

This is what matters: The reactions of betrayed consumers to ethical brand crisis

Ilaria Baghi

University of Modena and Reggio Emilia

Veronica Gabrielli

University of Modena and Reggio Emilia

Cite as:

Baghi Ilaria , Gabrielli Veronica (2020), This is what matters: The reactions of betrayed consumers to ethical brand crisis. *Proceedings of the European Marketing Academy*, 49th, (63035)

Paper from the 49th Annual EMAC Conference, Budapest, May 26-29, 2020.



This is what matters:
The reactions of betrayed consumers to ethical brand crisis

Abstract

Previous research on brand crisis has introduced the difference between a values-related crisis and a performance-related crisis. Across two experimental studies on real brands, we extend current research by demonstrating how self-brand connectedness increases people's negative behavioral reactions when the favorite brand is involved in a values-related crisis while it protects the brand when it is involved in a performance-related misdeed. Furthermore, we test the mechanisms underlying the role of self-brand connectedness in explaining consumers' negative responses to values-related crisis, introducing the mediating role of the sense of betrayal and the moderation of the perceived relevance of the domain of the ethical violation. Our findings contribute to the literature by demonstrating that a close relationship between the consumer and the brand may aggravate behavioral reactions to relevant misdeed in values-related domain through the mediation of perceived sense of betrayal.

Keywords:

Brand crisis; self-brand connectedness; betrayal

Track:

Social Responsibility and Ethics

1-Introduction and aim of the Study

Brand crises and CSI (Corporate Social Irresponsibility) scandals are unexpected events that often result in negative publicity, threaten a brand or product's perceived ability to deliver expected benefits, thereby weakening brand equity and affecting consumer attitudes (Ahluwalia et al., 2000; Dawar and Pillutla, 2000). An extensive literature base focuses on how consumers deal with negative information concerning a brand or company during a reputational crisis (Ahluwalia et al., 2000). Some studies on brand crisis suggest that consumers' response patterns can vary depending on the crisis typology. Dutta and Pullig (2011) conceptualise two types of corporate crisis: performance-related or values-related. The former commonly involve defective or harmful products, reducing a brand's perceived ability to deliver functional benefits (Dutta and Pullig, 2011) – for example, the detection of lead in Mattel brand toys; the latter does not directly involve the product, but rather it involves ethical issues surrounding the values espoused by the brand – for example, Nike's alleged use of child labour. A performance-based crisis impacts expected benefits related to brand functionality, whereas a values-based crisis impacts the brand's expected symbolic and psychological benefits. Trump (2014) introduces also the role of self-brand connectedness (Escales, 2004) in defining consumers' attitude toward a brand involved in a crisis. In general, consumers who feel connected to a brand are more likely to resist to negative information about the company and to be more benevolent than consumers who feel unconnected with the faulty brand (Ahluwalia et al., 2000). Indeed, high-connected people tend to protect themselves from negative information about the brand that would threaten their self-evaluation (Fournier, 1998) and minimize them because they wish to maintain a positive self-view (Cheng et al., 2012) as the favorite brand expresses relevant aspects of a consumer's identity (Fournier, 1998). This effect, however, does not hold in cases of unethical conducts (Folkes and Kamins, 1999; Trump 2014). Previous research demonstrated that following ethical transgressions, highly connected consumers react as severely as low connected consumers in terms of negative attitude (Trump, 2014) toward the brand. The buffering effect due to a strong relationship with the brand found in earlier research (Ahluwalia et al., 2000) appears limited to performance failures (Huber et al., 2010; Trump, 2014). This stream of literature leaves unexplored three important aspects: 1) the consumers' behavioral responses such as purchase intention and intention to spread negative word of mouth about the brand; 2) the process that underlined this effect and 3) some plausible boundary conditions. The

