

Effect of Consumer Accused Product Harm on Consumer Moral Reputation

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Abstract

Cause of product harm crisis shapes how a consumer responds. Majority of the existing literature has discussed consumer perceptions when the company or any external factor is accused for crises. Irrespective of the numerous mitigation measures adopted by companies, product harm crises are increasing at an accelerating rate throughout the world recently. This situation alarms to study the matter in a new empirical angle. Therefore, the main objective of the study is to work-out how consumer morally reputes the affected brand and company when he himself is accused for the crisis. Results reveal that this situation leads to enhance his moral reputation toward the affected brand and subsequent enhancement of consumer based brand equity (CBBE) of that particular brand. However, it reverses when company accuses. This study provides new insights for the companies to secure their moral reputation, while safekeeping the brand equity in midst of product harm crisis.

Keywords: Consumer based brand equity, Moral reputation product harm crisis, Sri Lanka

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Introduction

Product harm crises are discrete, well-publicized occurrences wherein products are found to be defective or dangerous (Dawar and Pillutla, 2000). Irrespective of the numerous mitigation measures adopted by companies, product harm crises are increasing at an accelerating rate throughout the world recently. In a product failure literature, Folkes (1984) showed that reasons for product failure influence consumer reactions. Both the product harm crises and product failure literature proved that if the locus of a cause of a product harm crisis is internal (company) and the behavior is stable and controllable, consumers tend to attribute blame and responsibility to the company (Klein and Dawar 2004), whereas locus is external and the behavior is uncontrollable by firm, attributions will be made by consumers to external factors (Folkes, 1984). However, researchers have not yet investigated how consumer's moral reputational perceptions vary in a consumer culpable product harm crisis ground. Consideration of moral reputational aspects seems more fruitful in product harm crisis due to its ethical nature (Vassilikopoulou *et al.*, 2011).

Past literature showed that company reputation moderates negative effect of product harm crisis (Klein and Dawar, 2004) and brands with strong reputation withstand a product crisis more effectively than their weaker counterparts (Zhao *et al.*, 2011). However, in midst of plenty of research investigations on product harm crises, the incidents are increasing at an accelerating rate recently. Therefore, the main objective of

the current study is to investigate consumers' moral reputation toward the affected company and brand and thereby consumer based brand equity when consumer is accused for the product harm.

Materials and Methods

A self-administrated, pre-tested questionnaire survey was conducted in Sri Lanka. The study used a fictitious product harm crisis scenario highlighting a consumer culpable crisis situation. This scenario was followed by different questions to elicit consumer moral reputation toward the affected company (MRC), consumer moral reputation toward the affected brand (MRB), consumer based brand equity (CBBE) and purchase intention (PI) of the affected brand. These items were measured with 7-point Likert scales ranging from 1= "strongly disagree" to 7= "strongly agree". Items related to moral reputation adopted from Zhou and Whitla's study (2011). There are 5 components used to measure CBBE (Dawar and Pillutla, 2000). Only one item was used to measure PI (Vassilikopoulou *et al.*, 2011). A fictitious yogurt brand "X" was used as the stimulus brand in these two experimental situations. Study conducted a survey of a convenience sample of 492 undergraduate marketing and business management specializing students from NIBM (National Institute of Business Management) SLIM (Sri Lanka Institute of Marketing). The items were measured with 7-point Likert scales ranging from 1= "strongly disagree" to 7= "strongly agree". Fictitious story was developed in order to stimulate the consumer accused product harm crisis. Respondents rated fictitious

experimental scenario as, 1= "not realistic at all" and 7= "very realistic" at the end of each scenario to ensure the plausibility. SPSS (version 20) was used to analyze the data and Simple linear Regression analyses were developed in order to see the linear relationship between these variables.

Results and Discussion

Analysis revealed that majority of the sample recognized (93%) consumer culpable crisis confirming the successfulness of the experimental scenario. Majority (82%) stated that the experimental scenario was realistic. All indexes were above their respective thresholds, providing evidence for acceptable scale reliability (KMO and Cronbach's Alpha for MRC, MRB, and CBBE were 0.73***, 0.94; 0.72***, 0.91; 0.88*** and 0.77, respectively). Regression results showed that consumer culpable causative dimensions affect negatively on consumers' moral reputation toward the company ($\beta = -.243$, $t = -5.54$, $P < 0.001$) and positively on consumers' moral reputation toward the brand ($\beta = .226$, $t = 5.14$, $P < 0.001$) revealing a new insight in a product harm crises literature. Interestingly, study found that consumers' moral reputation toward the affected brand affects significantly and positively on consumer based brand equity ($\beta = .651$, $t = 5.99$, $P < 0.001$). Moreover, consumer based brand equity positively and significantly related with purchase intention of the affected brand ($\beta = .458$, $t = 11.41$, $P < 0.001$) highlighting the economic significance of the affected brand.

Main limitation of this research relates to the sample chosen which consists of both young and a single (Asian) culture. Therefore, the results may not be easily transferable to other age groups and cultures as well. Moreover, even though the sample showed significant results, it includes an overrepresentation of students and does therefore, not completely represent the actual consumers. Moreover, as this hypothetical product harm crisis based on fictitious product harm crisis scenarios related to the fictitious brand under perceived environment, consumer response may vary with the actual product harm crisis situation with the real brand. These phenomena deserve further research attention in marketing.

Conclusion and Recommendations

The primary goal of this research is to use an experimental approach to explore the effect of consumer culpable crisis on consumer moral perceptions toward the affected company and

brand. The current research provides important theoretical and managerial contributions. The introduction of the moral reputational concept to the product harm crisis literature is the key contribution of current study to the existing product harm crisis literature. Current study shows how consumer moral reputation varies toward the company and brand in a consumer culpable crisis ground. It shows the decrement of moral reputation toward the affected company and the enhancement of consumer moral reputation toward the affected brand. Thereby it causes positive effect on consumer based brand equity and purchase intention of the affected brand. Therefore, study recommends using strong mitigating strategies to manage product harm crises in order to protect the company reputation in midst consumer culpable crises grounds.

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