THE IMPACT OF SIGNIFICANT NEGATIVE NEWS ON CONSUMER BEHAVIOR TOWARDS FAVORITE BRANDS

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ABSTRACT

This research examines how negative corporate news in the form of a significant product related crisis impacts consumer behavior towards the company's brand. This study analyzed changes in consumer behavior towards favorite brands after a significant product related news event happened to the makers of those brands. The research found that negative corporate news had some adverse impact on aspects of consumer affinity towards favorite brands, as well as other consumer behavior variables including, brand perception, price levels willing to pay, and willingness to purchase..

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KEYWORDS: Brand Equity, Brand Attachment, Brand Image, Consumer Behavior, Negative Corporate News

INTRODUCTION

Brands are comprised of more than a product's name logo, symbol, or slogan. Branding also has an intangible nature that serves as a set of promises to consumers regarding trust, consistency, expectations (Davis, 2002) and performance (Kotler, 1999) of a product or service. So key in consumer behavior, brands are considered the second most important asset of a company – only behind customers (Ambler, 2000; Doyle, 2001; Jones, 2005). Brands can also protect consumers by serving as identifiers of the producers of the products (Bhakar, Bhakar & Bhakar, 2013). A brand's strength has been found to be influenced by consumer perceptions and understanding about what they have learned, observed, understood, and heard about the brand (Keller, 2003). Keller and Lehmann (2006) found that "for customers, brands can simplify choice, promise a particular quality level, reduce risk, and/or engender trust" (p. 74).

However, news about brands and businesses is not always positive. Consumers receive a consistent flow of news about businesses that is less than flattering. Various studies have indicated that negative news about a company can affect consumer perceptions and behavior (Griffin, Babin & Attaway, 1991; Menon, Jewel & Unnava, 1999; Ahluwalia, Burnkrant & Unnava, 2000; Ahluwalia, 2002).

This study focuses on the impact of negative corporate news on consumers whose favorite brands are produced by the businesses that are the focus of the negative publicity. This article includes relevant literature on branding before outlining the research sample and methodology, analyzing the survey results, and finally discussing the findings, research limitations and opportunities for future research.

LITERATURE REVIEW

Brands serve as reminders of a customer's overall past experience with a product (Keller & Lehmann, 2006). As such, past brand experience can serve as an influence on consumer willingness to pay for brands (Bronnenbrg, Dube & Gentzkow, 2012). However, research has found that favorable brand experiences that have developed into brand preference do not always increase a customer's purchase intention of that brand (Mishra & Datta, 2011).

Marketing literature defines the relationship between customers and brands as "brand equity" (Wood, 2000). Silk (2006) defines brand equity as "the positive effect that the brand has on a potential customer of a product – it reflects how much more consumers are willing to pay for a particular brand compared with a competing brand (or with a generic product)" (p. 100). Farquhar (1998) identified that an increase in brand equity also increased the value of the product to the brand holder/maker. From the consumer perspective, the strength of brand equity is determined by the level of consumer reaction to the brand name (Shocker & Weitz, 1994; Keller, 1993). Brand equity is significantly influenced by the level of consumer brand loyalty held towards a product (Khan & Mahmmod, 2012), affects consumer purchase behaviors (Aaker, 1991), and has a positive relationship with brand purchase intention (Aaker, 1991; Chen, Chen & Huang, 2012).

However, levels of brand equity held by consumers towards products and services can and do change. Product problems are related to a lowering of brand equity (Aaker & Joachimsthaler, 2000). Such product problems negatively impact corporate image and consumer attitudes towards the firm. Since brand image drives brand equity (Chen, 2010; Chen, Chen & Huang, 2012; Heidarzadeh & Asadollahi, 2012), consumers attitudes are changed by their perceptions about the causes and extent of the company's crisis and can severely damage a company - or brand – image (Siomkos & Malliaris, 1992). Brand image can influence a firm's profits and cash flow (Yoo & Donthu, 2001) as brand image influences purchase intention (Chen, Chen & Huang, 2012).

Brand image is used by consumers as a cue in the purchase decision process (Richardson, Dick & Jain, 1994) that affects and is a factor in consumer behavior (Burmann, Schaefer & Maloney 2008). Brand image has been defined as cognitive and affective based perceptions consumers have towards a brand (Dobni & Zinkham, 1990; Roy & Banerjee, 2007) and consists of symbolic and functional beliefs about the brand (Low & Lamb, 2000). Research by Keller (1993) identified brand image as an association consumers' hold in their memories regarding a product.

Research studies have recognized brand image to have relationships with other aspects of branding and product attributes. Grewel, Krishnan, Baker & Borin (1998) found a positive relationship between brand image and the level of consumer perception of a product's quality. A positive relationship has been also found between brand image and the level of brand loyalty displayed by consumers (Yoo, Donthu & Lee, 2000). Keller (1993 & 2003) identified that brand image and brand awareness are key in the perceived levels of brand knowledge held by consumers.