aim of the present study is to fill these gaps. In study 1 we demonstrate that the negative behavioral impact of the company ethical misdeed will affect also highly connected consumers. In study 2 we investigate the mental process, introducing the mediating role of brand betrayal and we analyze the moderating role of perceived relevance of the domain of the ethical violation as a boundary condition of the buffer effect of self-brand connectedness. We demonstrate that, following a values-related crisis, highly connected consumers perceive a higher sense of betrayal than low connected consumers and this enhance their negative behavioral reactions. Moreover, we demonstrate that the perceived relevance of the domain of the ethical violation moderates the arising of betrayal. When the brand violates an ethical domain that is not perceived as crucial by highly connected consumer the sense of betrayal is reduced and the following behavioral responses are less severe. In this situation, the buffer effect of self-brand connectedness seems to be reestablished. On the contrary, when the misconduct of the favorite brand violates a domain that is perceived as relevant, highly connected consumers experience a stronger sense of betrayal than low connected consumers and the following negative reactions are more damaging for the brand.

2-Study 1: Hypotheses development

Past research on the role of self-brand connectedness on consumer's response to different typology of brand crisis has considered brand attitudes as the main dependent variable (Trump, 2014; Ahluwalia et al., 2000), revealing that consumers who feel connected to a brand are more likely to resist to negative information about a performance-related crisis (Ahluwalia et al., 2000; Fournier, 1998). On the contrary, they do not protect their favorite brand, in case of values-related crisis (Trump, 2014). The first consequence of brand misbehavior is the erosion of consumer loyalty (Singh et al., 2012; Huber et al., 2010). Refusing to buy the brand or switching to another brand is the first action that consumers may take to punish a company's moral transgression and express their disapproval (Baghi and Gabrielli, 2019). In addition, substantial evidence shows that consumers often punish companies' ethical violations by spreading negative information about the brand (Antonetti and Maklan, 2016; Grappi et al., 2013). In an effort to extend our understanding we examine negative word-of-mouth intentions as an explicit measure of consumers' desire to punish an irresponsible brand (Antonetti and Maklan, 2016; Grégoire et al., 2010) and purchase intention as a proxy of the willingness to continue the relationship with brand (Grégoire et al., 2010). Consistently we assume that:

H1 A values-related crisis causes stronger (weaker) reduction of intention to buy the brand in consumers with high (low) self-brand connectedness. A performance-related crisis causes weaker (stronger) reduction of intention to buy the brand in consumers with high (low) self-brand connectedness.

H2 A values-related crisis cause stronger (weaker) intention to activate negative word of mouth towards the brand in consumers with high (low) self-brand connectedness. A performance-related crisis causes weaker (stronger) intention to activate negative word of mouth towards the brand in consumers with high (low) self-brand connectedness.

3-Study 1: Method and procedure

A sample of 130 Italian consumers (49% male; mean age 42) took part in an online experiment. We conducted a 2 (crisis typology: Performance-related vs values-related) X 2 (self-brand connectedness: most favorite brand vs least favorite brand) between-subjects experiment. We presented participants with a list of 10 real sport brands¹ and asked them to rank them from their most favorite (1) to their least favorite (10). We presented participants in the high self-brand connectedness condition a scenario based on their favorite brand and presented participants in the low self-brand connectedness condition a scenario based on their least favorite brand (see Wilson et al., 2017 for similar procedures). Participants were presented with a scenario in which we asked them to imagine reading an article about a case of brand misconduct. We manipulated the typology of the crisis by providing participants a plausible description of the involvement in a performance-related crisis (use of substandard material and dye) or in a values-related crisis (environmental pollution) of the brand they were evaluating. After reading the newspaper article, participants were asked to rate their intention to buy the brand's products in the future (3 items; Grewal et al., 1998) and their intention to spread negative word of mouth about the brand (3 items; Grappi et al., 2013). As manipulation checks, participants rated the perceived nature of the crisis as performance-related or values-related (2 items; Dutta and Pullig, 2011) and self-brand connectedness toward the most favorite and the least favorite brand (7 Items; Escales, 2004).

