploratory factor analysis, and multiple regression. The findings indicate that image incongruence and corporate wrongdoing significantly affect brand forgiveness, while negative past experiences do not. The paper also discusses research implications and suggestions for future studies.

Keywords: Brand Transgression, Negative Past Experience, Image Incongruence, Corporate Wrongdoing, Brand Forgiveness.

INTRODUCTION

In an industry marked by intense competition, the Islamic banking sector faces a growing challenge in retaining customers following negative service incidents or transgressions. The assertion that the Islamic banking industry is experiencing rapid global expansion (Rama, 2017) underscores the critical importance of delivering exceptional service while minimizing transgressions. Despite garnering unprecedented recognition from both Muslim and non-Muslim clientele (Rama, 2017), there's no guarantee that service delivery will be entirely free from transgressions due to the subjective and intangible nature of the service. Moreover, with the Eleventh Malaysian Plan (RMK-11) aiming to elevate the Malaysian service industry, there's an urgent need for the Islamic banking sector to shift its approach towards delivering transgression-free service. Current marketing research trends have also begun focusing on negative brand relationships, including brand transgression, service failures, product harm crises, and double deviations. Thus, it's imperative to conduct empirical studies, particularly among banks offering Islamic banking services in Malaysia. Drawing on existing literature on negative brand relationships, this study investigates the impact of brand transgression on brand forgiveness, aiming to fill gaps identified by Fetscherin and Sampedro (2019) regarding the role of forgiveness post-transgression. This research will also contribute to the field by utilizing real customer experiences with Islamic banking services, unlike previous studies that predominantly employed experimental designs with vignettes and manipulations. Given the substantial evidence from financial literature suggesting that service failures or transgressions are key predictors of customer defection (Vyas & Raitani, 2014), the choice of the Islamic banking sector as the study context is particularly timely.

METHODOLOGY

A total of 300 questionnaires were disseminated through the non-probability purposive sampling technique. This method, as described by Collins (2017) and Zikmund et al. (2012), is selected when specific characteristics are sought in the sample population. To ensure the inclusion of only

eligible participants, additional screening questions were administered. Consequently, only individuals who had encountered negative experiences with

Islamic banking services were considered for this study. Given the absence of a comprehensive list of such customers, probability sampling was not feasible. As of the data collection deadline, 211 questionnaires were deemed usable for preliminary and advanced analysis. However, 89 responses were excluded due to various issues such as missing data, outliers, suspicious responses, or lack of prior negative experiences with any Islamic banking services. Furthermore, a statistical method was employed to examine the potential influence of Common Method Variance (CMV). As recommended by Omar et al. (2021) and MacKenzie and Podsakoff (2012), Harman's single-factor test was conducted by inputting all measurement items into SPSS. The analysis revealed that the largest variance explained by any individual factor was 33.32%. Consequently, it is inferred that CMV did not significantly affect the results, as neither a single nor a general factor accounted for the majority of covariance.

RESULTS AND DISCUSSION

The study yielded mixed results, highlighting the significant impact of image incongruence and corporate misconduct on brand forgiveness within Islamic banking services. Specifically, forgiveness from customers appears more likely when the perceived level of image incongruence and corporate wrongdoing is relatively low. This aligns with previous research by Fetscherin and Sampedro (2019), indicating that reduced image incongruence tends to foster greater forgiveness.

Moreover, the study indicates that brand forgiveness is influenced by the extent of corporate wrongdoing. In the context of Islamic banking services, lower levels of corporate misconduct correlate with higher levels of brand forgiveness. Despite the expectation that corporate wrongdoing would diminish customer satisfaction (Alnsour et al., 2021), the findings suggest that customers remain inclined to forgive, consistent with the observations of Fetscherin and Sampedro (2019).

The hypothesis concerning the impact of negative past experiences on brand forgiveness was not supported. However, while these results may appear inconclusive, it's important not to discount them, as they may offer valuable insights upon further analysis (Drotar, 2009; Hewitt et al., 2008). One potential explanation for the lack of significance could be the understanding that customers may not universally react to negative past experiences in the same manner, despite the common expectation of natural and justified negative reactions (Tsarenko & Tojib, 2015).

CONCLUSION

This study contributes to the comprehension of negative brand relationships by examining the significant role of brand forgiveness in addressing brand transgressions among Islamic banking customers in Malaysia. The research demonstrates that brand forgiveness can be established by Islamic banking customers if the perceived level of image incongruence and corporate wrongdoing is not excessively severe. While the influence of negative past experiences on brand forgiveness was not found to be significant, its importance should not be disregarded in future studies, as indicated by Fetscherin and Sampedro (2019) in their research conducted among customers in the United States. In contrast to previous studies, this research provides a significant contribution by investigating the impact of brand transgressions on brand forgiveness among Islamic banking customers in Malaysia. To the best of the researchers' knowledge, there is a notable scarcity of research focusing on Islamic banking customers in the exploration of this forgiveness process.

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