

Do Response Strategies Shape Consumer Moral Perceptions During Product Harm Crises? A Cross-National Look From Asian Perspective

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ABSTRACT

Cross-cultural comparisons with respect to consumers' moral reputation toward the affected company during product harm crises are relatively scant in crisis management literature. Study considers two Asian emerging markets; China, Sri Lanka and a company culpable product harm crisis situation. Altogether 303 young consumers' view show that country shapes their moral reputation toward the affected company during crises with respect to the response to crisis response strategies; voluntary product recall and super effort. In the presence of voluntary product recall, Chinese consumers' morally repute the firm while Sri Lankan do not. Sri Lankan consumer needs super effort response strategy in order to build moral reputation toward the affected firm where it is insignificant with respect to Chinese consumer. Moreover, study shows the perceived degree of danger of selecting an inappropriate response strategy in an inappropriate country. This study provides useful guidance for crises managers and for further cross-national studies.

Keywords: Moral reputation; crisis response strategy; product harm crisis; ethical belief

INTRODUCTION

Product harm crises defined as, well-publicized incidences wherein products are found to be defective or dangerous ^[1] can be devastating events for companies. Product harm crises often results in product recalls, and the strategy used for that is so-called firm response. Product harm crises in general and the product recall in particular have the potential to damage carefully nurtured brand equity, spoil consumers quality perceptions, tarnish a company's reputation, and lead to revenue and market share losses. ^[2] Product recalls are likely to occur more often in the future because of

increased globalization of production, greater complexity of products, greater demand by consumers for product quality and safety, and closer monitoring by both firms and government agencies. ^[3] Given the increased frequency of product recalls and the potentially devastating consequences for the firm involved, managing such crises effectively has become a top priority for many firms. Therefore, with so much at stake, managers should be concerned with trying to minimize the negative effects of a product harm crisis. Crisis response strategies play a key role in this regard. Firm response could drastically diminish the harm

if managed properly or significantly increase the harm if mismanaged. ^[4] Theory of image restoration posits that communication is goal driven and designed to maintain a positive reputation and repair tattered image. ^[5] Therefore, no doubt, one of the ultimate aims of any crisis response strategy is to regain the tarnished reputation ^[6] and firm should guarantee whether its response strategy communicates well among receivers.

Even with the presence of numerous studies on crisis response to product harm crisis along with managerial implications, wide spreading of crises incidences adhere negative consequences in today's global marketing environment motivate the current study to assess crises response strategies through a new empirical lens; i.e. moral reputational perspective. Moral reputation defers from reputation in the sense that moral thought reflects ethics and one's moral reputation may be something too important to be entrusted just to one's moral sense. ^[7] Moral values are those preferences that are integral to any moral reasoning process. It is the art-science that critically evaluates the subject. As such, ethics identifies the norms or standards of behaviors that either are or can become the values that are implemented through moral reasoning. ^[8] Therefore, moral reputational perceptions may be more fruitful than reputational perceptions in product harm crises, as crisis events are characterized as the most important, unexpected ethical situations ^[9] that threaten a company's existence. ^[10] Past literature ^[11] suggests that the affected organizations should treat the negative event as an ethical issue and should attempt to understand the ethical beliefs of consumers in order to manage the hazard successfully. Even though the situation exists as such, the researches that examined the effect of crises response on consumer perceptions with respect to ethical and moral

issues are very rare. Vassilikopoulou and his colleagues ^[11] emphasize the need of implementing appropriate and effective response strategies for ethical and unethical consumers in times of crises. More precisely, how different response strategies shape consumers' moral reputation toward the affected company yet remain an unexploited area in marketing literature. This paucity in research is glaring because there has been increased attention on understanding the linkage between firm response strategies and consumer response in return in midst a highly competitive global market environment. Moreover, firm response is a consumer based strategy which demands consumer feedback. This grass-root level feedback may remain a promising avenue for a sustainable business environment. In addition, it is well accepted phenomenon that consumer perceptions vary across cultures. ^[12,13,14] Yet not a single research tries to capture consumer moral perceptions in response to crises response strategies in cross-cultural perspective in crisis literature. Therefore, this study tries to address these gaps. Hence, the main purpose of the current study is to uncover whether country shapes consumer reaction in response to crisis response strategies as a result of variation of consumers' moral perceptions toward the affected company.

