
A STUDY ON THE RELATIONSHIP BETWEEN CONSUMER ATTITUDE AND COMPANY'S RESPONSE TOWARDS NEGATIVE PUBLICITY

IMRAN SAYED

Abstract: Negative publicity about brands and companies are very common these days and this negative publicity can damage an organization by influencing the consumers view towards a firm or brand. Company response to negative publicity is an important component affecting consumer attitude towards the company and the brand.

The research paper tries to prove the hypothesis that the consumer attitude towards a negatively publicized brand will be more positive when the company delivers a strong response than when it offers a weak response or does not respond at all. The research has been carried out on two kinds of products, i.e. a low involvement product (Pepsi) and a high involvement product (Tata Nano). Both these brands have had a share of negative publicity. The research findings of this study indicate that the effect of negative publicity on consumer loyalty is very high, but the subsequent strong response from the company pacifies the negative attitude of the consumers towards the brand.

Keywords: company response, consumer behaviour, consumer sentiment, negative publicity

Introduction: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently." -Warren Buffet, US business magnate, investor, and philanthropist. (b.1930)

The haze of negative publicity is just as much a truth for firms in the world of business today as are random bursts of positive public relations that firms indulge in. Negative publicity has been defined as "the non-compensated dissemination of potentially damaging information by presenting disparaging news about a product, service, business unit, or individual in print or broadcast media or by word of mouth" (Sherrell and Reidenbach 1986).

Complaints from customers, faulty products and accidents all make strong news stories - as do any catastrophe disturbing your industry that could give your firm a bad name by association.

There could be a direct effect on consumption if your brand is directly involved in the crisis, e.g. Johnson & Johnson's suffered a setback due to its recall of faulty Depuy implants, or the impact can be indirect just by your company being associated with the industry, e.g. sales of airlines ticket taking a hit after the Malaysian Airlines crash reports.

Bad publicity is never welcome. But it's how the organization handles adverse publicity that could be the making or breaking of its business.

A company response in the face of negative publicity can take numerous forms: outright denial, no comment, redirect audience attention, voluntary admission of guilt, compliance with regulatory authority and implicit admission of guilt, admission of guilt and voluntary proactive restitution action (Sherrell and Reidenbach 1986).

So, the dilemma lies with the company that whether it should suppress information and decide not to respond to the crisis and let time work its way in erasing the consumer memory, or should it come upfront and accept the responsibility, while discharging as much information as possible to negate the effects of bad publicity?

It has been proven time and again that the companies who have survived for a long time also had the mechanism to deal with consumer complaints, bad press and negative publicity. This paper explores such methodologies and tries to prove that a strong response from the company is needed, when it faces negative publicity, to change the consumer attitude.

Literature Review: In the current literature it is well established that negative publicity has an effect on consumers' overall attitude towards a firm or brand (e.g. Ahluwalia, Burnkrant, & Unnava, 2000; Griffin, Babin & Attaway, 1991; Monga & John, 2008). The strength of the effect of negative publicity on attitude is moderated by several factors, such as; prior reputation for CSR, firm response and responsibility (Dean, 2004; Eisingerich et. al., 2010), firm history and source credibility (Griffin, Babin & Attaway, 1991), level of consumer identification (Einwiller et. al., 2006), level of prior attitude certainty (Pullig, Netemeyer & Biswas, 2006), level of commitment (Ahluwalia, Burnkrant, & Unnava, 2000) and holistic vs. analytic thinking (Monga & John, 2008). However, this field of research lacks studies investigating the effect of negative publicity on actual behaviour. Two studies did report an effect on intentional behaviour. Griffin, Babin and Attaway, (1991) found an moderate effect on purchase intentions and Einwiller et al. (2006) reports that consumers who identify themselves strongly with a company are more likely

to invest in that company and still to perform positive Word of Mouth after an episode of negative publicity. Since the current literature lacks knowledge regarding the effect of negative publicity on behavioural intentions and especially on actual behaviour, this research will make an attempt to fill this knowledge gap.

Methodology

Research Background: For research purpose, two brands were chosen who had suffered bad publicity in the recent past. The first one is a low involvement brand, Pepsi, which was lambasted by the CSE report in 2003 and bad press for the high pesticide levels found in the soft drink. The matters were worsened further when news of farmers using Pepsi as substitute to pesticide came forth in leading newspaper. Sales of leading soft-drink and packaged drinking water like Bisleri, Kinley and Aquafina took a hit due to the negative publicity. In response to such news, the top management of companies like Pepsi & Bisleri came forward in press to prove that the pesticide levels were not harmful and published pictures of their families safely consuming their products.

The second brand is a high involvement brand, Tata Nano, which had already suffered badly due to its incorrect positioning as a “cheap” car. Then later news of the car suddenly catching fire created a furor amongst the car owners. The recall of pre-2012 Nano cars to rectify the faulty starter motor added fuel to the fire. But Tata Motors responded quite differently to the crisis than Pepsi or Bisleri had did. The company rejected of having received any complaints about the car and declined to comment any further. The result was fall in sales of the cars in the subsequent years.

Research Questions: We have formulated two hypotheses that we will be testing in the research. The first hypothesis is to test whether the consumer attitude towards a negatively publicized brand will be more positive when the company provides a strong response than when it provides a weak response or does not respond at all. Second hypothesis that we will be testing is whether the impact on consumer loyalty differs in a low involvement product and a high involvement product when the brand receives negative publicity.

Research Design: The type of study for this paper is descriptive (Under the descriptive study technique the statistical method has been used. Here the researcher must design their studies to give as much evidence as possible for reflecting the cause and effect relationships from the data collected through the ‘survey’ technique. The designs of such studies should be planned with the type of required analysis already in mind).