4-Study 1: Results

Manipulation checks: Participants rated the performance-related nature of the crisis ($M_{\text{pollution}} = 2.57$ vs $M_{\text{substandard materials}} = 4.44$; $t(1, 130) = -5.77$; $p < .05$) and values-related nature of the crisis

¹ The brands used were Nike, Levi's, Adidas, Calvin Klein, Converse, Tommy Hilfiger, Ralph Lauren, Lacoste, Abercrombie and Fitch, Hollister. These brands represent the top apparel and clothing companies by annual sales value in the US (see Forbes, 2019).

($M_{\text{pollution}} = 4.53$ vs $M_{\text{substandard materials}} = 3.93$; $t(1, 200) = 2.58$; $p < .05$) in line with the expectations. We also found significant differences in self-brand connectedness across the type of brand evaluated ($M_{\text{most favorite}} = 3.58$, $M_{\text{least favorite}} = 1.47$; $t(130) = -10.79$, $p < .01$). *Purchase intention*. ANOVA analysis revealed a main effect of the crisis typology on consumer's purchase intention ($M_{\text{values-related}} = 2.55$ vs $M_{\text{performance-related}} = 3.40$; $F(1, 130) = 24.42$; $p < .05$) and a main effect of the self-brand connectedness on the same dependent variable ($M_{\text{most favorite}} = 4.04$ vs $M_{\text{least favorite}} = 1.84$, $F(1, 130) = 141.45$, $p < .01$). We also found a significant interaction effect between crisis typology and self-connectedness with the brand ($F(1, 130) = 17.66$; $p < .01$) on intention to buy. *Negative word of mouth*: ANOVA analysis revealed a main effect of the crisis typology on consumer's intention to bad talk about the brand ($M_{\text{values-related}} = 5.01$ vs $M_{\text{performance-related}} = 3.64$; $F(1, 130) = 54.09$; $p < .05$) and a main effect of the brand on the same dependent variable ($M_{\text{most favorite}} = 3.97$, $M_{\text{least favorite}} = 4.81$, $F(1, 130) = 24.18$, $p < .01$). We also found a significant interaction effect between crisis typology and self-connectedness with the brand ($F(1, 130) = 17.30$; $p < .01$) negative word of mouth.

	Values-related crisis				Performance-related crisis			
	<i>Least favorite brand (low SBC)</i>		<i>Most favorite brand (high SBC)</i>		<i>Least favorite brand (low SBC)</i>		<i>Most favorite brand (high SBC)</i>	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Purchase intentions	1.80	1.10	3.20	1.76	1.94	1.62	4.87	1.64
Negative word of mouth	4.85	1.00	5.08	1.49	4.49	1.27	2.80	1.64

Table 1: Descriptive statistics Study 1

5-Study 1: Discussion

Consistent with the hypothesis, self-brand connectedness aggravates consumer responses to a values-related crisis but protect the brand in case of performance failure. Results of Study 1 showed that self-brand connectedness buffers the negative effect of a brand misconduct only in case of performance-related crisis. Indeed, their reactions are more severe than those expressed in case of a performance crisis that does not involves any moral or ethical dimension. In Study 2 the aim is to investigate the process that underpins this effect, hypothesizing that for closely connected consumers, the threat posed by a values-related crisis is serious because they feel betrayed by their favorite brand on ethical issue. Moreover, in study 2 we introduce one potential boundary condition.

6-Study 2: Hypothesis development

Brand betrayal is a state evoked when a brand with which one has previously established a strong self-brand connectedness fractures a relationship by engaging in moral violation, or it breaks a moral obligation (Reimann et al. 2018) violating the norms that a consumer perceives to be fundamental to the relationship (e.g., honesty and transparency; Grégoire and Fisher 2008). These violations upset consumers and can cause them to seek revenge against firms and/or avoid future brand encounters (Grégoire and Fisher 2008). The brand betrayal construct has a considerable potential to deepen our understanding of the negative impact of values-related crises on highly connected consumer's behavioral responses because these consumers may experience higher sense of betrayal following a values-related crisis than consumers who have no relationship with the brand. Thus, we hypothesizes that:

H3 brand betrayal mediates the effect of self-brand connectedness on negative behavioral responses (intention to buy the brand and negative word of mouth).