Conceptual framework and hypotheses development

The field of crisis communication focuses on the emotions consumers feel during crises. ^[11] Some authors show that corporate response to crises play a vital role in restoring brand equity and relative effectiveness of response strategies depends on the nature of the crisis. ^[15] Out of four main strategies proposed by Siomkos and Kurtzbar: ^[1] denial, forced compliance, voluntary compliance, and super effort; first two response strategies are not particularly

effective for companies as a response to a product harm crisis. [1] Denial is the least effective strategy with regard to outcome of the crisis situation [16] and is only useful when the crisis challenge is unwarranted [17] or when the company is actually not responsible for the crisis. [5] Selecting of appropriate response strategy varies with gender, nationality and company reputational status. [12] More vigorous response, the super effort, signals additional concern to the public by providing compensation and increasing communication efforts. That is beyond what is required by law. [12] However, it is noteworthy that despite being an effective response strategy in certain circumstances, a super effort can harm a company when consumer views it as an overreaction. [12] Therefore, company double squeezes when it uses super effort response strategy unnecessarily: bearing high cost and receiving a bad image. [12] Past literature show that an individual's personal characteristics [18,19] influence evaluations and ethical judgments. [20] Consumers regard the defective product as really dangerous, when the company involuntarily recalls it. [1] As consumers across cultures differ in their reactions to product harm crisis, [21] it is perfectly reasonable to assume that consumers across cultures differ in their reactions to crisis response.

Hofstede [22] shows four dimensions by which countries could be differentiated in terms of cultural differences. As study concerns product harm crisis, discussion of the uncertainty avoidance dimension is fruitful out of other three: namely, power distance, individualism- collectivism, and masculinity-femininity. [22] Hofstede [22, p.263] defines uncertainty avoidance as “the extent to which the members of a culture feel threatened by uncertain or unknown situations”. According to that dimension, Greece, Belgium, Japan, Russia Germany,

etc., are classified under high uncertainty avoidance countries, while, Singapore, USA, UK, China, India, etc. are classified as low uncertainty avoidance countries, along with their respective UAI (Uncertainty Avoidance Index) . Unfortunately, Hofstede [22] did not provide UAI for Sri Lanka. After considering the characteristics of Hofstede's [22] uncertainty cultural dimension, Laufer and Coombs [12] suggest that voluntary recall response strategy is fruitful for the consumers in low uncertainty avoidance country in an ambiguous product harm crisis.

However, consumers in two countries, studies here, China and Sri Lanka are totally differing according to their experiences related to product harm crisis. China, based on crisis history, has already experienced with numerous crises. In contrast, crises concept is relatively new to Sri Lankan consumers as they never experienced country related crises yet thereby they may act strongly to a product harm crisis event. Past literature found that people from high uncertainty avoidance countries, are more risk averse and react more strongly to product harm crisis than people from countries that rank lower on this cultural dimension. [21] Moreover, consumers of high uncertainty avoidance countries score low on tolerance for ambiguity; [13] thereby they are threatened more by the ambiguous product harm crisis than consumers in low uncertainty avoidance countries. Therefore, crisis response strategies may affect in various degrees on consumer's moral reputational perceptions in various cultures.

Above convincing evidences motivate the study to hypothesize,

H1: There is a significant difference between Chinese and Sri Lankan consumers moral reputation toward the company in response to voluntary product recall

H2: There is a significant difference between Chinese and Sri Lankan consumers

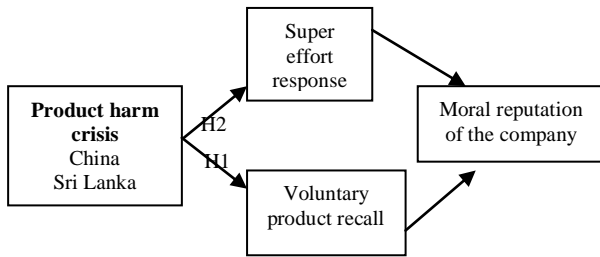


Figure 1: Conceptual background of the study.

METHODOLOGY

Design and stimuli

The study used a fictitious product harm crisis scenario highlighting two (2) crisis communication strategies, voluntary product recall and super effort. These two crisis scenarios were selected as both denial and forced compliance strategies are not particularly effective for companies as a response to a product harm crisis. [1] Two sets of questionnaires highlighted the strategy with respect to the same hypothetical product harm crisis scenario which used as the control. A fictitious yogurt brand “X” was used as the stimulus brand and two response strategies stated separately at the end of the scenario.

