

## Consumers' Recognition and Response towards Product Harm Crises: A Case Study of Sri Lankan Young Consumers

H.M.P.M. Dayarathne\*, G.C. Samaraweera

Department of Agricultural Economics and Extension, Faculty of Agriculture, University of Ruhuna, Mapalana, Kamburupitiya, Sri Lanka

**\*Corresponding author**

*H.M.P.M. Dayarathne*

**Article History**

*Received: 28.09.2017*

*Accepted: 22.11.2017*

*Published: 30.12.2017*

**DOI:**

10.21276/sjbms.2017.2.12.2



**Abstract:** Product harm crises are devastating events in companies. They negatively effect on organizations and society. Present study was an attempt to investigate how consumers recognize such crisis situation and their repurchasing behavior. Ninety of undergraduates of the Faculty of Agriculture, University of Ruhuna were selected for the study by stratified random sampling technique. Yoghurt was taken as the main product category. A self-administrated, case-study based, seven point Likert scale survey questionnaire was employed to collect relevant data for the study. Data analysis was monitored by SPSS and descriptive analytical tools. Results showed that 62% of the respondents identified product harm crisis as a company fault, while 48.3% of sample identified it as a brand fault. Moreover, 36.67% of them recognized it as a consumer fault. In addition, 56.7% of the respondents were not going to repurchase the crisis brand and, 47.7% of the sample was not willing to pay for the crisis brand in future. However, 35% of the respondents were mentioned that the past brand performance is important when re-purchasing the brand after a crisis situation and, 40.03% of the sample stated that such crises will not negatively impact on the brand trust that they have been already built. Furthermore, 46.67% of the sample expected a compensation for the experienced crisis, while 32.2% of them demanding recompense more than the price of yoghurt. The study suggested the best strategy is to avoid product-harm crises by implementing very careful business processes with sufficient checks and balances without harming the consumers. Moreover, as consumers willing to have compensation for the crisis, and the majority mentioned that the company is accused for the crises, compensating aggrieved parties is the most appropriate remedy for such situations.

**Keywords:** Brand trust, brand performance, brand fault, company culpability, product harm crisis, repurchasing behavior.

### INTRODUCTION

Product harm crises are prevalent in market place [1]. It deserves serious research attention, first because of its negative consequences on the organization itself and second, on the society. It is omnipresent in today's marketplace as it can occur from several causes such as manufacturer's negligence, product misuse or sabotage [2]. Moreover, increasing complexity of products, closer scrutiny by manufacturers and policy makers as well as higher demands by consumers intensifies the frequency of product harm crisis [3]. Regardless of the cause, it seriously hurts the firms' performance because, customer may switch to competing brands or even decide to quit buying the category [4]. It involves a great loss of market share; costly product-recalls and destroys a carefully nurtured brand image. Hence, it causes a substantial financial cost for the troubled company. Moreover, some of these effects may spill

over to non-affected competitors in the same category [4].

In many circumstances, market oriented firms allocate huge resources to build their brands. During the situations of product harm crises, the market often receives negative information about both company and the brand [1]. However, Anonymous [5] explored that brand-specific product harm crises go beyond the short-run sales or market-share loss for a variety of reasons. Reduction of the effectiveness of marketing mix and breaching of customers trust are the conspicuous results they noticed. Further, they explained that declining of the potential to attract new customers and become more sensitive to competitive activities as major threats of product harm crisis on brand trust hence consumers repurchasing behavior.

Business marketers placed a greater emphasis on building of long-term relationships. They assume

brand trust plays a central role in the development of marketing theories [6]. People and organisations can develop trust through sales forces (marketing strategies), product values and its past performance [7]. It involves in a critical pathway of improving brand familiarity, customer satisfaction and ultimately the brand trust. Anonymous [8] explains that brand experience is the preliminary condition to consumers' participation in re-purchasing.

To deal with current crises, company reputation, external effects (media etc) and company response to the crises considered as important factors [1]. Whatever the strength of product harm crisis, companies should not underestimate the extent of corrective action needed for such situations. Consumers receive information about crisis from media and some of organizational communications [9]. Hence managers of the affected companies should concern on trying to minimize the negative effects of product harm crisis. As the situation is such, it is important to understand how the consumer is likely to perceive the condition [9].

In a context of product harm crises, it is expected that it directly affects consumers' brand related beliefs and thereby behavioral outcomes such as purchase intentions [3]. Therefore, from managerial perspective it is worthwhile to identify the consumer recognition behavior of the subject on a particular product for the establishment of useful guidance to manage individual components in a fruitful way [9, 10].

Although there are number of documents in literature, most of these studies are based on European and U.S context, paying a very little attention to the Sri Lankan context. Moreover, the attention given to the Asian emerging markets with special reference to the young consumers is scant in the existing literature. In order to fill these existing caveats in the product harm crises literature, current study tries to answer the following research objectives that have been not achieved yet.

1. To identify the consumer recognition towards the culpability of product harm crisis.
2. To identify the repurchasing behavior for the crisis brand.

