

A study on Impact of Brand Scandal on Consumer Attitudes

ABSTRACT

Introduction

A good consumer brand relationship forms the building block for the success of a brand. Several findings support the notion that brand relationship quality (BRQ) is a significant barometer for consumer-good brands for building the strength and depth of consumers' relational behaviour (Fournier, 1994; Smit et al., 2007). When a brand scandal takes place, it not only harms the brand's reputation but impacts the entire distribution channel. It damages the most important relationship; the consumer-brand relationship. Brand scandal results in a consumer losing its confidence entirely in the brand (Wang & Alexander, 2018), which may lead the scandalized brand and the company in a crisis. As brand scandals may jeopardize consumer-brand relationships, the same is a matter of grave concern for marketers. Thus, the study primarily focuses on the impact of brand scandal on consumer attitudes.

Cleeren et al. (2017) suggest that existing research contributions mostly focus on post-scandal consumer behaviour studies, like the timing of the consumer's first purchase or consumer-based brand equity ramifications after the scandal (Dawar and Pillutla, 2000). Fewer studies examine antecedents responsible for shaping consumer attitudes to the brand scandal (Cleeren et al., 2017), although understanding this aspect is vital for marketers to comprehend and address consumers' post-scandal reactions. Furthermore, consumers' attitude-behaviour relationship is also influenced by various moderators (Park and MacInnis, 2006) such as retailers and social media. Consumers believe information from retailers to be authentic as they consider their information to be non-biased and well-informed by marketers. Scandal-related negative publicity may affect consumers' attitudes, beliefs, and future purchases (Griffin et al., 1991). Additionally, social media acts as an uncontrolled source of information for consumers and may influence consumer opinions (Alsem et al., 2008) and responses to brand scandals. Consumers expect companies to take action or provide an explanation about any negative news related to their scandalized brand: silence may be construed as an absence of concern for consumers (Taylor & Perry, 2005). Thus, the study aims to examine the moderating effects of retailer's views and social media amplification on consumer attitudes about brand scandal and explore how corporate actions influence consumers' attitudes towards a brand scandal.

Literature Review

Based on the literature review, the present study explores the antecedents, decisions, and outcomes (ADO) of the brand scandal in shaping consumers' attitudes towards the scandalized brands. This ADO framework has been recommended by Paul and Benito (2018).

H1: *Consumers' lower degree of perceived scandal severity significantly and favourably affects their attitude about brand scandal.*

H2: *Consumers' higher level of pre-scandal self-brand identification significantly and favourably affects their attitude about brand scandal.*

H3: *Consumers' favourable pre-scandal brand experience significantly and favourably affects their attitude about brand scandal.*

H4: *Consumers' higher level of pre-scandal brand trust significantly and favourably affects their attitude about brand scandal.*

H5: *Consumers' higher level of pre-scandal brand loyalty significantly and favourably affects their attitude about brand scandal.*

H6: *Consumers' favourable attitude toward the brand scandal actuates their brand forgiveness.*

H7: *Consumers' favourable attitude toward the brand scandal actuates their brand reengagement.*

H8: *Consumers' favourable attitude toward the brand scandal significantly and favourably impacts their attitude about the product category.*

H9: *Consumers' favourable attitude toward the brand scandal significantly and favourably impacts their attitude about the competitors.*

H10: *Consumers' unfavourable attitude toward the brand scandal actuates their brand hate.*

H11a/b/c/d/e: *Retailers' interventions favourably moderate the relationship between the perceived scandal severity/ pre-scandal self-brand identification/ brand experience brand trust/ brand loyalty and consumers' attitude about brand scandal.*

H12a/b/c/d/e: *Social media amplification favourably moderate the relationship between the perceived scandal severity/ pre-scandal self-brand identification/ brand experience brand trust/ brand loyalty and consumers' attitude about brand scandal.*

H13a/b/c/d/e: *Corporate actions favourably mediate the relationship between perceived scandal severity/ pre-scandal self-brand identification/ brand experience brand trust/ brand loyalty and consumers' attitudes towards brand scandal.*

