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Shift! Major challenges of today's economy

Edited by

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Shift. Major Challenges of Today’s Economy

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POST-CRISIS RESPONSE STRATEGIES: A COMBINED MODEL TO MANAGE BRAND CRISES

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Abstract. *Brand crises negatively affect customers' perception of the brand's ability to deliver expected functional or symbolic benefits. Post-crisis response strategies should be implemented to restore brand trust and diminish the effect of reputational threat, since these strategies act as critical determinants of the actual impact of the crisis on consumers' evaluations and consequently on repurchase intentions. A categorization of the nature of the crisis, distinguishing between 'performance-related' and 'values-related' — based on a deep understanding of the affected benefits — may serve as a discriminator to select the appropriate response strategy. A contingency-based view suggests that the effectiveness of a crisis response depends on various contingent factors, which may mediate and moderate consumers' post-crisis brand evaluations. Thus, moderators such as brand identification and positive brand reputation (e.g. for CSR activities) may be enhanced and exploited to reduce the level of accommodation of the strategy and to maximize efficiency. The present study aims to elaborate a combined model able to provide mechanisms to anticipate consumers' reactions to a crisis and to propose different approaches for the brand to take in response.*

Keywords: *crisis response strategies; brand crisis; situational crisis communication theory; nature of the crisis; CSR; brand trust.*

Introduction

Brand crises are unexpected events negatively affecting a brand's perceived ability to deliver expected benefits and consequently reducing brand equity (Ahluwalia, Burnkrant & Unnava, 2000, Dawar & Lei, 2009, Dawar & Pillutla, 2000, Dean, 2004, Dutta & Pullig, 2011, Pullig, Netemeyer & Biswas, 2006). As brands represent key assets for market-oriented firms, brand-related adverse events may result in negative outcomes affecting financial performance (Dawar & Lei, 2009, Laufer & Coombs, 2006); expected consequences include a weakened company reputation (Coombs, 2007), poorer relationships with consumers (Tsarenko & Tojib, 2015) and reduced brand equity due to negative impacts on brand confidence and a reduced likelihood of brand consideration and choice (Dutta & Pullig, 2011). Post-crisis response strategies may be implemented to restore confidence, to minimize consumers' dissatisfaction, to maximize repurchase intentions, customer loyalty and brand trust (Janssen, Sen &

Bhattacharya, 2015), and to diminish the effect of reputational threat (Benoit, 1997; Coombs, 2007; Coombs & Holladay, 2002).

The present work combines the situational crisis communication theory (SCCT) (Coombs, 2007; Coombs & Holladay, 2002) with the definition of crisis proposed by Dutta and Pullig (2011), which suggests a categorization of the nature of the crisis into 'performance-related' and 'values-related'. This combining is done for two main reasons: (1) SCCT is temporarily prior to Dutta and Pullig's categorization and (2) values-related crises are not specifically considered in the SCCT; hence we question how denial, diminish and rebuild response strategies would apply in values-related scenarios.

A second purpose is to verify whether corporate social responsibility (CSR) may act as a moderator in a crisis setting, hence being leveraged by brands to lessen the impact generated by the crisis. The SCCT only recognises two factors — crisis history and prior relation reputation — with respect to the ability to trigger an upward or downward adjustment when designing a crisis response strategy; hence we question whether it is possible to include CSR among the intensifying factors.

The paper is organized as follows. First, the theoretical framework is outlined, focusing on post-crisis response strategy (especially the SCCT model), the classification of a crisis and the mediating role of CSR. An explanation of the experiment and a discussion of the results follow. To conclude, we propose a combined model to manage brand crises; this model may serve as a useful mechanism to design the appropriate and most effective response strategy to a determined crisis.