The importance of branding and brand association has become an important key to modern marketing (Bhakar, Bhakar & Bhakar, 2013). Aaker (1991) defined brand association as "anything linked in memory to a brand" (p. 109). As such, brand associations can be created by consumer perceptions toward a brand in the areas of attitudes, attributes and benefits (Keller, 1998). Brand associations increase the memorability of a brand (Aaker, 1991), impact brand equity (Severi & Ling, 2013), can influence a brand's level of differentiation over competitors (Aaker, 1996; Rio, Vazquez & Iglesia, 2001), and can act as a method of information gathering for consumers (van Osselaer & Janszewski, 2001).

Various research studies indicate consumers develop attachments to brands (Fournier, 1998; Keller, 2003; Schouten & McAlexander, 1995). Brand attachment describes the strength of connection between the customer and a brand, and affects consumer buying habits to such an extent as to impact a brand's profitability (Thompson, MacInnis & Park, 2005).

The levels of attachment consumers have towards a brand and the attitudes regarding the brand are psychological constructs that impact their consumer behavior including purchases (Park, et al, 2010). Park, et al (2010) defined the degree to which a brand is positively or negatively evaluated by the consumer is termed "attitude valence" (p. 1). Research has shown that the strength of brand attitude is an indicator of multiple consumer behaviors including brand preference (Bass & Talarzyk, 1972), brand consideration, brand choice, intention to purchase, and actual purchase behaviors (Petty, Haugtuedt & Smith, 1995; Preister, et al, 2004; Fazio & Petty, 2007).

DATA AND METHODOLOGY

This study focuses on the impact on consumer behavior towards favorite brands when significant negative corporate news regarding the maker of the favorite brand arises. The following research question (RQ) was investigated among traditional age university students:

> RQ: What is the impact of negative corporate news on consumer behavior towards consumers' perception of their favorite brands related to willingness to shop for competing brands, amount willing to pay for favorite brands, and willingness to buy favorite brands?

The research instrument consisted of a self-administered survey that was responded to by 116 university students. The sample consisted of 74 (64%) females and 42 (36%) males from a variety of liberal arts and professional undergraduate majors. The ages ranged from 18 to 23 years with an overall mean of 20.26 years (SD = 1.13).

Students were randomly invited to complete the survey over 3 day period in spring 2013. Surveys were distributed on campus in areas that would be frequented by both on-campus and off-campus students from numerous majors and all levels of traditional aged undergraduate students – freshman, sophomores, juniors and seniors.

The survey dealt with the respondents' favorite brands and any changes in their consumer behavior towards those brands after significant negative corporate news for the company that produces the brand was introduced. Students were asked to identify their favorite brands over a range of product categories – clothing, shampoo and personal electronics. A scenario was then introduced that highlighted significant negative corporate news for the product manufacturer of those favorite brands. Students were then asked a series of questions to determine their perceptions of the favorite brands and consumer behavior reactions towards those favorite brands if the company that produced their favorite brands was the firm that the negative corporate news was the focus of.

RESULTS AND DISCUSSION

The analysis of the Research Question (RQ) identified the relationship between the levels of brand perception and selected aspects of consumer behavior towards favorite brands – time willing to shop for competing brands, amount willing to pay, and willingness to buy – after learning of negative news regarding those favorite brands. The analysis examined these aspects of consumer behavior across three product types – clothing, shampoo, and personal electronics.

The results displayed in Table 1 show various positive and negative relationships at medium and high levels of strength of correlation between negative corporate news regarding favorite brands of consumers and consumer behavior towards those brands. The impact of negative news on brand perception of favorite brands was shown to have medium negative correlations to the willingness to spend time shopping for competing brands of both clothing and shampoo for males. This means that as male perceptions of their favorite brands decrease, willingness to shop for competing brands increases. However, no such findings were found for females.

The effect on brand perception brought on by negative corporate news results in no significant correlations for females between the amount they are willing to pay for their favorite products in the categories tested and any change in brand perception brought on by negative news. However, males displayed medium positive correlation strengths between the prices they were willing to pay across all product categories and changes in brand perceptions resulting in adverse news.

Medium and high levels of correlation strength indicate changes in brand perception from negative news regarding favorite brands had a significant relationship on the willingness to buy those brands in both females and females.

RQ: What is the impact of negative corporate news on consumer behavior towards consumers' perception of their favorite brands related to willingness to shop for competing brands, amount willing to pay for favorite brands, and willingness to buy favorite brands?