Participants and procedure

Three sets of questionnaires used for the survey in each country; China and Sri Lanka. First set is control, which depicted the company culpable crisis story followed by questions related to consumer’s moral reputation of toward the affected company. Second set described the voluntary product recall response strategy along with the same crisis story followed by same questions. Third set included the same crisis story followed by the super effort response strategy and the same set of questions. In total, 303 students participated for the survey. Respondents were informed of the confidentiality of their views and opinions

moral reputation toward the company in response to super effort product recall. and debriefed after the survey. Respondents were randomly assigned to three sets of questionnaires depicted in two crisis responses and a control, separately in classroom sessions in two countries. It is noteworthy that although, samples seem to be convenient in terms that participants are easily accessible and corporative, [23] the interviews were conducted randomly at different classrooms and on different days and times, in both countries separately in order to reduce response- bias resulting from location, date and time parameters. [11] Yogurt was chosen as the product category because of the interest and familiarity of the subject population.

Measures

The survey instrument included measures of consumers’ moral reputation toward the affected company [24] was measured with 7- point Likert scales ranging from 1= “strongly disagree” to 7= “strongly agree”. For example, in case of consumers’ moral reputation toward the affected company, “company A deserves little respect from me” was measured by using 1= “strongly disagree” and 7= “strongly agree”. [24] The scale was reversed as this asked as a negative question. Respondents rated fictitious experimental situations as, 1= “not realistic at all” and 7= “very realistic” at the end of each scenario to ensure the plausibility. The seven point Likert scale has been shown to reach the upper limit of the scale’s reliability. [25] Each construct used in the study with measurement items are detailed in Tables 1 and 2.

Analyses

Collected data were analyzed by using SPSS (version 20.0). Independent samples *t* test was run to analyze the proposed hypotheses. Factor analysis identified the validity and reliability of the

different items used in each construct measured the same underlying construct. [26]

RESULTS AND DISCUSSION

Voluntary product recall response strategy

Reliability

Constructed items reported adequate reliability of the constructed variable (table 1). In addition, majority of Chinese (75%) and majority of Sri Lankan (94%) stated that the experimental scenario is realistic.

Table 1: Summary of measurement scale- Voluntary product recall

Variables	Items	KMO of Sampling Adequacy		Cronbach's Alpha	
		China	SL	China	SL
MRC	Company "A" deserves little respect from me This event makes me disbelieving about the virtue and the values of company "A" This event makes me feel that company "A" lacks integrity	.71***	.77***	.80	.94

Bartlett's Test of Sphericity ***P< 0.001

Note- SL refers to Sri Lanka. MRC, refers to consumers' moral reputation toward the affected company.

Cross cultural comparison

Independent samples *t* test recognized the existence of significant difference between these two countries, China and Sri Lanka, regarding consumers' moral reputation toward the affected company, in the presence of voluntary product recall strategy ($t_{99}=17.12$, $p<.001$). Therefore, H1 is supported. Non significant Levene's test recognized the homogeneity of variance ($F= 3.89$, $P>.05$). Surprisingly, Sri Lankan consumers did not

repute the company, even with the presence of the voluntary response strategy ($M= 2.29$, $SD= 1.16$) while Chinese reputed ($M=5.58$, $SD=.73$).

Super effort response strategy

Reliability

Constructed items reported adequate reliability of the constructed variable (table 2). In addition, majority of Chinese (73%) and majority of Sri Lankan (98%) stated that the experimental scenario is realistic.

Table 2: Summary of the measurement scale- Super effort response

Variables	Items	KMO of Sampling Adequacy		Cronbach's Alpha	
		China	SL	China	SL
MRC	Company "A" deserves little respect from me This event makes me disbelieving about the virtue and the values of company "A" This event makes me feel that company "A" lacks integrity	.77***	.75***	.95	.91

Bartlett's Test of Sphericity ***P< 0.001

Note- SL refers to Sri Lanka. MRC, refers to consumers' moral reputation toward the affected company.