Theoretical framework and development of hypotheses

Post-crisis response strategies

Applying the attribution theory (Kelley, 1973, Kelley & Michela, 1980) to the crisis management field helps one understand and predict stakeholders' reactions to events. When a brand crisis occurs, consumers evaluate all available information and based upon it, they draw conclusions regarding the entity, organization or persons to be blamed. The attribution model (Weiner, 1985) also contributes by stating that responsibility is generally assigned when events occur, especially if they are sudden and negative. And according to the discounting principle (Dean, 2004; Kelley, 1973), only if an alternative, plausible explanation is provided will the perceived causal inference be discounted. Hence, a brand is likely to be held responsible for any outcome unless an appropriate response strategy is implemented (Bradford & Garrett, 1995; Dean, 2004).

It is crucial for brands to react promptly to crises through an adequate and efficient strategy able to trigger positive outcomes, among which are (1) minimized dissatisfaction; (2) maximized forgiveness; (3) maximized repurchase intentions; (4) increased brand equity; (5) regained or even increased consumer loyalty and (6) increased positive word-of-mouth (Dawar & Pillutla, 2000; Keller, 1993; Laufer & Coombs, 2006; Tsarenko & Tojib, 2015). Theories and models were developed to help assess the appropriate strategy. The present study focuses on the situational crisis communication theory (Coombs, 1995, 2007; Coombs & Holladay, 2002).

The SCCT is defined as 'a comprehensive, prescriptive, situational approach for responding to crises and protecting the organizational reputation' (Coombs & Holladay, 2002, p.167). This theory organizes thirteen crisis situations into three clusters (victim, accidental, preventable), matches each of them with the appropriate response strategy and provides a mechanism to predict stakeholders' reactions towards the organizational reputation (Coombs, 2007). The choice of the response strategy is based on an evaluation of the reputational threat level (i.e. the amount of damage which may affect the organizational reputation) specifically by assessing crisis type, initial crisis responsibility and the two intensifying factors — crisis history (whether the organization has already had similar crises in the past) and prior relational reputation (actual or perceived relationship between brand and stakeholders).

The theory recognizes ten reactive measures and clusters them into four groups of response strategies: (1) Denial, attempting to remove any connection relating the organization to the crisis; (2) Diminish, aiming to reduce such connection and/or diminish stakeholders' negative perceptions of the crisis to limit its harmful effects; (3) Rebuild, attempting to increase the organizational reputation level by offering material and/or symbolic forms of aid to affected parties and (4) Bolstering, i.e. secondary strategies used to enhance the effects of the previous three (Coombs, 2007).

These response strategies can be ordered along with an adapted version of the defensive-accommodative continuum (McLaughun, Cody & O'Hair, 1983), ranging from defensive strategies, focusing on organizational interests, to accommodative strategies, prioritizing victim concerns. The level of accommodation involved in the response strategy is related to the crisis responsibility, as this is itself directly linked to the reputational damage (Coombs, 2007). An evaluation of the intensifying factors allows an upward or downward adjustment, which is relevant in terms of efficiency. Although defensive strategies have proven to be less effective (Laufer & Coombs, 2006), highly accommodative strategies involve legal and financial liabilities; they may create alarmism (Coombs, 2007; Kim, Kim & Cameron, 2009; Laufer & Coombs, 2006), their financial costs increase with the level of accommodation (Dutta & Pullig, 2011; Laufer et al., 2005) and they weaken the brand's legal position in lawsuits, as they imply the assumption of responsibility (Coombs & Holladay, 2002).

Nature of the crisis: performance-related vs. values-related

A contingency-based view suggests that an effective strategy should be designed considering the factors shaping the circumstances, as they influence customers' perceived relevance of the crisis, i.e. the extent to which brand associations are affected (Dawar & Lei, 2009). One of the most important and comprehensive contingent factors is the nature of the crisis (Dawar & Pillutla, 2000; Dutta & Pullig, 2011; Kim et al., 2009; Tsarenko & Tojib, 2015). Dutta and Pullig (2011) differentiate between performance-related crises, which involve defective products, and values-related crises, which implicate social or ethical issues related to the values promoted by the brand. The fundamental difference lies in the consumers' perception of the brand's ability to deliver benefits they associate with the product or service offered by the brand or company (Keller, 1993). Performance-related crises negatively impact functional benefits (Dutta & Pullig, 2011; Pullig et al., 2006), namely the more intrinsic advantages arising from consumption of the product or service (Keller, 1993). Conversely, values-related crises affect symbolic benefits, i.e. those which are more extrinsic.