Table 1: The Relationship between Consumer Perceptions of Favorite Brands after Negative Corporate News on Selected Aspects of Consumer Behavior over Various Product Types

		Clothing	Shampoo	Personal Electronics
Brand perception of favorite brand to time willing to shop for competing brands	Females	-0.029	0.003	-0.010
	Males	-0.372**	-0.477***	-0.137
Brand perception of favorite brand to amount willing to pay for favorite brand	Females	0.193*	0.143	-0.143
	Males	0.487***	0.308**	0.336**
Brand perception of favorite brand to willingness to buy favorite brand	Females	0.336***	0.315***	0.278**
	Males	0.567***	0.338**	0.590***

*This table shows correlations (Pearson r value) between consumer perceptions of favorite brands and various aspects of consumer behavior after consumer becomes aware of negative corporate news related to the maker of their favorite brands. *, **, *** indicate significance at the 10, 5, and 1 percent levels respectively.*

Table 2 shows a series of t-tests for differences in means between females and males respondents was calculated for 12 variables. The analysis indicated no distinctions between the means of female and male samples at any .10, .05 or .01 level across the 12 means analyzed. Therefore, the null hypothesis which stated that there were no distinctions between the samples was accepted.

The objectives of this research were to understand the impact on consumer behavior towards consumers' favorite brands after becoming aware of negative corporate news regarding the manufacturers of those brands. The study examined four aspects of consumer behavior: brand perception, shopping habits, price sensitivity, and willingness to purchase. The findings of this research indicate that in times of negative publicity businesses should institute proactive marketing measures to bolster consumer sentiment and counter the negative news.

A finding of this research is the breadth across product types and gender of the positive relationship between changes in brand perception of favorite brands brought about by negative corporate news of those brands and consumer willingness to buy favorite brands. As displayed in Table 1, 8 of 9 categories between females and males over three product categories show medium and strong correlations. Males indicate the strongest impact on buying behavior as high correlations between lowered brand perception caused by bad news and the willingness to buy favorite brands of clothing and personal electronics. Males also show a medium strength correlation in this area towards favorite brands of shampoo. Female willingness to buy favorite brands of clothing and personal electronics is also impacted at a medium correlation level. These results demonstrate that consumer buying behavior, even for favorite brands, is influenced by adverse news about the businesses that produces those brands.

Another finding of this study is that fluctuations in brand perception brought on by negative news influences the amount males are willing to pay for favorite brands. Results from Table 1 shows medium level correlations between the perception of the brand after poor corporate news and the amounts males are willing to pay (clothing, shampoo, and personal electronics). This research found that damaging corporate news makes males more price sensitive than females across product categories.

Table 2: T-test for Differences in Means between Female and Male Samples
Null hypothesis: There are no distinctions between samples

	Clothing	Shampoo	Personal electronics
Change in brand perception for favorite brand of:	0.0053 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.0110 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.0076 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels
Change in time willing to shop for competing brands of:	0.8572 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.6307 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.7453 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels
Change in amount willing to pay for favorite brand of:	0.0090 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.0316 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.0234 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels
Change in willingness to buy favorite brand of:	0.0014 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.0007 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels	0.0063 Null hypothesis accepted at 0.10, 0.05 & 0.01 levels

*This table shows two-tailed t-tests for difference in means. *, **, *** indicate significance at the 10, 5, and 1 percent levels respectively.*

An additional finding shows that negative business news surrounding favorite brands have a significant impact on the willingness of males to spend time shopping for competing products of those favorite brands. Specifically, males indicated (Table 1) that negative news surrounding their favorite brands of clothing and shampoo increased their willing to spend time shopping for competing brands. In situations of negative corporate news – especially concerning when males are significant target audiences – brand managers of brands damaged by negative news should take measures to counter the effects of the negative news, while competing brands have an opportunity to proactively market to males as that consumer segment is more open to considering brands beyond their favorites in such situations.

CONCLUSION

The objective of this research is to examine the impact of negative corporate news on the perceptions and consumer behavior towards consumer favorite brands. After identifying their favorite brands of clothing, shampoo and personal electronics, 116 undergraduate university students were given a scenario detailing significant negative news about the corporation that produced their favorite brands. The students then were surveyed regarding changes in brand perceptions of their favorite brands, their willingness to shop for competing brands, amount willing to pay for favorite brands, and willingness to purchase their favorite brands.

This research found that negative corporate news impacts consumer behavior – even towards consumers' favorite brands. Businesses would benefit from contingency plans developed to proactively address negative corporate news. Such actions could counter potential adverse changes in brand perceptions and related alterations to consumer shopping and buying behaviors that can result from negative business news. However, timely reactions by competing brands could take advantage of consumer openness to other products that result from favorite brand perception changes by negative business news.

Limitations of this research include the regional nature of the sample of university students used in the sample. This limitation could be minimized by multiple samples taken from universities throughout the nation. Another limitation was this research only offered one scenario of a very serious nature. An opportunity for future research would be to introduce variety to the seriousness levels of the corporate negative news. This would allow examination if consumer affinity for brands differed based on the level of bad news. Another opportunity for future research would be to expand the age ranges and geographic locations of the sample populations.

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