## **METHODOLOGY**

Study focused on how consumers perceive a brand after a product harm crisis situation and their willingness to repurchase of the affected brand and the product. A self-administrated, pre-tested case-study based questionnaire survey was administered to achieve the objectives of the study, which was developed in English language to capture the response from the selected sample.

Questionnaire was designed into a specific order. First, it was focused on questioning several

demographic and economic conditions of the sample and second, a company culpable product harm crisis situation was stated. For that, a fictitious crisis situation was explained as follows.

A fictitious yoghurt brand "X" was used as the stimulus brand on the company "Y". A hypothetical scenario was given regarding the product harm crises of their favorite yoghurt brand X, as "200 university students were hospitalized and some of them were died due to consuming of that particular brand".

Next, questions were developed to elicit respondents' perception on company, product and the brand after the crisis. Moreover, after the crisis, their perception on brand performance and brand trust was questioned. Further, the latter part of the questionnaire was focused on identification of the repurchasing behavior of the respondents.

Questionnaire was designed in to a seven point Likert scale ranging from, -3: "strongly disagree" to +3: "strongly agree". Selected sample was 90 undergraduate students of the Faculty of Agriculture-University of Ruhuna. They were selected for the study by following stratified random sampling technique and considered strata were final year (27), third year (31) and second year (32) students who follows "Agribusiness Management" degree programme. Collected data were analyzed by using SPSS (version 22.0), and some descriptive analytical tools were employed such as mean, standard deviation and percentages. In addition, using Likert scale, factor analysis was done considering the percentage of respondents agreed with each scale values of: "-3: strongly disagree, -2: moderately disagree, -1: somewhat disagree, 0: neutral, +1: somewhat agree, +2: moderately agree, and +3: strongly agree".

## **RESULTS AND DISCUSSIONS**

### **The sample profile**

The majority of the residents were female (78%) whereas male accounted for 28% of the respondents. As the sample was a biased to the undergraduates of Faculty of Agriculture-University of Ruhuna, all the respondents were in '23-26 years' age category. Sample represented all the districts of the country and, in religion, ninety three percent (93%) were Buddhists, followed by Hindus (7%). The average family size of the respondents was four members per family and all most all the sample was found to be under middle income category of 'LKR 20, 000-60, 000' per month.

### **Consumer recognition towards the culpability of product harm crisis**

The results of the mean, standard deviation (SD) and the number of responses (percentage) to considered seven items in the Likert scale for consumer

recognition on product harm crisis situation are shown in table-1.

**Table-1: Descriptive statistics and factor analysis on recognition of product harm crisis**

Factor	Descriptive statistics		Factor analysis (Percentage of respondents)						
	Mean	SD	-3	-2	-1	0	+1	+2	+3
<b>1. Product harm crisis is a company fault</b>									
i. It reflects a bad side of the company	0.68	1.48	0	7	19	18	18	29	9
ii. It is something inside the company	0.79	1.21	2	4	9	23	31	29	2
iii. It is company's responsibility	0.95	1.55	0	12	6	16	29	18	19
<b>2. Product harm crisis is a brand fault</b>									
i. It reflects a bad side of the brand	0.52	1.6	2	14	12	20	15	29	8
ii. It is something inside the brand	0	1.7	12	13	7	24	22	15	2
iii. It is brands' own fault	0.58	1.76	8	6	9	21	20	20	14
<b>3. Product harm crisis is a consumer fault</b>	0.034	1.864	11.11	14.44	7.78	26.67	10	16.67	10

Results indicated that respondents perceive product harm crisis as a company fault rather than brand itself. Majority of the sample (56%) agreed with the argument of “product harm crisis is which something reflecting a fault of the company”. This finding embellishes past literature in product harm crisis domain. According to Anonymous [11] product harm crises directly effect for company reputation, hence the company should be socially responsible prior to a crisis event. Sixty two percent (62%) of respondents believed it as something inside the company and 66% believed it as a company's own responsibility. Anonymous [12] investigated the consumer attitude towards the company in a crisis situation. They explained that company's communication and response (including voluntary and non-voluntary product recalls) during such situation is important in retaining consumers.

Twenty three percent (23%) of respondents contrary to the argument of “product harm crisis is a brand fault” while, majority (54%) of the respondents agreed with the argument. In addition, fifty two percent (52%) of respondents thought it reflects the bad side of the brand while, thirty nine percent (39%) said it as something inside the brand.

According to Anonymous [13], when product-harm crisis situations, customers may give up purchasing of other brands of the same industry. Authors further explained that. It implies that consumers perceive product harm crisis situation as both the company and brand fault. In contrast, Anonymous [14], explained that proactive recall strategies plays a significant role in product harm crisis situation, regardless of considering it as a company and/or brand fault. In contrast, findings of the authors

indicated that investors and consumers may view the company strategies and image to interpret the product hazard. Findings of Anonymous [15] stated that, in a crisis situation consumer's loss the trust towards both brand and the company, therefore it affects the sales hence the financial status of the company. However, consumer response to organizational communications is positive for companies that choose to handle the crisis through different strategies [16].