Interestingly, whereas symbolic and psychological benefits are likely to increment the probability of brand choice, functional benefits are needed for the brand even to be taken into consideration (Dutta & Pullig, 2011; Keller, 1993). In fact, empirical evidence has proven that a performance-related crisis is likely to require a more accommodating response strategy, addressing consumers' concerns of reoccurrence likelihood and restoring their confidence in the brand's ability to deliver functional benefits (Benoit, 1997; Kim et al., 2009; Tsarenko & Tojib, 2015). As far as values-related crises are concerned, the most important finding was that a reduction of offensiveness (a diminish response strategy) is as effective as a corrective action (a rebuild response strategy), since the additional level of assurance is not required (Dutta & Pullig, 2011; Kim et al., 2009).

The present study aims to apply the more recent definition of performance-related and values-related crises conceptualized by Dutta and Pullig (2011) to the denial, diminish and rebuild primary response strategies proposed in the SCCT. In line with previous considerations, the following hypotheses are proposed:

H1a: In cases of performance-related crises, the rebuild response strategy will be the most successful.
H1b: In cases of performance-related crises, the denial response strategy will be the least successful.
H2a: In cases of values-related crises, the diminish response strategy is as successful as the rebuild response strategy.
H2b: In cases of values-related crises, the denial response strategy will be the least successful.

The moderating role of CSR

Positive prior brand expectations tend to insulate a brand from the impact of negative events (Dawar & Lei, 2009; Dean, 2004; Hess, 2008; Pham & Muthukrishnan, 2002; Pullig et al., 2006). This shielding effect is even stronger when customers feel identified with the brand, that is, they have developed a sense of connection with it, thanks to overlapping identities (Janssen et al., 2015). Identification may trigger an assimilation effect, with customers defending the brand, blaming it less, seeking for alternative plausible explanations and possibly forgiving it. Nonetheless, it may also result in a contrast effect, especially when crises are severe or they attack motives for identification. Corporate social responsibility embodies one of the primary triggers of corporate or brand identification (Bhattacharya & Sen, 2003; Janssen et al., 2015).

CSR is defined as the status and activities a company promotes with regard to its perceived obligations towards the society (Sen & Bhattacharya, 2001). Its purpose is to minimize negative externalities produced by a company's activities and to maximize shared value, thus generating economic value for both corporation/brand and society/environment (Janssen et al., 2015; Mohr, Webb & Harris, 2001) and enhancing corporate or brand reputation (Klein & Dawar, 2004). CSR influences consumers' attribution of responsibility for a crisis (Janssen et al., 2015; Klein & Dawar, 2004), hence representing a significant moderator of consumers' evaluations and post-transgression behavioural intentions towards a crisis response strategy; in fact, stakeholders more often tend to forgive a brand with a past including CSR records (Tsarenko & Tojib, 2015), likely due to the halo effect on these stakeholders' overall brand evaluations generated by the positive reputation (Beckwith & Lehmann, 1975; Klein & Dawar, 2004). Thus, an important consequence for the purposes of this study is that a less accommodative post-crisis response strategy is sufficient to reach a successful outcome, hence minimizing the investment and maximizing efficiency (Laufer & Coombs, 2006; Tsarenko & Tojib, 2015).