Methodology

The study began with conduction of an extensive literature review. This process involved searching keywords specific to the research title and synonymous terms to understand the differences conceptually. The review process led to the extensive scrutiny of 191 refereed papers from 75 journals. Literature was extracted from the following databases: Willey Online Library, Ebsco, Elsevier, Emerald Insights, ProQuest, Science Direct, and JSTOR. Catering to the absence of studies concerning intermediaries' role in the case of a brand scandal. A qualitative research tool- the grounded theory is adopted. A total of 15 in-depth interviews were conducted and analyzed because theoretical saturation was achieved with the 15th participant. Data collection took place between the months of May and July 2019. Interviews lasted between 45 and 60 minutes. Respondents were selected from Delhi/NCR area. For the empirical validation of the model, the study applied survey methodology (total of 717 qualified responses) and used existing measures from the literature. The study applies structural equation modeling (SEM) to empirically verify the theoretical model and test the hypothesis (Anderson & Gerbing, 1988).

Findings and Conclusion

The study found that retailers were able to recall the brand scandal of Maggi. Retailers did not view themselves as proactive information providers at the time of the scandal because of two reasons. Firstly, consumers were self-aware, informed, and influenced via social media interactions, news, and informal sources. Secondly, retailers feel insecure about losing customers to other retailers for their most saleable products. Moreover, retailers stated the company's ability to manage scandal as commendable. They were surprised by its efficiency and effectiveness in recollecting Maggi noodles' leftover stock immediately and spreading awareness at its re-launch. However, the company did not provide any specific instructions to retailers for tackling consumers' queries.

Results for the antecedents of consumer's attitude about the brand scandal support *H2*, *H4*, and *H5*. It signifies that consumers with higher levels of pre-scandal SBI ($\beta=0.109$), BT ($\beta=0.196$), and BL ($\beta=0.336$) do not believe the scandal news to be true- favourable ABS. However, consumers' lower PSS ($\beta=-0.018$) or higher BE ($\beta=0.029$) does not play a significant role in forming an ABS. Thus, the results do not support *H1* and *H3*.

This study found all the outcome variables concerning the consequences of consumers ABS to be significant. Among these consumers that believe scandal news to be false, forgive the brand ($\beta=.895$), reengage with it ($\beta=.893$), and possess favourable views about the competitors ($\beta=0.835$), supporting *H6*, *H7*, *H9*. Moreover, consumers' belief about the brand scandal as a false accusation- positive views about it- leads to their favourable APC ($\beta=-0.435$), supporting *H8*. On the contrary, those who perceive scandal news to be true hate the brand ($\beta=0.353$), supporting *H10*. All the supported hypotheses are significant at $p<0.001$.

The moderated model was estimated by regressing the dependent variable (ABS) on independent variables (PSS, SBI, BE, BT, BL), the moderating variable (RV), and the interaction effects. Results identify that retailers' views do not moderate the influence of PSS, SBI, and BE on ABS, hence, rejecting *H11a- H11c*. However, RV significantly yet negatively moderate the favourable relationship of both BT and BL with ABS, thus, supporting *H11d* and *H11e*.

Interaction effects for another moderating variable, MA, were created. The dependent variable (ABS) was regressed on the independent variables (PSI, SBI, BE, BT, BL), moderating variable (MA), and the interaction effects to estimate the moderated model. From the results, we interpret that MA does not moderate the relationship of SBI, BE, and BT with ABS, hence, rejecting *H12b*, *H12c*, *H12d*. Besides, MA favourably moderates the non-significant relationship of PSS with ABS, supporting *H12a*. Additionally, MA significantly yet negatively moderates the favourable relationship of BL with ABS, supporting *H12e*.

Results of the mediation analysis showcase that a consumer's pre-scandal SBI ($\beta=.143$) favourably associated with CA. It was also found that pre-scandal BT ($\beta=.314$) was also favourably associated with CA. However, the relationship of BL with ABS turned out to be insignificant. Lastly, the results portray that CA ($\beta=.040$) is favourably associated with consumer's ABS. Since path a and path b were significant only for pre-scandal SBI, BT to CA, and CA To ABS, mediation analyses were tested using the bootstrapping method with bias-corrected and accelerated at a 95% confidence estimate (Mackinnon et al., 2004).

References

(available upon request)