However, 36.67% of the sample thought product harm crisis is a consumer fault. Anonymous [17] observed that blame to the firm does not mean when culpability of product-harm crisis is ambiguous. The author also explained that “customer type” is rather important than and the “crisis type” in some circumstances. Hence, the theoretical implication and managerial implications for crisis management should focus on the condition.

However, Anonymous [18] discovered that when consumers are familiar with the brand, product or company information do not impact the consumer recognition of crisis. In addition, they proved that brand affects how consumers process information pertaining to firm culpability hence a well-known brand does not cause observers to assess the crisis as a brand fault.

**Re-purchasing behavior of the brand.**

Identification of the consumers re-purchasing behavior for the crisis brand/product after the crisis was evaluated by two interrogations as first, consumers' attitude on re-consuming the product and second, consumers' willingness to pay for the product in the future (after a particular time period). Results indicated that majority of the respondents were not prefer to re-purchase the crisis brand (Table-2).

**Table-2: Descriptive statistics and factor analysis on re-purchasing behavior of the brand**

Factor	Descriptive statistics		Factor analysis (Percentage of respondents)						
	Mean	SD	-3	-2	-1	0	+1	+2	+3
i. Not re-purchase the brand	0.9	0.2	4.4	13.3	8.89	12.2	10	15.6	31.1
ii. Not willing to re-purchase the brand in future	0.392	2.0	5.56	18.9	12.2	14.4	12.2	13.3	22.2

Results of the study showed that 56.7% of the respondents were not agreed to repurchase the brand. Moreover, 47.7% of the respondents were not willing to pay for the brand in future. Yet, Anonymous [4] explained that the first-purchase decision after the product-harm crisis is mostly affected by the effectiveness of the post-crisis advertising campaigns as well as the impact of advertising expenditures by non-affected competitors. According to Anonymous [19], consumers probably place more reliance on outside sources of information, when purchasing a product. Anonymous [15] explained that this switches consumers from the product and causes not to show a stable purchasing behavior and somehow like 'change-of-pace' customers for the product.

Although some kind of brand crisis arises, still 26.59% of the respondents showed a positive reaction to re-purchase the brand. Anonymous [15] explained this situation as consumer heterogeneity. They argued that both positive and negative impacts of brand loyalty and brand performance will impact on how consumers react to a crisis. Agreed with their results, 40.03% of the sample showed a lesser sense of betrayal in brand trust. Moreover, 35% of the respondents were stated that past brand performance is important when re-purchasing the brand after a crisis. In contrast, Anonymous [20] showed that customers who are treated poorly by a firm with which they feel a strong connection can feel even more disconcerted and hurt than others, because of a greater sense of disloyalty.

Results showed that 46.67% of the sample expected a compensation for the experienced crisis, while 32.2% of them expected recompense more than the price of yoghurt. Moreover, none of the sample agreed to support for re-marketing of the product. Anonymous [21] explained in a crisis supporting the brand requires a firm to demonstrate that it is willing to stand behind it, even if doing so is very expensive. It includes communicating with consumers or other affected stakeholders through paid media, taking remedial action, such as instituting a product recall, setting up information hotlines, and compensating aggrieved parties. Anonymous [22] identified affected consumers who receive compensation for a problem are generally more satisfied (more loyal) and, on the whole, evaluate the provider more positively than those who are not granted any compensation at all by their study which agreed with the findings of the present study.

## CONCLUSION

Product harm crisis is one of the worst nightmares for companies. Respondents view culpability of the crisis in different eyes. Majority of the respondents viewed product harm crisis as company and brand fault while minority recognized it as a consumer fault. In addition, most of the respondents were not accede to repurchase the brand. Moreover, the current study revealed that even in midst the crisis situation, some of the consumers did not lose the brand trust that they have been already retained. In addition, conforming to the consumers past brand performance is important when re-purchasing the brand after a crisis situation. Even the product has presumed brand trust and performance, consumers refused to support re-marketing of the product as they consider the responsibility of the crisis should be occupied by the company and brand.

The best strategy is to mitigate product-harm crises by implementing very careful business processes with sufficient checks and balances without harming the consumers. The management literature provides various qualitative guidelines on how to regain consumer confidence [5]. As consumers willing to have a compensation for the disappointment encountered by the crisis, compensating aggrieved parties is the most appropriate remedy for such situations.

## LIMITATIONS AND WAY FORWARD

Current study has several limitations that can accomplish through future investigations. Main limitation of the study is that this is an evaluation of young consumers' perspective on product harm crisis for a fictitious scenario. Therefore, findings allied to embellish past findings may alter with the actual product harm crisis incidence with the actual brand. In advance, there will be a clear distinction between the conceptualized and the real situations. Moreover, the study is an assessment of young consumers view on crises hence, it directed towards one age category, yet the age is a significant factor for repurchasing behavior [23]. Therefore, caution should be taken when extrapolating beyond the sample. Further, current study considered only one brand and one food product category; yoghurt. Therefore, these insights cannot be generalized to all other product categories. In addition, present study is a state of Asian context. Therefore, still it seems rational to look forward on other cultural categories such as European context.



## ACKNOWLEDGEMENT

Authors are grateful to undergraduates who contribute for the data collection process.

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