A positive CSR reputation, though, does not always represent an 'insurance policy' (Tsarenko & Tojib, 2015) and provide a positive return on investment (Kim et al., 2009). Indeed, consumers' high expectations of the brand's response strategy may be difficult to meet (Dean, 2004), requiring a higher level of accommodation. Nevertheless, customers are likely to suspend their judgement and give the brand the benefit of the doubt; this provides the brand with the desired chance to respond and recover customers' trust, which subsequently triggers consumers' repurchase intentions (Kim et al., 2009).

Despite recognizing the moderating power of the two intensifying factors (crisis history and prior relation reputation), the SCCT does not refer to the influence of CSR during the design of the strategy. Thus, the present study aims to assess whether CSR may be considered a third type of intensifying factor impacting the defensive-accommodative continuum. Brand trust is here appraised as a measure of the success of the response strategy. In line with previous considerations, we hypothesise that:

H3a: The success of a crisis response strategy is positively affected by CSR activities performed prior to the crisis.
H3b: The success of a crisis response strategy is negatively affected by a negative CSR reputation prior to the crisis.
H4a: A positive CSR reputation enhances consumers' identification with a brand and increases brand trust.
H4b: A negative CSR reputation reduces consumers' identification with a brand as well as brand trust.
H4c: A positive CSR reputation prior to the crisis limits the negative impact of a brand crisis on brand trust better than a negative CSR reputation.

Methodology

Research design

Four hundred and twenty-four respondents (65.7% female; mean age of 31.8 years) participated in the experiment and survey. The study was run as a 2 [CSR brand vs. non-CSR] x 2 [nature of the crisis: performance-related vs. values-related] x 3 [response strategy: denial vs. diminish vs. rebuild] factorial design. Projective techniques were used to create fictitious scenarios, which were inspired by real situations to enhance likelihood and credibility but were not based on major wellknown brand crises nor on existing brand names in order to prevent respondents' associations with reality and/or conscious or unconscious biases in their evaluation process. Four observations were eliminated as not meeting the minimum age threshold of 16 years, rendering a sample size of 420 observations. Outliers were highlighted using a single-linkage cluster analysis, then were investigated and rejected. Additional analyses through scatter plots confirmed this result. The high reliability of the collected data was proven by Cronbach's alpha tests computed on all constructs (.923) and on the single factors highlighted by a factor analysis.

Procedure

Respondents to the online survey were divided into twelve groups according to three randomly assigned stimuli. After a brief presentation of the fictitious food producer 'Brand X', information regarding its social commitment was provided, which was either positive — performance of CSR activities — or negative — bad behaviour affecting local communities. The second manipulation involved the nature of the crisis, being either performance-related — a discovery of possibly toxic GMOs in the products — or values-related — racism in the workplace. The third manipulation involved tailored press releases by the brand's CEO, i.e. the crisis response strategies; in line with suggestions from Dean (2004) and the SCCT (Coombs, 2007; Coombs & Holladay, 2002), both denial response strategies exploited the state of ambiguity of the situation and blamed the brand's commercial partner. Diminish response strategies offered excuses and claimed good intentions whilst not providing any information on eventual remedying actions. Finally, rebuild response strategies implied an admission of culpability and offered forms of remedy to improve the situation.

After every manipulation, respondents' reactions were assessed using eight items on a 5-point Likert scale (1=Strongly disagree to 5=Strongly agree). The items were: (1) Identification with the brand; (2) Perception of CSR; (3) Brand trust; (4) Emotional reaction (negative); (5) Customer revenge behaviour; (6) Satisfaction with an outcome; (7) Attribution of blame and (8) Repurchase intentions. All constructs were formulated using validated marketing scales. Pretests were performed on a group of 15 people from different age groups.

Results

The original set of variables was first reduced to a smaller set of composite variables through a factor analysis. The factor labelled 'Success of the strategy' — defined by the variables testing satisfaction with the outcome and repurchase intentions — was selected to compute factor scores estimated for each respondent to serve as a dependent variable in the regression analysis. The model (R2=.154, F=9.450) highlights linear relationships among the dependent variable and the independent ones (which also included interactions among them). Variables were encoded into binary code, thus also making it easy to deduce when they were not explicitly mentioned (Table 1).