Moreover, existing evidence suggests that the perceived relevance of the crisis domain influences consumers' reactions (Grégoire et al., 2010). Scholars have observed that the higher is the self-relevance of the brand transgressions stronger, the higher is the negative attitude toward the brand (Trump, 2014) and more intense is the subsequent motivation to retaliate against the firm (Grégoire et al., 2010). Trump research (2014) demonstrates that in case of ethical misconduct that involves issue that are not self-relevant, highly connected consumers will mitigate their negative attitude toward the brand. Perceived relevance of crisis domain may be a potential boundary condition of the aggravating effect of self-brand connectedness on consumer responses following a values-related crisis. We suppose that highly connected consumers will experience a lower sense of betrayal if the favorite brand violates principle or promises that are not perceived as relevant. Consistently, we hypostasize that:

H4 Perceived relevance of the values-related crisis domain moderates the effect of self-brand connectedness on the sense of betrayal. A high relevant values-related crisis domain causes a stronger sense of betrayal in consumers with high self-brand connectedness than a low relevant values-related crisis domain.

7- Study 2: Method and procedure

A sample of 120 Italian consumers (49% male; mean age 40) took part in an online experiment. We conducted a 2 (relevance of the values-related crisis: high vs low) X 2 (self-brand connectedness: most favorite brand versus least favorite brand) between-subjects experiment.

All procedures are consistent with Study 1 unless otherwise specified. We manipulated the perceived relevance of the domain of the values-related crises by providing participants a plausible description of the involvement in an environmental pollution crisis (high relevance) or in a bullying encouragement allegation (low relevance)² of the brand they were evaluating. After reading a newspaper article, participants were asked to rate their intention to buy the company's products in the future, their intention to spread negative word of mouth about the brand (same measures of the Study 1) and the perceived sense of betrayal by the brand (3 items; Reimann et al, 2018). As manipulation checks, participants rated the personal relevance of the domain of the crisis (3 items) and self-brand connectedness toward the brand (same measure of Study 1).

8- Results

Manipulation checks: Participants rated the relevance of the values-related crises in line with the expectation and consistently with the pre-test results ($M_{\text{pollution}} = 5.52$ vs $M_{\text{bullying}} = 3.01$; $t(1, 120) = 9.76$; $p < .05$). We also found significant differences in self-brand connectedness across the brands ($M_{\text{most favorite}} = 3.79$, $M_{\text{least favorite}} = 1.40$, $t(120) = -13.43$, $p < .001$).

Purchase intention. ANOVA analysis revealed a main effect of the crisis's domain relevance on consumer's purchase intention ($M_{\text{high relevance}} = 2.45$ vs $M_{\text{low relevance}} = 3.19$; $F(1, 120) = 11.66$; $p < .05$) and a main effect of the brand on the same dependent variable ($M_{\text{most favorite}} = 3.68$, $M_{\text{least favorite}} = 2.09$, $F(1, 120) = 69.80$, $p < .01$). *Negative word of mouth:* ANOVA analysis revealed a main effect of the crisis relevance on consumer's intention to bad talk about the brand ($M_{\text{high relevance}} = 5.04$ vs $M_{\text{low relevance}} = 4.41$; $F(1, 120) = 8.12$; $p < .05$) and a main effect of the brand on the same dependent variable ($M_{\text{most favorite}} = 4.10$, $M_{\text{least favorite}} = 5.29$, $F(1, 120) = 20.80$, $p < .01$).

Sense of brand betrayal: ANOVA analysis revealed a main effect of the brand on consumers' sense of betrayal ($M_{\text{most favorite}} = 4.04$, $M_{\text{least favorite}} = 2.97$, $F(1, 120) = 7.82$, $p < .01$). We also found a significant interaction effect between crisis relevance and self-connectedness with the brand ($F(1, 120) = 9.72$; $p < .01$) on sense of betrayal.