Cross- cultural comparison

Independent samples *t* test recognized the existence of significant difference between these two countries, China and Sri Lanka, regarding consumers' moral reputation toward the affected company, in the presence of super effort

response strategy ($t_{99}=15.13$, $p<.001$). Therefore, H2 is attenuated. Significant Levene's test recognized the violation of the assumption of homogeneity of variance ($F= 4.80$, $P<.05$). However, since the sample size is large enough (>30), that does not create any problem. [25] Surprisingly, Chinese

consumers did not repute the company with the presence of the super effort response strategy (M= 2.38, SD= 1.35) while Sri Lanka reputed (M=5.81 SD= .86).

CONCLUSIONS

Two countries considered here, China and Sri Lanka show entirely different way of their consumers' moral perceptions toward the affected company in response to the two main response strategies discussed here; voluntary product recall and super effort response. This is the first empirical study added consumer moral reputation in response to company response strategies in the product harm crisis literature. Moreover, this is the first cross-cultural study adjoined consumers' moral perceptions. The major findings of the study can be summarized as follows.

1. In response to a crisis response strategy, country affects significantly on consumer's moral perceptions toward the affected company in a company culpable crisis.
2. Being a low uncertainty avoidance country, Chinese firm requires Voluntary response strategy to win its consumers' moral reputation during a crisis where a firm is responsible. Launching a super effort response creates a negative impact on firm's moral reputational and financial status.
3. Being a country with no experience on product harm crises, a Sri Lankan firm needs more customer concern response strategies (super effort) to win its consumers' moral reputational perceptions. Voluntary recall response is not enough for them to build good moral perceptions toward the affected firm. This provides the empirical evidence for the preliminary evidence of the

Laufer and his colleagues [13] based on their findings. Authors prelude that consumers who live in countries that rank high on the uncertainty avoidance cultural dimension may be more threatened by an ambiguous product harm crisis, and as a result, blame a company more for the product harm crisis than consumers from a country that ranks low on this cultural dimension. That is true even under the crisis situation where the culpability of the crisis is known and it reflects their moral perception toward the affected company. However, as the UAI for Sri Lanka is uncertain, based on study findings, it can be concluded that the UAI value for Sri Lanka should be above the value for China as they need more vigorous response strategies for a moral reputational change.

Managerial Implications

Current study directs crisis managers to take managerial decisions related to the selection of appropriate crisis response strategy especially during company culpable crisis. Crisis managers should communicate with different cultures differently. Selection of country specific crisis response strategies is vital as the wrong strategy creates a great revenue and reputational loss to the affected firm. Managers should treat product harm crisis as an ethical issue and attempt to understand moral perceptions of consumers in different cultural backgrounds. This is in line with the recommendation of Vassilikopoulou and his colleagues. [11] Authors recommend that companies should understand the ethical beliefs of consumers. Moreover, with respect to a country that rank high on the uncertainty avoidance cultural dimension, a company should take especial attention to control the crisis in a best possible manner in order to regain

blemished moral reputation and to avoid great financial loss.

Limitations and future research

The current study has several limitations that can seed future investigations. Main limitation of this research relates the use of hypothetical scenarios that limits the generalization of the conclusions drawn from the current research. Therefore, findings related to embellish past findings may change with a real product harm crisis incidence with a real brand. Moreover, current research addresses two main proactive response strategies only. Full investigation with respect to all response strategies through a cross-cultural lens may help to rectify present findings. Further, current study considered only one brand, from one product category, yogurt. Therefore, these insights cannot be generalized to all other product categories in the same vain. In addition, the sample chosen which consists of both young and a single (Asian) culture further limits the generalization of findings, as Laufer and his colleagues^[13] explore the differences between older and younger consumers in attributions of blame for product harm crises. Moreover, even though the sample showed significant results, it includes an overrepresentation of students and does therefore not completely represent the actual consumers. Though, these limitations limit the generalization and the precision of the results obtained, based on the scope of this study and due to various practical considerations, they were not taken in to account of the current study and these issues remain promising avenues for future research. The significant relationships found in the current research are encouraging future researchers to explore crisis responses consequences to capture consumer moral perceptions in the product harm crisis context in order to search effective and efficient strategies based on grass-root

judgment. Thus, current research offers an interesting and worthwhile opportunity for future research initiatives. Moreover, this research considered Sri Lanka, where the UAI is unknown. Therefore, more research insights are needed to rectify the current findings while observing more countries with respective UAI to generalize the research findings. As consumer perceptions are changing constantly, up-to-date checks and balances are needed in cross-cultural perspective to ensure healthy marketing environment globally.

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