As inferable from the results, the nature of the crisis has a highly significant negative effect on the success of the post-crisis response strategy (p=.000, β=-.771). Performance-related crises also have a greater negative impact compared to values-related crises. Significant results from a second model show that the performance of CSR has a very positive effect on the overall success of the brand's response to the crisis (β=.885; p=.000). Additionally, the denial response strategy has a clear negative effect on the dependent variable, explained by the negative coefficient and the skewness of the slope (β=-.618, p=.001). Conversely, another model computed proves that the rebuild response strategy positively influences the success of the strategy (p=.016, β=.373). Generally, denial was perceived as the least successful response strategy, with high post-crisis levels of non-satisfaction with the strategy (44%) and low post-crisis brand trust (6%) and repurchase intention (15%). The diminish strategy follows with slightly more successful outcomes, whereas the rebuild is considered the most effective post-crisis response strategy.

Table 1. Regression analysis: coefficients

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.208	.127		1.643	.101
CSR	.423	.172	.211	2.453	.015
Nature (Performance-related)	-.771	.175	-.386	-4.413	.000
Denial response strategy	-.618	.185	-.283	-3.337	.001
Diminish response strategy	-.194	.183	-.093	-1.059	.290
CSR-Denial response strategy	.312	.227	.105	1.373	.170
CSR-Diminish response strategy	-.104	.216	-.041	-.481	.631
CSR-Nature (Performance-related)	.311	.181	.128	1.713	.088
Nature (Performance-related) -Diminish response strategy	.171	.216	.066	.790	.430
Nature (Performance-related) -Denial response strategy	.609	.226	.215	2.690	.007

a. Dependent Variable: REGR Factor scores 'Success of the strategy'

Interactions between variables allow interesting post hoc considerations. A first interaction, being marginally significant (p=.088), may relate CSR activities and the nature of the crisis (performance-related); the overall effect is positive (β=.311), which proves that CSR activities performed ex ante represent a powerful buffer able to absorb part of the shock triggered by a brand crisis (even more in the case of values-related crises, which are perceived as less severe than performance-related). The same conclusion may be drawn for the interaction between CSR and the denial response strategy; despite the negative impact of the denial strategy (-.618), the overall effect is positive (.117), because both CSR activities and the interaction 'CSR-Denial' have a relatively greater effect on the outcome (respectively, .423 and .312), proving the strong beneficial effect of ex ante CSR activities.

In a CSR scenario, 67% of respondents identified with the brand; symmetrically, 73% did not identify with it in the opposite situation. Data analysis proves that every response strategy is always perceived as more successful if combined with CSR performed ex ante. This trend is recognizable in all four items proposed after the third manipulation, i.e. (1) respondents' satisfaction with the strategy; (2) post-crisis brand trust; (3) blame on the brand and (4) repurchase intentions. Results from these items also show that the diminish response strategy always scores better than denial in non-CSR scenarios but scores worst in CSR scenarios; in the case of denial, respondents may be more inclined to trust the claim of non-culpability due to their esteem for and identification with the brand prior to the crisis. Conversely, customers may feel disappointed and/or deceived by the admission of culpability implied in the diminish and rebuild strategies. The same items considered regarding the interaction between nature and the response strategy show that performance-related crises always have a stronger negative impact than values-related crises on customers' evaluations; for example, in the case of the rebuild strategy, significantly more respondents (75%) would not repurchase the brand's products when performance-related crises occur compared to values-related crises (34%).