Moderated Mediation Model: To test our research hypothesis, we conducted a moderated mediation analysis using PROCESS model 7 (Hayes, 2012). We ran the model including age and gender as covariates in the analysis. The details of the estimated paths are presented in Figure 2. Consistent with H3, when the favorite brand is accused of the values-related misconduct, consumers' intention to bad talk about the brand is aggravated and intention to buy

² High and low relevance values-related crises were selected through a pre-test on a sample of 60 Italian consumers.

is reduced through the mediation of sense of betrayal by the brand (indirect effect for negative word of mouth = .20, CI from .04 to .45; indirect effect for negative word of mouth = -.14, CI from -.33 to -.00). Supporting H4, the mediation was moderated by the perceived relevance of the crisis domain. There is a significant indirect effect on negative worth of mouth when relevance is high (effect = .18, CI from .05 to .37) and on intention to buy the band (effect = -.13, CI from -.29 to -.00), but no significant impact when the relevance is low (effect for negative word of mouth = -.02 CI from -.12 to .06; effect for intention to buy = .01 CI from -.06 to .08).

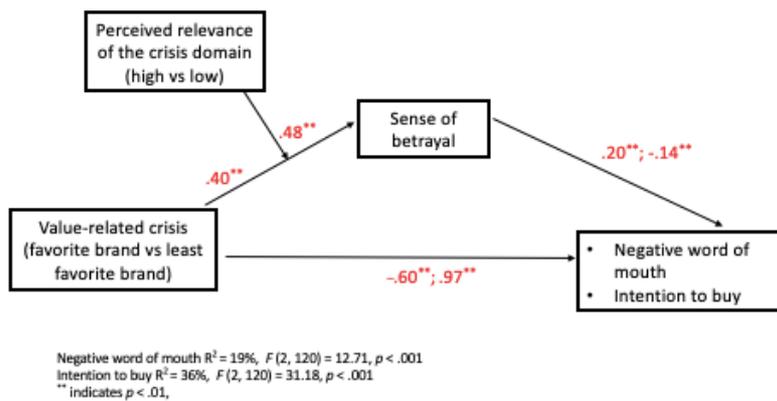


Figure 1: The moderated mediation model

9- Discussion

From a theoretical point of view, this study aims to provide a deeper representation of consumer response to corporate irresponsibility, reviling the moderated mediation process that underlined the role of self-brand connectedness on behavioural responses toward different crisis typology. Findings indicate that the damaging effect of high self-brand connectedness is present only in case of values-related crisis (Study 1) and when the violated ethical domain is perceived as relevant (Study 2). High self-brand connectedness seems to buffer the negative responses only when the favorite brand is involved in low relevance values-related crisis or when the brand is accused of a performance failure. Moreover, the present study, for the first time, introduced the mediation role of consumers' feeling of being betrayed by the brand and the moderation of perceived relevance to explain behavioural responses to brand scandals. From a managerial point of view, findings stress the importance of monitoring the level of self-brand connectedness across an organization's customer base, as highly-connected consumers showed to be willing to justify some products flaws. But, they are not helpful in case of an ethical or moral misconduct. Indeed, we show that highly connected consumers particularly badly react

to values-related crisis, because of the sense of betrayal. Probably they are more prone to consider a performance crisis as an exception, in lights of several previous satisfying experience with the product of the faulty brand. In this way, they avoid cognitive dissonance towards this brand. Instead, facing a brand violating ethical and moral norms, they promptly negatively react because this crisis involves deep aspects of their consumers' identity. This suggests that the relationship with closely connected consumers can be fragile. Thus, the distinction between values-related and performance-related crisis is crucial: it might be precisely pointed-out facing a brand crisis that might be interpreted as a performance-one or rather a values-related one (i.e. Dieselgate). If a crisis is presented and interpreted as a performance one, it might benefit of the buffer effect due to consumer-brand connectedness, whereas if it is mentally classified by consumers as a values-related crisis, it is potentially diffused within closed consumers. Companies should respond promptly to any event that threatens their relationship with closely connected consumers and should be able to target messages and other marketing initiatives specifically to this valuable customer group.