For our research we have tried to get a good representation of the sample by diversifying our sample collection. We did a stratified random sampling with a sample size of 100 respondents from the age 22 – 42 both male and female at various locations in Mumbai.

We used a questionnaire for our data collection which consisted of both open and closed ended questions. The period of the study was from 1st January 2014 to 31st January 2014.

Simple mathematical calculations and chi-square test were used for the purpose of data analysis and interpretation.

Limitations of the study: One of the major limitations faced by us was the time. Another constraint which we felt was the ignorance of the selected subjects. Lastly we cannot judge whether the respondents gave us a completely true reply.

Results and Discussion: From the responses received and by conducting a chi-square test on the first hypothesis, it was observed that there is a strong relationship between consumer attitude and company’s response towards a negative publicity. In today’s world, news is freely and vastly available through various mediums. The social media is a grapevine like platform where news and rumors disseminate at equal wavelengths. Companies have understood the power of this new medium and several have used it at their advantage. The companies who come forth strongly against any negative publicity going around against their product receive favorable responses from the consumers. The availability of both news and information goes a long way in rebuilding consumer confidence. The companies who decide not to respond come under heavy attack by the news sources, which even time cannot heal effectively.

From the responses received and by conducting a chi-square test on the second hypothesis, it can be inferred that consumer loyalty is affected gravely in a low involvement product than in a high involvement product in face of negative publicity. The low involvement products belong to the product category where consumer loyalty is fickle at its best. Whenever an adverse news is circulated regarding a low involvement product, there is an immediate consumer switch to a substitute or competitive brand. This action is not noticed in the high involvement product as such products do not belong to the product category wherein impulsive purchase behavior are exhibited. The products are more technical in their specifications and any news regarding any of the components is sometimes beyond the understanding of a normal consumer. A consumer may tend to skip such knowledge about the technical faults and may still pursue buying such

a product if proper sales techniques are incorporated at the point-of-sale.

Conclusions and Recommendations: In answering the main research questions we can conclude that negative publicity has the potential to affect consumer attitude and loyalty, however the severity of the impact varies among product types, at least prior satisfaction does not play any part in this.

If a brand is getting critical coverage in the media or online, it is better to respond quickly, honestly and decisively. If the company is in the wrong, it's vital to accept the responsibility and apologize. A company should avoid saying 'no comment' as it sends the message that they are in the wrong and suggests that they feel no remorse, which may lead the press to keep digging for dirt. It is important to face up to the situation and the company can begin to restore the reputation of your business.

The findings of this study urges companies, especially in the FMCG sector, to be aware of the impact of negative publicity on their loyal customer's base. When an incident of negative publicity is unavoidable or has already occurred, it is the duty of managers and marketers to limit the damage and reinstate the already inflicted damage on consumer loyalty. Companies are known to use "mass approach" as a response to negative publicity (Pearson and Mitroff, 1993; Weinberger, Romeo and Piracha, 1991). However, I recommend Ahluwalia, Burnkrant and Unnava (2000) by suggesting a more focused approach, since the impact on loyalty is different among high and low involvement products. It is vital to remember that bad publicity can offer a chance for the business to show how decent it is. If the company apologizes, make amends and explain how they are going to do better in future, they will find that in many cases the public will actually be very forgiving.

References:

1. 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), pp. 203-214.
2. Dean, D.H. (2004), "Consumer Reaction to Negative Publicity: Effects of Corporate Reputation, Response, and Responsibility for a Crisis Event." *Journal of Business Communication*, 41(2), pp. 192-211.
3. Einwiller, S.A., Fedorikhin, A., Johnson, A.R., and Kamins, M.A. (2006), "Enough Is Enough! When Identification No Longer Prevents Negative Corporate Associations." *Journal of the Academy of Marketing Science*, 34(2), pp. 185-194.
4. Eisingerich, A.B., Rubera, G., Seifert, M. and Bhardwaj, G. (2011), "Doing Good and Doing Better despite Negative Information?: The Role of Corporate Social Responsibility in Consumer Resistance to Negative Information", *Journal of Service Research*, 14(60), pp. 60-75.
5. Griffin, M, Babin, B.J. and Attaway, J.S. (1991), "An Empirical Investigation of the Impact of Negative Publicity on Consumer Attitudes and Intentions." *Advances in Consumer Research*, 18, pp. 334-341.
6. Monga, A. B., and John, R.D. (2008), "When does negative brand publicity hurt? The moderating influence of analytic versus holistic thinking", *Journal of Consumer Psychology*, 18, pp. 320-332.
7. Pearson, C.M. and Mitroff, I.I. (1993), "From Crisis Prone to Crisis Prepared: A Framework for Crisis Management", *Academy of Management Executive*, 7(1), pp. 48-59.
8. Pullig, C., Netemeyer, R.G. and Biswas, A. (2006), "Attitude Basis, Certainty, and Challenge Alignment: A Case of Negative Brand Publicity." *Journal of the Academy of Marketing Science*, 34(4), pp. 528-542.
9. Sherell, D.L. and Reidenbach Eric R. (1986), "A Consumer Response Framework for Negative Publicity: Suggestions for Response Strategies", *Akron Business and Economic Review*, 17 (2), Summer, 37-44.
10. Weinberger, M.G., Romeo, J.B. and Piracha, A., (1991) "Negative Product Safety News: Coverage, Responses, and Effects", *Business Horizons*, pp. 23-31.

* * *

Shivam, Military Road, Marol, Andheri East, Mumbai – 400059 Maharashtra INDIA
 Student & Research Scholar
 Pillai's Institute of Management Studies & Research
 imransayedxl@gmail.com