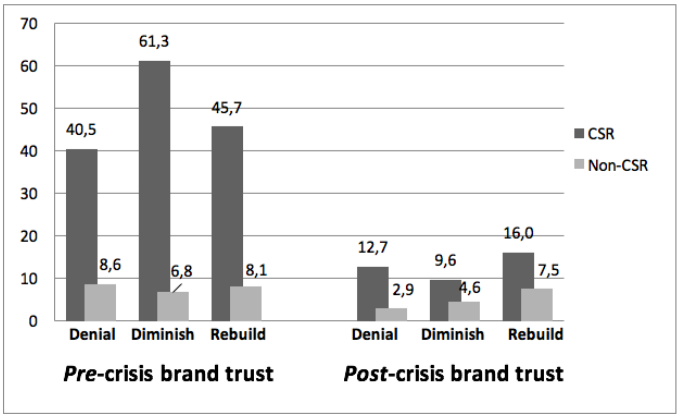

Figure 1. Brand trust and response strategies: CSR and non-CSR brand comparison (values in %)

Questions on brand trust were asked after the first and third manipulations, allowing the identification of a clear negative variation in levels of brand trust pre- and post-crisis (Figure 1). Also, brand trust levels in pre- and post-crisis CSR situations are always higher than in non-CSR (even prior to the crisis), highlighting the strong beneficial effect of CSR on brand trust. The variation is more significant in CSR scenarios than in non-CSR, which may be explained by the respondents' expectations of a well-behaving brand not to be involved in a crisis, where the perceived inconsistency triggered disappointment. As far as CSR scenarios are concerned, the diminish response strategy is the least successful (-51.7%) compared to denial (-30.5%) and rebuild (-29.7%). Consistently, a non-CSR scenario presented a negative variation in brand trust (Denial: -5.7%; Diminish: -2.1%; Rebuild: -0.6%), and denial was perceived as the least effective strategy. Thus, the diminish strategy is the least successful response strategy in limiting a loss in brand trust after a crisis, whereas rebuild is the most successful. Denial performs quite well if CSR is performed ex ante but not in the opposite scenario.

Discussion

Denial was always perceived as the least successful strategy, followed by diminishing, whereas rebuild was the best performing. The same trend was recognizable in both the performance-related and values-related natures of the crisis, which allows us to accept hypotheses H1a, H1b and H2b but to reject H2a. The results also highlight the fact that performance-related crises have a stronger negative impact on successful outcomes produced by a strategy than values-related crises. Thus, we can assume that a lower level of accommodation is acceptable when designing a response strategy to a values-related crisis.

The positive impact of CSR activities performed prior to the crisis was even higher than expected; also, considering the interactions with the nature of the crisis and the response strategies, all outcomes were more successful in a positive CSR scenario. CSR could absorb most of the shock caused by the crisis occurrence and provided the brand with a good basis upon which to rebuild its image through an effective response strategy. Its positive impact on brand trust was also remarkable on the level of brand trust post-crisis, which, in a CSR scenario, was not only generally higher than in a non-CSR but was even higher in a post-crisis situation than in a pre-crisis non-CSR situation. Conversely, in the presence of a negative CSR reputation, consumers did not feel identified with the brand and had considerably lower levels of brand trust, which negatively impacted the outcome and provided the brand with significantly less margin of manoeuvre.

These considerations allow us to accept H3a, H3b, H4a, H4b and H4c. Most important, we believe CSR should be included among the intensifying factors of the SCCT, as it has proven to have the moderation power to positively or negatively influence the dependent variable ‘Success of the strategy’. Thus, its presence or absence, respectively, should be considered to adjust upward or downward the initial assessment of the reputational threat.

Contributions and implications

The results provide evidence that the three response strategies are also efficient when applied to Dutta and Pullig’s more recent classification of a crisis based on its nature. The nature of the crisis has also proven to be a very strong and negative factor, able to cause intense reputational damage to a brand. Although performance-related crises appear to have a stronger negative impact on the success of the outcome than values-related crises, we are convinced that both natures should be considered and included in a comprehensive model. For these reasons, we believe that designing a post-crisis response strategy based on the nature of the crisis is to be considered an effective and efficient practice.