References

- Ahluwalia, R., Burnkrant, R. E., and Unnava, H. R. (2000). Consumer response to negative publicity: The moderating role of commitment. *Journal of Marketing Research*, 37(2), 203-214.
- Antonetti, P., and Maklan, S. (2016). An extended model of moral outrage at corporate social irresponsibility. *Journal of Business Ethics*, 135(3), 429-444.
- Baghi, I., and Gabrielli, V. (2019). The role of crisis typology and cultural belongingness in shaping consumers' negative responses towards a faulty brand. *Journal of Product and Brand Management*. 28(5), 53-70
- Cheng, S. Y., White, T. B., and Chaplin, L. N. (2012). The effects of self-brand connections on responses to brand failure: A new look at the consumer-brand relationship. *Journal of Consumer Psychology*, 22(2), 280-288.
- Dawar, N., and Pillutla, M. (2000). The impact of product-harm crises on brand equity: The moderating role of consumer expectations. *Journal of Marketing Research*, Vol. 32, pp. 215-226.
- Dutta, S., and Pullig, C. (2011). "Effectiveness of corporate responses to brand crises: The role of crisis type and response strategies". *Journal of Business Research*. Vol. 64, N. 12, pp. 1281-1287.

- Escalas, J. E. (2004). Narrative processing: Building consumer connections to brands. *Journal of Consumer Psychology, 14*(1/2), 168–180.
- Folkes, V. S., Kamins, M. A. (1999). Effects of information about firms' ethical and unethical actions on consumers' attitudes. *Journal of Consumer Psychology, 8*(3), 243-259.
- Fournier, S. (1998). Consumers and their brands: Developing relationship theory in consumer research. *Journal of Consumer Research, 24*(4), 343-373.
- Grappi, S., Romani, S., and Bagozzi, R. P. (2013). Consumer response to corporate irresponsible behavior: Moral emotions and virtues. *Journal of Business Research, 66*(10), 1814-1821.
- Grégoire, Y., Fisher, R. J (2008). Customer Betrayal and Retaliation: When Your Best Customers Become Your Worst Enemies. *Journal of the Academy of Marketing Science, 36* (2), 247–61.
- Grégoire, Y., Laufer, D., and Tripp, T. M. (2010). A comprehensive model of customer direct and indirect revenge: Understanding the effects of perceived greed and customer power. *Journal of the Academy of Marketing Science, 38*(6), 738-758.
- Grewal, D., Krishnan, R., Baker, J., and Borin, N. (1998). “The effect of store name, brand name and price discounts on consumers' evaluations and purchase intentions”. *Journal of retailing*. Vol. 74, N. 3, pp. 331-352.
- Hayes, A. F. (2012). “PROCESS: A versatile computational tool for observed variable mediation, moderation, and conditional process modeling [White paper]”. Retrieved from <http://www.afhayes.com/public/process2012.pdf>
- Huber, F., Vollhardt, K., Matthes, I., and Vogel, J. (2010). Brand misconduct: Consequences on consumer–brand relationships. *Journal of Business Research, 63*(11), 1113-1120.
- Trump, R. K. (2014). Connected consumers' responses to negative brand actions: The roles of transgression self-relevance and domain. *Journal of Business Research, 67*(9), 1824-1830.
- Reimann, M., MacInnis, D. J., Folkes, V. S., Uhalde, A., and Pol, G. (2018). Insights into the experience of brand betrayal: From what people say and what the brain reveals. *Journal of the Association for Consumer Research, 3*(2), 240-254.
- Wilson, A. E., Giebelhausen, M. D., and Brady, M. K. (2017). Negative word of mouth can be a positive for consumers connected to the brand. *Journal of the Academy of Marketing Science, 45*(4), 534-547.