This study proposes a combined model based on Dutta and Pullig’s classification of crisis and the response strategies elaborated in the SCCT (Figure 2). The model is enriched by the inclusion of CSR among the intensifying factors, as it may enhance the effectiveness of the response strategy and allow the implementation of a less accommodative, i.e. more cost-efficient, strategy.

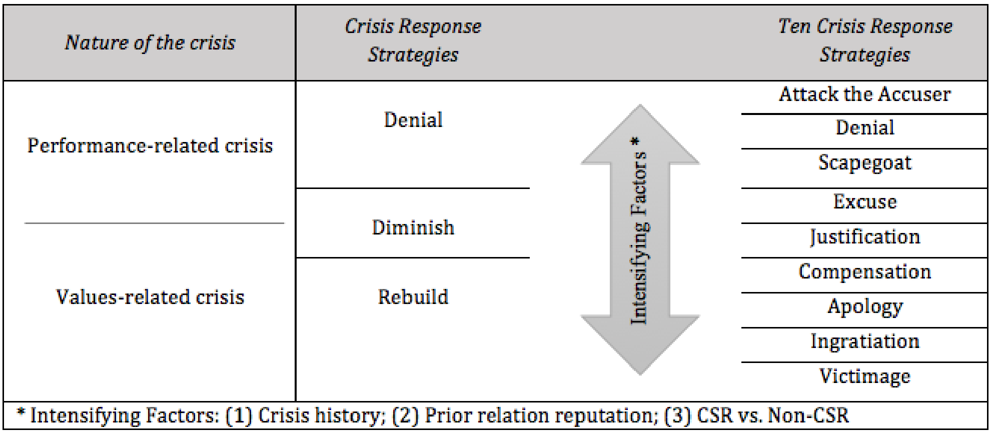
Nature of the crisis
Crisis Response Strategies
Ten Crisis Response Strategies
Performance-related crisis
Values-related crisis
Denial
Diminish
Rebuild
Intensifying Factors *
Attack the Accuser
Denial
Scapegoat
Excuse
Justification
Compensation
Apology
Ingratiation
Victimage
* Intensifying Factors: (1) Crisis history; (2) Prior relation reputation; (3) CSR vs. Non-CSR

Figure 2. A Combined Model to Manage Brand Crises

Limitations and future research

A limitation of the present work is linked to the low significance of the results of the regression analysis regarding two of the three response strategies. This is a consequence of using a 5-point Likert scale, as a considerable number of answers concentrated on the middle choice ('Neither Agree nor Disagree'), which does not help the analysis.

Future research may consider developing the experiment using an existing brand instead of a fictitious one. In the present study, all respondents had access to the same information, in terms of both quality and quantity, which prevented biased evaluation and allowed measurement of the real extent of the manipulations. Nevertheless, it would be interesting to evaluate the impact of consumers' brand identification and familiarity, which are likely to insulate the brand from the impact of negative publicity by positively influencing consumers' reactions to a crisis, i.e. triggering favourable behaviours such as consumers' defence of the brand, the active seeking for plausible and alternative explanations, the generation of counterarguments, etc.

Interesting outcomes may arise from an evaluation of the influence of the interaction between various types of media on brand crises. Social media have become increasingly important sources of information, spreading both true and false stories (aka 'fake news'). Considering the vast audience reached, the impact of negative news circulating on social media may trigger harmful consequences on brands if not addressed with adequate measures.

Another future development may be an evaluation of the role of culture in consumers' reactions to a brand crisis; one example is represented by people's level of uncertainty avoidance, which influences costumers' blame attribution (Laufer & Coombs, 2006). Thus, culture seems to exert an influence on the perception of a crisis and should, therefore, be taken into consideration during the decision-making process of a crisis response strategy. The present study represents a good starting point for interesting considerations as well as for future investigations.

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